AS Eesti Post

Group annual report 2020

Beginning of the financial year:	1 January 2020
End of the financial year:	31 December 2020

Contents

Group profile and contact details

AS Eesti Post is an international group that offers postal, parcel, information and international business services. The AS Eesti Post group comprises the parent company AS Eesti Post, the subsidiaries AS Maksekeskus, OÜ Finbite, OÜ Omniva, UAB Omniva LT in Lithuania, SIA Omniva in Latvia and the associate OÜ Post11. The Group operates in the Baltic countries.

At 31 December 2020, AS Eesti Post held 55.65% of the shares in AS Maksekeskus (31 December 2019: 55.65%), 100% of shares in OÜ Finbite (established on 13 October 2020), 100% of shares in OÜ Omniva (31 December 2019: 100%), 100% of shares in UAB Omniva LT (31 December 2019: 100%), 100% of shares in SIA Omniva (31 December 2019: 100%), and 30% of shares in OÜ Post11 (31 December 2019: 30%).

AS Eesti Post is a state-owned company that operates under the Ministry of Economic Affairs and Communications. In 2020, the Group's average number of employees was 2,291 (2019: 2,294).

Legal address:	Pallasti 28 10001 Tallinn Republic of Estonia
Registry number:	10328799
Telephone:	+372 664 3000
Fax:	+372 664 3001
E-mail:	info@omniva.ee
Website:	www.omniva.ee
Auditor:	OÜ KPMG Baltics

MANAGEMENT REPORT

The consolidated accounts of AS Eesti Post reflect the financial position and financial performance of AS Eesti Post (the parent), AS Maksekeskus (AS Eesti Post holds 55.65% of the shares), OÜ Finbite, SIA Omniva and UAB Omniva LT (subsidiaries: AS Eesti Post holds 100% of the shares) (collectively referred to as 'the Group' or 'Omniva').

AS Eesti Post is a 100% state-owned company whose core business is the provision of logistics services (parcel and postal services). In addition, the Group provides international logistics services. Finbite OÜ is focused on information business (e-invoicing). SIA Omniva and UAB Omniva LT are involved in the provision of parcel locker and courier services in the Latvian and Lithuanian markets, respectively. AS Maksekeskus provides payment solutions for companies involved in e-commerce in the Baltics. The associate OÜ Post11 offers online merchants integrated international logistics solutions for the delivery of goods worldwide.

1. The Group

1.1. Legal framework

AS Eesti Post has been operating in an open postal market since 1 April 2009. The Estonian Competition Authority has issued AS Eesti Post with a five-year licence (9 October 2019 – 8 October 2024) to provide universal postal service (the forwarding of addressed postal items). Universal postal service means continuous, high-quality and affordable provision of postal services across the Republic of Estonia on the basis and according to the procedure laid down by legislation.

1.2. Main events in 2020

1.2.1. Strategic changes

The Group incurred a loss in 2019 and financial difficulties continued into the next year. Therefore, the priorities of 2020 were to improve operating efficiency and to launch supporting strategic change.

The aim of strategic change was to make the organisation fully customer-centric, to offer the customer integrated end-to-end service and to bring the service closer and make it properly available to the customer. Quality postal service should be available to all Estonian residents, including those in rural and remote areas.

An extraordinary general meeting of the sole shareholder of AS Eesti Post that convened in August approved the Group's strategic development goals for the next five years which are designed to ensure the Group's sustainable and efficient operation and increase its customer-friendly approach. Additionally, two strategic decisions were approved: merging the postal and parcel services into a single service and setting up the e-invoicing business as a separate subsidiary.

To meet the goals, the Group initiated the merger of the previously separate postal and parcel services and relevant organisational changes. The transition from the former business line-based approach to a customer-centric approach will be carried out in the first quarter of 2021. The results for 2020 are still reported on a business line-basis.

A task force comprising the representatives of the communications department of the Ministry of Economic Affairs and Communications, the Competition Authority and AS Eesti Post was set up in September in order to improve the provision of universal postal service. There is consensus that it is important to transition from requirements to the postal network to requirements to the availability and quality of the service and that flexible and truly available service increases customer satisfaction while also helping to reduce the unreasonable costs of the postal network in the long term. The task force will formulate its preliminary proposals for improving the service in the first quarter of 2021.

1.2.2. COVID-19

The Group's operations in 2020 were affected by the global outbreak of the COVID-19 pandemic, particularly the restrictions imposed both locally and globally in order to contain the spread of the virus.

On 12 March 2020, the Estonian government declared a state of emergency due to the virus which was spreading globally and in Estonia. All shopping centres, including the post offices in them were closed as from 27 March. The state of emergency lasted until 17 May 2020. The shopping centres and the post offices located there reopened on 11 May.

The restrictions imposed due to the state of emergency on recreational activities, the operation of commercial and service establishments, public events, and similar affected most economic sectors. For AS Eesti Post, e-commerce grew and the use of outdoor parcel lockers as a contactless channel increased. At the same time, revenue from direct and international mail declined.

The Group believes that COVID-19 will have a long-term impact on people's consumption habits because it made e-commerce attractive for a lot of new customers that will also continue to use it after the crisis.

1.2.3. Parcel business

The parcel volume which was high as usual during the Christmas period remained large at the beginning of 2020 throughout the Baltic region. Thanks to thorough preparations made before the Christmas season, service quality was high in Estonia as well as Latvia and Lithuania despite the high volumes.

Due to the global spread of COVID-19 and countries declaring states of emergency, the volume of inbound international shipments (especially parcels from China) dropped already in the first quarter. This caused by a halt in global freight transport as well as a decline in the number of orders. At the same time, the share of e-commerce parcels sent in Estonia soared. Through the combined effect of both changes, there was also a structural change in parcel size: the share of large parcels grew at the expense of small ones.

The use of delivery channels changed. The volumes handled at post offices decreased while smart parcel lockers, which were the customers' preferred channel for sending and receiving parcels already before the pandemic, gained further importance. Omniva's smart parcel lockers are located outdoors, can be operated with gloves on and offer a contactless payment option. Because of the state of emergency, preferred locations have also changed: parcel lockers in the central business district of Tallinn are being used less while those in residential areas are overloaded because the employees of many agencies and businesses are working from home offices. The Group has responded to the change by relocating parcel lockers and installing additional modules in areas where the lockers are overloaded.

The Group adopted additional measures to handle large parcel volumes more quickly – deliveries to parcel lockers were made several times a day, recipients were asked to pick up parcels quickly and customers were also served from delivery vans near overloaded lockers. The Group installed additional modules to parcel lockers in popular locations and opened temporary manned parcel points in Tallinn where parcels were handed over similarly to parcel lockers: based on an SMS message, outdoors and without contact. At the same time, customers were also served at parcel collection points set up to compensate for post offices being closed due to the state of emergency.

To alleviate the situation where a large number of post offices in Tallinn were closed because of the state of emergency, Omniva and Bolt launched a pilot project in April to test home delivery of parcels using a ridesharing platform. The partnership with Bolt made enabled customers to order the delivery of a parcel from a more distant post office to their doorstep. During the two-week project, the option of ordering home delivery was offered at post offices with the highest parcel load – the Nurmenuku post office and the Majaka parcel collection point.

To improve customer experience, the Group implemented a software development which highlights overloaded parcel lockers in the locker list so that customers can see where waiting times are longer and can choose another location for faster delivery.

The Group continued to develop its online self-service environment to offer customers a convenient way to send and track parcels. During the state of emergency, the digital self-service environment was also the key channel for customers where they could fill in forms to send parcels from a parcel locker, assign their preferred parcel delivery channels, read about services during the state of emergency, track their parcels, order a parcel to be delivered from a post office to a parcel locker or extend the storage period.

In the third quarter Omniva passed an important milestone, becoming the leader on the parcel delivery market in Lithuania in terms of parcel volume. Strong results of the Baltic parcel business also help the Group ensure the sustainability of postal services across Estonia.

Growing parcel volumes in the Baltics led to the launch of a new sorting centre in Latvia. Omniva's Latvian office and the sorting centre relocated to the most energy-efficient logistics centre in Latvia – the Green Park in Mārupe. The new premises house the most modern parcel sorting centre in.

The Group expanded its parcel locker network by 10% in 2020. Network growth was the strongest in Lithuania, which is the largest Baltic market. In Estonia, new modules were added to popular locations to better handle larger year-end volumes. With nearly 800 parcel lockers in the Baltic countries, Omniva is the service provider with the network in all three countries.

To ensure consistently good customer experience, Omniva installed the same software for all its parcel lockers (previously two solutions were used). The software developed by Omniva also has export potential: it will be introduced by Croatian Post. The two companies will also enter into a strategic partnership where Omniva will provide advice on the establishment of a parcel locker network in Croatia.

According to the Estonian E-Commerce Association, Omniva’s share in the Estonian parcel market is 57%. The Association attributes the Group’s strong market share and growth to its well-developed parcel locker network, presence and cooperation across the Baltic region, and partnerships with several international e-commerce giants. For example, the international online fashion shop About You became Omniva’s customer in all Baltic countries.

1.2.4. Postal business

Due to the rapid spread of COVID-19, it was important to provide employees (letter carriers, mail couriers, post office service staff and others) with personal protective equipment and adapt services to the state of emergency. In particular, it was essential to ensure home delivery of pensions and social welfare benefits in cooperation with the Social Insurance Board and the Unemployment Insurance Fund because customers using the service are at high risk from COVID-19.

At the beginning of the year, the postal service was affected by movement restrictions imposed in shopping centres due to the state of emergency. Like other service providers, Eesti Post had to close its premises unless they had a separate entrance. As an exception, 16 post offices in local shopping centres were allowed to remain open because it was not possible to redirect mail in the same town.

On the revenue side, the state of emergency had the greatest impact on direct mail revenue (traders discontinued campaigns and thus also direct mailing) and international letter service revenue (due to the absence of tourists). The Group launched campaigns and made special offers to restore direct mail revenue.

A major development in postal business was the change in the price of universal postal service, which took effect in late May. It enabled the Group to raise the salaries of front line staff in 2020 by 6.2% on average and to ensure the sustainability and quality of postal service. As international tariffs depend on national prices, the price adjustment allows the Group to charge other countries a fairer price for handling incoming mail.

The prices and standard terms and conditions of universal postal service changed from 31 May 2020. There are now two domestic letter classes with different delivery speeds (letter and express letter). Weight range calculation for international parcels was simplified and the large letter and standard parcel services were harmonised. The structure and pricing of international parcel service was changed to make the service more convenient for the customer.

In order to enhance the express letter service and improve service quality, the Group introduced online tracking of express letters in late November. Express letters have a barcode which enables to track them and are delivered to the recipient's mailbox without asking for a signature.

The Competition Authority measured the transit time of regular domestic letters to establish whether it complies with the requirement laid down in the Postal Act, which states that at least 90% of regular domestic letters must be delivered to recipients on the working day following the day the letter was posted or on the third working day after the day the letter was posted. The Competition Authority established that 93% of letters were delivered on time.

Revenue from periodicals continued to decrease year on year because the circulations of periodicals fell and print publication frequency declined during the state of emergency. Some periodicals that had reduced their publication frequency in spring due to COVID-19 restored their earlier publication frequency in the third quarter but, for example, the business paper Äripäev decided remain a weekly (it used to be a daily published from Monday to Friday).

To ensure the sustainability of the delivery of periodicals, the Group partnered with the Association of Media Companies, which unites publishers, to identify common efficiency measures in the supply chain. The common goal is to agree on a long-term plan to ensure the sustainability of the service and to restore the profitability of the home delivery of periodicals within four years.

In 2020, the Group issued various stamps celebrating Estonia’s culture and history and major events. The centenary of Estonia's first Olympic victory was celebrated by issuing the second silver stamp (the first one was issued in 2018 to mark the 100th anniversary of the Republic of Estonia). The most notable stamps were dedicated to the 200th anniversary of the discovery of Antarctica (Estonian-Russian joint issue), 100th anniversary of Tartu Peace Treaty, 100th anniversary of the birth of the famous Estonian singer Georg Ots, the first WRC Rally Estonia, 150th anniversary of Estonian railways etc. The public voted the latter the most beautiful stamp of 2020. In 2020, Eesti Post started issuing stamps for stamp vending machines.

The Group introduced a standing order option for philatelists in its online shop on 1 June. The solution, which is innovative in the entire region, allows both local and international collectors to automatically order new philatelic products and have them delivered to their mailboxes.

The Group made a number of changes to improve customer experience and the availability of postal service. The map application on Omniva's website was further developed: it now displays all the nearly 1,500 postboxes in Estonia and allows customers to conveniently locate parcel lockers, postboxes, post offices and delivery points.

Placing an order to have the mail carrier come to the customer became more popular. This is a convenient option for people living more than 5 km from the nearest post office to use postal service at home or at work.

1.2.5. Information business

A large number of companies reorganised their work and had staff work from home offices due to the state of emergency. Thus, fast and contactless processing of invoices became more important than ever. In the information business, the year was more stable than in the parcel or postal business. Use of the service remained steady and, positively for the Group, interest in electronic invoicing grew as many businesses switched to remote work.

In the summer of 2020, the extraordinary general meeting of the sole shareholder of AS Eesti Post decided to demerge the Group's information business into a separate subsidiary because this is not the parent company's core business line. Preparations for the separation began immediately and, starting from 1 January 2021 the services of the former information business are provided by Finbite OÜ, a subsidiary of AS Eesti Post.

1.2.6. International business

Restructuring of the business continued through the year with a view to increasing profitability and improving quality.

Quality improvement continued to increase service volumes. Due to continuing air travel restrictions imposed due to COVID-19, the Group carried out tenders for road transport services and secured new international road transport partners. Important events included the signature of an agreement with Matkahuolto, the Group's strategic partner in Finland.

1.2.7. Acknowledgements and awards

In the BRAND CAPITAL survey of the most popular brands in the Baltic countries, Omniva was rated as the fastest growing brand as well as one of the three most valued brands in the Baltic countries. Brands were ranked based on an aggregate score for the quality, uniqueness, usefulness and social responsibility of the brand. Altogether, 15.4% of respondents named Omniva as one of their favourite brands and a preferred service provider. Omniva is the best-known Estonian brand in Latvia and Lithuania and improved its position on the list of favourite brands in Estonia by 10 places year on year.

The Universal Postal Union (UPU) recognised Omniva with the highest rating in the UPU Online Solution for Carbon Analysis and Reporting (OSCAR) in the postal and logistics sector.

For the second year in a row, Omniva was granted the golden quality label for its socially responsible activities. The golden quality label means that the Group is an example and a leader of responsible entrepreneurship. A company that is granted the golden quality label has systematically integrated the principles of responsible entrepreneurship into its operating activities, shows initiative and systematically and consistently ensures responsible behaviour in its own organisation, supply chain and society at large.

Omniva was also awarded a golden quality label for being a family-friendly employer. The Group worked for two years to obtain the label, passing several evaluations, receiving guidance and involving both management and employees in the process. The action plan focused on flexible work arrangements, information flows, atmosphere, synergies and culture, future employees, feedback and surveys, recruitment, induction, offboarding and health promotion. Studies suggest that family-friendly employers are more competitive. Other positive aspects include a decrease in the number of sick days, lower levels of employee stress and an improvement in the employer's reputation.

For the fourth year in a row, the Estonian Human Resources Management Association PARE, the Smart Work Association and Elisa issued labels for achievements in smart working. Omniva was granted the label for the first time in 2017. In 2020 the label was renewed. The label is issued to companies that have successfully introduced remote working into their organisation and develop their work processes accordingly.

Omniva won the grand prize in the internal communication category at the Communication Deed 2020 competition for its employee engagement and recognition project Connecting the Stars. The project is on-going and the Group will continue to recognise its employees on a quarterly basis in 2021.

Omniva's cooperation with Bolt in the field of parcel delivery was recognised with a PostEurop innovation award.

1.2.8. Changes in management

On 20 April, Ahto Pärl joined Omniva as chief financial officer and member of the management board. In connection with the separation of the information business into a separate subsidiary, Pärl was appointed an authorised signatory as from 8 August to prepare and carry out the separation.

On 19 June, Minister of Foreign Trade and Information Technology Raul Siem dismissed the supervisory board of AS Eesti Post whose term of office was to expire in July. The supervisory board comprised five members: Bo Henriksson (chairman), Indrek Laul (vice-chairman), Priit Kongo, Lauri Paeveer and Regina Raukas. At the proposal of the Nomination Committee, Sten Soosaar, Regina Raukas, Mari Avarmaa, Madis Laansalu, Raivo Uukkivi and Kalle Viks were appointed as new members of the supervisory board of AS Eesti Post. The term of office of the members of the Group's supervisory board is three years. On 22 February 2021, the owner's representative removed Sten Soosaar from the supervisory board.

On 24 September, the supervisory board decided to remove chairman of the management board Ansi Arumeel. Until the end of 2020, the responsibilities of the chairman were divided between other members of the management board. Andre Veskimeister, a member of the management board, was appointed the acting chairman. The supervisory board appointed Kristi Unt as a member of the management board, effective from 8 January 2021, and removed Kaida Kauler and Andre Veskimeister from the management board, effective from 15 January 2021. On 28 January 2021, the supervisory board appointed Charlie Viikberg as chairman of the management board until the appointment of a new chairman.

An open competition for the selection of candidates to fill the position of a management board member and chief financial officer ended on 10 December. The Group's supervisory board appointed Charlie Viikberg as a member of the management board and chief financial officer.

At the extraordinary general meeting of the Group's sole shareholder in August, the Minister of Foreign Trade and Information Technology instructed the supervisory board to conduct a special audit of management decisions to determine how the decisions of the Group's management have affected the Group's operations over the past two years. Ernst & Young was chosen to carry out the special audit that will start in early 2021.

2. Operating environment

The pandemic was one of the most topical issues in the world in 2020, and still is, but the situation is improving. Vaccination has begun and the virus is now likely to have passed its peak in most countries.

According to Swedbank's forecast, most of the restrictions will be eased in the second quarter of the year, which will also lead to a faster economic recovery. Recovery will be broad-based. Growth will also be supported by central banks' monetary policy and governments' expansionary fiscal policies. However, it is likely that returning to the pre-pandemic growth trend will take a long time.

For the eurozone, the year 2020 will go down in history for the divergence of the effects of the public health and economic crisis and the ways of dealing with them. According to the projections of Swedbank, economic recovery in the eurozone will be driven by the services sector. The Nordic and Baltic countries have so far withstood the economic crisis better than many others in the euro area. Swedbank forecasts that in the Nordic countries, rapid recovery will begin in the second quarter of 2021, while in the Baltic countries the restrictions imposed in the second wave of the pandemic are slowing economic growth and stronger recovery is likely to emerge in the second half of 2021.

Real GDP growth, %	2019	2020 Forecast	**2021 Forecast**	2022 Forecast
Estonia	5.0%	-2.7%	**3.1%**	4.3%
Latvia	2.1%	-4.5%	**2.8%**	5.0%
Lithuania	4.3%	-1.7%	**2.7%**	4.2%

Inflation, %	2019	2020 Forecast	**2021 Forecast**	2022 Forecast
Estonia	2.3%	-0.4%	**1.1%**	1.7%
Latvia	2.8%	0.2%	**1.5%**	3.0%
Lithuania	2.7%	1.2%	**2.0%**	3.3%

Unemployment rate, %	2019	2020 Forecast	**2021 Forecast**	2022 Forecast
Estonia	4.4%	6.9%	**8.1%**	6.9%
Latvia	6.3%	8.1%	**8.1%**	6.5%
Lithuania	6.3%	8.6%	**7.9%**	6.9%

Real growth of gross wage, %	2019	2020 Forecast	**2021 Forecast**	2022 Forecast
Estonia	7.4%	3.3%	**3.5%**	4.5%
Latvia	7.2%	4.5%	**5.5%**	6.0%
Lithuania	8.8%	9.1%	**4.9%**	5.8%

Source: Swedbank Economic Outlook, January 2021

According to forecasts, Estonia's economy contracted by 2.7% in 2020. This is a much softer landing than feared when the COVID-19 crisis broke out and also one of the smallest decreases in Europe. In comparison, the Latvian economy fell by 4.5% and the Lithuanian economy by 1.7%. A relatively smaller setback also makes it easier to exit the crisis. According to various forecasts, if vaccination proves successful and the spread of the virus is brought under control in the first half of 2021, the economy will start growing again in the second quarter of 2021 and full-year economic growth in Estonia will be 2.9–3.3%. Swedbank forecasts that in 2021 the growth rates for Latvia and Lithuania will be 2.8% and 2.7%, respectively.

According to SEB, household consumption and investments will be the main growth drivers in 2021. Despite the rise in unemployment, the income of most households has suffered little or not at all in the crisis. Wages have continued to grow and savings, which have surged during the crisis, add security. Most people will wish to return to their previous consumption patterns when restrictions are lifted, which will boost private consumption.

According to Swedbank, in 2020 the unemployment rate was 6.9% in Estonia and 8–8.5% in Latvia and Lithuania. A flexible labour market should support swift recovery in employment in 2021. However, unemployment will increase somewhat due to the second wave of the pandemic and peak in early 2021. Therefore, Swedbank forecasts that the average unemployment rate for 2021 will be 8.1% in Estonia and Latvia and 7.9% in Lithuania.

Economic difficulties and rising unemployment eased wage pressures in Estonia last year. Slower economic recovery in the first half of 2021 will continue to hold back wage growth, which will pick up when economic growth accelerates. According to Swedbank's forecast, the average wage will increase in 2021 by 3.5% in Estonia, 5.5% in Latvia and 4.9% in Lithuania.

Inflation, which was around zero in 2020, is expected to resume growth in 2021, underpinned by growing demand, rising energy prices and the waning impact of excise cuts made in 2020. According to Swedbank's forecast, consumer prices will increase in the Baltic countries by 1–2% in 2021.

3. Seasonality of business operations

The Group's operations are characterised by significant revenue growth in the last quarter of the year and lower-than-average sales during the summer period.

Business growth in the last quarter of the year is mainly attributable to preparations for Christmas, which increase sales in both the parcel and postal business. International business revenue also increases in November and December. Revenue decline in the summer is related to vacations and a decrease in e-commerce in that period.

4. Main financial and efficiency indicators

Consolidated statement of comprehensive income	**2020**	2019*
In millions of euros		
Revenue	**131.5**	**126.3**
Of which universal postal service	16.2	17.7
Of which other services	115.3	108.6
Operating profit / loss	**9.5**	**-3.2**
Profit / loss before income tax	10.4	-3.2
Net profit / loss	**9.6**	**-3.8**
Of which loss incurred on universal postal service	-2.7**	-2.4

*** Forecast*

Consolidated statement of financial position As at 31 December	**2020**	2019*
In millions of euros		
Total assets	**134.5**	122.3
Current liabilities	**70.5**	76.9
Non-current liabilities	**28.3**	19.1
Equity	**35.7**	26.4
Average number of employees	**2,291**	2,294

Ratios	**2020**	2019*
Return on equity (ROE)	26.9%	-14.6%
Return on assets (ROA)	7.1%	-3.1%
Operating margin	7.2%	-2.5%
Net margin	7.3%	-3.0%
Earnings per share	5.71	-2.62
Net profit or loss per employee (in euros)	4,187	-1,675

Current ratio	1.0	0.7
Cash ratio	0.38	0.10
Debt to equity ratio	67.3%	87.1%
Capitalisation ratio	44.2%	42.0%
Equity ratio	26.5%	21.6%

** Adjusted (see Changes in significant accounting policies in note 1 to the consolidated financial statements)*

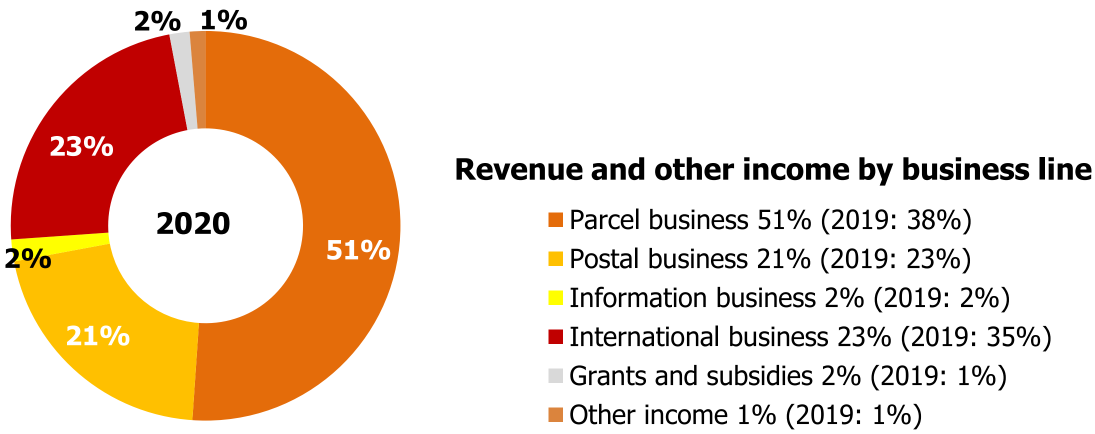
FORMULAS USED
Average number of employees = average number of employees converted to the full-time equivalent
Return on equity (ROE) = net profit or loss / equity
Return on assets (ROA) = net profit or loss / assets
Operating margin = operating profit or loss / revenue
Net margin = net profit or loss / revenue
Earnings per share = profit or loss for the period attributable to owners of the parent / weighted average number of ordinary shares outstanding during the period
Net profit or loss per employee = net profit or loss / average number of employees
Current ratio = current assets / current liabilities
Liquidity ratio = cash and cash equivalents / current liabilities
Debt to equity ratio = interest-bearing liabilities / equity
Capitalisation ratio = non-current liabilities / (non-current liabilities + equity)
Equity ratio = equity / (equity + liabilities)

5. The Group's financial performance in 2020

5.1. Revenue and other income

The Group's revenue and other income grew by 4.6% to 135.6 million euros in 2020, with revenue accounting for 97% (131.5 million euros), grants and subsidies for 1.3% and other income for 1.7%.

Total revenue and other income: 135.6 million euros



5.1.1. Parcel business

The parcel business comprises:

a) courier services (incl. B2B courier services, B2C courier services, international courier services);
b) parcel locker services;
c) domestic parcel delivery services;
d) inbound and outbound international parcels (incl. large letters);
e) services provided by AS Maksekeskus, customs services and other logistics services.

The Group's revenue from the parcel business grew by 41% (20 million euros) in 2020.

5.1.2. Postal business

The postal business comprises:

a) international and domestic mail service (incl. universal postal service and business letter service);
b) services related to periodicals (subscriptions and delivery);
c) direct mail services (delivery of addressed and unaddressed advertising);
d) financial services (incl. delivery of pensions and benefits, money remittance, identification of persons);
e) sale of goods at post offices;
f) printing and other postal services.

Revenue from the postal business decreased by almost 4% (1.2 million euros) in 2020.

5.1.3. Information business

The information business comprises the receipt of purchase and sales invoices, both electronically and on paper, invoice management and processing, and the issue of electronic invoices.

Revenue from the information business grew by 6% to nearly 2.5 million euros in 2020.

Although most of the information business revenue is generated in Estonia, the Group has been providing information business services in Latvia since 2014 and in Lithuania since 2016.

5.1.4. International business

International business is a business line which is focused on handling international e-commerce deliveries. The Group began providing relevant services in 2015.

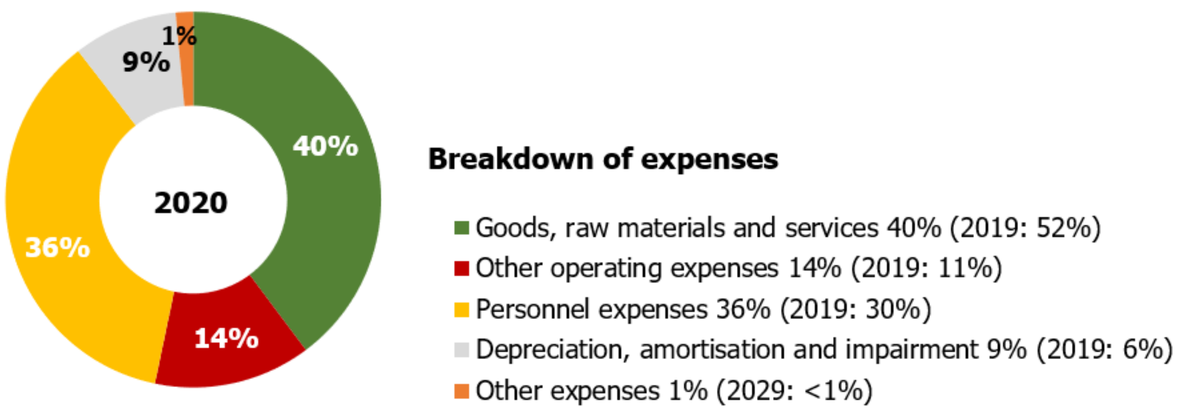
In 2020, deliveries, mainly from China, were shipped to various European and North and South American countries.

Revenue from the international business decreased by almost 31% to 31 million euros in 2020. Revenue decreased because volumes declined due to a price increase. In contrast to earlier years when the main priority was revenue growth, in 2020 the Group focused on improving profitability.

5.2. Expenses

The Group's expenses for 2020 totalled 126.1 million euros, 5% (6.7 million euros) down from 2019. The biggest decrease was posted in expenses on goods, raw materials, materials and services, which dropped by 28% (19.5 million euros) and the biggest increase was posted in personnel expenses, which grew by 13% (5.3 million euros).

Total expenses: 126.1 million euros



Goods, raw materials, materials and services

The line item includes costs related to the acquisition of goods, transport (incl. international transport) costs, international terminal dues, subcontracting costs, fuel costs, materials costs and commissions. Compared to 2019, the item decreased by 28% (19.5 million euros). The item was significantly affected by the 31% decrease in international business revenue.

Other operating expenses

Other operating expenses include utility and building management, vehicle, marketing, training, hard- and software maintenance, and other administrative expenses. In 2020, other operating expenses grew by 20% (2.8 million euros).

Personnel expenses

The Group's personnel expenses amounted to 45.7 million euros in 2020, 13% (5.3 million euros) up on 2019. In 2020, personnel expenses accounted for 36% of the Group's expenses (2019: 30%).

The average number of employees was 2,291 in 2020. The figure decreased by 3 employees year on year.

The growth in personnel expenses is due to the addition of employees with a higher average salary and a 6.2% pay-rise for front line staff.

Depreciation, amortisation and impairment

Depreciation, amortisation and impairment expenses grew by 35% (2.9 million euros). In particular, there was an increase in software amortisation expenses related to various IT developments.

Other expenses

Other expenses include expenses on quality control, membership fees, discounts on goods, write-off of non-current assets and foreign exchange losses. In 2020, other expenses grew by 1.7 million euros, mostly though higher non-current asset write-off expenses, foreign exchange losses and one-off project costs.

6. The Group's development and investment activities

In 2020, the Group invested a total of 6.1 million euros (2019: 12.6 million euros). Investments by the parent accounted for 83% of the total investments, i.e. 5 million euros (2019: 95%, 12.0 million euros).

Investments in the development of an information system used in the parcel and postal business and parcel lockers were the largest. The Group also invested in the acquisition of a direct mail packaging system in Estonia and a new parcel sorting system in Latvia.

Some of these investments have been recorded as prepaid expenses. At 31 December 2020, the Group had made prepayments for intangible assets of 1.0 million euros (2019: 1.3 million euros), most of them for various information systems developments required for the parcel business. Prepayments for property, plant and equipment totalled 1.1 million euros (2019: 1.0 million euros), being related to the expansion of the parcel locker network.

The Group is planning to invest around 3.5 million euros in 2021. Larger investments will be made in the continuing development of an information system used in production operations. Due to the Group's better-than-expected financial performance, in January 2021 the supervisory board approved an extra investment of 4.1 million euros in the expansion of the parcel locker network. The aim is to bring the 24/7 contactless service closer to the customer outside cities and in smaller settlements.

7. Dividends

No dividend was paid in 2020. In 2019, the parent distributed a net dividend of 1.6 million euros on which it paid income tax of 0.4 million euros.

8. Remuneration of the management and supervisory boards

The remuneration of Group entities' management and supervisory board members and associated social security charges amounted to 1 million euros in 2020 (2019: 1 million euros).

At year-end, AS Eesti Post's management board had two members and supervisory board six members. During the year, the management board had three to four and the supervisory board five to six members.

9. Plans for 2021

The budget for 2021 was drawn up based on the articles of association of AS Eesti Post, which set out the Group's overall goal:

- to create value for customers in the provision of postal, parcel and information logistics services by developing, integrating and managing the necessary networks and systems through the profit earned from own economic activities.

In late 2020, the Group launched a change in strategy and Group structure to transition from a business line-based approach to a customer-centric approach.

The priorities of the budget for 2021 are cost saving and refinancing of existing liabilities with a view to improving profitability and increasing investment capacity. In February 2021, the Group signed a new overdraft agreement with the bank.

The most important goals are customer satisfaction, employee satisfaction and profit.

The Group's targets and focus areas for 2021 include:

- continuing growth in parcel service volumes and revenues
- declining demand for traditional postal service
- continuing adaptation of the retail and distribution networks to changing demand and unlocking new business opportunities for better use of the networks
- cutting the costs of support functions
- increasing the transparency of profitability calculations for services
- improving the Group's liquidity.

10. Performance and quality management

The parent, AS Eesti Post, and the Latvian and Lithuanian subsidiaries have implemented a quality and performance management system.

In 2020, AS Eesti Post and the business lines, units and departments used balanced scorecards, which outline goals for the year from the financial, customer and employee perspective as well as Group-wide strategic focus projects. The achievement of goals and the progress of strategic projects are monitored on a monthly basis through financial indicators and quality and service reports, which allows responding quickly to any organisational and market changes.

11. Subsidiaries

11.1. SIA Omniva

SIA Omniva (formerly SIA Post24) was established on 23 March 2012. The company offers parcel locker, courier and information business services in Latvia.

In 2020, the revenue of the subsidiary grew by 63%: revenue from parcel locker service increased by 79%, revenue from courier services decreased by 3% and the sales of information business services decreased by 13% year on year. In 2020, the subsidiary continued to expand the parcel locker network, upgraded its parcel locker software and relocated to new premises. By the end of 2020, it had 208 parcel lockers in 97 cities and settlements in Latvia. The Group expects the subsidiary's revenue to increase in 2021, but not to the extent of 2020.

The average number of employees was 159 in 2020.

11.2. UAB Omniva LT

UAB Unipakas was established on 2 November 2005. Eesti Post acquired a 100% interest in the company in 2012. Since April 2014, the company's business name has been UAB Omniva LT. The company offers courier, parcel locker and information business services in Lithuania.

In 2020, revenue grew by 102%: revenue from parcel locker service increased by 148%, revenue from courier services decreased by 14% and the sales of information business services decreased by 9% year on year. By the end of 2020, the subsidiary had 300 parcel lockers in 102 cities and settlements in Lithuania. The Group expects the subsidiary's revenue to increase in 2021, but not to the extent of 2020.

The average number of employees was 300 in 2020.

11.3. Finbite OÜ

Finbite OÜ was founded on 16 October 2020. Upon establishment, the contracts, assets, liabilities and intellectual property rights of the Omniva billing centre, required for operational purposes, were transferred to the new company. This had no effect on the Group as a whole. Since then, the former Omniva billing centre has operated under the Finbite brand. The services of the billing centre, which has been offering a wide range of invoicing solutions for over ten years, include solutions for purchase and sales invoices, digitisation, electronic approvals, electronic expense statements and digital archiving.

In 2020, the company operated for two months. Thus, its results should be reviewed in combination with the Group's overall information business results. The Group's revenue from information business services grew by 6% in 2020. In 2021, the main focus will be on increasing the value of the company.

The average number of employees was 20 in the last two months of 2020.

11.4. AS Maksekeskus

AS Maksekeskus was founded on 17 April 2012 with the aim of offering online merchants and their customers secure and convenient payment solutions and e-commerce services. AS Eesti Post has a 55.65% interest in the company in order to increase the added value offered to online merchants by combining logistics and payment solutions.

The company grew at an exceptional rate during the state of emergency declared in 2020 due to COVID-19 and expanded into the Latvian and Lithuanian markets. Revenue grew by 77% year on year.

The average number of employees was 16 in 2020.

In 2021, the company will continue to expand in the Latvian and Lithuanian e-commerce markets as the e-commerce market is expected to sustain growth through 2021. Growth in Latvia and in Lithuania is expected to exceed the company's business growth in Estonia.

12. Corporate governance report

AS Eesti Post is a state-owned company and as such, complies with the Estonian Corporate Governance Code (CGC) consistent with section 88(1)10 of the State Assets Act and article 10 of its articles of association. AS Eesti Post describes its compliance with CGC in its corporate governance report, which is part of its annual report.

The sole shareholder of AS Eesti Post is the Republic of Estonia. Therefore, the company complies with CGC with some exceptions, which are explained along with the reasons for non-compliance. In addition to CGC, the AS Eesti Post group observes the governance requirements set out in the State Assets Act, the Commercial Code (CC), other legislation, the owner's expectations and its own articles of association.

12.1 General meeting

In 2020, the sole shareholder of AS Eesti Post was the Republic of Estonia. Therefore there is no need to explain the CGC principle of ensuring equal treatment of shareholders in this report.

By decree No. 13-0079 of the Minister of Economic Affairs and Communications of 26 February 2013: Approval of Rules of Procedure for General Meetings of Majority State-Owned Companies Accountable to Ministry of Economic Affairs and Communications, the agenda of the annual general meeting and the documents necessary for the adoption of a resolution on the agenda items, including a brief written summary of each agenda item, the draft resolution and the position of the supervisory board are submitted to the sole shareholder. The time of the meeting is agreed with the representative of the sole shareholder that is the Minister of Foreign Trade and Information Technology (the minister). The working language of the general meeting is Estonian.

The annual general meeting held on 6 April 2021 was attended by the minister, the chairman of the supervisory board, the representative of the Ministry of Economic Affairs and Communications on the supervisory board, a member of the supervisory board, the chairman of the management board and an adviser to the minister. The annual report along with the accompanying auditors' report, the report on compliance with the Anti-Corruption Act and related parties, and the report of the supervisory board were submitted to the meeting. The chairman of the management board, the chairman of the supervisory board and the representative of the sole shareholder presented their expectations for the next financial year. The annual general meeting approved As Eesti Post's annual report for 2019 and decided to cover the net loss of 3,711 thousand euros with prior period retained earnings.

To avoid conflicts of interest and prevent corruption, the members of the company's governing bodies, heads of structural units, employees handling procurement, members of tender committees and other staff with relevant disclosure obligations declared their business interests and affiliation with different companies.

12.2. Supervisory board

The supervisory board directs the management of the Group and oversees the activities of the management board. It regularly reviews and evaluates the Group's strategy, operating activities, annual report and budget, and makes decisions on transactions outside the scope of the Group's day-to-day operations. The supervisory board acts independently in the interests of the Group and the sole shareholder.

The work of the supervisory board is organised by the chairman. The chairman determines the agenda of board meetings, chairs the meetings, monitors the effectiveness of the work of the supervisory board, organises transmission of information to board members, makes sure that supervisory board members have sufficient time for preparing resolutions and reviewing information received, and represents the supervisory board in relations with the Group's management board. The general meeting has established rules of procedure for the supervisory board that regulate the arrangement of its work.

The supervisory board mainly carries out its work in meetings. Under the articles of association, the supervisory board meets according to need but not less frequently than once every three months. In 2020, there were 24 meetings and six occasions when matters were handled in writing. Notices of supervisory board meetings and relevant documents are usually sent to board members one week in advance.

12.3. Composition and remuneration of the supervisory board

Under the articles of association of AS Eesti Post effective in the first half of 2020, the supervisory board had five members: Bo Henriksson (chairman), Indrek Laul (vice-chairman), Priit Kongo, Lauri Paeveer and Regina Raukas.

The general meeting amended the articles of association on 4 June 2020, increasing the number of supervisory board members to up to six. Then, by its resolution of 19 June 2020, the general meeting removed all members of the supervisory board and appointed a new board: Sten Soosaar (chairman), Mari Avarmaa (vice-chairman), Kalle Viks, Regina Raukas, Madis Laansalu and Raivo Uukkivi. On 22 February 2021, the owner's representative removed Sten Soosaar from the supervisory board.

Under the State Assets Act and the company's articles of association, a person whose wrongful acts or failure to act have resulted in the bankruptcy of a person, caused harm to a legal person, resulted in the revocation of an activity licence issued to a legal person or who is subject to prohibition on business, has been convicted of an economic criminal offence, criminal official misconduct or a criminal offence against property, or has significant business interests related to the company, cannot be appointed a member of the company's governing body.

Based on resolution No 1.1-5/17-041 of the sole shareholder of 19 July 2017 the remuneration of the chairman of the supervisory board is 1,200 euros per month and the remuneration of a member of the supervisory board is 600 euros per month. Remuneration was paid to supervisory board members once a month. Total personnel expenses of the supervisory board for 2020, including the associated social security charges, were 72 thousand euros (2019: 65 thousand euros). The members of the supervisory board of AS Eesti Post are not entitled to termination benefits or additional remuneration, except remuneration for participating in the work of the audit committee as specified in section 12.6.

12.4. Conflicts of interest

Members of the supervisory board avoid conflicts of interest, do not use business offerings made to the company for personal gain and act in the best interests of the Group and the owner (the state). Members of the supervisory board strictly observe the prohibition on competition and do not engage in business activities in the same business lines as the company.

12.5. Audit committee

The supervisory board has set up an audit committee that had three members in 2020: Mario Lambing (chairman) and the members of the supervisory board of AS Eesti Post Regina Raukas and Lauri Paeveer (until 1 July 2020). On 30 June 2020, the supervisory board extended the terms of office of the chairman of the audit committee Mario Lambing and member of the audit committee Regina Raukas, effective from 1 July 2020, and appointed the supervisory board member Madis Laansalu as a member of the committee.

Members of the audit committee are appointed and removed by the supervisory board. The committee must have at least two members who are appointed for a term of three years. At least two committee members must have accounting, financial or legal expertise. All members of the committee must be competent in the field in which the audited entity operates.

The audit committee plays an important role in improving the quality and transparency of governance, risk management and internal controls. The audit committee is a body that advises the supervisory board in matters related to the accounting, auditing, risk management, internal control and auditing, supervision, budgeting and legal compliance. The audit committee also monitors the independence of the external auditor and the effectiveness of the audit process and its compliance with relevant standards and laws. The committee meets 5-6 times a year or more frequently if necessary. The audit committee had 11 meetings in 2020.

In accordance with regulation No 87 of the Minister of Finance of 16 November 2017: Procedure of Remuneration and Maximum Limits of Remuneration Paid to Members of Supervisory Boards of Foundations Set Up by State and State-Owned Companies and based on its decision No 1.1-5/17-073 of 23 November 2017, the sole shareholder assigned members of the supervisory board additional remuneration for the month when the audit committee meets. The additional remuneration for a committee member amounts to 25% and for the chairman to 50% of the remuneration of a member of the supervisory board. By decision No 1.1-2/0012 of 15 December 2017, the supervisory board assigned the chairman and members of the audit committee who are not on the supervisory board remuneration of 400 euros and 200 euros, respectively. The additional remuneration is paid for the month when the committee meeting was held, provided the committee member participated in the meeting.

12.6. Management board

The management board represents and manages the day-to-day operations of AS Eesti Post in accordance with the law and the articles of association. The management board acts in a manner that is most reasonable from the economic point of view in order to ensure sustainable development of the company and achievement of goals set. The management board ensures compliance with applicable laws and regulations and organises control and reporting. The Group has adopted appropriate internal procedures and regulations.

According to the articles of association, the management board may have 1 to 5 members. A member of the management board is elected by the supervisory board for up to five years.

The Group's management board had three members: the chairman of the management board, Ansi Arumeel, and the members of the board Andre Veskimeister (parcel business) and Kaida Kauler (postal business) until April 2020 when Ahto Pärl (finance) joined the management board. On 8 August 2020 Ahto Pärl was appointed the parent company’s authorised signatory and tasked with demerging the information business into a separate subsidiary.

On 24 August 2020, the supervisory board appointed Charlie Viikberg as an interim member of the management board until 31 December 2020. The supervisory board removed Ahto Pärl as an authorised signatory, effective from 13 October 2020, and he continued as a member of the management board of Finbite OÜ.

On 24 September 2020, the supervisory board removed the chairman of the management board Ansi Arumeel. From that date the management board comprised the interim member Charlie Viikberg (finance) and the members Andre Veskimeister (parcel business) and Kaida Kauler (postal business).

The chairman of the management board organises the work of the board, the day-to-day management and business activities of the Group and chairs meetings of the management board.

Charlie Viikberg continued as a member of the management board, effective from 1 January 2021. By the decision of 6 January 2021, the supervisory board removed the members of the management board Kaida Kauler and Andre Veskimeister, effective from 16 January 2021, and by the decision of 7 January 2021, appointed Kristi Unt as a member of the management board, effective from 9 January 2021. Since that date the management board has had two members.

According to article 6 of the articles of association, the Group is represented in any legal proceeding by two members of the management board acting jointly.

An authorised representative of the supervisory board concludes contracts with members of the management board that specify their rights, obligations, responsibilities and remuneration.

In accordance with the articles of association, members of the management board may be remunerated only on the basis of contracts concluded with them as members of the management board. The limits to additional remuneration and termination benefits paid to members of the management board are set out in sections 86 2) and 3) of the State Assets Act, which state that the total amount of additional remuneration may not exceed fourfold average monthly remuneration paid to the member of the board in the previous financial year and the total amount of termination benefits may not exceed the board member's three-month remuneration, which is paid only if the supervisory board removes the member of the management board before the term of office expires. The decision to pay additional remuneration must be justified and take into account the achievement of the targets set for AS Eesti Post, the added value created and the company's market position. No performance-related pay was paid to members of the management board for 2020. The chairman of the management board was paid termination benefits to the extent of three-month remuneration.

In 2020, the management board had 128 meetings. Total personnel expenses of the management board (remuneration and associated social security charges) were 445 thousand euros, no performance-related pay was paid (2019: 538 thousand euros, incl. performance-related pay of 16 thousand euros). Members of the management board of AS Eesti Post are subject to prohibition on competition, which means that for one year after the expiry of their terms of office, neither the chairman nor a member of the management board may compete with the company. In return for observing the prohibition on competition, the company has to pay the management board member monthly compensation in the amount equal to 50% of their monthly remuneration for one year after the expiry of their terms of office. The obligation applied to the company in 2020 due to the early removal of the chairman of the management board Ansi Arumeel.

12.7. Conflicts of interest

Members of the management board may not make decisions for personal gain or use business offerings made to AS Eesti Post for personal gain. A member of the management board must inform the supervisory board and other members of the management board of the existence of a conflict of interest before the conclusion of the contract and immediately when a conflict of interest arises later. Management board members are required to inform other members of the board and the chairman of the supervisory board of any business offerings made to them, their close family members or other persons connected with them that are related to the Group's business operations.

The terms and conditions of contracts concluded with management board members ensure the prevention of conflicts of interest. To ensure independence, transactions with related parties are declared when the annual report is approved and audited.

To protect the interests of the company, the contracts of management board members include the prohibition on competition which applies both during and after the expiry of the contract term.

The company's management board members and employees may not demand or accept cash or other benefits from third parties in connection with their work and may not provide unlawful or baseless benefits to third parties on behalf of the company. Guidance is available in the internal regulations of AS Eesti Post.

12.8. Cooperation between the management and supervisory boards

The management and supervisory boards work closely to better safeguard the interests of AS Eesti Post, including in the development of the Group's strategy. The management board follows the strategic instructions of the supervisory board when making management decisions.

The management board regularly informs the supervisory board of all significant circumstances concerning the planning of the Group's activities and its business operations, and draws special attention to significant changes in business operations. The management board delivers relevant data, including financial statements, to the supervisory board before supervisory board meetings, allowing for sufficient time for review. At the request of the supervisory board, members of the management board provide the supervisory board with information about the activities of the management board and the company, either orally or in writing, and ensure that the supervisory board has access to information about the activities of the management board and the Group.

The Group ensures security of data exchange and members of the management and supervisory boards treat the Group's information with the necessary confidentiality.

12.9. Disclosure of information

AS Eesti Post discloses information about its owner, the composition of the supervisory and management boards, and the responsibilities and membership of the audit committee set up by the supervisory board, on its website at www.omniva.ee.

In addition, the company discloses on the website the resolutions adopted by general meetings, its articles of association, annual reports, quarterly results, procurement plans and other relevant information that the it chooses or is required to disclose by law. AS Eesti Post did make any donations or sponsorship payments in 2020 and, therefore, there is no information about sponsorship or donations on the website.

12.10. Financial reporting and auditing

AS Eesti Post prepares financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

The auditor of the Group attends the meeting of the audit committee where the annual report is reviewed. The auditor does not attend the meetings of the supervisory board. The annual report, which has been signed by the members of the management board, is submitted for approval to the general meeting.

AS Eesti Post selects an external auditor through a competitive procurement process, which ensures the best price-quality ratio Tenders are invited from internationally recognised firms that offer quality services. The audit committee participates in the selection of the external auditor.

The auditor of AS Eesti Post for the financial year 2020 is audit firm KPMG Baltics OÜ. During the preparation of the annual report, the external auditor prepared for the general meeting of AS Eesti Post an overview of transactions with related parties in accordance with the Anti-Corruption Act.

The activities of the external auditor are supervised by the audit committee in accordance with the Auditors Activities Act.

13. Corporate social responsibility

Omniva observes ethical principles and expects all subsidiaries and associates, business partners and employees to follow the principles in their daily work. We observe international standards on human rights, working conditions, environmental protection and the fight against corruption, and we acknowledge the importance of responsible processing of personal data. It is important for Omniva to organise its operations in an environmentally friendly way and to contribute to global sustainable development.

Due to COVID-19, the most important socially responsible activity in 2020 was supplying staff with personal protective equipment in order to protect the health of employees and customers alike. Despite difficulties in acquiring face masks and disinfectants at the beginning of the state of emergency, all employees were provided with the necessary protective equipment.

All Omniva couriers have the COVID-19 tracing application HOIA on their mobile devices, which allows them to quickly find out about possible encounters with a COVID-19 infected person. The application enables the Group to track possible encounters with the infected and thus make the service safer for both customers and employees.

During the state of emergency, the Group worked with various parties. For example, in cooperation with the Estonian Association of Family Doctors more than 2,000 face masks were delivered to family doctors across Estonia quickly and free of charge. To help prevent the spread of the virus, the Group also started selling surgical face masks in its online shop. The masks, which have been approved by the Health Board, are delivered directly to the customers' mailboxes.

It is important for Omniva to operate in an environmentally friendly manner. We contribute to global sustainable development by developing resource-efficient and environmentally friendly services. Omniva's logistics centre runs largely on electricity generated by solar panels. A total of 1,667 monocrystalline solar panels have been installed on the roof of the centre, covering an area of nearly one and a half football fields (10,000 sq. m). It is one of the largest solar parks, which has been installed on the roof of a building for a company's own use. The capacity of the park is 500 kW, which would meet the needs of 114 households with average energy consumption.

In an environment of growing e-commerce, the Group's ecological footprint is also affected by the growing consumption of containers and packaging materials, especially when it comes to materials such as plastic or film. Therefore, the Group has started seeking more environmentally friendly alternatives to the materials used in packaging. In the first cooperation project with Woola, a green start-up company, the Golden Egg marketing and communication awards were sent to winners in innovative wool envelopes. The manufacturer of packaging made of sheep wool was later declared the best Estonian green start-up and the winner of the largest European green start-up competition PowerUp! Omniva will start selling the novel packaging material in its online shop as an environmentally friendly alternative to bubble wrap when the start-up's production capacity increases.

It is the Group's strategic choice to include increasingly more nature-friendly products in the product range of its online shop. For example, the shop sells security envelopes where bubble wrap lining has been replaced with paper lining; in addition to adhesive tape coated with plastic, paper tape is available; and an increasingly larger share of postcards on sale at the shop is made of recycled paper.

For the second year, the Group participated in the OSCAR project, organised by the Universal Postal Union (UPU) to measure businesses' carbon footprint, to reduce the environmental impact of its operations systematically and based on specific and measurable data.

In the area of social responsibility, the Group values relations with the local community, the inclusion of communities and employee initiative.

Omniva's distribution centre in Rakvere launched a regional initiative to collect washing and cleaning products and toiletries for low-income families. Group employees from all over Estonia have joined the project, which has been carried out in cooperation with local governments for two years already.

In May, the Group once again encouraged communities to check the condition of their mailboxes and, if necessary, install new group mailboxes. To this end, AS Eesti Post supplied communities a limited number of free group mailboxes. Installing new group mailboxes has become a popular annual activity. A group mailbox ensures year-round access for the mail carrier and a year-round postal service for residents. It also helps save on home delivery costs and protect the environment.

For the third year in a row, Omniva participated in the World Cleanup Day and called on all people living in Estonia to make the country cleaner.

Omniva's traditional cycling trip that promotes road safety for cyclists took participants to Lääne-Harju County in 2020. The idea of the trip, which was organised for the 20th time already, was born at a time when mail carriers moved around by bicycle. Mail is no longer delivered by bicycle but road safety issues are still important for the Group because a large part of the Group's employees are out in traffic on a daily basis due to the nature of their work.

In 2020, the Group organised an internal road safety day to instruct the staff in safe driving techniques as well as managing and preventing dangerous situations. In addition, a number of training events were organised to promote safe and sustainable driving. Close attention was paid to occupational safety in general and the number of accidents at work decreased by 36% year on year.

Social cohesion and the promotion of Estonian traditions, culture and economy are important to Omniva. The media's advertising revenue decreased due to the state of emergency but media consumption and people's need for information increased. This prompted the Estonian Media Association to call on companies to spend their marketing budgets in Estonia, instead of on Facebook and other international platforms. In response to the call, Omniva decided to spend most of the Group's marketing budget on local channels.

For the second year in a row, the Group participated in an event initiated by the President of Estonia to emphasise the value of traditions: at the commemoration and civic activity event held at the Maarjamäe memorial to victims of communism on 23 February, AS Eesti Post offered attendees an opportunity to send thematic postcards, thus also helping to popularise the letter service.

14. Customer relations and quality

Despite a challenging year and growth in business volumes, fulfilling promises made to customers and achieving customer satisfaction remained important goals for Omniva in 2020. In order to monitor the timeliness and quality of services, the Group continued to carry out inspections and reviews, and managed to improve several quality reports to obtain more precise information. Similarly to previous years, the Group conducted regular customer satisfaction surveys across different channels and countries (NPS surveys). An analysis of the results of customer feedback received through the NPS surveys, customer inquiries and quality reviews helped identify areas for further improvement in services, service provision, processes and communication that were and are necessary to offer a great and reliable customer experience, ensure customer satisfaction and pre-empt customer inquiries. Omniva's Net Promoter Score (NPS) was 54% in 2020 (2019: 51%). Also, the Group's NPS improved across a number of service channels, such as post offices, letter carriers and couriers (in Estonia and in Latvia) and parcel lockers (in Estonia).

Some of the activities carried out in 2020: completing the implementation of the call centre software and launching an electronic reporting environment; developing the intranet service environment page to share service-related information more quickly and improve user convenience; finishing the groundwork for changing the international letter service quality measuring module to ensure a smooth transition to the UPU module on 1 January 2021; preparing for a CRM upgrade in all Baltic countries. Several projects launched in 2020 to improve customer experience and increase the availability of services and customer satisfaction, such as pilot projects of lockers in villages and private households, will continue in 2021. The Group will also continue with the business customer lifecycle management and CRM upgrade projects.

15. Anti-corruption activities

The Group has established a number of relevant internal procedures, such as a staff handbook, a gift policy and guidelines for the declaration of business interests. Requirements for avoiding conflicts of interest are set out in the procurement procedure, according to which all employees involved in the arrangement of any specific tender must sign a document confirming that there is no conflict of interest.

Appointed officers must declare their business interests and side activities once a year. There are also procedures for identifying the related parties of staff required to declare their business interests and transactions made with those parties, as well as procedures for ensuring that the restrictions specified in the Anti-Corruption Act are complied with.

In the framework of corruption prevention, the Group has established channels for reporting misconduct.

The Group provides employees with training in matters related to corruption, conflicts of interest, business ethics, etc.

16. Amendments to the articles of association and regulatory changes

There were no significant changes in the regulatory environment. The general meeting amended the articles of association of AS Eesti Post twice in 2020. On 4 June 2020 the composition of the supervisory board was increased to up to six members and on 8 October 2020 the minimum amount of share capital was set at 10 million euros and the maximum amount at 40 million euros.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of financial position

In thousands of euros

	Note	31 Dec 2020	31 Dec 2019 Adjusted*	1 Jan 2019 Adjusted*
ASSETS				
Current assets				
Cash and cash equivalents	3	26,742	7,946	4,677
Trade and other receivables	4	45,716	48,603	29,056
Inventories	5	1,020	870	781
TOTAL CURRENT ASSETS		**73,478**	**57,418**	**34,514**
Non-current assets				
Investments in the associate	7	950	909	606
Long-term receivables and lease prepayments	8	3,653	1,390	1,488
Property, plant and equipment	9	38,796	42,876	40,602
Right-of-use assets	9	1,600	1,710	0
Intangible assets	9	16,048	17,972	15,759
TOTAL NON-CURRENT ASSETS		**61,047**	**64,857**	**58,456**
TOTAL ASSETS		**134,525**	**122,276**	**92,970**
LIABILITIES AND EQUITY				
Current liabilities				
Borrowings	12	4,091	6,524	2,050
Payables and deferred income	13	66,037	70,007	48,776
Provisions		412	330	0
Total current liabilities		**70,540**	**76,862**	**50,826**
Non-current liabilities				
Long-term borrowings	12	19,916	16,423	8,535
Other long-term payables	13	7,692	2,636	1,959
Deferred tax liability	23	690	259	127
Total non-current liabilities		**28,297**	**19,318**	**10,621**
TOTAL LIABILITIES		**98,837**	**96,180**	**61,447**
Equity				
Equity attributable to owner of the parent				
Share capital	14	15,714	15,714	15,714
Statutory capital reserve		1,571	1,571	1,571
Retained earnings	14	17,015	8,039	13,770
Total equity attributable to owner of the parent		**34,298**	**25,325**	**31,056**
Non-controlling interest		1,388	771	467
TOTAL EQUITY		**35,688**	**26,097**	**31,523**
TOTAL LIABILITIES AND EQUITY		**134,525**	**122,276**	**92,970**

* The effect of changes in accounting policies on the financial statements of prior periods is disclosed in note 1.

The notes on pages 26–63 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
In thousands of euros

	Note	2020	2019 Adjusted*
Revenue and other income			
Revenue	15	131,516	126,311
Subsidies and grants received	16	1,824	1,783
Other income	17	2,221	1,554
Total revenue and other income		**135,561**	**129,648**
Expenses			
Goods, raw materials, materials and services	18	-50,151	-69,603
Other operating expenses	19	-17,038	-14,207
Personnel expenses	20	-45,690	-40,407
Depreciation, amortisation and impairment	9	-11,330	-8,401
Other expenses	21	-1,898	-185
Total expenses		**-126,107**	**-132,804**
Operating profit / loss		**9,453**	**-3,155**
Finance income	22	1,173	4
Finance costs	22	-308	-386
Share of profit of an associate under the equity method	7	41	302
Profit / loss before tax		**10,359**	**-3,235**
Income tax expense	23	-767	-607
Net profit / loss for the year		**9,592**	**-3,842**
Comprehensive income / expense for the year		**9,592**	**-3,842**
Of which attributable to the owner of the parent		8,976	-4,124
attributable to non-controlling interest		616	282

* The effect of changes in accounting policies on the financial statements of prior periods is disclosed in note 1.

The notes on pages 26–63 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

In thousands of euros

	Note	2020	2019 Adjusted*
Cash flows from operating activities			
Net profit / loss for the year		9,592	-3,842
Adjustments for:			
Depreciation, amortisation and impairment	9	11,330	8,400
Gain on disposal of non-current assets	21	-11	-364
Share of profit of an associate	7	-41	-302
Interest received	22	-6	-4
Interest paid	22	308	153
Change in operating receivables and prepayments		624	-19,449
Change in inventories	5	-150	-89
Corporate income tax paid	23	0	-56
Change in operating payables and deferred income		451	21,048
Net cash from operating activities		**22,096**	**5,494**
Cash flows from investing activities			
Paid for acquisition of non-current assets	9	-4,479	-11,268
Proceeds from sale of non-current assets	9	1,179	805
Interest received	22	6	4
Net cash used in investing activities		**-3,294**	**-10,459**
Cash flows from financing activities			
Bank loans received	12	7,000	8,000
Repayments of loans received	12	-2,632	-2,460
Change in overdraft balance	12	-2,523	1,523
Sale and leaseback under finance leases		0	3,984
Lease payments	10	-1,542	-1,077
Other cash inflow from financing activities	6	0	16
Dividends paid	14	0	-1,600
Interest paid	22	-308	-153
Net cash used in / from financing activities		**-5**	**8,233**
Net cash flow		**18,796**	**3,268**
Cash and cash equivalents at beginning of period	3	**7,946**	**4,677**
Change in cash and cash equivalents		18,796	3,268
Cash and cash equivalents at end of period	3	**26,742**	**7,946**

* The effect of changes in accounting policies on the financial statements of prior periods is disclosed in note 1.

The notes on pages 26–63 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

In thousands of euros

	Equity attributable to owners of the parent					
	Share capital	Statutory capital reserve	Retained earnings	**Total**	Non-controlling interest	**Total equity**
Balance as at 31 December 2018	**15,714**	**1,571**	**13,897**	**31,183**	**467**	**31,650**
Balance as at 31 December 2019	**15,714**	**1,571**	**13,897**	**31,183**	**467**	**31,650**
Effect of deferred tax adjustment	0	0	-127	**-127**	0	**-127**
Adjusted equity as at 1 January 2019*	**15,714**	**1,571**	**13,770**	**31,056**	**467**	**31,523**
Transactions with owners						
Dividend paid	0	0	-1,600	-1,600	0	**-1,600**
Change in non-controlling interest	0	0	-7	-7	23	**16**
Total transactions with owners	**0**	**0**	**-1,607**	**-1,607**	**23**	**-1,584**
Comprehensive expense for the year	0	0	-4,124	-4,124	282	**-3,842**
Balance as at 31 December 2019	**15,714**	**1,571**	**8,039**	**25,325**	**771**	**26,097**
Comprehensive income for the year	0	0	8,976	8,976	616	**9,592**
Balance as at 31 December 2019	**15,714**	**1,571**	**17,015**	**34,298**	**1,388**	**35,688**

The effect of changes in accounting policies on the financial statements of prior periods is disclosed in note 1.

Further information about equity and changes in equity is disclosed in notes 6, 14 and 23.

The notes on pages 26–63 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

Note 1 Summary of significant accounting policies

General information

These consolidated financial statements comprise the financial information of AS Eesti Post (the parent company) and its subsidiaries UAB Omniva LT in Lithuania (ownership interest of 100% in both 2020 and 2019), SIA Omniva in Latvia (ownership interest of 100% in both 2020 and 2019) and AS Maksekeskus (ownership interest of 56.65% in both 2020 and 2019), OÜ Finbite (ownership interest of 100% in 2020), and OÜ Omniva (ownership interest of 100% in both 2020 and 2019) and the associate OÜ Post11 (ownership interest of 30% in both 2020 and 2019) in Estonia (collectively referred to as the Group).

The core business of AS Eesti Post is the provision of postal business, parcel business, information business and international business services. The Group has the widest operating network in Estonia.

SIA Omniva provides parcel locker and courier services in Latvia. UAB Omniva LT offers mainly B2B courier services, a limited range of B2C services and parcel locker services in Lithuania. AS Maksekeskus provides payment solutions. OÜ Finbite, which was founded on 13 October 2020 to demerge the information business from the parent into a separate entity, provides information logistics services. OÜ Omniva was founded to protect the Omniva brand.

The registered address of the parent company is Pallasti 28, 10001 Tallinn, Republic of Estonia. The sole shareholder of AS Eesti Post is the Republic of Estonia.

In accordance with the Estonian Commercial Code, the annual report including the consolidated financial statements, which have been prepared by the management board and approved by the supervisory board, must be approved by the general meeting. The general meeting may decide not to approve the annual report prepared and approved by the management board and to request that a new annual report be prepared. The management board approved the annual report on 26 March 2021.

Basis of preparation

The 2020 consolidated financial statements of AS Eesti Post have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The consolidated financial statements of AS Eesti Post have been prepared on the historical cost basis unless indicated otherwise in these accounting policies.

The consolidated financial statements are presented in thousands of euros.

These accounting policies set out below have been consistently applied to all periods presented unless stated otherwise. The changes in significant accounting policies are described below.

The preparation of the consolidated financial statements in conformity with IFRS requires management to make certain accounting estimates. It also requires management to exercise judgment in applying accounting policies. The areas where management's judgments and estimates have a significant impact on the amounts reported in the consolidated financial statements are described in the last section of this note.

New IFRS standards, interpretations and amendments

Changes in significant accounting policies

The accounting policies applied in the preparation of these financial statements are the same as those applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2019, except in the cases described below.

Corporate income tax and deferred tax

Consistent with the decision of the IFRS Interpretations Committee, a change was made to the accounting for deferred tax on investments in subsidiaries in Estonia and Latvia where the traditional profit-based tax regime has been replaced by a distribution-based tax regime and corporate income tax is not payable when profit is earned but when profit (dividend) is distributed. In accordance with IAS 12.52A and 57A, in distribution-based tax regimes no current or deferred tax liability is recognised in respect of undistributed profits until a liability to pay dividends is recognised. In line with Estonian market practice, this accounting policy was applied consistently to the Group's undistributed profits regardless of whether they were accumulated in the parent or the subsidiaries.

In June 2020, IFRS Interpretation Committee (IFRIC) made a decision where it concluded that the principle set out in IAS 12.52A and 57A only applies to undistributed profits accumulated in the parent and does not apply to undistributed profits accumulated in the subsidiaries. Instead, the principles described in IAS 12.39-40 should be applied to subsidiaries' undistributed profits. According to those principles, deferred tax is to be recognised in respect of such accumulated profits, unless it is probable that they will not be distributed to the parent in the foreseeable future.

Deferred tax is recognised in respect of temporary differences between the carrying amounts and tax bases of the Group's assets and liabilities (the tax base is the amount attributed to an asset or liability for tax purposes).

Under Estonian laws, corporate profit for the year is not subject to income tax. The obligation to pay corporate income tax arises upon the distribution of profit and it is recognised as an expense (in profit or loss for the period) when dividends are declared. Because of the nature of the taxation system, companies registered in Estonia do not have deferred tax assets or liabilities, except for possible deferred tax items related to investments in subsidiaries, associates, joint ventures and branches.

The Group's deferred tax liability arises in respect of investments in companies domiciled in countries where profit for the financial year is taxable. Deferred tax liability also arises in respect of investments in Estonian and Latvian subsidiaries and associates, except to the extent that the Group is able to control the timing of the reversal of the taxable temporary differences and it is probable that the differences will not reverse in the foreseeable future. Examples of the reversal of taxable temporary differences include the distribution of a dividend, disposal of an investment and other transactions.

As the Group controls the dividend policy of its subsidiaries, it is able to control the timing of the reversal of the temporary differences related to relevant investments. If the parent has decided not to distribute a subsidiary's profit in the foreseeable future, it does not recognise a deferred tax liability. If the parent estimates that a dividend will be distributed in the foreseeable future, a deferred tax liability is recognised to the extent of the expected dividend distribution, provided that there are sufficient funds and equity at the reporting date from which profit can be distributed in the foreseeable future.

The Group measures deferred tax liabilities using the tax rates that are expected to apply to the taxable temporary differences in the period in which the temporary differences are expected to reverse, based on the tax rates that have been enacted by the reporting date.

In Estonia, the corporate income tax rate is 20% (the amount of tax payable is calculated as 20/80 of the net distribution). From 2019, regular dividend distributions can be taxed at a lower, 14% tax rate (the amount of tax payable is calculated as 14/86 of the net distribution) The lower tax rate can be applied every calendar year to dividend and other profit distributions to an extent that does not exceed the past three years' average amount of dividend and other profit distributions and distributions of equity on which tax has been paid.

The Group has recognised the change in accounting policy retrospectively.

Effect of the adjustment on the financial statements

In thousands of euros

	Balance in financial statements for 2019	Change	Adjusted balance in financial statements for 2020
Effect on the consolidated statement of financial position as at 1 January 2019			
Deferred tax liability	0	127	127
Retained earnings	13,897	-127	13,770
Effect on the consolidated statement of financial position as at 31 December 2019			
Deferred tax liability	0	259	259
Retained earnings	8,298	-259	8,039
Effect on the consolidated statement of comprehensive income for 2019			
Income tax	-476	-132	-607
Total effect on the consolidated statement of comprehensive income	-476	-132	-607

New standards, interpretations and amendments not yet effective

The following new standards, interpretations and amendments were not yet effective for the reporting period ended 31 December 2020 and have not been applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective.

Amendments to IAS 1 Presentation of Financial Statements

(Effective for annual periods beginning on or after 1 January 2023; to be applied retrospectively. Early application is permitted.) These amendments are not yet endorsed by the European Union.

The amendments clarify that the classification of liabilities as current or non-current is based solely on the entity's right to defer settlement at the end of the reporting period. The entity's right to defer settlement for at least 12 months from the reporting date need not be unconditional but must have substance. The classification is not affected by management's intentions or expectations about whether and when the entity will exercise its right. The amendments also clarify the situations that are considered settlement of a liability.

The Group does not expect the amendments to have a material impact on its financial statements when initially applied.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets

(Effective for annual periods beginning on or after 1 January 2022; to be applied retrospectively. Early application is permitted.) These amendments are not yet endorsed by the European Union.

In determining the costs of fulfilling a contract, the amendments require an entity to include all costs that relate directly to a contract. The amendments clarify that the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

An entity must apply those amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). The entity will not restate comparative information. Instead, the entity will recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The Group does not expect the amendments to have a material impact on its financial statements when initially applied, because in determining the costs of fulfilling a contract the Group takes into account both incremental costs and other costs that relate directly to fulfilling contracts.

Other new standards, amendments and interpretations that are not yet effective are not expected to have a material impact on the Group's financial statements.

Subsidiaries

Subsidiaries are all entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated in the financial statements from the date control is obtained until the date control is lost.

The Group accounts for business combinations by applying the acquisition method. The consideration transferred at the acquisition of a subsidiary is measured at fair value, which is the sum of the fair values of the assets transferred, the liabilities incurred by the acquirer to the former owners of the acquiree, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the fair value of the Group's share of the identifiable assets acquired and liabilities assumed is recognised as goodwill. If the amount is less than the fair value of the net assets of the subsidiary acquired, the difference (gain on a bargain purchase) is recognised directly in profit or loss.

In preparing the consolidated financial statements, the financial statements of the parent and all the subsidiaries under its control are combined line by line. All intra-group receivables, liabilities, transactions and any resulting unrealised profits and losses are eliminated. Where necessary, the accounting policies of the subsidiaries are adjusted to ensure consistency with the policies adopted by the Group.

The non-controlling interest in the results and equity of the entities controlled by the parent is disclosed separately from the equity of the owners of the parent in the consolidated statement of financial position and as a separate item in the consolidated statement of comprehensive income. Total comprehensive income is also attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in interests in subsidiaries without loss of control

Transactions with non-controlling interests are treated as transactions with the Group's other equity holders. The difference between the consideration paid and the relevant share of the carrying value of the subsidiary's net assets acquired from non-controlling interests is recognised in equity. Gains and losses on disposals of equity to non-controlling interests are also recognised in equity.

Disposals of subsidiaries

When the Group loses control of a subsidiary, any investment retained in the entity is remeasured to its fair value and the change in the carrying amount is recognised in profit or loss. The fair value is the carrying amount of the investment retained that is subsequently accounted for as an associate, a joint venture or a financial asset. In addition, any amounts previously recognised in other comprehensive income in relation to that entity are accounted for on the same basis as if the Group had directly disposed of the related assets and liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Accounting for subsidiaries in the separate primary financial statements of the parent disclosed in accordance with the Estonian Accounting Act

In accordance with the Estonian Accounting Act, the separate primary statements of the consolidating entity (the parent) must be disclosed in the notes to the consolidated financial statements. The primary financial statements of the parent have been prepared using the same accounting policies as those applied in the preparation of the consolidated financial statements. In the parent's separate primary financial statements disclosed in the notes to the consolidated financial statements, subsidiaries are accounted for as required by IAS 27 *Separate Financial Statements*.

In the separate financial statements of the parent, investments in subsidiaries are measured at cost less any accumulated impairment losses. This means that an investment is initially recognised at cost, being the acquisition-date fair value of the consideration transferred, and subsequently adjusted, if necessary, to reflect any impairment.

An investment is tested for impairment whenever events or changes in circumstances indicate that the recoverable amount (the higher of the fair value less costs to sell or value in use) may have fallen below its carrying amount. The impairment loss is recognised in the profit or loss of the parent as a finance cost. If the situation changes and the write-down is no longer justified, the previously recognised impairment loss is reversed. The reversal of an impairment loss is recognised as finance income in the period of the reversal.

Dividends from subsidiaries are recognised as income when the parent's right to receive the dividend is established.

Foreign currency

Functional and presentation currency

The financial statements of Group entities are prepared in the currency of the primary economic environment of each entity (functional currency). The functional currency of the parent and its subsidiaries is the euro. The consolidated financial statements are presented in euros, which is the parent's functional currency and the Group's presentation currency.

Foreign currency transactions and assets and liabilities denominated in a foreign currency

All foreign currency transactions are recorded in the functional currency based on the exchange rates of the European Central Bank prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in a foreign currency are translated using the foreign exchange rates of the European Central Bank prevailing at that date.

Gains and losses on foreign currency transactions, including exchange differences on the settlement and translation of monetary assets and liabilities are recorded in profit or loss as income and expense for the period, respectively.

Realised and unrealised exchange differences on the settlement and translation of operating receivables and payables denominated in a foreign currency are recognised in the net amount in other income or expenses.

Unrealised gains and losses on the translation of cash and cash equivalents and borrowings are recognised in the net amount in finance costs.

Associates

Associates are companies where the Group has significant influence but not control; significant influence is presumed to exist when the Group holds, directly or indirectly, 20–50% of the voting power. Investments in associates are accounted for in the consolidated financial statements using the equity method and in the separate financial statements of the parent using the cost method. Investments in associates include any goodwill identified on acquisition less any impairment losses. Acquisitions of associates are accounted for by using the purchase method, similarly to acquisitions of subsidiaries.

The Group determines at each reporting date whether there is objective evidence that an investment in an associate may be impaired. If this is the case, the Group calculates the amount of the impairment loss as a difference between the recoverable amount and the carrying amount of the investment and recognises it in profit or loss within *Share of profit / loss of associates*.

When the Group's share of losses of an associate exceeds the carrying amount of the investment in the associate, the carrying amount of the investment is reduced to zero and further losses are accounted for off the statement of financial position. When the Group has incurred obligations on behalf of the investee and it becomes evident at the reporting date that the investee is not able to meet its obligations, both the liability and the loss under the equity method are recognised in the Group's statement of financial position.

Unrealised profits resulting from transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless there is evidence of impairment of the asset transferred. The accounting policies of associates are adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

The interest in an associate's assets and liabilities and any goodwill acquired on acquisition is recognised in the statement of financial position in the net amount within *Investments in the associate.*

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, current account balances ta banks, cash in transit and short-term term deposits with a maturity of up to three months.

Financial assets

Classification of financial assets depends on the business model for managing financial assets and the contractual cash flow characteristics of the financial asset.

The Group classifies its financial assets in the following measurement categories:

- financial assets measured at amortised cost;
- financial assets measured at fair value through other comprehensive income or through profit or loss.

Regular way purchases and sales of financial assets are recognised on the trade date, being the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets expire or are transferred and the Group transfers substantially all the risks and rewards of ownership.

Subsequent measurement of debt instruments depends on the Group's business model for managing financial assets and the contractual cash flow characteristics of the financial asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost using the effective interest method. Impairment losses are deducted from amortised cost. Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Any gain or loss arising on derecognition is recognised in profit or loss.

As at 1 January 2020 and 31 December 2020, all financial assets of the Group were classified into this category.

Impairment of financial assets

An impairment loss model is used for financial assets measured at amortised cost. Financial assets measured at amortised cost include trade receivables, cash and cash equivalents.

The Group applies the simplified approach provided in IFRS 9 for recognising lifetime expected credit losses (ECL) for trade receivables. The Group recognises for trade receivables a loss allowance equivalent to their lifetime ECL. ECLs on these assets are estimated using a provision matrix, which is based on the Group's historical credit loss experience adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast conditions and trends at the reporting date. The expected credit loss is recognised in profit or loss within *Other operating expenses*.

In determining whether the credit risk of a financial asset has increased significantly since initial recognition and in estimating credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, which is based on the Group's historical experience and information about credit ratings, and standing and includes forward-looking information.

The Group considers the credit risk of an asset to have increased significantly when

- payment is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to settle its credit obligations to the Group in full without recourse by the Group to measures such as realising security (if held); or
- the financial asset is more than 90 days past due.

The Group considers that a default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Inventories

Inventories are initially recognised at cost which comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is assigned by using the first-in, first-out (FIFO) formula. In the statement of financial position, inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Property, plant and equipment

Property, plant and equipment are tangible items that are held for use in the Group's own operations, are expected to be used for more than one year and have a cost exceeding 5,000 euros (net of VAT). An item of property, plant and equipment is initially recognised at cost, which comprises the purchase price (including customs duties and other non-refundable taxes) and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the intended manner. An item of property, plant and equipment is subsequently carried at cost less any accumulated depreciation and any impairment losses.

Assets held under finance leases are accounted for similarly to purchased assets.

Subsequent expenditure incurred for an item of property, plant and equipment is recognised in the carrying amount of the item when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Other repair and maintenance costs are recognised as expenses as incurred.

Depreciation is charged using the straight-line method. Each item of property, plant and equipment is assigned a depreciation rate that corresponds to its useful life. In the case of an asset with significant residual value, only the depreciable amount (cost less residual value) is charged to expenses over the useful life of the asset. When the asset's residual value increases to an amount greater than the asset's carrying amount, depreciation of the asset is discontinued. If an item of property, plant and equipment consists of separately identifiable components with different useful lives, the components are accounted for separately and assigned depreciation rates that correspond to their useful lives.

Classes of property, plant and equipment are depreciated at rates falling in the following ranges:

- Buildings and their components 1–12.5%
- Plant and equipment 10–20%
- Computers and computer systems 25–50%
- Other fixtures and fittings 10–50%

Assets with an indefinite useful life (land) are not depreciated.

Depreciation begins when the asset in the location and condition necessary for it to be operating in the manner intended by management and ceases when the residual value of the asset exceeds its carrying amount, the asset is permanently withdrawn from use or when the asset is classified as held for sale.

Leasehold improvements are depreciated over the shorter of their expected useful life and lease term.

The residual values, depreciation methods and rates of items of property, plant and equipment are reviewed at least at each financial year-end and, if an expectation differs from previous estimates, the change is accounted for prospectively as a change in an accounting estimate.

Depreciation rates and methods and residual values are reviewed at each reporting date. When the recoverable amount of an item of property, plant and equipment (i.e. the higher of its net selling price and value in use) has decreased below its carrying amount, the item is written down to its recoverable amount (see also the section *Impairment*).

Items of property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Items of property, plant and equipment whose sale in the next 12 months is highly probable are reclassified as non-current assets held for sale.

Intangible assets

An intangible asset is measured initially at cost, which comprises its purchase price and other directly attributable costs of acquisition. After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets are divided into assets with finite useful lives and assets with indefinite useful lives. An intangible asset with an indefinite useful life is not amortised. Instead, it is tested for impairment at each reporting date and if the recoverable amount is lower than the carrying amount, the asset is written down to the recoverable amount.

Intangible assets are amortised on a straight-line basis. Each intangible asset is assigned an amortisation rate that corresponds to its useful life. The amortisation rates of intangible non-current assets used by the Group fall in the range of 5–50%. The amortisation charge for intangible assets is recognised in profit or loss within *Depreciation, amortisation and impairment losses*.

Other intangible assets comprise purchased *software* which is not an integral part of the related hardware. Software development costs are recognised as an intangible asset if they are directly attributable to the development of such items of software that are separately identifiable, controlled by the Group and are expected to generate economic benefits for a period exceeding one year.

Customer lists acquired through business combinations are recognised at the acquisition-date fair values. A customer list has a finite useful life and is subsequently carried at cost less any accumulated amortisation. Customer lists are amortised on a straight-line basis over their estimated useful lives (10 years).

Right-of-use assets

Right-of-use assets are accounted for using the cost method. Right-of-use assets are depreciated over the contractual or expected lease term. The Group recognises right-of-use assets for leases with a term of over 12 months, unless the underlying asset is of low value, and depreciation on lease assets and interest on lease liabilities. Computers and office equipment are, as a rule, low-value assets.

The cost of a right-of-use asset includes:

- the present value of the lease liability;
- initial direct costs incurred by the lessee,
- any lease payments made before the commencement date;
- if required by the lease, an estimate of costs to be incurred in dismantling and removing the underlying asset or restoring the underlying asset to the required condition.

Leases are recognised as right-of-use assets (within assets) and lease liabilities (within borrowings) from the date the Group acquires the right to use the underlying asset. The assets and liabilities are measured in the statement of financial position at the present value of the lease payments.

Goodwill

Goodwill represents the excess of the acquisition cost of an interest acquired over the fair value of the net assets acquired in a business combination, reflecting the part of the acquisition cost paid for the assets acquired that cannot be individually identified and separately recognised. At the date of acquisition, goodwill is recognised in the consolidated statement of financial position as an intangible asset and measured at cost.

It is subsequently measured at cost less any impairment losses. Goodwill is not amortised. Instead, it is tested for impairment annually. Goodwill is tested for impairment together with the cash-generating unit to which it has been allocated. Goodwill is written down to its recoverable amount when the latter is less than its carrying amount. An impairment loss in respect of goodwill is not reversed.

Impairment of non-financial assets

Depreciable and amortisable assets are reviewed for impairment whenever there is any indication that their carrying amount may not be recoverable. If there is such indication, the recoverable amount of the asset is estimated and compared to its carrying amount.

An impairment loss is recognised in the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. For impairment testing, the recoverable amount is determined for the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets (a cash-generating unit).

At the end of each reporting period the Group assesses whether there is any indication that the recoverable amount of an asset that has been written down in a prior period may have increased (the write-down of goodwill is not reversed).

Leases

The Group is both a lessee and a lessor. The Group leases buildings for post offices, spaces for parcel lockers, machinery and equipment and vehicles.

The Group as a lessee

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset to the lessee and the lessee obtains substantially all of the economic benefits from the use of the asset.

Lease payments are apportioned between the finance charge (interest expense) and the reduction of the outstanding lease liability. The lease liability is recognised at the present value of the lease payments in the statement of financial position (subject to exceptions).

The lease payments comprise the following payments made during the lease term:

- fixed lease payments, less any lease payments made and any lease incentives receivable;
- variable lease payments that depend on an index or a rate (e.g. the consumer price index);
- amounts expected to be payable under a residual value guarantee.
- the exercise price of a purchase, extension or termination option if the lessee is reasonably certain to exercise or not exercise the option, i.e. it is reflected in the lease term.

Lease payments are discounted using the lessee's incremental borrowing rate. The lessee's incremental borrowing rate is estimated based on the Group's existing interest-bearing liabilities.

Payments associated with short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term. Short-term leases are leases with a term of 12 months or less, with no option to purchase the underlying asset, and leases for which the underlying asset is of low value.

The Group as a lessor

The Group recognises assets leased out under finance leases in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The lease payments receivable from the lessee are apportioned between payments of finance lease principal and finance income. Finance income is allocated over the lease term.

Assets subject to operating leases are presented in the statement of financial position according to the nature of the asset, similarly to other assets used in the Group's operations. The Group's depreciation policy for leased assets is consistent with the Group's normal depreciation policy for assets of the same class. Operating lease payments are recognised as income on a straight-line basis over the lease term.

Financial liabilities

At initial recognition all financial liabilities (trade payables, borrowings and other current and non-current liabilities) are measured at cost, which includes any directly attributable transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method.

The amortised cost of current financial liabilities normally equals their nominal value; therefore current financial liabilities are stated in the statement of financial position at the amount payable. Non-current financial liabilities are initially recognised at the fair value of the consideration received (net of transaction costs) and measured thereafter at amortised cost using the effective interest method.

A financial liability is classified as current when it is due to be settled within 12 months after the reporting date or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Borrowings are classified as current when they are due to be settled within 12 months after the reporting date even if an agreement to refinance or reschedule payments on a long-term basis is completed after the reporting date but before the financial statements are authorised for issue. Borrowings that become payable on demand due to breach of contract on or before the reporting date are also classified as current.

All borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, are capitalised.

Settlements with foreign postal administrations

International forwarding involves several postal administrations. Based on preliminary volumes and contractual rates, the Group makes estimated accounting entries, which are recognised as receivables or liabilities. The estimated entries are subsequently reconciled and agreed with the counterparties. Based on confirmed data, the Group adjusts accrued receivables and liabilities and carries out monetary settlements. Amounts due later than 12 months after the reporting date are recognised as non-current receivables or liabilities.

Employee benefits

Short-term employee benefits include wages, salaries, social security contributions, paid annual leave and other benefits.

If an employee has rendered services to the Group during the reporting period which give the employee reason to expect benefits in exchange for services rendered, the Group recognises a liability (accrued expense) in the amount of the expected benefits, which is reduced by any amounts already paid.

Termination benefits

Termination benefits are payable when the Group decides to terminate an employee's employment before the normal retirement date, or whenever an employee decides to accept an offer of benefits in exchange for termination of employment. The Group recognises termination benefits when it is committed to either terminating the employment of an employee or employees according to a detailed formal plan without a realistic possibility of withdrawal or providing termination benefits as a result of an offer. If a termination benefit is due to be settled within more than 12 months after the reporting date, the obligation is discounted to its present value.

Provisions and contingent assets and liabilities

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event but the amount or timing of the obligation is uncertain. Provisions are recognised based on management's estimates regarding the amount and timing of the expected outflows. The amount recognised as a provision is management's best estimate of the expenditure required to settle the obligation or to transfer it to a third party at the reporting date. Expenses relating to a provision are recognised in profit or loss for the period.

When it is probable that a provision will realise more than 12 months after the reporting date, it is measured at its discounted value (the present value of the expenditure expected to be required to settle the obligation) unless the effect of discounting is immaterial.

Provisions are reassessed at the end of each reporting period and adjusted to reflect the current best estimate. Provisions are used only for expenditures for which they were originally recognised.

Other potential or existing obligations whose realisation is less likely than their non-realisation or whose amount cannot be measured sufficiently reliably are disclosed in the notes to the financial statements as contingent liabilities.

Income tax and deferred tax

Under Estonian laws, corporate profit for the year is not subject to income tax. The obligation to pay corporate income tax arises upon the distribution of profit and it is recognised as an expense (in the profit or loss for the period) when a dividend is declared. Owing to the nature of the taxation system, companies registered in Estonia do not have deferred tax assets or liabilities, except for possible deferred tax items related to investments in subsidiaries, associates, joint ventures and branches.

The Group's deferred tax liability arises in respect of investments in companies domiciled in countries where profit for the financial year is taxable. Deferred tax liability also arises in respect of investments in Estonian and Latvian subsidiaries and associates, except to the extent that the Group is able to control the timing of the reversal of the taxable temporary differences and it is probable that the differences will not reverse in the foreseeable future. Examples of the reversal of taxable temporary differences include the distribution of a dividend, disposal of an investment and other transactions.

As the Group controls the dividend policy of its subsidiaries, it is able to control the timing of the reversal of the temporary differences related to relevant investments. If the parent has decided not to distribute a subsidiary's profit in the foreseeable future, it does not recognise a deferred tax liability. If the parent estimates that a dividend will be distributed in the foreseeable future, a deferred tax liability is recognised to the extent of the expected dividend distribution, provided that there are sufficient funds and equity at the reporting date from which profit can be distributed in the foreseeable future.

The Group measures deferred tax liabilities using the tax rates that are expected to apply to the taxable temporary differences in the period in which the temporary differences are expected to reverse, based on the tax rates that have been enacted by the reporting date.

In Estonia, the corporate income tax rate is 20% (the amount of tax payable is calculated as 20/80 of the net distribution). From 2019, regular dividend distributions can be taxed at a lower, 14% tax rate (the amount of tax payable is calculated as 14/86 of the net distribution) The lower tax rate can be applied every calendar year to dividend and other profit distributions to an extent that does not exceed the past three years' average amount of dividend and other profit distributions and distributions of equity on which tax has been paid.

The maximum income tax liability which would arise of all of the retained earnings were distributed and the deferred tax liability are disclosed in notes to the consolidated financial statements.

In Lithuania, corporate profit for the year is subject to income tax. The corporate income tax rate is 15% of taxable income. Taxable income is calculated by adjusting profit before tax for permanent and temporary differences as permitted by local tax laws. For Lithuanian subsidiaries, the deferred tax assets and liabilities are determined for all temporary differences between the tax bases of assets and liabilities and their carrying amounts. Deferred tax is measured using the tax rates that are expected to apply in the period in which the deferred tax items are expected to be settled or recovered, based on the tax rates that have been enacted by the reporting date. Deferred tax assets are recognised in the statement of financial position only when it is probable that future taxable profit will be available against which the asset can be utilised.

The consolidated statement of comprehensive income includes the deferred tax expense of the Lithuanian subsidiary UAB Omniva LT.

Revenue

The Group recognises revenue when (or as) a performance obligation is satisfied by transferring control of the underlying goods or service to a customer.

The Group has adopted a five-step model for revenue recognition:

1. Step 1: Identify contract(s) with a customer (customers)
2. Step 2: Identify the performance obligations
3. Step 3: Determine the transaction price
4. Step 4: Allocate the transaction price to the performance obligations in the contract
5. Step 5: Recognise revenue when (or as) the performance obligation is satisfied.

Revenue is recognised net of VAT. Intragroup transactions are eliminated. Revenue is generally recognised over time, i.e. the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs. Revenue from the rendering of services is recognised when the service is rendered or, if the service is provided over a longer period, based on the stage of completion of the service at the reporting date. Revenue from the sale of goods is recognised when the goods are transferred to the customer, i.e. at a point in time.

Postal payment means are postage stamps. The sale of a stamp is recognised as a sale of goods in the profit or loss for the period in which the stamp was sold. When the stamp is used to pay for universal postal service, it is reclassified from revenue for the sale of goods to revenue from the forwarding of letter items.

Intermediation of payments

The Group provides payment intermediation services, such as cashing money orders, paying pensions and benefits and forwarding periodicals. Out of payments received, only service fees are recognised as revenue. Upon accepting a payment, the Group incurs a liability to the recipient of the payment (note 13).

Revenue from money order cashing services are recognised when the money order is received. The Group simultaneously incurs a liability to pay out the amount of the order (note 13).

Revenue from the payment of pensions and benefits are recognised when the payments are made or based on the invoice submitted to the Social Insurance Board.

Revenue from accepting subscriptions to periodicals are recognised in the month of acceptance and revenue from forwarding the periodicals is recognised at the time of forwarding.

Revenue from consignment arrangements is recognised under the net method. In consignment arrangements, the Group acts as an agent.

Interest and dividend income is recognised when it is probable that income will be received and its amount can be measured reliably. Interest income is recognised by applying the effective interest rate. Dividend income is recognised when the owner's right to receive payment is established.

Government grants

Government grants are recognised as income over the periods in which the Group recognises as expenses the costs for which the grants are intended to compensate. A grant which is intended to compensate for expenses incurred in prior periods or which does not have any conditions the Group should comply with in future periods is recognised as income in the period in which the grant is received. Government grants are not recognised as income until there is reasonable assurance that the Group will comply with the conditions attaching to the grant and the grant will be received. Possible obligations related to government grants are recognised as provisions or contingent liabilities.

An asset acquired with a grant related to assets is recognised in the statement of financial position at cost. Grants related to assets are recognised as liabilities in the statement of financial position (deferred income from government grants). The acquired asset is depreciated and the grant liability (deferred income) is taken to income over the useful life of the asset.

Grants related to income are recognised as income in the same periods as the relevant expenses. Grants are recognised in profit or loss using the gross method.

Statutory capital reserve

In accordance with the Estonian Commercial Code, the Group has set up a statutory capital reserve (a legal reserve). Every year at least 1/20 of net profit of the financial year has to be transferred to the capital reserve until the reserve reaches 1/10 of share capital. The capital reserve may be used to cover losses or to increase share capital. It may not be used to make distributions to shareholders.

Events after the reporting period

The consolidated financial statements reflect all significant events affecting the values of assets and liabilities that became evident between the reporting date and the date on which the financial statements were authorised for issue but are related to the reporting or prior periods.

Subsequent events that are indicative of conditions that arose after the reporting period and have not been taken into account in measuring assets and liabilities but which may have a significant effect on the results of the next financial year are disclosed in the notes to the consolidated financial statements.

Critical accounting estimates and judgments

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to use certain accounting estimates and judgments, which affect the amounts reported in the financial statements. It also requires management to exercise its judgment and make estimates in the process of applying the Group's accounting policies and measurement bases. Although the estimates are based on management's best knowledge, actual results may differ from those estimates. Management's estimates and judgements are continuously reviewed and based on historical experience and other factors, including expectations of future events, which are believed to be reasonable under the circumstances.

Areas involving a higher degree of judgment and estimates that have a significant impact on the amounts recognised in the consolidated financial statements arere: determining the useful lives of non-current assets (note 9), estimating the recoverable amounts of property, plant and equipment and intangible assets (incl. goodwill), estimating the net realisable value of inventories (note 5), estimating and making the preliminary accounting entries for receivables from and payables to foreign postal administrations, recognising leases and estimating contingent liabilities. Changes in accounting estimates are recognised in profit or loss in the period in which the change is made.

Settlements with foreign postal administrations

International forwarding involves several postal administrations. Based on preliminary volumes and contractual rates, the Group makes estimated accounting entries, which are recognised as accrued receivables or liabilities. The estimated entries are subsequently reconciled and agreed with the counterparties. Based on confirmed data, the Group adjusts accrued receivables and liabilities and carries out monetary settlements. In certain cases reconciliations of prices and volumes with other postal administrations are carried out in subsequent periods. Therefore, in recognising receivables from and liabilities to other postal administrations management also relies on its historical experience and preliminary information about volumes and prices, made available by the Universal Postal Union (note 2).

As at 31 December	**2020**	**2019**
Total receivables	**34,362**	**32,153**
Estimated	11,872	13,766
Actual	22,489	18,387
Total liabilities	**53,418**	**55,038**
Estimated	35,518	38,277
Actual	17,900	16,761

'Estimated' and 'Actual' comprise both current and non-current items.

Determining the useful lives of property, plant and equipment

Management has estimated the useful lives of property, plant and equipment, taking into account the business conditions and volumes, historical experience in the area and future prospects. According to management's estimates, the useful lives of buildings, facilities and their components is 8–100 years, depending on their structure and function. The average useful life of machinery and equipment and other fixtures and fittings is 5–10 years. At 31 December 2020, the carrying amount of the Group's property, plant and equipment was 38,796 thousand euros (31 December 2019: 42,876 thousand euros) and the depreciation charge for the reporting period was 5,987 thousand euros (2019: 5,412 thousand euros) (note 9). A 10% change in depreciation rates would change the annual depreciation charge by 599 thousand euros (2019: 541 thousand euros).

Estimating the recoverable amounts of property, plant and equipment and intangible assets (incl. goodwill)

The Group's property, plant and equipment and intangible assets (incl. goodwill) have been tested for impairment as needed. When carrying out impairment tests, management estimates cash flows from the use and sale as well as the maintenance and repair of assets, the inflation rate and the growth rates. The estimates are based on forecasts of the overall economic environment and sales prices. If the situation changes in the future, the Group may have to recognise additional impairment losses or reverse, either in whole or in part, previously recognised impairment losses.

Goodwill is allocated to cash-generating units, which are tested for impairment at the end of each reporting period. Goodwill is written down to its recoverable amount when the latter is less than its carrying amount (note 9). Management tested goodwill and intangible assets under construction for impairment as at 31 December 2020. The expected future cash flows of goodwill were calculated based on market trends and AS Eesti Post's business plan for 2021–2025 and those of intangible assets under construction were calculated based on the parcel business's business plan for 2021–2023. The expected future cash flows were discounted by using weighted average cost of capital (WACC) as the discount rate (note 9).

Estimating the net realisable value of inventories

Management estimates the net realisable value of inventories based on its best knowledge, historical experience, general background information and assumptions about possible future events and conditions. The need for writing inventories down is determined taking account of the marketability of the inventories and the net realisable values of goods purchased for resale (note 5).

Recognising leases

The Group has applied IFRS 16 prospectively as from 1 January 2019. Upon the first-time adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities for leases previously classified as operating leases under IAS 17.

The Group leases various buildings and spaces. The majority of leases have been signed for an indefinite term and, as a rule, contain extension and termination options. The terms and conditions of a lease are negotiated on an individual basis and may vary.

The lease term is determined based on the guidance for applying IFRS 16 and the Group's strategy. In determining the lease term, management assesses the probability of the Group exercising the extension or termination options, taking into account all known facts and circumstances that create an economic incentive to exercise or not to exercise the options. Management reviews its assessments in respect of extension and termination options when a significant event occurs that affects its initial assessment or there is a change in the non-cancellable period of the lease.

The lease payments of new leases have been discounted using the Group's incremental borrowing rate, which was 0.69% on average. Upon the adoption of IFRS 16 on 1 January 2019, the remaining lease payments were discounted at the Group's incremental borrowing rate, which was 0.48% on average. The Group used a practical expedient permitted by the standard and applied a single discount rate to a portfolio of leases with reasonably similar characteristics. The Group also used the following practical expedients:

- operating leases with a remaining lease term of less than 12 months and leases of low-value assets are accounted for as short-term leases as from 1 January 2019;
- initial direct costs were excluded from the measurement of the right-of-use assets at the date of initial application; and
- hindsight was used in determining the lease term where the contract contained options to extend or terminate the lease.

At the reporting date, the carrying amount of the Group's right-of-use assets was 1,600 thousand euros and the carrying amount of the Group's lease liabilities was 1,605 thousand euros.

Financing and recognising the unreasonable costs of the universal postal service

The parent submits to the Estonian Competition Authority declarations of bulk service and applications for compensation for the unreasonable (excessive) costs of the universal postal service. Based on the decision of the Competition Authority, the parent is allocated compensation for the provision of the service. The amounts which according to the declarations have been paid in excess are recognised as prepaid expenses. If, based on the declaration, the Group is entitled to claim compensation from the Competition Authority, the amounts are recognised as a receivable to the extent that they are expected to be recoverable, assuming that the Competition Authority has not accepted the Group's application for the approval of the annual financial statements (note 4).

Recognising revenue

At the time postage stamps are sold, it is not yet known when the stamps will be used and the Group will be obliged to provide the postal service. According to management's estimates, the revenue from the sale of stamps and the costs of providing the service largely arise in the same reporting period. In 2020, revenue from the sale of stamps was 2,618 thousand euros (2019: 2,991 thousand euros).

Recognising deferred tax on investments in an Estonian associate and Estonian and Latvian subsidiaries

The Group's deferred tax liability arises in respect of investments in companies domiciled in countries where profit for the financial year is taxable. Deferred tax liability also arises in respect of investments in Estonian and Latvian subsidiaries and associates, except to the extent that the Group is able to control the timing of the reversal of the taxable temporary differences and it is probable that the differences will not reverse in the foreseeable future. Examples of the reversal of taxable temporary differences include the distribution of a dividend, disposal of an investment and other transactions.

As the Group controls the dividend policy of its subsidiaries, it is able to control the timing of the reversal of the temporary differences related to relevant investments. If the parent estimates that a dividend will be distributed in the foreseeable future, a deferred tax liability is recognised to the extent of the expected dividend distribution, provided that there are sufficient funds and equity at the reporting date from which profit can be distributed in the foreseeable future.

The Group measures deferred tax liabilities using the tax rates that are expected to apply to the taxable temporary differences in the period in which the temporary differences are expected to reverse, based on the tax rates that have been enacted by the reporting date.

Management has decided to apply retrospectively the accounting policy that also requires the recognition of deferred tax liabilities in jurisdictions where corporate income tax is payable on the distribution of profit (Estonia and Latvia), except to the extent that the company is able to control the timing of the reversal of the taxable temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The Group measures such tax liabilities, in accordance with IAS 12.46, using the tax rate that is expected to apply to the taxable temporary differences in the period in which the temporary differences are expected to reverse, based on the tax rates that have been enacted by the reporting date.

The maximum tax liability which would arise if all of the available equity were distributed as dividends, is disclosed in note 14. The taxable temporary differences for which a deferred tax liability is recognised are disclosed in note 23.

Note 2 Financial instruments

Trade and other receivables are stated at amortised cost (less any allowance for impairment), using the effective interest method.

Trade payables, other current and non-current liabilities and loans received are stated at amortised cost, using the effective interest method.

In thousands of euros

As at 31 December	Note	2020	2019
Financial assets			
Cash and cash equivalents	3	26,742	7,946
Trade receivables	4	13,199	15,080
Receivables from foreign postal administrations	4, 8	34,362	32,153
Other receivables	4	505	1,051
Total financial assets		**74,808**	**56,230**

As at 31 December	Note	2020	2019
Financial liabilities			
Trade payables	13	8,319	7,138
Liabilities to other postal administrations	13	53,418	55,038
Accruals and other liabilities	13	2,454	3,309
Borrowings	12	24,007	22,947
Total financial liabilities		**88,198**	**88,433**

Note 3 Cash and cash equivalents

In thousands of euros

As at 31 December	2020	2019
Cash on hand	1,912	1,937
Cash at bank	24,637	5,921
Cash in transit	193	88
Total cash and cash equivalents (note 2)	**26,742**	**7,946**
Average interest rate	0%	0%

Note 4 Trade and other receivables

In thousands of euros

As at 31 December	2020	2019
Trade receivables	10,018	9,231
Receivables from the associate	3,134	5,049
Receivables from the Competition Authority	213	983
Impairment loss recognised	-26	-69
Expected credit loss	-139	-114
Total trade receivables (note 2)	**13,199**	**15,080**

Other receivables	2020	2019
Terminal dues receivable from foreign postal administrations (note 2)	31,249	31,450
Of which estimated	*8,760*	*13,063*
actual	*22,489*	*18,387*
Other current receivables (note 2)	505	1,051
Prepaid taxes	105	56
Prepayments for goods and services	658	965
Total other receivables	**32,517**	**33,522**
Total trade and other receivables	**45,716**	**48,603**

Note 4 Trade and other receivables (cont.)

Change in estimated receivables from foreign postal administrations
In thousands of euros

	2020	2019
Estimated receivables at beginning of period	**13,766**	**12,720**
Additions	7,196	9,998
Transferred to actual	-9,089	-8,953
Estimated receivables at end of period	**11,872**	**13,766**

Note 5 Inventories

In thousands of euros

As at 31 December	2020	2019
Raw materials and materials	563	403
Work in progress	7	0
Finished goods	67	53
Goods purchased for resale	383	413
Total inventories	**1,020**	**870**

In 2020 and 2019 there was no need to write down goods purchased for resale. The increase in inventories is due to the acquisition of spare parts for a sorting line. At 31 December 2020, third party inventories of 338 thousand euros were under the custody and control of the Group (31 December 2019: 421 thousand euros).

Note 6 Subsidiaries

At 31 December 2020, the Group had the following subsidiaries: UAB Omniva LT, SIA Omniva, AS Maksekeskus, OÜ Omniva and OÜ Finbite.

Name of subsidiary	Domicile	Ordinary shares held by the parent (%)	Ordinary shares held by the Group (%)	Ordinary shares held by the non-controlling interest (%)	Preferred shares held by the Group (%)	Core business
Maksekeskus AS	Estonia	55.6	55.6	44.4	-	Payment solutions
Omniva OÜ	Estonia	100.0	100.0	-	-	-
Finbite OÜ	Estonia	100.0	100.0	-	-	Information logistics
Omniva LT UAB	Lithuania	100.0	100.0	-	-	Logistics services
Omniva SIA	Latvia	100.0	100.0	-	-	Logistics services

OÜ Finbite was founded on 13 October 2020 to demerge the information business from the parent company. At establishment, the share capital of OÜ Finbite was 3 thousand euros. Based on a decision made on December 30, share capital was increased with a non-monetary contribution to 10 thousand euros, with a share premium of 208 thousand euros. The subsidiary is wholly held by the parent.

All subsidiaries are consolidated. The parent's share of voting rights in the subsidiaries does not differ from the share of ordinary shares held. The parent does not hold preferred shares. The carrying amount of the non-controlling interest was 1,388 thousand euros at 31 December 2020 (31 December 2019: 771 thousand euros).

The entities of AS Eesti Post operate under the Omniva brand. In 2020 as in 2019, the subsidiary OÜ Omniva had no business operations.

Note 7 Investments in the associate

In thousands of euros

AS Eesti Post's investments in the associate (note 24):

Name of associate	Domicile	Interest (%) As at 31 December 2020	2019	Accounting method
Post11 OÜ	Estonia	30.0%	30.0%	Equity method

On 18 September 2015, a joint venture was established with China's largest privately-owned courier company S.F. Express to offer faster and more efficient delivery of goods between China and Europe. The associate Post11 is based in Estonia. AS Eesti Post owns 30% of the company.

The aim is to expand the business model across the world, to forward shipments between different countries and to grow with new solutions in the e-commerce value chain.

In 2020, the Group's share of the profit of the associate, which is accounted for under the equity method, was 41 thousand euros (2019: 302 thousand euros).

Note 8 Non-current receivables and prepayments

In thousands of euros

As at 31 December	**2020**	**2019**
Non-current terminal dues receivable from foreign postal administrations (note 2)	3,113	702
Of which estimated	*3,113*	*702*
Prepaid expenses and lease payments	401	271
Deferred tax asset (note 23)	139	417
Total non-current receivables and prepayments	**3,653**	**1,390**
Of which due within 1–5 years	*3,653*	*1,390*

Note 9 Non-current assets

Property, plant and equipment

In thousands of euros

	Land	Buildings	Machinery and equipment	Other	Assets under construction and prepayments	Total
Cost as at 31 December 2018	**1,727**	**18,268**	**29,818**	**1,027**	**17,180**	**68,020**
Accumulated depreciation as at 31 December 2018	**0**	**-12,458**	**-14,396**	**-563**	**0**	**-27,418**
Carrying amount as at 31 December 2018	**1,727**	**5,810**	**15,421**	**464**	**17,180**	**40,602**
Additions	0	11,151	12,728	257	172	**24,308**
Of which through leases	*0*	*0*	*30*	*0*	*0*	**30**
Reclassifications	0	0	0	0	-16,317	**-16,317**
Sales at carrying amount	-14	-140	-178	0	0	**-331**
Depreciation charge	0	-967	-4,265	-180	0	**-5,412**
Cost as at 31 December 2019	**1,713**	**28,657**	**41,025**	**1,264**	**1,035**	**73,695**
Accumulated depreciation as at 31 December 2019	**0**	**-12,799**	**-17,297**	**-723**	**0**	**-30,818**
Carrying amount as at 31 December 2019	**1,713**	**15,859**	**23,728**	**541**	**1,035**	**42,876**
Additions	0	338	1,999	192	298	**2,827**
Of which through finance leases	*0*	*0*	*198*	*0*	*0*	**198**
Reclassifications	0	0	0	0	-323	**-323**
Sales at carrying amount	-16	-420	-135	0	0	**-571**

Note 9 Non-current assets (cont.)

Write-off at carrying amount	0	-7	-12	0	0	**-19**
Depreciation charge	0	-835	-4,941	-212	0	**-5,987**
Cost as at 31 December 2020	**1,697**	**27,513**	**40,460**	**1,434**	**1,103**	**72,208**
Accumulated depreciation as at 31 December 2020	**0**	**-12,578**	**-19,921**	**-913**	**0**	**-33,412**
Carrying amount as at 31 December 2020	**1,697**	**14,935**	**20,539**	**521**	**1,103**	**38,796**

In 2020, the Group sold property, plant and equipment with a cost of 1,987 thousand euros (2019: 1,992 thousand euros) and accumulated depreciation of 1,416 thousand euros (2019: 1,661 thousand euros) for a sales price of 1,077 thousand euros (2019: 805 thousand euros).

The cost and accumulated depreciation of property, plant and equipment written off in 2020 amounted to 709 thousand euros and 690 thousand euros, respectively (2019: 351 thousand euros and 351 thousand euros, respectively).

No items of property, plant and equipment were written down during the reporting period (2019: 0 euros).

At 31 December 2020, the total cost of fully depreciated assets still in use was 15,189 thousand euros (31 December 2019: 12,100 thousand euros).

Intangible assets

In thousands of euros

	Goodwill	Customer lists	Other	Prepayments for intangible assets	Total
Cost as at 31 December 2018	**1,260**	**395**	**13,740**	**5,793**	**21,188**
Accumulated amortisation as at 31 December 2018	**0**	**-237**	**-5,192**	**0**	**-5,430**
Carrying amount as at 31 December 2018	**1,260**	**158**	**8,548**	**5,793**	**15,759**
Additions	0	0	9,123	0	**9,123**
Reclassifications	0	0	0	-4,467	**-4,467**
Write-off at carrying amount	0	0	-109	0	**-109**
Amortisation charge	0	-40	-2,294	0	**-2,334**
Cost as at 31 December 2019	**1,260**	**395**	**21,667**	**1,326**	**24,648**
Accumulated amortisation as at 31 December 2019	**0**	**-277**	**-6,399**	**0**	**-6,676**
Carrying amount as at 31 December 2019	**1,260**	**118**	**15,268**	**1,326**	**17,972**
Additions	0	0	3,774	37	**3,811**
Reclassifications	0	0	0	-234	**-234**
Write-off at carrying amount	-93	0	-383	0	**-476**
Write-off of obsolete assets	0	0	-1,094	0	**-1,094**
Amortisation charge	0	-40	-3,533	0	**-3,573**
Cost as at 31 December 2020	**1,168**	**395**	**23,398**	**1,004**	**25,965**
Accumulated amortisation as at 31 December 2020	**0**	**-317**	**-9,599**	**0**	**-9,916**
Carrying amount as at 31 December 2020	**1,168**	**78**	**13,798**	**1,004**	**16,047**

At 31 December 2020, the cost of fully amortised intangible assets still in use was 2,556 thousand euros (31 December 2019: 2,441 thousand euros). The cost and accumulated amortisation of intangible assets written off in 2020 amounted to 862 thousand euros and 387 thousand euros, respectively (2019: 1,197 thousand euros and 1,088 thousand euros, respectively).

Note 9 Non-current assets (cont.)

Based on a stocktaking of intangible assets carried out during the reporting period, the Group removed from the statement of financial position obsolete assets of 1,094 thousand euros (2019: nil euros). Factors considered during the stocktaking included current commercial utility and future potential of the software.

Additions reflect the implementation of developments of a new-generation logistics information system.

Goodwill of 1,091 thousand euros has been allocated to UAB Omniva LT. The goodwill acquired on the acquisition of UAB Omniva LT was tested for impairment as at 31 December 2020. The carrying amount of the assets tested for impairment was 4,733 thousand euros (31 December 2019: 6,180 thousand euros), which comprised the goodwill of UAB Omniva LT, the carrying amount of the parcel lockers used in the Lithuanian market, the carrying amount of the customer lists of UAB Omniva and the carrying amounts of other items of property, plant and equipment and intangible assets and the change in the net working capital of the Lithuanian business. The carrying amount of these assets was compared with their value in use, using the discounted cash flow analysis.

The impairment test included the cash flows of the parcel locker and courier services. The cash flow forecast was based on the latest business plan of UAB Omniva LT and management's estimates.

The expected future cash flows were discounted using the weighted average cost of capital (WACC), which was 9.6%, as the discount rate (2019: 9.5%). The forecast period was 2021–2025 (5 years), which was in line with the business plan for the entity's services. The forecast period used in impairment testing at the end of 2019 was 2020–2025 (6 years). The fastest revenue growth was projected for the years 2023–2024 (five-year average annual growth: 12%). The impairment test performed at the end of 2019 expected growth to peak in 2020–2021 (average growth: 24%) and to slow down in subsequent years (to 8–12%). Revenue growth was projected, taking into account the increase in volumes due to the COVID-19 crisis, rapid development of e-commerce and the company's plans for achieving the desired market share in Lithuania.

At the end of 2019, the parcel locker network was vigorously expanded: the total number of lockers doubled. Additional modules were added in 2020. This supports future revenue. Revenue from courier services is likely to remain stable, with annual growth equal to headline inflation. The growth expected in revenue from the parcel locker business will be accompanied by growth in the direct costs of the locker network. Staff and transport costs will increase through volume growth but staff costs will also be affected by the launch of a new automated sorting line, which will reduce the costs of manual sorting. According to the forecast for 2021–2025, staff, transport and asset-related costs will increase along with revenue growth.

The impairment test of UAB Omniva LT did not reveal any impairment of assets at the end of 2020 or 2019. The recoverable amount was mainly sensitive to a fall in operating revenue and a rise in the cost of capital. A 30% decrease in operating revenue and a 4 percentage point rise in the cost of capital, however, would not give rise to the need to write the recoverable amount down.

In 2020, a total of 3,577 thousand euros was invested in intangible assets. The largest investments were made in software, especially in various developments of a new-generation logistics information system.

Intangible assets under construction, recognised as prepayments, were tested for impairment as at 31 December 2020. The carrying amount of the assets was 1,063 thousand euros (31 December 2019: 1,326 thousand euros), consisting mainly of the carrying amount of a new logistics information system that is under development. The carrying amount of the assets was compared with their value in use, using the discounted cash flow method.

The impairment test included the cash flows of the parcel business which will be the main beneficiary of the information system under development. The parcel business generates revenue from: courier service, parcel locker service, domestic parcel delivery and inbound and outbound international parcels (incl. large letters).

The expected future cash flows were discounted by using the weighted average cost of capital (WACC), which was 4.72%, as the discount rate. The cost of capital was based on the cost of capital calculated by the Competition Authority for the universal service provider in 2019. The forecast period was 2021–2023 (3 years).

According to projections, the developments will help increase the efficiency and profit of the business. Profit will grow during the period of active development, which extends into 2021. Efficiency will peak immediately after the completion of information system developments and profit will remain stable for two years.

Note 9 Non-current assets (cont.)

The projections of profit growth are based on projections of revenue growth through rapid development of e-commerce and an improvement in profitability, to which the new information system is expected to make a significant contribution.

The impairment testing did not reveal any impairment of assets at the end of 2020 or 2019. The recoverable amount was mainly sensitive to a significant fall in profit and growth in investment expenditures. While a 10 percentage point increase in investment expenditures would not give rise to a need to write the assets down, a 30% decrease in profit would reduce the recoverable amount of assets by approximately 40%.

Right-of-use assets

In thousands of euros

	Buildings	Facilities	**Total**
Carrying amount as at 31 December 2018	**0**	**0**	**0**
Initial recognition on adoption of IFRS 16	1,873	13	**1,886**
Additions through new leases	595	13	**608**
Write-off at carrying amount	-9	0	**-9**
Write-down	-117	-4	**-120**
Depreciation charge	-650	-5	**-655**
Cost as at 31 December 2019	**2,342**	**22**	**2,363**
Accumulated depreciation as at 31 December 2019	**-649**	**-5**	**-654**
Carrying amount as at 31 December 2019	**1,693**	**17**	**1,710**
Additions through new leases	667	0	**667**
Write-off at carrying amount	-98	-3	**-101**
Depreciation charge	-670	-5	**-675**
Cost as at 31 December 2019	**2,801**	**19**	**2,820**
Accumulated depreciation as at 31 December 2019	**-1,210**	**-10**	**-1,220**
Carrying amount as at 31 December 2020	**1,591**	**9**	**1,600**

Note 10 Lease liabilities

In thousands of euros

Assets acquired through leases at carrying amount

As at 31 December	**2020**	**2019**
Buildings	1,591	1,693
Facilities	9	17
Machinery and equipment	3,518	3,994
Total assets acquired through leases at carrying amount	**5,118**	**5,703**

Lease liabilities

As at 31 December	**2020**	**2019**
Minimum lease payments	**4,700**	**5,539**
Of which due within 12 months	*1,477*	*1,426*
1–5 years	*3,213*	*4,102*
over 5 years	*10*	*11*
Future interest expenses	-98	-151
Present value of lease payments	**4,603**	**5,388**
Present value of lease payments	**4,603**	**5,388**
Of which due within 12 months	*1,445*	*1,410*
1–5 years	*3,147*	*3,967*
over 5 years	*10*	*11*
Average interest rate	0.6%	0.6%

The Group leases buildings for post offices and spaces for automated parcel lockers. In the asset class of machinery and equipment, the Group leases parcel lockers and vehicles. In the asset class of information and communication equipment, the Group leases all-flash disk arrays. In 2020, cash outflows related to leases totalled 1,542 thousand euros (2019: 1,077 thousand euros).

Note 11 Short-term leases and leases of low-value assets

In thousands of euros

AS Eesti Post leases out the following assets under short-term leases:

As at 31 December	2020	2019
Land and buildings		
Cost	1,402	1,357
Accumulated depreciation	-759	-735
Carrying amount	643	622
Depreciation for the year	-31	-45

Leased out

As at 31 December	2020	2019
Future rental income from non-cancellable leases	234	273
Of which due within 12 months	*234*	*273*
Advance lease payments received	*7*	*10*
Of which for the next 12 months	7	10

	2020	2019
Rental income for the reporting period	327	374

The Group leases out buildings under short-term leases. For items of property, plant and equipment that are partly in the Group's own use (owner-occupied) and partly leased out under short-term leases, the cost, accumulated depreciation and depreciation for the reporting period are presented based on the proportion of premises leased out. Buildings are partly owner-occupied and partly leased out if the portion that has been leased out cannot be sold separately. The figures include rental income from leases of property, plant and equipment.

Held under leases
As at 31 December

	2020	2019
Future lease payments under short-term leases and leases of low-value assets	8,018	6,716
Of which due within 12 months	*2,372*	*2,092*
1–5 years	*5,623*	*4,611*
over 5 years	*23*	*13*

	2020	2019
Lease expense for the reporting period (note 19)	4,047	3,348

Payments under short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less, with no option to purchase, and leases for which the underlying asset is of low value. The Group leases production premises, hardware, data communications and other equipment, and fixtures and fittings under operating leases.

Note 12 Interest-bearing borrowings

In thousands of euros

As at 31 December	2020	2019
Short-term borrowings		
Overdraft liabilities	0	2,523
Short-term portion of long-term loans	2,646	2,591
Short-term portion of long-term lease liabilities (note 10)	*1,445*	1,410
Total short-term borrowings	**4,091**	**6,524**
Long-term borrowings		
Long-term loans	16,758	12,445
Long-term lease liabilities (note 10)	*3,158*	3,978
Total long-term borrowings	**19,916**	**16,423**

Note 12 Interest-bearing borrowings (cont.)

Total borrowings	**24,007**	**22,947**
Of which due within 12 months	*4,091*	*6,524*
1-5 years	*19,905*	*16,412*
over 5 years	*10*	*11*

As at 31 December	**2020**	**2019**
Average interest rate		
Bank loans	1.3%	0.7%
Lease liabilities	0.7%	0.6%

	2020	**2019**
Opening balance	**22,947**	**10,585**
Bank loans received	7,000	8,000
Loan repayments	-2,632	-2,460
Overdraft received	1,165	19,562
Overdraft repayments	-3,688	-18,039
Increase in lease liabilities	757	6,377
Lease payments	-1,542	-1,077
Closing balance	**24,007**	**22,947**

Bank loans are denominated in euros. The maturity dates of the loans are 31 March 2021, 19 March 2023 and 5 April 2023. The interest rates are linked to 3-month and 6-month EURIBOR. The loans are secured by mortgages on the property at Rukki tee 7 and 9 in Lehmja village, Rae rural municipality (in the amount of 12,000 thousand euros) and on the property at Pallasti 28/28a and 28b Tallinn (in the amount of 10,000 thousand euros) and a commercial pledge of 15,000 thousand euros.

The Group has leases with fixed and with variable interest rates (linked to EURIBOR).
In accordance with the contracts, interest rates are reset every six months (note 25).

The loan agreements contain covenants that require the borrower to maintain certain financial ratios such as the debt to EBITDA (earnings before interest, taxes, depreciation and amortisation) ratio, the debt-service coverage ratio (DSCR) and the equity ratio at certain levels. At 31 December 2020, the Group was in compliance with all loan covenants.

Note 13 Short-term payables and other long-term liabilities

In thousands of euros

As at 31 December	**2020**	**2019**
Advances from customers	126	96
Trade payables (note 2)	8,319	7,138
Payables to employees	5,691	3,586
Accrued social security tax liabilities	660	700
Accrued income tax liabilities	259	266
Terminal dues payable to foreign postal administrations (note 2)	45,725	52,406
Other short-term payables and accruals	78	84
Value-added tax	1,056	776
Personal income tax	539	371
Social security tax	1,048	859
Other taxes payable	158	500
Other liabilities	2,376	3,225
Total short-term payables and deferred income	**66,037**	**70,008**

Note 13 Short-term payables and long-term liabilities (cont.)

Government grants related to assets	0	3
Long-term terminal due payables to foreign postal administrations (note 2)	7,692	2,633
Deferred tax liability (note 23)	690	259
Total other long-term liabilities	**8,383**	**2,894**
Of which due within 1–5 years	*8,383*	*2,894*

Note 14 Equity

As at 31 December	**2020**	**2019**
Share capital *(in thousands of euros)*	15,714	15,714
Number of shares	1,571,412	1,571,412
Nominal value of a share *(in euros)*	10	10
Maximum authorised number of ordinary shares according to the articles of association	4,000,000	2,739,900

The Group did not distribute a dividend in 2020. In 2019, the Group paid a dividend of 1,600 thousand euros, which resulted in an income tax expense of 394 thousand euros (note 23).

At 31 December 2020, the Group's retained earnings amounted to 17,015 thousand euros (31 December 2019: 8,039 thousand euros). Dividend distributions to the owner are taxable at 20% (the amount of tax payable is calculated as 20/80 on the net distribution). Starting from 2019, regular dividend distributions are partly taxable at a lower, 14% tax rate (14/86 of the net distribution).
The maximum dividend that could be distributed from retained earnings as at the reporting date is 13,649 thousand euros and it would give rise to an income tax liability of 3,366 thousand euros. At 31 December 2019, the maximum amount available for a dividend distribution was 6,468 thousand euros, which would have resulted in an income tax liability of 1,571 thousand euros.

Note 15 Revenue

In thousands of euros

Revenue by business line

	2020	**2019**
Parcel business services	69,247	49,247
Postal business services	28,450	29,614
Information business services	2,457	2,321
International business services	31,361	45,129
Total revenue	**131,516**	**126,311**

Revenue by service

In thousands of euros	**2020**		**2019**	
	Universal postal service	Other services	Universal postal service	Other services
Parcel business	12,596	56,651	14,242	35,005
Postal business	3,627	24,824	3,491	26,123
Information business	0	2,457	0	2,321
International business services	0	31,361	0	45,129
Total revenue	**16,223**	**115,293**	**17,733**	**108,578**

Note 15 Revenue (cont.)

Revenue by location of customers

In thousands of euros

	2020	2019
Estonia	74,084	70,883
Singapore	327	449
China	20,023	30,282
Poland	260	196
Lithuania	15,090	7,504
United Kingdom	569	577
Latvia	11,317	7,051
Sweden	462	4,150
Other countries	9,384	5,220
Total revenue	**131,516**	**126,311**

Revenue growth is attributable to a rise in e-commerce and the expansion of the parcel locker network.

Note 16 Subsidies and grants received

In thousands of euros

Subsidies and grants received

	2020	2019
Grant for delivery of periodicals in rural areas	1,778	1,778
Renewable energy subsidies	26	0
Wage support	20	6
Total subsidies and grants received	1,824	1,783

The Group received a grant related to income from the state budget in support of the delivery of periodicals in rural areas. The grant was passed on to publishers. The Group also received wage support from the Estonian Unemployment Insurance Fund and renewable energy subsidies from Elering AS.

Note 17 Other income

In thousands of euros

	2020	2019
Rental income (note 11)	327	374
Gain on sale of non-current assets	506	473
Fines and late payment interest received	26	30
Compensation for postal items	127	215
Contractual compensation	130	133
Utility payments received	55	78
Revenue from a special project	813	0
Accounting services	59	59
Miscellaneous income	178	192
Total other income	**2,221**	**1,554**

In 2020, Omniva supplied its parcel locker software to the Croatian postal administration and started to advise on the creation of a parcel locker network in Croatia. Revenue from the project is presented within *Revenue from a special project*.

Note 18 Goods, raw materials, materials and services

In thousands of euros

	2020	2019
Mail transport and delivery services	9,705	9,297
Goods	654	749
Fuel and energy	2,410	2,738
Raw materials and materials	517	515
International terminal dues	17,015	30,144
International transport	14,904	22,128
Other services	4,946	4,032
Total goods, raw materials, materials and services	**50,151**	**69,603**

Note 19 Other operating expenses

In thousands of euros

	2020	2019
Repair and maintenance	788	543
Expenses on short-term leases and leases of low-value assets (note 11)	4,047	3,348
Property management and similar expenses	2,486	2,396
Bank and cash transit charges	804	603
Administration costs	1,285	755
Low-value assets	720	349
Consultancy and training expenses	700	916
Marketing expenses	1,325	1,068
IT expenses	2,483	2,271
Expenses on credit-impaired items (note 25)	64	161
Other items	2,336	1,798
Total other operating expenses	**17,038**	**14,207**

Note 20 Personnel expenses

In thousands of euros

	2020	2019
Wages and salaries	32,140	27,126
Termination benefits	546	551
Paid leave	3,164	2,999
Social security contributions	9,312	8,990
Unemployment insurance contributions	201	200
Other	328	541
Total personnel expenses	**45,690**	**40,407**
Average number of staff	2,291	2,294

Note 21 Other expenses

In thousands of euros

	2020	2019
Interest on arrears, fines and penalties	8	43
Local taxes	83	75
Quality control	105	82
Loss on write-off of non-current assets (note 9)	495	109
Foreign exchange loss	553	0
Other items	655	-124
Total other expenses	**1,898**	**185**

Other items include mainly the costs of liability insurance, credit insurance, membership fees and inventory write-off.

Note 22 Finance income and costs

In thousands of euros

	2020	2019
Finance income		
Interest on arrears	6	4
Interest income on bank deposits	1	1
Foreign exchange gain	1,166	0
Total finance income	**1,173**	**5**
Finance costs		
Interest expense	-308	-153
Of which from bank loans	*-275*	*-130*
Of which from leases	*-10*	*-24*
Foreign exchange loss	0	-232
Other finance costs	0	-1
Total finance costs	**-308**	**-386**

Note 23 Income tax

In thousands of euros

	2020	2019
Estonia		
Current tax expense on distributions to owners		
Dividend declared (note 13)	0	1,600
Tax rate applicable to the dividend	20/80	20/80
Income tax on the dividend	0	381
Tax rate applicable to the dividend	14/86	14/86
Income tax on the dividend	0	12
Income tax of foreign subsidiaries whose profit for the year is taxable		
Lithuania		
Subsidiary's profit	2,169	449
Adjustment for tax effects of items of income/expense	-312	100
Loss underlying deferred tax	1,856	549
Applicable tax rate	15%	15%
Deferred tax expense	278	82
Tax base for current tax	384	0
Applicable tax rate	15%	15%
Current tax expense	58	0
Total income tax expense	**336**	**82**

Change in deferred tax asset

	2020	2019
Opening balance	-417	-500
Change during the year	278	82
Closing balance (note 8)	**-139**	**-417**

Deferred tax liability on investments in subsidiaries and associate in Estonia and Latvia

	2020	2019
Estonia		
Subsidiary's and associate's profit	866	1,293
Applicable tax rate	20/80	20/80
Deferred tax	173	259
Total deferred tax	**173**	**259**

Note 23 Income tax (cont.)

Latvia		
Subsidiary's profit/loss	1,290	-1,077
Applicable tax rate	20/80	20/80
Deferred tax	258	0
Total deferred tax	**258**	**0**

	2020	2019
Opening balance	259	127
Change during the year	431	131
Closing balance (note 13)	**690**	**259**

Note 24 Related party disclosures

The sole owner of AS Eesti Post is the Republic of Estonia (the state). For the purposes of these consolidated financial statements, related parties include government agencies and public institutions, partly or fully state-owned companies and associates. Key management personnel includes the members of the supervisory board and the management board and managers of the subsidiaries of AS Eesti Post. Related parties also include close family members of and entities under the control or significant influence of key management personnel.

Transactions with related parties

In thousands of euros

	2020		2019	
Related party	**Purchases**	**Sales**	**Purchases**	**Sales**
Transactions with entities where members of the supervisory and management boards have significant influence				
Purchases and sales of goods and services	950	204	433	175
Transactions with associate				
Purchases and sales of goods and services	2,052	15,354	3,277	27,676
Total transactions with related parties	**3,002**	**15,558**	**3,711**	**27,851**

As at 31 December	**2020**	**2019**
Current receivables		
Entities where members of the supervisory and management boards have significant influence	17	19
Associate (note 4)	3,134	5,049
Total current receivables from related parties	**3,151**	**5,068**
Current liabilities		
Entities where members of the supervisory and management boards have significant influence	75	18
Associate	375	537
Total current liabilities to related parties	**450**	**555**

Transactions with state-owned companies comprise services provided as part of the core business of AS Eesti Post (postal, logistics and information logistics services).

Amounts received from the Social Insurance Board include amounts for the disbursement of state pensions and family and disability benefits. The fees from the payment of benefits were 660 thousand euros in 2020 (2019: 780 thousand euros).

According to management's estimates, transactions with related parties have not resulted in doubtful receivables and therefore no allowance for impairment has been recognised.

Note 24 does not include information about regular transactions with government agencies and public institutions and party or wholly state-owned companies.

Note 24 Related party disclosures (cont.)

Remuneration provided to key management personnel

	2020	2019
Remuneration of key management personnel	1,600	1,374
Termination benefits provided to key management personnel	37	0
Total compensation to key management personnel	**1,637**	**1,374**

The remuneration of key management personnel is disclosed together with relevant tax expense. Key management personnel includes the members of the supervisory and management boards, heads of service lines and functions and the managers of subsidiaries of AS Eesti Post.

Liabilities to key management personnel

As at 31 December	2020	2019
Current liabilities to key management personnel	78	47

Members of the management boards of Group companies who are removed from office before the expiry of their term of office are entitled to termination benefits equal to their three months' remuneration. If the service contracts of the members of the management boards of Group entities were terminated before the expiry of their contracts, the Group's termination benefits liability would amount to 64 thousand euros.

Note 25 Objectives and principles of financial risk management

The Group's activities expose it to several financial risks: interest rate risk, currency risk, credit risk, liquidity risk and capital risk. The objective of financial risk management is to mitigate financial risks. The Group's interest rate, credit, liquidity and currency risks are managed by the finance department of the parent company.

Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of financial instruments will fluctuate due to changes in market interest rates. Cash flow interest rate risk arises from the Group's borrowings with a floating interest rate, which expose the Group to the risk that finance costs will increase when interest rates rise.

The Group has leases with both fixed and variable (linked to EURIBOR) interest rates. In accordance with the terms and conditions of the leases, the interest rates are reset every six months. The interest rates together with EURIBOR range from 0.69% to 1.59%. The fixed interest rate is 1.8%.

Upon the adoption of IFRS 16 on 1 January 2019 the Group recognised lease liabilities for leases previously classified as operating leases. The lease payments are discounted using the lessee's incremental borrowing rate, which is 0.69% on average.

As the Group's long-term investment loans are linked to EURIBOR, interest expense on loans is influenced by fluctuations interest rates. The average interest rate of loans is 1.32% (31 December 2019: 0.70%) plus EURIBOR. The settlement details of loans are disclosed in note 12.

A potential change in 6-month EURIBOR would not have had a significant effect on the Group's profit for the year.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's main settlement currency is the euro. Terminal dues payments between postal administrations are recorded in the IMF's Special Drawing Rights (SDR) and euros and settled in euros and US dollars. Currency risk is managed by matching currency inflows and outflows or linking contractual payments to the exchange rate of the euro.

The amounts are presented in currencies (000) in which the financial instruments are denominated

As at 31 December 2020	Total EUR	Of which USD	Of which SDR
Current and non-current receivables	49,369	2,088	13,538
Total financial assets	**49,369**	**2,088**	**13,538**
Current and non-current liabilities	98,594	2,172	28,220
Total financial liabilities	**98,594**	**2,172**	**28,220**
Net currency position	**-18,219**	**-84**	**-14,681**
Positive change in the currency position, %	0	7.54%	3.52%
Negative change in the currency position, %	0	-6.24%	-3.29%
Negative effect on profit	**-617**	-6	-517
Positive effect on profit	**578**	5	483

As at 31 December 2019	Total EUR	Of which USD	Of which SDR
Current and non-current receivables	49,993	2,544	10,595
Total financial assets	**49,993**	**2,544**	**10,595**
Current and non-current liabilities	95,921	12	24,185
Total financial liabilities	**95,921**	**12**	**24,185**
Net currency position	**-14,541**	**2,532**	**-13,590**
Positive change in the currency position, %	0	3.04%	1.83%
Negative change in the currency position, %	0	-2.73%	-1.44%
Negative effect on profit	**-231**	77	-249
Positive effect on profit	**175**	-69	196

The change in the year-end currency position shows the difference between the lowest and the highest exchange rate and the average rate for the relevant year.

Credit risk

Credit risk is the risk of incurring a loss at the reporting date due to the counterparty's failure to meet their contractual obligations. The Group is exposed to credit risks arising from business operations (mainly from trade receivables and receivables from other postal administrations) and cash and cash equivalents. The banks that the Group mainly uses for settlements and deposits have long-term credit ratings of A- to A+ from Standard & Poor's. In investing available funds, the Group follows the principles of preserving capital and ensuring liquidity.

Trade receivables are assessed in accordance with the Group's internal rules. Most of the customers are contractual customers. On signing a contract and assigning a credit limit, an individual background check is performed on each customer. The Group applies different measures to collect past due receivables: written reminders, offsetting, settlement agreements, debt collection agencies and legal proceedings.

Credit insurance is used to mitigate the credit risk of international customers. The expected credit loss is estimated using a provision matrix, which is based on historical experience with credit losses. At 31 December 2020, the Group's provision for expected credit losses amounted to 139 thousand euros (3 December 2019: 114 thousand euros).

At 31 December 2020, receivables from the central and local governments amounted to around 4,098 thousand euros (31 December 2019: 1,691 thousand euros) of trade receivables (31 December 2020: 13,199 thousand euros, 31 December 2019: 15,080 thousand euros, note 4). According to the Group's assessment, the credit risk of these receivables is minimal.

At the reporting date, 95.0% (31 December 2019: 98.0%) of trade receivables was made up of amounts not yet due.

The Group applies to all trade receivables the simplified approach allowed by IFRS 9, which allows recognising an allowance for lifetime expected credit losses (ECL). To estimate the ECL, trade receivables are grouped based on shared credit risk characteristics and the number of days past due.

Trade receivables – a provision matrix for expected credit losses

In thousands of euros

As at 31 December 2020	Not past due	Days past due 0-30	31-60	61-90	>91	TOTAL
Expected credit loss rate	0.8%	0.9%	3%	67%	100%	
Total carrying amount	12,541	700	66	3	55	**13,364**
Impairment	-100	-6	-2	-2	-55	**-165**
						13,199
As at 31 December 2019						
Expected credit loss rate	0.5%	0%	3%	67%	100%	
Total carrying amount	14,772	324	60	3	104	**15,263**
Impairment	-72	-3	-2	-2	-104	**-183**
						15,080

The following table shows movements in the allowance for lifetime expected credit losses recognised for trade receivables. The Group applies the simplified approach of IFRS 9, which allows recognising an allowance for lifetime expected credit losses for trade receivables.

Trade receivables – lifetime expected credit losses

In thousands of euros

	Credit-impaired receivables	Total
As at 31 December 2018	**-210**	**-210**
Expected lifetime credit losses in accordance with IFRS 9	-114	-114
Transfer to credit impaired	-48	-48
Amounts written off as uncollectable	8	8
Amounts recovered (previously written down/off)	181	181
As at 31 December 2019	**-183**	**-183**
Expected lifetime credit losses in accordance with IFRS 9	-25	-25
Transfer to credit impaired	-40	-40
Amounts written off as uncollectable	74	74
Amounts recovered (previously written down/off)	8	8
As at 31 December 2020	**-165**	**-165**

Other postal administrations (receivables as at 31 December 2020: 34,361 thousand euros; as at 31 December 2019: 32,152 thousand euros, note 2) do not have credit ratings. Based on management's assessment, receivables from other postal administrations have not been not classified as doubtful debt as there is no indication of impairment. Obligations between postal administrations are settled by offsetting receivables and payables. Therefore, the risk of credit loss is minimal. The decision not to write down these receivables was also supported by AS Eesti Post's historical experience.

In estimating the potential impacts of COVID-19 on expected credit losses, the Group has considered its exposure to different economic sectors and industries, especially those most seriously affected by the pandemic and the related restrictions, such as hospitality, travelling and entertainment industries but also culture, creative, arts and sports industries, except the central and local government sectors. The customer base of Eesti Post includes approximately 550 customers from such industries, with the total year-end exposure of around 160 thousand euros.

Unlike spring 2020, the Group had no COVID-19-related debt collection procedures underway at the year-end. However, in view of the continuously challenging situation of certain sectors, The Group recognised an additional ECL allowance of 52 thousand euros in addition to the regular ECL allowance.

Liquidity risk

Liquidity risk is the risk that the Group will have insufficient funds to meet its financial obligations. Conservative liquidity risk management is driven by making sure that the Group has a sufficient amount of cash and cash equivalents and the credit lines required to meet its financing needs and can close its market positions when necessary.

For more efficient cash flow management, the Group has set up a cash pooling facility (a group account) for AS Eesti Post and its subsidiaries, which enables the members of the group account to use the Group's monetary funds within the limits established by the Group. The Group mitigates liquidity risk by diversifying its sources of financing (bank loans and overdrafts) and by continuously monitoring trade receivables and supply contracts.

Management monitors the Group's cash flow forecast on an ongoing basis, to make sure that the Group has sufficient funds for conducting its operating activities and meeting its liabilities as they fall due. The forecasts are used as inputs for financial planning and monitoring compliance with contractual covenants.

Analysis of undiscounted financial liabilities (principal and future interest payments) by due dates as at 31 December 2020:

In thousands of euros

As at 31 December 2020	**Undiscounted cash flows**		**Carrying amount**	
	2021	**2022-2025**	**2021**	**2022-2025**
Bank loans (note 12)	2,890	17,123	2,646	16,758
Lease liabilities (note 10)	1,477	3,223	1,445	3,158
Trade payables (note 13)	8,319	0	8,319	0
Liabilities to other postal administrations (note 13)	45,725	7,692	45,725	7,692
Other liabilities (note 13)	2,454	0	2,454	0
Total	**60,866**	**28,039**	**60,590**	**27,608**

As at 31 December 2019	**Undiscounted cash flows**		**Carrying amount**	
	2020	**2021-2024**	**2020**	**2021-2024**
Bank loans (note 12)	2,692	12,709	2,591	12,445
Overdrafts (note 12)	2,523	0	2,523	0
Lease liabilities (note 10)	1,426	4,113	1,410	3,978
Trade payables (note 13)	7,138	0	7,138	0
Liabilities to other postal administrations (note 13)	52,406	2,633	52,406	2,633
Other liabilities (note 13)	3,309	0	3,309	0
Total	**69,494**	**19,455**	**69,377**	**19,056**

As at 31 December 2020, the Group's cash and cash equivalents totalled 26,742 thousand euros (31 December 2019: 7,946 thousand euros).

As at 31 December 2020, working capital was positive at 2,938 thousand euros (31 December 2019: negative at 19,444 thousand euros). The increase in working capital is attributable to revenue growth. By the date these financial statements are authorised for issue, a new overdraft agreement has been signed with the bank. In management's opinion, the Group has sufficient liquidity.

Capital risk

The main objective of the Group's capital risk management is to ensure the Group's ability to continue its operations in order to deliver returns for the shareholder and benefits for other stakeholder groups, and to maintain an optimal capital structure in order to reduce the cost of capital. One of the goals set by the owner is that AS Eesti Post should carry out its business operations at lower-than-average risks and with a conservative capital structure (with equity accounting for up to 30% of assets).

All the shares of AS Eesti Post are held by the state. The state makes decisions on the distribution of dividends and increasing or reducing share capital through the Ministry of Economic Affairs and Communications.

Equity to assets ratio

In thousands of euros

As at 31 December	2020	2019
Assets	134,525	122,276
Equity	35,688	26,097
Equity to assets ratio	**27%**	**21%**

Fair value

For the purposes of disclosure, the fair value of financial instruments is found by discounting future contractual cash flows at current market interest rates that are available to the Group for similar financial instruments. According to management's estimates, the carrying amounts of financial assets (note 2) and liabilities (note 2) measured at amortised cost in the consolidated statement of financial position as at 31 December 2020 and 31 December 2019 do not differ significantly from their fair values as they are due to be settled within 12 months after the reporting date. Likewise, the fair values of long-term borrowings do not differ significantly from their carrying amounts as their interest rates correspond to market interest rates. The carrying amounts of long-term terminal dues do not differ significantly from their fair values as they are presented in the statement of financial position in amount of consideration receivable or payable.

The Group has categorised non-current finance lease liabilities to level 3 in the fair value hierarchy. When all inputs required to measure fair value are observable, the instrument is categorised to levels 1 or 2; when the inputs are unobservable, the instrument is categorised to level 3.

Note 26 Contingent assets and liabilities

Contingent liabilities related to the Tax and Customs Board

Potential liabilities arising from tax audits – the tax authorities have not initiated or conducted tax audits or single case reviews at Group entities. The tax authorities have the right to audit the Group's tax records within up to 5 years after the deadline for the submission of a tax return and, if errors are detected, to charge additional tax, interest on arrears and penalty payments. According to management's estimates there are no circumstances which might cause the tax authorities to assess a significant amount of additional tax to be paid by the Group.

Contingent assets and liabilities related to universal postal service

Omniva's costs related to the performance of the universal postal service obligation exceed the revenue generated by the service. The affordable price charged for the universal postal service does not allow the service provider to cover the justified costs incurred in the performance of the service and to earn a reasonable profit.

According to management's estimates, in 2020 the loss from the provision of universal postal service was 2.7 million euros (2019: 2.4 million euros). Based on current regulations, in 2021-2025 Omniva's loss from the provision of universal service will be 16.6 million euros. The amount is management's best estimate of the expenditures required to meet the universal postal service obligations at 31 December 2020.

Note 26 Contingent assets and liabilities (cont.)

The calculations underlying the estimate are based on the activity-based costing model in use.

The Group has not recognised a provision in the consolidated financial statements because at the date the financial statements are authorised for issue the extent to which the loss will realise cannot be measured reliably.

In accordance with clauses 41^{1} (3) and (4) of the Postal Act, the loss from the provision of universal postal service will be compensated for by the Estonian Competition Authority to the extent to which the affordable price charged from users does not enable covering of the justified costs of the performance of the universal postal service obligation and earning a reasonable profit.

AS Eesti Post has submitted to the Competition Authority an application for the compensation of losses from the provision of the universal postal service in the 1st quarter of 2020 in an amount of 0.919 million euros, which the Competition Authority had not compensated as at 31 December 2020. The Competition Authority will decide on the final amount of compensation for 2020 after proceedings conducted based on audited annual data. Therefore, the compensation is treated as a contingent asset in these consolidated financial statements.

Note 27 Pledges

At 31 December 2020, the Group’s liabilities to AS SEB bank were secured with a mortgage of a property at Rukki tee 7 and 9 in Lehmja village, Rae rural municipality, to the extent of 12,000 thousand euros and the mortgage of a property at Pallasti 28/28a and 28b in Tallinn to the extent of 10,000 thousand euros and a commercial pledge of 15,000 thousand euros (31 December 2019: a mortgage of a property at Pähklimäe tee 3/5 in Lehmja village, Rae rural municipality, to the extent of 12,000 thousand euros). The mortgages and the commercial pledge secure to the Group’s loans.

Note 28 Primary financial statements of the parent

In accordance with the Estonian Accounting Act, the notes to the consolidated financial statements have to include the primary financial statements of the consolidating entity (the parent's statement of comprehensive income, statement of financial position, statement of cash flows and statement of changes in equity). The primary financial statements of the parent have been prepared using the same accounting policies as were applied in preparing the consolidated financial statements, except that investments in subsidiaries and associates have been accounted for using the cost method.

Statement of financial position

In thousands of euros

As at 31 December

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	15,417	4,644
Trade and other receivables	39,458	41,660
Receivables from subsidiaries	2,209	522
Receivables from the associate	3,053	5,049
Inventories	1,011	870
TOTAL CURRENT ASSETS	**61,147**	**52,746**
Non-current assets		
Investments in subsidiaries	7,099	6,881
Investments in the associate	1	1
Long-term receivables and lease prepayments	3,236	832
Long-term receivables from subsidiaries	412	633
Property, plant and equipment	38,093	42,229
Right-of-use assets	1,600	1,710
Intangible assets	13,841	16,170
TOTAL NON-CURRENT ASSETS	**64,282**	**68,455**
TOTAL ASSETS	**125,429**	**121,201**
LIABILITIES AND EQUITY		
Current liabilities		
Borrowings	4,074	6,502
Payables and deferred income	59,941	66,661
Liabilities to subsidiaries	655	233
Liabilities to the associate	375	537
Provisions	412	330
Total current liabilities	**65,457**	**74,263**
Non-current liabilities		
Long-term borrowings	19,916	16,406
Other long-term liabilities	7,692	2,636
Total non-current liabilities	**27,608**	**19,042**
TOTAL LIABILITIES	**93,065**	**93,305**
Equity		
Share capital	15,714	15,714
Statutory capital reserve	1,571	1,571
Retained earnings	15,078	10,611
TOTAL EQUITY	**32,364**	**27,896**
TOTAL LIABILITIES AND EQUITY	**125,429**	**121,201**

Statement of comprehensive income

In thousands of euros

	2020	2019
Revenue and other income		
Revenue	102,095	110,120
Subsidies and grants received	1,824	1,783
Other income	6,336	3,963
Total revenue and other income	**110,256**	**115,866**
Operating expenses		
Goods, raw materials, materials and services	-49,342	-67,974
Other operating expenses	-10,745	-10,493
Personnel expenses	-34,112	-34,232
Depreciation, amortisation and impairment	-10,816	-8,040
Other expenses	-1,685	-32
Total operating expenses	**-106,700**	**-120,771**
Operating profit / loss	**3,556**	**-4,904**
Finance income	1,219	55
Finance costs	-307	-384
Profit / loss before tax	**4,468**	**-5,233**
Income tax expense	0	-394
Net profit / loss for the period	**4,468**	**-5,627**
Comprehensive income / expense for the period	**4,468**	**-5,627**

Statement of cash flows

In thousands of euros

	2020	2019
Cash flows from operating activities		
Net profit / loss for the year	4,468	-5,627
Adjustments:		
Depreciation, amortisation and impairment	10,816	8,039
Loss / gain on disposal of non-current assets	54	-443
Interest received	-53	-454
Interest paid	307	152
Change in operating receivables and prepayments	73	-18,988
Change in inventories	-141	-89
Change in operating payables and deferred income	-2,370	20,079
Corporate income tax paid	0	-56
Net cash from operating activities	**13,154**	**2,613**
Cash flows from investing activities		
Paid on acquisition of non-current assets	-3,708	-10,760
Acquisition of a subsidiary	-3	0
Proceeds from sale of non-current assets	1,052	888
Repayments of loans provided	206	206
Interest received	53	454,
Net cash used in investing activities	**-2,399**	**-9,212**
Cash flows from financing activities		
Bank loans received	7,000	8,000
Repayments of loans received	-2,632	-2,460
Change in overdraft balance	-2,523	1,523
Sale and leaseback under finance leases	0	3,984
Lease payments	-1,520	-1,055
Dividends paid	0	-1,600
Interest paid	-307	-152
Net cash from financing activities	**18**	**8,240**
Net cash flow	**10,772**	**1,640**
Cash and cash equivalents at beginning of period	4,644	3,004
Change in cash and cash equivalents	10,772	1,640
Cash and cash equivalents at end period	15,417	4,644

Statement of changes in equity

In thousands of euros

	Share capital	Statutory capital reserve	Retained earnings	**Total equity**
Balance as at 31 December 2018	**15,714**	**1,571**	**17,837**	**35,123**
Dividend paid	0	0	-1,600	**-1,600**
Net loss for the year	0	0	-5,627	**-5,627**
Balance as at 31 December 2019	**15,714**	**1,571**	**10,611**	**27,896**
Carrying amount of investments in subsidiaries and the associate in the separate statement of financial position of the parent				-6,882
Value of investments in subsidiaries and the associate under the equity method				5,489
Adjusted unconsolidated equity as at 31 December 2019				**26,504**
Balance as at 31 December 2019	**15,714**	**1,571**	**10,611**	**27,896**
Dividend paid	0	0	0	**0**
Net profit for the year	0	0	4,468	**4,468**
Balance as at 31 December 2020	**15,714**	**1,571**	**15,078**	**32,364**
Carrying amount of investments in subsidiaries and the associate in the separate statement of financial position of the parent				-7,099
Value of investments in subsidiaries and the associate under the equity method				11,389
Adjusted unconsolidated equity as at 31 December 2020				**36,653**

Under the Estonian Accounting Act, adjusted unconsolidated retained earnings are the amount from which a limited company defined as *aktsiaselts* (AS) can make distributions to its shareholders.

KPMG Baltics OÜ
Narva mnt 5
Tallinn 10117
Estonia

Telephone +372 6 268 700
Fax +372 6 268 777
Internet www.kpmg.ee

INDEPENDENT AUDITOR'S REPORT

To the shareholder of AS Eesti Post

Opinion

We have audited the financial statements of AS Eesti Post (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and the notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements of the ethics standards for professional accountants (Estonia), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the management report, but does not include the consolidated financial statements and our auditors' report thereon.

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

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, 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 management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards 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' responsibilities 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 International Standards on Auditing (Estonia) 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 International Standards on Auditing (Estonia), 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 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.

Tallinn, 26 March 2021

/digitally signed/

Helen Veetamm
Certified Public Accountant, Licence No. 606

KPMG Baltics OÜ
Audit Firm Activity Licence No. 17

Profit allocation proposal

AS Eesti Post's retained earnings as at 31 December 2020 amounted to 17,015 thousand euros, including net profit for the year 2020 of 9,592 thousand euros.

The management board makes the general meeting the following profit allocation proposal regarding the retained earnings of AS Eesti Post group as at 31 December 2020:

- To retain the entire retained earnings of 17,015 thousand euros in connection with financing needs.

Statement by the management board and signatures of the members of the management board to Group annual report 2020

The management board acknowledges and confirms its responsibility for the preparation of the Group annual report and the information presented in it.

The annual report of the AS Eesti Post Group for the financial year ended 31 December 2020 consists of the management report, the consolidated financial statements, the independent auditors' report and the profit allocation proposal. The management board has prepared the management report, the consolidated financial statements and the profit allocation proposal.

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Charlie Viikberg

Member of the Management Board

/date included in the digital signature/

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Kristi Unt

Member of the Management Board

/date included in the digital signature/