Tuleva Commercial Association

Annual report 2020
(Translation of the Estonian original)

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Annual report:	01.01.2020 - 31.12.2020

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Tuleva management report 2020

Dear members!

I have a good feeling as I'm writing this report. 2020 was a great year for us. It seems to me that all our previous years' work has really borne fruit last year, thanks to some supportive external events.

Most people save less than they would like. Tuleva connects with people who want to improve their saving behaviour. Together, we will find ways to overcome the obstacles and start saving today. Our pension fund expenses are 50% to three times lower than those of banks' larger pension funds. This ensures that the income earned by the savings goes to us and not the intermediary (1).

In 2018 and 2019, we had 3,000 and 8,000 new pension savers, respectively. While in 2020, as many as 34,000 people joined Tuleva to start saving with us. This means that 51,662 people are now saving in our second and third pillar pension funds. It's particularly gratifying that most of the newcomers joined the voluntary third pillar. I believe these are the first voluntary long-term savings for most of them.

Business plan and fees

When I drafted a business plan for Tuleva five years ago, I added a note to the model that a first reduction in fees might be considered in 2022. In fact, when first launching the funds in March 2017, we already used lower fees than envisaged in the business plan. By now, our pension funds have reached 250 million euros, and I am very pleased that our supervisory board has decided to reduce fees.

Why is reducing fees so important when our funds already have the lowest management fees? There is a simple principle behind this – if at least one lower-paid index fund were available to our members, it would make sense for all of us to transfer our assets there and close our fund. There is no point in paying a higher price for the same product.

Real life doesn't always offer us such clear choices. Following the example of Tuleva, banks have also included low-fee index funds in their product range. And the theoretical range of low-cost options will likely increase when using the pension investment accounts (see the section on pension reform below). Unfortunately, the bank's website or sales rep will not direct you to a low-fee index fund but an old, actively managed high-fee fund.

Therefore, the inclusion of the first lower-priced fund in the selection does not mean we will recommend our members transfer their savings there immediately. Nor does it mean that we should reduce our fees to a level where we start losing money as the fund manager. However, when making plans, we always keep in mind that our common goal is to provide the best saving opportunities for all of us. The best opportunity might not necessarily be provided by a fund managed by ourselves.

Investing and the environment

I believe that now that we have a larger number of knowledgeable savers, it's time to start tackling more complex issues. For example, how our pension money affects the world's climate problems and whether our money is invested in ethically operating companies. It's easy to point the finger at someone and blame banks or large corporations, forgetting that we, as unit-holders in pension funds, are all indirect co-owners of these companies.

The social and environmental impacts of investing, and a responsible consideration for these, are complex and often controversial issues. It's even more difficult to reach a consensus together on what principles we should follow in our own funds. It would certainly be easier to offer a range of products and label one of them 'green' or 'sustainable' and leave the choice to each client.

However, this leads to a semantic contradiction: if one of our funds is 'sustainable', then by implication, the rest should be unsustainable. After all, we started Tuleva to tackle the problems together that each of us could not tackle on our own. We are also doing our best to reduce the carbon footprint of our joint investments and improve the social impacts.

We approached the sustainability issue in 2020 the same way we approached the fund management fees in 2017: we tried to assess the current carbon footprint of our pension funds unambiguously and compare it to other pension funds and the global average.

One of the most common indicators for assessing the carbon footprint of an investment is the weighted average emission intensity of the companies in the investment portfolio. As of the end of 2020, the weighted average carbon footprint of the companies in the portfolio of the Tuleva World Stocks Pension Fund and Tuleva III Pillar Pension Fund was 156 tonnes of carbon dioxide per USD 1 million sales turnover. The figure for the companies in the Tuleva World Bonds Pension Fund portfolio was 100 tonnes. As our portfolio closely follows the global average, our carbon footprint is also exactly equal to the weighted average of global listed companies (2).

This figure has fallen significantly since the launch of Tuleva pension funds four years ago. Why? Many oil producers and other Old World polluters have disappeared from among the world's largest listed companies (and from the largest investments in our fund's portfolio). They have been replaced by electric car manufacturers, renewable energy companies and others. The investment world is moving towards more environmentally conscious investments, and we are automatically moving with it – that's what passive investing means.

Other pension funds are not disclosing their carbon footprint yet. According to my calculations, Tuleva pension funds have an even smaller carbon footprint than, for example, LHV's Green Pension Fund or Estonia's largest pension fund, Swedbank's K60 (3). I very much hope that measuring the carbon footprint will soon become the norm in pension funds and that the requirement for disclosure will become statutory. The same way it has already happened with the total expense ratio of funds.

Clear and comparable data is the first step in deciding how to contribute to solving, or at least not exacerbate, global climate problems through our investments. It would be a good idea to base a decision on facts and not on a progressive-sounding fund name or a vague responsible investment policy document published on the management company's website.

Pension reform

When summing up 2020, we should definitely talk about the pension reform, which was on the agenda of both the Riigikogu and the Supreme Court.

Here is a short summary of the pension reform:

- When you reach retirement age, you no longer have to give the assets in your second pillar account to an insurance company, but you can decide for yourself how to use these assets. According to the new law, this right arises in the early-retirement age (five years before the official retirement age). Remember that you have no obligation to withdraw money at the earliest opportunity; neither is there any tax advantage in doing so. You can do it at any time, starting from the early-retirement age, under the same conditions.

- In the future, you can save in the second pillar also through an investment account by purchasing yourself stocks or investment funds.

- You can leave the second pillar at any time and withdraw the accumulated funds.

Although the last point in the pension reform was the most discussed and controversial, the first one is the most important. We have been fighting for several years for the free use of money during retirement and have submitted proposals with thousands of signatures to the Riigikogu. This change (which, incidentally, was eventually agreed to by all the major political parties) increases the freedom of choice and brings great financial benefits to all investors – insurance contract costs and fees have consumed an estimated one-fifth to one-third of people's pension assets until now.

What should you do in the context of the pension reform? Tuleva clients need not do anything. After all, we already reformed our pension pillar a few years ago and created a pension fund where it is wise to save regardless of whether saving is compulsory or voluntary.

The government transfers a portion of the social tax to the second pension pillar every month. Therefore, this is the best method of saving available to us. I was quite puzzled by the discussion about which was better – the first or the second pillar. The money in a second pillar pension account is a real asset to the saver (as also confirmed by the Supreme Court), which they can withdraw at any time. This is surely better than a promise, contained somewhere in the government`s first pillar pension accounts, that you will receive a few more euros of first pillar pension sometime in the future.

The only people who should act in light of the pension reform are those who already have a pension contract with an insurance company to receive second pillar payments. Such contracts can be cancelled until 31 March, in which case the balance of the contract will be paid.

Of course, the pension reform may also affect the financial results of our joint business – the Tuleva fund management company. Although continuing to save is the most sensible step for most of us, I cannot say today how many of the savers in our funds will decide to leave the second pillar. We will keep an eye on the developments this year and, if necessary, adjust our business plan.

The future

Before we discuss future plans, let's summarise what we have achieved in the first five years of operation.

We started from the second pillar because most of the working people in Estonia save money in the second pillar, and most of their financial assets are in the accounts of that pillar. At the same time, second pillar savers used to be able to only choose from among some of the worst-performing pension funds in the world.

Our achievements to date

- Every second pillar saver can now choose a good, low-cost index fund.

- Following Tuleva's example, LHV, SEB and Swedbank have also introduced an index fund with a reasonable fee.

- The government no longer directs young peoples' pension contributions to bond funds whose fees exceed real yields. At the beginning of their working careers, people who haven't chosen a pension fund for themselves are now directed to a low-cost index fund.

- The Riigikogu finally decided to remove detrimental restrictions on using second pillar assets in retirement.

These are not trifles. Thanks to these, most Estonians can be expected to benefit two to three times more than before from every euro saved in the second pillar.

This is not the limit for Tuleva. We can make our pension funds even better. We can continue to work to ensure that Estonian laws protect people's interests even better. We can help our members save more money in a smarter way – if your second pillar is sorted out, it is wise to start investing in the third pillar.

By choosing a low-cost second pillar fund, the average investor will easily save more than 10,000 euros in fees over their lifetime (4). But the second pillar alone is not enough to live well in the future. We save only 6% of our salary in the second pillar. For example, Finns and Swedes set aside at least one-fifth of their wages.

Only every tenth working person currently invests in the third pillar, saving on average just 3% of their wages. There are 100,000 third pillar savers in Estonia, and we save less than 100 million euros a year. If we saved like the Finns, we would have 600,000 savers and 2 billion euros a year.

In 2019, we launched a third pillar pension fund with the lowest fees in Estonia. A typical investor saves 10% of their salary in our third pillar (5). This rate could go up. In addition, tens of thousands of new savers joined our fund in November and December, and they too must be helped to achieve at least an equivalent saving habit and pace.

Now about our specific goal. In 2021, the volume of our third pillar fund should double (to 60 million euros). We should continue to add enough new savers to the second pillar with each changeover period, so that by January 2022 our funds would reach 300–350 million euros.

Tuleva's important additional goals

- We will continue to build a dynamic team at Tuleva. In addition to three full-time and one part-time employee, our team includes top experts involved in various projects: developers, designers, lawyers and others. An office manager and a part-time compliance officer will join us in January. We only hire highly qualified people, we pay them a good salary and provide a flexible and learning-friendly work environment. We create and implement a system for more efficient organisation of the distributed team's work and for taking on new team members.

- We continue to automate operations and make them more efficient and risk-proof. We find at least one way to further optimise our work processes every quarter.

- I wrote more about Tuleva's ecological footprint above. In 2021, we will map Tuleva's opportunities and challenges in implementing a responsible investment policy and make relevant proposals to the supervisory board.

- We will continue to raise awareness to help people overcome one of the most important obstacles to the consistent implementation of a smart investment plan: information noise in the financial sector driven by competing sales tactics. We analyse the efficiency of our communication work and optimise the processes of customer support, member communication and other communication activities.

- As the only organisation representing pension investors in Estonia, we will continue to work to improve the laws governing pension investments. In 2021, we are aiming to eliminate double taxation on third pillar contributions exceeding the set limit. We will naturally continue to protect savers' interests in the ongoing pension reform.

We are doing this so our members will have excellent opportunities for long-term savings in the future. We also consider the possibility that events beyond our control (whether political developments related to the second pillar or, for example, Vanguard's entry into the Estonian market with super-low-cost pension funds) may make our own fund management unnecessary or economically meaningless for our members. These scenarios will not damage the assets of Tuleva pension savers. We have mapped these to help members and our other savers find the best choices even if the mentioned scenarios come true.

There is one thing we will not do in 2021. Together with the third pillar fund, we planned to develop an additional saving product for those whose third pillar is already full or who earn income as entrepreneurs. We will not offer such a product in the coming years, because Vanguard's broad-based exchange-traded index fund (ETF) with an expense ratio of less than 0.5% is already available in the market through LHV’s Growth Account and Swedbank. The only way we could offer a similar product would be launching a new fund and obtaining a UCITS management company license. We certainly won’t be able to offer such a product at a substantially lower cost.

Happy saving!

(1) The total expenses of all pension funds can be easily compared on the Estonian Pensionikeskus website.

(2) I used the BlackRock sub-funds end of November reports to assess the footprint of our portfolio.

(3) I chose these two funds for comparison because their management companies have presented these as funds with a very environment-friendly portfolio. You can see my calculations here.

(4) View and calculate using the calculator on our home page.

(5) The calculation is based on investors who have saved in the fund for at least six months.

Financial statements

Balance sheet
(in EUR)

	31.12.2020	31.12.2019	Note no
Assets			
Current assets			
Cash and cash equivalents	192 993	122 981	
Receivables and prepayments	4 586	1 045	
Total current assets	**197 579**	**124 026**	
Non-current assets			
Investments in subsidiaries and associates	5 074 570	4 805 105	2
Tangible assets	34 633	0	
Total non-current assets	**5 109 203**	**4 805 105**	
Total assets	**5 306 782**	**4 929 131**	
Liabilities and equity			
Liabilities			
Current liabilities			
Payables and prepayments	35 719	5 746	
Total current liabilities	**35 719**	**5 746**	
Total liabilities	**35 719**	**5 746**	
Equity			
Share capital at nominal value	3 300	3 300	
Statutory reserve capital	330	330	
Other equity	4 891 036	4 205 303	
Retained earnings (losses)	53 724	-26 535	
Net profit (loss) for financial year	322 673	740 987	
Total equity	**5 271 063**	**4 923 385**	4
Total liabilities and equity	**5 306 782**	**4 929 131**	

Income statement
(in EUR)

	2020	2019	Note no
Other income	135 500	206 938	5
Miscellaneous operating expenses	-42 356	-49 567	6
Staff costs	-39 615	-76 901	7
Other expenses	-336	-230	
Operating profit (loss)	**53 193**	**80 240**	
Profit (loss) from subsidiaries	269 465	660 728	
Interest income	15	19	
Net profit (loss) before income tax	**322 673**	**740 987**	
Net profit (loss) for financial year	**322 673**	**740 987**	

Notes to the financial statements

Note 1 Accounting policies

General information

The financial statements of the commercial association Tuleva (hereinafter: the association) for 2020 have been prepared in accordance with the Estonian Financial Reporting Standard. The basic requirements of the Estonian Financial Reporting Standard have been established in the Accounting Act of the Republic of Estonia, which is supplemented by the guidelines issued by the Accounting Standards Board.

The association has prepared condensed financial statements of a small-sized entity. The financial statements are presented in euros.

The commercial association Tuleva has not prepared consolidated financial statements, as the consolidated figures of the association do not exceed the conditions for a small consolidation group provided for in the Accounting Act.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet include bank account balances.

Shares of subsidiaries and associates

A subsidiary is considered to be controlled by the parent if the parent owns more than half of the voting power of the subsidiary or is otherwise able to control the operating and financial policy of the subsidiary.

Investments in subsidiaries are accounted using the equity method.

Receivables and prepayments

Trade receivables, accrued income and other current and non-current receivables are stated at amortised cost. An assessment is made at each balance sheet date to determine whether there is any indication of potential impairment of financial assets. If any such indication exists, financial assets carried at amortised cost are written down to the present value of the payments expected to be received in the future. Impairment losses are recognised as an expense in the income statement.

Leases

A finance lease is a lease contract where all significant risks and rewards incidental to ownership of the asset are transferred to the lessee. Other leases are recognised as operating leases.

The company as the lessee:

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Financial liabilities

Financial liabilities (trade payables, accrued liabilities) are recognised at amortised cost.

Provisions and contingent liabilities

A provision is recognised when an entity has a legal or constructive obligation as a result of an obligating event that occurs before the balance sheet date, the realisation of the obligation is probable and its amount can reliably be estimated. Other contingent or existing liabilities, the realisation of which is not probable or the amount of the related expenses cannot be estimated with sufficient reliability, are disclosed in the notes to the annual report as contingent liabilities.

Statutory reserve capital

Statutory reserve capital has been formed in accordance with the Commercial Code. Reserve capital is formed from annual net profit allocations. At least 1/20 of the net profit must be transferred to reserve capital in each financial year until reserve capital makes up 1/10 of the share capital. Reserve capital can be used to cover losses, as well as to increase share capital. No payments may be made to shareholders from reserve capital.

Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable, taking into account all discounts and allowances provided. Revenue from the sale of a service is recognised after the service has been provided.

Corporate income tax

According to the Estonian Income Tax Act, the annual profit of companies is not taxed in Estonia. Income tax is charged on dividends, fringe benefits, gifts, donations, costs of entertaining guests, non-business related disbursements and adjustments of the transfer price. Since 1 January 2015, the tax rate on the net dividends paid out of retained earnings is 20/80. Since 2019, the tax rate of 14/86 can be applied to dividend payments. This more favourable tax rate can be used for dividend payments in the amount of up to the average dividend payment during the three preceding years that were taxed with the tax rate of 20/80. When calculating the average dividend payment of the three previous financial years, 2018 will be the first year to be considered.

Related parties

Related parties are parties that have control over the other party or significant influence over the other party's business decisions. The following parties are considered to be related parties of the commercial association Tuleva:

a. owners;

b. other companies belonging to the same consolidation group;

c. executive and senior management;

d. close family members of the persons mentioned above and companies that are controlled by them or under their significant influence.

Equity-based payments

The association receives services from its members and pays for them by issuing work contributions to acquire shares in the membership capital. The fair value of issued work contributions is recognised as staff costs when the service is received and as a change in equity (other reserves). The total amount of costs is determined at the time of concluding the work contribution agreement according to the agreed amount of work contribution.

Membership capital

The membership capital of the commercial association Tuleva is part of its equity (in the articles of association: pension capital) and it consists of the following components:

1) Membership capital at initial value - Membership capital is the nominal value of the membership capital paid in by the members of the association and it belongs to the members.

2) Membership capital added in the reporting year from the activities of the subsidiary Tuleva Fondid AS – the value of membership capital in the future will depend on the book value of the subsidiary (management company Tuleva Fondid AS), which in turn consists mainly of two variables:

2.1. the market value of the units of pension funds owned by the management company;

2.2. the accumulated operating profit of the management company (net profit of the management company less the membership bonus and the profit/loss arising from the change in the value of the units of pension funds), which is calculated once a month.

Once a year, after the approval of the financial results of TÜ Tuleva and the Tuleva Fondid AS, the TÜ Tuleva shares the operating profit of Tuleva Fondid AS with each member (who has contributed to the membership capital) according to the proportion of each member's share in the membership capital. Every five years, the General Meeting decides whether to pay the accumulated operating profit out as dividends to the members.

3) Membership bonus is a member's share of the profit, the amount of which corresponds to 0.05% of the average value of the units of the funds managed by the management company owned by the member during the financial year. The membership bonus is also a part of the profit, which the association transfers to membership capital every year, and which the association can pay out to the members every five years, if the General Meeting decides so.

4) Membership capital arising from members' work contribution - belongs to the members who have worked for the association for which they are not paid, but the member receives a contractual opportunity to authorise the association to make an additional contribution on behalf of the member on the basis and in the amount specified in the agreement.

Note 2 Shares of subsidiaries

(in EUR)

Shares of subsidiaries, general information					
Registry code of subsidiary	Name of subsidiary	Domicile	Core activity	Shareholding (%)	
				31.12.2019	31.12.2020
14118923	Tuleva Fondid AS	Estonia	Pension fund management	100	100

Shares of subsidiaries, detailed information:							
Name of subsidiary	31.12.2019	Acquisition	Disposal	Dividends	Profit/(loss) under equity method	Other changes	31.12.2020
Tuleva Fondid AS	4 805 105	0	0	0	269 465	0	5 074 570
Total shares of subsidiaries, end of last reporting period	**4 805 105**	**0**	**0**	**0**	**269 465**	**0**	**5 074 570**

Note 3 Contingent liabilities and contingent assets

(in EUR)

The tax authority may at any time inspect the entity’s books and records within 5 years subsequent to the reported tax year and may impose additional taxes, interest and penalties. The company's management is not aware of any circumstances due to which the tax authority may impose a significant additional tax amount on the company.

Note 4 Share capital

(in EUR)

	31.12.2020	31.12.2019
Share capital	3 300	3 300

In addition to share capital, equity includes other equity in the amount of EUR 4 891 036 (31.12.2019: EUR 4 205 303) which consists of the following items:

1) EUR 4 036 477 (31.12.2019: EUR 4 038 903) - contributions to membership capital made by members (less payments from membership capital in the event of death of a member)
2) EUR 268 150 (31.12.2019: EUR 240 719) - membership capital generated by work contributions
3) EUR 62 891 (31.12.2019: EUR 29 631) - membership bonuses accumulated for 2017,2018 and 2019
4) EUR 523 518 (31.12.2019: EUR 103 950) - retained income of the management company that belongs to the association

The membership bonuses are distributed on the basis of the profit allocation proposal. The membership bonus for 2020 will be distributed after the approval of this annual report and the related profit allocation proposal by the General Meeting of TÜ Tuleva.

Note 5 Other income

(in EUR)

	2020	2019	Note no
License fees	20 000	20 000	8
Membership fees	115 500	186 538	
Other	0	400	
Total other income	**135 500**	**206 938**	

Note 6 Miscellaneous operating expenses

(in EUR)

	2020	2019
Expenses from information activities	12 750	19 873
Leasing and rental expenses	11 434	9 660
Auditing and accounting expenses	6 469	4 840
Legal expenses	4 604	0
Payment centre fees	3 803	6 228
Media monitoring expenses	1 800	1 800
Training expenses	684	668
Translation expenses	50	144
Membership management expenses	0	5 338
Other	762	1 016
Total miscellaneous operating expenses	**42 356**	**49 567**

Note 7 Staff costs

(in EUR)

	2020	2019
Wages and salaries	9 102	19 075
Social security expenses	3 082	6 144
Work contribution expense	27 431	51 682
Total wages and salaries	**39 615**	**76 901**

The average number of employees in the financial year was 0.5 (2019: 0.5).

Note 8 Related parties
(in EUR)

Balances with related parties by groups

	31.12.2020		31.12.2019	
	Receivables	Liabilities	Receivables	Liabilities
Subsidiaries	1 364	0	584	817

Sales and purchases of goods and services

	2020		2019	
	Purchases of goods and services	Sales of goods and services	Purchases of goods and services	Sales of goods and services
Subsidiaries	0	20 000	0	20 000

Additional information about sales to subsidiaries is disclosed in Note 5

Note 9 Events after the balance sheet date

At the end of 2020, the pension reform entered into force, according to which unit-holders of second-pillar pension funds will be able to withdraw their accumulated pension assets starting from 1 January 2021 and suspend their pension saving in the second pillar. At the time of preparing this annual report, the period for submitting applications for withdrawal has only begun, and it is therefore difficult to assess the exact extent of the impact of the pension reform on the association through the financial results of the subsidiary Tuleva Fondid AS.

The money of the pension funds managed by Tuleva Fondid AS (management company) is invested in liquid assets – in shares and bonds of the world's largest companies and countries. If some of our pension savers decide to sell their units, its effect on their price will be imperceptible. Thus, a possible decrease in the volume of funds due to the voluntary nature of the second pension pillar will not in any way damage the assets of the unit-holders who will continue their contributions.

A possible decrease in the volume of funds may affect the financial results of the management company. If a significant proportion of pension-savers in Tuleva funds decide to leave the second pillar, there will be less revenue from management fees. Due to the fact that the management company is significantly over-capitalised, the decrease in the volume of funds under management does not pose a risk to the economic activity of the management company.

Digital signatures of report

Report ending date: 08.02.2021

Tulundusühistu Tuleva (register code: 14041764) The accuracy of the data in the 01.01.2020 - 31.12.2020 annual report is electronically confirmed by:

The name of the signatory:	The role of the signatory:	Time of signature:
Mari Kuhi	Board member	08.02.2021
Tõnu Pekk	Board member	08.02.2021

Independent Auditor´s Report

pwc

Independent Auditor's Report

To the Members of Tulundusühistu Tuleva

Our opinion

In our opinion, the abridged financial statements present fairly, in all material respects, the financial position of Tulundusühistu Tuleva ("the Company") as at 31 December 2020, and the Company´s financial performance for the year then ended in accordance with the Estonian financial reporting standard.

What we have audited

The Company's abridged financial statements comprise:

- the balance sheet as at 31 December 2020;
- the income statement for the year then ended; and
- the notes to the abridged financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the abridged financial statements section of our report.

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

The Management Board is responsible for the other information. The other information comprises the Management report (but does not include the abridged financial statements and our auditor's report thereon).

Our opinion on the abridged financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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Translation note:

This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.
This independent auditor's report (translation of the Estonian original) should only be used with an annual report initialled for identification purposes by AS PricewaterhouseCoopers.

In connection with our audit of the abridged financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the abridged financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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.

Responsibilities of the Management Board and those charged with governance for the abridged financial statements

The Management Board is responsible for the preparation and fair presentation of the abridged financial statements in accordance with the Estonian financial reporting standard and for such internal control as the Management Board determines is necessary to enable the preparation of abridged financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the abridged financial statements, the Management Board is responsible for assessing the Company'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 the Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the abridged financial statements

Our objectives are to obtain reasonable assurance about whether the abridged financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these abridged 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 abridged 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.

Translation note:

This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

This independent auditor's report (translation of the Estonian original) should only be used with an annual report initialled for identification purposes by AS PricewaterhouseCoopers.

- Conclude on the appropriateness of the Management Board'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the abridged financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the abridged financial statements, including the disclosures, and whether the abridged financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

AS PricewaterhouseCoopers

/signed digitally/	/signed digitally/
Lauri Past Auditor's certificate no.567	Kristi Ziugov Auditor's certificate no.650

8 February 2021
Tallinn, Estonia

Translation note:

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Profit allocation proposal
(in EUR)

	31.12.2020
Retained earnings (losses)	53 724
Net profit (loss) for financial year	322 673
Total	**376 397**
Distribution	
Other equity	269 465
Retained earnings (losses) after distribution (coverage)	106 932
Total	**376 397**

Contacts

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