JOINT-STOCK COMPANY

STORENT INVESTMENTS

(REGISTRATION NUMBER 40103834303)

CONSOLIDATED ANNUAL REPORT 2020

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

Riga, 2021

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

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General information

Name of the Group's Parent company	Storent Investments
Legal status of the Group's Parent company	Joint-stock company
The Group Parent company's registration number, place and date	40103834303 Riga, 7 October 2014
Registered address of the Group's Parent company	15a Matrozu Street, Riga, LV-1048, Latvia
Shareholders of the Group's Parent company	Levina Investments S.A.R.L. (Luxembourg) 73% (from 31.01.2017) Bomaria LTD (Latvia) 13.5% (from 01.09.2018), Andris Bisnieks Supremo LTD (Latvia) 13.5% (from 01.09.2018), Andris Pavlovs
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) Baiba Onkele, Member of the Council (from 11.12.2017) Dalgin Burak, Member of the Council (from 04.04.2019) Michal Lukasz Jozwiak, Member of the Council (till 04.04.2019)
Group's type of operations	Renting and leasing of construction machinery and equipment
Group's NACE code	77.32 (2.0 rev) Rental and leasing of construction and civil engineering machinery and equipment
Independent auditor and sworn auditor name and address	KPMG Baltics AS Vesetas street 7, Riga Latvia, LV – 1013 License No. 55 Armine Movsisjana Latvian Sworn Auditor Certificate No. 178

Management report

The Group's type of operations

Storent Investments AS (hereinafter – the Group's Parent company or Storent Investments AS) and its subsidiary companies (hereinafter – the Group) was established on 07 October 2014. The first company of the Group - Storent SIA - was established in 2008 by Andris Bisnieks and Andris Pavlovs with an objective to become one of the leading equipment rental companies in the Baltics and nearest European countries. At the end of 2008, a subsidiary Storent UAB was established in Lithuania and one year later a subsidiary Storent OU was launched in Estonia. At the end of year 2012, a subsidiary Storent Oy was established in Finland, in February 2013 a subsidiary Storent AB was founded in Sweden, and in June 2013 a subsidiary Storent AS was established in Norway. In December 2016 Storent Oy completed the acquisition of Leinolift Oy (now company name changed to Storent Oy), a Finnish lifting equipment rental company. On 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 the Norwegian entity doesn't conduct economic activity. At the end of the reporting year the Group consists of 9 entities with the parent company Storent Investments AS and 8 subsidiaries in the Baltics and Nordic countries. The objective is to provide customers with rental equipment solutions utilizing modern digital tools, team expertise and providing excellent service. Online sales channel with advanced IT solutions ensures fast, convenient and contactless rental process with competitive pricing.

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

Storent Group's performance in the reporting year was negatively affected by Covid-19 pandemic in all countries. Rental revenues decreased by 12%, the consolidated turnover decreased by 7% reaching 42.1 million euros. Construction markets in all Baltic and Nordic countries declined by less than 5%, but strong price competition and rental equipment overcapacity in the market led to a further decrease of rental revenue. During the reporting year there were significant changes in the Group's rental fleet structure, with own equipment proportion decreasing from 87% in prior year to 57% in current year. Covid-19 pandemic and fleet structure negatively impacted Group net result.

Baltic region rental operations decreased by 15% with almost identically decreasing trends in all Baltic countries. The Baltic region accounts for approximately 65% of the Group's rental income. In 2020, **Estonian** construction market volume remained at the level of previous year. The market is expected to show a modest growth in 2021, and there's a strong pipeline of various construction projects to be realized through the year. **Latvian** construction market increased by 2,7% in 2020. The highest growth rate was in specialized construction works with 7,8% growth. There is a number of large and medium scale projects, including ones financed under EU programs, to be started in 2021, which provides confidence in a further positive trend on construction market. **Lithuanian** construction market decreased by 0,5% in 2020. A notable increase was in the residential segment with 7% growth. Rail Baltica project will drive demand for rental machinery throughout the Baltics, that provides the management additional confidence for 2021.

Nordic operations have increased by 8% compared to 2019. There's been a slight decrease of construction volumes in Sweden and Finland through 2020 due to Covid-19 pandemic restrictions, growth has been possible due to the relatively small market share. Since many construction related projects have been delayed, it is confirmed that most of them will enter into active phase throughout 2021. Our March 2021 sales look promising, and we expect further growth as the high season starts in April.

Operations of of subsidiary Storent OOO in **Kaliningrad** have seen a small revenue increase. The construction market decreased by 7% in 2020 mostly due to Covid-19 effect. The outlook for 2021 remains unclear, at the same time we see several large-scale projects starting, which definitely will drive rental machinery demand in the region.

In January 2020, the Group started cooperation with split-rent and re-rent platform PreferRent, and at the end of 2020 36% of the total rental fleet was supplied from PreferRent. It allowed to increase the Group's efficiency since PreferRent took over a part of the fleet management function and provided increased rental fleet capacity without the Group incurring additional financial liabilities. According to approved Storent Group strategy, part of the rental fleet was sold to auction and to split-rent vendors, which resulted in own equipment proportion decreasing from 87% to 57% of the total rental fleet volume. Investment plan for rental assets in 2020 was significantly smaller compared to previous periods. Storent Group continued to develop and invest in IT technologies. A flexible approach to rental fleet rotation among Storent Group companies ensured a quicker response to construction market changes and, overall, a more efficient rental fleet usage.

Groups balance sheet has steady structure consisting of 26% shareholders equity, 40% long term liabilities and 34% short term liabilities. Non-current assets constitute 78% of the total assets. Group's business peculiarity historically was always having a working capital deficit due to large amount of liabilities to finance investments in rental equipment, however this has not prevented the Company from meeting its obligations in accordance with their terms. 3.7 million euros bank account balance at the end of the accounting period is sufficient to ensure Groups operational activities. The Group concluded the financial year 2020 with a loss of 11.5 million euros, which was mostly affected by Covid-19 pandemic. The loss for the year was significantly affected by the recorded impairment of goodwill for Estonian entity in the amount of 4 million euros. The Group management worked on efficiency increase by reducing headcount during 2020 by 22 people, as well as realized savings on other expenses positions during the financial year.

In March 2020 in Baltics and then in late 2020 in Finland and Sweden, Storent launched the first online equipment rental platform that utilizes Artificial Intelligence and Machine Learning. By the end of 2020, in Baltics almost 40% of all equipment rental orders were made online and 70% of transactions were signed digitally. To motivate customers to use online rental solution the Group launched customer reward program “Rental Points”. Customers may earn up to 20% from the rental price in „Rental Points“ when placing orders online and signing transactions digitally. It quickly became a tangible benefit as “Rental Points” may be used as a means of payment for future Storent services.

The future development of the Group

The Group management plans further development of all subsidiaries. The main focus in 2021 will be to continue online sales development, digital transformation and efficiency increase. The Group will continue to transform its IT strategy to comply with the scalability needs. In April 2021 Storent group plans to join PreferRent online rental platform that will offer online rental services ordering from numerous rental companies in Baltics.

The Group plans to continue selling own rental fleet and increase split-rent share in total rental income from current 42% to 50% during 2021. Management estimates that the construction industry will recover after Covid-19 pandemic in the autumn of 2021, yet, since the rental industry is seasonal, management believes that construction volumes will return to the level of 2020 and continue to grow only starting in the spring of 2022. It is expected that Rail Baltica project will give a significant positive impact on the construction industry in the Baltics.

Financial risk management

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

Events after the balance sheet date

In 2021, in order to meet minimal capital requirements according to respective country laws, the parent company invested into share capital of Lithuanian subsidiary in total amount of EUR 1 900 000, which it used, among others, to settle liabilities towards other Storent Group companies.

In January and February 2021, Storent Investments AS repurchased bonds issued in 2017 (due in 2021) in total amount of EUR 1 050 000. In addition, in February 2021, Storent Investments AS exchanged bonds issued in 2017 (due in June 2021) to bonds issued in 2020 (due in 2023) in total amount of EUR 1 424 200. The Group plans to settle the remaining bonds issued in 2017 (maturing in June 2021) in the amount of EUR 1 575 800 by the specified maturity from the funds at its disposal, positive cash flows from operating activities and by selling old and not-in-demand rental equipment.

In April 2021, Storent SIA signed an agreement about scaffolding sale in the amount of EUR 3.2 million to a split-rent vendor, and Storent SIA continues to rent scaffolding through the split-rent model.

Storent Holding Finland Oy has agreed to postpone the repayment of loan received from Levina Investments S.a.r.l. by additional one year, and the final due date of the loan is December 2022. Amendments to the agreement have been signed.

The rapid development of the Covid-19 virus and its social and economic impact in countries, in which the Group operates in, and globally may result in assumptions and estimates requiring revisions which may lead to material adjustments to the carrying value of assets and liabilities within the next financial year. Please refer further to Notes 36 and 37 to the financial statements.

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

The management report was signed on 30 April 2021 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 _____________ 2021

Statement of management's responsibility

The Group's management confirms that the consolidated financial statements have been prepared in accordance with the applicable legislation requirements and present a true and fair view of the Group's financial position as at 31 December 2020 and as at as at 31 December 2019 and its financial performance and cash flows for the years 2020 and 2019 then ended. The management report contains a clear summary of the Group's business development and financial performance. The consolidated financial statements have been prepared according to the International Financial Reporting Standards as 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 true and 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 as adopted by the European Union.

This statement of management's responsibility was signed on 30 April 2021 by:

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

Consolidated statement of comprehensive income

	Notes	2020 EUR	2019 (reclassified*) EUR
Net revenue	3	42 124 274	45 212 228
Other operating income	4	448 862	2 095 813
Cost of materials and services	5	(20 235 265)	(15 938 776)
Personnel costs	11	(9 906 113)	(10 593 919)
Other operating expenses	6	(7 221 673)	(6 119 503)
Depreciation and amortization	7	(8 887 521)	(11 831 342)
Impairment gain/(loss) on trade receivables and contract assets		9 837	108 421
Impairment loss on goodwill		(4 029 645)	-
Finance income	8	67 728	15 783
Finance expenses	9	(3 155 359)	(3 396 354)
Profit/(loss) before income tax		**(10 784 875)**	**(447 649)**
Income tax income (expenses)	10	(548 604)	467 398
Profit/(loss) for the year		**(11 333 479)**	**19 749**
Items that may be reclassified subsequently to profit or loss			
Exchange differencies on foreign currency operations		(81 776)	94 580
Other comprehensive income/(loss) for the year		**(81 776)**	**94 580**
Total comprehensive income/(loss) for the year		**(11 415 255)**	**114 329**

*See Note 35.

The notes on pages 12 to 55 are an integral part of these consolidated financial statements.

On behalf of the Group these consolidated financial statements were signed on 30 April 2021 by:

Andris Bisnieks
Member of the Board

Andris Pavlovs
Member of the Board

Baiba Onkele
Chief financial officer

Consolidated statement of financial position

ASSETS

NON-CURRENT ASSETS	Piezīme	31.12.2020 EUR	31.12.2019 EUR
Intangible assets			
Licences and similar rights		52 159	153 036
Other intangible assets		1 426 696	1 472 142
Intangible assets in process		418 813	-
Goodwill		11 316 707	15 346 352
TOTAL	12	**13 214 375**	**16 971 530**
Property, plant and equipment			
Lands and buildings		219 125	234 181
Leasehold development		33 103	70 393
Machinery and equipment		10 404 644	17 570 316
Other fixed assets		633 139	825 619
Construction in progress		-	10 007
TOTAL	13	**11 290 011**	**18 710 516**
Rights of use assets			
Licences and similar rights		49 774	-
Lands and buildings		636 975	1 114 244
Machinery and equipment		21 005 974	29 987 732
Other fixed assets		621 874	738 107
TOTAL	14	**22 314 597**	**31 840 083**
Other non-current assets			
Deferred income tax assets	10	-	694 823
TOTAL		**-**	**694 823**
TOTAL NON-CURRENT ASSETS		**46 818 983**	**68 216 952**
CURRENT ASSETS			
Inventories	15	1 108 345	1 208 084
Receivables			
Trade receivables	16	7 527 683	4 866 540
Contract assets	17	13 804	27 459
Other receivables	18	268 777	362 602
Prepaid expenses	19	287 808	257 259
TOTAL		**8 098 072**	**5 513 860**
Cash and cash equivalents	20	3 720 140	3 892 159
TOTAL CURRENT ASSETS		**12 926 557**	**10 614 103**
TOTAL ASSETS		**59 745 540**	**78 831 055**

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Member of the Board

Andris Pavlovs
Member of the Board

Baiba Onkele
Chief financial officer

Consolidated statement of financial position

EQUITY AND LIABILITIES

	Note	31.12.2020	31.12.2019
EQUITY			
Share capitals	21	33 316 278	33 316 278
Reserves:			
Foreign currency translation reserve		(25 103)	56 673
Other reserves		26 774	26 774
Accumulated losses:			
Previous reporting periods retained earings		(6 444 738)	(6 464 487)
Profit (loss) of the reporting year		(11 333 479)	19 749
TATAL EQUITY		**15 539 732**	**26 954 987**
KREDITORI			
Long-term liabilities			
Issued bonds	24	3 340 561	-
Borrowings from related parties	31 (c)	6 275 219	616 651
Financial lease liabilities	25	11 158 537	15 283 908
Other borrowing	26	3 107 487	3 466 081
Deferred income		-	136 550
Deferred income tax liabilities		-	175 190
TOTAL		**23 881 804**	**19 678 380**
Short-term liabilities			
Borrowings from credit institutions	23	-	15 161
Issued bonds	24	4 105 907	9 932 913
Borrowings from related parties	31 (c)	-	4 924 696
Financial lease liabilities	25	6 211 840	7 582 973
Other borrowing	26	3 328 932	3 626 992
Contract liabilities	17	552 477	265 423
Trade payables		3 301 952	2 722 507
Corporate income tax		-	15 798
Taxes and mandatory state social insurance contribution	27	958 575	815 484
Deferred income	28	136 550	135 111
Other provisions	22	116 919	641 444
Other liabilities	29	423 336	448 908
Accured liabilities	30	1 187 516	1 070 278
TOTAL		**20 324 004**	**32 197 688**
TOTAL LIABILITIES		**44 205 808**	**51 876 068**
TOTAL EQUITY ND LIABILITIES		**59 745 540**	**78 831 055**

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Member of the Board

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Member of the Board

Baiba Onkele
Chief financial officer

Consolidated statement of cash flows

	Notes	2020 EUR	2019 EUR
Cash flows from operating activities			
Loss before income tax		(10 784 875)	(447 649)
Adjustments:			
Amortisation of intangible assets and depreciation of property, plant and equipment	12,13,14	8 887 521	11 831 340
Net result on disposal of property, plant and equipment		440 353	(569 957)
Interest expense	9	3 130 566	3 305 290
Provision decrease		(524 525)	(418 153)
Impairment losses on intangible assets and goodwill		4 029 644	-
Operating results before changes in working capital		*5 178 684*	*13 700 871*
Receivables (increase)/ decrease		(2 584 212)	(355 254)
Inventories decrease / (increase)		99 739	115 882
Payables (decrease)/ increase		966 145	(254 896)
Cash flows from operating activities		*3 660 356*	*13 206 603*
Interest paid		(2 298 055)	(2 883 748)
Corporate income tax paid		-	-
Net cash flow generated from operating activities		**1 362 301**	**10 322 855**
Cash flows from investing activites			
Purchases of intangible assets and property, plant and equipment		(2 606 124)	(1 749 125)
Proceeds from sale of property, plant and equipment		10 336 145	2 526 963
Net cash used in investing activities		**7 730 021**	**777 838**
Cash flows from financing			
Proceeds from bonds		200 000	1 755 000
Proceeds from other borrowings		-	4 215 883
Repayment of borrowings from credit institutions		(15 161)	(12 839)
Repayment of bonds		(2 703 700)	-
Repayment of other borrowings		(718 020)	(4 192 336)
Repayment of lease liabilities		(5 900 916)	(13 299 215)
Net cash used in financing activities		**(9 137 797)**	**(11 533 507)**
Foreign curreny exchange		**(126 545)**	**94 580**
Net cash flow for the year		**(172 020)**	**(338 234)**
Cash and cash equivalents at the beginning of the reporting year		3 892 160	4 230 394
Cash and cash equivalents at the end of the reporting year	**20**	**3 720 140**	**3 892 160**

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Member of the Board

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Member of the Board

Baiba Onkele
Chief financial officer

Consolidated statement of changes in equity

	Share capital	Foreign currency translation reserve	Other reserves*	Previous' years accumulated loss	Profit for the year	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Balance at 31 December 2018	**33 316 278**	**(37 907)**	**26 774**	**(6 607 214)**	**142 727**	**26 840 658**
Profit for the year	-	-	-	-	19 749	**19 749**
Other comprehensive income	-	94 580	-	-	-	**94 580**
Transfer	-	-	-	142 727	(142 727)	-
Balance at 31 December 2019	**33 316 278**	**56 673**	**26 774**	**(6 464 487)**	**19 749**	**26 954 987**
Loss for the year	-	-	-	-	(11 333 479)	**(11 333 479)**
Other comprehensive expenses	-	(81 776)	-	-	-	**(81 776)**
Transfer	-	-	-	19 749	(19 749)	-
Balance at 31 December 2020	**33 316 278**	**(25 103)**	**26 774**	**(6 444 738)**	**(11 333 479)**	**15 539 732**

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

The notes on pages 12 to 55 are an integral part of these consolidated financial statements.

On behalf of the Group these consolidated financial statements were signed on 30 April 2021 by:

Andris Bisnieks
Member of the Board

Andris Pavlovs
Member of the Board

Baiba Onkele
Chief financial officer

Notes to the consolidated financial statements

1. General information

Storent Investments AS (hereinafter – the Group's Parent company or Storent Investments AS) was registered in the Company Register of the Republic of Latvia on 7 October 2014. Registered address of the Group's Parent company is 15A Matrozu street, Riga. Starting from 20 November 2014, the major shareholder of the Group's Parent company is LEVINA INVESTMENTS S.A.R.L (Luxemburg) and ultimate controlling party is Convering Europe Fund III (SCS) SICAR. LEVINA INVESTMENTS S.A.R.L as an investment entity does not produce consolidated financial statements.
The Group's Parent company and its subsidiaries Storent SIA, UAB Storent, Storent OÜ, Storent AB, Storent AS, Storent OOO, Storent Holding Finland OY and Storent Oy (hereinafter – the Group) main operations relate to the rental of industrial equipment.

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. Income statement classified by expense type. Statement of cash flows is prepared using the indirect method.
The accompanying consolidated financial statements are presented in the official currency of the Republic of Latvia, the euro (hereinafter – EUR).
These Consolidated Financial Statements are authorized for issue by the Company's Management Board on ___ April 2021, and are subject to the approval of the shareholders. The shareholders have the right to reject these Consolidated Financial Statements prepared and issued by the Management Board and the right to request that new Consolidated Financial Statements are prepared and issued.

(b) Consolidation

As at 31 December 2020 the Group's Parent company had control over the following subsidiaries:

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

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.)

(b) Consolidation (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 comprehensive income and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. The Group Parent company's and its subsidiaries' financial years are equal and represent the calendar year. For the purposes of preparing the consolidated financial statements uniform accounting policies have been applied.

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

Upon consolidation inter-company unrealized profit, inter-company transactions, balances, inter-company interest in entities and other transactions between group companies are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(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.

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 reference exchange rates:

	31.12.2020 EUR	**31.12.2019 EUR**
1 USD	0.81493	0.89015
1 GBP	1.11231	1.17536
1 NOK	0.09551	0.10138
1 SEK	0.09966	0.09572
1 RUB	0.01093	0.01429

Profit or loss 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 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 reference exchange rate ruling at the closing balance sheet date, and revenue and expense items of the foreign subsidiaries at the reference exchange rates at the dates of the transactions. Exchange differences arising on recognizing asset and liability items, translating at exchange rates, are recognized in other comprehensive income and accumulated in equity.

(e) Use of judgements, 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.

2. Summary of significant accounting policies (cont.)

(e) Use of judgements, estimates and assumptions (cont.)

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:

- *Recoverable value of goodwill and other non-current non-financial assets;*

The Group's management reviews the carrying amounts of intangible assets, including goodwill, and property, plant and equipment, and assesses whether 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 value in use 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 2020.

(f) 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. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. For fair value calculation the Group determines the following:

- the particular asset or liability that is the subject of the measurement (consistently with its unit of account);
- for a non-financial asset, the valuation premise that is appropriate for the measurement (consistently with its highest and best use);
- the principal (or most advantageous) market for the asset or liability;
- market approach is the valuation technique(s) the Group uses for the measurement – it uses prices and other relevant information generated by market transactions involving identical or comparable (similar) assets, liabilities, or a group of assets and liabilities (e.g., a business).

(g) 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. Segment information is presented for Group's operating segments, which are determined by geographical split. Operating segments are managed separately and they are separately reported in internal management reporting to the Council and the Board.

(h) Revenue recognition

The Group recognises revenues according to IFRS 15 "Revenues from contracts with customers", using the 5-step model. The model consists of:

1. Determination of contractual relations;
2. Determination of contract performance obligation;
3. Determination of transaction price;
4. Attribution of transaction price to the performance obligation;
5. Recognition of income, when the Group has fulfilled the performance obligation.

The following criteria are used for determination of contractual relations:

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

2. Summary of significant accounting policies (cont.)

(h) Revenue recognition (cont)

Determination of contract performance obligation.

The performance obligation exists, if there are distinct goods or services transferred to the customer or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. Group has considerate following factors as to whether a promise to transfer goods or services to the customer is not separately identifiable:

- Group does provide a significant service of integrating the goods or services with other goods or services promised in the contract;
- the goods or services are highly interrelated or highly interdependent.

Determination of transaction price

The transaction price is the amount to which Group expects to be entitled in exchange for the transfer of goods and services. When making this determination, Group will consider past customary business practices. Where a contract contains elements of variable consideration, the entity will estimate the amount of variable consideration to which it will be entitled under the contract. Variable consideration can arise, for example, as a result of discounts, rebates, performance bonuses.

Attribution of the transaction price to the performance obligation

Generally, the contract with the customer includes a specified transaction price for each performance obligation. If applicable, the Group uses the adjusted market assessment method for determination of the market price. A discount is applied proportionally for each performance obligation, based on the relative goods or services sales prices. Any overall discount compared to the aggregate of standalone selling prices is allocated between performance obligations on a relative standalone selling price basis. In certain circumstances, it may be appropriate to allocate such a discount to some but not all of the performance obligations.

Customers can earn loyalty points that are redeemable against any future transactions of the Group's products. The points accumulate and expire after one year. The Group recognizes this as a separate performance obligation and allocates a part of the transactions price applying the same principles as described above. The amount allocated to the loyalty points is initially deferred and recognised as revenue when loyalty points are redeemed or on expiry.

Recognition of revenue, when the Group has fulfilled the performance obligation

<u>Transport and related services revenue</u>
Revenue is recognised over time as the services are provided, that is based on criteria that the customer simultaneously receives and consumes all of the benefits provided by the Group and, generally, invoiced on a monthly basis.
Fulfillment of performance obligations for transport and related services is measured based on the output method – performance to date, and there is no significant judgement applied to determine the fulfilment of the performance obligations.
<u>Revenue from sale of inventories and property, plant and equipment used for renting</u>
Revenue is recognised at a point in time when the corresponding asset is delivered to and accepted by the customer, thus, transferring the control and fulfilling the performance obligation, and, generally, invoiced at that point in time.

Contract assets and liabilities

Contracts with customers are presented in the Group's statement of financial position as a receivable. Invoices according the contract are generated at least once per month. Invoices are usually payable within 15-45 days. A contract liability is presented in the statement of financial position where a customer has paid an amount of consideration prior to the Group performing by transferring the related good or service to the customer.

(i) Employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2. Summary of significant accounting policies (cont.)

(j) Income tax

The corporate income tax consists of the income tax calculated for the reporting year and deferred income tax. It is recognised in comprehensive income.

Current tax

Corporate income tax for the reporting year (Lithuania)

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

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

The company's net profit is not subject to corporate income tax; however, income tax is levied on all dividends paid by the Company. Corporate income tax in Latvia and Estonia is calculated at the profit distribution (20/80 from net amount to be paid to shareholders). Corporate income tax will be recognized as tax payable at the period when shareholders decide to distribute profit.

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 21.4% to the taxable income for the tax year.

Corporate income tax for the reporting year (Russia)

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

Deferred tax

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

Deferred income tax (Latvia and Estonia)

Specific accounting for deferred tax due to tax regimes have been applied in the respect of Latvia and Estonia. According to legislation requirements in these countries corporate income tax is applicable to distributed profits. In case of reinvestment of profit, corporate income tax shall not be applied.

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 and Estonia, the applicable rate for undistributed profits is 0%.

2. Summary of significant accounting policies (cont.)

(j) Income tax (cont.)

Deferred income tax (and profit distribution in Latvia and Estonia)

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

(k) Finance income and finance costs

The Group's finance income and finance costs include:

- Interest income;
- Interest expense;
- the foreign currency gain or loss on financial assets and financial liabilities;

Interest income or expense is recognised using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(l) 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 recognised in comprehensive income 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.

For the purpose of impairment testing, recoverable amount - value in use - is determined by discounting the future cash flows generated from the continuing use of assets and was based on the following key assumptions: Cash flows were projected based on financial budgets approved by the management covering a five-year period. Each of the Group's subsidiaries was determined to be a separate cash-generating unit ("CGU"). Cash flows were calculated separately for each CGU, key assumptions for calculations are the same for all CGU: five-year business plan for each CGU, discount factor, which is based on WACC calculation, and Group total IBD was divided between each CGU according to fleet proportion. The five-year business plan is based on the following assumptions: Group's amortisation and depreciation costs, IT costs, management fee, insurance costs and interest expenses are allocated to individual budget of each CGU according to fleet proportion allocated. Fleet proportion was calculated as a percent from total Group fleet according to fleet location to the date, when impairment test was performed. By using the same fleet proportion all Group's liabilities for equipment purchase are allocated in impairment calculation. Loss from goodwill impairment is recognized in consolidated statement of comprehensive income. Please, also refer to Note 12.

2. Summary of significant accounting policies (cont.)

(l) Intangible assets (cont.)

Other intangible assets

Other intangible assets primarily comprise capitalized costs of internally developed software. Customer relationships are formed by purchasing a 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.

Development costs of intangible assets

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically, and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, such expenditure is treated as research costs and recognised in comprehensive income as incurred. In the reporting period, the Group did not incur any research costs.

After the Group has started to use the developed intangible asset, the recognized development costs are reclassified to the respective intangible asset group and subsequently measured at cost less accumulated amortisation and any accumulated losses.

Development costs are presented as Intangible assets in progress and are stated at historical cost. This includes the cost of development and other directly attributable expenses. Intangible assets in progress are not amortized as long as the respective assets are not completed and put into operation.

Expenditure on research activities, if any, is recognised in comprehensive income as incurred.

Amortisation

Amortisation is calculated based on the cost of intangible assets less their estimated residual values, which, generally, are insignificant, using the straight-line method over their estimated useful lives, and is recognised in comprehensive income. Goodwill is not amortised. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate, to reflect the Group's management current view on their remaining useful lives in the light of changes in technology. The estimated useful lives of other intangible assets for current and comparative periods are as follows:

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

(m) Property, plant and equipment

Property plant and equipment is stated at historical cost less accumulated depreciation and impairment. The acquisition costs include all expenditures attributable to binging the asset to working condition. In addition to direct purchasing expenses, it also includes other expenses related to the acquisition, such as transportations and assembling costs. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation is calculated using the straight-line method. The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

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

Construction in progress represents property, plant and equipment under construction and is stated at historical cost. This includes the cost of construction and other directly attributable expenses. Construction in progress is not depreciated as long as the respective assets are not completed and put into operation.
Leasehold improvements are amortised over the shorter of the useful life of the improvement and the term of the lease agreement.

2. Summary of significant accounting policies (cont.)

(m) Property, plant and equipment (cont.)

Depreciation is calculated based on the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in comprehensive income. 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. Any gain or loss on disposal of an item of property, plant and equipment is recognised in comprehensive income. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate, 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. Group has fixed assets that are fully amortized and still are in use.

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

At the end of each reporting period, the Group assesses the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Each Group's subsidiary was determined as separate CGU.

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 consolidated statement of comprehensive income.

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.

(o) 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.

(p) 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, as well as assesses the physical condition of inventories during the annual stock count. Net realizable value is stated as cost less allowances.

(q) Cash and cash equivalents

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

(r) 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.)

(s) 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.

(t) Financial assets and financial liabilities

Financial assets

Recognition, classification and subsequent measurement

A financial asset is recognised in the statement of financial position when the Group becomes party to a contract that is a financial instrument.

On initial recognition, the Group classifies and measures a financial asset at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The Group classifies its financial assets as financial assets at amortised cost in line with its business model to hold the financial assets and collect the contractual cash flows, which consist only of payments of principal and interest on the outstanding principal amount. The assets in the statement of financial position that belong to this category are Trade receivables and Other receicables. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Foreign exchange gains and losses and impairment are recognised in consolidated statement of comprehensive income. Any gain or loss on derecognition is recognised in consolidated statement of comprehensive income.

A financial asset is derecognized if:

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

Impairment of financial assets

The Group applies the simplified approach under IFRS 9. The Group always recognises lifetime ECL (expected credit losses) for trade receivables and contract assets. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience in each geographical location of operations separately over a two-year period, adjusted for factors that are specific to the debtors (please see also Note 16). General economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money are not incorporated into the calculation.

The Group considers a financial asset to be in default when the borrower is in significant financial difficulty and is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or the financial asset is more than 90 days past due. Such financial assets in default are considered to be credit-impaired.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

2. Summary of significant accounting policies (cont.)

(t) Financial assets and financial liabilities (cont.)

Factoring

The Group has entered into certain factoring contracts, by which it sells the receivables to a factor and receives a part of the amount due immediately and the remainder when the customer settles its liability towards the factor. When the Group sells the receivables to the factor, it derecognizes the corresponding financial assets and recognizes a new receivable due from the factor. The Group's factoring contracts are considered as factoring without rights of regress. The proceeds received from the factor are presented in the Statement of cash flows as cash flows from operating activities.

Financial liabilities

Recognition, classification and subsequent measurement

A financial liability is recognised in the statement of financial position when the Group becomes party to a contract that is a financial instrument.

All of the Group's financial liabilities are classified as measured at amortised cost. Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in consolidated statement of comprehensive income. Any gain or loss on derecognition is also recognised in consolidated statement of comprehensive income.

A financial liability is derecognized, if the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in comprehensive income.

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.
Please refer to relevant Notes.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(u) Leases

The Group as lessor

Leases, for which the Group is a lessor, are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. The Group, as a lessor, has not classified any lease as a financial lease.

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

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. The Group as a lessor, generally, concludes short-term operating lease contracts with no non-cancellable period.

The Group as lessee

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

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

2. Summary of significant accounting policies (cont.)

(u) Leases (cont.)

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

The lease liability is presented as a separate line in the statement of financial position. Group lease payments are based on concluded financial lease agreements with fixed lease payment schedule.

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

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

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

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

(v) Related party transaction

Related parties represent both legal entities and private individuals related to the Group in accordance with the following rules:

a) person or a close member of that person's family is related to a reporting entity if that person:
   i. Has control or joint control over the reporting entity;
   ii. Has significant influence over the reporting entity; or
   iii. Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:
   i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
   ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
   iii. Both entities are joint ventures of the same third party;
   iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
   v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
   vi. The entity is controlled, or jointly controlled by a person identified in a);
   vii. A person identified in a) i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
   viii. The entity, or any member of the group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

2. Summary of significant accounting policies (cont.)

(w) 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.

(x) International Financial Reporting Standards

Newly effective standards

A number of new standards (or amendments) are effective for annual periods beginning on or after 1 January 2020, which do not have a material effect on the Group's consolidated financial statements.

- Amendments to References to Conceptual Framework in IFRS Standards;
- Amendments to IFRS 3 – Definition of a Business;
- Amendments to IAS 1 and IAS 8 – Definition of Material;
- Amendments to IFRS 9, IAS 39, IFRS 7 – Interest Rate Benchmark Reform – Phase 1.

Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following new and amended standards effective for annual periods beginning after 1 January 2020 are not expected to have a significant impact on the Group's consolidated financial statements:

- Amendments to IFRS 16 – COVID-19-Related Rent Concessions (effective for annual periods beginning on or after 1 June 2020, earlier application is possible);
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2 (effective for annual periods beginning on or after 1 January 2021, with earlier application possible);
- Amendments to IAS 37 – Onerous contracts – Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022, have not yet been adopted by the EU);
- Annual Improvements to IFRS Standards 2018-2020 (effective for annual periods beginning on or after 1 January 2022, have not yet been adopted by the EU);
- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022, not yet adopted by the EU);
- Reference to Conceptual Framework – Amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022, have not yet been adopted by the EU);
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023, have not yet been adopted by the EU);
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2023, have not yet been adopted by the EU).

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

3. Net revenue and operating segments

Net revenue by products and services	2020 EUR	2019 (reclassified*) EUR
Rental revenue – own equipment	10 800 065	18 231 145
Rental revenue – sub-lease of right-of-use assets (see also Note 14)	7 083 860	10 249 519
Rental revenue – equipment under split rent arrangements (see also Note 14)	13 269 855	6 964 706
TOTAL Rental income:	**31 153 780**	**35 445 370**
Transport and related services revenue	9 565 003	9 059 894
Revenue from sale of inventories	1 463 331	808 288
Cash discounts to customers	(57 840)	(101 324)
TOTAL Revenue from contracts with customers:	**10 970 494**	**9 766 858**
TOTAL:	**42 124 274**	**45 212 228**

Operating segments

Segment information is presented for the Group's operating segments, which are determined by geographical split. The Group has disclosed the items and amounts by operating segment as reported in internal management reporting to the Council and the Board.

Net revenue per geographical location	2020 EUR	2019 (reclassified*) EUR
Latvia	14 198 895	15 689 702
Lithuania	8 957 279	10 469 218
Estonia	4 786 806	5 891 964
TOTAL Baltic (Latvia, Estonia and Lithuania):	**27 942 980**	**32 050 884**
Finland	11 141 525	10 705 412
Sweden	2 493 566	1 920 209
TOTAL Nordic (Finland and Sweden):	**13 635 091**	**12 625 621**
Russia, Kaliningrad	546 203	535 723
TOTAL:	**42 124 274**	**45 212 228**

*See Note 35.

The Group defines operating result as net revenues and other operating income less cost of materials and services, personnel costs, other operating expenses, depreciation and amortization and impairment gain/(loss).

Operating result per geographical location	2020 EUR	2019 EUR
Baltic (Latvia, Estonia and Lithuania)	(4 774 393)	4 978 935
Nordic (Finland and Sweden)	(3 167 696)	(2 056 343)
Russia, Kaliningrad	135 310	30 110
Elimination of inter-segment operating result	109 535	(19 780)
Finance income	67 728	15 783
Finance expenses	(3 155 359)	(3 396 354)
Consolidated profit/(loss) before tax:	**(10 784 875)**	**(447 649)**

3. Net revenue and operating segments (cont.)

Property, plant and equipment, right of use assets and intangible assets are disclosed both on individual geographical location level and on an aggregated basis, in line with internal management reporting to the Council and the Board.

Property, plant and equipment and right of use assets per geographical location, net book value	31.12.2020 EUR	31.12.2019 EUR
Finland	10 734 786	13 237 543
Sweden	2 446 435	2 747 320
TOTAL Nordic (Finland and Sweden):	**13 181 221**	**15 984 863**
Latvia	10 272 012	17 114 037
Lithuania	5 826 521	10 066 783
Estonia	4 146 616	7 243 850
TOTAL Baltic (Latvia, Estonia and Lithuania):	**20 245 149**	**34 424 670**
Russia, Kaliningrad	128 464	141 066
TOTAL:	**33 554 834**	**50 550 599**

Intangible assets (including goodwill) and right of use assets per geographical location, net book value	31.12.2020 EUR	31.12.2019 EUR
Finland	1 645 263	1 449 961
Sweden	142 949	90 048
TOTAL Nordic (Finland and Sweden):	**1 788 212**	**1 540 009**
Latvia	1 377 293	1 230 878
Lithuania	8 982 107	9 065 939
Estonia	749 452	4 805 113
TOTAL Baltic (Latvia, Estonia and Lithuania):	**11 108 852**	**15 101 930**
Russia, Kaliningrad	367 085	329 591
TOTAL:	**13 264 149**	**16 971 530**
TOTAL NON-CURRENT NON-FINANCIAL ASSETS:	**46 818 983**	**67 522 129**

4. Other operating income

By type	2020 EUR	2019 (reclassified*) EUR
Insurance reimbursements received	226 865	230 665
Recognized deferred income (see also Note 28)	135 111	738 453
Cost reimbursement	81 379	119 408
Other income	5 507	5 090
Gain on sale of property, plant and equipment used for renting, net	-	1 002 197
TOTAL:	**448 862**	**2 095 813**

*See Note 35.

5. Cost of materials and services

a) Costs of raw materials and ancillary materials

		2020 EUR	2019 (reclassified*) EUR
Cost of materials		711 862	356 480
Renting equipment adjustments as a result of stock counts		3 292	2 896
	TOTAL:	**715 154**	**359 376**

b) Other external costs

		2020 EUR	2019 EUR
Equipment rent related costs		9 382 817	5 044 557
Transport and assembly services		6 971 627	7 217 576
Repairs and maintenance services		3 165 667	3 317 267
	TOTAL:	**19 520 111**	**15 579 400**
	TOTAL:	**20 235 265**	**15 938 776**

*See Note 35.

6. Other operating expenses

		2020 EUR	2019 (reclassified*) EUR
Rent of offices, areas and maintenance costs		2 261 106	2 181 560
IT expenses		1 216 773	494 842
Written-off doubtful debts		628 236	511 957
Other administrative expenses		548 915	952 785
Losses on sale of property, plant and equipment used for renting, net*		544 525	-
Administration transport costs		504 456	501 266
Marketing expenses		460 329	315 623
Remuneration to contractors		303 306	225 543
Insurance costs		297 025	486 664
Consulting and other services**		181 998	188 489
Communication expenses		155 616	95 488
Legal services		119 388	165 286
	TOTAL:	**7 221 673**	**6 119 503**

*Storent SIA and Storent Oy, on an ongoing basis, performs optimization of the rental equipment fleet by selling equipment, which is no longer in demand in rental market. The increase in rental equipment sold in 2020 is related to the management's initiated change in the Group's operating model to increase the share of rental equipment provided by split-rent vendors. See also Note 35.

Losses on sale of property, plant and equipment used for renting, net calculation:	2020 EUR
Gross income from sale of property, plant and equipment used for renting	9 480 164
Cost of sold property, plant and equipment used for renting	(10 024 689)
TOTAL Losses on sale of property, plant and equipment used for renting, net:	**(544 525)**

6. Other operating expenses (cont.)

**including audit and non-audit fee to Deloitte network companies (in 2019) and KPMG Baltics AS (in 2020):

	2020 EUR	2019 EUR
Financial statements audit fee	82 264	109 522
Permissible tax services	-	42 040
TOTAL:	**82 264**	**151 562**

7. Depreciation and amortization

	2020 EUR	2019 (reclassified*) EUR
Depreciation of property, plant and equipment used for renting	3 445 912	5 082 248
Depreciation of property, plant and equipment used for own needs	357 196	416 497
Rights of use assets amortization	4 167 912	5 557 721
Amortization of intangible assets	871 638	730 229
Written - off part of long-term investments in leased fixed assets	44 863	44 647
TOTAL:	**8 887 521**	**11 831 342**

*See Note 35.

8. Finance income

	2020 EUR	2019 EUR
Foreign exchange income	40 010	5 806
Interest income calculated using the effective interest method	27 718	9 977
TOTAL:	**67 728**	**15 783**

9. Finance expenses

	2020 EUR	2019 EUR
Interest on borrowings* calculated using the effective interest method	1 205 286	1 161 253
Interest on leases	928 440	1 233 650
Interest on bonds* calculated using the effective interest method	987 153	898 791
Interest on factoring**	9 687	11 596
Foreign exchange losses	-	74 450
Other expenses	24 793	16 614
TOTAL:	**3 155 359**	**3 396 354**

*Interest expenses presented above are incurred by financial instruments presented in the Group's financial liabilities at amortized cost in accordance with IFRS 9.

**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. In 2020, the maturity of these contracts was been prolonged till 31.03.2021.

10. Income tax and deferred income tax assets / liabilities

	2020 EUR	2019 EUR
Corporate income tax calculated for the year	(15 807)	(16 478)
Deferred income tax changes due to temporary differences	(532 797)	483 876
Corporate income tax recognized in consolidated statement of comprehensive income:	**(548 604)**	**467 398**

The Group's reconciliation of the effective tax rate is based on its domestic tax rate, with a reconciling item in respect of tax rates applied by Group companies in other jurisdictions. The reconciliation of the effective tax rate is based on an applicable tax rate that provides the most meaningful information to users.

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

		2020 EUR		2019 EUR
Profit/ (loss) before income tax, subject to corporate income tax		**(10 784 875)**		**(447 649)**
The calculated theoretical corporate income tax – at 20%	20,0%	(2 156 975)	20,0%	(89 530)
Effect of tax rates in foreign jurisdictions	(0,32%)	34 195	(6,51%)	29 149
Permanent differences:				
Impact of Goodwill write-off	(7,49%)	807 358	-	-
Non-deductible expenses and other permanent differences	(1,10%)	118 192	(22,87%)	102 391
Unrecognized temporary differences (tax losses carried forward)	(16,19%)	1 745 833	-	-
Effect of previously unrecognized temporary differences (tax losses carried forward)	-	-	(113,80%)	(509 408)
The actual corporate income tax for the reporting year:	**(5,09%)**	**548 604**	**104,41%**	**(467 398)**

Deferred income tax:

The Group management has determined that eligable subsidiary's profits will not be distributed in the foreseeable future, and, thus, the Group has not recognized related deferred tax liabilities. The unrecognized deferred tax liabilities as at 31 December 2020 amount to EUR 1 834 716 (31.12.2019: EUR 1 423 145).

The unused tax losses, for which deferred tax asset is recognized only to the extent of taxable temporary differences, as at 31 December 2020 consist of EUR 6 925 394 (31.12.2019: EUR 3 084 878) that expire from 2028 to 2030 and EUR 5 348 402 (31.12.2019: EUR 3 654 089) that, under certain conditions, do not expire. There are no other material deductible temporary differences and unused tax credits for which no deferred tax asset is recognised.

The Group's management has prepared a Business plan for the next five-years and evaluated the actual and potential impact of Covid-19 pandemic. Based on the five-year business plan for Finland, Sweden and Lithuania the management doesn't see that the next five-years' taxable profit will be enough to cover the previous tax losses. As a result, the Group's management decided to recognized deferred tax assets only in the amount equal to the deferred tax liabilities that are expected to reverse in future reporting periods.

10. Income tax income and deferred income tax assets / liabilities (cont.)

Movement in deferred tax balances 2020 EUR	Net balance at 1 January	Recognised in profit or loss	Currency revaluation effect	Balance at 31 December 2020 Net	Deferred tax assets	Deferred tax liabilities
Accelerated depreciation for tax purposes	600 394	87 134	-	687 528	-	687 528
Tax losses carried forward	(1 059 399)	(1 266 952)	(13 164)	(2 339 515)	(2 339 515)	-
Loss allowances	(58 286)	(35 521)	-	(93 807)	(93 807)	-
Employee benefits	3 333	(3 333)	-	-	-	-
Other items	(5 675)	5 636	-	(39)	(39)	-
Unrecognized deferred tax asset	-	1 745 833	-	1 745 833	1 745 833	-
	(519 633)	**532 797**	**(13 164)**	**-**	**(687 528)**	**687 528**
				Set-off	**687 528**	**(687 528)**
				Net deferred tax	**-**	**-**

Movement in deferred tax balances 2019 EUR	Net balance at 1 January	Recognised in profit or loss	Currency revaluation effect	Balance at 31 December 2019 Net	Deferred tax assets	Deferred tax liabilities
Accelerated depreciation for tax purposes	666 249	(65 855)	-	600 394	-	600 394
Tax losses carried forward	(644 022)	(418 376)	2 999	(1 059 399)	(1 059 399)	-
Loss allowances	(55 112)	(3 174)	-	(58 286)	(58 286)	-
Employee benefits	(12 743)	16 076	-	3 333	-	3 333
Other items	6 872	(12 547)	-	(5 675)	(5 675)	-
	(38 756)	**(483 876)**	**2 999**	**(519 633)**	**(1 123 360)**	**603 727**
				Set-off	**428 537**	**(428 537)**
				Net deferred tax	**(694 823)**	**175 190**

11. Personnel costs and number of employees

		2020 EUR	2019 EUR
Salaries		7 334 351	7 762 286
State social security mandatory contributions		2 009 422	2 012 844
Other personnel costs		562 340	818 789
	TOTAL:	**9 906 113**	**10 593 919**

Executive management remuneration:		2020 EUR	2019 EUR
Board members			
Salaries		813 000	753 470
State social security mandatory contributions		195 864	181 511
	TOTAL:	**1 008 864**	**934 981**

		2020	2019
Average number of employees during the reporting year		297	298
	TOTAL:	**297**	**298**

Personnel costs by function:		2020 EUR	2019 EUR
Sales		3 835 358	4 064 532
Customer services		4 155 315	4 403 608
Administration and finance staff		1 915 440	2 125 779
	TOTAL:	**9 906 113**	**10 593 919**

12. Intangible assets

	Licenses and similar rights	Other intangible assets	Customer relationships	Intangible assets in progress	Goodwill	TOTAL
	EUR	EUR	EUR	EUR	EUR	EUR
At 31 December 2018						
Historical cost	552 630	2 623 957	125 000	-	15 346 352	18 647 939
Accumulated amortisation	(321 012)	(1 722 246)	(100 694)	-	-	(2 143 952)
Net carrying value	**231 618**	**901 711**	**24 306**	**-**	**15 346 352**	**16 503 987**
FY 2019						
Net carrying value, opening	231 618	901 711	24 306	-	15 346 352	16 503 987
Additions	5 913	1 191 859	-	-	-	1 197 772
Write-off	-	-	-	-	-	-
Amortisation	(84 495)	(621 428)	(24 306)	-	-	(730 229)
Net carrying value, closing	153 036	1 472 142	-	-	15 346 352	16 971 530
At 31 December 2019						
Historical cost	558 543	3 815 816	125 000	-	15 346 352	19 845 711
Accumulated amortisation	(405 507)	(2 343 674)	(125 000)	-	-	(2 874 181)
Net carrying value	**153 036**	**1 472 142**	**-**	**-**	**15 346 352**	**16 971 530**
FY 2020						
Net carrying value, opening	153 036	1 472 142	-	-	15 346 352	16 971 530
Additions	-	778 519	-	418 813	-	1 197 332
Write-off	(53 204)	-	-	-	(4 029 645)	(4 082 849)
Amortisation	(47 673)	(823 965)	-	-	-	(871 638)
Net carrying value, closing	52 159	1 426 696	-	418 813	11 316 707	13 214 375
At 31 December 2020						
Historical cost	505 339	4 594 335	125 000	418 813	11 316 707	16 960 194
Accumulated amortisation	(453 180)	(3 167 639)	(125 000)	-	-	(3 745 819)
Net carrying value	**52 159**	**1 426 696**	**-**	**418 813**	**11 316 707**	**13 214 375**

All intangible assets are used by the Group.

Goodwill by CGU	**31.12.2020 EUR**	**31.12.2019 EUR**
Storent SIA	680 035	680 035
Storent UAB	8 742 675	8 742 675
Storent OU*	542 475	4 572 120
Storent Oy	1 021 937	1 021 937
Storent OOO	329 585	329 585
	11 316 707	**15 346 352**

*In 2020, the Group, based on its assessment of the recoverable value (value-in-use of EUR 13.2 million as at 31 December 2020), recognized impairment for Storent OU goodwill in the amount of EUR 4 029 645, which was recognized in the Statement of comprehensive income. The decrease in the assessed recoverable value and, correspondingly, recognized impairment in 2020 compared to 2019 is related to Covid-19 impact on the profitability of the CGU and its future growth prospects.

12. Intangible assets (cont.)

The key assumptions used in the estimation of the recoverable amount (value in use) are the following:

31.12.2020	Storent SIA	Storent UAB	Storent OU	Storent Oy	Storent AB	Storent OOO
EBITDA margin	12%-16% in years 2021-2025, 16% in terminal year (2020 actual: 18%)	12%-17% in years 2021-2025, 17% in terminal year (2020 actual: 11%)	3%-14% in years 2021-2025, 14% in terminal year (2020 actual: -6%)	24%-25% in years 2021-2025, 25% in terminal year (2020 actual: 14%)	10%-19% in years 2021-2025, 19% in terminal year (2020 actual: 4%)	36%-37% in years 2021-2025, 37% in terminal year (2020 actual: 37%)
EBITDA growth rate	4%	5%	9%	1%	9%	1%
Period of cash flows forecast	5 years + terminal year	5 years + terminal year	5 years + terminal year	5 years + terminal year	5 years + terminal year	5 years + terminal year
WACC	8,98%	8,98%	8,98%	8,98%	8,98%	8,98%
Terminal growth rate	0,62%	0,62%	0,62%	0,62%	0,62%	0,62%

31.12.2019	Storent SIA	Storent UAB	Storent OU	Storent Oy	Storent AB	Storent OOO
EBITDA margin	32%-23% in years 2020-2024, 23% in terminal year (2019 actual: 40%)	25%-23% in years 2020-2024, 23% in terminal year (2019 actual: 31%)	16%-24% in years 2020-2024, 24% in terminal year (2019 actual: 20%)	29%-27% in years 2020-2024, 27% in terminal year (2019 actual: 21%)	9%-22% in years 2020-2024, 22% in terminal year (2019 actual: -3%)	38%-34% in years 2020-2024, 34% in terminal year (2019 actual: 24%)
EBITDA growth rate	(9%)	(2%)	(8%)	(2%)	13%	(4%)
Period of cash flows forecast	5 years + terminal year	5 years + terminal year	5 years + terminal year	5 years + terminal year	5 years + terminal year	5 years + terminal year
WACC	10,30%	10,30%	10,30%	10,30%	10,30%	10,30%
Terminal growth rate	0,59%	0,59%	0,59%	0,59%	0,59%	0,59%

To determine the key assumptions of EBITDA margin and EBITDA growth rate, the Group management has considered both the Group's past experience as well the future trends and forecasts of the construction market in the specific country where the CGU is located.

The recoverable value of goodwill and other non-current non-financial assets significantly depends on the assumptions used in the assessment of recoverable value with respect to EBITDA margin and EBITDA growth rate and the Group management's ability to realize those assumptions, as well the 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 recoverable value of goodwill and other non-current non-financial assets recognized on the Group's balance sheet as of 31 December 2020. Please refer further to Notes 36 and 37.

12. Intangible assets (cont.)

Sensitivity analysis

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

The key assumptions that may affect the recoverable value and, thus, the carrying amount of the cash-generating units are the fulfilment of the EBITDA budget and the weighted average cost of capital. The table below shows the impact of the change in these two assumptions on the value headroom/(impairment) of the cash-generating unit.

	Weighted average cost of capital 8,98%				EBITDA target reached by 90%			
	EBITDA target reached by 90%	EBITDA target reached by 80%	EBITDA target reached by 90%	EBITDA target reached by 80%	Weighted average cost of capital 7,98%	Weighted average cost of capital 9,98%	Weighted average cost of capital 7,98%	Weighted average cost of capital 9,98%
m EUR	**2020**	**2020**	**2019**	**2019**	**2020**	**2020**	**2019**	**2019**
Storent SIA	15,65	12,02	14,86	8,44	20,44	12,23	22,58	9,09
Storent UAB	12,56	10,19	12,43	8,29	15,91	10,18	17,46	8,67
Storent OU	-0,31	-1,37	1,09	-1,41	1,35	-1,50	4,45	-1,40
Storent AB	4,56	3,54	-0,50	-2,76	5,98	3,54	0,77	-1,42
Storent Oy	15,08	11,9	10,74	4,75	18,71	12,49	15,31	7,34
Storent OOO	0,50	0,33	0,04	-0,27	0,66	0,38	0,18	-0,06
KOPĀ:	**48,04**	**36,61**	**38,66**	**17,04**	**63,06**	**37,32**	**60,75**	**22,21**

13. Property, plant and equipment

	Land and buildings	Leasehold improvements	Machinery and equipment	Other fixed assets	Construction in progress	TOTAL
	EUR	EUR	EUR	EUR	EUR	EUR
at 31 December 2018						
Historical cost	306 883	297 798	94 344 528	4 305 778	352 744	99 607 732
Accumulated depreciation	(57 781)	(190 869)	(44 381 118)	(2 488 326)	-	(47 118 095)
Net carrying value	**249 102**	**106 929**	**49 963 410**	**1 817 452**	**352 744**	**52 489 637**
FY 2019						
Net carrying value, opening	249 102	106 929	49 963 410	1 817 452	352 744	52 489 637
Additions	175	8 111	-	515 867	-	524 153
Transfered	-	-	342 737	-	(342 737)	-
Lease assets transferred to ROU at 1 January 2019, cost	-	-	(61 387 563)	(967 669)	-	(62 355 232)
Lease assets transferred to ROU at 1 January 2019, depreciation	-	-	28 968 617	467 627	-	29 436 244
Transfered from ROU at the end of the lease (Note 14)	-	-	6 466 638	11 884	-	6 478 522
Value increase*	-	-	-	-	-	-
Disposals, net	-	-	(1 701 275)	(618 141)	-	(2 319 416)
Depreciation	(15 096)	(44 647)	(5 082 248)	(401 401)	-	(5 543 392)
Net carrying value, closing	234 181	70 393	17 570 316	825 619	10 007	18 710 516
at 31 December 2019						
Historical cost	307 058	305 909	38 065 065	3 247 719	10 007	41 935 759
Accumulated depreciation	(72 877)	(235 516)	(20 494 749)	(2 422 100)	-	(23 225 243)
Net carrying value	**234 181**	**70 393**	**17 570 316**	**825 619**	**10 007**	**18 710 516**
FY 2020						
Net carrying value, opening	234 181	70 393	17 570 316	825 619	10 007	18 710 516
Additions	-	10 156	1 119 763	171 896	-	1 301 815
Transfered	-	-	-	-	(10 007)	(10 007)
Transfered from ROU at the end of the lease (Note 14)	-	-	5 505 841	68 017	-	5 573 858
Disposals, net	(4 080)	(2 583)	(10 345 364)	(86 173)	-	(10 438 200)
Depreciation	(10 976)	(44 863)	(3 445 912)	(346 220)	-	(3 847 971)
Net carrying value, closing	219 125	33 103	10 404 644	633 139	-	11 290 011
at 31 December 2020						
Historical cost	302 978	313 482	34 345 305	3 401 459	-	38 363 224
Accumulated depreciation	(83 853)	(280 379)	(23 940 661)	(2 768 320)	-	(27 073 213)
Net carrying value	**219 125**	**33 103**	**10 404 644**	**633 139**	**-**	**11 290 011**

All property, plant and equipment classified as Machinery and equipment and Other fixed assets are leased out by the Group under operating lease terms. Other types of property, plant and equipment are used by the Group.

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 as at 31 December 2020 amounted tp EUR 10 288 432 (31.12.2019: EUR 10 459 043).

14. Rights of use assets

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

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

	Licenses and similar rights EUR	Land and buildings EUR	Machinery and equipment EUR	Other fixed assets EUR	Total EUR
At 1 January 2019		-	-	-	-
Transferred from PP&E, net as at 1 January 2019 on adoption of IFRS 16 (see Note 13)	-	-	32 418 946	500 042	32 918 988
Additions	-	1 386 447	9 111 104	472 217	10 969 768
Transferred to PP&E at the end of the lease on transfer of ownership (see Note 13)	-	-	(6 466 638)	(11 884)	(6 478 522)
Derecognition	-	-	-	(12 430)	(12 430)
Amortization	-	(272 203)	(5 075 680)	(209 838)	(5 557 721)
Net carrying value at 31 December 2019	**-**	**1 114 244**	**29 987 732**	**738 107**	**31 840 083**
At 1 January 2020	-	1 114 244	29 987 732	738 107	31 840 083
Additions	77 907	125 832	97 165	200 474	501 378
Transferred to PP&E at the end of the lease on transfer of ownership (see Note 13)	-	-	(5 505 841)	(68 017)	(5 573 858)
Derecognition	-	(285 094)	-	-	(285 094)
Amortization	(28 133)	(318 007)	(3 573 082)	(248 690)	(4 167 912)
Net carrying value at 31 December 2020	**49 774**	**636 975**	**21 005 974**	**621 874**	**22 314 597**

All rights of use assets classified as Machinery and equipment and Other fixed assets are leased out by the Group under operating lease terms. Other types of rights of use assets are used by the Group.

For information on incremental borrowing rates applied to lease liabilities, refer to Note 25.

Premises rent agreements that can be discontinued by sending letter to premises holder one to six months before termination, are not classified as rights of use assets since both parties have unilateral rights to terminate the contract and there is historical evidence of such right being exercised by both parties. Forklift rent agreements, without specified forklift serial number in agreement also are not classified as rights of use assets as those can be replaced by service provider and there is a history of such replacement at decision by service provider.

14. Rights of use assets (cont.)

Amounts recognized in profit and loss:	2020 EUR	2019 EUR
Revenue from sub-lease of rights-of-use assets (see also Note 3)	7 083 860	10 249 519
Revenue from sub-lease of assets, for which lease liabilities are not recognized (see also Note 3)*	13 269 855	6 964 706
Expense related to variable lease payments not included in the measurement of the lease liability*	(9 382 817)	(5 044 557)
Depreciation expenses on right-of-use assets	(4 167 912)	(5 557 721)
Interest expense on lease liabilities	(928 440)	(1 233 650)
Expense relating to short-term leases	(1 439 742)	(1 389 058)
TOTAL:	**4 434 804**	**3 989 239**

*The Group does not recognize lease liabilities and right-of-use assets for machinery and equipment leased from split-rent vendors as the lease payments are entirely variable depending on sub-lease rental income.

15. Inventories

	31.12.2020 EUR	31.12.2019 EUR
Goods for resale (at cost)	513 318	529 710
Consumables (at cost)	595 027	678 374
TOTAL:	**1 108 345**	**1 208 084**

16. Trade receivables

	31.12.2020 EUR	31.12.2019 EUR
Trade receivables	9 834 871	7 189 293
Allowance for doubtful debts	(2 307 188)	(2 322 753)
TOTAL:	**7 527 683**	**4 866 540**

Interest is not charged on late payment of receivables. Generally, trade receivables are due within 15 - 45 days.

Allowance for doubtful debts is expressed as lifetime expected credit loss and is calculated on a collective basis using simplified approach under IFRS 9.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group's management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, financial statements, credit agency information and industry information. Sale limits are established for each customer and reviewed yearly. Any sales exceeding those limits require approval from the entity management or Group management. Monitoring customer credit risk is going on daily basis. Monitoring includes actual information from credit agency and review past due trade payables by each entity debt controllers. Please also see Note 33.

16. Trade receivables (cont.)

Main assumption of simplified approach under IFRS 9:

The appropriate grouping	Group uses debt grouping by countries for measurement of loss allowances on a collective basis
Period	Group uses a 2-year period to estimate historical loss rate
Historical loss rate	Calculation done, excluding Storent intercompany sales and sales to lease companies (lease-back). Excluded also debts from Crent SIA (Cramo SIA), that was merged with Storent SIA in December 2017
Timeframes used in calculation	Current / Due 1-30 / Due 31-60 / Due 61-90 / Due 91-180 / Due 181-360 / Due 361+ / Never Paid
Macro-economic factors	The Group did not find any material connection between actual credit loss rate and macro-economic factors. In the management's view, this is due to the construction sector often used to stimulate economic activity during an economic downturn.
Forward-looking information	In line with the conclusion on macro-economic factors above, the Group presumes that historical loss rates will prevail also in the future, and no adjustments at historical loss rates are done.

Trade receivables are not secured or collaterized.

The gross carrying amount of a trade receivables is written off when the Group has no reasonable expectations of recovering a trade receivable in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amounts written off. However, trade receivables that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Changes in the allowance for doubtful debts	**31.12.2020 EUR**	**31.12.2019 EUR**
At the beginning of the year	**2 322 753**	**2 452 203**
Increase	612 671	357 214
Written-off	(628 236)	(486 664)
TOTAL:	**2 307 188**	**2 322 753**

The Group's gross trade receivables as at 31 December 2020 have increased compared to 31 December 2019, which is mainly due to significant PPE disposal transactions near the end of the reporting period (in the Latvian market, which resulted in an increase in receivables of EUR 3 million), which are considered not past due. During 2020, notwithstanding Covid-19 impact on the economy, there has been no significant increase in overdue amounts, including in credit-impaired balances. For details on overdue receivables by ageing category see Note 33.

17. Contract assets and contract liabilities

The following tables provide information about receivables, contract assets and contract liabilities from contracts with customers.

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

Contracts balances	**31.12.2020 EUR**	**31.12.2019 EUR**
Receivables, which are included in 'Trade receivables'	9 834 871	7 189 293
Contract assets	13 804	27 459
TOTAL:	**9 848 675**	**7 216 752**

17. Contract assets and contract liabilities (cont.)

The contract liabilities primarily relate to the loyalty points earned by the customers as part of the Group's customer loyalty program, which was launched in 2020, and advances received from customers for performance obligations not yet performed.

Contracts balances	31.12.2020 EUR	31.12.2019 EUR
Contract liabilities – loyalty program	(302 402)	-
Contract liabilities – advances from customers	(250 075)	(265 423)
TOTAL:	**(552 477)**	**(265 423)**

Changes in contract liabilities:	31.12.2020 EUR	31.12.2019 EUR
At the beginning of the year	**(265 423)**	**(231 120)**
Revenue recognized from amounts included in contract liabilities at the beginning of the period	265 423	231 120
Revenue deferred during the period	(552 477)	(265 423)
TOTAL:	**(552 477)**	**(265 423)**

18. Other receivables

	31.12.2020 EUR	31.12.2019 EUR
Guarantee deposit	197 371	214 087
Refundable value-added tax	35 664	72 895
Advances to suppliers	32 854	72 430
Advances to employees	2 888	3 190
TOTAL:	**268 777**	**362 602**

19. Prepaid expenses

	31.12.2020 EUR	31.12.2019 EUR
Other deferred expenses	287 808	257 259
Total:	**287 808**	**257 259**

20. Cash and cash equivalents

	31.12.2020 EUR	31.12.2019 EUR
Cash in bank and cash, EUR	3 456 603	3 599 237
Cash in bank and cash, RUB	100 796	226 580
Cash in bank and cash, SEK	162 741	66 342
TOTAL:	**3 720 140**	**3 892 159**

21. Share capital of the Parent company

Registered share capital of the Group's Parent company on 31.12.2020 and 31.12.2019 is EUR 33 316 278, consisting of 33 316 278 shares. The nominal value of a share is EUR 1. All shares have equal voting right and dividend entitlement.

Parent company's shareholders as of 31 December 2019:

Shareholder	Numbers of shares	Amount EUR	Participating interest (%)
Levina Investments S.A.R.L. (Luxembourg)	24 320 882	24 320 882	73.0%
"Bomaria" SIA	4 497 698	4 497 698	13.5%
"Supremo" SIA	4 497 698	4 497 698	13.5%
TOTAL:	**33 316 278**	**33 316 278**	**100%**

Parent company's shareholders as of 31 December 2020:

Shareholder	Numbers of shares	Amount EUR	Participating interest (%)
Levina Investments S.A.R.L. (Luxembourg)	24 320 882	24 320 882	73.0%
"Bomaria" SIA	4 497 698	4 497 698	13.5%
"Supremo" SIA	4 497 698	4 497 698	13.5%
TOTAL:	**33 316 278**	**33 316 278**	**100%**

22. Provisions

	31.12.2020 EUR	31.12.2019 EUR
Provisions for employee bonuses	94 898	614 787
Provisions for expenses	22 021	26 657
Total:	**116 919**	**641 444**

Provisions for employee bonuses and provisions for expenses are expected to result in cash outflows within a year of the reporting date. The uncertainty arises from the fact that the information on specific cash outflow amounts is not available to the management as at the reporting date. The Group does not expect any reimbursements with respect to the above amounts.

Changes in the provisions:	31.12.2020 EUR	31.12.2019 EUR
At the beginning of the year	**641 444**	**1 059 597**
Provisions made	208 354	810 048
Provision used	(732 879)	(1 207 558)
Provision reversed	-	(20 643)
TOTAL:	**116 919**	**641 444**

23. Borrowings from credit institutions

In 2016, Storent Oy received loan from Danske Bank Oyj. The loan was fully repaid in 2020.

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

23. Borrowings from credit institutions (cont.)

Reconciliation of movements of borrowings from credit institutions to cash flows arising from financing activities:

	31.12.2020 EUR	31.12.2019 EUR
Balance at the beginning of the year	**15 161**	**28 000**
Repayment of borrowings from credit institutions	(15 161)	(12 839)
Total changes from financing cash flows	**(15 161)**	**(12 839)**
Interest expense	203	480
Interest paid	(203)	(480)
Total liability-related other changes	**-**	**-**
Balance at the end of the year	**-**	**15 161**

24. Issued bonds

In 2017, Group issued bonds with current maturity date 30.06.2021 and coupon interest rate 8%, nominal value of one bond is 100 eur, total nominal value was 10 000 000 eur. In December 2020 Groups has deleted bonds of this issue for total amount 5 950 000 eur. Bonds are listed on the official bond list of AS “Nasdaq Riga.”

In 2020, Group issued second emission of bonds with maturity date 19.10.2023, coupon interest rate 8%, bond nominal value 100 eur and total nominal value 15 000 000 eur. Bonds are listed on the official bond list of AS “Nasdaq Riga.”

Issued bonds	Emission date	Maturity date	Amount	Actual interest rate (%)	31.12.2020 EUR	31.12.2019 EUR
ISIN code LV0000802304	01.07.2017	30.06.2021	4 050 000	8	4 050 000	10 000 000
ISIN code LV0000802411	19.03.2020	19.10.2023	15 000 000	8	3 446 300	-
Accrued interest for bonds coupon payment (LV0000802411)					55 907	-
Incremental cost allocation emission LV0000802411 *					(105 739)	(67 087)
				TOTAL:	**7 446 468**	**9 932 913**
				Total Non-current liabilities:	3 340 561	-
				Total Current liabilities:	4 105 907	9 932 913

Borrowings against issued bonds are unsecured. Full amount of borrowings is repayable upon maturity date. Coupon payment is payable on a quarter basis.

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

24. Issued bonds (cont.)

Reconciliation of movements of issued bond liabilities to cash flows arising from financing activities:

	31.12.2020 EUR	31.12.2019 EUR
Balance at the beginning of the year	**9 932 913**	**8 091 389**
Proceeds from bonds	200 000	1 755 000
Repayment bonds	(2 681 706)	-
Total changes from financing cash flows	**(2 481 706)**	**1 755 000**
Incremental cost allocation amortization	(38 652)	(30 667)
Proceeds from bond repurchases below nominal value	(21 994)	-
Interest expense	898 742	898 791
Interest paid	(842 835)	(781 600)
Total liability-related other changes	**(4 739)**	**86 524**
Balance at the end of the year	**7 446 468**	**9 932 913**

According to Terms and Conditions for both 2017 emission and 2020 emission, the following financial covenants have to be met:

- Shareholders Equity to Assets Ratio may not be lower than 25 (twenty-five) per cent at the end of each Quarter. "Shareholders Equity to Assets Ratio" means the Issuer's total shareholders' equity expressed as a per cent of the Issuer's consolidated amount of assets as at the end of each Quarter determined on the basis of the Issuer's consolidated quarterly financial statements.

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

Transactions with bonds in 2020

Emission with ISIN code LV0000802304

On 9 March 2020 AS Storent Investments offered to the noteholders who own the notes of AS Storent Investments maturing on 30 June 2020 (ISIN LV0000802304) an opportunity to exchange the Existing Notes owned by them with the New Notes (ISIN LV0000802411). The exchange ratio is one-to-one, and the noteholders may apply for the exchange with any number of the Existing Notes owned by them. On 16 March 2020 the first stage of subscription for AS Storent Investments new notes with ISIN code LV0000802411 ended, where the investors agreed to exchange the notes of AS Storent Investments maturing on 30 June 2020 (ISIN LV0000802304) with the New Notes in the total nominal amount of 2 332 000 EUR.

*On 1 April 2020 AS Storent Investments announced an instigation of written procedure for receipt of consent of Noteholders holding the Notes to amend Terms and Condition. In accordance with the proposed amendments to the Terms and Conditions, the Issuer proposed to extend the maturity of the Notes by one year and to exclude the Net Debt/EBITDA financial covenant from the Terms and Conditions, which will allow the Issuer to reorganize its activities in case of a possible decrease in turnover and to continue to fulfil its obligations. On 24 April 2020 voting has been closed and amendments have been approved, remaining bonds that were not exchanged with new bonds, will mature on 30 June 2021 and the Net Debt/EBITDA financial covenant was excluded from the Terms and Conditions. The Company assessed the change in the terms of the issued bonds and concluded that the modification is not significant.

24. **Issued bonds** (cont.)

Transactions with bonds in 2020 (cont.)

On 6 November 2020 AS Storent Investments, by exercising the rights provided for in Clause 16 of the Terms and Conditions of Notes (ISIN LV0000802304), which inter alia provides Storent's right at any time to purchase the Notes in any manner and at any price in the secondary market, hereby announced repurchase of the Notes in the nominal value not exceeding 1,753,700 EUR. The price at which Storent was ready to repurchase the Notes was not higher than the nominal value of the Notes. Interest accrued until 20 November 2020 (inclusive) was added to the repurchased Notes. As a result of repurchase Storent has repurchased notes in the nominal value of 1 753 700 EUR.

On 1 December 2020 AS Storent Investments, by exercising the rights provided for in Clause 16 of the Terms and Conditions of Notes (ISIN LV0000802304), which inter alia provides Storent's right at any time to purchase the Notes in any manner and at any price in the secondary market, hereby announced repurchase of the Notes in the nominal value not exceeding 1,000,000 EUR. The price at which Storent was ready to repurchase the Notes was not higher than the nominal value of the Notes. Interest accrued until 14 December 2020 (inclusive) was added to the repurchased Notes. As a result of repurchase Storent has repurchased notes in the nominal value of 950 000 EUR.

On 22 December 2020 AS Storent Investments decreased the emission amount of the notes (ISIN LV0000802304) included in the Exchange trading system by EUR 4 050 000. The decrease was in the amount of repurchased bonds.

Emission with ISIN code LV0000802411

On 9 March 2020 AS Storent Investments offered to the noteholders who own the notes of AS Storent Investments maturing on 30 June 2020 (ISIN LV0000802304) an opportunity to exchange the Existing Notes owned by them with the New Notes (ISIN LV0000802411). The exchange ratio is one-to-one, and the noteholders may apply for the exchange with any number of the Existing Notes owned by them. On 16 March 2020 the first stage of subscription for AS Storent Investments new notes with ISIN code LV0000802411 ended, where the investors agreed to exchange the notes of AS Storent Investments maturing on 30 June 2020 (ISIN LV0000802304) with the New Notes in the total nominal amount of 3 246 300 EUR.

In addition to the above, new bondholders acquired bonds (ISIN LV0000802411) in the total nominal amount of 200 000 EUR.

*On 2 April 2020 AS Storent Investments announced an instigation of written procedure for receipt of consent of Noteholders holding the Notes to amend Terms and Condition. In accordance with the proposed amendments to the Terms and Conditions, the Issuer proposed to exclude the Net Debt/EBITDA financial covenant from the Terms and Conditions till 31 December 2021, which will allow the Issuer to reorganize its activities in case of a possible decrease in turnover and to continue to fulfil its obligations. On 28 April 2020 voting has been closed and amendments have been approved, with the Net Debt/EBITDA financial covenant being applicable to the Issuer from 31 December 2021.

Financial and Capital Market Commission (FCMC) on 16 June 2020 approved prospectus of AS Storent Investments for admission of EUR 15 000 000 notes (ISIN LV0000802411) to Baltic Bond List of AS Nasdaq Riga.

25. Lease liabilities

By asset type	Maturity	Interest rate, (%)*	31.12.2020 EUR	31.12.2019 EUR	Balance sheet value of leased assets on 31.12.2020 EUR
Leasing companies (various asset types)	Various (2019 - 2024)	1.8-5.5% +3M EURIBOR	14 614 940	19 815 522	32 103 468
Redemption contracts (various asset types)	31.12.2022	1.5%	442 147	669 150	4 786 983
Supplier funding (various asset types)	28.07.2022	2%-8.67%	1 318 354	995 205	1 740 499
Premise's rent	31.12.2023	10.3%	691 419	1 157 851	1 038 763
Car rent	Various (2021-2023)	10.3%	249 078	229 153	423 555
IT sofware	2022	10.3%	54 439	-	77 908
		Total:	**17 370 377**	**22 866 881**	**40 171 176**
		Total Non-current liabilities:	11 158 537	15 283 908	
		Total Current liabilities:	6 211 840	7 582 973	

The maturity of lease liabilities disclosed in Note 33.

*Equals the incremental borrowing rate applied to measure the lease liabilities.

Reconciliation of movements of lease liabilities to cash flows arising from financing activities:

	31.12.2020 EUR	31.12.2019 EUR
Balance at the beginning of the year	**22 866 881**	**25 224 690**
Repayment of lease liabilities	(5 880 898)	(13 299 215)
Total changes from financing cash flows	**(5 880 898)**	**(13 299 215)**
New leases	384 394	10 941 406
Interest expenses accrued	929 272	1 245 246
Interest paid	(929 272)	(1 245 246)
Total liability-related other changes	**384 394**	**10 941 406**
Balance at the end of the year	**17 370 377**	**22 866 881**

Total cash outflow for leases for the reporting year amounts to:

	2020 EUR	2019 EUR
Repayment of lease liabilities	5 880 898	13 299 215
Interest paid	929 272	1 245 246
Expenses relating to short-term leases	1 439 742	1 389 058
TOTAL:	**8 249 912**	**15 933 519**

26. Other borrowings

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

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

	Maturity	Amount EUR	Actual interest rate (%)	31.12.2020 EUR	31.12.2019 EUR
Haulotte Group SA	01.10.2021	4 957 370	2.49	1 006 667	1 006 667
Haulotte Group SA	01.09.2022	1 003 836	3.94	352 484	402 883
Haulotte Group SA	01.09.2022	1 994 007	3.94	743 861	850 219
Haulotte Group SA	01.09.2021	1 006 969	4	202 065	269 450
Haulotte Group SA	15.09.2022	1 004 278	4	470 277	537 460
Haulotte Group SA	01.08.2024	2 009 115	2.8	1 514 103	1 615 043
Yanmar Construction Equipment Europe S.A.S	01.09.2021	995 703	4	199 804	266 435
Yanmar Construction Equipment Europe S.A.S	15.09.2022	1 075 956	4	503 842	575 820
Yanmar Construction Equipment Europe S.A.S	04.08.2024	803 768	2.8	605 733	646 115
SA Manitou BF	04.08.2024	1 403 000	2.8	1 055 981	1 198 208
Incremental cost allocation		(1 058 151)		(218 398)	(295 244)
Aston Baltic SIA	31.12.2019	109 575	-	-	20 017
			Total:	**6 436 419**	**7 093 073**
			Total Non-current liabilities:	3 107 487	3 466 081
			Total Current liabilities:	3 328 932	3 626 992

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

Reconciliation of movements of other borrowings to cash flows arising from financing activities:

	31.12.2020 EUR	31.12.2019 EUR
Balance at the beginning of the year	**7 093 073**	**7 095 935**
Proceeds from other borrowings	-	4 215 883
Reclassification	(20 017)	-
Repayment of other borrowings	(718 020)	(4 192 336)
Total changes from financing cash flows	**(738 037)**	**23 547**
Incremental cost allocation amortization	76 845	-
Interest expense	207 760	473 733
Interest paid	(203 222)	(500 142)
Total liability-related other changes	**81 383**	**(26 409)**
Balance at the end of the year	**6 436 419**	**7 093 073**

26. Other borrowings (cont.)

Changes in the incremental cost allocation:

	31.12.2020 EUR	31.12.2019 EUR
At the beginning of the year	**295 244**	**305 468**
Incremental cost increase	186 605	233 847
Written off as adjustment to effective interest rate	(263 451)	(244 071)
TOTAL:	**218 398**	**295 244**

27. Taxes and national mandatory social insurance contributions

	31.12.2020 EUR	31.12.2019 EUR
Personal income tax	172 189	228 265
State social security mandatory contributions	205 836	349 894
Value added tax	577 256	234 081
Risk duty	3 294	3 244
TOTAL:	**958 575**	**815 484**

28. Deferred income

	31.12.2020 EUR	31.12.2019 EUR
Gain on sale-and-leaseback transactions	136 550	271 661
Total:	**136 550**	**271 661**
Total Non-current deferred income:	-	136 550
Total Current deferred income:	136 550	135 111

Sale-and-leaseback transactions

In 2016 to 2018, the Group entered into sale-and-leaseback transactions that resulted in sales proceeds exceeding the carrying amount of these assets, and the difference has been accounted as Deferred income. In line with IFRS 16 transition requirements, the Group continues to amortize the deferred gain on a strength-line method over the lease term for each of such assets.

In 2019, the Group entered into two sale-and-leaseback agreements, for which the Group assessed that the transactions did not result in a sale as the Group continued to control the underlying assets. The Group presents the received financing as lease liabilities and presents the excess of financing received over the carrying amount of the underlying assets as deferred liabilities.

Changes in the deferred income:	31.12.2020 EUR	31.12.2019 EUR
At the beginning of the year	**271 661**	**860 598**
Excess financing on sale-and-leaseback transactions	-	149 516
Amortised and included in income of reporting year (See Note 4)	(135 111)	(738 453)
TOTAL:	**136 550**	**271 661**

29. Other liabilities

	31.12.2020 EUR	31.12.2019 EUR
Payroll	413 569	439 116
Other payables	9 767	9 792
TOTAL:	**423 336**	**448 908**

30. Accrued liabilities

	31.12.2020 EUR	31.12.2019 EUR
Accrues liabilities for unused employee vacations	866 863	769 886
Other accrued liabilities	236 165	246 464
Accrued liabilities for defined contribution pension insurance	84 488	53 928
TOTAL:	**1 187 516**	**1 070 278**

31. Related party transactions

31. (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	2019	-	(4 924 696)
	2020	-	(5 624 057)
Companies with significant influence over the Group's activities:			
Supremo SIA	2019	(19 575)	(308 326)
	2020	(19 890)	(325 581)
Bomaria SIA	2019	(19 575)	(308 325)
	2020	(19 890)	(325 581)
The companies controlled by the Group's officers or their relatives: *			
Meistari ZS	2019	(4 645)	(406)
	2020	(5 063)	(406)
	Total 2019:	**(43 795)**	**(5 541 753)**
	Total 2020:	**(44 843)**	**(6 275 625)**

* Payables to the companies controlled by the Group's management or their relatives are included in the balance sheet item Trade payables, in the amount of EUR 406 as at 31 December 2020 (2019: EUR 406).

31. (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.

31. (c) Borrowings from related companies

	Maturity	Interest rate %	31.12.2020 EUR	31.12.2019 EUR
Levina Investments S.A.R.L.	31.12.2022.	7	5 624 057	4 924 696
Bomaria LTD	31.12.2022.	6	325 581	308 325
Supremo LTD	31.12.2022.	6	325 581	308 326
	Total Non-current liabilities:		**6 275 219**	**616 651**
	Total current liabilities:		**-**	**4 924 696**

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

Reconciliation of movements of borrowing from related companies to cash flows arising from financing activities:

	31.12.2020	31.12.2019
Balance at the beginning of the year	**5 541 347**	**5 179 922**
Proceeds from borrowings from related companies	-	-
Repayment of the borrowings from related companies	-	-
Total changes from financing cash flows	**-**	**-**
Interest expense	733 872	361 425
Interest paid	-	-
Total liability-related other changes	**733 872**	**5 541 347**
Balance at the end of the year	**6 275 219**	**5 541 347**

32. Financial instruments

Current and non-current loans and borrowings, trade receivables, cash and finance lease are the Group's key financial instruments. The financial instruments are held to finance the operating activities of the Group. The Group handles many other financial instruments, e.g., trade and other receivables, trade and other payables that arise. None of the Group's financial assets or financial liabilities are measured at fair value. Fair value is determined at initial recognition and, for disclosure purposes, at each reporting date.

Categories of financial assets and liabilities

	As at 31.12.2020		**As at 31.12.2019**	
Financial assets	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Loans and receivables held at amortised cost				
- Trade receivables	7 527 683	7 527 683	4 866 540	4 866 540
- Other receivables	268 777	268 777	390 061	390 061
- Cash and cash equivalents	3 720 140	3 720 140	3 892 159	3 892 159
TOTAL financial assets:	**11 516 600**	**11 516 600**	**9 148 760**	**9 148 760**

	As at 31.12.2020		**As at 31.12.2019**	
Financial liabilities	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial liabilities held at amortized cost				
- Loan from credit institution	-	-	15 161	15 161
- Issued bonds	7 390 561	7 455 800	9 932 913	9 900 000
- Loans from related companies	6 275 219	6 275 219	5 541 347	5 541 347
- Lease liabilities	17 370 377	17 370 377	22 866 881	22 866 881
- Other borrowings	6 436 419	6 436 419	7 093 073	7 093 073
- Trade payables	3 301 952	3 301 952	2 772 507	2 772 507
- Other payables	1 631 986	1 631 986	1 545 613	1 545 613
TOTAL financial liabilities:	**42 406 514**	**42 471 753**	**49 717 495**	**48 188 969**

33. Financial risk management

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

— Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

— Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

— Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Fair value of Trade receivables and Other receivables with no stated interest rate and cash and cash equivalents is deemed to approximate their face value on initial recognition and carrying value on any subsequent date as the effect of discounting is immaterial and therefore not disclosed in these financial statements.

Fair value of financial liabilities with outstanding maturities shorter than six months, other than issued bonds, is deemed to approximate their face value on initial recognition and carrying value on any subsequent date as the effect of discounting is immaterial and therefore not disclosed in these financial statements.

Fair value of financial liabilities with outstanding maturities longer than six months, other than issued bonds, is estimated based on the present value of future principal and interest cash flows, discounted using the effective interest rate of the corresponding agreement which, in the management's view, represents the market rate of interest at the measurement date for companies similar to the Group.

The Group's Parent company's issued bonds are classified as Level 3 in the fair value hierarchy. The market for these bonds is not assessed as an active market. The significant non-observable key input to determing the fair value of the issued bonds is that no adjustment to the observable quotes is required.

All of the Group's financial assets and financial liabilities are determined to be Level 3 in the fair value hierarchy.

There were no transfers between fair value hierarchy levels in 2020 and in 2019.

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

Credit risk

Credit risk is the risk that the Group incurred a financial loss if counterparty will fail to fulfil their obligations to the Group. The Group has credit risk exposure related to trade receivables, cash and cash equivalents. The Group controls its 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 receivables as at 31 December 2020 and 2019 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 loss allowances for bad and doubtful trade receivables (see Note 16).

The maximum credit risk exposure at 31 December 2020 was EUR 11 516 600 (31.12.2019: EUR 9 148 760).

33. Financial risk management (cont.)

At 31 December 2020 and 31 December 2019, the exposure to credit risk for trade receivables by geographic region was as follows:

	Carrying amount	
EUR	2020	2019
Baltics	6 298 480	3 738 130
Nordics	1 217 362	1 106 588
Other	11 841	21 822
	7 527 683	**4 866 540**

EUR	**Weighted-average loss rate**	**Gross carrying amount**	**Loss allowance**	**Creditimpaired**
Current (not past due)	0.6%	6 176 299	(37 122)	No
1–30 days past due	3.0%	1 023 109	(30 461)	No
31–60 days past due	16.3%	274 043	(44 576)	No
61–90 days past due	61.9%	125 439	(77 605)	No
More than 90 days past due	94.7%	2 235 981	(2 117 424)	Yes
Total at 31 December 2020		**9 834 871**	**(2 307 188)**	**-**

EUR	**Weighted-average loss rate**	**Gross carrying amount**	**Loss allowance**	**Creditimpaired**
Current (not past due)	0.4%	3 211 692	(13 372)	No
1–30 days past due	1.8%	1 233 427	(22 113)	No
31–60 days past due	18.3%	358 183	(65 668)	No
61–90 days past due	48.3%	188 279	(90 938)	No
More than 90 days past due	96.9%	2 197 712	(2 130 662)	Yes
Total at 31 December 2019		**7 189 293**	**(2 322 753)**	**-**

Sensitivity analysis

A reasonably possible change in the weighted average loss rates at 31 December would have affected the measurement of loss allowance of trade receivables and affected profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant, and that loss rate is floored at 0% and capped at 100% of the gross carrying amount.

	31 December 2020		31 December 2019	
Effect in euro	Increase	Decrease	Increase	Decrease
Change in loss rate of 3 percentage points	295 046	(146 647)	215 679	(117 810)

33. Financial risk management (cont)

Liquidity risk

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

The Group's management considers that the Group will have sufficient cash resources and its liquidity will not be compromised. At 31 December 2020, the Group's liquidity ratio was 0.62. As at 31 December 2019, the Group's liquidity ratio was 0.31. Please refer to Note 36 for going concern considerations.

At 31 December 2020 and 2019 the maturity of the financial liabilities of the Group, based on undiscounted payments provided for in the agreements can be disclosed as follows:

31.12.2020.	Contractual cash flows					Expected interest payments	Carrying amount
	< 3 months	3-6 months	6-12 months	1-5 years	Total	Total	Total
Loans against bonds	(1 149 926)	(129 926)	(3 118 926)	(3 515 226)	**(7 914 004)**	(523 443)	7 390 561
Loans from related companies	-	-	-	(7 235 853)	**(7 235 853)**	(960 634)	6 275 219
Lease liabilities	(996 833)	(2 091 169)	(3 872 305)	(11 896 790)	**(18 857 097)**	(1 486 720)	17 370 377
Other borrowings	(1 131 635)	(603 152)	(1 721 220)	(3 443 329)	**(6 899 336)**	(462 917)	6 436 419
Trade payables	(3 301 952)	-	-	-	**(3 301 952)**	-	3 301 952
Tax and other payables	(1 504 817)	(127 169)	-	-	**(1 631 986)**	-	1 631 986
	(8 085 163)	**(2 951 416)**	**(8 712 451)**	**(26 091 198)**	**(45 840 228)**	**(3 433 714)**	**42 406 514**

31.12.2019.	Contractual cash flows					Expected interest payments	Carrying amount
	< 3 months	3-6 months	6-12 months	1-5 years	Total	Total	Total
Loan from credit institution	(3 501)	(3 501)	(7 002)	(1 157)	**(15 161)**	-	15 161
Loans against bonds	(200 000)	(10 200 000)	-	-	**(10 400 000)**	(467 087)	9 932 913
Loans from related companies	-	-	(5 613 219)	(694 204)	**(6 307 423)**	(766 076)	5 541 347
Lease liabilities	(1 330 188)	(2 625 879)	(7 580 728)	(13 446 560)	**(24 983 355)**	(2 116 474)	22 866 881
Other borrowings	(1 279 779)	(608 627)	(2 952 505)	(2 836 926)	**(7 677 837)**	(584 764)	7 093 073
Trade payables	(2 722 507)	-	-	-	**(2 722 507)**	-	2 722 507
Tax and other payables	(1 545 613)	-	-	-	**(1 545 613)**	-	1 545 613
	(7 081 588)	**(13 438 007)**	**(16 153 454)**	**(16 978 847)**	**(53 651 896)**	**(3 934 401)**	**49 717 495**

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

33. Financial risk management (cont)

Interest rate risk

Interest rate risk is the risk of financial losses incurred by the Group due to adverse fluctuations in interest rates. The Group is exposed to interest rate risk mainly related to its current and non-current lease liabilities, while the interest rates on the Group's other liabilities are fixed and, thus, not subject to interest rate risk. This exposes the Group to the risk that interest expenses will increase in a situation when interest rates go up. The average interest rate on the Group's liabilities is disclosed in Notes 23, 24, 25, 26 and 31 c. The Group doesn't use derivative financial instruments to manage its exposure to interest rate risk.

As the variable part of the interest rate applied to lease liabilities is floored at 0%, the sensitivity of the Group's comprehensive income and equity (as a result of the lease liabilities (see Note 25) with a variable interest rate element of 3M EURIBOR) to a reasonably possible interest rate change of +/- 0.5%, other variables remaining constant, is considered immaterial to the Group's financial performance.

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. All of the Group's borrowings and lease liabilities are denominated in Euro, and, thus, not subject to foreign currency risk.

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 and Swedish krona (SEK) due to entity operating in Sweden.

The summary quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows:

	31 December 2020		31 December 2019	
	SEK	**RUB**	**SEK**	**RUB**
Trade receivables	513 673	56 222	469 941	69 502
Trade payables	(136 264)	(4 853)	(74 745)	(9 855)
Net statement of financial position exposure	**377 409**	**51 369**	**395 196**	**59 647**
Next six months' forecast sales	1 393 118	252 290	1 224 612	298 646
Next six months' forecast purchases	(1 298 090)	(170 925)	(1 192 659)	(204 459)
Net forecast transaction exposure	**95 028**	**81 365**	**31 953**	**94 187**
Net exposure	**472 437**	**132 734**	**427 149**	**153 834**

The following exchange rates have been applied.

	Average rate		Year-end spot rate	
EUR	2020	2019	2020	2019
SEK 1	0.0954	0.0945	0.0997	0.0957
RUB 1	0.0122	0.0138	0.0109	0.0143

Sensitivity analysis

A reasonably possible strengthening (weakening) of the euro, Swedish krona, Russian ruble against all other currencies at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	Profit or loss		Equity, net of tax	
Effect in euro	Strengthening	Weakening	Strengthening	Weakening
SEK (10% movement)	108 615	(108 615)	23 966	(23 966)
RUB (10% movement)	13 984	(13 984)	22 468	(22 468)

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 2020 and 2019 there were no changes introduced to purposes, policy or processes related to management of the capital.

	31.12.2020 EUR	31.12.2019 EUR
Interest bearing loans and borrowings	37 472 576	45 449 375
Trade and other payables	4 933 938	4 318 120
Less cash and cash equivalents	(3 720 140)	(3 892 159)
Net debt	**38 686 374**	**45 875 336**
Equity	15 539 732	26 954 987
Net debt to equity ratio:	**2.49**	**1.70**

35. Reclassification

In 2020, the management changed the classification of certain items in the Consolidated Statement of Comprehensive Income as presented below. The corresponding amounts for 2019 have been restated. The reclassification had no impact on the Profit/(loss) for the year.

	2019 (as reported previously) EUR	Reclassification EUR	2019 (restated) EUR
Statement of Comprehensive Income for 2019			
Net revenue	**47 739 191**	**(2 526 963)**	**45 212 228**
Revenue from sale of property, plant and equipment used for renting	2 526 963	(2 526 963)	-
Cost of materials and services	**(17 463 542)**	**1 524 766**	**(15 938 776)**
Cost of sold property, plant and equipment used for renting	(1 524 766)	1 524 766	-
Other operating income	**355 163**	**1 740 650**	**2 095 813**
Gain on disposal of property, plant and equipment used for renting, net	-	1 002 197	1 002 197
Recognized deferred income	-	738 453	738 453
Depreciation and amortization	**(11 092 889)**	**(738 453)**	**(11 831 342)**
Recognized deferred income	738 453	(738 453)	-
Net effect on Consolidated Statement of Comprehensive Income		**-**	

36. Going concern of the Group

The Group's financial performance in the reporting year was a loss of EUR 11 333 480 (2019: profit of EUR 19 749), which is a result of a decrease in revenues due to Covid-19 impact and partly writing off goodwill of Estonian subsidiary. At the end of the year, the Group's current liabilities exceeded its current assets by EUR 7 397 447 (31.12.2019: current liabilities exceeded current assets by EUR 21 583 585), as a result of significant borrowings approaching maturity, which may cast significant doubts on the Group's ability to continue as a going concern.

The Group management has evaluated the current and potential impact of Covid-19 pandemic. Management has prepared forecasted financial results and cash flows for 2021 and already started to take steps to address the expected liquidity shortages and ensure the Group's ability to continue as going concern, such as:

- Storent Group continues to became more efficient by developing online sales and paper-less rental process, personal costs are estimated to decrease by 10% during 2021 compared to 2020.
- In 2021, Storent Group plans to increase turnover in its countries of operation by 3% -12%, also increasing the profitability by 1% - 9% as a result of the performed efficiency activities.
- Storent Holding Finland Oy has agreed to postpone the repayment of loan to Levina Investments S.a.r.l. by additional year, and the final due date of the loan is December 2022. Amendments to agreement have been signed.
- In January and February 2021, Storent Investments AS repurchased bonds issued in 2017 (due in June 2021) in total amount of EUR 1 050 000. In addition, in February 2021, Storent Investments AS exchanged bonds issued in 2017 (due in June 2021) to bonds issued in 2020 (due in October 2023) in total amount of EUR 1 424 200. The Company plans to settle the remaining bonds issued in 2017 (maturing in June 2021) in the amount of EUR 1 575 800 by the specified maturity from the funds at its disposal, positive cash flows from operating activities, as well as repayment of issued loans.
- Storent SIA and Storent Oy continue to perform optimization of the rental equipment fleet by selling old and not-in-demand equipment to split-rent vendors and auctions. By the date of issuing these consolidated financial statements, both companies have sold equipment with the net book value EUR 3 148 186 for a total gross income of EUR 3 405 972.

Although measures applied by the local government differ country by country, the construction industry, as at the date of the issuance of these consolidated financial statements, is not restricted in any country where Storent Group companies operate. Storent Group has experienced a few economic crises, and its strategy always was to be more active and use the market potential. In March 2020, the Group launched a new sales platform that allows to rent equipment without coming to rental depo in Baltic countries and, in October 2020, the online rental platform was launched in Finland and Sweden. Simplified processes with a powerful online platform are available for customers on PC, while it is primarily designed for mobile use. Removal of paper from day-to-day processes to be replaced with digital signatures, smart ID and other electronic signatures that are more and more used in rental deals in the Group, especially now when personal contact should be minimized. All our depos continue to serve customers in a safe way in our premises, all equipment that we deliver to customers is disinfected.

Equipment rent is very closely related to construction activities and, management estimates that constructions industry will recover slowly 2021. European Rental Association estimates decrease of European rental market in 2020 by 10,4% and forecasts its growth by 4,8% in 2021. Storent Group will continue an active sales strategy and offer customers to use the online platform, which is simple to use, to achieve the planned turnover and profitability indicators. Taking into account the information currently available to the public, the current key performance indicators of the Storent Group and the actions taken by management, the above circumstances are not expected to have a further direct and material adverse effect on the Storent Group, its operations, financial condition and results of operations. However, management cannot rule out the possibility that the possible reinforcement of security measures introduced by governments or the negative impact of such measures on the economic environment in which the Storent Group operates, could adversely affect the Storent Group, its financial position and performance in the medium and long term, including the recoverable amount of goodwill and other non-current non-financial assets (please see Note 12, which describes the significant unobservable inputs used in estimating recoverable amount) and the Storent Group's ability to meet the terms and conditions of the loan agreements and payment terms. We will continue to monitor the situation closely and take the necessary steps to mitigate the effects of new events and circumstances.

As at the date these consolidated financial statements, the Group has started to observe signs that certain construction companies take a bit more time with their payments, yet also it should be noted that working capital shortage is quite common in spring, just before the high season for the construction. While the management expects that a few smaller market players can go bankrupt, the Group management estimates that bad debts percentage will stay in the level of 2020 and, as at the date these consolidated financial statements, has not identified any material or potentially material additional debt losses.

As at the date these consolidated financial statements have been authorized for issue, the Group management concluded that the Group will have sufficient resources to meet its liabilities as they fall due and to continue as a going concern in the foreseeable future, and there is no material uncertainty related to it. As such, these financial statements have been prepared on the basis that the Group will continue as a going concern, and do not include any adjustments that might be necessary if the going concern assumption would not be applicable.

37. Post balance sheet events

Non-adjusting events

In 2021, in order to meet minimal capital requirements according to respective country laws, the parent company invested into share capital of Lithuanian subsidiary in total amount of EUR 1 900 000, which it used, among others, to settle liabilities towards other Storent Group companies.

In January and February 2021, Storent Investments AS repurchased bonds issued in 2017 (due in 2021) in total amount of EUR 1 050 000. In addition, in February 2021, Storent Investments AS exchanged bonds issued in 2017 (due in June 2021) to bonds issued in 2020 (due in 2023) in total amount of EUR 1 424 200. The Group plans to settle the remaining bonds issued in 2017 (maturing in June 2021) in the amount of EUR 1 575 800 by the specified maturity from the funds at its disposal, positive cash flows from operating activities and by selling old and not-in-demand rental equipment.

In April 2021, Storent SIA signed an agreement about scaffolding sale in the amount of EUR 3.2 million to a split-rent vendor, and Storent SIA continues to rent scaffolding through the split-rent model.

Storent Holding Finland Oy has agreed to postpone the repayment of loan received from Levina Investments S.a.r.l. by additional one year, and the final due date of the loan is December 2022. Amendments to the agreement have been signed.

The rapid development of the Covid-19 virus and its social and economic impact in countries, in which the Group operates in, and globally may result in assumptions and estimates requiring revisions which may lead to material adjustments to the carrying value of assets and liabilities within the next financial year. Please, refer further to Note 36 on the application of going concern principle and Note 12 on the sensitivity analysis of the recoverable value of goodwill and other non-current non-financial assets.

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

On behalf of the Group these consolidated financial statements were signed on 30 April 2021 by:

Andris Bisnieks
Member of the Board

Andris Pavlovs
Member of the Board

Baiba Onkele
Chief financial officer

* * *

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Independent Auditors' Report

To the shareholders of Storent Investments AS

Report on the Audit of the Consolidated Financial Statements

Our Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Storent Investments AS ("the Company") and its subsidiaries ("the Group") set out on pages 7 to 55 of the accompanying consolidated Annual Report, which comprise:

- the consolidated statement of financial position as at 31 December 2020,
- the consolidated statement of comprehensive income for the year then ended,
- the consolidated statement of changes in equity for the year then ended,
- the consolidated statement of cash flows for the year then ended, and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Storent Investments AS and its subsidiaries as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

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

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

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

Key Audit Matters

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

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

Going concern	
Key audit matter	*Our response*
The Group's consolidated financial statements are prepared on a going concern basis. The World Health Organization declared on 11 March 2020 the coronavirus (COVID-19) outbreak a pandemic, and also, subsequently, the governments of the countries, in which the Group operates, declared various states of emergency and lockdown measures. These measures taken by the governments to counter the effects of the outbreak include certain border closure, quarantine, severe limitations imposed on cross-border and domestic transportation, ban on social, cultural, leisure or sport events, among other things. As a consequence, the Group was forced to implement certain temporary restrictions in its rental depots and adapt its operations to decreased activity in the construction market and remote working, as well as faced certain difficulties in fully refinancing its borrowings. Due to these conditions during 2020, the Group experienced a significant decrease in rental revenues and deteriorating profitability, which resulted in the net loss for the reporting year, and, combined with significant borrowings approaching maturity in 2021, working capital deficit as at 31 December 2020. The Group's going concern assessment was based on cash flows forecast, which, in the Management Board's view, supports the assertion that the Group will have sufficient resources to continue for a period of at least 12 months from the reporting date. The preparation of these forecasts incorporated a number of assumptions and significant judgment, including those considered by the Management Board to be severe but plausible, such as an extended negative impact on construction industry	Our audit procedures included, among others: • understanding the Group's business planning process, including the assessment of its ability to continue as a going concern, and the preparation and validation of cash flow forecasts used in the assessment, and also testing the design and implementation of the Group's risk assessment and monitoring controls; • inspecting the Management Board's going concern assessment, including their evaluation of the business/operating and liquidity risks, and plans for further actions in response to the risks identified. As part of the procedure, we also made corroborating inquiries of the Group's Management Board and CFO; • independently, with the assistance of our valuation specialists, where applicable, evaluating the reasonableness and feasibility of the plans for future actions, by reference to the preceding procedure as well as by performing the following: — challenging the key assumptions used in the determination of the prospective financial information. This primarily included challenging the forecast amounts of sales and cash inflows, forecast amounts of expenses and cash outflows, capital expenditure and the timing of settlements of the Group's liabilities, based on our understanding of the Group's activities and by reference to publicly available industry/market reports; — performing an analysis of the going concern conclusion's sensitivity to

and a substantial decrease in incoming cash flows required to service scheduled settlements of the Group's liabilities. As part of the assessment, the Group also considered a number of actions aimed at alleviating the potential disruption to its business and liquidity position, such as sale of machinery and equipment as part of rental fleet optimization and further cost cutting initiatives.

The Management Board concluded that the range of possible outcomes considered at arriving at this judgment does not give rise to material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. Note 36 further explains how the judgment was formed.

The COVID-19 pandemic is an unprecedented challenge for humanity and for the economy globally, and at the date of approval of the consolidated financial statements for issue, its effects are subject to significant levels of uncertainty. The Group's use of the going concern basis of accounting is a key audit matter due to the associated extent of uncertainty, and consequently, high level of judgment required in evaluating the Management Board's plans for future actions and their financial impact.

changes in the aforementioned key assumptions adopted in the going concern assessment, and considering whether there were any indicators of management bias in the assessment;

— Assessing the availability and terms and conditions of existing financing facilities and arrangements, by inspecting underlying documentation, such as agreements, and assessing the impact of any covenants and other restrictive terms therein.

- considering whether any additional relevant facts or information have become available since the date on which the Group made its assessment;
- evaluating the appropriateness of Group's disclosures in respect of the going concern assessment, subsequent events and any related uncertainties in the consolidated financial statements in line with the applicable requirements of the relevant financial reporting standards.

Impairment of goodwill and other non-current non-financial assets

The Group's goodwill and other non-current non-financial assets as at 31 December 2020 amounted to EUR 46 818 983 (31 December 2019: EUR 67 522 129). Impairment charge of goodwill and other non-current non-financial assets for the year ended 31 December 2020 amounted to EUR 4 029 645 (year ended 31 December 2019: EUR 0).

Reference to the consolidated financial statements: Note 2 (e) "Use of judgements, estimates and assumptions", Note 2 (l) "Intangible assets", Note 2 (m) "Property, plant and equipment" and Note 2 (n) "Impairment of tangible and intangible assets other than goodwill" (accounting policy); Note 12 "Intangible assets", Note 13 "Property, plant and equipment" and Note 14 "Rights of use assets" (Notes to the consolidated financial statements).

Key audit matter

Due to the fact that impairment indicators were identified as at 31 December 2020, as discussed in Note 11, Note 12 and Note 13, the Group estimated the recoverable amount of its cash generating units, to which goodwill and other non-current non-financial assets are allocated, and recognized an impairment loss at the above date.

The assessment of the recoverable amount and impairment of the Group's goodwill and other non-current non-financial assets balances incorporated significant management judgement in respect of factors such as forecast operating performance, timing of resulting cash collections and disbursements, as well as discount rates. Small changes in the above assumptions can result in materially different outcomes. This, therefore, gives rise to inherent subjectivity in the carrying value of these assets recorded in the consolidated financial statement

Due to the above factors, we considered impairment of goodwill and other non-current non-financial assets to be a key audit matter.

Our response

Our audit procedures included, among others:

- evaluating against the requirements of the relevant financial reporting standards the Group's accounting policy for identification of impairment, and measurement and recognition of any impairment losses in respect of goodwill and other non-current non-financial assets;
- understanding the Group's business planning process, including the preparation and validation of financial and cash flow forecasts and testing the design and implementation of selected key internal controls over the Group's business planning process;
- assisted by our own valuation specialists, challenging the reasonableness of the key assumptions used in the determination of the prospective financial information, such as the forecast amounts of sales and timing of cash collections, forecast amounts of expenses capital expenditure and timing of cash disbursements, discount rate and terminal growth rate based on our understanding of the Group's activities and by reference to publicly available industry/market reports;
- considered the reasonableness of the Group's sensitivity analysis showing the impact of a reasonable change in the impairment testing assumptions, to

determine whether an impairment charge was required;

- performing independent sensitivity analysis, including assessing the effect of a reasonably possible change in the key assumptions;
- considered whether the Group's disclosures regarding the sensitivity of the outcome of the impairment testing to changes in key assumptions complete and accurately reflected the estimation uncertainty in the valuation in line with the applicable requirements of the relevant financial reporting standards.

Other Matter

The corresponding figures presented before reclassifications, as disclosed in Note 35, are based on consolidated financial statements of the Group as at and for the year ended 31 December 2019, which were audited by another independent auditors whose report dated 29 April 2020 expressed an unqualified opinion.

Reporting on Other Information

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

- General information, as set out on page 3 of the accompanying consolidated Annual Report,
- the Management Report, as set out on pages 4 to 5 of the accompanying consolidated Annual Report,
- the Statement on Management Responsibility, as set out on page 6 of the accompanying consolidated Annual Report,
- the Statement of Corporate Governance for 2020, as set out in separate statement provided by Storent Investments AS management and available on the Nasdaq Baltic exchange website https://nasdaqbaltic.com, Storent Investments AS, section Reports.

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 Related to Other Information* section of our report.

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

If, based on the work we have performed and in light of the knowledge and understanding of the Group and 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 Related to Other Information

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

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

- 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.

In accordance with the 'Law on Audit Services' of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the 'Financial Instruments Market Law' of the Republic of Latvia and if it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the 'Financial Instruments Market Law' of the Republic of Latvia.

In our opinion, in all material respects, the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the 'Financial Instruments Market Law' of the Republic of Latvia and it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the 'Financial Instruments Market Law' 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 financial reporting process.

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

Other Reporting Responsibilities and Confirmations Required by the Legislation of the Republic of Latvia and the European Union when Providing Audit Services to Public Interest Entities

We were appointed by the Company's shareholders meeting on 13 October 2020 to audit the consolidated financial statements of Storent Investments AS and its subsidiaries for the year ended 31 December 2020. Our total uninterrupted period of engagement is 1 year, covering the periods ending 31 December 2020.

We confirm that:

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

For the period to which our statutory audit relates, we have not provided any services to the Group in addition to the audit, which have not been disclosed in the Management Report or in the consolidated financial statements of the Group.

KPMG Baltics AS
Licence No. 55

Armine Movsisjana
Chairperson of the Board
Latvian Sworn Auditor
Certificate No. 178
Riga, Latvia
30 April 2021

THIS DOCUMENT HAS BEEN SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND IT HAS A TIME-STAMP