

JOINT-STOCK COMPANY
STORENT INVESTMENTS
(REGISTRATION NUMBER 40103834303)

CONSOLIDATED ANNUAL REPORT 2017 AND 2016

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

Riga, 2018

CONTENT

General information	3
Management report	4
Statement of management's responsibility	6
Consolidated statement of comprehensive income	7
Consolidated statement of financial position	8
Consolidated statement of cash flows	10
Consolidated statement of changes in equity	11
Notes to the consolidated financial statements	12
Independent auditors' report	53

General information

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

Management report

The Group's type of operations

Storent Investments AS (hereinafter – the Group's Parent company or Storent Investments AS) and its subsidiary companies (hereinafter – the Group) was established on 07 October 2014. The first company of the Group - Storent SIA - was established in 2008 by Andris Bisnieks and Andris Pavlovs with an objective to become one of the leading equipment rental companies in the Baltics and nearest European countries. At the end of 2008, a subsidiary Storent UAB was established in Lithuania and one year later a subsidiary Storent OU was launched in Estonia. At the end of year 2012, a subsidiary Storent Oy was established in Finland, in February 2013 a subsidiary Storent AB was founded in Sweden, and in June 2013 a subsidiary Storent AS was established in Norway. In December 2016 Storent Oy completed the acquisition of Leinolift Oy, a Finnish access equipment rental company. On 01 August 2017 Storent finalized the second acquisition, by purchasing Cramo operations in Latvia and Kaliningrad. In summer 2017 Storent started rental operations in Sweden. Currently, only Norwegian entity doesn't conduct economic activity. At the end of the reporting year Group consists of 9 entities with the main parent company Storent Investments AS and 8 subsidiaries in the Baltics and Nordic countries.

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

The reporting year was very good for the company. The consolidated turnover increased by 99% reaching almost 38.7 million euros. Growing construction market in all Baltic and Nordic countries has been one of factors that accelerated company growth. Another important growth driver has been Storent second acquisition – Cramo operations in Latvia and Kaliningrad. The acquisition perfectly fit Storent development strategy and allowed Storent to reach leading market position in Latvia. Storent group is excited to incorporate Cramo professionals and expect synergy effect from additional technical and human capability in order to use growing construction market potential to the fullest and further extent it's offering and quality of service to customers. Russian operation provides new opportunities in a region, which experiences boost due to an upcoming 2018 FIFA World Cup in Kaliningrad.

During reporting period, the Group made almost 8 million investments in fixed assets that allowed to open first rental depot in Sweden, Stockholm and to expand rental fleet in Finland and Baltics. Baltic companies increased turnover by 38% including Cramo Latvia incomes, and Finnish entity increased sales by 100% during reporting year. In 2017, the Group continued to strengthen its position on the market and still keeps stable position among top 3 rental companies in the Baltics.

With latest acquisition, the balance sheet structure of the Group has become stronger. Non-current assets constitute 84% of the total assets. Long-term loans constitute 43% of the total balance sheet. Security for creditors ensured by registered and paid stock capital in value of 33.3 million euros, as well as 6.2 million euros bank account balance at the end of the accounting period. The Group finalized the year 2017 with profit of 43 779 EUR.

The Group management plans to continue investing in development of subsidiaries in Baltics with an objective to acquire bigger part of market share and to become the market leader as well as continue to strengthen its position in Nordic market.

Management report (continued)**The future development of the Group**

The Group management expects that active acquisition of EU funds will continue through 2018, which will give a positive effect on the development of construction industry. Rental pricing increase expected to continue through the year. Currently available bank financing represents an additional driver for stable economic growth in the Baltic and Nordic countries, and this brings extra incentive to the construction sector. Taking into consideration the above-mentioned circumstances, the management of the Group plans to increase net sales in 2018 and to increase profitability.

Financial risk management

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

Proposal for the Group loss for the year coverage

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

Events after the balance sheet date

In order to meet minimal capital requirements according to respective country law of one of the Group's entity's the parent company made investment to share capital of respective subsidiary in amount of EUR 800 000 in March 2018.

As of the last day of the reporting year until the date of signing these consolidated financial statements, there have been no other events requiring adjustment of or disclosure in the consolidated financial statements or notes thereto.

The management report was signed on 14 May 2018 on the Group's behalf by:

Andris Bisnieks
Member of the Board

Andris Pavlovs
Member of the Board

Consolidated annual report is approved in shareholders meeting on _____ 2018

Statement of management's responsibility

The Group's management confirms that the consolidated financial statements present fairly the Group's financial position at 31 December 2017 and 2016 and its financial performance and cash flows for the years then ended. The consolidated financial statements have been prepared according to the International Financial Reporting Standards adopted by the European Union. During the preparation of the Group's consolidated financial statements the management:

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

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

This statement of management's responsibility was signed on 14 May 2018 by:

Andris Bisnieks
Member of the Board

Andris Pavlovs
Member of the Board

Consolidated statement of comprehensive income

	Notes	2017 EUR	2016 EUR	2015 EUR
Net revenue	3	38 670 555	19 426 875	19 142 848
Other operating income	4	190 416	77 892	50 280
Cost of materials and services received	5	(12 734 509)	(6 076 318)	(6 118 753)
Personnel costs	11	(8 555 743)	(4 472 506)	(4 179 518)
Other operating expenses	6	(5 750 588)	(2 864 357)	(3 063 195)
Depreciation and amortization	7	(8 387 318)	(6 384 759)	(5 653 213)
Interest and similar income	8	955	-	-
Interest and similar expenses	9	(3 191 886)	(2 906 095)	(2 587 530)
Profit / (loss) before income tax		241 882	(3 199 268)	(2 409 081)
Income tax expense	10	(181 908)	110 961	115 407
Profit / (loss) for the year		59 974	(3 088 307)	(2 293 674)
Items that may be reclassified subsequently to profit or loss				
Exchange differences on foreign currency operations		(16 195)	-	1 814
Other comprehensive income for the year		(16 195)	-	1 814
Total comprehensive income for the year		43 779	(3 088 307)	(2 291 860)
Basic earnings per share		0.002	(0.432)	(0.321)

The notes on pages 12 to 52 are an integral part of these consolidated financial statements.

On behalf of the Group these consolidated financial statements were signed on 14 May 2018 by:

Andris Bisnieks
Member of the Board

Andris Pavlovs
Member of the Board

Consolidated statement of financial position**ASSETS**

		31.12.2017	31.12.2016	31.12.2015	31.12.2014.
		EUR	EUR	EUR	EUR
NON-CURRENT ASSETS	Notes				
Intangible assets					
Licences and similar rights		266 526	309 979	134 919	44 239
Other intangible investments		514 513	379 447	321 829	240 839
Customer relationships		65 972	107 639	-	-
Goodwill		15 346 352	14 336 732	13 314 795	13 314 795
TOTAL	12	16 193 363	15 133 797	13 771 543	13 599 873
Property, plant and equipment					
Lands and buildings		264 195	-	-	-
Leasehold improvements		125 846	118 825	-	-
Plant and equipment		53 161 512	48 347 736	42 196 822	26 294 546
Other fixed assets		880 885	793 958	707 257	535 558
Construction in progress		686 962	288 700	-	-
TOTAL	13	55 119 400	49 549 219	42 904 079	26 830 104
Other non-current assets					
Deferred income tax assets	10	163 863	1 025 475	1 037 474	79 633
Other long-term receivables		-	70 000	70 000	-
Deferred expenses	17	32 393	41 166	-	-
TOTAL		196 256	1 136 641	1 107 474	79 633
TOTAL NON-CURRENT ASSETS		71 509 019	65 819 657	57 783 096	40 509 610
CURRENT ASSETS					
Inventories	14	1 042 870	692 646	672 180	534 304
Trade and other receivables					
Trade receivables	15	5 162 516	3 458 628	2 488 373	2 717 819
Corporate income tax overpayment		40 249	99 777	69 297	-
Other receivables	16	276 736	263 871	105 680	143 893
Prepaid expenses	17	553 458	160 950	108 239	135 023
TOTAL		6 032 959	3 983 226	2 771 589	2 996 735
Cash and cash equivalents	18	6 239 954	4 123 516	4 094 211	9 970 379
TOTAL CURRENT ASSETS		13 315 783	8 799 388	7 537 980	13 501 418
TOTAL ASSETS		84 824 802	74 619 045	65 321 076	54 011 028

The notes on pages 12 to 52 are an integral part of these consolidated financial statements.

On behalf of the Group these consolidated financial statements were signed on 14 May 2018 by:

Andris Bisnieks
Member of the Board

Andris Pavlovs
Member of the Board

Consolidated statement of financial position**EQUITY AND LIABILITIES**

EQUITY	Notes	31.12.2017 EUR	31.12.2016 EUR	31.12.2015 EUR	31.12.2014. EUR
Share capital	19	33 316 278	7 142 858	7 142 858	7 142 858
Reserves:					
Foreign currency translation reserve		(14 381)	1 814	1 814	-
Other reserves		26 774	26 774	26 774	10 717
Accumulated loss:					
Previous' years accumulated deficit		(6 565 079)	(3 087 843)	(794 169)	(850 998)
Profit/ (loss) for the year		59 974	(3 088 307)	(2 293 674)	71 957
TOTAL EQUITY		26 823 566	995 296	4 083 603	6 374 534
LIABILITIES					
Non-current liabilities					
Loans from credit institutions	21	25 565	42 000	-	-
Issued bonds	22	6 507 402	-	-	-
Loans from related companies	29 c	4 883 870	29 809 346	24 327 022	22 867 210
Finance lease liabilities	23	19 101 594	20 731 423	15 691 588	10 337 390
Other borrowings	24	5 420 741	4 685 687	6 511 908	3 636 653
Provisions	20	539 554	812 315	40 565	-
Deferred income	26	737 816	1 588 679	-	-
Deferred income tax liabilities	10	572 260	1 297 241	903 662	86 806
TOTAL		37 788 802	58 966 691	47 474 745	36 928 059
Current liabilities					
Loans from credit institutions	21	16 435	14 000	-	-
Finance lease liabilities	23	9 254 841	8 452 214	8 242 296	5 859 055
Other borrowings	24	2 998 385	1 903 879	1 820 398	1 085 265
Advances from customers		131 811	37 525	42 762	70 452
Trade payables		3 724 111	1 876 368	2 739 141	2 455 130
Corporate income tax liabilities		789	77 276	-	-
Taxes and national mandatory social insurance contributions	25	679 754	448 724	269 059	434 896
Provisions	20	957 940	114 668	94 635	-
Deferred income	26	1 051 644	804 455	-	-
Other liabilities	27	297 754	226 037	192 214	187 772
Accrued liabilities	28	1 098 970	701 912	362 223	615 865
TOTAL		20 212 434	14 657 058	13 762 728	10 708 435
TOTAL LIABILITIES		58 001 236	73 623 749	61 237 473	47 636 494
TOTAL EQUITY AND LIABILITIES		84 824 802	74 619 045	65 321 076	54 011 028

The notes on pages 12 to 52 are an integral part of these consolidated financial statements.

On behalf of the Group these consolidated financial statements were signed on 14 May 2018 by:

Andris Bisnieks
Member of the Board

Andris Pavlovs
Member of the Board

Consolidated statement of cash flows

	Notes	2017 EUR	2016 EUR	2015 EUR
Cash flows from operating activities				
Profit/ (loss) before income tax		241 882	(3 199 268)	(2 409 081)
Adjustments:				
Amortisation of intangible assets and depreciation of property, plant and equipment	12, 13	9 347 320	6 787 168	5 898 619
Net result on disposals of property, plant and equipment		(1 024 502)	(357 303)	280 444
Interest expense	9	3 177 804	2 897 317	2 577 163
Provision increase		570 511	15 397	-
Operating results before changes in working capital		12 313 015	6 143 311	6 347 145
Receivables (increase)		(922 016)	(101 526)	(163 968)
Inventories (increase)		(240 816)	(16 119)	(137 876)
Payables increase/ (decrease)		2 099 452	(297 121)	(914 912)
Cash flows from operating activities		13 249 635	5 728 545	5 130 389
Interest paid		(2 573 383)	(1 333 640)	(1 135 788)
Corporate income tax paid		(340 324)	(168 865)	(114 717)
Net cash flow generated from operating activities		10 335 928	4 226 040	3 879 884
Cash flows from investing activities				
Purchases of property, plant and equipment		(2 397 348)	(1 642 885)	(6 122 433)
Acquisition of subsidiary		(4 560 229)	(2 800 000)	-
Proceeds from sale of property, plant and equipment		251 270	187 771	140 509
Net cash used in investing activities		(6 706 307)	(4 255 114)	(5 981 924)
Cash flows from financing				
Proceeds from borrowings		11 744 652	4 000 000	5 791 249
Proceeds from lease back transactions		1 117 000	5 638 739	-
Loan repayment		(5 145 351)	(2 059 473)	(1 893 292)
Repayment of finance leases		(9 428 162)	(7 693 505)	(7 672 085)
Net cash used in financing activities		(1 711 861)	(114 239)	(3 774 128)
Foreign currency exchange		(16 195)	-	-
Net cash flow for the year		1 901 565	(143 313)	(5 876 168)
Cash in subsidiary at the acquisition moment		214 873	172 618	-
Cash and cash equivalents at the beginning of the reporting year		4 123 516	4 094 211	9 970 379
Cash and cash equivalents at the end of the reporting year	18	6 239 954	4 123 516	4 094 211

During 2017 significant non cash transactions relate to acquisition of property, plant and equipment under finance lease arrangements in the amount of 7 582 164 EUR (2016: 3 440 227 EUR).

The notes on pages 12 to 52 are an integral part of these consolidated financial statements.

On behalf of the Group these consolidated financial statements were signed on 14 May 2018 by:

Andris Bisnieks
Member of the Board

Andris Pavlovs
Member of the Board

Consolidated statement of changes in equity

	Share capital	Foreign currency translation reserve	Other reserves *	Previous' years accumulated deficit	Profit/ (loss) for the year	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Balance at 31 December 2013	5 000 000	-	290	(1 843 702)	1 172 320	4 328 908
Share issue	2 142 858	-	-	(167 340)	-	1 975 518
Aquisition result	-	-	-	-	(144 908)	(144 908)
Profit for the year	-	-	-	-	216 865	216 865
Transfer	-	-	10 427	1 160 044	(1 172 320)	(1 849)
Balance at 31 December 2014	7 142 858	-	10 717	(850 998)	71 957	6 374 534
Loss for the year	-	-	-	-	(2 293 674)	(2 293 674)
Other comprehensive income	-	1 814	-	-	-	1 814
Transfer of previous' year profit	-	-	16 057	56 829	(71 957)	929
Balance at 31 December 2015	7 142 858	1 814	26 774	(794 169)	(2 293 674)	4 083 603
Loss for the year	-	-	-	-	(3 088 307)	(3 088 307)
Transfer of previous' year loss	-	-	-	(2 293 674)	2 293 674	-
Balance at 31 December 2016	7 142 858	1 814	26 774	(3 087 843)	(3 088 307)	995 296
Share issue (Note 19)	26 173 420	-	-	(388 929)	-	25 784 491
Profit for the year	-	-	-	-	59 974	59 974
Other comprehensive income	-	(16 195)	-	-	-	(16 195)
Transfer of previous' year loss	-	-	-	(3 088 307)	3 088 307	-
Balance at 31 December 2017	33 316 278	(14 381)	26 774	(6 565 079)	59 974	26 823 566

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

The notes on pages 12 to 52 are an integral part of these consolidated financial statements.

On behalf of the Group these consolidated financial statements were signed on 14 May 2018 by:

Andris Bisnieks
Member of the Board

Andris Pavlovs
Member of the Board

Notes to the consolidated financial statements

1. General information

Storent Investments AS (hereinafter – the Group's Parent company or Storent Investments AS) was registered in the Company Register of the Republic of Latvia on 7 October 2014. Registered address of the Group's Parent company is 15A Matrozu street, Riga. Starting from 20 November 2014 the major shareholder of the Group's Parent company is LEVINA INVESTMENTS S.A.R.L (Luxemburg).

The Group's Parent company and its subsidiaries Storent SIA, UAB Storent, Storent OÜ, Storent AB, Storent AS, Storent OOO, Storent OY and Leinolift Oy (hereinafter – the Group) main operations relate to the rental of industrial equipment.

The consolidated financial statements for 2017 were approved by the decision of the Management Board of the Group's Parent company on _____ 2018.

2. Summary of significant accounting policies

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the interpretations issued by the International Financial Reporting Issues Committee as adopted by the EU.

The consolidated financial statements have been prepared on the historical cost basis except positions which are stated at their fair values. Income statement classified by expense type. Cash flow statement is prepared using the indirect method.

The accompanying consolidated financial statements are presented in the currency of the Latvian Republic, the euro (hereinafter – EUR).

(b) Consolidation

As at 31 December 2017 the Group's Parent company had control over the following subsidiaries:

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

The subsidiaries Leinolift Oy and Storent OO was acquired by the Group by the way of acquisition.

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

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

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

2. Summary of significant accounting policies (cont.)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. The Group Parent company's and its subsidiaries' financial years are equal and represent the calendar year, except for Leinolift Oy that has financial year from 1 July till 30 June, but for consolidated financial statement purposes financial data are recalculated for the period from 1 January 2017 till 31 December 2017. For the purposes of preparing the consolidated financial statements uniform accounting policies have been applied.

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

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

(c) Foreign currency transactions

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

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

European Central Bank exchange rates:

	31.12.2017	31.12.2016	31.12.2015	31.12.2014
	EUR	EUR	EUR	EUR
1 USD	1.1993	0.94868	0.91853	0.82366
1 GBP	0.88723	1.16798	1.36249	1.28386
1 NOK	0.098403	0.11006	0.10413	0.11060
1 SEK	0.098438	0.10468	0.10882	0.10646
1 RUB	0.69392	0.06430	0.01240	0.01382

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 other comprehensive income.

(d) Consolidation of foreign subsidiaries

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

(e) Estimates and assumptions

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

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

2. Summary of significant accounting policies (cont.)**(e) Estimates and assumptions (cont.)***The carrying amounts of intangible assets and fixed assets*

The Group's management reviews the carrying amounts of intangible assets and property, plant and equipment, and assesses whenever indications exist that the assets' recoverable amounts are lower than their carrying amounts. The Group's management calculates and records an impairment loss on intangible assets and fixed assets based on the estimates related to the expected future use, planned liquidation or sale of the assets. Taking into consideration the Group's planned level of activities and the estimated market value of the assets, the Group's management considers that no significant adjustments to the carrying values of intangible assets fixed assets are necessary as of 31 December 2017.

Useful lives of fixed assets

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

Lease classification

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

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

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

Deferred tax asset on tax losses to be carried forward

A deferred tax asset shall be recognized for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. When considering whether a deferred tax asset can be recognized the management uses their judgment in estimating whether there will be sufficient taxable profits in the future and about their timing and the overall future tax planning strategy. A deferred tax asset is recognized on all tax losses to be carried forward as of 31 December 2017. The Group's management assumes that it is probable that the Group will have sufficient taxable profits in the future against which the tax losses will be utilized.

Allowance for doubtful and bad trade receivables

The Group's management evaluates the carrying amounts of trade receivables and assesses their recoverability, making an allowance for doubtful and bad trade receivables, if necessary. The Group's management has evaluated the trade receivables and considers that it is not necessary to make any additional significant allowances as of 31 December 2017.

Net realizable value of inventories

The Group's management evaluates the net realizable value of inventories based upon the expected sales prices and selling costs and assesses the physical condition of inventories during the annual stock count. If the net realizable value of inventories is lower than the cost of inventories then an allowance is recorded. The Company's management has evaluated the net realizable value of inventories and considers that it is not necessary to make any additional significant allowance as of 31 December 2017.

2. Summary of significant accounting policies (cont.)**(f) Intangible assets***Goodwill*

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

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

Other intangible assets

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

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

(g) Property, plant and equipment

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

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

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

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

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

2. Summary of significant accounting policies (cont.)***(h) Impairment of tangible and intangible assets other than goodwill (cont.)***

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

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

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

(i) Loans and receivables

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

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

(j) Borrowings

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

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

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

(k) Inventories

Inventories are stated at the lower of cost and net realizable value.

Costs incurred in bringing the inventories to their present location and condition is measured for as follows:

- consumables and finished goods are measured at cost of purchase applying "first in first out" (FIFO) method;

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

(l) Cash and cash equivalents

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

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

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

(n) Derecognition of financial assets and financial liabilities**Financial assets**

A financial asset is derecognized if:

- the contractual rights to the cash flows from the financial asset expire;
- the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay cash flows without material delay to a third party based on an earlier arrangement without any profit arising
- the Group transfers the contractual rights to receive the cash flows of the and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset to a third party, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of these assets but has transferred control over the item of financial asset.

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

Financial liabilities

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

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

(o) Contingent liabilities and assets

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

2. Summary of significant accounting policies (cont.)**(p) Leases***The Group as lessor*

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

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

The Group as lessee

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

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

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

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

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

(q) Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and to the extent its amounts can be measured reliably, net of value added tax and trade discounts. Upon recognizing income, the following must be complied with:

Sale of goods

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;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and the costs incurred or to be incurred in respect of the transaction 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;
- it is probable that the economic benefits associated with the transaction will flow to the Group.

2. Summary of significant accounting policies (cont.)**(r) Segment information**

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

(s) Fair value

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

(t) Related party transaction

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

(u) Corporate income tax

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

Current tax*Corporate income tax for the reporting year (Latvia and Lithuania)*

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

Corporate income tax for the reporting year (Estonia)

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

Corporate income tax for the reporting year (Finland)

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

Corporate income tax for the reporting year (Sweden)

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

Corporate income tax for the reporting year (Russia)

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

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

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

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

Deferred income tax (Latvia)

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

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

Deferred income tax (Estonia)

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

(z) Post balance sheet events

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

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

These financial statements, for the year ended 31 December 2017, are the first the Group has prepared in accordance with International Financial Reporting Standards. Group's date of transition to IFRS's is 1 January 2015.

Accordingly, the Group has prepared financial statements which comply with IFRS applicable for periods ending on or after 31 December 2017, together with the comparative period data as at and for the year ended 31 December 2016 and 31 December 2015, as described in the summary of significant accounting policies.

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

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

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

Adoption of new or revised standards and interpretations

There are new standard and amendments to the existing standards adopted by the EU, which are not yet effective for the year ended 31 December 2017 and which have not been applied in preparing these consolidated statements:

- IFRS 9 "Financial Instruments" - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018)

IFRS 9 includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

Classification and Measurement - IFRS 9 introduces new approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements under IAS 39. The new model also results in a single impairment model being applied to all financial instruments.

Impairment - IFRS 9 has introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

Hedge accounting - IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities.

Own credit - IFRS 9 removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.

The Group is in process of evaluation of the impact of the issued standard on the Group's financial statements, no reliable calculations are yet available.

- IFRS 15 *Revenue from Contracts with Customers* (effective for annual periods beginning on or after 1 January 2018). IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 *Revenue*, IAS 11 *Construction Contracts* and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. The core principle of the new Standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services.

2. Summary of significant accounting policies (cont.)

Adoption of new or revised standards and interpretations (cont.)

The new Standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The Group currently is evaluating the potential impact of the issued standard on Group's financial statements.

- IFRS 16 *Leases* (effective for annual periods beginning on or after 1 January 2019). Under IFRS 16 a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. As with IFRS 16's predecessor, IAS 17, lessors classify leases as operating or finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease. For finance leases a lessor recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis. The Group currently is evaluating the potential impact of the issued standard on Group's financial statements.
- Amendments to IFRS 2 *Share-based Payment - Classification and Measurement of Share-based Payment Transactions* (effective for annual periods beginning on or after 1 January 2018). The amendments provide requirements on the accounting for: (a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (b) share-based payment transactions with a net settlement feature for withholding tax obligations; and (c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Group considers that the amendments will have no impact on Group's financial statements.
- Amendments to IFRS 4 *Insurance Contracts - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied first time). The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing the replacement standard that the Board is developing for IFRS 4. The Group does not consider that the amendments would have material impact on Group's financial statements.
- Amendments to IFRS 9 *Financial Instruments - Prepayment Features with Negative Compensation* (effective for annual periods beginning on or after 1 January 2019). The amendments modifies the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Under the amendments, the sign of the prepayment amount is not relevant, i. e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favour of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of a early repayment gain. The Group considers that the amendments will have no impact on Group's financial statements.
- *Clarifications to IFRS 15 Revenue from Contracts with Customers* (effective for annual periods beginning on or after 1 January 2018). The amendments address implementation questions on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property (IP), and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying it. The Group does not consider that the clarifications would have material impact on Group's financial statements.

2. Summary of significant accounting policies (cont.)

Adoption of new or revised standards and interpretations (cont.)

- Amendments to IAS 40 *Investment Property - Transfers of Investment Property* (effective for annual periods beginning on or after 1 January 2018; not yet adopted by the EU). The amendments state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. Amendments also state that the list of evidence in paragraph 57 was designated as non-exhaustive list of examples instead of the previous exhaustive list. The Group does not consider that the amendments would have material impact on Group's financial statements.
- Amendments to various standards *Improvements to IFRSs (cycle 2014-2016)* resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018). Changes include: (i) deletion of the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose, (ii) clarification of the scope of the IFRS 12 by specifying that the disclosure requirements in IFRS 12, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", (iii) clarification of the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. The Group does not consider that the amendments would have material impact on Group's financial statements.
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (effective for annual periods beginning on or after 1 January 2018). Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The Group does not consider that the interpretation would have material impact on Group's financial statements.

2. Summary of significant accounting policies (cont.)

A number of new standards, amendments to standards and interpretations not yet adopted by the EU as at 31 December 2017, have not been applied in preparing these consolidated statements:

- IFRS 14 *Regulatory Deferral Accounts* (effective for annual periods beginning on or after 1 January 2016; not adopted by the EU, as the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard). This Standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS. The issued standard will have no impact on Group's financial statements.
- IFRS 17 *Insurance Contracts* (effective for annual periods beginning on or after 1 January 2021; not adopted by the EU). The new standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 "Insurance Contracts" and related interpretations while applied. The issued standard will have no impact on Group's financial statements.
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* issued by IASB on 11 September 2014 (on 17 December 2015 IASB deferred indefinitely effective date; not adopted by the EU). The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The Group does not consider that the amendments would have material impact on Group's financial statements.
- Amendments to IAS 19 *Employee Benefits - Plan Amendment, Curtailment or Settlement* (effective for annual periods beginning on or after 1 January 2019, not adopted by the EU). The amendments require to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. The Group does not consider that the amendments would have material impact on Group's financial statements.
- Amendments to IAS 28 *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures* (effective for annual periods beginning on or after 1 January 2019; not adopted by the EU). Amendments were introduced to clarify that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. Amendments also delete paragraph 41 because the Board felt that it merely reiterated requirements in IFRS 9 and had created confusion about the accounting for long-term interests. The Group considers that the amendments will have no impact on Group's financial statements.
- Amendments to various standards due to *Improvements to IFRSs (cycle 2015-2017)* (effective for annual periods beginning on or after 1 January 2019; not adopted by the EU). Amendments to various standards resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording. The amendments clarify that: a company remeasures its previously held interest in a joint operation when it obtains control of the business (IFRS 3); a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business (IFRS 11); a company accounts for all income tax consequences of dividend payments in the same way (IAS 12); and a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale (IAS 23). The Group considers that the amendments will have no impact on Group's financial statements.
- IFRIC 23 *Uncertainty over Income Tax Treatments* (effective for annual periods beginning on or after 1 January 2019; not adopted by the EU). It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 *Income Taxes* specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The Group does not consider that the interpretation would have material impact on Group's financial statements.

3. Net revenue

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

<i>Net revenue by products and services</i>	2017 EUR	2016 EUR	2015 EUR
Rental revenue	30 191 410	15 793 247	15 692 772
Transport and related services revenue	7 769 417	3 108 110	2 912 449
Revenue from sale of inventories	641 831	519 910	469 208
Revenue from sale of property, plant and equipment used for renting	119 168	60 729	140 509
Cash discounts to customers	(51 271)	(55 121)	(72 090)
TOTAL:	38 670 555	19 426 875	19 142 848

<i>Net revenue per geographical location</i>	2017 EUR	2016 EUR	2015 EUR
Finland	11 277 868	-	-
Latvia	11 159 693	6 743 608	7 020 774
Lithuania	9 463 249	7 896 647	8 149 401
Estonia	6 110 368	4 785 094	3 972 673
Russia, Kaliningrad	385 794	-	-
Sweden	273 583	1 526	-
TOTAL:	38 670 555	19 426 875	19 142 848

<i>Property, plant and equipment per geographical location</i>	31.12.2017 EUR	31.12.2016 EUR	31.12.2015 EUR
Finland	10 353 280	9 953 721	-
Baltics (Latvia, Estonia and Lithuania)	44 424 807	39 595 498	42 904 079
Russia, Kaliningrad	180 892	-	-
Sweden	160 422	-	-
TOTAL:	55 119 400	49 549 219	42 904 079

<i>Intangible assets (including goodwill) per geographical location</i>	31.12.2017 EUR	31.12.2016 EUR	31.12.2015 EUR
Finland	1 092 977	1 129 576	10 000
Baltics (Latvia, Estonia and Lithuania)	14 770 184	14 004 221	13 761 543
Russia, Kaliningrad	329 585	-	-
Sweden	617	-	-
TOTAL:	16 193 363	15 133 797	13 771 543

4. Other operating income

By type	2017 EUR	2016 EUR	2015 EUR
Insurance reimbursements received	102 752	23 994	24 255
Cost compensation	21 146	43 508	24 784
Other income	66 518	10 390	1 241
TOTAL:	190 416	77 892	50 280

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

	2017 EUR	2016 EUR	2015 EUR
Cost of goods sold	430 190	297 631	278 704
Cost of sold property, plant and equipment used for renting	127 243	129 688	201 338
Renting equipment corrected due to stock count	3 120	(34 519)	(41 851)
TOTAL:	560 553	392 800	438 191

b) Other external costs

	2017 EUR	2016 EUR	2015 EUR
Transport and assembly services	5 665 805	2 617 861	2 489 960
Equipment rent related costs	4 417 423	1 970 773	2 286 542
Repairs and maintenance services	2 090 728	1 094 884	904 060
TOTAL:	12 173 956	5 683 518	5 680 562

6. Other operating expenses

	2017 EUR	2016 EUR	2015 EUR
Rent of offices and areas and maintenance costs	1 963 067	1 167 737	996 634
Other administrative expenses	788 369	297 471	423 680
Written-off doubtful debts	339 835	380 645	168 075
Administration transport costs	818 100	431 743	445 407
IT expenses	505 845	265 436	245 237
Insurance costs	319 705	226 583	212 185
Marketing expenses	339 430	133 564	290 499
Consulting and other services	210 079	-	-
Legal services	327 292	-	-
Communication expenses	136 549	96 573	94 725
Allowance (recovery) for doubtful debts	2 317	(135 395)	186 753
TOTAL:	5 750 588	2 864 357	3 063 195

7. Depreciation and amortization

	2017 EUR	2016 EUR	2015 EUR
Property, plant and equipment depreciation	8 993 773	6 527 481	5 465 061
Amortization of intangible assets	352 971	259 687	188 152
Recognized deferred income (Note 26)	(959 426)	(402 409)	-
TOTAL:	8 387 318	6 384 759	5 653 213

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

	2017 EUR	2016 EUR	2015 EUR
Depreciation of property, plant and equipment used for renting	8 579 633	6 225 290	5 223 433
Depreciation of property, plant and equipment used for own needs	414 140	302 191	241 628
TOTAL:	8 993 773	6 527 481	5 465 061

8. Interest and similar income

	2017 EUR	2016 EUR	2015 EUR
Interest income	955	-	-
TOTAL:	955	-	-

9. Interest and similar expenses

	2017 EUR	2016 EUR	2015 EUR
Interest on borrowings	1 481 515	1 746 012	1 570 234
Interest related to finance lease	1 286 307	1 068 746	919 037
Interest related to bonds	268 811	-	-
Amortization of incurred incremental costs	126 125	78 042	77 828
Interest on factoring	15 046	4 517	10 065
Net foreign exchange losses	2 140	655	2 700
Other expenses	11 942	8 123	7 666
TOTAL:	3 191 886	2 906 095	2 587 530

Interest expenses presented above are incurred by financial instruments presented in the group Financial liabilities at amortized cost in accordance with IAS 39.

10. Income tax expense

	2017 EUR	2016 EUR	2015 EUR
Corporate income tax calculated for the year	(42 175)	(591)	(25 578)
Deferred income tax changes due to temporary differences	(139 733)	111 552	140 985
Corporate income tax recognized in consolidated statement of comprehensive income:	(181 908)	110 961	115 407

Deferred income tax:

	Consolidated statement of financial position			
	31.12.2017 EUR	31.12.2016 EUR	31.12.2015 EUR	31.12.2014 EUR
Deferred income tax liabilities				
Accelerated depreciation for tax purposes	1 774 645	3 374 360	2 815 142	2 521 611
Gross deferred income tax liabilities	1 774 645	3 374 360	2 815 142	2 521 611
Deferred income tax assets				
Tax losses carried forward	(1 362 434)	(3 315 723)	(2 739 118)	(2 303 892)
Accrued vacation reserve	(2 459)	(43 064)	(12 151)	(51 671)
Other	(1 355)	256 193	(197 685)	(158 875)
Gross deferred income tax asset	(1 366 248)	(3 102 594)	(2 948 954)	(2 514 438)
Net deferred income tax asset	(163 863)	(1 025 475)	(1 037 474)	(79 633)
Net deferred income tax liabilities	572 260	1 297 241	903 662	86 806

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

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

	2017 EUR	2016 EUR	2015 EUR
Profit/ (loss) before income tax	241 882	(3 199 268)	(2 409 081)
Reversed loss incurred by subsidiary in Estonia	-	(702 821)	(1 264 209)
Profit/ (loss) before income tax, subject to corporate income tax	241 882	(2 496 447)	(1 144 872)
The calculated theoretical corporate income tax – at 15%	36 282	(374 467)	(171 731)
Permanent differences:			
Expenses not related to business	1 494	572	1 039
Other permanent differences	144 132	262 934	55 285
The actual corporate income tax for the reporting year:	181 908	(110 961)	(115 407)
Effective corporate income tax rate	75.21%	3.47%	4.79%

11. Personnel expenses and number of employees

	2017 EUR	2016 EUR	2015 EUR
Salaries	5 730 054	3 309 137	3 144 798
State social security mandatory contributions	1 814 981	904 775	779 775
Other personnel costs	845 446	155 997	201 419
Remuneration to contractors	165 262	102 597	53 526
TOTAL:	8 555 743	4 472 506	4 179 518

Executive management remuneration:	2017 EUR	2016 EUR	2015 EUR
Board members			
Salaries	484 512	314 338	315 520
State social security mandatory contributions	114 089	73 936	74 147
TOTAL:	598 601	388 274	389 667

	2017	2016	2015
Average number of employees during the reporting year	285	226	166
TOTAL:	285	226	166

Personnel costs by function:	2017 EUR	2016 EUR	2015 EUR
Sales	3 214 124	1 680 180	1 635 443
Customer services	3 482 256	1 820 346	1 292 886
Administration and finance staff	1 859 363	971 980	1 251 189
TOTAL:	8 555 743	4 472 506	4 179 518

12. Intangible assets

	Licenses and similar rights	Other intangible assets	Customer relationships	Goodwill	TOTAL
	EUR	EUR	EUR	EUR	EUR
FY 2014					
Net carrying value, opening	66 663	244 476	-	-	311 139
Additions	-	167 848	-	13 314 795	13 482 643
Amortisation	(22 424)	(171 485)	-	-	(193 909)
Net carrying value, closing	44 239	240 839	-	13 314 795	13 599 873
At 31 December 2014					
Historical cost	90 885	545 750	-	13 314 795	13 951 430
Accumulated amortisation	(46 646)	(304 911)	-	-	(351 557)
Net carrying value	44 239	240 839	-	13 314 795	13 599 873
FY 2015					
Net carrying value, opening	44 239	240 839	-	13 314 795	13 599 873
Additions	163 953	500 107	-	-	664 060
Disposals, net	(40 503)	(202 381)	-	-	(242 884)
Amortisation	(32 770)	(216 736)	-	-	(249 506)
Net carrying value, closing	134 919	321 829	-	13 314 795	13 771 543
At 31 December 2015					
Historical cost	250 409	1 197 122	-	13 314 795	14 762 326
Accumulated amortisation	(115 490)	(875 293)	-	-	(990 783)
Net carrying value	134 919	321 829	-	13 314 795	13 771 543
FY 2016					
Net carrying value, opening	134 919	321 829	-	13 314 795	13 771 543
Additions	214 968	277 397	-	-	492 365
Additions due to acquisition	-	-	107 639	1 021 937	1 129 576
Amortisation	(39 908)	(219 779)	-	-	(259 687)
Net carrying value, closing	309 979	379 447	107 639	14 336 732	15 133 797
At 31 December 2016					
Historical cost	465 376	1 474 513	125 000	14 336 732	16 401 621
Accumulated amortisation	(155 397)	(1 095 066)	(17 361)	-	(1 267 824)
Net carrying value	309 979	379 447	107 639	14 336 732	15 133 797
FY 2017					
Net carrying value, opening	309 979	379 447	107 639	14 336 732	15 133 797
Additions	32 947	366 532	-	-	399 479
Additions due to acquisition *	2 320	1 118	-	1 009 620	1 013 058
Amortisation	(78 720)	(232 584)	(41 667)	-	(352 971)
Net carrying value, closing	266 526	514 513	65 972	15 346 352	16 193 363
At 31 December 2017					
Historical cost	501 222	1 843 031	125 000	15 346 352	17 815 605
Accumulated amortisation	(234 696)	(1 328 518)	(59 028)	-	(1 622 242)
Net carrying value	266 526	514 513	65 972	15 346 352	16 193 363

* Regarding Goodwill increase in relation to acquisition please see Note 38.

12. Intangible assets (cont.)

Property, plant and equipment and intangible assets are tested for impairment for each reporting date. For the purpose of impairment testing on property, plant and equipment and intangible assets, recoverable amount - value in use - is determined by discounting the future cash flows generated from the continuing use of assets and was based on the following key assumptions: Cash flows were projected based on a 5 year business plan. Cash flows were extrapolated using the compound annual revenue growth rates from 7% to 8% in the Baltics, 40% in the Kaliningrad region of Russia and 17% for Finland. The compound annual growth rates for costs were from 5% to 7% in the Baltics, 41% in Russia and 15% for Finland. A post-tax discount rate of 10% was applied in determining the recoverable amount of assets. The discount rate was estimated based on an industry average weighted average cost of capital. No impairment has been identified. The recoverable value of non-current assets significantly depends on the assumptions used in valuation with respect to sales growth and timing of this growth as well as Group management's ability to realize those assumptions and overall development of Baltic and Nordic construction market. Any adverse changes to these assumptions caused by volatility of the market the Group operates in, may negatively influence the carrying value of non-current assets presented in the Group's balance sheet as of 31 December 2017.

13. Property, plant and equipment

	Land and buildings	Leasehold improvements	Plant and equipment	Other fixed assets	Construction in progress	TOTAL
	EUR	EUR	EUR	EUR	EUR	EUR
FY 2014						
Net carrying value, opening	-	-	23 622 441	342 578	-	23 965 019
Additions	-	-	6 461 925	388 331	-	6 850 256
Disposals, net	-	-	(229 098)	(38 308)	-	(267 407)
Depreciation	-	-	(3 560 722)	(157 043)	-	(3 717 765)
Net carrying value, closing	-	-	26 294 546	535 558	-	26 830 104
at 31 December 2014						
Historical cost	-	-	38 346 087	1 108 288	-	39 454 375
Accumulated depreciation	-	-	(12 051 541)	(572 730)	-	(12 624 271)
Net carrying value	-	-	26 294 546	535 558	-	26 830 104
FY 2015						
Net carrying value, opening	-	-	26 294 546	535 558	-	26 830 104
Additions	-	-	21 353 034	477 957	-	21 830 991
Disposals, net	-	-	(227 325)	(64 630)	-	(291 955)
Depreciation	-	-	(5 223 433)	(241 628)	-	(5 465 061)
Net carrying value, closing	-	-	42 196 822	707 257	-	42 904 079
at 31 December 2015						
Historical cost	-	-	58 993 083	1 362 199	-	60 355 282
Accumulated depreciation	-	-	(16 796 261)	(654 942)	-	(17 451 203)
Net carrying value	-	-	42 196 822	707 257	-	42 904 079
FY 2016						
Net carrying value, opening	-	-	42 196 822	707 257	-	42 904 079
Additions	-	-	506 484	149 750	-	656 234
Additions due to acquisition	-	118 825	9 295 189	251 007	288 700	9 953 721
Value increase*	-	-	2 795 541	-	-	2 795 541
Disposals, net	-	-	(221 010)	(11 865)	-	(232 875)
Depreciation	-	-	(6 225 290)	(302 191)	-	(6 527 481)
Net carrying value, closing	-	118 825	48 347 736	793 958	288 700	49 549 219
at 31 December 2016						
Historical cost	-	148 531	74 246 227	1 841 953	288 700	76 525 411
Accumulated depreciation	-	(29 706)	(25 898 491)	(1 047 995)	-	(26 976 192)
Net carrying value	-	118 825	48 347 736	793 958	288 700	49 549 219
FY 2017						
Net carrying value, opening	-	118 825	48 347 736	793 958	288 700	49 549 219
Additions	-	19 746	8 502 376	407 291	398 262	9 327 675
Additions due to acquisition	269 882	20 538	4 709 035	67 842	-	5 067 297
Value increase*	-	-	355 752	-	-	355 752
Disposals, net	-	-	(173 132)	(13 062)	-	(186 194)
Depreciation	(5 687)	(33 263)	(8 580 255)	(375 144)	-	(8 994 349)
Net carrying value, closing	264 195	125 846	53 161 512	880 885	686 962	55 119 400
at 31 December 2017						
Historical cost	306 883	273 035	93 168 597	2 594 232	686 962	97 029 709
Accumulated depreciation	(42 688)	(147 189)	(40 007 085)	(1 713 347)	-	(41 910 309)
Net carrying value	264 195	125 846	53 161 512	880 885	686 962	55 119 400

13. Property, plant and equipment (cont.)

* Value increase is related to leaseback transactions with fixed assets in 2016 and 2017. Respective increase is also disclosed in deferred income that is amortised over lease term.

Carrying value of assets acquired under finance lease

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

	31.12.2017 EUR	31.12.2016 EUR	31.12.2015 EUR	31.12.2014 EUR
Plant and equipment	66 511 194	41 053 310	36 085 725	24 568 298
Other fixed assets	399 454	10 875 314	5 940 662	5 316 233
TOTAL:	66 910 648	51 928 624	42 026 387	29 884 531

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

Fully depreciated property, plant and equipment

A number of fully depreciated property, plant and equipment are still used for the Group's business operations. The total historical cost of such property, plant and equipment was EUR 5 767 003 at the end of the reporting year (EUR 1 945 824 in 2016; EUR 908 932 in 2015; EUR 1 138 000 in 2014).

14. Inventories

	31.12.2017 EUR	31.12.2016 EUR	31.12.2015 EUR	31.12.2014 EUR
Goods for sale (at cost)	438 143	328 301	280 631	318 755
Consumables (at cost)	604 727	364 345	391 549	215 549
TOTAL:	1 042 870	692 646	672 180	534 304

15. Trade receivables

	31.12.2017 EUR	31.12.2016 EUR	31.12.2015 EUR	31.12.2014 EUR
Trade receivables	7 254 412	5 131 785	4 291 456	4 334 149
Allowance for doubtful debts	(2 091 896)	(1 673 157)	(1 803 083)	(1 616 330)
TOTAL:	5 162 516	3 458 628	2 488 373	2 717 819

Interest is not charged on late payment of receivables. Generally, trade receivables are due within 15 - 45 days. Allowance for doubtful debts are made upon individual assessment of individual balances. There are no collectively assessed allowances for doubtful debts. Trade receivables are not secured or collateralized, except customers which use factoring.

15. Trade receivables (cont.)

Changes in the allowance for doubtful debts (Individually assessed)	31.12.2017 EUR	31.12.2016 EUR	31.12.2015 EUR	31.12.2014 EUR
At the beginning of the year	1 673 157	1 803 083	1 616 330	1 127 091
Allowance increase	402 983	245 250	377 582	824 803
Additions due to acquisition	388 822	-	-	-
Written-off	(373 066)	(375 176)	(190 829)	(335 564)
TOTAL:	2 091 896	1 673 157	1 803 083	1 616 330

Receivables aging analysis:

	Payment term is overdue, no impairment recognised						
	Total EUR	Not overdue, no impairment identified EUR	Less than 30 days EUR	31 - 60 days EUR	61 - 90 days EUR	91 - 180 days EUR	More than 180 days EUR
31.12.2014:	2 717 819	1 452 709	777 795	249 842	103 770	91 833	41 870
31.12.2015:	2 488 373	1 373 278	740 227	233 413	83 205	48 654	9 596
31.12.2016:	3 458 628	2 376 528	738 586	204 598	59 597	40 766	38 553
31.12.2017:	5 162 516	3 095 780	1 423 495	354 288	136 733	130 578	21 642

16. Other receivables

	31.12.2017 EUR	31.12.2016 EUR	31.12.2015 EUR	31.12.2014 EUR
Guarantee deposit	91 709	123 296	63 416	114 380
Advances made to suppliers	72 812	79 585	30 683	25 756
Accrued earnings	55 907	-	-	-
Other receivables	21 567	28 418	7 839	2 238
Refundable value-added tax	28 658	3 319	2 449	1 232
Advances made to employees	6 083	29 253	1 293	287
TOTAL:	276 736	263 871	105 680	143 893

17. Prepaid expenses

	31.12.2017 EUR	31.12.2016 EUR	31.12.2015 EUR	31.12.2014 EUR
Payments to lease companies in January	241 741	-	-	-
Other deferred expenses	344 110	202 116	108 239	135 023
Total:	585 851	202 116	108 239	135 023
Total Non-current prepaid expenses:	32 393	41 166	-	-
Total Current prepaid expenses:	553 458	160 950	108 239	135 023

18. Cash and cash equivalents

	31.12.2017 EUR	31.12.2016 EUR	31.12.2015 EUR	31.12.2014 EUR
Cash in bank and cash, EUR	5 944 677	4 111 533	4 089 406	9 794 275
Cash in bank and cash, LTL	-	-	-	171 207
Cash in bank and cash, RUB	242 072	-	-	-
Cash in bank and cash, SEK	52 502	7 165	2 898	3 623
Cash in bank and cash, NOK	703	4 818	1 907	1 274
TOTAL:	6 239 954	4 123 516	4 094 211	9 970 379

19. Share capital of the Parent company

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

The registered share capital of the Group's Parent company on 31.12.2016 and on 31.12.2015 is EUR 7 142 858, divided into 7 142 858 shares. The nominal value of a share is EUR 1. All shares have equal voting right and dividend entitlement.

As at 31 December 2016 and 2015 the equity value is reduced by EUR 167 340 – due to capitalized loan financing expenses, and by the mentioned amount was increased accumulated deficit of previous years.

As at 31 December 2017 the equity value is reduced by EUR 556 269 – due to capitalized loan financing expenses, and by the mentioned amount was increased accumulated deficit of previous years.

In November 2014 the Company attracted new investor Darby financial investment fund, which issued a significant loan to the Group's Parent company (see Note 29 c). The total costs associated with attracting an investor amounted to EUR 712 140. The Group defined these costs as incremental costs associated with raising funding under IAS 39. These costs are written off progressively over the entire borrowing period. In 2014, by part of the received loan was increased the Group's parent company's share capital, and the amount of additional costs of EUR 167 340, in proportion to the capitalized amount, was attributed to the Group's parent company's equity. Residual incremental costs as of 31 December 2016 amounted to EUR 388 929 (31.12.2015: EUR 466 971) and are disclosed in Note 29 c.

In 2017, equity was increased by capitalizing the remaining amount of the loan from the investor, and thus the residual amount of additional costs was written off, increasing the accumulated losses of the Group's Parent company by EUR 388 929.

Parent company's shareholders as of 31 December 2016, 31 December 2015 and 31 December 2014:

Shareholder	Numbers of shares	Amount EUR	Participating interest (%)
Levina Investments S.A.R.L. (Luxembourg)	4 000 000	4 000 000	56%
Perle Consultancy LTD (Cyprus)	1 571 429	1 571 429	22%
TORRINI LTD (Cyprus)	1 571 429	1 571 429	22%
TOTAL:	7 142 858	7 142 858	100%

Parent company's shareholders as of 31 December 2017:

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

20. Provisions

	31.12.2017 EUR	31.12.2016 EUR	31.12.2015 EUR	31.12.2014 EUR
Contingent consideration related to acquisition	776 385	776 385	-	-
Provisions for employee bonuses	685 180	110 033	90 000	-
Other provisions	35 929	40 565	45 200	-
Total:	1 497 494	926 983	135 200	-
Total Non-current provisions:	539 554	812 315	40 565	-
Total Current prepaid provisions:	957 940	114 668	94 635	-

Changes in the provisions :	31.12.2017 EUR	31.12.2016 EUR	31.12.2015 EUR	31.12.2014 EUR
At the beginning of the year	926 983	135 200	-	-
Provision increase	570 511	791 783	135 200	-
TOTAL:	1 497 494	926 983	135 200	-

21. Loans from credit institutions

In 2016 Leinolift Oy received loan from Danske Bank Oyj

	Maturity	Amount EUR	Actual interest rate (%)	31.12.2017 EUR	31.12.2016 EUR	31.12.2015 EUR	31.12.2014 EUR
Danske Bank Oyj	31.12.2020.	70 000	2.029%	42 000	56 000	-	-
Total Non-current liabilities:				25 565	42 000	-	
Total Current liabilities				16 435	14 000	-	

22. Issued bonds

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

	Maturity	Amount EUR	Actual interest rate (%)	31.12.2017 EUR	31.12.2016 EUR	31.12.2015 EUR	31.12.2014 EUR
Loans against bonds	30.06.2020	6 942 000	8	6 644 597	-	-	-
Incremental cost allocation		(137 195)		(137 195)	-	-	-
Total:				6 507 402	-	-	-

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

Total loans origination fees and costs amounted to 137 195 EUR. The Group treated these fees and costs as incremental costs related to attracted finance under IAS 39. These fees and costs are an integral part of the effective interest rate of the loans and are treated as an adjustment to the effective interest rate.

23. Finance lease liabilities

By asset type	Maturity	Amount EUR	Actual interest rate, (%)	31.12.2017 EUR	31.12.2016 EUR	31.12.2015 EUR	31.12.2014 EUR	Balance sheet value of leased assets on 31.12.2017 EUR
Leasing companies (various asset types)	Various (2017-2022)	20 637 993	1.8-5.5% +3 MEURIBOR	18 615 029	19 465 841	17 595 833	9 926 243	43 261 781
Hire purchase agreements (various assets type)	22.08.2021	3 316 242	1.5%	2 374 994	3 470 442	-	-	5 349 941
Trucks & Truck-mounted cranes	30.06.2021.	869 714	3.91%-8.67%	1 667 156	712 174	-	-	1 010 207
Special cranes & equipment	31.03.2021	722 240	2.2%-3.71%	1 173 742	418 702	-	-	2 015 998
Lifts finance lease	03.11.2017.	640 709	12%	916 189	483 117	161 420	238 091	2 503 156
Equipment finance lease	31.07.2017.	164 195	2%-5%	134 674	164 195	490 209	111 447	231 314
Tractor equipment finance lease	30.09.2019.	1 425 036	6%-7%	616 044	1 425 036	1 913 365	3 005 645	1 058 107
Scaffolding	30.09.2018.	2 811 953	5%-6%	1 983 222	2 811 937	3 682 209	2 878 593	8 338 538
Car leasing	20.06.2019.	90 848	3.13% - 3.79%	566 971	54 273	90 848	36 426	790 539
Other	30.09.2021.	722 240	2.2%-9.236%	308 414	177 920	-	-	405 194
Total:				28 356 435	29 183 637	23 933 884	16 196 445	64 964 775
Total Non-current liabilities:				19 101 594	20 731 423	15 691 588	10 337 390	
Total Current liabilities:				9 254 841	8 452 214	8 242 296	5 859 055	

All financial liabilities are denominated in EUR.

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

	31.12.2017		31.12.2016		31.12.2015		31.12.2014	
	Minimum payments	Current value of the payments	Minimum payments	Current value of the payments	Minimum payments	Current value of the payments	Minimum payments	Current value of the payments
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Within 1 year	10 406 472	9 254 841	9 586 876	8 452 214	9 152 255	8 242 295	6 562 237	5 859 055
After 1 year not exceeding 5 years	20 882 182	19 101 594	26 919 917	20 731 423	16 785 927	15 691 589	11 286 466	10 337 390
Total minimum lease payments	31 228 654	28 356 435	36 506 793	29 183 637	25 938 182	23 933 884	17 848 703	16 196 445
Less financing costs	(2 872 219)	-	(7 323 156)	-	(2 004 298)	-	(1 652 258)	-
Present value of minimum lease payments	28 356 435	28 356 435	29 183 637	29 183 637	23 933 884	23 933 884	16 196 445	16 196 445

24. Other borrowings

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

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

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

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

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

	Maturity	Amount EUR	Actual interest rate (%)	31.12.2017 EUR	31.12.2016 EUR	31.12.2015 EUR	31.12.2014 EUR
Haulotte Group SA	02.12.2018	1 900 000	3	343 344	686 712	1 030 082	1 373 576
Haulotte Group SA	04.11.2019	3 999 740	3	1 449 260	2 173 890	2 898 520	3 623 323
Haulotte Group SA	01.10.2020	5 500 000	2.49	2 995 856	4 000 016	4 997 799	-
Haulotte Group SA	01.12.2021	1 003 836	3.94	803 069	-	-	-
Haulotte Group SA	01.12.2021	1 994 007	3.94	1 694 746	-	-	-
Haulotte Group SA	01.12.2020	1 006 969	4	805 575	-	-	-
Yanmar Construction Equipment Europe S.A.S	01.12.2020	995 703	4	796 564	-	-	-
Incremental cost allocation		(1 058 151)		(550 018)	(451 967)	(594 095)	(274 981)
Aston Baltic SIA	31.12.2018	109 575	-	80 730	109 575	-	-
Turun Hydrauliikka-asennus Oy				-	38 000	-	-
Niemi Palvelut Oy				-	13 500	-	-
Volvo Finland AB				-	19 840	-	-
Total:				8 419 126	6 589 566	8 332 306	4 721 918
Total Non-current liabilities:				5 420 741	4 685 687	6 511 908	3 636 653
Total Current liabilities:				2 998 385	1 903 879	1 820 398	1 085 265

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

Changes in the incremental cost allocation:

	31.12.2017 EUR	31.12.2016 EUR	31.12.2015 EUR	31.12.2014 EUR
At the beginning of the year	451 967	594 095	311 449	302 893
Incremental cost increase	336 341	-	366 370	-
Written off as adjustment to effective interest rate	(238 290)	(142 128)	(83 724)	(27 912)
TOTAL:	550 018	451 967	594 095	274 981

25. Tax and national social insurance mandatory contributions

	31.12.2017 EUR	31.12.2016 EUR	31.12.2015 EUR	31.12.2014 EUR
Personal income tax	464 095	122 997	55 262	90 849
State social security mandatory contributions	173 046	121 040	99 829	169 705
Value added tax	36 800	199 308	108 069	134 352
Risk duty	3 104	3 044	2 718	2 980
Pension insurance	2 709	2 335	2 291	2 190
Environmental tax	-	-	890	1 174
Corporate income tax	-	-	-	33 646
TOTAL:	679 754	448 724	269 059	434 896

26. Deferred income

	31.12.2017 EUR	31.12.2016 EUR	31.12.2015 EUR	31.12.2014 EUR
Profit from leaseback transactions	1 789 460	2 393 134		
Total:	1 789 460	2 393 134	-	-
Total Non-current deferred income:	737 816	1 588 679	-	-
Total Current deferred income:	1 051 644	804 455	-	-

Leaseback transactions

In 2017 and 2016 the Group conducted leaseback transactions that resulted in sales proceeds exceeding the carrying amount of these assets in 2017 by EUR 355 752 and in 2016 by EUR 2 795 541.

Changes in the deferred income:	31.12.2017 EUR	31.12.2016 EUR	31.12.2015 EUR	31.12.2014 EUR
At the beginning of the year	2 393 134	-	-	-
Profit from leaseback transactions	355 752	2 795 541	-	-
Amortised and included in income of reporting year (See Note 7)	(959 426)	(402 407)	-	-
TOTAL:	1 789 460	2 393 134	-	-

27. Other liabilities

	31.12.2017 EUR	31.12.2016 EUR	31.12.2015 EUR	31.12.2014 EUR
Salaries	278 142	225 034	187 490	179 465
Other payables	19 612	1 003	4 724	8 307
TOTAL:	297 754	226 037	192 214	187 772

28. Accrued liabilities

	31.12.2017 EUR	31.12.2016 EUR	31.12.2015 EUR	31.12.2014 EUR
Provisions for unused employee vacations	665 927	538 551	327 900	344 476
Accruals for marketing campaign	-	-	18 206	-
Other accrued liabilities	433 043	163 361	16 117	271 389
TOTAL:	1 098 970	701 912	362 223	615 865

29. Related party transactions

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

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

In 2017, equity was increased by capitalizing the remaining amount of the loan from the investor, and thus the residual amount of incremental costs was written off, increasing the accumulated losses of the Group's Parent company by EUR 388 929. Residual incremental costs amount as of 31 December 2016 is EUR 388 929 (31.12.2015: EUR 466 971) and are presented as a reduction from total financing amounts disclosed below.

29. Related party transactions (cont.)**29. (a) Related party transactions**

Related party	Year	Goods and services received EUR	Payables to related companies EUR
Companies that have control over the Group's activities:			
Levina Investments S.A.R.L	2014	-	(13 110 726)
	2015	-	(13 890 727)
	2016	-	(18 728 478)
	2017	-	(4 293 052)
Companies with significant influence over the Group's activities:			
TORRINI Ltd	2014	-	(5 150 642)
	2015	-	(5 451 633)
	2016	-	(5 734 899)
	2017	-	(295 409)
Perle Consultancy Ltd	2014	-	(5 150 642)
	2015	-	(5 451 633)
	2016	-	(5 734 898)
	2017	-	(295 409)
The companies controlled by the Group's officers or their relatives: *			
Meistari ZS	2014	(18 878)	(2 634)
	2015	(24 089)	(406)
	2016	(19 864)	(406)
	2017	(5 452)	(406)
Supremo SIA	2014	(12 411)	-
	2015	(18 756)	-
	2016	(19 890)	-
	2017	(19 890)	-
Bomaria SIA	2017	(19 890)	-
Total 2014:		(31 289)	(23 414 644)
Total 2015:		(42 845)	(24 794 399)
Total 2016:		(39 754)	(30 198 681)
Total 2017:		(45 232)	(4 884 276)

* Payables to the companies controlled by the Group's related parties or their relatives are included in the balance sheet item Trade payables, in the amount of EUR 406 at 31 December 2017 (2016: EUR 406; 2015: EUR 406 and 2014: EUR 2 634).

29. Related party transactions (cont.)**29. (b) Terms and conditions of transactions with related parties**

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

29. (c) Loans from related companies

	Maturity	Interest rate %	31.12.2017. EUR	31.12.2016. EUR	31.12.2015. EUR	31.12.2014 EUR
Levina Investments S.A.R.L.	31.12.2021.	6	-	14 719 776	13 890 727	13 110 726
Levina Investments S.A.R.L.	31.12.2021.	7	4 293 052	4 008 702	-	-
TORRINI Ltd	31.12.2021.	6	295 409	5 734 899	5 451 633	5 150 642
Perle Consultancy Ltd	31.12.2021.	6	295 409	5 734 898	5 451 633	5 150 642
Incremental cost allocation			-	(388 929)	(466 971)	(544 800)
Total Non-current liabilities:			4 883 870	29 809 346	24 327 022	22 867 210

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

30. Operating lease and contingent liabilities

The Group has entered into a number of operating lease agreements as a lessee. The annual lease payments amounted to EUR 385 444 in 2017 (2016: EUR 122 845; 2015: EUR 128 480). At 31 December 2017 the total minimum lease payments pursuant to operating lease agreements may be stated as follows:

	31.12.2017 EUR	31.12.2016 EUR	31.12.2015 EUR	31.12.2014 EUR
Less than 1 year	462 563	140 037	174 286	172 370
1 - 5 years	514 885	55 654	195 894	201 075
TOTAL:	977 448	195 691	370 180	373 445

31. Financial instruments

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

Categories of financial assets and liabilities

Financial assets	31.12.2017 EUR	31.12.2016 EUR	31.12.2015 EUR	31.12.2014 EUR
<i>Loans and receivables held at amortised cost</i>				
- Trade receivables	5 162 516	3 458 628	2 488 373	2 717 819
- Other receivables	276 736	263 871	105 580	143 893
- Cash and cash equivalents	6 239 954	4 123 516	4 094 211	9 970 379
TOTAL financial assets:	11 679 206	7 846 015	6 688 164	12 832 091
<hr/>				
Financial liabilities	31.12.2017 EUR	31.12.2016 EUR	31.12.2015 EUR	31.12.2014 EUR
<i>Financial liabilities held at amortized cost</i>				
- Loan from credit institution	42 000	56 000	-	-
- Loans against bonds	6 507 402	-	-	-
- Loans from related companies	4 883 870	29 809 346	24 327 022	22 867 210
- Finance lease liabilities	28 356 435	29 183 637	23 933 884	16 196 445
- Other borrowings	8 419 126	6 589 566	8 332 306	4 721 918
- Trade payables	3 724 111	1 876 368	2 739 141	2 960 478
- Other payables	297 754	226 037	192 214	187 772
TOTAL financial liabilities:	52 230 698	67 740 954	59 524 567	46 933 823

32. Financial risk management

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

Credit risk

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

In terms of loans and receivables as at 31 December 2017 and 2016 the Group did not have a significant credit risk concentration in respect of a single transaction partner or a group of partners of similar transactions.

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

The maximum credit risk exposure at 31 December 2017 was EUR 11 594 875 (31.12.2016: EUR 8 015 792; 31.12.2015: EUR 6 827 561).

32. Financial risk management (cont)*Liquidity risk*

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

The Group's management considers that the Group will have sufficient cash resources and its liquidity will not be compromised. At 31 December 2017, the Group's liquidity ratio was 0.66. As at 31 December 2016, the Group's liquidity ratio was 0.6 (31.12.2015: 0.55).

At 31 December 2017 and 2016 the maturity of the financial payables of the Group, based on undiscounted payments provided for in the agreements can be disclosed as follows:

31.12.2017.	< 3 months EUR	3 - 12 months EUR	1 - 7 years EUR	Total EUR
Loan from credit institution	3 500	14 000	24 500	42 000
Issued bonds	1 647 961*	411 600	5 609 490	7 669 051
Borrowings from related parties	-	636 476	6 352 834	6 989 311
Finance lease liabilities	1 289 168	9 135 549	20 803 937	31 228 654
Other borrowings	769 517	2 486 029	5 844 964	9 100 510
Trade payables	3 617 820	106 291	-	3 724 111
Other financial liabilities at amortized cost	1 110 108	-	-	1 110 108
TOTAL:	8 438 074	12 789 945	38 635 725	59 863 744

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

31.12.2016.	< 3 months EUR	3 - 12 months EUR	1 - 7 years EUR	Total EUR
Loan from credit institution	3 500	14 000	38 500	56 000
Borrowings from related parties	-	-	30 407 494	30 407 494
Finance lease liabilities	1 587 178	9 620 391	25 299 224	36 506 793
Other borrowings	532 101	2 119 857	6 529 026	9 180 984
Trade payables	1 791 522	84 846	-	1 876 368
Other financial liabilities at amortized cost	789 562	-	-	789 562
TOTAL:	4 703 863	11 839 094	62 274 245	78 817 201

At 31 December 2015 and 2014 the maturity of the financial payables of the Group, based on discounted payments provided for in the agreement can be disclosed as follows:

31.12.2015.	< 3 months EUR	3 - 12 months EUR	1 - 7 years EUR	Total EUR
Borrowings from related parties	-	-	24 327 022	24 327 022
Finance lease liabilities	771 098	7 471 198	15 691 588	23 933 884
Other borrowings	-	2 103 527	6 228 779	8 332 306
Trade payables	2 074 403	664 738	-	2 739 141
Other financial liabilities at amortized cost	504 035	-	-	504 035
TOTAL	3 349 536	10 239 463	46 247 389	59 836 388

32. Financial risk management (cont)*Liquidity risk (continued)*

31.12.2014.	< 3 months EUR	3 - 12 months EUR	1 - 7 years EUR	Total EUR
Borrowings from related parties	-	-	22 867 210	22 867 210
Finance lease liabilities	724 390	5 134 665	10 337 390	16 196 445
Other borrowings	-	1 085 265	3 636 653	4 721 918
Trade payables	2 737 662	186 293	36 523	2 960 478
Other financial liabilities at amortized cost	187 772	-	-	187 772
TOTAL	3 649 824	6 406 223	36 877 776	46 933 823

In 2014 Group has signed factoring contract with Nordea Bank AB, which improved liquidity of the Group. The management of the Group treats this contract as factoring without rights of regress since customers debts under factoring agreements are insured. Contingent liabilities from this contract amounts to EUR 82 015 (31.12.2016: EUR 82 448; 31.12.2015: EUR 56 438). In 2017 maturity of these contracts has been prolonged till 30.11.2018.

Interest rate risk

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

The sensitivity of the Group's profit before tax (as a result of the finance lease liabilities (see Note 21) with a floating interest rate) to potentially possible interest rate changes other variables remaining constant.

	2017		2016		2015		2014	
	Increase/ decrease of base rate	Effect on profit before tax EUR	Increase/ decrease of base rate	Effect on profit before tax EUR	Increase/ decrease of base rate	Effect on profit before tax EUR	Increase/ decrease of base rate	Effect on profit before tax EUR
Euro -	+0,5%	81 945	+0,5%	97 179	+0,5%	87 980	+0,5%	49 631
EURIBOR	-0,5%	(81 945)	-0,5%	(97 179)	-0,5%	(87 980)	-0,5%	(49 631)

Foreign currency risk

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

The Group does not have any material balances of financial assets and liabilities denominated in currencies other than the Euro. The Group is exposed to foreign currency risk mainly arising from transactions denominated in the Russian rubles (RUB) due to entity operating in Russia Kaliningrad region. Approximately 1% of the Group's revenue during 2017 resulted from contracts denominated in the Russian rubles (RUB) (2016: 0%). Therefore, during the reporting year the Group's exposure to foreign currency risk was not significant.

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

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

34. Capital management

The purpose of the management of Group capital is to provide a high credit rating and balanced structure of capital to ensure successful activity of the Group and to maximize Group's share value. The Group is not subject to any externally imposed capital requirements. The Group is controlling structure of the capital and adjusts that structure according to economic conditions. For control and adjustment of structure of the capital, the Group can change conditions of payment of dividends to shareholders, to return them part of shares or to release new shares. In 2017 and 2016 there were no changes introduced to purposes, policy or processes related to management of the capital.

	31.12.2017 EUR	31.12.2016 EUR	31.12.2015 EUR	31.12.2014 EUR
Interest bearing loans and borrowings	48 208 833	65 638 549	56 593 212	43 785 573
Trade and other payables	4 021 865	2 102 405	2 931 355	3 148 250
Less cash and cash equivalents	(6 239 954)	(4 123 516)	(4 094 211)	(9 970 379)
Net debt	45 990 744	63 617 438	55 430 356	36 963 444
Equity	26 823 566	995 296	4 083 603	6 374 534
Net debt to equity ratio:	1.71	63.92	13.57	5.80

35. Contingent liabilities - issued guarantees

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

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

In 2016 and 2017 Storent Investments AS issued guarantees to Luminor Līzings SIA due to concluded financial lease contracts between Storent SIA and Luminor Līzings SIA. The amount of the guarantee is 13 158 362 EUR and guarantee is valid till 31.08.2023. At the preparation of the consolidated report there are no indications that guarantee is required to settle the obligation resulting in an outflow of economic benefits from the Group.

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

In 2016 Storent Investments AS issued guarantees to Luminor Līzings SIA due to concluded operating lease contracts between: Storent SIA and Luminor Līzings SIA, the amount of the guarantee is 84 681 EUR and guarantee is valid till 31.01.2021. At the preparation of the consolidated report there are no indications that guarantee is required to settle the obligation resulting in an outflow of economic benefits from the Group.

35. Contingent liabilities - issued guarantees (cont)

In 2016 and 2017 Storent Investments AS issued guarantees to UniCredit Leasing SIA due to concluded financial lease contracts between Storent SIA and UniCredit Leasing SIA. The amount of the guarantee is 5 104 606 EUR and guarantee is valid till 30.09.2023. At the preparation of the consolidated report there are no indications that guarantee is required to settle the obligation resulting in an outflow of economic benefits from the Group.

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

36. First-time adoption of IFRS

Group's date of transition to IFRS's is 1 January 2015, with its first IFRS financial statements prepared for the year ended 31 December 2017.

The Group in the previous reporting periods did not present consolidated financial statements which would be fully compliant with IFRS or local GAAP.

The adoption of IFRS's did not lead to any substantial changes in accounting policies of the Group entities.

The Group has used exemption applicable related to calculation of the goodwill as of the date of transition to IFRS. The deemed cost of goodwill equals the difference at the date of transition to IFRSs between: (i) the parent's interest in assets and liabilities of the subsidiaries; and (ii) the cost in the parent's separate financial statements of its investment in the subsidiaries.

37. Business combinations**37. (a) Subsidiaries acquired**

	Principal activity	Date of acquisition	Proportion of voting equity interests acquired	Consideration transferred
<i>Acquired in 2016</i>				
- Leinolift Oy	Renting and leasing of construction machinery and equipment	21.12.2016	100%	3 576 386
TOTAL:				3 576 386
	Principal activity	Date of acquisition	Proportion of voting equity interests acquired	Consideration transferred
<i>Acquired in 2017</i>				
- Crent SIA	Renting and leasing of construction machinery and equipment	31.07.2017	100%	3 977 292
- Storent OOO	Renting and leasing of construction machinery and equipment	31.07.2017	100%	582 937
TOTAL:				4 560 229

37. Business combinations (cont.)**37. (b) Assets acquired and liabilities recognized at the date of acquisition***Acquired in 2016*

	Leinolift Oy EUR	Total EUR
<i>Current assets</i>		
- Cash and cash equivalents	172 618	172 618
- Trade and other receivables	978 669	978 669
- Inventories	4 347	4 347
<i>Non-current assets</i>		
- Property, plant and equipment	10 061 360	10 061 360
- Deferred tax assets	-	-
<i>Current liabilities</i>		
- Trade and other payables	(976 246)	(976 246)
<i>Non-current liabilities</i>		
- Deferred tax liabilities	(517 130)	(517 130)
- Loans	(7 169 170)	(7 169 170)
Total net assets acquired:	2 554 448	2 554 448

Acquired in 2017

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

37. Business combinations (cont.)**37. (c) Goodwill arising on acquisition**

	Leinolift Oy EUR	Total EUR
Consideration transferred	2 800 000	2 800 000
Contingent consideration	776 385	776 385
Less: fair value of identifiable net assets acquired	(2 554 448)	(2 554 448)
Goodwill arising on acquisition:	1 021 937	1 021 937

	Crent SIA EUR	Storent OOO EUR	Total EUR
Consideration transferred	3 977 292	582 937	4 560 229
Less: fair value of identifiable net assets acquired	(3 297 257)	(253 352)	(3 550 609)
Goodwill arising on acquisition:	680 035	329 585	1 009 620

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

37. Business combinations (cont.)**37. (d) Impact of acquisitions on the results of the Group**

On 21 December 2016 the Group acquired all of the shares in Leinolift Oy for total fee EUR 3 576 386, which was settled with bank payment. Leinolift Oy main business activity was rental of industrial equipment in Finland.

The consolidated results of the Group for 2016 do not include revenues and expenses generated by Leinolift Oy in 2016. The below is presented the adjusted results for the Group including Leinolift Oy comprehensive income statement for 2016. The Group management considers these numbers to provide a reference point for comparison in future periods.

	Consolidated statement of comprehensive income 2016 EUR	Adjustments EUR	Adjusted results of the Group 2016 EUR
Net revenue	19 426 875	9 402 857	28 829 732
Other operating income	77 892	9 435	87 327
Cost of materials and services received	(6 076 318)	(3 033 911)	(9 110 230)
Personnel costs	(4 472 506)	(2 883 496)	(7 356 003)
Other operating expenses	(2 864 357)	(997 579)	(3 861 936)
Depreciation and amortization	(6 384 759)	(1 225 054)	(7 609 813)
Interest and similar income	-	2 704	2 704
Interest and similar expenses	(2 906 095)	(217 475)	(3 123 570)
(Loss)/ profit before taxes	(3 199 268)	1 057 481	(2 141 787)
Income tax expense (recovery)	110 961	(224 564)	(113 603)
(Loss)/ profit for the year	(3 088 307)	832 917	(2 255 390)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	(3 088 307)	832 917	(2 255 390)

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

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

37. Business combinations (cont.)

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

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

38. Going concern of the Group

Group's performance in the reporting year was profit of EUR 59 974 (2016: loss EUR 3 088 307; 2015: loss EUR 2 293 674), which have resulted due to growth of revenue. At the end of the year the Group's current liabilities exceeded its current assets by EUR 6 896 651 (31.12.2016: current liabilities exceeded its current assets by EUR 5 857 670; 31.12.2015: current liabilities exceeded its current assets by EUR 6 224 748), that was mainly driven by the Group's entity in Latvia Storent SIA signing refinancing financial leasing contracts in 2017. The liquidity is planned to be covered by cash flow from operating activities in the coming years.

The Group's management expects that starting from 2018 more active acquisition of EU funds will take place, which will give a positive effect on the development of construction industry, and stabilization of rental prices is expected, especially in Latvia and Lithuania. The currently available bank financing gives an additional incentive for stable economic growth in the Baltic States, which will also give extra incentive to the construction sector. Taking into consideration the above mentioned circumstances, the management plans to increase net sales in 2018 and to finalize the year with profit.

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

39. Post balance sheet events

In January 2018 the Group has repurchased 1.5 m EUR of issued bonds (Note 22).

In order to meet minimal capital requirements according to respective country law of one of the Group's entity's the parent company made investment to share capital of respective subsidiary in amount of EUR 800 000 in March 2018.

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

* * *

INDEPENDENT AUDITORS' REPORT

To the shareholder of Storent Investments AS

Our Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Storent Investments AS and its subsidiaries (further "the Group") set out on pages 7 to 52 of the accompanying consolidated annual report, which comprise:

- the consolidated statement of financial position as at 31 December 2017 and 31 December 2016,
- the consolidated statement of comprehensive income for the years then ended,
- the consolidated statement of changes in equity for the years then ended,
- the consolidated statement of cash flows for the years 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 2017 and 31 December 2016, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

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 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 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.

Emphasis of matter

We draw attention to Note 12 of these consolidated financial statements in which the management discloses the assumptions applied while calculating recoverable value of non-current assets of the Group. The recoverable value was determined based on estimated future cash flows from main operating activities of the Group. As described in Note 12, the recoverable value of non-current assets significantly depends on the assumptions used in valuation with respect to sales growth and timing of this growth as well as the Group management's ability to realize those assumptions and overall development of Baltic and Scandinavian construction market. Any adverse changes to these assumptions caused by volatility of the market the Group operates in, may negatively influence the carrying value of non-current assets presented in the Group's consolidated statements of financial position as of 31 December 2017 and 31 December 2016. Our opinion is not qualified in respect of this matter.

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 4 and 5 of the accompanying consolidated Annual Report.

INDEPENDENT AUDITORS' REPORT (continued)

Reporting on Other Information (continued)

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 IFRSs as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

INDEPENDENT AUDITORS' REPORT (continued)

Auditor's Responsibility for the Audit of the Consolidated Financial Statements (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 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.

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.

Deloitte Audits Latvia SIA
Licence No. 43

Inguna Staša
Board member
Certified auditor
Certificate No 145

Riga, Latvia
14 May 2018