APPROVED
by resolution of EANS
General Meeting
…. ………. 2021

ANNUAL REPORT
2020

Business name: Lennuliiklusteeninduse AS;
Estonian Air Navigation Services, EANS

Commercial Register Code:	10341618
Reporting period:	01.01.2020 – 31.12.2020
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Main activity:	provision of air navigation services

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

Ivar Värk	Jaanus Jakimenko	Üllar Salumäe
Chairman of the Management Board	Member of the Management Board	Member of the Management Board

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Company profile

Business name:	Lennuliiklusteeninduse AS, EANS	
Address:	Kanali põik 3, Rae küla, Rae vald	
	Harjumaa 10112, Estonia	
Location:	Republic of Estonia	
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Home page:	www.eans.ee	
Commercial Register Code:	10341618	
VAT Registration number:	EE100339639	
Main activity:	Provision of air navigation services	
Management Board:	Ivar Värk	Chairman
	Jaanus Jakimenko	Member
	Üllar Salumäe	Member
Supervisory Board:	Priit Põldoja	Chairman
	Riina Varts	Member
	Kaupo Raag	Member
	Andres Uusma	Member
Audit Committee:	Kaupo Raag	Chairman
	Priit Rifk	Member
	Andres Uusma	Member
Share holder:	Republic of Estonia (100%)	
Stock administrator:	Ministry of Economic Affairs and Communications	
Auditor:	AS PricewaterhouseCoopers	

Management report

Lennuliiklusteeninduse AS (hereafter: Estonian ANS, EANS or the Company) provides safe, high quality, flexible, environmentally-friendly, internationally competitive and dynamically developing air navigation services to its customers, contributing to the national defence requirement in advocating the sovereignty of the national airspace.

The primary goal of the Company is provision of air navigation services. In order to ensure it, the Management Board of EANS organises the economic activities within the Company, focussing on the main expectations of three major stakeholders:

- Customers: safe, high quality, seamless and flexible air navigation services at fair prices;
- Owner: long-term sustainability and profitability of the Company; ensuring the required return on equity;
- Employees: exciting and meaningful work, self-improvement and fair remuneration.

A brief review of 2020

The year 2020 was an extremely complicated year for the global airline business. Last year's review of the International Air Transport Association (IATA) cites the crisis caused by the novel coronavirus (COVID-19) as the largest shock in the history of aviation after the World War II. There have been other aviation crises before: most recently, the act of terrorism in September 2001 or the financial crisis of 2007-2008 that caused a major setback to the airline industry. Nevertheless, their scope and effect can by no means be compared with the aviation crisis caused by the health crisis of 2020, as the borders were closed and people's mobility was restricted.

According to the data of EUROCONTROL, the European air traffic declined by 55% on average and there were 5 million controlled flights, i.e. 6.1 million flights less than in 2019.

The global aviation crisis caused by COVID-19 originated from China at the start of last year when both domestic and international flights were suspended in February. In March when the virus spread extensively both in Europe and elsewhere in the world, it essentially led to a suspension of international airline passenger traffic. At the end of March, the controlled flights were primarily cargo flights. Only a few scheduled flights were operated in Tallinn (Lufthansa from Frankfurt and Belavia from Minsk), only cargo and private flights continued. The effect of the crisis on international aviation business has been catastrophic. The review of the IATA for last year notes that almost 90% of the aviation business dropped at the peak of the crisis. Many jobs have disappeared in the airline sector due to the crisis.

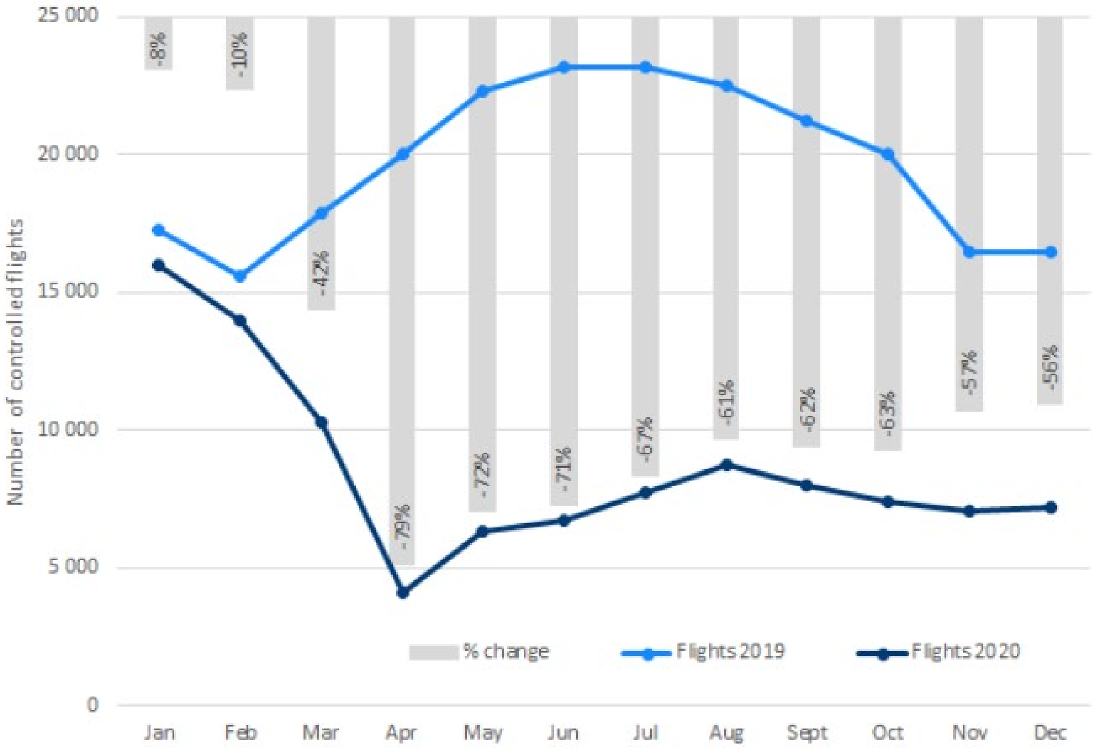
The recovery of air traffic was hindered by the inability of countries to agree on uniform travel restrictions. However, since June travel restrictions were lifted by a significant degree in Europe as a result of which passenger traffic started to strongly recover. In August, the future still seemed optimistic. There was a hope that holiday flights would recover strongly, the countries allowed those with negative coronavirus test results to travel and there was no requirement for self-isolation after returning from the holiday. However, the lifting of travel restrictions in Europe did not lead to a fast recovery of passenger airline traffic in the Estonian airspace, because the traffic controlled by EANS is greatly made up of traffic from Asia and Russia to Western Europe and from the Middle East to North America.

The deterioration of the situation in September was a major disappointment, i.e. the second and third waves of the virus and the pandemic at the end of the year, leading to the fast increase in the number of countries with high infection rates. Due to this, the countries one after another enforced stricter passenger restrictions, making the outlook for the recovery of the international airline traffic once again negative.

The year 2020 was a complicated year for the Company. The total number of controlled flights was 103,488 which is 132,599 flights less than in the previous year. The last time the number of controlled flights in the Estonian airspace was that low was in 2003.

In the first months of the year, the number of flights declined slightly, by 7.6% in January and 10.4% in February. The travel restrictions enforced in mid-March took the controlled flights into a steep decline. The number of controlled flights made up only 58% of the number of flights last year. In April, we accommodated mainly cargo flights, and traffic volume was a modest 20% as compared to the previous year. The state of emergency ended at 17 May and the passengers were able to fly again to Tallinn and to 10 destinations from Tallinn. Since June, the restrictions were significantly lifted in Europe, as a result of which air traffic started to recover strongly in Europe. By August, 39% of traffic resumed its previous year's level as compared to the same period last year. However, the promising summer growth stalled and since September, it began to decrease again. For the year as a whole, the traffic volume which had fallen by half resulted in a revenue drop of €14 million and the first loss ever in the Company's history.

Number of controlled flights per month



Last year was a year of major changes and challenges for Estonian ANS, marked by difficult and extremely complicated decisions. In order to improve the Company's management, a structural reform was carried out, and work with the new management structure was launched in January 2021.

In order to better cope with the new circumstances, more attention was paid to costs and opportunities were searched to make the Company's operations more efficient. In order to cope with the spread of the virus, major attention was paid to the protection of the health of the employees. The heavier remote workload necessitated a review of the working arrangement principles. We offered additional support to our employees in the conditions of remote work and the crisis. Unfortunately, the most difficult decisions related to the staff: in January 2021, there are almost 50 employees less than at the beginning of last year.

Despite the complicated situation, the Company continued with its two key projects. One of them is **FINEST,** a programme on the integration of the cross-border sectors of Finland and Estonia which is essential from the point of view of future recovering traffic flows to increase capacity, as well as having a great potential for enhancing the overall capability of the parties.

Within the framework of the Remote Tower (**Remote TWR**) project, work with the second stage continued. Version 2 of the fully-functioning, weatherproof, high-operability and user-friendly remote tower was developed in cooperation with AS Cybernetica.

We believe that the Company’s success lies in its professional staff. We consider taking care of our staff very important. In December 2020, EANS received a Gold Label award at the family and work-friendly company competition which demonstrates the Company’s desire to be as caring, pleasant and motivating place for its employees as possible with its various support activities.

We are convinced that despite the complicated situation, we will be able to provide reliable and high-quality services to the customers with our professional staff while keeping an eye on the key foundation of aviation – its safety.

Economic performance

Financial indicators 2019-2020

(EUR)	2020	2019
Revenue	14,142,921	28,161,514
Change in revenue	-49.8%	-0.7%
EBITDA	-949,140	9,816,931
Operating profit	-6,218,747	4,688,172
Profit before taxes	-6,483,887	4,455,044
Net profit	-6,483,887	3,236,149
Change in net profit	-300%	-53%
Revenue per employee	71,070	132,214
EBITDA margin	-7%	35%
EBT margin	-46%	16%
Net profit margin	-46%	11%
Equity ratio	33%	45%
Return on Equity (ROE)	-43%	17%
Return on assets (ROA)	-17%	9%
Quick ratio	1.3	3.0
Debt-to-assets ratio	0.7	0.5
Average number of employees	199	213

EBITDA	= earnings before financial income and taxes - expenses, income tax on dividends and depreciation/amortisation
EBITDA margin	= EBITDA / revenue * 100%
EBT margin	= earnings before taxes / revenue * 100
Net profit margin	= net profit / revenue * 100%
Revenue per employee	= revenue / average number of employees
Equity ratio	= equity/ balance sheet * 100%
Return on equity (ROE)	= net profit / average equity* 100%
Return on assets (ROA)	= net profit / total average assets * 100%
Current ratio	= current assets / current liabilities
Debt ratio	= total liabilities / balance sheet

Impact of the COVID 19 situation

In 2020, the Company's activities and results were greatly impacted by the situation related to Covid-19:

- The service units associated with the number of flights declined by 58%, leading to a revenue drop of 49.8% and a net loss of €6.48 million as most of the Company's costs are fixed costs.

Staff-related changes

Due to the situation caused by Covid-19, the following staff related changes were applied in 2020:

- In spring, the staff workload and remuneration were reduced to 70% for three months;
- As a consequence of a collective redundancy process, the number of employees fell by 45 people as compared to the beginning of the year. As compared to the same period last year, the number of employees decreased by 20% at the year-end.

Support measures

In the second quarter of 2020, the Company used the temporary remuneration compensation measure offered by the state.

Within the framework of temporary support measure for compensation of remuneration, the Company received direct funds from the state in the total amount of €683,000.

Activities to improve liquidity

At 1 July 2020, the General Meeting of Shareholders decided not to pay dividends from the net profit for the financial year 2019.

For alleviation of the negative effect of the postponement of the customer payments related to the COVID-19 crisis (the member states of EUROCONTROL adopted a support measure to alleviate the effects of the crisis for users of the air space), an additional working capital loan in the amount of €4.88 million was taken into use.

Economic performance in 2020

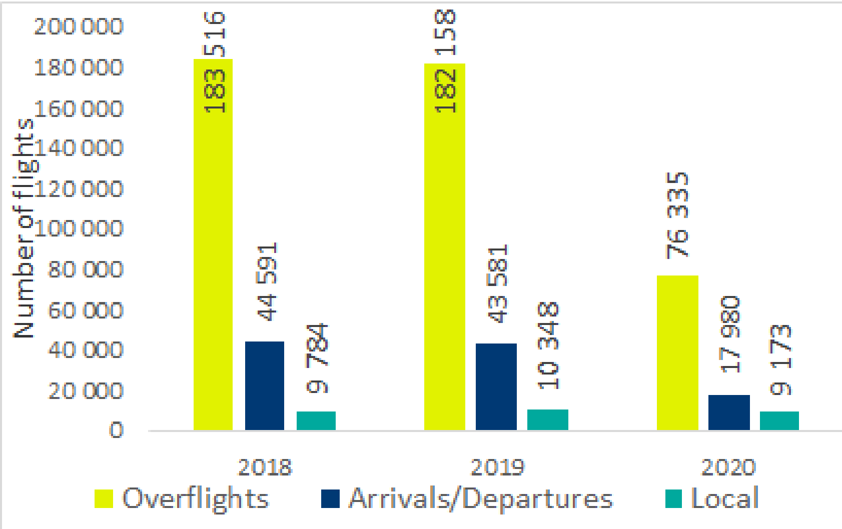
The Company's operating income consists of sales revenue (incl. income from the provision of air navigation services) and other income. The Company's income from the main activity, i.e. from en-route and terminal navigation charges, covers, inter alia, also the expenses of the state for the provision of air navigation services. The revenue from en-route navigation services made up the largest share of revenue in 2020, i.e. 93.1%.

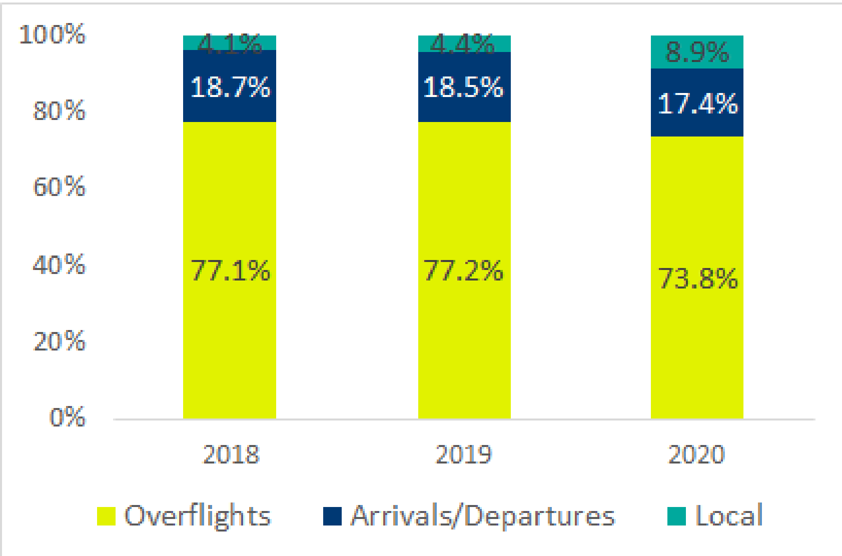
The total operating income of EANS in 2020 was €15.7 million (2019: €29.0 million), including sales revenue €14.1 million (2019: €28.2 million) which decreased by 49.8% in a year. The main reason for lower revenue was the global COVID-19 pandemic. The decline in the en-route navigation service units associated with the number of flights was 53.4% as compared to last year and the decline in the terminal navigation service units was 57.3% as compared to last year.

In 2020, the total number of controlled flights in the Estonian airspace decreased by 56.2% (2019: -0.8%). The total number of both instrument and visual flights controlled in 2020 was 103,488 (2019: 236,087). The air traffic decreased both in terms of overflights, arrivals/departures as well as domestic flights, by 58.1%, 58.7% and 11.4%, respectively. Of the number of controlled flights, 73.8% are overflights in Estonia, while the share of arrivals/departures is 17.4% and the share of local traffic is 8.8%.

The average number of flights per day registered during the peak month which turned out to be pre-crisis January, was 402 and during the peak day the total number of controlled flights was 450.

Number and distribution of controlled flights 2018-2020





In 2020, the main contributor in terms of the number of controlled flights was again the main customer of EANS, i.e. Finnair (14.2% of all overflights), followed by Air Baltic (6.2%), Air China International (4.6%), Deutsche Lufthansa (4.5%) and Rossiya Airlines (4.3%).

Four flight operators managed half of the flights to/from the Estonian airports. The Company's largest customer continues to be Air Baltic at Tallinn airport, followed by Finnair, LOT-Polskie Linie (in cooperation with Estonian airline Nordica) and Deutsche Lufthansa. The flights of these operators made up 23.6%, 14.1%, 7.8% and 5.1%, respectively, of all the flights operated at Estonian airfields.

In 2020, operating expenses decreased by 9.7%, totalling €21.9 million (2019: €24.3 million). In 2020, payroll expenses totalled €12.6 million (2019: €13.9 million) and decreased by 9.4% as compared to 2019.

In 2020, the operating loss was €6.2 million (2019: operating profit: €4.7 million). The Company's loss totalled €6.5 million (2019: net profit: €3.2 million).

In 2020 the total investments made into tangible and intangible assets amounted to €3.2 million (2019: €3.8 million). At 31 December 2020, the assets of EANS totalled €35.9 million (31.12.2019: €40.7 million).

Outlook for 2021

The recovery from the COVID-crisis will take time but the desire of people to travel has not disappeared anywhere. The future development of the Company and its recovery from the crisis depends on the speed of the recovery of international airline passenger traffic. The future development of international airline passenger traffic is greatly related to the further evolution of the virus and is directly dependent on the progress made with vaccination. It is important that vaccination would provide adequate protection and people would regain confidence that they can resume their normal life, of which travelling is an integral part. We are hopeful that with better availability of vaccines and the progress made by countries with vaccination, the pandemic would be suppressed in the developed countries by the end of 2021.

There is a lot of uncertainty, the beginning of the year has not been very promising and the long-term effect of the coronavirus is difficult to predict but it will be quite prominent for the entire travel and tourism sector. According to our estimate, the recession in the airline passenger traffic will continue at least in the first half of 2021. We hope that once the virus will start to recede, it will propel a fast recovery beginning in the summer. For the year as a whole we hope to have about the same number of controlled flights as in 2020 and we are more optimistic about the recovery of traffic flows in 2022.

Performance plan and prices

The year 2020 was the first year of the third reference period of the European ANSP Performance Plan. The Performance Plan for 2020-2024 includes the common targets of Functional Airspace Blocks in four key areas: cost-efficiency, capacity, environment and safety.

By Commission Implementing Regulation (EU) 2019/317 of 11 February 2019, a decision was not made whether to establish Performance Plans on the country level or the FAB level, to be decided by the supervisory authorities of countries. At the suggestion of the service providers of the NEFAB, the Performance Plans for the third reference period were established on the basis of country levels.

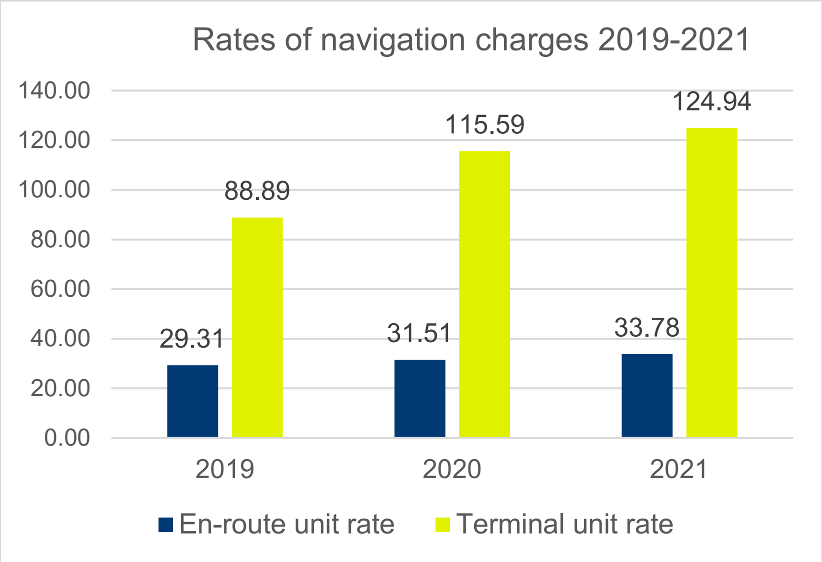
Changes in the unit rates for EANS navigation services:

The unit rates for air navigation service charges are calculated on the basis of the Commission Implementing Regulation (EU) 2019/317 of 11 February 2019, laying down a common charging scheme for air navigation services.

According to the Regulation, the tariffs are annually adjusted and coordinated with the representatives of the airspace users (IATA etc.) in the Enlarged Committee for Route Charges.

The change in the en-route navigation charge is related to the new performance plan for 2020 - 2024. Since 1 January 2020, the unit rate was €31.51 and a year earlier, it was €29.31. Due to the current price regulation, the Company also changed the unit price for the en-route navigation charge for 2021, the new unit rate is €33.78.

In 2020 the unit rate for terminal navigation service was €115.59 while a year earlier it was €88.89. From 1 January 2021, the unit rate of the terminal navigation charge is €124.94.



Economic Value Added

In order to improve the evaluation process of the economic results the EANS management uses the method of measuring the economic value added. While traditional accounting practices consist mainly of the preparation of the Income statement and appraisals based on it, the implementation of the economic value added calculation also takes the cost for equity exploitation into consideration. The idea of the economic value added concept lies in the amount of profit exceeding the cost of owner's equity:

$$Economic\ Value\ Added = Net\ profit - Equity \times \frac{Required\ return\ on\ equity}{(RROE)}$$

Taking into account the risk level in the Company, the indicators treated as the required return on equity of other service providers in the world and the position of the Company's owner, the required ROE in 2020 was 7.3% (2019: 8.9%).

The economic value added in the core services was as follows:

	En-route navigation services	Terminal navigation service	Other services	Total
Income	13,161,845	1,041,095	1,511,143	15,714,083
Operating expenses	17,313,090	4,563,165	56,575	21,932,830
Capital-related costs	1,359,616	306,167	5,971	1,671,754
Economic Value Added at the Company level	-5,510,861	-3,828,237	1,448,597	-7,890,501
State expenses Economic Value	5,746,984	309,708		6,056,692
Economic Value Added at the state level	-11,257,845	-4,137,945	1,448,597	-13,947,193

Major activities and events in 2020

Provision of technical support

High quality CNS/ATM (technical support) services consist of certified communication, navigation and surveillance services provided by the technical staff holding ATSEP ratings. An important part of the service is ensuring the functionality and development of equipment, provided by the competent technical support team of EANS. In 2020, the planned development of the services and the competences of the staff continued.

At the beginning of 2020, the budget for the development of the CNS/ATM service and infrastructure was approved in the amount €9.2 million. By the beginning of the second quarter, the Management Board was clearly aware that in the situation of the lower number of flights and the crisis related to the COVID-19 virus, the budget should be amended and capital expenditures postponed.

The Management Board decided that in terms of capital expenditures only the concluded agreements and the key projects (Finest, Remote Tower, UTM) will continue. As a result of negotiations and analyses, the following capital expenditures will continue.

Principal investments into CNS/ATM in 2020:

- Taken into use:
  - B9 version of Topsky software for air management system – completion and implementation.
- In progress:
  - Software upgrade for Topsky B10 version for the flight management system;
  - Stage I of CADAS system upgrade (the agreement was partly postponed);
  - Working version of the remote tower software and developments of Kuressaare tower and camera system.

The other planned capital expenditures in the amount of €6.2 million were postponed until the next period. In 2021, it is important to implement the following ones that are related to the projects in progress:

- Upgrade of the voice communication system (VCS) – for implementation of FINEST project;
- Further developments of the remote towers are regional airports – Kuressaare and Tartu;
- Implementation of TopSky B10 – for implementation of FINEST project;
- Information system developments;
- First stage of the Unmanned Aircraft Systems Traffic Management (UTM) ;
- Upgrade of the navigation infrastructure (DME-DME).

Implementation of capital expenditures will depend on the additional capital investments by the state into the Company because COVID-19 has lowered the Company's investment capacity.

Provision of aeronautical information services

The objective of Aeronautical Information Service is to ensure the flow (collection, processing and distribution) of aeronautical data and aeronautical information necessary for thesafety, regularity, and efficiency of air navigation. The aeronautical information and datashall be of appropriate quality and timely provided in order to ensure safety of air traffic.

Various projects support the migration from AIS to AIM, which means transition from product-centric services to the aeronautical information management via the digital data exchange. The requirements for the transition are set in the EC Regulation 73/2010 which stipulates the requirements for the quality of aeronautical data and aeronautical information for the Single European Sky (SES), the requirements for data traceability and requirements for availability of competent staff. Commission Implementing Regulation (EU) 2017/373 which stipulates the common requirements for providers of air traffic management/air navigation services and other air traffic management network functions is effective from 2 January 2020. The start of the new period of validity of the aeronautical information services, i.e. part of this Regulation related to AIS is 27 January 2022 (Regulation 72/2010 will become invalid).

In 2020, the developments of AIMDB (Aeronautical Information Management DataBase) and smartWFM (Work Flow Management) continued for implementation of NOTAM and new SNOWTAM formats. The implementation of digital NOTAM is hindered by the problems with data transmission between AIMDB and EAD SDO databases. The system developer will continue its development work for the full implementation of the database until the end of the first quarter of 2021, after which we can start implementing digital NOTAM.

In 2019, we started preparations for the upgrade of the CADAS aeronautical information systems. At the end of the year, we signed the respective agreement with the developer (Frequentis AG). The duration of the agreement will be two years, and according to the contract, the final acceptance of the works of the first lot was supposed to take place in August 2020. Due to COVID-19 crisis, the approval of the first stage was postponed until March 2021. Due to lower investment capacity, we have frozen the agreement until 2022 as our financial situation does not enable us to continue according to the preliminary schedule.

FINEST programme

The year 2020 was a year of complicated decisions and practical preparations for the FINEST programme. Due to the steep decline in air traffic arising from the COVID crisis, the Company's investment capacity was significantly reduced. Finntraffic ANS, the collaboration partner in the

FINEST programme faced a similar situation. However, after internal consultations and discussions with the partner, both companies decided to continue with the programme. For a successful exit from the recession related to the COVID crisis, the cost savings and efficiency growth from the implementation of the FINEST programme is of crucial importance.

In 2020, in the course of the programme, several simulations for development and harmonisation of the airspace structure and working procedures were carried out. The activities for implementation of the programme will also continue in 2021. The launch of the key technological solutions will take place in the second half of 2021. In 2022, the training courses for the staff will be implemented and the programme is expected to be launched in April 2022.

The FINEST programme is crucial for the companies of both countries because the cross-border service provision helps to cope with the forecasted air traffic growth more efficiently and to achieve the targets set in the European Performance Plan .

Remote Tower prototype

In 2016, EANS set an ambitious goal to develop a solution for the provision of air traffic control services at regional airfields of Estonia from one working position, i.e. the Remote Tower (RTWR). The final goal of development activities is provision of a professional, prompt and cost-efficient terminal air traffic control service at least at four regional airfields of Estonia: Tartu, Kuressaare, Pärnu and also Kärdla in the future.

During the first stage (2014-2019), the work involved the survey on the technology of the remote tower, and performance and feasibility of the concept as well as construction of Tartu remote tower.

During the second stage (2019-2023), version 2.0 of the full-functioning, weatherproof, high-operability and user-friendly remote tower will be developed in collaboration with AS Cybernetica based on Tartu prototype. Kuressaare will be the first airfield to receive the new system by summer 2021. By that time, the remote tower centre will also be completed on the premises of the air control centre to be gradually equipped with airfield system modules. Collaboration with AS Tallinna Lennujaam and the Transportation Board will simultaneously continue in order to launch Kuressaare AFIS service from the remote tower immediately before the year-end of 2022. In the upcoming years, the airfields of Tartu, Pärnu and Kärdla will follow after Kuressaare.

The third stage will involve the development and implementation of the multi-tower position at the remote tower. In the current period, research and simulations are carried out to investigate the effect of technology on the work performance and safety of air traffic controllers.

GOF U-space

In 2018, GOF U-Space (GOF- Gulf of Finland) project was launched. EANS participated in it as a member of the international consortium responsible for coordinating the activities. The project is funded by the joint venture SESAR JU. Within the framework of GOF U-space project, seven DEMO scenarios of unmanned aircraft flights were developed and analysed with due respect to safety, security, environment as well as private and public interests. The goal of the project was to assess both the readiness of different U-space services for their deployment and as well as to up-date European U-space concept. The latter includes integration of unmanned and manned air traffic, therefore, for EANS it was important to have an overview of the planned U-space framework and integration of unmanned aviation with conventional air traffic. The project was exceptionally successful; the final report was completed in February 2020.

In 2020, preparations were made for the follow-up project GOF 2.0.

EANS has also initiated UTM Estonia (Unmanned Aircraft Systems Traffic Management) project, the goal of which is to map the current situation in Estonia in unmanned aviation and to prepare an action plan on the development of UTM concept and UTM system.

Civil-military cooperation

Due to the political situation both in the world and in Estonia, the number of military exercises arranged by the National Defence Forces has kept growing. In 2020, collaboration in respect of the preparation of the procedures continued. The keywords in 2020 and next years are constructive collaboration of the various structural units of the National Defence Forces.

Air safety and quality

The key word for seamless air traffic operations is safety; it ensures expeditious and safe flow of air traffic and mitigates risks of collisions between aircraft as well as between aircraft and terrain.

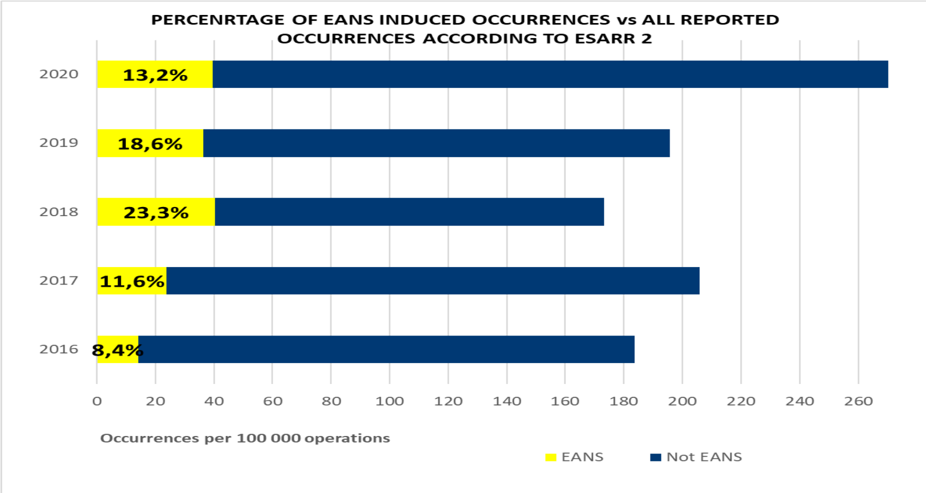
Improvements in safety assurance and continuous enhancement of safety performance have always been a top priority for EANS and we do our best to comply with all the international requirements.

EANS has been paying a lot of attention to identification of the existing hazards/risks, development and implementation of the procedures required for their prevention as well as to systematic monitoring. It is aimed at timely identification of potential bottlenecks in the existing procedures, methodology, technical systems etc. that could become decisive factors in actual hazardous situations.

Safety-related activities in 2020 were greatly related to the state of emergency arising from COVID-19 and the accompanying decline in traffic as well as the epidemiologic situation. Safety evaluations regarding various changes and upgrades decreased significantly and most safety evaluations were related to the state of emergency. It is a pleasure to note that although we worked in the conditions of the state of emergency in 2020, notification of safety occurrence reports remained at the previous good level.

In 2020, we continued to give inputs to the FINEST and rAFIS projects. We also made a contribution to the organisational restructuring by carrying out a safety assessment, resulting in development of a new management structure at the Company. In the course of the safety assessment, we evaluated various risks that may arise during the structural change and identified mitigating measures with our team.

Due to the state of emergency and a decrease of the potential of contact training courses a video of safety training was made and new employees as well as those needing refresher courses were able to participate in training via the video.



The safety occurrence reporting culture has been improving year after year. In 2020, 312 different safety occurrence reports were submitted, which is 33% less, while the number of flights decreased by 56%.

Quality Management System Oversight

The fundamentals of the quality management system are: management system principles, clear objectives and the ambition to provide stable and high quality services to customers. We have set quality goals and indicators, supported by department work plans.

The quality management system helps to ensure management processes, customer-orientation, consistency and traceability; for these purposes respective guidance materials have been developed.

With the aim of improving the management system and increasing its impact, EANS seeks to establish a work culture, so that the staff could be more aware of the requirements set out in laws, regulations and administrative provisions. We set goals and ensure the availability of the required resources, organise annual surveys of the management system by the executive management so that the executive management could have a real picture of the processes completed, goals achieved as well as future plans.

The quality management system of EANS comprises all of its management systems on the grounds of common rules: safety, security, customer relations, work environment, communication, IT security, etc.

Our quality management system is in compliance with the requirements of the EU Regulation 373/2017, evident in the certificate of the provider of aeronautical services issued by the Transportation Board. Our management systems is also in compliance with the international management system ISO 9001:2015, for which the certification for the provision of aeronautical services, air traffic, communication, navigation, surveillance and aeronautical services information have been issued.

External audits were conducted for maintenance of both certificates that verify compliance with the requirements of the EU Regulation 373/2017 and ISO 9001:2015.

In addition, EANS has an internal audit system to assess compliance with requirements in the all processes of the Company. In addition to internal and external audits of the management system, external audits are also carried out in various areas in accordance with the external audit plan approved by Audit Committee.

Customers

Our customers are users of the airspace in the Flight Information Region (over Estonian territory and over high seas); they require air traffic and/or aeronautical information management services.

Aviation is a very complicated and highly regulated industry; therefore, the companies, including airline operators, must meet high standards and they expect a similar level of the services from their partners in return. Our goal is to meet their expectations; according to the feedback, we believe we are on the right track.

The majority of the users of our services are airlines, i.e. aircraft operators - they either fly to/from the airports in Estonia or pass through the Estonian airspace. But we also have other customers from various interesting areas of activities. High quality and availability of the services is equally guaranteed to all of them.

Our customers are very important to us – it is the principle we adhere to whenever possible. We invite the customers to dialogue and cooperation, making our services more customer-friendly as quickly and flexibly as possible, whenever the majority of regulations allow it; the interests of our customers are the basis for our developments.

Every day we contribute to making Estonia more attractive for the airlines of the world both as a destination and as an airspace choice in Europe for overflying. We can achieve thisgoal only in cooperation with different parties operating in the aviation sector, including Estonian airports and our customers. We introduce the possibilities for them and plan our development activities based upon their needs.

In light of the growing investments into development and increasing maintenance costs, Customer Relations Management is becoming increasingly important - therefore, we know who our customers are and what is important for them. More and more attention is paid to our cooperation partners; with them we execute development projects and organise seminars for local partners on familiarising them with our activities and development plans - direct communication gives us valuable information about our partners' needs and developments.

Contribution to society

We participated in the establishment of Estonian Aviation Cluster, and we are its member from January 2020. The membership in the cluster helps us to contribute to the developmentof the Estonian aviation strategy and policy. The participation in the cluster activities helps us to promote the reputation of EANS as a company and to contribute to the areas of activities in the focus of the cluster that will shape the future of aviation in Estonia.

EANS carries out its day-to-day activities on the basis of the principle of responsible business conduct.It entails the environmentally-friendly approach to all intended development activities, cooperation with the surrounding community, following the principle of equal treatment, staff well-being and maintaining good health. In spring 2020, together with other public companies, we have joined the group that follows the agreement on responsible business conduct principles.

Human Resources

Air transportation was one of the sectors hit the hardest in the crisis. Despite this, we continue to provide modern working conditions to our employees and good opportunities for development and self-realisation.

In 2020, the keywords in human resources were: the COVID-19 crisis, extensive protection of the health of our employees, a review of work procedures due to the higher share of remote work, employee mentoring and support in the conditions of remote work and crisis, development of a crisis schedule for the operational staff.

We prepared a separate section of the intranet where we posted all materials supporting remote work, including self-study options. We continuously disseminate information to our employees about activities of the Company. From March, we launched company-wide calls using MS Teams for the purpose of exchanging information. At the peak of the crisis, they were held once a week, those not participating in the live event could view the webinars later.

Since March 2020, the office staff has mostly worked remotely. We made remote work supplies available to our employees and disseminated information about the importance of work and rest time, provided guidance on the ergonomics of the work place. We started to use MSTeams as a means of communication.

For the first time in the history of EANS, we had to lay off employees. 20% of our staff was laid off. We launched psychological counselling for both remaining and departing employees. As at 31 December 2020, 180 employees worked at EANS (31.12.2019: 225 employees). At the same time, certain competences needed to be hired from the market – there was a lack of technical and IT competency. The induction processes for new employees needed to be rearranged to fit the remote work conditions.

In August, a structural reform of the organisation was launched in order to adapt to the external environment and ensure the sustainability of the Company. Its purpose is aligning the structure of EANS with the changed circumstances, combining duplicate positions, increasing efficiency and maximising the use of labour resources, improving collaboration between departments and being better prepared in the process of the free market entry of the services laid down in the regulation of the EC while preserving the competitive advantage. This process has led to a high administrative burden.

In autumn 2020, we started to upgrade our remuneration system in collaboration with Fontes for the purpose of ensuring in-house fairness and competitive advantage, recruiting and keeping employees with necessary competencies, ensuring objective foundations for work evaluation and remuneration determination.

A plan to operate under the state of emergency was developed, including crisis plans.

Major projects and events in different functional areas of HR

Recruitment and staffing

EANS still considers recruitment and retention of employees important, but in 2020 due to the crisis we were able to contribute to this topic less than planned. In the first half of the year, trainees specialising in air traffic services worked in the Flight Control Department of EANS (Tallinn and Tartu). We continued to contribute to the improvement of the learning quality and students of the Estonian Aviation Academy by involving our instructors as observers and feedback providers in exam rehearsals. To mitigate the coronavirus threat in 2020, no excursions were made to the air control centre. The purpose was to protect operational employees and continue the provision of services.

In 2020, we supported students with the following scholarships:

- 2 scholarships for outstanding students majoring in air traffic services and aeronautical engineering at the Estonian Aviation Academy from the fund managed by Tartu Cultural Endowment.
- 3 scholarships to outstanding students of Tallinn University of Technology majoring in logistics, computer sciences, communication technologies and/or data processing. The granting of scholarships is coordinated by the Development Fund of the Foundation Tallinn University of Technology.

In 2020, EANS received the recruitment marketing award for the recruitment campaign "Taevavalvurid" (Sky Guards) held in 2019. The purpose of the campaign was to draw greater attention to the profession of air traffic controllers, the Company and the aviation sector at large.

In February 2021, one outstanding participant finished the training at EANS and is now a full-time air traffic controller. The other sky guard continues his on-the-job training.

Staff development

Owing to the rapidly changing environment and aviation regulations, supporting staff development is still of great importance to us. However, the global pandemic set major restrictions on the arrangement of training courses. While in the first quarter of 2020 we continued with the training courses in the planned volume, from March 2020 only training activities necessary for acquiring or maintaining one's competencies continued. Training sessions were primarily held online, other than one-on-one mentoring and on-the-job training sessions.

The average training hours per employee was 1.6% of the staff working time, i.e. 26.3 hours/person (2020: 3.6%). The volume of training hours does not include professional and refresher training, participation in webinars and self-study. The number of study holiday days was: 161 (2019: 192).

The key training courses of 2020 were as follows:

- Completion of the initial training of sky guards in Denmark in the 1st quarter and launching of the on-the-job training at the ATS Department of EANS;
- Stress management training after critical incidents to the support staff in the ATS Department;
- Last modules of the training programmes launched in 2019 to the managers and trainers of EANS, the purpose of which is harmonisation of work methods and development of management quality of target groups;
- Refresher training course for regional air traffic controllers (ACC) at the ATS Department. Rehabilitation, retraining and coaching training at ATS Department;
- Training and retraining related to new ATSEPs (technical security guards) at the Technical Department;
- Training of the new procedure designer at the Flight Information Department;
- Unit training related to surveillance transition and compilation of the training documentation of the remote tower in collaboration with ELA;
- Surveillance transition training at the ATC unit in Tartu and preparations for the training related to the remote tower centre;
- Company-wide MS Teams user training session, preceded by the development of the user manual by the company-wide work group;

- Training arising from Regulation 2017/373 related to stress, fatigue and use of psychoactive substances for all operational staff, departmental and first level managers.

In the training area, we focused on various development activities in 2020:

- An agreement was reached regarding the foundation for long-term training planning;
- In the 2nd quarter of 2020, we adopted a compensation system developed in collaboration of external partners and EANS in 2017-2020 which is the basis for recruitment, development and new employee planning, including position-based competency models. The competencies were included for the first time in the appraisal forms. We focused on supporting our managers in this process;
- We disseminated information about training opportunities and remote work in the Company's channels;
- We launched the search for the e-learning environment meeting the needs of EANS;
- Development of in-house trainers continues to be a priority: 2020 – in-house trainer survey, meetings took place for trainers, we set the recognition of trainers as a priority: the long-term air traffic controller-instructor Karel Hütt was recognised at the competition of the Trainer of the Year.

Work environment

The work environment in EANS is at a high level and the Company has been doing everything possible to keep its employees fit and to foster activities to support their health. We invest time, competencies and money into continuous improvement of the work environment.

In December 2020, EANS was awarded the Gold Label at the competition of a family and work-friendly company. It demonstrates that the Company wishes to turn its working environment into a caring, pleasant and motivating place for its employees through implementation of miscellaneous support measures. The experiences of companies that have participated in the family-friendly employer programme have demonstrated that their employees are more competitive and loyal.

We continued with our fruit days and sports compensation even in a situation when most of the employees worked remotely. To foster the company spirit among employees, we created separate MS Teams channels with thematic exchange of information (hobbies, learning and development, health etc.). We arranged various competitions and events to foster contact and team spirit (picture and reading competitions, joint cooking sessions, athletic challenges, etc.). A traditional end of the summer party for children took place – ca 20 employees of the Company were involved in its organisation, the children starting school received gifts. Both the children of the employees as well as the employees themselves received Christmas gifts. At the end of the year, we handed out traditional awards, silver awards, the deed of the year, the project of the year, etc.

Regulation EU 2017/373 is in effect from January 2020; it lays down specific requirements particularly for fatigue and stress management as well as prevention of the use of psychoactive substances. In addition, the updated Occupational Health and Safety Act (in effect from the beginning of 2019) obliges employers to work on psychosocial risks as well. We have created a respective process how to prevent psycho-social risk factors and deal with the problems that have arisen.

Since 2020 was the year of Covid-19, we had no traditional health month in the autumn but everyone was eligible for a flu shot. We continue to support the visits to the psychologist.

There were no occupational accidents at EANS in 2020.

Corporate Governance report

In solving the issues related to the management of the Company, Estonian ANS in general relies on the guidelines for good corporate governance (hereafter: CG). In addition to the recommended guidelines of CG, the Company also relies on the State Assets Act (hereafter: SAA), because the Republic of Estonia owns 100% of Estonian ANS.

Therefore, considering the ownership of EANS and the related specific requirements in managing the Company at the level of the General Meeting and the Supervisory Board, Estonian ANS does not follow some of the guidelines recommended by CG. References to the provisions of CG (clause of CG and its brief description) that are not followed and respective explanations are given below.

However, it is important to note that despite the fact that the Company does not follow some guidelines, the comprehensive protection of the interests of the owner and creditors and their fair treatment is ensured when it comes to organising the activities of Estonian Air Navigation Services. The CG guidelines that are not followed, mainly concern conducting a general meeting and appointing members of the Supervisory Board - it is for protecting the interests of the owner. Since the sole shareholder of Estonian ANS is the Republic of Estonia, the shareholder's interests are protected by the principles set out in the SAA.

EANS organisational structure

General Meeting

Estonian ANS does not follow the CG clauses stated below:

Clause 1.1.1 – every shareholder shall have the right to participate in the General Meeting (hereafter: the GM), take the floor on the agenda items, ask sound questions and make proposals.

Clause 1.2.1 – a notice of convening the GM shall also be made available on the issuer's web-site at the time that it is sent to the shareholders and/or published in a national newspaper.

Clause 1.2.3 – concurrently with following the terms and conditions for convening GM set out in legislation, the Management Board (hereafter: the MB) shall disclose important information related to the agenda, which has been presented to it or is made otherwise available, on the issuer's website.

Clause 1.2.4 – the Supervisory Board (hereafter: the SB) shall disclose their proposals regarding the agenda on the issuer's website within a reasonable amount of time before GM.

Clause 1.3.1 – neither the Chairman of the SB nor a member of the MB shall be elected Chairman of GM.

Clause 1.3.2 – members of the MB, the Chairman of the SB and if possible, the members of the SB and at least 1 auditor shall attend the meeting.

Clause 1.3.3 – if there are technical means available and it is not too expensive, the Issuer shall make it possible to follow the GM and to participate in it through telecommunications (e.g. Internet).

The above-mentioned the CG guidelines are not followed due to the fact that the sole shareholder of EANS is the Republic of Estonia and the exerciser of the shareholder's rights is the Ministry of Economic Affairs and Communications, the GM of Shareholders is represented by Minister of Economic Affairs and Infrastructure. Exercising of the shareholder's rights and the authority of the representative are provided in the SAA; holding of the GM and its participants are determined, if necessary, upon coordination with the sole shareholder.

At 1 July 2020, the annual GM of EANS was held. The Minister of Economic Affairs and Infrastructure, the Chairman of the SB, the Chairman of the MB and one representative of the Ministry of Economic Affairs and Communications participated in the GM in 2020; the auditor did not participate in it. The meeting was not broadcasted through telecommunications.

At the meeting, the Chairman of the MB gave an overview of the economic performance, achievement of targets, external audits, risk management and major development activities in 2019. The Chairman of the SB gave an overview of the SB's activities in 2019, control environment and remuneration.

The annual GM approved the Annual Report for 2019 and the Profit Allocation Proposal.

Supervisory Board

Members of the SB 1 January 2020 – 31 December 2020:

- Viljar Arakas (Chairman of the Supervisory Board 1 January – 9 September)
- Priit Põldoja (Chairman of the Supervisory Board starting 14 December 2020)
- Andres Uusma
- Riina Varts Kaupo Raag

In 2020, the SB of held 9 meetings.

Clause 3.1.3 – The SB shall regularly assess the MB's activities and the implementation of the Issuer's strategy, financial condition, risk management system, the lawfulness of the MB activities and whether essential information concerning the Issuer has been communicated to the SB and the public as required.

Upon the establishment of committees (audit committee, remuneration committee etc.) by the

SB, EANS does not consider it expedient to publish their existence, duties, membership and position in the organisation on its website because EANS has a sole owner and the proto- cols of the SB's meetings are presented both to the GM and the Minister of Finance pursuant to the State Assets Act (hereinafter the SAA).

EANS does not follow Clause 3.2.2 of CG – at least half of the SB members shall be independent. If the SB consists of an uneven number of members, then there shall be one independent member less compared to dependent members. According to the articles of association of EANS, the SB has 3-6 members. The SB of EANS consists of four members. Pursuant to §81, section 1^1 of the State Assets Act, the stock administrator proceeds from the proposal of the Nomination Committee concerning the election and the number of the members of the SB.

Pursuant to Clause 3.2.5 of the CG, the amount of the remuneration paid to the members of the SB of EANS in 2020 and the procedure for remuneration are presented below.

In total, the remuneration paid to the members of the SB and the Audit Committee of EANS in 2020 was €29.3 thousand.

The procedure of the remuneration payable to the members of the SB is specified in SAA §85. Pursuant to the SAA, the amount of and procedure for the remuneration for the members of the SB shall be established by the stock administrator based upon the specifics of the business entity.

The monthly remuneration of a member of the SB of EANS S is €500 and that of the Chairman of the SB is €1000. Remuneration is paid to the members of the SB once a month. A member of the SB shall not receive any remuneration for the month he/she did not participate in adopting the SB's resolutions.

The "Procedure for Remuneration and Limits of Remuneration of the members of the SBs of State-Founded Institutions and Members of the SB Bodies Participating in the Work of an SB of a State-Founded Company" of the Finance Minister specifies the procedure for the remuneration paid to the members of the SB of state-owned business entities and such entities, where the state has at least decision making power, and members of the SB bodies for participating in the work of SBs. In accordance with the aforementioned resolution, additional remuneration shall be paid to an SB member for participating in the activities of another SB body. The Audit committee is a body within the SB of EANS. The remuneration paid to the members of the SB's Audit Committee members for participating in the SB's work is 25% of the remuneration of a SB member and the remuneration paid to the Chairman of the Committee may amount to 37.5% of the remuneration of a SB member.

Clause 3.3.2 – conflicts of interests which have arisen during the financial year and their respective solutions, shall be provided in the CG report.

No notifications regarding conflicts of interest had been received by the Company from the members of the SB of EANS by the time Annual Report 2020 was prepared.

EANS does not pay any severance pay or other additional remunerations to the members of the SB, other than the remuneration for participating in a SB body.

Audit Committee

Audit committee is a body established by the SB of EANS; according to the Articles of Association, its objectives are to consult the SB on the issues relating supervision, including accountancy management, external audit, internal audit system operability, financial risk management, legal oversight of EANS processes, budget consolidation and approval of annual reports.

1 January 2020 – 23 November 2020, the members of the Audit Committee were Kaupo Raag (Chairman), Andres Uusma and Priit Rifk.
24 November 2020 – 31 December 2020, the members of the Audit Committee were Kaupo Raag (chairman), Andres Uusma.

Four Audit Committee meetings were held in 2020. The subjects presented at the meetings concerned the findings of the audits, suggested recommendations and the SB was informed of their results.

The auditor of EANS, AS PricewaterhouseCoopers provided on two occasions, upon issuing the auditor's report on the Financial Statements for 2019 and during interim audit for the financial year 2020, the Audit committee with an overview of significant findings, as well as of the observations and proposals on risk management and control systems.

Management Board

In 2020, the MB consisted of 3 members. The areas of responsibility and tasks of the member of the MB are specified in their contracts.

Members of the MB:

- Ivar Värk (Chairman of the MB, CEO);
- Jaanus Jakimenko (Member of the MB/Head of CNS/ATM Department);
- Üllar Salumäe (Member of the MB/Head of ATS Department).

In 2020, 30 meetings of the MB were held.

Pursuant to Clause 2.2.7 of the CG, the information regarding the amount of the remuneration paid to the MB members of the EANS in 2020 and the system for determining severance pay and additional remuneration are presented below.

The remuneration paid to the MB members of EANS in 2020 was €252.6 thousand in 2020. The possibility for the annual bonus paid for the operating results of 2020 will be decided by the SB after the annual report is authorised for issue. The amounts of the additional remuneration and severance pay payable to a member of the MB are specified in the SAA Subsections 86 (2) and (3), pursuant to which the amount of the additional remuneration payable to a member of the MB shall not exceed the four-month remuneration paid to a member of the MB of EANS. As at 31 Deceber 2020, in accordance with the contracts in force, EANS is obligated to pay a severance in the amount of three-month remuneration to the MB member in the event of his/her removal.

The determination of additional remuneration must be justified, with due respect to the value added to EANS and its market position. Severance pay shall only be paid if a member of the MB is removed at the initiative of the SB and before the expiry of his/her term of authority; its amount shall not exceed three-month remuneration paid to a member of the MB.

Information Disclosure

Estonian ANS does not apply Clause 5 of the CG in full, the reason being the structure of the shareholders of EANS, according to which EANS has a sole owner, therefore, the publication of information on the webpage is not an efficient and reasonable way of notifying shareholders. Likewise, it is not reasonable to share all the information in English.

Despite the deviation from the requirements of clause 5 of the CG, EANS presents the necessary reports to the shareholder directly and publishes on its webpage the information which is or might be of interest to public. EANS also implements the provision in clause 5.6 on the principle of careful and comprehensive exchange of information with journalists and other stakeholders.

In any case, the information, the disclosure of which is an obligation specified in the legal acts, including State Assets Act, is published on EANS home page.

Financial reporting and auditing

Clause 6.2.3 – Upon organising rotation of auditors, the Issuer shall comply with the guidelines of the Financial Supervision Authority from 24 September 2003, “Rotation of auditors of certain entities under state supervision.” EANS does not follow this recommendation as the auditor is appointed for three calendar years on the basis of the results of competition.

Financial statements

Statement of financial position

(EUR)

ASSETS	Note	31.12.2020	31.12.2019
NON-CURRENT ASSETS			
Cash and cash equivalents	*2; 3*	6,582,589	9,504,229
Trade receivables	*3; 4*	4,358,353	4,090,162
Other receivables and prepayments	*5*	153,889	185,476
Total current assets		**11,094,831**	**13,779,867**
Property, plant and equipment	*6*	12,942,647	13,868,146
Intangible assets	*6*	11,882,393	13,076,994
Total non-current assets		**24,825,040**	**26,945,140**
TOTAL ASSETS		**35,919,871**	**40,725,007**
LIABILITIES AND EQUITY			
Short-term borrowings	*3; 7*	4,792,072	1,632,380
Payables to employees	*8*	293,327	545,529
Short-term provisions	*8*	0	1,201,773
Other current liabilities	*3; 9*	1,714,389	1,077,920
Short-term government grants	*16*	1,699,373	440,502
Total current liabilities		**8,499,161**	**4,898,104**
Long-term provisions	*8*	0	619,073
Long-term borrowings	*3; 7*	15,169,420	16,045,928
Long-term government grants	*16*	302,407	729,132
Total non–current liabilities		**15,471,827**	**17,394,133**
TOTAL LIABILITIES		**23,970,988**	**22,292,237**
EQUITY	*10*		
Share capital		5,112,940	5,112,940
Statutory legal reserve		511,294	511,294
Retained earnings		12,808,536	9,572,387
Total comprehensive income for the year		-6,483,887	3,236,149
TOTAL EQUITY		**11,948,883**	**18,432,770**
TOTAL LIABILITIES AND EQUITY		**35,919,871**	**40,725,007**

The notes on pages 30-53 are integral parts of these financial statements.

Statement of comprehensive income

(EUR)	Note	2020	2019
Revenue	*11*	14,142,921	28,161,514
Other income		1,571,162	823,273
Total operating income		**15,714,083**	**28,984,787**
Goods, raw materials, materials and services	*13*	-2,704,993	-2,853,766
Other operating expenses	*14*	-1,399,119	-2,448,816
Payroll expenses	*12*	-12,559,111	-13,865,273
Depreciation and amortisation	*6*	-5,269,607	-5,128,760
Total operating expenses		**-21,932,830**	**-24,296,615**
Operating profit/loss		**-6,218,747**	**4,688,172**
Financial income		794	739
Financial costs	*7*	-265,934	-233,867
Profit/loss from operating activities		**-6,483,887**	**4,455,044**
Income tax on dividends paid	*9;15*	0	-1,218,895
Net profit/loss		**-6,483,887**	**3,236,149**
Total comprehensive income/loss for the year		**-6,483,887**	**3,236,149**

The notes on pages 30-53 are integral parts of these financial statements.

Cash flow statement

(EUR)	Note	2020	2019
Cash flows from operating activities			
Operating profit/loss		-6,218,747	4,688,172
Adjustments			
Depreciation, amortisation and impairment	*6*	5,269,606	5,128,761
Amortisation of government grants for non-current assets	*16*	-440,502	-415,041
Government grants for operating expenses	*16*	-847,122	-98,934
Total adjustments		**3,981,982**	**4,614,786**
Change in receivables and prepayments related to operating activities	*4;5*	-235,034	452,016
Change in inventories		2,429	5,366
Change in liabilities and prepayments related to operating activities	*8;9*	-2,224,092	-368,385
Government grants for operating expenses	*16*	2,119,770	340,045
Net cash flows from operating activities		**-2,573,692**	**9,732,001**
Cash flows from investing activities			
Payments for property, plant and equipment and intangible assets	*6*	-2,364,591	-4,431,174
Interest received		794	739
Government grants for property, plant and equipment	*16*	0	732,969
Net cash flows used in investing activities		**-2,363,797**	**-3,697,466**
Cash flows from financing activities			
Dividends paid	*15*	0	-5,195,000
Income tax on dividends paid	*10;15*	0	-1,905,645
Loans received	*7*	4,875,261	10,000,000
Repayment of borrowings	*7*	-2,592,077	-1,606,219
Interest paid	*7*	-267,334	-225,600
Net cash flows used in financing activities		**2,015,849**	**1,067,536**
Increase/decrease in cash and cash equivalents for the period		*-2,921,640*	*7,102,071*
Cash and cash equivalents at the beginning of the year	***2***	**9,504,229**	**2,402,158**
Cash and cash equivalents at the end of the year	***2***	**6,582,589**	**9,504,229**

The notes on pages 30-53 are integral parts of these financial statements.

Statement of changes in equity

(EUR)

	Share capital	Statutory legal reserve	Retained earnings	Total
Balance at 31.12.2018	**5,112,940**	**511,294**	**14,767,387**	**20,391,621**
Dividends paid	0	0	**-5,195,000**	**-5,195,000**
Total comprehensive income/loss for the year 2019	0	0	**3,236,149**	**3,236,149**
Balance at 31.12.2019	**5,112,940**	**511,294**	**12,808,536**	**18,432,770**
Dividends paid	0	0	**0**	**0**
Total comprehensive income/loss for the year 2020	0	0	**-6,483,887**	**-6,483,887**
Balance at 31.12.2020	**5,112,940**	**511,294**	**6,324,649**	**11,948,883**

More detailed information about the share capital and other equity items is disclosed in note 10.

The notes on pages 30-53 are integral parts of these financial statements.

Notes to the financial statements

NOTE 1. Accounting policies and estimates adopted in the preparation of the financial statements

General information

Lennuliiklusteeninduse AS (hereafter the Company) is a company registered and operating in Estonia, mostly providing air navigation services; its shares are solely owned by the Republic of Estonia. The Company has neither any subsidiaries nor associates. The address of the Company is: Kanali põik 3, Rae küla, Rae vald, Harjumaa.

These financial statements are presented in EUR and they cover the period from 1 January to 31 December 2020. The Company's financial statements were approved by the Management Board at 25 March 2021.

Pursuant to the Commercial Code of the Republic of Estonia, the General Meeting of Shareholders has the authority to approve the annual report prepared by the Management Board which also includes the Financial statements. The shareholder is entitled to not approve the annual report prepared and presented by the MB and to request preparation of a new annual report.

Basis for preparation

The Financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting InterpretationsCommittee (IFRIC) as adopted by European Union (EU IFRS). The Financial statements have been prepared on the historical cost basis.

Functional and presentation currency

The Company's functional and presentation currency is EUR.

Changes in information disclosure

The principles of information disclosure applied in the preparation of this report are the same as in the Company's report for the financial year ended on 31 December 2019 except for the cases specified below.

Adoption of new and revised standards and interpretations

The following new or revised standards and interpretations became effective for EANS from 1 January 2020:

Amendments to the Conceptual Framework for Financial Reporting (effective for annual periods beginning at or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Company estimates that the standard's impact on the financial reports is immaterial.

Definition of materiality– Amendments to IAS 1 and IAS 8 (effective for annual periods beginning at or after 1 January 2020). The amendments clarify the definition of materiality and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been approved. Finally, the amendments ensure that the definition of material is consistent across all IFRSs. Information is material if omitting, misstating or obscuring it couldreasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financialinformation about a specific reporting entity. The Company estimates that the standard's impact on the financial reports is immaterial.

The Company's management estimates that the other new or amended standards that became effective for the first time at 1 January 2020 have no significant impact.

New standards, interpretations and their amendments

The new or amended standards or interpretations that are not yet effective are not expected to have significant impact on the Company.

Foreign currency transactions

All foreign currency transactions are recognised in EUR using the foreign exchange rates of the ECB prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated based on the foreign currency exchange rates of the ECB prevailing at the balance sheet date. Foreign exchange gains and losses arising from translation are reported in the Statement of comprehensive income.

Current and non-current assets and liabilities

Assets and liabilities are considered as current when their due date is within 12 months after the end of the reporting period. Assets and liabilities with longer due dates are reported as non-current.

Financial assets

Classification
The Company's financial assets are classified in the measurement category of amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Recognition and derecognition
Regular way purchases and sales of financial assets are recognised at the trade-date, the date at which the Company 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 Company has transferred substantially all the risks and rewards of ownership.

Measurement
At initial recognition, the Company measures a financial asset at its fair value plus transaction costs directly related to the acquisition of the financial assets, other than financial assets recognised at fair value through profit or loss (FVPL). Transaction costs of financialassets carried at FVPL are expensed in profit or loss.

Debt instruments
Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset.

All Company's debt instruments are classified in the measurement category of amortised cost.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income/(expenses). Foreign exchange gains and losses and impairment losses are presented as separate line items in the statement of profit or loss.

All the financial assets of EANS are classified as follows:

- trade receivables;
- cash and cash equivalents.

Equity instruments
The Company has no investments in equity instruments.

Impairment
The Company assesses the expected credit losses (ECL) of its debt instruments carried at amortised cost on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The measurement of ECL reflects: (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

For trade receivables and contract assets without a significant financing component the Company applies a simplified approach permitted by IFRS 9 and measures the allowance for impairment losses at expected lifetime credit losses from initial recognition of the receivables. The Company uses a provision matrix in which allowance for impairment losses is calculated for trade receivables falling into different ageing or overdue periods. The changes in the impairment loss methodology did not have substantial impact in the impairment reserve as at 1 January, therefore, no adjustments were made in retained earnings and equity.

Although the ECL model of IFRS 9 covers also cash and cash equivalents, the identified impairment as at 1 January 2019 and 31 December 2020 was immaterial.

Cash and cash equivalents

Cash and cash equivalents both in the statement of financial position and the statement of cash flows comprise cash on hand, cash in bank accounts and short-term deposits (up to 3 months).

Property, plant and equipment

Recognition and measurement
Non-current assets are assets used in the economic activities of the Company with a useful life of over one year. Property, plant and equipment are measured at cost, less any accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of a self-constructed asset includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs directly attributable to the acquisition, construction or production of an item of property, plant and equipment are capitalised as part of the cost of that item.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment and are assigned depreciation rates that correspond to their useful lives.

Subsequent costs
Parts of some items of property, plant and equipment may require replacement or renovation at regular intervals. Related costs are recognised in the carrying amount of the item, if it is probable that future economic benefits associated with the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. In accordance with the recognition criteria presented in the previous paragraph, the costs of day-to-day servicing of an item of property, plant and equipment are not recognised in the carrying amount of the item. Such costs are recognised as an expense in the period in which they are incurred.

Depreciation

Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment. Land and assets under construction are not depreciated. The annual depreciation rates applied by the Company are as follows:

- land 0%
- buildings, structures and technological systems 2-20%
- machinery and equipment 1-40%
- other inventory 10-40%

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

The useful lives of property, plant and equipment, net book values and assigned depreciation rates are reviewed annually. The effect of changes in estimates is recognised in the reporting and subsequent periods.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses arising from derecognition of an item of property, plant and equipment are included in the Statement of comprehensive income (line “Depreciation”) in the period in which the item is derecognised.

Intangible assets

Intangible assets are initially recognised at their cost which comprises purchase price and any costs directly attributable to the acquisition of the asset. Intangible assets are measured at cost, less any accumulated depreciation and any impairment losses. Intangible assets (excluding goodwill) are amortised over their estimated useful lives using the straight-line method. Intangible assets are assessed for impairment, whenever there is any indication that their value may be impaired, similarly to the items of property, plant and equipment.

Amortisation
Amortisation is calculated on a straight-line basis over the estimated useful lives assigned to intangible assets at the rate of 4-20% per year.

Impairment of non-financial assets

Non-financial assets
The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is reviewed.

The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. For assessing the recoverable amount, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the Statement of comprehensive income.

The recoverable amount of an asset is increased only if there are indications for increase in the asset's value and if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If the results of impairment test indicate that the recoverable amount exceeds the carrying amount, the impairment loss is reversed and the carrying amount is increased. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial liabilities

Financial liabilities (supplier payables, borrowings, accrued expenses and other liabilities) are initially recognised at their acquisition cost consisting of the fair value of the consideration received. Following initial recognition, financial liabilities are measured at their amortised cost using the effective interest rate method. Transaction costs are taken into consideration upon calculating the effective interest rate and charged to the expenses over the term of the financial liability. Any expenses related to the financial liability (incl. interest expenses) are charged to the expenses of the period on the accrual basis. Financial liabilities with their due date in the next 12 months beginning from the reporting date or if the Company has no unconditional right to defer the payment for longer than 12 months beginning from the reporting date are classified as current liabilities. The borrowings that shall be paid within 12 months beginning from the reporting date but that are reclassified as long-term after the reporting date but before the annual report is approved are recognised as short-term liabilities. The same applies to the borrowings that are recognised as short-term borrowings, if the lending institution has the right to call it back on the reporting date due to a breach of the loan agreement.

The Company has not capitalised any borrowing costs during the reporting period, because according to the Company the capitalisation impact of the borrowing costs was immaterial.

The financial liability will be derecognised when the liability is paid, cancelled or expired.

Provisions and contingent liabilities

Commitments arising from an obligating event before the end of the reporting period that have either a legal or contractual basis or that have arisen from the Company's current operating practice, that require the giving up of assets, whose realisation is probable (it is more probable than not that the outflow of resources is necessary for the meeting of the obligation) and which cost can reliably be estimated but the timing of which or amount are not definitely known, are recognised as provisions in the Statement of financial position. Provisions are recognised based on the management's estimates regarding the amount and timing of the expected outflows. A provision is recognised in the Statement of financial position in the amount which according to the management's estimate is necessary as at the end of the reporting period to meet the obligation arising from the provision or transfer to a third party. The provision expense and the expense of changes in the carrying amounts of provisions are included within expenses in the accounting period. Provisions are recognised to cover future losses.

When it is probable that the provision is expected to realise later than 12 months after the end of the reporting year it is recorded at discounted value (present value of expected outflows), unless the discounting effect is immaterial.

Promises, guarantees and other commitments that in certain circumstances may become obligations, but it is not probable that an outflow of resources will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability, are disclosed in the notes to the financial statements as contingent liabilities.

Leases

The Company applied IFRS 16, "Leases" for the first time from 1 January 2020.

Lessees shall take into account:

(a) assets and liabilities for all leases with a term of more than 12 months, unless the under-lying asset is of low value; and
(b) depreciation of lease assets separately from interest on lease liabilities in the incomestatement.

Lease agreements are recognised as right-of-use assets and liabilities arising from a lease on the date when the asset is ready for use.

Lease liabilities are recognised at their present value of the lease payments. Right-of-use assets are measured in the amount equal to the lease liability unless the right-of-use asset adjustment is not required. The leases are classified as operating or financial expenses. The financial expenses are recognised in the income statement for the lease period, but the interest rate for each period of the lease term and the liability net book value should be the same. The depreciation is on a straight-line basis over the lease term or the useful life whichever is shorter.

Lease liabilities include the following lease payments at present value:

- fixed payments less any lease incentives receivables;

- variable lease payments that depend on an index or interest rate (e.g. inflation, Euribor);
- amounts expected to be payable under a residual value guarantee;
- the exercise price of an option to purchase the underlying asset that the lessee is reasonably certain to exercise.

Lease payments are reduced using the interest rate in the lease agreement if it is easily defined, or the Company's loan interest rate. Alternative loan interest rate is an interest rate paid by lessee to lease resources that would be needed for acquisition of assets at similar value under the same conditions and in the same economic environment.

A short-term lease is a lease with a lease term of shorter than 12 months. Low value assets include IT equipment and stationeries. When determining a lease term, the executive management considers all relevant facts and circumstances that create an economic incentive to exercise a renewal option, or not to do so. Renewal options (or periods after termination option): if the lessee is reasonably certain to exercise a renewal option (or not to terminate).

The Company's executive management assesses the events and changes in the circumstances that are under the control of the executive management and whether they impact the likelihood of using these options. For example, if the renewal period has changed (e.g. the group has introduced an option that used to be considered uncertain or the group has not introduced an option that used to be considered uncertain).

According to the agreements the group lease assets do not have carrying amount at the time of termination of agreement.

The following practical exemptions specified by the standard have been used in EANS:

- the agreements on operating leases with the lease period of under 12 months are recognised by the accounting group as short-term leases;
- lease agreements on the assets of minor value are not included;
- at the initial standard application, the initial direct expenses relating to the measurement of lease assets are not included.

The Company leases motor vehicles and pays lease payments for data link services. When adopting IFRS 16, the Company assessed the rental lease liabilities that used to be classified as operating leases according to IAS 17 "Leases". As at 31 December 2020 the effective lease agreements are with the termination option under 12 months or the leased assets are of minor cost, therefore, based on the amended accounting policies in 2020 the operating leases are not recognised as right-of-use assets.

Revenue from contracts with customers

Revenue is income arising in the course of the Company's ordinary activities. Revenue is measured at the amount of transaction price. Transaction price is the amount of consideration to which EANS expects to be entitled in exchange for transferring control over promised goods or services to the customer, excluding the amounts collected on behalf of third parties. EANS recognises revenue when it transfers control of a good or service to a customer.

EANS provides navigation services under contracts. Revenue from providing services is recognised in the accounting period in which the services are rendered.

Financing component

EANS does not have any contracts where the period between the transfer of the contracted goods or services to the customer and payment by the customer exceeds one year. Consequently, EANS does not adjust any of the transaction prices for the time value of money.

Interest income

Interest income is recognised under the accrual basis using the effective interest rate and is included within financial income in the Statement of comprehensive income.

Payroll expenses

Payroll expenses are recognised in the Statement of comprehensive income when EANS has an obligation to its employees. Employee benefit expenses include wages and salaries with social security taxes (33%) and unemployment insurance (0.8%) as well as fringe benefits including the income tax (income tax rate 20/80, from 01.01.2015) and social security tax.

The vacation pay expense and the amount of the vacation reserve accrual are determined at the end of the reporting period. The vacation pay expense is included within payroll expenses in the statement of comprehensive income and is recognised as a current liability in the Statement of financial position.

Corporate income tax

Pursuant to the effective Income Tax Act, it is the dividends but not the corporate profits that are taxed in Estonia. Due to the peculiarity of the taxation concept, the concept of “tax basis of assets and liabilities” does not have any economic substance and thus no deferred income tax liabilities or assets arise.

Corporate income tax calculated on dividends is recognised as an income tax expense in the Statement of comprehensive Income and a liability in the period when dividends are declared.

The maximum possible income tax amount that would accompany the distribution of dividends is presented in Note 15.

From 2018, tax rate of 14/86 can be applied to dividend payments. The more beneficial tax rate can be used for dividend payments in the amount of up to the average dividend payment during the three preceding years that were taxed with the tax rate of 20/80. When calculating the average dividend payment of three preceding years, 2018 will be the first year to be taken into account.

Government grants

Government grants related to assets are recognised on the basis of the gross method. The assets acquired with the support from government grants are recorded in the Financial statements at their acquisitions cost. The government grants related to assets are recorded in the statement of financial position under non-current liabilities as deferred income from government grants. The acquired assets are depreciated and the deferred income is recognised as income over the useful life of the asset.

Grants related to expenses are recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. The gross method is applied for recognising income, i.e. the grant received and the expenses to be compensated for are recorded separately in the statement of comprehensive income. Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Government grants are recognised as short-term ones if their estimated income recognition is during the following 12 months. All others are recognised as long-term ones.

Cash flows

Since 1 January 2020, the statement of cash flows is prepared under the indirect method. In the Statement of cash flows, cash and cash equivalents comprise assets recognised in the Statement of financial statement as Cash and cash equivalents.

Subsequent events

Material circumstances affecting the valuation of assets and liabilities that became evident between the end of the reporting period (31 December 2020) and the date of preparing the Financial statements and are related to transactions that took place in the reporting period or earlier periods, are recorded in the Financial statements. Subsequent events that have not been taken into consideration when evaluating the assets and liabilities at 31 December 2020, but have a material effect on the result of the next financial year, are disclosed in the Financial statements.

NOTE 2. Cash and cash equivalents

(EUR)	Note	31.12.2020	31.12.2019
Swedbank AS		6,399,594	9,229,428
Luminor Bank AS		33,937	121,815
SEB Pank AS		149,058	152,540
Cash		0	446
Total	***3;7***	**6,582,589**	**9,504,229**

NOTE 3. Financial instruments

(EUR)	Note	31.12.2020	31.12.2019
Financial assets			
Cash and cash equivalents	*2*	6,582,589	9,504,229
Trade receivables	*4*	4,358,353	4,090,162
Total financial assets		**10,940,942**	**13,594,391**
Financial liabilities			
Borrowings	*7*	19,961,492	17,678,308
Other current liabilities	*9*	1,283,515	586,364
Total financial liabilities		**21,245,007**	**18,264,672**

For disclosure purposes, the fair value is calculated based on future contractual cash flows discounted at a current lending rate, which is available for other similar financial instruments of the Company. According to the Management Board of EANS the carrying amounts of the financial assets and financial liabilities at amortised costs recognised at 31 December 2020 and 31 December 2019 are not significantly different from their fair values, as they are all settled within 12 months after the end of the reporting period. Likewise, the fair values of long-term borrowings do not significantly differ from their carrying amounts, as their interest rates correspond to the current market interest rates.

EANS does not have financial assets and financial liabilities measured at fair value.

NOTE 4. Trade receivables

(EUR)	Note	31.12.2020	31.12.2019
Accounts receivable		4,690,287	4,295,400
incl. accounts receivable from related parties		*110,245*	*110,542*
Provision for impairment of receivables		-331,934	-205,238
Trade receivables	***3***	**4,358,353**	**4,090,162**

During the reporting period an allowance for doubtful receivables was recognised in the amount of €154,303 (2019: €25,841). Total amount of receivables written off during the year as uncollectible was €27,607 euro (2019: €326) (for more information about credit risk see also note 19).

In accordance with the agreements concluded between the states to alleviate the difficulties of airline companies in coping with the crisis, at the recommendation of Eurocontrol it was agreed that from February to May 2020, the en-route navigation rate payment deadline will be extended until August 2021. At the time of preparation of the report, the airline companies have mostly adhered to the payment schedule.

NOTE 5. Other receivables and prepayments

(EUR)	31.12.2020	31.12.2019
Prepaid taxes	85,280	100,212
Other receivables and prepayments	67,934	80,340
Prepaid operating lease payments	675	4,924
Total	**153,889**	**185,476**

NOTE 6. Property, plant and equipment

Property, plant and equipment

(EUR)	Land, buildings, facilities and their utility systems	Machinery and equipment	Other property,plant and equipment	Investments in progress	Total
Carrying amount 31.12.2018	**7,763,043**	**5,559,410**	**494,861**	**656,688**	**14,474,002**
Additions	0	0	0	1,173,144	**1,173,144**
Reclassification	733,363	494,007	55,959	-1,283,329	0
Reclassification to intangible assets	0	0	0	-485,609	-485,609
Reclassification to expense	0	0	0	-3,850	-3,850
Depreciation charge	-259,746	-944,348	-85,447	0	**-1,289,541**
Carrying amount 31.12.2019	**8,236,660**	**5,109,069**	**465,373**	**57,044**	**13,868,146**
Additions	0	0	0	239,156	**239,156**
Reclassification	76,806	205,244	0	-282,050	**0**
Reclassification to intangible assets	0	0	0	0	0
Reclassification to expense	0	0	0	-3,360	-3,360
Depreciation charge	-274,119	-819,883	-67,293	0	**-1,161,295**
Carrying amount 31.12.2020	**8,039,347**	**4,494,430**	**398,080**	**10,790**	**12,942,647**
Balance at 31.12.2018					
Acquisition cost	10,589,306	16,002,151	799,285	656,688	**28,047,430**
Accumulated depreciation	-2,826,263	-10,442,741	-304,424	0	**-13,573,428**
Balance at 31.12.2019					
Acquisition cost	11,322,670	16,350,311	703,136	57,044	**28,433,161**
Accumulated depreciation	-3,086,010	-11,241,242	-237,763	0	**-14,565,015**
Balance at 31.12.2020					
Acquisition cost	11,399,475	16,439,748	703,136	10,790	**28,553,149**
Accumulated depreciation	-3,360,128	-11,945,318	-305,056	0	**-15,610,502**

Intangible assets

(EUR)	Software	Investments in progress	Total
Carrying amount 31.12.2018	**13,137,556**	**622,699**	**13,760,255**
Additions	0	2,670,349	**2,670,349**
Reclassification	1,872,348	-1,872,348	**0**
Reclassification from property, plant and equipment, investments in progress	485,609	0	**485,609**
Reclassification as expense			**0**
Amortisation charge	-3,839,219	0	**-3,839,219**
Carrying amount 31.12.2019	**11,656,294**	**1,420,700**	**13,076,994**
Additions	0	2,913,711	**2,913,711**
Reclassification	390,484	-390,484	**0**
Reclassification from property, plant and equipment, investments in progress	0	0	**0**
Reclassification as expense	0	0	**0**
Amortisation charge	-4,108,312	0	**-4,108,312**
Carrying amount 31.12.2020	**7,938,466**	**3,943,927**	**11,882,393**
Balance at 31.12.2018			
Acquisition cost	23,271,653	622,699	**23,894,352**
Accumulated amortisation	-10,134,097	0	**-10,134,097**
Balance at 31.12.2019			
Acquisition cost	24,938,582	1,420,700	**26,359,282**
Accumulated amortisation	-13,282,288	0	**-13,282,288**
Balance at 31.12.2020			
Acquisition cost	25,149,166	3,943,927	**29,093,093**
Accumulated amortisation	-17,210,700	0	**-17,210,700**

Software upgrades of the air traffic management system EUROCAT in the amount of €2,750,000 make up a major share of the amounts recognised as investments in progress at the end of the year. Its estimated deployment is 2021.

NOTE 7. Borrowings

Creditor	Total borrowings	Non- current portion	Current portion	Interest rate	Maturity date
Balance at 31.12.2019					
Swedbank AS	2,416,938	1,429,003	987,935	1.69%	18.05.2022
Swedbank AS	5,261,370	4,616,925	644,445	1.50%	04.09.2027
Swedbank AS	10,000,000	10,000,000	0	1.29%	05.11.2023
Total	**17,678,308**	**16,045,928**	**1,632,380**		
Balance at 31.12.2020					
Swedbank AS	1,429,003	423,900	1,005,103	1.69%	18.05.2022
Swedbank AS	4,616,925	3,962,407	654,518	1.50%	04.09.2027
Swedbank AS	10,000,000	10,000,000	0	1.29%	05.11.2023
Eurocontrol	3,915,564	783,113	3,132,451	1.50%	31.03.2022
Total	**19,961,492**	**15,169,420**	**4,792,072**		

The Company has four loans, one of which is secured by the mortgage established on the Company's property in the amount of €639,116. At 31 Cecember 2020 the carrying amount of the assets pledged is €6,903,006. The second, third and fourth loan are not secured. The fixed interest rate of the first loan is 1.69%, the interest rate of the second loan is fixed at the date when the last portion of the loan is taken in use, i.e. 1.50%, the fixed rate of the third loan is 1.29% and the interest rate of the fourth loan is 1.50% plus Euribor. For recognition of the loans, the management's that the nominal interest rate does not significantly differ from the effective interest rate have been taken into account.

In 2020, the annual interest on the borrowing in the amount of €265,934 (2019: €233,867 is fully recognised as a financial cost in the Statement of comprehensive income.

Net debt

(EUR)	31.12.2020	31.12.2019
Cash and cash equivalents (Note 2)	6,582,589	9,504,229
Short-term borrowings	-4,792,072	-1,632,380
Long-term borrowings	-15,169,420	-16,045,928
Net debt	**-13,378,903**	**-8,174,079**
Cash and cash equivalents (Note 2)	6,582,589	9,504,229
Borrowings with fixed interest rate	-19,961,492	-17,678,308
Net debt	**-13,378,903**	**-8,174,079**

	Cash and cash equivalents	Borrowings with due date within 1 year	Borrowings with due date over 1 year	Total
Net debt 01.01.2019	**2,402,158**	**-1,606,219**	**-7,678,309**	**-6,882,370**
Changes	7,102,071	0	0	7,102,071
Repaid (+)/ received (-) loans	0	1,606,219	-10,000,000	-8,393,781
Loan reclassification from long- to short-term	0	-1,632,380	1,632,380	0
Net debt 31.12.2019	**9,504,229**	**-1,632,380**	**-16,045,928**	**-8,174,079**
Changes	-2,921,640	0	0	-2,921,640
Repaid (+)/ received (-) loans	0	-1,500,071	-783,113	-2,283,184
Loan reclassification from long- to short-term	0	-1,659,621	1,659,621	0
Net debt 31.12.2020	**6,582,589**	**-4,792,072**	**-15,169,420**	**-13,378,903**

NOTE 8. Payables to employees

Type of payable (EUR)		Opening balance	Additions	Reclassified, revalued	Used	Closing balance
Vacation pay accrual and severance pay	2020	545,529	1,158,330	-158,716	-1,251,816	293,327
	2019	640,836	1,398,009	0	-1,493,316	545,529
Bonus provision, current portion	2020	1,201,773	619,073	-235,793	-1,585,053	0
	2019	1,327,702	1,070,400	147,999	-1,344,328	1,201,773
Bonus provision, non-current portion	2020	619,073	-619,073	0	0	0
	2019	759,308	445,170	-22,608	-562,797	619,073
Total 31.12.2020		**2,366,375**	**1,158,330**	**-394,509**	**-2,836,869**	**293,327**
Total 31.12.2019		**2,727,846**	**2,913,579**	**125,391**	**-3,400,441**	**2,366,375**

Vacation pay accrual is a vacation pay for earned but unused vacation days including 33% social security taxes and 0.8% unemployment insurance premium.

The vacation pay is made to an employee before he/she goes on a holiday.

In 2020, the bonus reserve was paid out and partially reclassified. No separate provision was recognised.

NOTE 9. Other current liabilities

(EUR)	Note	31.12.2020	31.12.2019
Payables to suppliers	*3*	1,267,346	566,066
Tax liabilities		430,874	491,556
Value added tax		*0*	*0*
Social security tax		*257,091*	*291,581*
Personal income tax		*137,185*	*158,387*
Unemployment insurance premium		*16,815*	*19,324*
Mandatory funded pension		*13,611*	*14,813*
Special income tax		*6,172*	*7,451*
Accrued interest	*3*	15,963	17,363
Other current liabilities	*3*	206	2,935
Total		**1,714,389**	**1,077,920**

NOTE 10. Equity

Share capital

The number of shares at 31 December 2020 was 511,294 (31 December 2019: 511,294), the average number of shares during the reporting year was 511,294 (2019: 511,294). No share or bonus issues were carried out in the reporting period. The nominal value of the share is €10 and it consists of ordinary shares. All shares are solely owned by the Republic of Estonia.

The minimum share capital of the Company is €5,112,940 and its maximum share capital is

€20,451,760. Each share gives right to get dividends and one vote at the general meeting.

Statutory legal reserve

In the financial year, the amount of the legal reserve remained unchanged, €511,294 (same as in 2019), which is the statutory legal reserve capital required by the articles of association and legal acts.

Dividends

(EUR)	2020	2019
Dividends declared in the financial year	0	5,195,000
Dividends paid in the financial year	0	5,195,000
Dividends paid per share	0	10,16

NOTE 11. Revenue from key activities

Revenue grouped by services

Type of service (EUR)	2020	2019
Air navigation service (EMTAK 52239), incl.	14,134,974	28,137,969
En-route navigation services	*13,162,639*	*26,377,642*
Terminal navigation services	*972,335*	*1,760,327*
Consulting service (EMTAK 52239)	7,947	23,545
Total	**14,142,921**	**28,161,514**

The revenue decline is related to the global COVID-19 pandemic. The en-route navigation service units related to the number of flights decreased by 53.4% and the terminal navigation service units decreased by 57.3% as compared to last year.

Navigation service per customer

Customer (EUR)	2020 En-route navigation services	2020 Terminal navigation services	2019 En-route navigation services	2019 Terminal navigation services
Air China	1,212,662	0	1,341,249	0
Finnair	1,005,722	89,269	3,389,227	161,424
KLM	541,673	0	1,016,944	120
China Southern	538,433	0	767,316	0
British Airways BA	493,656	0	780,288	3,177
China Eastern	490,422	0	930,544	0
Lufthansa	490,140	0	1,577,872	117,223
Korean Airlines	420,180	0	799,263	0
Air China Cargo Ltd	390,280	0	255,689	0
Air Baltic	371,448	267,652	832,216	368,062
Other customers	7,208,023	615,414	14,687,034	1,110,321
Total	**13,162,639**	**972,335**	**26,377,642**	**1,760,327**

NOTE 12. Payroll expenses

(EUR)	2020	2019
Payroll expenses	-9,207,931	-10,176,932
Social security tax and unemployment Insurance premium	-3,097,877	-3,427,595
Fringe benefit, incl. taxes	-253,303	-260,746
Total	**-12,559,111**	**-13,865,273**

In the financial year, the average number of employees was 199 (2019: 213), of which the average number of the staff working on the basis of employment contracts was 196 (2019: 210) and the average number of the members of the legal person's management body was 3 (2019: 3).

NOTE 13. Goods, raw materials, materials and services

(EUR)	2020	2019
Equipment maintenance costs	-1,134,639	-1,119,204
Services	-508,057	-414,156
Meteorological information	-383,392	-361,245
Equipment exploitation costs	-97,785	-269,759
Goods, materials, electricity	-199,064	-210,710
Insurance expenses*	-216,135	-149,867
Security costs	-41,559	-179,318
Communication expenses	-95,884	-104,479
Necessaries	-28,478	-45,028
KOKKU	**-2,704,993**	**-2,853,766**

* 93.56% of insurance costs (2019: 90.58%), i.e. €650 million (2019: €650 million) insurance indemnity limit paid for the liability insurance.

NOTE 14. Miscellaneous operating expenses

(EUR)	2020	2019
Training expenses	-165,042	-685,392
Staff travel expenses	-111,267	-577,086
Rental expense	-466,461	-500,460
Other operating expenses	-408,533	-402,433
Maintenance of buildings, premises, facilities	-192,628	-218,980
Work environment expenses	-42,553	-39,299
Transportation expenses	-12,635	-25,166
TOTAL	**-1,399,119**	**-2,448,816**

NOTE 15. Income tax

(EUR)	2020	2019
Dividends paid during reporting period	0	5,195,000
Income tax rate	20/80	20/80
Income tax on dividends paid	0	-1,218,895

As at 31 December 2020, the Company's retained earnings totalled €6,324,649 (31 December 2019: €12,808,536). The maximum income tax amount that would arise if all the retained earnings were distributed as dividends is €1,166,424 and thus, it would be possible to pay out € 5,158,225 as dividends. Last year, the respective figures were €2,463,202 and €10,345,334.

The determination of the maximum contingent income tax liability is based on the assumption that the distributable net dividends and the amount of the income tax expense on dividends in the Statement of comprehensive income for 2020 shall not exceed the distributable profits as at 31.12.2020.

NOTE 16. Government grants

(EUR)	2020	2019
Balance at end of previous year	**1,169,634**	**610,595**
Additions	2,119,770	1,102,465
Income of grants related to operating income	-847,122	-99,902
Income of grants related to purchase of property, plant and equipment	-440,502	-414,073
Returned	0	-29,451
Balance at end of current year	**2,001,780**	**1,169,634**
Incl. current portion	1,699,373	440,502
Incl. non-current portion	302,407	729,132
Incl. less than 6 m	1,479,122	220,251
6-12 m	220,251	220,251
1-2 y	302,407	710,293
2-5 y	0	18,839
Over 5 y	0	0

Between April and June, compensation was applied for and also received from the Unemployment Insurance Board. It is recognised under the gross method and incudes the government grant for operating expenses in the amount of €683,146.

NOTE 17. Transactions with related parties

100% of all the shares are solely owned by the Republic of Estonia. In preparing the annual report of the Company, the members of the Management and Supervisory Boards and other companies under the significant influence of these persons are considered as related parties. All entities over which the state has control or dominant influence are also consideredas related parties. The Company discloses the transactions with other aviation enterprises under the state control.

Related parties (EUR)	Year	Assets	Liabilities	Operating income	Operating expenses
Aviation enterprises under state control or dominant influence	2020	8,627	10,688	88,507	95,537
	2019	7,293	15,746	124,039	114,268

All operations with related parties are made under market conditions and during the reporting or reference period no allowances were provided for the receivables from related parties.

During the financial year, the remuneration paid to the members of the Management Board amounted to €252,629 (2019: €326,110). The remuneration to the members of the Supervisory Board and Audit Committee for their participation in the work of the Supervisory Board and in the Audit Committee during the year amounted to €29,338 (2019: €31,172).

According to the contracts with the members of the Management Board, the Company is obliged to pay termination benefit depending on the reasons for terminating the contract totalling up to three-month remuneration. As the settlement of this obligation is unlikely, it is not recognised as a reserve.

NOTE 18. Key accounting judgements and estimates

During the Annual Report preparation process several accounting judgements and estimates, having impact on the assets and liabilities were used. Although the judgements and estimates were made to the best of their knowledge of the executive management, they maybe not the same as the actual result later. Changes in management estimates are reportedin the statement of comprehensive income of the period in which the change occurred. The judgements and estimates below have the main impact on the financial information recognised in these financial statements.

Determination of the useful lives of items of property, plant and equipment and intangible assets

Management estimates about the actual period of use of the asset are used to determine the useful lives of intangible assets and items of property, plant and equipment. Prior experience has demonstrated that the time of actual usage of assets has turned out to be sometimes longer than their estimated useful lives. As at 31 December 2020 the total cost of the non-current assets in use with the carrying amount of zero is €9,392,832 (31 December 2019: €8,732,930).

A change of the assigned depreciation rate of all assets for one year would change the total comprehensive income by €764 thousand.

During the reporting period, a decision made on the replacement of some non-current assets in use and accelerated depreciation rate were introduced in 2020, beginning with the month the decision was made. This change in accounting estimate regarding in the useful life of the assets is recognised in the annual report prospectively. This change also resulted in the increased depreciation expense of the Company and the effect on the profit or loss was €19,376 (2019: €110,100).

Estimation of recoverable number of items of property, plant and equipment and intangible assets.

The management assessed the existence of indications of impairment losses and found that during 2020 and after the end of the reporting period there were no such indications, therefore, the recoverable amount of the assets was not assessed (for the same reasons the recoverable amount of assets was not assessed in 2019 either).

NOTE 19. Financial risk management

A procedure for financial risks management has been developed in order to regulate the management of the following financial risks related to the operating activities of the Company: liquidity risk, credit risk, foreign exchange risk and interest-rate risk. No material changesin financial risk management took place compared to the previous reporting period. In man- aging capital, the Company follows the regulations of the Government of the Republic of Estonia which annually specify the rate or amount of dividends payable to the owners.

The most important goals in managing the financial risks of the Company in the order of importance are as follows:

- liquidity;
- capital retention;
- income.

Derivative instruments can be used only for hedging risks, but they were not used in the Company during the reporting and reference period.

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial liabilities due to cash flow deficiency. The Company maintains an amount equalling the current month's cash disbursements to be usable as disbursement over three working days, not considering one-time larger than normal disbursements. In making short-term investments, liquidity shall be ensured also for the timely payment of significantly larger than normal disbursements. In order to hedge liquidity risk, the Company uses various sources of financing, such as bank loans, possibility of taking overdraft facility and ongoing monitoring of accounts receivables.

Distribution of liabilities by due date:

Balance at 31.12.2020 (EUR)	Less than 6 months	6-12 m	1-2 yrs	2-5 yrs	Over 5 yrs	Undiscounted cash flows	Carrying amount
Borrowings (Note 3; 7)	2,528,863	2,517,441	2,062,270	12,279,940	1,260,158	20,648,672	19,961,492
Trade and other payables (Note 3; 9)	1,283,515	0	0	0	0	1,283,515	0
Total	**3,812,378**	**2,517,441**	**2,062,270**	**12,279,940**	**1,260,158**	**21,932,187**	**19,961,492**

Balance at 31.12.2019 (EUR)	Less than 6 months	6-12 m	1-2 yrs	2-5 yrs	Over 5 yrs	Undiscounted cash flows	Carrying amount
Borrowings (Note 3; 7)	936,273	936,271	1,872,185	12,836,037	1,980,248	18,561,014	17,678,308
Trade and other payables (Note 3; 9)	586,364	0	0	0	0	586,364	0
Total	**1,522,637**	**936,271**	**1,872,185**	**12,836,037**	**1,980,248**	**19,147,378**	**17,678,308**

EANS management estimates the liquidity risk at the balance sheet date in the long-term perspective to be reasonable. Additional information on due dates is shown in Notes 7-9.

The review of the difficulties caused by COVID-19 on the aviation sector, incl. the effect on the liquidity risk of EANS is disclosed in Note 20.

Credit risk

The credit risk of the Company encompasses potential damage arising from the inability of business partners to meet their obligations.

In managing credit risk, the Company uses the ratings of the rating agencies *Moody's* and *Standard&Poor's.* In investing the Company's cash into different debt instruments, specific criteria for choosing the issuers and volume restrictions have been set (total risk per issuer may amount to 60% of the Company's cash funds at a maximum), allowed investment regions are also defined (Estonia and OECD member states).

Taking into account the fact that the Company's revenue consists of providing navigation services to airlines, and the navigation service is of vital importance for the businesses of airlines (it is impossible to operate airlines without using the service), credit risk is significant only in case of the bankruptcy of airlines. Regardless of the crisis caused by COVID-19, the Company's credit losses in the financial year and in the comparative period have been very low. As at 31 December 2020 and 31 December 2019, the effect of the allowance for impairment losses was immaterial.

The right not to render air navigation service to customers in default is a major warranty tool for ensuring low level of credit risk. As at the date of approving the financial statements, 67% of receivables outstanding at the end of the financial year had been collected. The amount of outstanding receivables totalled €1,545,000, of which € 331,900 are receivables that have been written down as doubtful.

In accordance with the agreement between countries to alleviate the difficulties of airline companies in coping with the crisis, at the recommendation of Eurocontrol it was decided to postpone the due dates of the en-route navigation charges for the period of February to May 2020 until August 2021. As at the date of approving the financial statements, the airlines have adhered to the payment terms in material respect and have also settled new receivables in addition to old ones. The receivables for February 2020 amounted to €1,615 thousand of which

€48,000 was outstanding at the date of approving the financial statements. For March 2020, the respective figure was €1,274,000 of which the outstanding balance was €46,000. For the receivables from April and May 2020, the outstanding balance as at 31 December 2020 was €1,250,000.

Trade receivables by due dates (EUR)

	31.12.2020		**31.12.2019**	
Not due	4,387,716	93.5%	3,994,756	93.0%
Overdue by 1-30 days	22,305	0.5%	74,996	1.7%
Overdue by 31-60 days	9,581	0.2%	22,485	0.5%
Overdue by 61-90 days	9,847	0.2%	1,582	0.0%
Overdue by 91-120 days	11,208	0.2%	3,780	0.1%
Overdue by 121-180 days	6,368	0.1%	5,004	0.1%
Overdue by more than 180 days	243,262	5.2%	192,796	4.5%
Total trade receivables* (Notes 3;4)	**4,690,287**	**100.0%**	**4,295,400**	**100.0%**

** Trade receivables include receivables for whichallowance for doubtful receivables has been created*

Regardless of the difficulties arising from the COVID-19 crisis, the airline companies have settled the accounts receivable within agreed terms in material respect.

The balance of receivables and deposits under credit risk is €11,094,831 (2019: €13,779,867, see Notes 2-5).

Although cash and cash equivalents are also accounted for under IFRS 9 ECL model, the identified impairment at 1 January 2020 and 31 December 2020 was immaterial.

Allocation of bank accounts and deposits by banks with different credit ratings

(EUR)	**31.12.2020**	**31.12.2019**
At banks with Moody’s credit rating of Aa3	6,582,589	9,503,783
Total credit risk exposure arising from bank accounts (Note 2)	6,582,589	9,503,783

Market risk

Market risk consists of foreign exchange risk and interest-rate risk.

Foreign exchange risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The main functional currency of the Company is EUR; therefore, the currency risk is no longer significant. Foreign exchange risks arising from assets and liabilities need to be hedged when the open net position in the same currency exceeds EUR 63.9 thousand. Company had no material currency risk exposures at the end of current and previous reporting period. In order to avoid foreign exchange risk, invoices are issued in EUR.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate risk of cash flows appears from floating interest rate borrowings and is described by rising interest rates affecting the increase in financial expenses. The Company's liabilities have fixed interest rates. The interest-rate risk of short-term assets is hedged with the Company's intention to hold these assets until maturity date. Interest-rate risk exposure is allowed when investing into money market funds, considering volume restrictions on these investments.

Capital management

Company uses total equity as a capital. The primary goal of capital management is securing sustainability of activities of the Company. The goal set by the owner is to keep the proportion of equity to total assets within the range 40%-45%. Decisions on involvement of external financing are made on the basis of forecasted cash-flows. All the shares of the Company are owned by the State. The decisions regarding dividend payments are taken by the owner based on the Company's financial results, plans for development and also considering the general macroeconomic developments in Estonia and at the target markets. The actual return on equity is compared to required return on equity as measurement of capital management: the Company incurred a loss in 2020 and the set targets were not met.

Fair value

For disclosure purposes the fair value is calculated based on future contractual cash flows discounted at the current lending rate, which is available for other similar financial instruments of the Company. According to the Management Board of EANS, the carrying amounts of the financial assets and financial liabilities at amortised costs recognised at 31 December 2020 and 31 December 2019 (see also Note 3) are not significantly different from their fair values, as they are all settled within 12 months after the end of the reporting period. Also, the fair values of non- current borrowings do not significantly differ from their carrying amounts, as their interest rates correspond to the current market interest rates.

NOTE 20. Subsequent events

At the beginning of 2020 the existence of the novel coronavirus (Covid-19) was confirmed and by the time of authorising the financial statements, the second and third waves of Covid-19 have spread around the world, including Estonia, leading again to major restrictions on economic activities. The governments around the world inform about imposing new restrictions for passengers to prevent the spread of the virus, causing problems for companies in all economic sectors, but primarily in aviation, tourism and the sectors closely related to them.

The global Covid-19 pandemic unexpectedly and abruptly hit the aviation sector in March 2020. The Company's income base and cash flows directly depend on the number of controlled flights. Consequently, EANS is particularly sensitive to the steep decrease in air traffic, which is still experienced all over the world.

Unfortunately, the Covid-19 crisis has hit our customers hard. The escalation of the second wave has once again interrupted the cash flows of our customers who are either partly of completely oriented towards passenger travel. According to the data of the last year's review of the International Air Transport Association (IATA), the pandemic had dealt a heavy blow on the airline companies. According to the preliminary data, the airline companies incurred a loss of USD118 billion. In 2020, the countries boosted airline companies with approximately USD 173 billion to preserve as many jobs as possible and prevent mass bankruptcies. In 2021, the loss of airline companies should decrease approximately threefold, but financial difficulties due to the prolonged crisis cannot be precluded. The Company estimates that airline companies may again encounter difficulties when the crisis lasts for longer than six months, because the airlines will deplete the necessary liquidity buffer received from government grants, because airline companies have been forced to keep most of their fleets grounded in the absence of demand. This in turn means that the grace periods granted for payments for airline traffic services may again become necessary, so that the Company may face the need to raise additional working capital to ensure liquidity by the year-end.

Unlike airlines, the Management Board of EANS cannot suspend the Company's activities completely and make redundant the majority of the staff. Taking into account the fact that cargo flights have been at least operated minimally during the crisis, the airspace cannot be closed and the main activities need to continue to ensure safe cargo transit. The Company has undertaken a number of measures in order to continue the provision of services. We provide services 24/7 regardless of the pandemic spread of the virus in Estonia. Furthermore, additional cost savings measures are being applied, such as postponement of development activities for short term, suspension of cash flows for investing activities etc. so as to ensure the liquidity buffer for the service provision without raising additional funds during the period of up to 6 months. The minimal cash flow required for covering recurrent fixed costs and financial liabilities is ca €1.8 million per month. The Company's cash balance as at the reporting date enables it to continue the provision of the service and fulfil its obligation for up to six months without raising debt or equity capital. The Company's Management Board has proposed to increase equity to the pre-crisis level in order alleviate the adverse effects of the Covid-19 crisis and ensure a liquidity buffer.

For alleviation of the effects of the Covid-19 crisis, a stimulus package will be developed by central banks to support the hardest hit companies' liquidity and boost economy. According to the Company's estimates, the additional financial measures supporting the companies in the aviation sector may be clarified over the next three to six months, and in case the travel restrictions and grounding measures are lifted in May or June followed by the gradual recovery of airline passenger traffic, the prospects for the second half of 2021 will be positive.

Proposal for covering the loss

The net loss of Estonian ANS for the 2020 financial year is €6,483,887.

The Management Board has made a proposal to the General Meeting on the coverage of the loss of EANS as follows:

- to allocate the net loss for the 2020 financial year in the amount of €6,483,887 to retained earnings;
- after allocation of the loss for the financial year to the previous years retained earnings, the Company's' retained earnings will be €6,324,649;
- not to pay dividends from retained earnings.

Ivar Värk
Chairman of EANS Management Board

Jaanus Jakimenko
Member of EANS Management Board

Üllar Salumäe
Member of EANS Management Board

Independent Auditor's Report

To the Shareholder of Lennuliiklusteeninduse Aktsiaselts

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lennuliiklusteeninduse Aktsiaselts ("the Company") as at 31 December 2020, and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Company's financial statements comprise:
- the statement of financial position as at 31 December 2020;
- the statement of comprehensive income for the year then ended;
- the cash flow statement for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Other information

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

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

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Translation note:

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Management Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.

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

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

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/signed digitally/	/signed digitally/
Lauri Past Auditor's certificate no.567	Märten Padu Auditor's certificate no.513

25 March 2021
Tallinn, Estonia

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