AS Eesti Post

Consolidated Annual Report 2021

Beginning of financial year: 1 January 2021
End of financial year: 31 December 2021

Table of contents

Group profile and contact details

AS Eesti Post is an international group that offers postal, parcel, digital and international business services. The AS Eesti Post group consists of 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 affiliate OÜ Post11. Group operates in the Baltic countries.

At 31 December 2021, AS Eesti Post held 55.65% of the shares in AS Maksekeskus (31 December 2020: 55.65%), 100% of shares in OÜ Finbite (31 December 2020: 100%), 100% of shares in OÜ Omniva (31 December 2020: 100%), 100% of shares in UAB Omniva LT (31 December 2020: 100%), 100% of shares in SIA Omniva (31 December 2020: 100%), and 30% of shares in OÜ Post11 (31 December 2020: 30%).

AS Eesti Post is a state-owned company that operates under the Ministry of Economic Affairs and Communications.

In 2021, the Group's average number of employees was 2,408 (2020: 2,293).

Registered office:	Pallasti 28 10001 Tallinn Republic of Estonia
Registry code:	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 statements of AS Eesti Post reflect the financial position and financial performance of AS Eesti Post (the parent company), 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) (hereinafter 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). SIA Omniva and UAB Omniva LT are involved in the provision of parcel locker and courier services in the Latvian and Lithuanian markets, respectively. The core activity of OÜ Finbite is information business services (e-invoicing). AS Maksekeskus provides payment solutions for companies involved in e-commerce in the Baltics. The affiliate 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 services (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. Economic environment and key events in 2021

1.2.1. Changes in the company's activities

In 2021, the company started to redefine its strategy to move from the prior business line (postal and parcel business) view to providing a single solution to the customer. On 30 November, the supervisory board approved the company's new vision, strategic goals for 2022–2026 and key development directions, which focus on improving fast and high-quality customer service in the domestic market in the Baltics, as well as providing smart logistics solutions and automation of work processes. The aim is to become the preferred logistics partner for the whole of the Baltics within five years, operating under the Omniva brand.

The year started and continued with changes in the management and the supervisory board, which are described in detail in the relevant chapter. The transition to a structure supporting the new strategy took place in the second and third quarters of the year and entered into force on 1 October 2021. In each country, core activities are managed by CEOs. In the Estonian structure, management of the private and commercial segments was assigned to the CEO in addition to the networks, operations and logistics units. Business development, which consists of the existing technology unit and service management, which in turn is divided into three areas: parcel services, traditional postal services and international parcel and letter services, was moved to the group level. Technology management was moved from a support function to a part of the Group-wide core business and is managed on the same basis in all three countries. A key principle in the organisation of the new structure is close cooperation between channels, segments, service and technology.

1.2.2. Change of VAT on postal parcels and introduction of a new customs declaration system

A VAT change for parcels ordered from so-called third countries entered into force across the EU on 1 July 2021. Whereas previously only commercial consignments ordered from outside the EU with a value of more than €22 had to be declared and VAT was charged, all commercial consignments now have to be declared and VAT must be paid.

In order to provide customers with a simple and fast declaration service, Omniva developed an automated e-Declaration solution for the declaration of parcels that are not subject to customs duties (less than €150). Together with the Estonian Tax and Customs Board, Omniva informed its customers in detail about the tax change and the various possibilities of filing a tax return. Encouraging customers to continue with orders was an important aspect. The service has been well received and actively used by customers.

The value of 90-95% of parcels sent from outside the EU is less than €22, so the change affected a large number of parcel customers who had not previously had to declare their parcels due to their low value. A decline in the volume of inbound international parcels could already be seen at the end of the second quarter, due to the fact that goods were ordered earlier and the desire to receive them before 1 July, as well as the non-placement of orders to avoid declaration.

In July, volumes of parcels from third countries fell by nearly 40% compared to peak volumes in May due to the tax reform. The decrease in the number of parcels was further influenced by the fact that AliExpress started to bundle parcels going to the same recipient into a single shipment. The positive side of the change is that it will reduce the environmental footprint of shipments, both in terms of transport and packaging.

Volumes started to recover slightly in August, with around 20% more shipments than in July. This was promoted by the fact that most of the major shopping platforms (AliExpress, eBay, Wish, Joom) and e-shops started collecting VAT on orders below €150 at the time of the transaction (IOSS). In this case, the logistics company can carry out the declaration activities on behalf of the customer when the parcel arrives in the EU, and the goods usually reach the customer without any additional action.

As VAT collection has become easier and consumers can receive their shipments without having to declare them themselves, international volumes are expected to continue their gradual recovery.

1.2.3. Continuing impact of the coronavirus on the economy: growing e-commerce and parcel volumes

The entirety of 2021 was considerably affected by the spread of the COVID-19 coronavirus and the restrictions put in place to prevent it in Estonia, Latvia and Lithuania. Therefore, providing its employees (post carriers, couriers, post office customer service staff, etc.) with personal protective equipment and providing services in accordance with the restrictions and conditions in force to prevent the spread of COVID-19 remained an important activity for the company.

The restrictions boosted e-commerce orders significantly and increased Omniva’s volumes across the Baltics at the beginning of the year. As a result, the use of parcel terminals as an outdoor contactless channel continued to grow. Omniva continues to have a significant competitive advantage in that its parcel machines are located outdoors and can be used with gloves, and support contactless payments. Omniva also has the largest network of parcel terminals, which means that the terminals are closest to the customer.

In order to serve customers better and faster, the “multiple parcels in one locker” solution was introduced in November. This meant that the parcels of a customer who had ordered several parcels were placed in the same locker at the parcel terminal. The more convenient and faster service was immediately taken in full use and received positive feedback during the very busy end of year period, supporting high quality service across Estonia.

The network of parcel terminals was expanded to enhance the quality of parcel services provided to customers. In December, Omniva’s network of parcel terminals expanded to 11 counties in Estonia, and new parcel terminals will be added in Latvia and Lithuania. After that, the company has 286 parcel terminals across Estonia and a total of 926 parcel terminals in the Baltics. The name of Eesti Post is used by 265 post offices and 1470 post office boxes. The network will continue to expand throughout the Baltic States, especially in rural areas of Estonia in cooperation with local authorities.

The corona situation had a significant impact on parcel volumes during the end-of-year peak period. In the third quarter, the Group started to prepare for the global and domestic sales that take place before the end of the year, which boosts volumes every year even under normal circumstances, and to cater for peak volumes during the Christmas period. Thorough preparation, previous experience and the willingness of the customers to cooperate also contributed to the very successful delivery of the services during the sales and the Christmas period.

1.2.4. Universal postal service and philately

Important preparatory work was carried out for the drafting of the new Postal Act in 2021, including an audit by the National Audit Office and discussions on the main changes needed. New requirements for access points to the universal postal service were also developed to allow the use of automated solutions and personalised postal services, in addition to post offices and postal points. The new regulation, signed by the Minister in January 2022, will create more flexibility for the development of the postal network. The exact layout of the postal network service points will be developed and implemented during 2022 in cooperation with local authorities.

The volume of universal postal service transactions continued to decline in 2021 and we expect the decline to continue in the coming years as well.

During the year, 26 postage stamps were issued to commemorate notable events and individuals in our country and society. On 20 August, Eesti Post issued a postal stationery consisting of a postcard and a printed stamp dedicated to the 30th anniversary of the restoration of independence of the Republic of Estonia. A postage stamp block was issued on 29 December to celebrate the Olympic victory of the Estonian national women's fencing team at the Tokyo Olympics, along with the traditional first-day envelope and information card.

Opportunities to popularise the stamp through innovation and experimentation with new materials will continue to be explored. For its 100th anniversary, the Estonian Football Association received a postage stamp made of real football material. The postage stamp of the Järvselja Training and Experimental Forest District was printed on a wooden leaf or veneer. As a special postage stamp solution, poppy seeds were added to the postage stamp depicting a poppy, so that the joy of collecting could be prolonged by planting the seeds on the stamp.

In order to popularise philately and sending letters more generally, Omniva organised a spring poll to find out what people would like to see on the Good Estonian Things stamp, and the ten most popular ideas were put to a public vote. The people voted for the village swing, which was put on a Good Estonian Things stamp designed by artist Indrek Ilves and issued in August.

As a development in the area of philately, the company continued offering the possibility of setting up standing orders for philatelic items in its e-shop. The standing order allows all new philatelic products to be automatically delivered to the mailbox of Estonian postage stamp enthusiasts living in Estonia and abroad.

1.2.5. Information business

Information business services are provided by the Group's subsidiary OÜ Finbite, which had a successful year. Keir Veskiväli, who has international start-up experience, joined Finbite's management board in May.

The use of the service was stable, with increased interest from businesses in e-invoicing services, which can be attributed to the continued use of home offices by many businesses. Among the most important procurements won by Finbite is the e-invoicing procurement of the City of Tallinn for the next 5 years.

In fintech, technological development is important for providing customers with a convenient and simple service. To this end, Finbite developed an app where customers can submit their expense reports quickly and easily. The new solution has been actively used by customers and has received positive feedback.

Finbite continued to develop its services in order to ensure a better user experience and to provide a more convenient service to its customers. A new functionality that allows the use of bulk invoice confirmation was prepared.

1.2.6. International business

Turnover in 2021 was significantly better than expected, thanks to a strong start to the year. In addition to the existing directions, Finland and Moldova were added in 2021 as important new destinations. In the third quarter, new tracked shipments were added to the Baltics as a new service. The opening of the Kaunas sorting centre in the second quarter contributed to cost savings and improved profitability for 2021. The successful implementation of the third-quarter customs duty change also contributed to the achievement of the annual targets for international business.

1.2.7. Recognitions and awards

Similar to the gold level of corporate social responsibility (CSR) achieved in Estonia in 2020, Omniva Latvia was awarded the gold quality label for CSR in 2021. The gold label means that the company is a role model and a benchmark for CSR. A company with a gold label has systematically embedded CSR principles into its core business activities and demonstrates initiative, systematic and consistent commitment to responsible behaviour within its organisation, supply chain and wider society.

The Baltic Brand Forum revealed the most loved brands in the Baltics, with Omniva coming third behind Swedbank and Maxima. In Latvia, Omniva continued to be the most preferred brand in the logistics sector. For the first time, CSR played an important role in the selection of the favourite Baltic brand. Omniva's position shows that its activities in this area in Estonia, Latvia and Lithuania have been well received by customers.

2. Marketplace

In 2021 and 2022, the global COVID-19 crisis is an important factor in the Group's economic environment, in addition to the usual factors. According to the forecast of the Ministry of Finance[1], the lack of local restrictions, the resilience of neighbouring economies and the support measures taken by the state have helped the Estonian economy as a whole to weather the crisis well. National restrictions on economic activity and the movement of people in Estonia were also among the most lenient in the EU.

Economic activity started to recover in the second half of 2021, with the easing of restrictions and rising external demand. According to the forecast of the Ministry of Finance, GDP growth will remain uneven in the coming periods, relying heavily on growth in manufacturing and ICT. GDP growth in 2022 will be high, but it will be driven by exporting industry and services, in particular logistics and tourism-dependent branches. Improving confidence is underpinning consumption and investment activity, which is accelerating growth in trade, construction and other sectors geared to the internal market. The economic growth is forecast for 2022 is 4%, falling to 3.2% in 2023. The restrictions imposed to prevent the spread of the COVID-19 virus boosted orders in e-commerce significantly, and changing consumer behaviour will keep the number of e-commerce orders high even after the restrictions are lifted.

According to Eesti Pank, household deposits have increased significantly since the beginning of the emergency, which can be seen as a windfall saving as consumption has been limited. The recovery of consumption opportunities will lead to an increase in the use of savings accumulated during the crisis and in household spending.

Real GDP growth, %	2020	2021 fc	**2022 fc**	2023 fc
Estonia	-3.0%	9.0%	**4.0%**	3.2%
Latvia	-3.6%	4.7%	**4.7%**	3.5%
Lithuania	-0.1%	5.0%	**3.3%**	3.4%

Inflation, %	2020	2021 fc	**2022 fc**	2023 fc
Estonia	-0.4%	4.1%	**3.6%**	2.4%
Latvia	0.2%	3.1%	**4.5%**	2.4%
Lithuania	1.2%	4.4%	**4.4%**	2.5%

Unemployment rate, %	2020	2021 fc	**2022 fc**	2023 fc
Estonia	6.9%	6.4%	**5.8%**	5.4%
Latvia	8.1%	7.4%	**6.6%**	6.0%
Lithuania	8.5%	7.0%	**6.5%**	6.3%

Real gross salary growth, %	2020	2021 fc	**2022 fc**	2023 fc
Estonia	2.9%	5.8%	**6.5%**	6.3%
Latvia	6.2%	9.0%	**8.0%**	8.0%
Lithuania	10.1%	11.0%	**8.4%**	7.0%

Source: Swedbank Economic Outlook, Nov. 2021

The labour market has shown flexibility in the crisis, reflected in a rapid rise in unemployment, while average wage growth has slowed only temporarily. As the economy and borders open up, unemployment in Estonia will start to fall but will not reach its pre-crisis low of 4% before 2025. Rapidly rising unemployment has had little impact on wage growth. This is partly because activities with higher wages have been less affected by the crisis. The majority of workers who have lost their jobs in the last year are those on average and below average wages. Average gross wages will increase by more than 5% a year in the coming years, and in a scenario of strong growth, wage growth could temporarily accelerate to almost 7%[2].

[1] Spring Economic Forecast 2021 of the Ministry of Finance.
[2] Estonian Economy and Monetary Policy 2/2021 – Eesti Pank

3. Economic activities of the Group in 2021

3.1. Financial and efficiency indicators

Consolidated income statement	2021	2020
million euros		
Sales revenue	**144.3**	**131.5**
incl. universal postal service	16.5	16.4
Operating profit	**16.0**	**9.5**
Profit before income tax	14.8	10.4
Net profit	**13.8**	**9.6**
incl. profit from universal postal service	-1.8	-2.7

Balance sheet	31.12.2021	31.12.2020
million euros		
Current assets	**77.4**	73.5
Fixed assets	**63.6**	61.0
Total assets	**141.1**	134.5
Current liabilities	**67.6**	70.5
Long-term liabilities	**26.4**	28.3
Equity	**47.1**	35.7

Average number of employees	**2,408**	2,293

Ratios	2021	2020
ROE	33.3%	30.9%
ROA	10.0%	7.5%
Operating profit margin	11.1%	7.2%
Net profit margin	9.5%	7.3%
Net profit per share	8.3	5.7
Net profit per employee (euro)	5,717	4,184
Current ratio	1.1	1.0
Liquidity level	0.44	0.38
Debt-to-equity ratio	53.3%	67.3%
Capitalisation ratio	35.9%	44.2%
Equity ratio	33.4%	26.5%

DESCRIPTION OF FORMULAS USED

Average number of employees – full-time equivalent of the average number of employees

Return on equity (ROE) = net profit / average equity

Return on assets (ROA) = net profit / average assets

Operating margin = operating profit / revenue

Net margin = net profit / revenue

Earnings per share = net profit belonging to the owners of the parent company / weighted average number of ordinary shares of the period

Net profit per employee = net profit / average number of employees

Current ratio = current assets / current liabilities

Liquidity level = cash / current liabilities

Debt-to-equity ratio = interest-bearing liabilities / equity capital

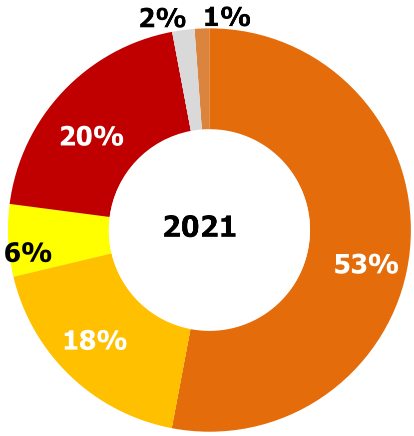
Capitalisation ratio = long-term liabilities / (long-term liabilities + equity capital)
Equity ratio = equity capital / (equity capital + liabilities)

3.2. Revenue

The Group's operating revenue increased by 9.7% in 2021 compared to 2020. In 2021, operating revenue amounted to €149.1 million, of which sales revenue accounted for 97%, or €144.3 million, operating revenue totalled €4.4 million.

Parcel services have grown to become the largest group of services in terms of revenue, accounting for 53% of total operating revenue (48% in 2020). Revenues from postal services and international business services account for 18% and 20% of the Group's operating revenue, respectively. According to the location of customers, 49% of revenue is from Estonian customers (56% in 2020), followed by 16% from Chinese customers (15% in 2020). The third and fourth place are held by the home market countries Lithuania 13% (11% in 2020) and Latvia 10% (9% in 2020).

Total operating revenue: €148.7 million



Division of revenue by services

- Parcel services 53% (48% in 2020)
- Postal services 18% (21% in 2020)
- Digital services 6% (5% in 2020)
- International business services 20% (23% in 2020)
- Grants received 2% (1% in 2020)
- Other operating revenue 1% (2% in 2020)

3.2.1. Parcel services

Parcel services include:

a) courier services (including courier B2B, courier B2C, international courier);
b) parcel terminal services;
c) domestic parcel service;
d) incoming and outgoing international parcels (including maxi letters);
e) customs services and other logistics services.

The Group's parcel services revenue increased by 22% to €78.5 million in 2021 (up by €14.0 million). Revenue from parcel terminal services grew the most, reaching €47.8 million (€35.2 million in 2020), and its share in parcel service revenue increased to 61% (54% in 2020). Revenues from parcel terminal services grew in all three countries, including Latvia, where revenues from parcel services increased by 47% to €18.0 million, and Lithuania, where revenues increased by 40% to €25.5 million. The Group's estimated market share of the volume of Baltic parcel terminals is 31%.

3.2.2. Traditional postal services

Postal services include:

a) international and domestic letter service (including universal postal service and business letter service);
b) periodical services (ordering and delivery of periodicals);
c) direct mail services (delivery of addressed and unaddressed ads);
d) financial services (including delivery of pensions and benefits, money transfer, authentication services);
e) sales of goods at post offices;

f) print services and other postal services.

Postal revenue of €27.1 million was down by nearly 4%, or €1.2 million, compared to the previous year. Most of the decline in revenues from traditional postal services is due to a reduction in the volume of services. Sending letters on paper, having periodicals delivered home and making postal money transfers are all services for which the need has decreased year on year. The exception is direct mail services, where volumes are more dependent on market trends and one-off events such as the elections, which had a positive impact on volumes and revenues in 2021.

3.2.3. Digital services

Digital services include payment solutions and information business services. Various payment solutions such as bank links, payment initiation service, etc. are offered by AS Maksekeskus. Revenue from payment solutions grew by 24% year-on-year to €5.9 million.

Information business services include the receipt of purchase and sales invoices both electronically and on paper, invoice management and issue of invoices electronically. The information business services have been provided by OÜ Finbite since the end of 2020.

Revenue from information business services grew by 22% year-on-year to €3.1 million. Most of the revenue from information business services is generated in Estonia, but information business services have also been provided in Latvia since 2014 and in Lithuania since 2016.

3.2.4. International business

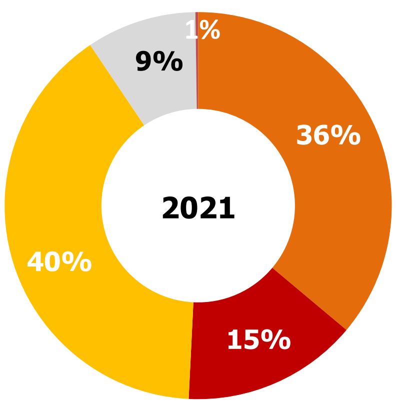
International Business is a business line that focuses on servicing international e-commerce shipments. While the country of dispatch or destination for the Group's parcel business services is the Baltics (the Group's home market), the main country of dispatch for international business shipments is China and the countries of destination are different European countries. The service of shipments is provided by AS Eesti Post itself as well as in cooperation with its affiliated company OÜ Post11. The international business line started serving customers in 2015.

The market for international e-commerce parcel services is characterised by intense competition from global logistics companies, national postal operators and others. In 2021, the revenue from international business services accounted for 20% of the Group's operating revenue, amounting to €29.7 million. The revenue for 2021 was as expected, although 5% lower compared to 2020. Revenue fell due to the tax changes implemented in the summer and lower volumes from China in the second half of the year.

3.3. Expenses

The Group's total operating expenses for 2021 amounted to €132.7 million, an increase of 5% (€6.6 million) compared to 2020. Costs of goods, raw materials, supplies and services decreased the most, by 4% (€2.2 million), while labour costs increased the most, by 16% (€7.1 million).

Total operating expenses: €132.7 million



Division of operating expenses

- Goods, raw materials and services 36% (40% in 2020)
- Other operating expenses 15% (14% in 2020)
- Staff costs 40% (36% in 2020)
- Depreciation and impairment of fixed assets 9% (9% in 2020)
- Other operating expenses <1% (2% in 2020)

Goods, raw materials and services

This group includes the costs related to the acquisition of goods, transport costs including international transport, international terminal dues, outsourcing costs, fuel, production materials and commissions. Total expenses in 2021 amounted to €47.9 million, down 4% or €2.2 million compared to 2020. The cost group was significantly affected in 2021 by a 5% year-on-year decline in international business sales.

Other operating expenses

Other operating costs include building utilities and management, car-related costs, marketing costs, training costs, maintenance of IT hardware and software and other administrative costs. Total expenses in 2021 amounted to €19.5 million, down 14% or €2.4 million compared to 2020.

Staff costs

The Group's staff costs amounted to €52.8 million in 2021, which is 16% higher than in 2020, or €7.1 million higher. Staff costs accounted for 40% of the Group's operating costs in 2021 (36% in 2020). The increase in staff costs is driven by wage increases that came into force in 2021. In 2021, the average number of employees was 2,408. The average number of employees has increased by 115 employees.

Depreciation and impairment of fixed assets

Total costs related to the depreciation and impairment of fixed assets amounted to €12.2 million in 2021, an increase of 8% or €0.9 million compared to 2020. Costs were boosted by software depreciation costs related to various new IT developments and the impact of the accounting policy review.

Other operating expenses

Other operating expenses include costs related to quality control, membership fees for associations and unions, write-downs of goods, write-offs of fixed assets and foreign exchange gains/losses. In 2021, other operating expenses totalled €0.7 million, a decrease of €1.2 million compared to the previous year.

3.4. Seasonality of business activities

The Group's economic activities are characterised by a significant growth in revenue in the last quarter of the year and lower than average results in the summer period.

The increase in activity at the end of the year is related to Christmas preparations, increasing use of the parcel and postal services. International business revenue also increases in November and December. The drop in income during the summer period is related to the high proportion of holidays and people's low level of activity in online retail during this period.

3.5. Group development and investment activities

In 2021, the Group's total investments amounted to €12.6 million (€6.1 million in 2020), of which investments made by the parent company amounted to €5.7 million (€5.0 million in 2020). Major investments were made in the acquisition of new parcel terminals and the expansion of existing ones in all three countries, as well as in the renewal of the car fleet and the development of an automated e-declaration solution.

3.6. Dividend

In 2021, the parent company paid dividends in the net amount of €2.4 million, plus income tax in the amount of €0.3 million. The parent company did not pay dividends in 2020.

4. Plans for 2022

The action plan for 2022 was prepared on the basis of the strategy of AS Eesti Post, which sets out the vision of the Group:

- By 2026, we will be the most preferred logistics partner, providing a customer-centric service with commitment and responsibility.

As in previous years, the preconditions of budgeting are:

- continued growth in parcel volumes and revenues;
- reduced demand for traditional postal services;
- continued adaptation of retail and distribution networks, including parcel terminals, to changing demand and finding new business opportunities to better implement networks.

The Group's key objectives are profit, customer satisfaction and employee satisfaction. The objectives are agreed on the Group's balanced scorecard.

The Group has completed a new strategy for 2022–2026, which states that Omniva will put customers at the heart of its business. By creating substantial value for our customers, we can achieve the return target the owner expects.

When designing new services, we must meet our customers' higher expectations in terms of proximity, speed, punctuality, simplicity and environmental responsibility.

In 2022, the expansion of the network of parcel terminals across the Baltics will be significantly accelerated. In Estonia, there are also plans to increase investment in modernising the office network, continuing to offer both parcel and letter services through a manned channel as well. Cooperation with local authorities will be significantly increased.

Another key priority for 2022 is to increase automation. To this end, new logistics hubs will be developed and, where possible, launched in Lithuania and Latvia. In Estonia, there are plans to improve automation as well as the uptake of environmentally friendly solutions in logistics rounds.

The third key priority will be to continue to increase investment in IT, providing a better digital channel experience and creating a more convenient self-service environment for customers.

Omniva will continue to introduce environmentally sustainable solutions, both in the transport of shipments and in the renovation of office buildings.

5. Performance and quality management in the Group

A quality and performance management system has been implemented in the parent company, AS Eesti Post and in its Latvian and Lithuanian subsidiaries.

In 2021, annual balanced scorecards were prepared for AS Eesti Post, the divisions, units and departments, reflecting financial, customer and employee targets, as well as strategic focus projects for the whole Group. The achievement of the objectives and implementation of strategic projects is monitored on a monthly basis, both in financial terms and through reports on the quality of services and service delivery, which allows us to react quickly to changes in the organisation and the market.

6. Subsidiaries

6.1. SIA Omniva

SIA Omniva (formerly known as SIA Post24) was founded on 23 March 2012. The company offers parcel terminal and courier services in Latvia.

In 2021, the company's turnover grew by 47% in total, driven by a significant increase in its parcel terminal service, which grew by 45% year-on-year. In 2021, the network of parcel terminals continued to expand. There are 291 parcel terminals in Latvia as a result of the expansion in 2021. Volumes are expected to increase in 2022, but not as much as in 2021. The average number of employees in 2021 was 237.

6.2. UAB Omniva LT

UAB Unipakas was established on 2 November 2005. Eesti Post acquired a 100% holding in the company in 2012. The company's business name since April 2014 is UAB Omniva LT. The company offers parcel terminal and courier services in Lithuania.

In 2021, the turnover grew by 39% in total, driven by a significant increase in its parcel terminal service, which grew by +44% year-on-year. There are 349 parcel terminals in Lithuania as a result of the expansion in 2021. Volumes are expected to increase in 2022, but not as much as in 2021. The average number of the company's employees in 2021 was 384.

6.3. OÜ Finbite

OÜ Finbite was founded on 16 October 2020. Since then, the earlier Omniva Invoice Centre operates under the Finbite Invoice Centre trademark. Providing a range of invoicing solutions to its customers for over 10 years, the invoice centre's capabilities include purchase and sales invoice solutions, digitisation, e-invoicing, e-expense receipts and a digital archive.

OÜ Finbite's sales revenue in 2021 amounted to €3.1 million. The main focus in 2022 will stay on increasing volumes and goodwill. The average number of employees in 2021 was 21.

6.4. AS Maksekeskus

AS Maksekeskus was founded on 17 April 2012 in order to provide safe and convenient payment solutions and e-commerce services to e-merchants and their clients. AS Eesti Post holds a 55.65% stake in the company in order to increase the value added offered to e-merchant customers, combining logistics and payment solutions.

In 2021, the company experienced exceptional growth in the coronavirus emergency. The company's revenue grew by 26% compared to 2020. The average number of the company's employees in 2021 was 18.

7. Corporate governance report

AS Eesti Post is a state-owned company and as such, complies with the Estonian Corporate Governance Code (CGC) consistent with clause 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 shares of AS Eesti Post are 100% held by the Republic of Estonia. Therefore, the company complies with CGC with some exceptions, which are explained along with the reasons for non-compliance. The CGC that are not complied with are specified below and mainly concern the conduct of the general meeting, the election of the members of the supervisory board and the disclosure of information, the primary goal of which is to ensure equal treatment of shareholders. As the Republic of Estonia is the sole holder of the company's shares, the shareholder's interests are protected by the principles set out in the State Assets Act.

In addition to the CGC, the management of AS Eesti Post Group is based on the Commercial Code (CC), other legislation, the owner's expectations for the group and the Articles of Association of the company.

7.1. General meeting

The Republic of Estonia was the sole shareholder of AS Eesti Post in 2021, so there is no need to explain the principle of the CGC – to ensure equal treatment of shareholders – in this report.

Therefore, AS Eesti Post does not issue notices calling the general meeting or make the information related to the general meeting available on the website of the public limited company at the same time when it is sent to the shareholder (articles 1.2.1 and 1.2.3 of the CGC). The proposals of the supervisory board or the shareholder concerning the issues on the agenda are not published on the website of the public limited company (article 1.2.4 of the CGC).

As the public limited company has only one shareholder, the specifications provided for in the Commercial Code (§ 305) are generally used for the general meeting of the private limited company. At least the chairman of the management board and the chairman of the supervisory board also attend the annual general meeting of shareholders. The auditor does not normally attend the general meeting, as they participate in the audit committee's discussion on the approval of the annual report. The candidate for a member of the supervisory board and the candidate for an auditor do not attend the general meeting (article 1.3.2 of the CGC), as the election of the supervisory board member is based on the motivated proposal of the nomination committee by the sole shareholder and the election of the auditor is based on the proposal of the supervisory board, which is based on the results of the procurement.

As a public limited company only has one shareholder, the public limited company does not attend the general meeting by means of communication (article 1.3.3 of the CGC).

Pursuant to Directive 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 and venue of the meeting are agreed with the representative of the sole shareholder that is the Minister of Entrepreneurship and Information Technology. The working language of the general meeting is Estonian.

In order to avoid conflicts of interest and prevent corruption of employees, 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.

7.2. Supervisory board

The supervisory board issues guidelines for the management board of the Group and supervises the activities of the Group's management board. The supervisory board regularly reviews and evaluates the Group's strategy, operating activities, risk management, 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 and in the interests of the Group and the shareholder.

The work of the supervisory board is organised by the chairman of the supervisory board. The chairman of the supervisory board sets the agenda for supervisory board meetings, chairs the meetings, observes the efficiency of the work of the supervisory board, organises the communication of data to members of the supervisory board, ensures that the supervisory board has enough time for preparing resolutions and examining data and represents the supervisory board in communication with the management board of AS Eesti Post. In order to organise the work of the supervisory board, the general meeting has established a work procedure for the supervisory board.

The main form of work of the supervisory board is a meeting. In accordance with the articles of association, the meetings of the supervisory board are held when necessary but no less frequently than once every three months. In 2021, there were 14 meetings of the supervisory board and six occasions when matters were handled in writing. Notices of supervisory board meetings and the relevant documents are usually sent to board members one week in advance.

7.3. Composition and remuneration of the supervisory board

On 22 February 2021, the sole shareholder recalled Sten Soosaar, Chairman of the Supervisory Board of Eesti Post, on the proposal of the Nomination Committee. Vice-Chairman of the Supervisory Board Mari Avarmaa became the Interim Chairman of the Supervisory Board of Eesti Post. On 12 March 2021, the Minister of Entrepreneurship and Information Technology as the representative of the sole shareholder, acting on a proposal from the Nomination Committee, elected Helo Meigas as a new member of the supervisory board of AS Eesti Post and she was elected the chairman of the supervisory board thereafter.

On 20 May 2021, the sole shareholder, acting on the proposal of the Nomination Committee, recalled supervisory board members Regina Raukas and Raivo Uukkivi and elected Martti Kuldma and Rasmus Ruuda as members of the supervisory board.

Pursuant to the articles of association of the company, a person whose wrongful acts or omissions have caused damage to the legal entity is not elected a member of a management body, has resulted in the bankruptcy of the entity or the revocation of an authorisation granted to a legal entity, who has a prohibition on business, who has been punished for a criminal offence relating to an economic or professional offence or a criminal offence against property or who has significant business interests related to the company.

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 per month and the remuneration of a member of the supervisory board is €600 per month. Remuneration is paid to the members of the supervisory board once a month. The total staff costs of the members of the supervisory board (salaries including social taxes) amounted to €75 thousand in 2021 (€72 thousand in 2020). No severance pay or other additional remuneration is paid to the members of the supervisory board of AS Eesti Post, except for the remuneration for participation in the Audit Committee as set out in point 7.5. above. The remuneration paid to each member of the supervisory board during the financial year is disclosed on the company's website in the overview of the supervisory board's activities.

7.4. Conflict of interest

Members of the supervisory board avoid conflicts of interest, do not use the business offers made to the company for personal gain and act in the best interests of the Group and the state of Estonia as the owner. Members of the supervisory board are required to strictly adhere to the non-compete obligation and not engage in business activities in the same field of activity as the company.

7.5. Audit committee

The members of the Audit Committee are elected and recalled by the supervisory board. The Committee must have at least two members, who are appointed for a three-year term. At least two members must be experts in accounting, finance or law. The membership of the Committee as a whole must have competence in the field in which the audited entity operates.

Due to the changes in the composition of the supervisory board, the supervisory board decided on 27 May 2021 to recall Mario Lambing (chairman) and Regina Raukas from the Audit Committee and to appoint Helo Meigas and Kalle Viks as members of the Audit Committee. At its meeting on 11 June 2021, the Audit Committee elected Kalle Viks as Chairman. The third member of the Audit Committee is Madis Laansalu.

The Audit Committee plays an important role in improving transparency and enhancing governance, risk management and internal control. The Committee is an advisory body to the supervisory board in the areas of accounting, auditing, risk management, internal control and audit, monitoring and budgeting, and the legality of operations. The Audit Committee also monitors the independence of the external auditor, the effectiveness of the audit process and compliance with relevant standards and laws. A total of twelve Audit Committee meetings were held in 2021.

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 Resolution 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 that amounts to 25% of the remuneration of the supervisory board member and assigned the chairman of the Audit Committee a remuneration that is 50% more than the aforementioned remuneration. Pursuant to Resolution No 1.1-2/0012 of 15 December 2017, the supervisory board assigned the members of the audit committee who are not on the supervisory board a remuneration of €400 and €200, respectively. Additional remuneration is paid for the month when the meeting of the Audit Committee is held when the member attended the meeting of the Audit Committee.

7.6. 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 one to five members. A member of the management board is elected by the supervisory board for up to five years.

The management board started 2021 with three members. By a resolution of 6 January 2021, the supervisory board recalled members of the management board Kaida Kauler and Andre Veskimeister as of 16 January and appointed Kristi Unt as a member of the management board as of 9 January by a resolution of 7 January. Charlie Viikberg continued to serve on the management board and it continued with two members. In April, the supervisory board of AS Eesti Post elected Mart Mägi as the new Chairman of the Management Board, who took office on 10 May. The contract of the chairman of the management board has been entered into for five years. At the end of August, the supervisory board of AS Eesti Post accepted the resignation of Charlie Viikberg, member of the management board and Head of Finance, with effect from 28 August. Heiki Raadik took up his duties as the new Head of Finance and member of the management board on 1 December.

91 meetings of the management board were held in 2021, the total staff costs of the members of the management board (remuneration and social tax) amounted to €450 thousand, no performance bonus was paid in 2021 due to the change of the members of the management board (in 2020: €445 thousand, no performance bonus was paid). The basic salary and performance pay paid to each member of the management board during the financial year is disclosed on the company's website in the overview of the management board's activities. The company does not disclose the bonus schemes or their important features, but they are available to the sole shareholder (article 2.2.7 of the CGC).

7.7. Conflicts of interest

Members of the management board do not make decisions based on their personal interests and do not use the business offers directed at AS Eesti Post in their personal interests. A member of the management board notifies the supervisory board and other members of the management board of any conflicts of interest prior to the conclusion of their contract and without delay upon its subsequent occurrence. A member of the management board promptly informs other members of the management board and the chairman of the supervisory board of any business offers related to the Group's economic activities directed at the member of the management board, their relatives or other related persons.

The avoidance of conflicts of interest of the members of the management board is ensured by the principles set out in the contract of the management board member. In order to ensure independence, transactions with related parties are declared at the time of the approval and audit of the annual report. In order 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 members of the management board or employees of the company do not demand or accept money from third parties or any other benefits for personal purposes in connection with their work or grant to third parties any unlawful or unreasonable advantages on behalf of the company. Guidance is available in the internal regulations of AS Eesti Post.

7.8. 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 guidelines provided by 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 forwards data, including financial reports, to the supervisory board in sufficient time prior to supervisory board meetings. At the request of the supervisory board, a member of the management board provides the supervisory board with oral or written information regarding the activities of the management board and the company and provides the supervisory board access to any information concerning the management board and the activities of 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.

7.9. Disclosure of information

AS Eesti Post discloses information about its shareholder, 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 and quarterly results, procurement plans and other relevant information that the Group chooses or is required to disclose by law.

As the state is the sole shareholder of the public limited company, the information to be disclosed on the website in accordance with the State Assets Act is mostly in Estonian only. The public limited company does not disclose on its website the dates of disclosure of the information to be disclosed (financial calendar) (article 5.2 of the CGC).

7.10. 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 (article 6.1.1 of the CGC).

AS Eesti Post elects an external auditor following the procurement procedure and ensuring the best possible value for money for the auditing services. Tenders are only requested from companies that offer services of internationally recognised quality. The Audit Committee participates in the election of an external auditor.

The auditor of AS Eesti Post for the financial year 2021 is audit firm KPMG Baltics OÜ. The external auditor verified the business interests of the members of the supervisory and management boards of AS Eesti Post within the framework of preparing the annual report and submitted an overview of the results of the audit to the sole shareholder. The activities of the external auditor are overseen by the audit committee pursuant to the Auditors Activities Act.

8. 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 to Omniva to organise its operations in an environmentally friendly way and to contribute to global sustainable development.

Omniva's traditional charity campaign "Let's Find Teddy a New Home" helped to find happy new owners for toys that were donated by people. Many children receive new toys as presents for Christmas and Omniva, in partnership with charities, helps deliver the toys they have outgrown to new homes. Nearly 2,000 families and a number of reputable companies from all over Estonia joined the campaign and shared the appeal with their employees and organised a toy collection in their company.

In order for your toy to reach the right child, Omniva has joined forces with the organisations MTÜ Naerata Ometi, the Estonian Association of Large Families, MTÜ Aarete Laegas and Toidupank. The toy collection campaign took place for the third time in 2021.

Environmentally friendly delivery is important to Omniva, and in order to find new solutions in this area, the group has started a pilot project together with Estonian company Vok Bikes to test mail delivery in Tallinn's Old Town using innovative electric cargo bikes. The electric cargo bike is particularly effective on low-mileage delivery rounds with frequent stops, as it is convenient for the courier to get on and off the bike. There is potential for the electric cargo bikes to work comfortably in densely populated areas with restricted space and limited access for cars.

During the second quarter, the company urged communities to review the condition of their mailboxes and, if necessary, install a new group mailbox. To this end, Eesti Post distributed a limited number of free group mailboxes to communities. The installation of new group mailboxes has become a popular annual activity. A group mailbox ensures that the mail carrier has year-round access and thus the local residents are ensured year-round postal service. It also helps to save on delivery costs and the environment.

In October, Omniva contributed to a charity event inviting children's educational institutions across Estonia to grow pumpkins for the animals at the zoo. Omniva delivered seven tonnes of pumpkins to the zoo free of charge from all across Estonia.

An important CSR activity during the year was the provision of personal protective equipment to staff to ensure the health protection of both staff and customers. As a large part of the company's employees cannot work remotely due to their jobs, and as the customer service staff at post offices, mail carriers and couriers are in direct contact with customers, all measures to stop the virus have been a high priority for the company since spring 2020, when the virus started to spread widely in Estonia and around the world.

The focus was on informing staff about the possibilities of vaccination against COVID-19 and organising vaccinations. Through these actions, Omniva is helping to protect both staff and customers. On the positive side, the vaccination rate of Omniva's employees is on average higher than in society as a whole.

9. 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 a 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.

The Group has established channels for reporting misconduct within the scope of the prevention of corruption.

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

10. Amendments to the Articles of Association and regulatory changes

There were no significant changes in the regulatory environment. The Articles of Association were not amended in 2021.

CONSOLIDATED FINANCIAL STATEMENTS
Consolidated statement of financial position
thousand euros

	Note	31.12.2021	31.12.2020
ASSETS			
Current assets			
Cash	3	29,534	26,742
Trade receivables and other receivables	4	46,928	45,716
Inventories	5	983	1,020
TOTAL CURRENT ASSETS		**77,445**	**73,478**
Fixed assets			
Investments in affiliates	7	393	950
Long-term receivables and lease prepayments	8	3,706	3,653
Property, plant and equipment	9	39,264	38,634
Right-of-use assets	9	7,819	1,762
Intangible assets	9	12,435	16,048
TOTAL FIXED ASSETS		**63,617**	**61,047**
TOTAL ASSETS		**141,062**	**134,525**
LIABILITIES AND EQUITY			
Current liabilities			
Debt obligations	12	5,382	4,091
Payables and prepayments	13	62,137	66,037
Provisions		105	412
Total current liabilities		**67,624**	**70,540**
Long-term liabilities			
Long-term debt	12	19,680	19,916
Other long-term payables	13	5,678	7,692
Deferred income tax payable	23	1,015	690
Total non-current liabilities		**26,373**	**28,297**
TOTAL LIABILITIES		**93,998**	**98,837**
Equity			
Equity held by owners of parent company			
Share capital	14	15,714	15,714
Statutory reserve		1,571	1,571
Retained earnings	14	27,683	17,015
Total equity held by owners of parent undertaking		**44,968**	**34,298**
Minority shareholding		2,096	1,388
TOTAL EQUITY		**47,065**	**35,688**
TOTAL LIABILITIES AND EQUITY		**141,062**	**134,525**

The notes on pages 22–58 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

thousand euros

	Note	2021	2020
Operating revenue			
Sales revenue	15	144,304	131,516
Grants received	16	2,731	1,824
Other operating revenue	17	2,054	2,221
Total revenue and other income		**149,089**	**135,561**
Operating expenses			
Goods, raw material and services	18	-47,924	-50,151
Other operating expenses	19	-19,479	-17,038
Staff costs	20	-52,823	-45,690
Depreciation and impairment of fixed assets	9	-12,196	-11,330
Other operating expenses	21	-668	-1,898
Total expenses		**-133,090**	**-126,107**
Operating profit		**15,999**	**9,453**
Financial income	22	302	1,173
Financial expenses	22	-903	-308
Profit/loss from affiliate by the equity method	7	-556	41
Profit before income tax		**14,841**	**10,359**
Income tax expenses	23	-1,071	-767
Net profit for financial year		**13,769**	**9,592**
Comprehensive profit for financial year		**13,769**	**9,592**
incl. share of owners of parent company in net and comprehensive income		13,061	8,976
share of non-controlling holding of net and total comprehensive income		709	616

The notes on pages 22–58 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

thousand euros

	Note	2021	2020
Cash flows from operating activities			
Net profit for reporting period		13,769	9,592
Adjustments:			
Depreciation and impairment of fixed assets	9	12,196	11,330
Loss on write-off of fixed assets	21	224	495
Profit from sale of fixed assets	17	-110	-506
Effect of equity method	7	556	-41
Interest income	22	-2	-6
Interest expenses	22	311	308
Dividend income	22	-300	0
Income tax expenses	23	1,071	767
Corporate income tax paid		-196	0
Change in inventories		37	-150
Change in receivables and prepayments related to operating activities		-1,265	624
Change in liabilities and advances relating to operating activities		-8,310	-317
Total cash flow from operating activities		**17,982**	**22,096**
Cash flow from investing activities			
Paid on acquisition of fixed assets	9	-6,096	-4,479
Received from sale of property, plant and equipment	9	148	1,179
Dividends received		300	0
Interest received	22	2	6
Total cash flow from investing activities		**-5,647**	**-3,294**
Cash flow from financing activities			
Borrowings	12	0	7,000
Repayments of borrowings	12	-2,646	-2,632
Change in overdraft balance	12	0	-2,523
Payments of lease liabilities	10	-4,194	-1,542
Dividends paid	14	-2,393	0
Interest paid	22	-311	-308
Total cash flow from financing activities		**-9,544**	**-5**
Total cash flow		**2,791**	**18,796**
Cash and cash equivalents at beginning of period	3	**26,742**	**7,946**
Change in cash and cash equivalents		2,791	18,796
Cash and cash equivalents at end of period	3	**29,534**	**26,742**

The notes on pages 22–58 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

thousand euros

	Equity belonging to owners of parent company					
	Share capital	Statutory reserve	Retained earnings	**Total**	Non-controlling holding	**Total equity**
Balance 31.12.2019	**15,714**	**1,571**	**8,039**	**25,325**	**771**	**26,097**
Comprehensive income for period			8,976	8,976	616	9,592
Balance 31.12.2020	**15,714**	**1,571**	**17,015**	**34,298**	**1,388**	**35,688**
Transactions with owners						
Dividends paid	0	0	-2,393	-2,393	0	**-2,393**
Total transactions with owners	**0**	**0**	**-2,393**	**-2,393**	**0**	**-2,393**
Comprehensive income for period	0	0	13,061	13,061	709	**13,769**
Balance 31.12.2021	**15,714**	**1,571**	**27,683**	**44,968**	**2,096**	**47,065**

For further information on equity and variations therein please refer to Notes 6, 14 and 23.

The notes on pages 22–58 are an integral part of these consolidated financial statements.

Notes to financial statements

Note 1 Accounting policies and procedures for preparing the financial statements

General information

The consolidated financial statements include the financial performance of AS Eesti Post (the parent company) and its Lithuanian subsidiary UAB Omniva LT (100% in 2021, 100% in 2020), its Latvian subsidiary SIA Omniva (100% in 2021, 100% in 2020) and its Estonian subsidiaries AS Maksekeskus (56.65% in 2021, 56.65% in 2020), OÜ Finbite (100% in 2021, 100% in 2020), OÜ Omniva (100% in 2021, 100% in 2020) and its associate OÜ Post11 (30% in 2021, 30% in 2020).

The core business of AS Eesti Post is the provision of logistics services (parcel and postal services), digital services and international services. SIA Omniva and UAB Omniva LT are involved in the provision of parcel locker and courier services in the Latvian and Lithuanian markets, respectively. OÜ Finbite was established on 13 October 2020 in order to separate the information business service (e-invoicing) from the parent company. AS Maksekeskus provides payment solutions for companies involved in e-commerce in the Baltics. OÜ Omniva was set up to protect the trademark.

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. Shareholders have the right to refuse to approve the annual report, which was prepared and approved by the management board, and demand the preparation of a new report. The annual report was approved by the management board on 10 March 2022.

Basis of preparation

The 2021 consolidated financial statements of AS Eesti Post have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

The consolidated financial statements have been prepared in thousands of euros.

These accounting policies have been consistently applied to all periods presented in the report, except where otherwise described. The changes to the main accounting policies are described below.

The preparation of financial statements in conformity with the IFRS requires the use of certain accounting estimates by the management. It also requires the management to exercise its judgment in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated statements, are described in the last chapter of the note.

New IFRS standards, interpretations and amendments

Standards, interpretations and amendments that will enter into force

The following new standards, interpretations and amendments are not yet effective for the annual reporting period ended 31 December 2021 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

(Applicable to reporting periods beginning on or after 1 January 2023; implemented retroactively. Earlier application is permitted). The amendments have not yet been 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 company'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 8 Accounting Policies, Changes in Accounting Estimates and Errors

(Effective for annual periods beginning on or after 1 January 2023; to be applied prospectively. Earlier application is permitted). The amendments have not yet been endorsed by the European Union.

The amendments introduce a new definition of "accounting estimates": they clarify that these estimates are monetary amounts presented in the accounts the measurement of which involves uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates: it is clarified that an entity makes an accounting estimate in order to achieve the objective established by the accounting policy.

The amendments are not expected to have a material impact on the Group as they provide guidance on whether the changes should be treated as changes in accounting estimates, changes in accounting policies or errors.

Amendments to IAS 12 Income Taxes

Effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted). The amendments have not yet been endorsed by the European Union.

The amendments clarify the accounting for deferred tax arising from transactions where both an asset and a liability are recognised and both are subject to the same taxation. The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and temporary differences that can be offset. Therefore, entities must recognise deferred tax assets and liabilities for temporary differences arising on initial recognition of a lease and a decommissioning provision.

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
(Applicable to reporting periods beginning on or after 1 January 2022; implemented retroactively. Earlier application is permitted). The amendments have not yet been endorsed by the European Union.

In determining 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 costs of fulfilling a contract the Group takes into account both incremental costs and other costs that relate directly to fulfilling contracts.

Any other new or revised standards and interpretations, which have not entered into force yet, will presumably not have a significant impact on the Group's financial statements.

Subsidiaries

A subsidiary is an economic entity whose activities are controlled by the group. The group controls an economic entity if it can obtain or is entitled to profit arising from participating in the economic entity and can affect the size of the profit by exercising its influence over the economic entity.

The subsidiaries are consolidated in the financial statements from the moment of gaining of control until loss of control.

The Group uses the acquisition method of accounting for business combinations. The consideration transferred on the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities assumed by the acquirer and the equity instruments issued by the Group. The transferred consideration also includes the fair value of assets or liabilities arising from a contingent fee agreement. Distinguishable assets acquired and liabilities and contingent liabilities assumed are measured at their fair values at the date of acquisition. In the case of each business combination the group makes a proposal for whether to recognise a minority shareholding at fair value in the acquired enterprise or to the extent of the proportion of the minority shareholding in the acquired distinguishable net assets. The costs related to acquisition are recognised as an expense.

If the total amount of the consideration transferred, the fair value of the minority shareholding in the enterprise and the shareholding belonging to the acquirer in the acquired enterprise before exceeds (as of the date of the acquisition) the group's shareholding in the distinguished assets and overtaken liabilities, the difference will be recognised as goodwill. If those amounts are less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

The financial indicators of all subsidiaries controlled by the parent company have been consolidated in the consolidated accounts on a line-by-line basis. All intra-group receivables and payables, transactions between the economic operators of the group and the unrealised gains and losses resulting therefrom have been eliminated. The accounting policies applied by subsidiaries have been brought into conformity with the accounting policies applied by the group, where appropriate.

The share of the minority shareholding in the performance result and equity of the companies under the control of the parent company have been recognised in the statement of financial position under equity separately from the equity belonging to the owners of the parent company and in a separate entry in the consolidated income statement. Comprehensive income is allocated between the owners of the parent company and the minority shareholding, even if this results in a negative balance for the minority shareholding.

Change of shareholding in subsidiary when control does not change

The Group treats transactions with minority shareholdings as transactions with other participants in the Group's equity. If a shareholding bought from a minority shareholder differs from the purchase price in the carrying value of the net assets of the subsidiary, the difference will be reflected in the equity. Gains and losses on the sale of minority shareholdings are also recognised in equity.

Sales of subsidiaries

If the Group loses the control or significant influence, the remaining investment will be re-evaluated to its fair value and the difference between it and the carrying value will be indicated in the income statement. Upon registration of the remaining investment as an affiliate, joint venture or financial investment, the fair value will become the carrying value of the investment. Furthermore, sums recognised in another consolidated income statement in connection with the enterprise earlier will be recognised in such a manner as the group had sold the respective assets and liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Recognition of subsidiary in the unconsolidated financial statements of parent company as required by Estonian Accounting Act

Pursuant to the Accounting Act of the Republic of Estonia, the unconsolidated principal statements of the consolidating entity (parent company) must be disclosed in the notes. In preparing the primary financial statements of the parent undertaking the same accounting policies and procedures have been used as in preparing the consolidated financial statements. The accounting policy for recognising subsidiaries has been amended in the separate primary financial statements disclosed as supplementary information in the consolidated financial statements in conjunction with IAS 27 Unconsolidated Financial Statements.

Investments in subsidiaries are recognised at the acquisition cost in the unconsolidated financial statements of the parent company less impairment losses, if any. This means that the investment is initially recognised at its acquisition cost, which is the fair value of the consideration paid on acquisition, which is later adjusted, if necessary, by write-downs arising from impairment of the investment.

The value of assets is tested in order to assess whether the recoverable amount of an investment (the higher of either the fair value less sales costs or the value in use) has fallen below the residual book value if there are indications that the value of the assets might have decreased. The cost generated by the write-down is recognised as a financial cost in the parent company's income statement. If the situation changes and the write-down is no longer justified, the previously recognised write-down is reversed. Cancellation of the write-down is recognised as a financial cost in the expenses for the same period in which the cancellation took place.

Dividends paid by the subsidiary are recognised operating revenue at the moment the parent company becomes entitled to receive the dividends.

Foreign currency transactions

Functional and presentation currency

The financial statements of the undertakings of the group are prepared in the currency that serves as the currency for the main economic environment of the business activities of every single undertaking (accounting currency). The functional currency of the parent company and the subsidiaries is the euro. Consolidated statements have been drawn up in euros, which is the functional currency of the parent company and the presentation currency of the Group.

Foreign currency transactions and assets and liabilities denominated in foreign currencies

All foreign currency transactions during the reporting period are recognised in the functional currency at the exchange rate of the European Central Bank on the date of the transaction. Monetary assets and liabilities registered in a foreign currency have been re-evaluated on the basis of the official exchange rate in force of the reporting date.

The profit and loss arising from foreign exchange transactions, including upon the payment and revaluation of monetary assets and liabilities, are recognised in the income statement as the revenue and expenses of the period.

Realised and unrealised profit and loss arising upon the payment and revaluation of claims and liabilities arising from the principal activity that are based on foreign currencies are reflected using the net method as other operating revenue or expenses.

Unrealised gains and losses arising from cash, cash equivalents and revaluation of loans are recognised using the net method under financial expenses.

Affiliates

Affiliates are entities over which the Group has significant influence but not control, and in which the Group generally holds, directly or indirectly, between 20% and 50% of the voting rights. Investments in associates are recognised in the consolidated financial statements using the equity method and in the parent company's separate financial statements the acquisition cost method. Investments in affiliates include goodwill recognised on acquisition less impairment losses. Acquisitions of investments in affiliates are recognised using the purchase method in the same way as investments in subsidiaries.

The Group assesses at each reporting date whether there is any objective evidence that the investment in an affiliate has been impaired. If such an event occurs, the Group registers the amount of the impairment as the difference between the recoverable amount and the carrying amount and recognises it in the income statement under other profits/losses from affiliates.

If the participation of the Group in the loss of an investment object (pursuant to the equity method) exceeds the book value of the investment object, the book value of the investment is written down to zero and subsequent losses will be recognised off the report. An exception is the situation where the Group has guaranteed or is obliged to settle the obligations of an investment object and, at the reporting date, it becomes apparent that the investment object will not be able to settle its obligations – in this case, the Group recognises both the obligation and a loss under the equity method in its statement of financial position.

Unrealised profits between the Group and its affiliates are eliminated according to the size of the Group's shareholding in the affiliate. Unrealised losses are also eliminated, unless the transaction proves a decrease of the transferred assets. The accounting policies of affiliates have been changed, where necessary, to ensure consistency with the Group's accounting policies.

The participating interest in the assets and liabilities of the acquired affiliate and the goodwill created upon the acquisition are recognised in the statement of financial position as a net amount under shares of affiliates.

Cash and cash equivalents

Cash and cash equivalents are cash in hand, current accounts at banks, cash in transit and 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:

- assets measured at amortised cost;
- 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 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 have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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

As at 31 December 2021 and 31 December 2020 and in 2021, all financial assets of the Group were classified in this category.

Impairment of financial assets

The impairment model is applied to financial assets measured at amortised cost. Financial assets 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 lifetime ECL for trade receivables. The ECLs on these assets are estimated using a provision principle, which is based on the Group's historical credit loss experience, which is adjusted for factors that are specific to certain debtors, general economic conditions and an assessment of both the current as well as the forecast conditions and trends at the reporting date. The ECL is recognised in profit or loss under 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 if:

- 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 realisation of 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 justify the past due status.

Inventories

Inventories are initially recognised at acquisition cost which comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventories are expensed using the FIFO method. Inventories are recognised in the statement of financial position at their acquisition cost or net realisable value, whichever is lower. 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 assets that are used in the economic activities of the Group and that have a useful life of more than one year and an acquisition cost of €5,000 or more (price excluding VAT). Property, plant and equipment are initially registered at cost, which comprises the purchase price (incl. customs duties and other non-refundable taxes) and costs directly related to acquisition and incurred in bringing the assets to their operating condition and location. Property, plant and equipment are recognised in the statement of financial position at their acquisition cost less accumulated depreciation and write-downs resulting from impairment.

Property, plant and equipment taken on lease are recognised similarly to purchased fixed assets.

Any subsequent expenses incurred on an item of property, plant and equipment are recognised as fixed assets if it is likely that in the future the Group will gain economic benefit related to the asset item and the acquisition cost of the asset item can be reliably measured. The costs of day-to-day servicing and repair of an item of property, plant and equipment are recognised as an expense as incurred.

The straight-line method is used to calculate depreciation. Depreciation rates are established separately for each item of property, plant and equipment on the basis of their useful lives. In the event of asset items of significant carrying amount, only the depreciable difference between the cost and the carrying amount is depreciated as expenses during the useful life. If the carrying amount of an asset exceeds its carrying amount, depreciation of the asset is discontinued. If an item of tangible fixed assets consists of separable components with different useful lives, those components are recognised separately and are depreciated at different rates depending on their useful lives.

The following ranges of depreciation rates have been established for groups of tangible assets:

- Buildings and components 1–12.5%
- Machinery and equipment 10–20%
- Computers and computer systems 25–50%
- Other inventory 10–50%

Objects with an unlimited useful life (land) are not depreciated.

The calculation of depreciation starts at the moment the given asset can be used for the purpose intended by the management and stops when the carrying amount of the asset exceeds its carrying amount, the asset is removed from use for good, or it is reclassified as fixed assets for resale.

The cost of improvements to leased fixed assets is depreciated over the shorter of the estimated useful life of the asset and the lease term.

The depreciation methods, rates and carrying amounts of property, plant and equipment are reviewed at least at the end of each financial year and, if the new estimates differ from the previous ones, the changes are recognised as changes in accounting estimates, i.e. they are carried forward.

Assessment of whether or not the used depreciation rates, depreciation method and final value are justified is done on every reporting date. If the recoverable amount of fixed assets (i.e. the higher of the following two indicators: the net sales price or the value in use of the assets) is less than its carrying amount, the items of property, plant and equipment are written down to their recoverable amount (see also the accounting policy "Impairment of assets").

Property, plant and equipment are derecognised upon transfer of the assets or when the entity no longer expects an economic benefit from the use or sale of the assets. Items of property, plant and equipment that are highly likely to be sold within the next 12 months are reclassified as fixed assets for resale.

Intangible assets

Intangible assets are initially registered at their acquisition cost, which comprises the purchase price and costs directly related to acquisition. Intangible fixed assets are recognised at their acquisition cost less accumulated depreciation and possible write-downs resulting from impairment.

Intangible assets are divided into assets of definite and indefinite useful lives. Intangible assets without a specified useful life are not depreciated, but a value test is carried out on each reporting date for the purpose of checking them and the assets are written down to their recoverable amount if their recoverable amount proves to be lower than their residual book value.

Intangible assets are depreciated, using the straight-line depreciation method. Depreciation rates are established separately for each item of intangible assets on the basis of its useful life. The depreciation rate applied to the intangible assets used in the Group is 5–50%. The depreciation costs of intangible assets are recognised in the income statement under depreciation and impairment of fixed assets.

Purchased computer software that is not an inseparable part of the associated hardware is recognised as other intangible assets. Computer software development costs are recognised as intangible assets if they are directly associated with the development of such software objects that can be differentiated, controlled by the Group and the use of which will yield economic benefit in the future within a period longer than one year.

The customer lists acquired in a business combination are recognised at fair value at the acquisition date. Customer lists have a limited useful life and are subsequently recognised at acquisition cost less accumulated depreciation. The straight-line method is used to calculate depreciation during the expected useful life of a customer list, which is 10 years.

Right-of-use assets

Right-of-use assets are recognised at acquisition cost. The acquisition cost of the right-of-use asset is depreciated as an expense during the lease period specified in the contract or during the period of validity of the presumed lease relationship. In the case of right-of-use assets, assets are registered in respect of leases of more than 12 months, unless the leased asset is of low value, and depreciation on the leased asset and interest expense on the lease liability are recognised in the income statement. Computer equipment and office and household equipment are generally low-value assets.

The acquisition cost of a right-of-use asset includes the following components:

- present value of lease payments;
- direct costs incurred by the lessee in concluding the lease;
- payments made for the acquisition of the asset before the lease;
- where the lease so requires, the costs of restoration of the leased asset to its original condition or removal of the leased asset.

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 asset. The assets and liabilities are measured in the statement of financial position at the present value of the lease payments.

Goodwill

Goodwill is the positive difference between the acquisition cost of the holding acquired and the fair value of the net assets acquired in the course of a business combination, reflecting the part of the acquisition cost paid for such acquired assets of the company that cannot be differentiated and recorded separately. On the acquisition date, goodwill is recognised on the consolidated statement of financial position at its acquisition cost as an intangible asset.

Upon any further reporting, goodwill is measured at the acquisition cost thereof less any possible discounts resulting from impairment. Goodwill is not a depreciable asset. An impairment test is carried out instead at least once a year. An impairment test concerning goodwill is carried out with the cash-generating unit to which the goodwill belongs. Goodwill is written down to its recoverable amount if it is less than its carrying amount. Write-downs of goodwill are not cancelled.

Impairment of non-financial assets

The existence of circumstances referring to possible impairment of assets is assessed in the case of depreciated assets. The recoverable amount of the assets is assessed if such circumstances emerge and it is compared to the carrying amount.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset is the fair value of the asset from which the cost of sales or the asset's value in use has been deducted, whichever is higher. For the purpose of evaluation of the decrease of value of assets the recoverable amount is evaluated with regard to the smallest possible group of assets for which cash flow can be differentiated (cash generating unit).

Once an asset item has been written down, it is assessed on every subsequent reporting date whether it may be likely that the recoverable amount of the asset item has increased in the meantime (excluding goodwill whose write-downs are not reversed).

Lease accounting

The Group is both the lessee and lessor in leases. The Group leases buildings for post offices, spaces for parcel terminals, machinery and equipment and vehicles.

Group as 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 payable. 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 carrying amount guarantee;
- payments arising from the exercise of options to buy out the leased asset, extend or terminate the lease (if the exercise of the option has been reasonably assessed by management and the exercise of the option is taken into account in calculating the length of 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.

Short-term leases and leases of low-value assets are recognised in the income statement 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 buy out the underlying asset, and leases for which the underlying asset is of low value.

Group as lessor
Assets given on finance lease are recognised in the statement of financial position as receivables in the amount of the net investment made in the finance lease. Lease receivables are divided into financial lease principal payments and financial income. Financial income is spread over the lease term.

Assets given on lease are recognised in the statement of financial position analogously to fixed assets used in the economic activities. Assets given on lease are depreciated according to the depreciation principles applied by the group to other assets of a similar type. Lease payments are recognised as income on a straight-line basis over the lease period.

Financial liabilities

All financial liabilities (trade creditors, other current and long-term liabilities, loans received) are initially registered at their acquisition cost, which also contains all expenses directly attributable to the acquisition. Financial liabilities are thereafter recognised at their adjusted acquisition cost, using the effective interest rate method.

The amortised cost of current financial liabilities normally equals their nominal value; therefore, current financial liabilities are carried in the statement of financial position at the amount payable. In order to calculate the adjusted acquisition cost of long-term financial liabilities, they are initially registered at the fair value of the consideration received (less any transaction costs), considering the interest expenses to be incurred on the liabilities in future periods, 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. Loans payable that are due within 12 months as of the reporting date, but which are refinanced as long-term after the reporting date, but before the approval of the financial statements, are recognised as short-term liabilities. Loans payable that the lender had the right to recall on the reporting date due to a violation of the terms and conditions provided in the loan agreement are also recognised as current liabilities.

All borrowing costs that are 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 taxes, 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

Potential liabilities that have arisen as a result of events that occurred before the reporting date and the exact timing or amount of which is unknown are recognised as provisions in the statement of financial position. Provisions are recognised in the financial position statement based on the assessment of the management concerning the amount likely required for payment and the time of realisation of the provision. A provision is recognised in the statement of financial position in the amount that is required, in the opinion of the management, for satisfying the provision-related liability or the transfer thereof to a third party as of the reporting date. Provision-related expenses are recognised in the statement of income statement for the period.

A provision is recognised at discounted value (the sum of the present value of the payouts relating to the provision) if it is likely to be realised more than 12 months after the reporting date, unless the impact of discounting is insignificant.

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

Other possible or existing liabilities whose realisation is less likely than non-realisation or where the size of the expenses associated with the liability cannot be reliably established are disclosed in the notes to the financial statements as contingent liabilities.

Corporate income tax and deferred tax

In accordance with the legislation of the Republic of Estonia, corporate profits are not subject to income tax in Estonia. Companies become liable for income tax when distributing profit, which is recognised as an expense (in the profit or loss of the period) upon the declaration of dividends. Due to the nature of the taxation system, a company registered in Estonia does not have any deferred income tax assets or liabilities with the exception of a potential deferred income tax liability with regard to the company's investments in its subsidiaries, associates and joint ventures as well as branches.

The deferred income tax liability of the Group arises in the case of companies located in countries where the profit for the financial year is subject to taxes. In addition, the Group is liable for deferred income tax with regard to investments in its subsidiaries and associates in Estonia and Latvia, unless the Group is able to control the timing of the reversal of taxable temporary differences and their reversal is not likely to happen in the foreseeable future. Examples of the reversal of taxable temporary differences are the payment of dividends, the sale or liquidation of an investment and other transactions.

As the Group controls the dividend policy of its subsidiaries, it is also able to control the timing of the reversal of taxable temporary differences related to the investment in question. If the parent company has decided not to distribute the profit of its subsidiary in the foreseeable future, it will not recognise the deferred income tax liability. If the dividend will be paid in the foreseeable future according to the estimate of the parent company, the deferred income tax liability is measured to the extent of the planned dividend payment, provided that funds and equity for the payment of the dividend are sufficient as of the reporting date, so that profits can be distributed in the foreseeable future.

When measuring the deferred income tax liability, the Group uses tax rates that, on the basis of tax rates in force on the reporting date, will presumably be applied to taxable temporary differences in the period when they are expected to be reversed.

The income tax rate for companies in Estonia is 20% (the amount to be paid making up 20/80 of the net payout). Starting from 2019, a lower tax rate of 14% applies to regularly paid dividends (14/86 of the net payout). The lower tax rate can be applied to payouts of dividends and profit distributions in every calendar year to an extent that does not exceed the average amount of taxable dividends and other profit distributions paid out in the three previous calendar years and taxable equity payouts.

The maximum tax liability that would arise upon the payout of the retained earnings as dividends, and the deferred tax are presented in the notes to the financial statements.

In Lithuania, corporate profit is subject to income tax. The income tax rate in Lithuania is 15% of taxable income. In order to identify taxable income, profit before taxes is adjusted with profit and loss additions that are temporarily or permanently permitted by the local income tax legislation. In the case of Lithuanian subsidiaries, deferred income tax assets and liabilities are recognised for all temporary differences between the carrying amounts and taxable values of assets and liabilities. Deferred income tax has been calculated on the basis of the tax rates effective and legislation valid on the reporting date, which are assumed to be effective when the deferred income tax assets or liabilities are realised. Deferred income tax assets are only recognised in the statement of financial position if it is likely that they will realise by means of the creation of taxable profit in the future.

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

Revenue recognition

The Group recognises revenue when (or as) the performance obligation is satisfied, i.e. when control of the underlying goods or service is transferred 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 provision of services is recognised when the service is provided 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 and it is moved from revenue from sales of goods when purchased stamps are used to pay for the universal postage service (UPT) and recognised as income from forwarding a letter-post item.

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 cashing money orders is 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 payout 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 income and dividend income are recognised when the receipt of the income is likely and the amount of the income can be reliably evaluated. Interest income is recognised using the effective interest rate. Dividend income is recognised when the owner has a legal right to receive the dividends.

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. Targeted financing which is received for accrued expenses or which is not accompanied by additional terms and conditions aimed at the future are recognised as revenue in the period during which the targeted financing was received. Targeted financing is not recognised as revenue until there is adequate certainty that the company meets the criteria for the targeted financing and the financing will take place. Any possible liabilities associated with targeted financing are recognised in the report as provisions or potential liabilities.

In the case of government grants used for assets, the assets acquired for the grant are registered at acquisition cost. The amount of the government grant received for supporting the acquisition of assets is recognised in the statement of financial position under liabilities as deferred income from government grants. The acquired assets are depreciated as expenses and the liability relating to targeted financing is depreciated as income during the useful lives of the assets acquired.

Revenue from targeted financing is recognised in proportion to the expenses related thereto if targeted financing is applied to operating expenses. Grants are recognised in profit or loss using the gross method.

Statutory reserve

Statutory capital reserve has been formed in accordance with the Commercial Code of the Republic of Estonia. Each financial year, at least 1/20 of the net profit must be transferred to the legal reserve until the legal reserve accounts for 1/10 of the share capital. The legal reserve may be used to cover a loss or to increase the share capital. No payments may be made to shareholders from the legal reserve.

Events after the reporting date

The annual accounts disclose the material circumstances that influence the assessment of assets and liabilities and that occurred between the reporting date and the date of preparing the financial statements, but are related to the transactions that took place in the reporting period or in previous periods.

Events after the reporting date, which were not considered in the assessment of assets and liabilities, but which considerably affect the results of the following financial year have been disclosed in the financial statements.

Critical management estimates and judgments

The preparation of financial statements in conformity with the International Financial Reporting Standards requires the use of certain accounting estimates and judgments by the management, which impact the amounts recognised in the financial statements. It also requires the management to exercise its judgment and make estimates in the process of applying the Group's accounting policies and measurement bases. Although these estimates have been made to the best knowledge of the management, they need not coincide with the subsequent actual results. The decisions and estimates by the management have consistently been reviewed and they are based on historic experience and other factors, including forecasts of events occurring in the future, which are deemed reasonable in the current situation.

Areas involving a higher degree of judgment and estimates that have a significant impact on the amounts recognised in the consolidated financial statements are: 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 the management estimates are included in profit or loss for the period in which the change occurred.

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 and 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).

	31.12.2021	**31.12.2020**
Total receivables	**35,955**	**34,362**
Forecast	10,239	11,872
Actual	25,716	22,489
Total liabilities	**42,582**	**53,418**
Forecast	25,391	35,518
Actual	17,191	17,900

'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 2021, the carrying amount of the Group's property, plant and equipment was €39,264 thousand (31 December 2020: €38,796 thousand) and the depreciation charge for the reporting period was €5,091 thousand (2020: €5,987 thousand) (Note 9). A 10% change in depreciation rates would change the annual depreciation charge by €509 thousand (2020: €599 thousand).

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 of property, plant and equipment, management estimates of cash flows from the use and sale as well as the maintenance and repair of assets, the inflation rate and the growth rates are used. 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 2021. The expected future cash flows of goodwill were calculated based on market trends and AS Eesti Post's business plan for 2022–2026 and those of intangible assets under construction were calculated based on the parcel business's business plan for 2022–2024. 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 impairment of inventories is determined based on both the sales potential as well as the net realisable value of the goods for resale (Note 5).

Recognition of leases

The Group leases various buildings and premises. 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 1.06% 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
- the lease period is determined on the basis of the possibilities for renewal or termination of the lease.

At the reporting date, the carrying amount €7,819 thousand and the carrying amount of the Group's lease liabilities was €8,304 thousand.

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 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 in the statement of financial position. A receivable is recognised to the extent that it is 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).

Revenue recognition

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. Revenue from the sale of stamps in the reporting year was €2,456 thousand (2020: €2,618 thousand).

Recognition of deferred tax on investments in an Estonian associate and Estonian and Latvian subsidiaries

The deferred income tax liability of the Group arises in the case of companies located in countries where the profit for the financial year is subject to taxes. In addition, the Group is liable for deferred income tax with regard to investments in its subsidiaries and associates in Estonia and Latvia, unless the Group is able to control the timing of the reversal of taxable temporary differences and their reversal is not likely to happen in the foreseeable future. Examples of the reversal of taxable temporary differences are the payment of dividends, the sale or liquidation of an investment and other transactions.

As the Group controls the dividend policy of its subsidiaries, it is also able to control the timing of the reversal of taxable temporary differences related to the investment in question. If the dividend will be paid in the foreseeable future according to the estimate of the parent company, the deferred income tax liability is measured to the extent of the planned dividend payment, provided that funds and equity for the payment of the dividend are sufficient as of the reporting date, so that profits can be distributed in the foreseeable future.

When measuring the deferred income tax liability, the Group uses tax rates that, on the basis of tax rates in force on the reporting date, will presumably be applied to taxable temporary differences in the period when they are expected to be reversed.

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 effective on 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. Taxable temporary differences in respect of which no deferred income tax liability has been recognised are disclosed in Note 23.

Note 2 Financial instruments

Trade and other receivables are recognised 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.

thousand euros

	Note	31.12.2021	31.12.2020
Financial assets			
Cash	3	29,534	26,742
Trade receivables	4	12,318	13,199
Receivables from foreign postal administrations	4; 8	35,955	34,362
Other receivables	4	602	505
Total financial assets		**78,409**	**74,808**

	Note	31.12.2021	31.12.2020
Financial liabilities			
Trade creditors	13	9,977	8,319
Payables to other postal administrations	13	42,582	53,418
Accruals and other liabilities	13	3,538	2,454
Debt obligations	12	25,062	24,007
Total financial liabilities		**81,159**	**88,198**

Note 3 Cash

thousand euros

	31.12.2021	31.12.2020
Cash in hand	1,641	1,912
Cash at bank	27,797	24,637
Cash in transit	96	193
Total cash (Note 2)	**29,534**	**26,742**
Average interest rate	0%	0%

Note 4 Trade and other receivables

thousand euros

	31.12.2021	31.12.2020
Accounts receivable	11,034	10,018
Receivable from affiliate	1,452	3,134
Receivables from Competition Authority	0	213
Write-down of receivables	-23	-26
Expected credit loss	-145	-139
Total trade receivables (Note 2)	**12,318**	**13,199**

Other receivables	**31.12.2021**	**31.12.2020**
Terminal dues receivable from foreign postal administrations (Note 2)	32,912	31,249
of which estimated	*7,196*	*8,760*
actual	*25,716*	*22,489*
Other current receivables (Note 2)	602	505
Prepaid taxes	343	105
Prepayments for goods and services	753	658
Total other receivables	**34,610**	**32,517**
Total trade receivables and other receivables	**46,928**	**45,716**

Note 4 Trade and other receivables, cont.

Change in estimated receivables from foreign postal administrations
thousand euros

	2021	2020
Estimated receivables at beginning of period	**11,872**	**13,766**
Additions	7,768	7,196
Transferred to actual	-9,401	-9,089
Estimated receivables at end of period	**10,239**	**11,872**

Note 5 Inventories

thousand euros

	31.12.2021	31.12.2020
Goods, raw material and services	543	563
Work in progress	0	7
Finished production	65	67
Goods for resale	375	383
Total inventories	**983**	**1,020**

Similar to 2020, there was no need to write down goods purchased for resale in 2021. The increase in inventories is due to the acquisition of spare parts for a sorting line. At 31 December 2021, third party inventories of €291 thousand were under the custody and control of the Group (31 December 2020: €338 thousand).

Note 6 Subsidiaries

At 31 December 2021, the Group had the following subsidiaries: UAB Omniva LT, SIA Omniva, AS Maksekeskus, OÜ Omniva and OÜ Finbite.

Name of subsidiary	Country of location	Ordinary shares held by the parent company (%)	Ordinary shares held by the Group (%)	Ordinary shares held by the non-controlling holding (%)	Preferred shares held by the Group (%)	Fields of activity
AS Maksekeskus	Estonia	55.6	55.6	44.4	-	payment solutions
OÜ Omniva	Estonia	100.0	100.0	-	-	-
OÜ Finbite	Estonia	100.0	100.0	-	-	information logistics
UAB Omniva LT	Lithuania	100.0	100.0	-	-	logistics services
SIA Omniva	Latvia	100.0	100.0	-	-	logistics services

All subsidiaries are consolidated. The parent company's share of voting rights in the subsidiaries does not differ from the weight of ordinary shares held. The parent company does not hold preferred shares. The carrying amount of the non-controlling interest was €2,096 thousand at 31 December 2021 (31 December 2020: 1,388 thousand).

A subsidiary, OÜ Finbite, was established on 13 October 2020 with the aim of separating the information services from the parent company. The subsidiary is 100% owned by the parent company.

AS Eesti Post has adopted the single brand Omniva. In 2021 as in 2020, the subsidiary OÜ Omniva had no business operations.

Note 7 Investment in the affiliate

thousand euros

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

Name of affiliate	Country of location	Holding (%) 31.12.21	Holding (%) 31.12.20	Accounting method
Post11 OÜ	Estonia	30.0%	30.0%	calculated by the 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. Affiliate Post11 is registered 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 2021, the Group's share of the profit of the affiliate, which is recognised using the equity method, was €556 thousand (2020: €4 1thousand).

Note 8 Non-current receivables and prepayments

thousand euros

	31.12.2021	31.12.2020
Non-current terminal dues receivable from foreign postal administrations (Note 2)	3,043	3,113
of which estimated	*3,043*	*3,113*
Prepaid expenses and lease payments	662	401
Deferred tax asset (Note 23)	1	139
Total long-term receivables and prepayments	**3,706**	**3,653**
of which due within 1–5 years	*3,706*	*3,653*

Note 9 Fixed assets

Property, plant and equipment

thousand euros

	Land	Buildings	Machinery and equipment	Other property, plant and equipment	Assets under construction and prepayments	Total
Acquisition cost 31.12.2019	**1,713**	**28,657**	**40,915**	**1,264**	**1,035**	**73,584**
Accumulated depreciation 31.12.2019	**0**	**-12,799**	**-17,208**	**-723**	**0**	**-30,730**
Carrying amount 31.12.2019	**1,713**	**15,859**	**23,707**	**541**	**1,035**	**42,855**
Acquisition	0	338	1,845	192	298	**2,673**
Reclassification	0	0	0	0	-323	**-323**
Sales at carrying amount	-16	-420	-135	0	0	**-571**
Write-off at carrying amount	0	-7	-12	0	0	**-19**
Depreciation calculated	0	-835	-4,928	-212	0	**-5,975**
Acquisition cost 31.12.2020	**1,697**	**27,513**	**40,196**	**1,434**	**1,103**	**71,944**
Accumulated depreciation 31.12.2020	**0**	**-12,578**	**-19,819**	**-913**	**0**	**-33,310**
Carrying amount 31.12.2020	**1,697**	**14,935**	**20,377**	**521**	**1,103**	**38,634**
Acquisition	0	107	3,874	241	3,825	**8,047**
Sales at carrying amount	-1	-18	-18	0	0	**-38**
Reclassification	0	0	0	0	-2,161	**-2,161**

Note 9 Fixed assets, cont.

Write-off at carrying amount	0	0	-130	-5	0	**-135**
Depreciation calculated	0	-764	-4,127	-199	0	**-5,091**
Acquisition cost 31.12.2021	**1,696**	**27,385**	**43,270**	**1,498**	**2,767**	**76,616**
Accumulated depreciation 31.12.2021	**0**	**-13,124**	**-23,288**	**-939**	**0**	**-37,352**
Carrying amount 31.12.2021	**1,696**	**14,260**	**19,982**	**559**	**2,767**	**39,264**

In 2021, the Group sold property, plant and equipment with an acquisition cost of €449 thousand (2020: €1,987 thousand) and accumulated depreciation of €411 thousand (2020: €1,416 thousand) for a sales price of €148 thousand (2020: €1,077 thousand).

The acquisition cost of property, plant and equipment written off in 2021 amounted to €772 thousand (2020: €709 thousand and accumulated depreciation amounted to €638 thousand (2020: €690 thousand).

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

At 31 December 2021, the total cost of fully depreciated property, plant and equipment still in use in the Group was €16,525 thousand (31 December 2020: 15,189 thousand).

Intangible assets

thousand euros

	Goodwill	**Customer lists**	**Other intangible assets**	**Prepayments for intangible assets**	**Total**
Acquisition cost 31.12.2019	**1,260**	**395**	**21,667**	**1,326**	**24,648**
Accumulated depreciation 31.12.2019	**0**	**-277**	**-6,399**	**0**	**-6,676**
Carrying amount 31.12.2019	**1,260**	**118**	**15,268**	**1,326**	**17,972**
Acquisition	0	0	3,774	37	**3,811**
Reclassification	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**
Depreciation calculated	0	-40	-3,533	0	**-3,573**
Acquisition cost 31.12.2020	**1,168**	**395**	**23,398**	**1,004**	**25,965**
Accumulated depreciation 31.12.2020	**0**	**-317**	**-9,599**	**0**	**-9,916**
Carrying amount 31.12.2020	**1,168**	**78**	**13,798**	**1,004**	**16,047**
Acquisition	0	0	2,958	112	**3,071**
Reclassification	0	0	0	-978	**-978**
Write-off at carrying amount	0	0	-42	0	**-42**
Write-off of obsolete assets	0	0	0	0	**0**
Depreciation calculated	0	-40	-5,624	0	**-5,664**
Acquisition cost 31.12.2021	**1,168**	**395**	**26,214**	**139**	**27,916**
Accumulated depreciation 31.12.2021	**0**	**-357**	**-15,124**	**0**	**-15,481**
Carrying amount 31.12.2021	**1,168**	**38**	**11,090**	**139**	**12,435**

Note 9 Fixed assets, cont.

At 31 December 2021, the total cost of fully depreciated intangible assets still in use in the Group was €3,983 thousand (31 December 2020: 2,556 thousand). The acquisition cost of intangible assets written off in 2021 amounted to €141 thousand (2020: €862 thousand and accumulated depreciation amounted to €99 thousand (2020: €387 thousand).

A stocktake of intangible assets as carried out during the reporting period, as a result of which intangible assets were classified as assets linked to core systems and assets linked to support and interface systems. As a result, the useful life was harmonised accordingly, which resulted in an increase in depreciation expenses of €1,649 thousand in 2021. The objective of the exercise was to align the status of assets and projects with the needs and activities of the company.

The amount of the acquisition of intangible fixed assets relates to the introduction of the developments of the new generation of logistics information system.

Goodwill of €1,091 thousand 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 2021. The carrying amount of the assets tested for impairment was €2,899 thousand euros (31 December 2020: €4,733 thousand), which comprised the goodwill of UAB Omniva LT, the carrying amount of the parcel terminals 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 method.

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

The expected future cash flows were discounted using the weighted average cost of capital (WACC), which was 6.9%, as the discount rate (2020: 9.6%). The forecast period was 2022–2026 (5 years), which was in line with the business plan for the company's services. The forecast period used in impairment testing at the end of 2020 was 2021–2025 (5 years). The revenue growth of UAB Omniva LT is projected to be faster in 2022–2023 (averaging 12% per year over the five years).

The forecasts of revenue growth take into account the increase in volumes due to the corona crisis, the rapid development of e-commerce and the company's plans to achieve its target market share in Lithuania. Courier turnover tends to be stable and only grows by the general price increase per year. The planned expansion of the network of parcel terminals and the increase in the turnover of parcel terminals will mainly result in an increase in direct costs related to the network of parcel terminals. Staff and transport costs increase with volumes, which are also affected by the introduction of a new sorting line, which reduces the cost of manual sorting. According to the forecast for 2022–2026, staff, transport and asset-related costs will increase along with revenue growth.

The impairment tests of UAB Omniva LT assets did not reveal any impairment of assets on the reporting date or in the reference period. The recoverable amount was mainly sensitive to a fall in operating revenue and a rise in the cost of capital. A decrease in operating revenue or a rise in the cost of capital, however, would not give rise to the need to write the recoverable amount down.

In 2021, a total of €2,093 thousand was invested in intangible assets, the majority of which were investments in software.

Intangible assets in progress were tested for impairment in the Group as at 31 December 2021. The carrying amount of the assets was €223 thousand (31 December 2020: €1,063 thousand), consisting mainly of the carrying amount of a new logistics information system that is under development. The carrying amount of these assets was compared with their value in use, using the discounted cash flow method.

The expected future cash flows were discounted using the weighted average cost of capital (WACC), which was 6.9%, as the discount rate. The forecast period was 2022–2024 (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 2022. Efficiency will peak immediately after the completion of information system developments and profit will remain stable for two years.

Note 9 Fixed 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.

The impairment tests of the Group's assets did not reveal any impairment of assets on the reporting date or in the reference period.

Right-of-use assets

thousand euros

	Buildings	Facilities	Machinery and equipment	**Total**
Acquisition cost 31.12.2019	**2,342**	**22**	**110**	**2,474**
Accumulated depreciation 31.12.2019	**-649**	**-5**	**-89**	**-743**
Carrying amount 31.12.2019	**1,693**	**17**	**21**	**1,731**
Additions through new leases	667	0	154	**821**
Write-off at carrying amount	-98	-3	0	**-101**
Depreciation calculated	-670	-5	-13	**-688**
Acquisition cost 31.12.2020	**2,801**	**19**	**264**	**3,084**
Accumulated depreciation 31.12.2020	**-1,210**	**-10**	**-102**	**-1,322**
Carrying amount 31.12.2020	**1,591**	**9**	**162**	**1,762**
Additions through new leases	2,649	5	4,891	**7,545**
Write-off at carrying amount	-24	-3	0	**-27**
Write-down	-23	0	0	**-23**
Depreciation calculated	-1,110	-4	-327	**-1,441**
Acquisition cost 31.12.2021	**5,206**	**15**	**5,155**	**10,376**
Accumulated depreciation 31.12.2021	**-2,123**	**-5**	**-429**	**-2,557**
Carrying amount 31.12.2021	**3,083**	**10**	**4,726**	**7,819**

Note 10 Lease liabilities

thousand euros

	31.12.2021	**31.12.2020**
Minimum lease payments	**8,412**	**4,700**
of which due within 12 months	*2,790*	*1,477*
within 1–5 years	*5,622*	*3,213*
over 5 years	*0*	*10*
Future interest expense	-108	-98
Present value of lease payments	**8,304**	**4,603**
Present value of lease payments	**8,304**	**4,603**
of which due within 12 months	*2,736*	*1,445*
within 1–5 years	*5,568*	*3,147*
over 5 years	*0*	*10*
Average interest rate	1.1%	0.6%

The Group leases buildings for post offices and spaces for parcel terminals. Machinery and equipment includes leased parcel terminals and transport equipment. In the asset class of information and communication equipment, the Group leases all-flash disk arrays. In 2021, cash outflows related to leases totalled €4,194 thousand (2020: €1,542 thousand).

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

thousand euros

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

Land and buildings	**31.12.2021**	**31.12.2020**
Acquisition cost	805	1,402
Accumulated depreciation	-416	-759
Carrying amount	389	643
Depreciation for the year	-26	-31

Given on lease

	31.12.2021	**31.12.2020**
Future rental income from leases that cannot be terminated	164	234
of which due within 12 months	*164*	*234*
Advance lease payments received	*7*	*7*
of which due for next 12 months	7	7

	2021	**2020**
Rental income for reporting period	193	327

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

	31.12.2021	**31.12.2020**
Future lease payments under short-term leases and leases of low-value assets	12,857	8,018
of which due within 12 months	*2,718*	*2,372*
within 1–5 years	*10,130*	*5,623*
over 5 years	*9*	*23*

	2021	**2020**
Lease expense for reporting period (Note 19)	5,523	4,047

Short-term leases and leases of low-value assets are recognised in the income statement 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 buy out the underlying asset, 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

thousand euros

	31.12.2021	31.12.2020
Current portion of long-term loans payable	2,646	2,646
Short-term portion of long-term lease payables (Note 10)	*2,736*	*1,445*
Total short-term borrowings	**5,382**	**4,091**
Long-term debt		
Long-term loans	14,112	16,758
Long-term lease payables (Note 10)	*5,568*	*3,158*
Total long-term debt obligations	**19,680**	**19,916**
Total debt obligations	**25,062**	**24,007**
of which due within 12 months	*5,382*	*4,091*
within 1–5 years	*19,680*	*19,905*
over 5 years	*0*	*10*

	31.12.2021	31.12.2020
Average interest rate		
Bank loans	1.3%	1.3%
Lease liabilities	1.1%	0.7%

	2021	2020
Opening balance	**24,007**	**22,947**
Bank loans raised	0	7,000
Loan repayments	-2,646	-2,632
Overdraft received	0	1,165
Repayments of overdrafts	0	-3,688
Increase in lease liabilities	7,895	757
Lease payments	-4,194	-1,542
Closing balance	**25,062**	**24,007**

Bank loans are denominated in euros. The maturity dates of the loans are 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 municipality (in the amount of €12,000 thousand) and on the property at Pallasti 28/28a and 28b, Tallinn (in the amount of €10,000 thousand) and a commercial pledge of €15,000 thousand.

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 2021, the Group was in compliance with all loan covenants.

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

thousand euros

	31.12.2021	31.12.2020
Prepayments received	130	126
Trade payables (Note 2)	9,977	8,319
Payables to employees	7,606	5,691
Social tax accrued	705	660
Income tax accrued	298	259

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

Terminal dues payable to foreign postal administrations (Note 2)	36,904	45,725
Other short-term payables and accruals	76	78
Value added tax	580	1,056
Personal income tax	727	539
Social tax	1,119	1,048
Other taxes payable	554	158
Other liabilities	3,462	2,376
Total short-term payables and prepayments	**62,137**	**66,037**
Long-term terminal due payables to foreign postal administrations (Note 2)	5,678	7,692
Deferred tax liability (Note 23)	1,015	690
Total other long-term payables	**6,694**	**8,383**
of which due within 1–5 years	*6,694*	*8,383*

Note 14 Equity

	31.12.2021	**31.12.2020**
Share capital *(thousand euros)*	15,714	15,714
Number of shares	1,571,412	1,571,412
Nominal value of shares *(euros)*	10	10
Maximum authorised number of ordinary shares according to the articles of association	4,000,000	4,000,000

In 2021, the Group paid dividends in the amount of €2,393 thousand, which resulted in an income tax expense of €274 thousand (no dividends were paid in 2020), Note 23.

At 31 December 2021, the Group's retained earnings amounted to €27,683 thousand euros (31 December 2020: €17,015 thousand). The payout of dividends to the owner gives rise to an income tax charge of 20/80 on the amount paid out as net dividends, and from 2019 onwards, a more favourable tax rate of 14/86 can be partially applied to dividends paid out regularly.
Thus, the maximum dividend that could be distributed from retained earnings as at the reporting date is €22,239 thousand and it would give rise to an income tax liability of €5,444 thousand. The maximum amount available for paying out as dividends from retained earnings at 31 December 2020 was €13,649 thousand, which would have resulted in an income tax liability of €3,366 thousand.

Note 15 Sales revenue

thousand euros

Revenue by service

	2021	**2020**
Parcel services	78,486	64,532
Postal services	27,136	28,323
Digital services	8,998	7,300
International services	29,684	31,361
Total sales revenue	**144,304**	**131,516**

thousand euros	**2021**		**2020**	
	Universal postal service	Other services	Universal postal service	Other services
Parcel services	13,053	65,433	12,538	51,994
Postal services	3,485	23,652	3,863	24,460
Digital services	0	8,998	0	7,300
International services	0	29,684	0	31,361
Total revenue	**16,538**	**127,766**	**16,401**	**115,115**

Note 15 Sales revenue, cont.

Division of sales revenue by location of clients

thousand euros

	2021	2020
Estonia	70,868	74,084
Denmark	8,082	3,756
China	23,184	20,023
Poland	265	260
Lithuania	18,861	15,090
United Kingdom	255	569
Latvia	15,129	11,317
Sweden	403	462
Other countries	7,258	5,955
Total sales revenue	**144,304**	**131,516**

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

Note 16 Subsidies and grants received

thousand euros

Subsidies and grants received by type

	2021	2020
Grant for delivery of periodicals	1,778	1,778
Compensation for unreasonable costs of universal postal service	912	0
Renewable energy subsidies	30	26
Wage support	8	20
Other	3	0
Total subsidies and grants	**2,731**	**1,824**

The Group received a grant from the state budget of the Republic of Estonia as support for the delivery of periodicals in rural areas. The grant was passed on to publishers. Compensation for unreasonable costs of universal postal service was received from the Competition Authority. The Group also received wage support from the Estonian Unemployment Insurance Fund and renewable energy subsidies from Elering AS.

Note 17 Other operating revenue

thousand euros

	2021	2020
Rental income (Note 11)	193	327
Profit from sale of fixed assets	110	506
Fines, default interest	31	26
Compensation for postal items	194	127
Contractual compensation	0	130
Utility payments received	39	55
Revenue from customs clearance and software use	406	0
Revenue from a special project	516	813
Accounting service	59	59
Profit on conversion of foreign currencies	362	0
Other operating revenue	144	178
Total other operating revenue	**2,054**	**2,221**

In 2020 and 2021, Omniva supplied its parcel terminal software to the Croatian postal administration and started to advise on the creation of a parcel terminal network in Croatia. Revenue from the project is recognised under revenue from a special project.

Note 18 Goods, raw materials and services

thousand euros

	2021	2020
Mail transport and delivery services	10,041	9,705
Goods	575	654
Fuel and energy	3,400	2,410
Raw materials	569	517
International terminal dues	12,708	17,015
International transport	14,842	14,904
Other services	5,790	4,946
Total goods, raw materials and services	**47,924**	**50,151**

Note 19 Other operating expenses

thousand euros

	2021	2020
Repair and maintenance	529	788
Expenses on short-term leases and leases of low-value assets (Note 11)	5,523	4,047
Property management and similar expenses	2,374	2,486
Bank and cash transit charges	951	804
Administration costs	1,356	1,285
Low-value assets	473	720
Consultancy and training expenses	1,169	700
Advertising costs	1,904	1,325
IT expenses	2,423	2,483
Expenses on credit-impaired items (Note 25)	33	64
Other operating expenses	2,743	2,336
Total other operating expenses	**19,479**	**17,038**

Note 20 Staff costs

thousand euros

	2021	2020
Wages and salaries	37,602	32,140
Termination benefits	508	546
Holiday pay	3,515	3,164
Social security contributions	10,489	9,312
Unemployment insurance contributions	218	201
Other	491	328
Total labour costs	**52,823**	**45,690**
Average number of employees	2,408	2,293

Note 21 Other operating charges

thousand euros

	2021	2020
Default interest, fines and interest on taxes	121	8
Local taxes	88	83
Quality control	15	105
Loss on write-off of fixed assets (Note 9)	136	495
Foreign exchange losses	0	553
Other operating expenses	309	655
Total other operating charges	**668**	**1,898**

The largest part of other operating expenses comprises the costs of liability insurance, credit insurance, membership fees for associations and write-offs.

Note 22 Financial income and expenses

thousand euros

	2021	2020
Financial income		
Dividends from affiliate	300	0
Interest on arrears	1	6
Interest income on bank deposits	1	1
Profit on conversion of foreign currencies	0	1,166
Total financial income	**302**	**1,173**
Financial expenses		
Interest expenses	-311	-308
of which on bank loans	*-259*	*-275*
of which on leases	*-52*	*-10*
Foreign exchange losses	-592	0
Other financial expenses	0	0
Total financial expenses	**-903**	**-308**

Note 23 Income tax

thousand euros

	2021	2020
Income tax on distributions to owners:		
Income tax on dividends paid out (Note 13)	274	0
Income tax arising from foreign subsidiaries:		
Income tax expense payable	471	336
Deferred income tax liability on dividends:		
Deferred income tax payable	325	431
Total income tax	**1,071**	**767**

Deferred income tax

	2021	2020
Opening balance	-139	-417
Change in financial year	138	278
Closing balance (Note 8)	**-1**	**-139**

Deferred income tax payable

	2021	2020
Opening balance	690	259
Change in financial year	325	431
Closing balance (Note 13)	**1,015**	**690**

Note 24 Transactions with related parties

The shares of AS Eesti Post are 100% held by the Republic of Estonia. For the purposes of these financial statements, related parties include government agencies, companies and partly or fully state-owned companies and affiliates. 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.

Note 24 Transactions with related parties, cont.

Transactions with related parties

thousand euros

Related party	2021 purchases	2021 sales	2020 purchases	2020 sales
Transactions with entities where members of the supervisory and management boards have significant influence				
Purchases and sales of goods and services	819	174	950	204
Transactions with affiliate				
Purchases and sales of goods and services	793	10,932	2,052	15,354
Total transactions with related parties	**1,612**	**11,106**	**3,002**	**15,558**

	31.12.2021	31.12.2020
Current receivables		
Entities where members of the supervisory and management boards have significant influence	19	17
Affiliate (Note 4)	1,450	3,134
Total current receivables from related parties	**1,469**	**3,151**
Current liabilities		
Entities where members of the supervisory and management boards have significant influence	87	75
Associate	2	375
Total current liabilities with related parties	**89**	**450**

	2021	2020
Dividends received from affiliate	**300**	**0**

Transactions with state-owned companies are related to 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 payout of state pensions and family and disability benefits. The fees from the payout of benefits were €559 thousand in 2021 (2020: €660 thousand).

According to the estimates of the parent company's management, 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.

Remuneration to key management personnel

	2021	2020
Remuneration of key management personnel	1,511	1,600
Termination benefits to key management personnel	65	37
Total remuneration to key management personnel	**1,576**	**1,637**

The remuneration of key management personnel is recognised with the 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.

Payables to key management personnel

	31.12.2021	31.12.2020
Short-term payables to key management personnel	77	78

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 €116 thousand.

Note 25 Objectives and principles of financial risk management

The Group's activities expose it to several financial risks: interest rate risk, foreign exchange risk, credit risk, liquidity risk and capital risk. The objective of financial risk management is to reduce financial risks. The Group's interest rate, credit, liquidity and foreign exchange risks are managed in the financial area 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's long-term investment loans are linked to EURIBOR, so changes in interest rates affect the cost of interest paid on the loans. The average interest rate on the loans is 1.32% (1.32% at 31 December 2020) plus EURIBOR. The terms and conditions of the loan repayments are provided in Note 12.
The interest rate of leases is variable (linked to EURIBOR). In accordance with the leases, interest rates are reset every six months. The interest rates with EURIBOR range from 1.13–1.25%.

Upon the adoption of IFRS 16 on 1 January 2019 the Group recognised lease liabilities for leases previously classified as operating leases. Said lease payments are discounted using the alternative borrowing rate. These interest rates range from 0.48% to 1.17%.

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

The interest rate risk analysis involves a consideration of different options for the management of risks. These include refinancing, reducing existing liabilities and borrowing at fixed interest rates.

Foreign currency risk

Currency risk is a risk that the fair value of financial instruments or cash flow will fluctuate in the future due to changes in foreign exchange rates. The main functional currency of the Group 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. Foreign exchange 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

31.12.2021	**Total EUR**	incl. **USD**	incl. **SDR**
Short-term and long-term receivables	50,634	12	16,240
Total financial assets	**50,634**	**12**	**16,240**
Short-term and long-term payables	93,893	17	19,943
Total financial liabilities	**93,893**	**17**	**19,943**
Net currency position	**-4,586**	**-5**	**-3,702**
Positive change in currency position, %	0	4.32%	2.54%
Negative change in currency position, %	0	-5.25%	-3.07%
Negative impact on profit	**-117**	0	-94
Positive impact on profit	**141**	0	114

31.12.2020	**Total EUR**	incl. **USD**	incl. **SDR**
Short-term and long-term receivables	49,369	2,088	13,538
Total financial assets	**49,369**	**2,088**	**13,538**

Short-term and long-term payables	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 currency position, %	0	7.54%	3.52%
Negative change in currency position, %	0	-6.24%	-3.29%
Negative impact on profit	**-617**	-6	-517
Positive impact on profit	**578**	5	483

In the table above, the percent-change in the currency position as at 31 December 2021 reflects the difference between the minimum and maximum exchange rate of 2021 and the average exchange rate of 2021. In the table as at 31 December 2020, the percentage change in the currency position is taken according to the same principle as in the table for 2021.

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 long-term credit ratings of the banks mainly used by the Group for settlements and deposits range from A- to A+ according to Standard & Poor's. The available funds of the Group are invested according to the principles of capital preservation and liquidity.

Trade receivables are assessed in accordance with the rules used by the Group companies. Most of the customers are contractual customers. On the signature of the contract and opening of a credit limit, each customer's background is checked separately. If the deadline for the receipt of invoices submitted to the buyers is exceeded, written reminders, set-offs, entry into payment agreements, collection or judicial proceedings are used for the collection of the debt.

The credit risk of international customers is mitigated with credit insurance. The expected credit loss is estimated using a provision matrix, which is based on historical experience with credit losses. At 31 December 2021, the Group's provision for expected credit losses amounted to €145 thousand (31 December 2020: €139 thousand).

As at 31 December 2021, trade receivables (31 December 2021: €12,214 thousand, 31 December 2020: €13,199 thousand, Note 4) consist of receivables from the central and local governments in the amount of approximately €2,091 thousand (31 December 2020: €4,098 thousand). The credit risk of these receivables is minimal.

At the reporting date, 95.0% (31 December 2019: 95.0%) of trade receivables were 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). In order 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

thousand euros

31.12.2021		Days past due				
	Not yet due	**0-30**	**31-60**	**61-90**	**>91**	**TOTAL**
Expected credit loss	0.9%	0.9%	3%	67%	100%	
Total carrying amount	11,686	626	113	6	55	**12,486**
Write-down of receivables	-100	-6	-3	-4	-55	**-168**
						12,318

31.12.2020						
Expected credit loss	0.8%	0.9%	3%	67%	100%	
Total carrying amount	12,541	700	66	3	55	**13,364**
Write-down of receivables	-100	-6	-2	-2	-55	**-165**
						13,199

The following table shows the movements in the write-down of 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

thousand euros

	Credit-impaired receivables	**Total**
As at 31.12.2019	**-183**	**-183**
Expected lifetime credit losses in accordance with IFRS 9	-25	-25
Transfer to credit impaired	-40	-40
Amounts written off as uncollectible	74	74
Amounts recovered (previously written down/off)	8	8
31.12.2020	**-165**	**-165**
Expected lifetime credit losses in accordance with IFRS 9	-6	-6
Transfer to credit impaired	-23	-23
Amounts written off as uncollectible	21	21
Amounts recovered (previously written down/off)	6	6
31.12.2021	**-168**	**-168**

Other postal administrations (receivables 31 December 2021: €35,955 thousand; 31 December 2020: €34,361 thousand, 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. Settlements with foreign postal administrations are performed with an offsetting certificate recognising both receivables and payables, and therefore, the credit loss to the Group 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 payables in 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 exposure of around €240 thousand as at 31 December.

The Group has no receivables in respect of COVID-19 as at 31 December.

Liquidity risk

Liquidity risk is the risk that the Group in unable to meet its financial liabilities due to cash flow shortages. 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 cash pool 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 loan payables as they fall due. Said forecasts are used as inputs for financial planning and monitoring compliance with contractual covenants.

Analysis of non-discounted financial liabilities (principal and future interest payments) by due dates as at 31 December 2021:

thousand euros

31.12.2021	**Non-discounted cash flow**		**Carrying amount**	
	2022	**2023-2026**	**2022**	**2023-2026**
Bank loans (Note 12)	2,833	14,156	2,646	14,112
Lease liabilities (Note 10)	2,790	5,622	2,736	5,568
Trade payables (Note 13)	9,977	0	9,977	0
Payables to other postal administrations (Note 13)	36,904	5,678	36,904	5,678
Other payables (Note 13)	3,538	0	3,538	0
Total	**55,937**	**25,456**	**55,725**	**25,358**

31.12.2020	**Non-discounted cash flow**		**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
Payables to other postal administrations (Note 13)	45,725	7,692	45,725	7,692
Other payables (Note 13)	2,454	0	2,454	0
Total	**60,866**	**28,039**	**60,590**	**27,608**

As at 31 December 2021, the Group's cash and cash equivalents totalled €29,534 thousand (31 December 2020: €26,742 thousand).

As at 31 December 2021, working capital was positive at €9,821 thousand (31 December 2020: negative at €2,938 thousand). The increase in working capital is attributable to revenue growth. 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 35% 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 ratio

thousand euros

	31.12.2021	**31.12.2020**
Assets	141,062	134,525
Equity	47,065	35,688
Equity ratio	**33%**	**27%**

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 2021 and 31 December 2020 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 liabilities and assets

<u>Contingent liabilities related to the Tax and Customs Board</u>

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 authority is entitled to review the Company's tax accounting within five years of the due date for filing a tax return and, if errors are identified, impose an additional amount of tax, interest and a penalty. 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.

<u>Contingent assets and liabilities related to universal postal service</u>

AS Eesti Post'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 2021 the loss from the provision of universal postal service was €1.8 million (2020: €2.7 million). This amount is management's best estimate of the expenditure required to meet the existing UPT obligation as at 31 December 2021 and is based on calculations using the current ABC cost model.

In preparing the consolidated financial statements, it is not possible to recognise a provision in these circumstances as it is not possible to reliably estimate the amount of the UPT loss at the date of the consolidated financial statements.

In accordance with subsections 41^1 (3) and (4) of the Postal Act, the loss from the provision of UPT 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.

The Competition Authority will decide on the final amount of compensation for 2021 after proceedings conducted based on audited annual data, which is why the compensation is treated as a contingent asset in these consolidated financial statements.

Note 27 Pledges

As at 31 December 2021, AS SEB had established mortgages on the property at Rukki tee 7 and 9 in Lehmja village, Rae municipality, in the amount of €12,000 thousand, and on the property at Pallasti 28/28a and

28b, Tallinn, in the amount of €10,000 thousand, and a commercial pledge of €15,000 thousand. (31 December 2020: a mortgage had been established by AS SEB on the property at Pähklimäe tee 3/5, Lehmja village, Rae municipality, in the amount of €12,000 thousand). The mortgages and the commercial pledge secure to the Group's loans.

Note 28 Events after reporting date

On 31 January 2022, Omniva, AS Inbank and small shareholders AS Maksekeskus signed a sale and purchase agreement with a new strategic investor, AS Luminor Bank. The transaction is subject to the approval of the Financial Supervision Authority and the Competition Authority. The Group expects to obtain the approval by 30 June 2022 at the latest.

The military conflict between Russia and Ukraine, which started on 24 February 2022, will affect the Group's international business and the revenues and costs of international postal and parcel services.

Omniva's international business generates revenue from the servicing of e-commerce shipments to countries including Ukraine, Russia and Belarus. Omniva also earns revenue from delivering letters and parcels from Ukraine, Russia and Belarus to Estonia. The total revenue generated by this in 2021 was €10.5 million.

The sending of international business items and universal postal service letters and parcels in 2021 to Ukraine, Russia and Belarus will entail direct costs of €7.3 million for postal companies and local commercial partners in the same countries.

The management estimates that imports and exports of shipments to Ukraine, Russia and Belarus are being disrupted due to the hostilities. The restructuring will not, in the opinion of the management, have any impact on the business continuity of the company. Switching suppliers and finding new logistics solutions for international business can increase the company's costs, but management is unable to reliably predict the scale of cost increases in a constantly changing environment.

On 2 March 2022, AS Ekspress Grupp and AS Postimees Grupp and Omniva signed an agreement under which Omniva will acquire 100% of the shares in AS Express Post, a company providing groupage services. To enter into force, the transaction requires the approval of the Competition Authority, which has up to 5 months to form its position. Until the Competition Authority makes its decision, Omniva and AS Express Post will continue their daily business and nothing will change for employees, customers and subscribers. The plan is to merge the companies once the merger is cleared by the Competition Authority.

Note 29 Primary financial statements of parent company

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 acquisition cost method.

Statement of financial position of parent company

thousand euros

	31.12.2021	31.12.2020
ASSETS		
Current assets		
Cash	15,606	15,417
Trade receivables and other receivables	42,046	39,458
Receivables from subsidiaries	7,188	2,209
Receivables from affiliates	1,452	3,053
Inventories	927	1,011
TOTAL CURRENT ASSETS	**67,219**	**61,147**
Fixed assets		
Investments in subsidiaries	7,099	7,099
Investments in affiliate	1	1
Long-term receivables and lease prepayments	3,339	3,236
Long-term receivables from subsidiaries	0	412
Property, plant and equipment	28,141	38,093
Right-of-use assets	2,016	1,600
Intangible assets	9,972	13,841
TOTAL FIXED ASSETS	**50,568**	**64,282**
TOTAL ASSETS	**117,786**	**125,429**
LIABILITIES AND EQUITY		
Current liabilities		
Debt obligations	3,337	4,074
Payables and prepayments	54,755	59,941
Payables to subsidiaries	1,132	655
Payables to affiliates	2	375
Provisions	105	412
Total current liabilities	**59,330**	**65,457**
Long-term liabilities		
Long-term debt	15,440	19,916
Other long-term payables	5,678	7,692
Total non-current liabilities	**21,119**	**27,608**
TOTAL LIABILITIES	**80,449**	**93,065**
Equity		
Share capital	15,714	15,714
Statutory reserve	1,571	1,571
Retained earnings	20,052	15,078
TOTAL EQUITY	**37,337**	**32,364**
TOTAL LIABILITIES AND EQUITY	**117,786**	**125,429**

Statement of comprehensive income

thousand euros

	2021	2020
Operating revenue		
Sales revenue	105,994	102,095
Grants received	2,731	1,824
Other operating revenue	6,796	6,336
Total revenue and other income	**115,521**	**110,256**
Operating expenses		
Goods, raw material and services	-51,133	-49,342
Other operating expenses	-10,693	-10,745
Staff costs	-35,910	-34,112
Depreciation and impairment of fixed assets	-10,839	-10,816
Other operating expenses	-314	-1,685
Total expenses	**-108,889**	**-106,700**
Operating profit	**6,632**	**3,556**
Financial income	1,885	1,219
Financial expenses	-876	-307
Profit before income tax	**7,641**	**4,468**
Income tax expenses	-274	0
Net profit for reporting period	**7,366**	**4,468**
Comprehensive income for period	**7,366**	**4,468**

Cash flow statement of parent company

thousand euros

	2021	2020
Cash flows from operating activities		
Net profit for reporting period	7,366	4,468
Adjustments:		
Depreciation and impairment of fixed assets	10,839	10,816
Loss on write-off of fixed assets	182	317
Profit from sale of fixed assets	-164	-264
Interest income	-18	-53
Interest expenses	284	307
Dividend income	-1,866	0
Income tax expenses	274	0
Change in receivables and prepayments related to operating activities	-6,290	73
Change in inventories	84	-141
Change in liabilities and advances relating to operating activities	-9,670	-2,370
Total cash flow from operating activities	**1,020**	**13,154**
Cash flow from investing activities		
Paid on acquisition of fixed assets	-1,944	-3,708
Acquisition of subsidiaries	0	-3
Dividends received	1,866	0
Received from sale of property, plant and equipment	7,466	1,052
Repayments of loans granted	633	206
Interest received	18	53
Total cash flow from investing activities	**8,039**	**-2,399**
Cash flow from financing activities		
Borrowings	0	7,000
Repayments of borrowings	-2,646	-2,632
Change in overdraft balance	0	-2,523
Payments of lease liabilities	-3,547	-1,520
Dividends paid	-2,393	0
Interest paid	-284	-307
Total cash flow from financing activities	**-8,870**	**18**
Total cash flow	**189**	**10,772**
Cash and cash equivalents at beginning of period	15,417	4,644
Change in cash and cash equivalents	189	10,772
Cash and cash equivalents at end of period	15,606	15,417

Statement of changes in equity of parent company

(thousand euros)

	Share capital	Statutory reserve	Retained earnings	**Total equity**
Balance 31.12.2019	**15,714**	**1,571**	**10,611**	**27,896**
Dividends paid	0	0	0	**0**
Net profit for reporting period	0	0	4,468	**4,468**
Balance 31.12.2020	**15,714**	**1,571**	**15,078**	**32,364**
Value of investments in subsidiaries and affiliate in separate statement of financial position of parent				-7,099
Value of investments in subsidiaries and affiliate by equity method				11,389
Adjusted unconsolidated equity 31.12.2020				**36,653**
Balance 31.12.2020	**15,714**	**1,571**	**15,078**	**32,364**
Dividends paid	0	0	-2,393	**-2,393**
Net profit for reporting period	0	0	7,366	**7,366**
Balance 31.12.2021	**15,714**	**1,571**	**20,052**	**37,337**
Value of investments in subsidiaries and affiliate in separate statement of financial position of parent				-7,099
Value of investments in subsidiaries and affiliate by equity method				14,395
Adjusted unconsolidated equity 31.12.2021				**44,633**

Under the Estonian Accounting Act, adjusted unconsolidated retained earnings are the amount from which a public limited company defined can make payouts to its shareholders.

KPMG Baltics OÜ
Narva mnt 5
10117 Tallinn
Estonia

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

Independent Certified Auditor's Report

To the shareholder of AS Eesti Post

Opinion

We have audited the consolidated financial statements of AS Eesti Post and its subsidiaries (jointly: the Group), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021 and for the financial year then ended, and its consolidated financial performance and its consolidated cash flow for the year then ended in accordance with the international financial reporting standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (Estonia) (ISAs (EE)). Our responsibilities under those standards are further described in the Certified Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants (Estonia) (including Independence Standards), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have gathered is a sufficient and relevant basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the management report, but does not include the consolidated financial statements and our respective certified auditor's 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. In addition, our responsibility is to state whether the information presented in the management report has been prepared in accordance with the applicable legal and regulatory requirements.

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 and we state that the information presented in the management report is materially consistent with the financial consolidated statements and in accordance with the applicable legal and regulatory requirements.

Responsibilities of the management and the persons charged with governance for the consolidated financial statements

The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the international financial reporting standards adopted by the European Union, and for such internal control as the 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, the management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless the management either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.
The persons charged with governance are responsible for overseeing the group's consolidated financial reporting process.

Certified Auditor's 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 a certified auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (EE) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs (EE), 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 sworn auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our certified auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves 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 of the group. 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 in the course of the audit.

KPMG Baltics OÜ
Audit Firm's Activity Licence Number 17

/signature/

Helen Veetamm

Certified Auditor's Registration Number 606

Tallinn, 10 March 2022

Profit distribution proposal

AS Eesti Post’s retained earnings as at 31 December 2021 amounted to €27,683 thousand, including net profit for 2021 of €13,769 thousand.

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 2021:

- paid out as dividends: €2,750,000
- to leave the remaining profit of €24,933 undistributed due to the need to invest in order to increase Omniva’s competitiveness.

Statement by the management board and signatures of the members of the management board to Group annual report 2021

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 2021 consists of the management report, the consolidated financial statements, the independent certified auditors' report and the profit distribution proposal. The management board has prepared the management report, the consolidated financial statements and the profit allocation proposal.

Tallinn, 10 March 2022

____

Mart Mägi
Chairman of Management Board

____

Kristi Unt
Member of Management Board

____

Heiki Raadik
Member of Management Board