All about air

Annual Report

2018

ANNUAL REPORT
(Translation of the Estonian original)

Beginning of financial year: 01.01.2018

End of financial year: 31.12.2018

Business name: ETS NORD AS

Commercial registry no: 10462380

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* This version of the annual report is a translation form 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 if interpretation of information, views or opinions, the original language version of the annual report takes precedence over this translation.

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Management report

ETS NORD AS is a public limited company established in 1998. The Company's main activities are designing, manufacturing and sales of ventilation equipment and accessories. The Company has sales, production and logistics units in Estonia, Finland, Sweden and Denmark. The Finnish, Swedish and Danish units act as branches of ETS NORD AS.

Key events in 2018

The year 2018 was a successful one for the Company, as construction markets were growing in all main markets; in Estonia the growth was 21%, in Finland 6.8% and in Sweden 2% (source: Statistics Estonia). Compared to the year 2017, the Company's revenue grew 28%.

In 2018, the key events were:

1. The acquisition of the assets of K/H Vent A/S and the takeover of the employees, resulted in the opening of a second sales and warehouse unit in Denmark;
2. In Finland, the acquisition of the assets of Recair OY and the takeover of the employees, due to which the Company's product portfolio expanded;
3. The launch of a new kitchen canopies product family in all markets;
4. Continuous development of the production planning system.

In 2019, the Company predicts continuing growth of demand in all markets, therefore plans are made for the deployment of a new production planning system and making all main processes more effective.

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Revenue, expenses and profit

In 2018, ETS NORD AS sales revenue amounted to EUR 39.2 million (2017: EUR 30.6 million). ETS NORD AS operating profit was EUR 3.5 million (2017: EUR 1.2 million).The Company's net profit in 2018 amounted to EUR 3.2 million (2017: EUR 1.0 million).

In 2018, interest rates remained low, interest expenses for the reporting year were EUR 110 thousand (2017: EUR 78 thousand). The Company's management estimates that a slight increase of the interest rates may be expected in the next reporting period. A growth of 0.5% in interest rates would increase the Company's interest expenses by EUR 51 thousand. According to management's judgement, the total amount of the Company's assets and liabilities nominated in foreign currency at the balance sheet date is marginal; therefore, the Company finds the openness to foreign currency exchange risk to be low.

Investments

Investments to fixed assets in the reporting period amounted to EUR 1.8 (2017: EUR 2.6 million). In both years, the most investments were made to machinery and equipment, in 2018 in the amount of EUR 1.1 million and in 2017 in the amount of EUR 2.1 million.

Key ratios

	2018	2017
Revenue (TEUR)	39,176	30,575
Revenue growth (%)	28.1%	26.8%
Operating profit (TEUR)	3,468	1,239
Operating profit margin (%)	8.9%	4.1%
Net profit (TEUR)	3,184	998
Net profit margin (%)	8.1%	3.3%
Current assets (TEUR)	13,511	10,219
Current liabilities (TEUR)	9,725	6,592
Current ratio	1.4	1.6
Average total assets (TEUR)	21,616	16,858
Average equity (TEUR)	8,230	6,529
ROA	14.7%	5.9%
ROE	38.7%	15.3%

Formulas used in calculating key ratios:

Revenue growth (%) = (revenue 2018 – revenue 2017)/ revenue 2017 * 100

Operating profit margin (%) = operating profit/ revenue * 100

Net profit margin (%) = net profit/ revenue * 100

Current ratio (times) = current assets/ current liabilities

ROA (%) = net profit/ average total assets * 100

ROE (%) = net profit/ average equity * 100

Personnel

In 2018, the average number of employees in the Company was 274 (2017: 222 employees). Personnel expenses amounted to EUR 9.6 million (2017: EUR 7.4 million), of which the remuneration of the members of the management board in 2018 was EUR 406 thousand (2017: 358 thousand). Members of the Management Board are paid compensation up to three months' salary upon the termination of their contract.

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Financial statements

Balance sheet

(in thousands of euros)

	31.12.2018	31.12.2017	Note
Assets			
Current assets			
Cash and cash equivalents	540	203	
Receivables and prepayments	6,547	4,717	4
Inventories	6,424	5,299	7
Total current assets	**13,511**	**10,219**	
Non-current assets			
Investment properties	2,500	2,550	8
Property, plant and equipment	6,240	5,948	9
Intangible assets	2,129	135	10
Total non-current assets	**10,869**	**8,633**	
TOTAL ASSETS	**24,380**	**18,852**	
Liabilities and equity			
Liabilities			
Current liabilities			
Borrowings	2,230	1,279	14
Payables and prepayments	7,495	5,313	15
Total current liabilities	**9,725**	**6,592**	
Non-current liabilities			
Borrowings	4,940	5,312	14
Payables and prepayments	85	118	15
Total non-current assets	**5,025**	**5,430**	
Total liabilities	**14,750**	**12,022**	
Equity			
Share capital	103	103	16
Share premium	1,156	1,156	
Statutory reserve capital	10	10	
Other reserves	39	13	
Retained earnings	5,138	4,550	
Profit for the financial year	3,184	998	
Total equity	**9,630**	**6,830**	
TOTAL LIABILITIES AND EQUITY	**24,380**	**18,852**	

The notes set out on pages 11-48 are an integral part of these financial statements.

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Income statement

(in thousands of euros)

	2018	2017	Note
Revenue	39,176	30,575	17
Cost of goods sold	(25,399)	(19,620)	18
Gross profit	**13,777**	**10,955**	
Marketing and distribution expense	(5,320)	(4,764)	19
General and administrative expense	(6,363)	(5,015)	20
Other operating income	1,433	94	21
Other operating expenses	(59)	(31)	
Operating profit	**3,468**	**1,239**	
Interest expense	(110)	(78)	
Other net finance income and costs	(72)	(58)	
Total financial costs	**(182)**	**(136)**	
Profit before tax	**3,286**	**1,103**	
Income tax	(102)	(105)	16
Net profit for the financial year	**3,184**	**998**	

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Statement of comprehensive income

(in thousands of euros)

	2018	2017
Net profit for the financial year	**3,184**	**998**
Line items, which can subsequently be classified in the income statement		
Other comprehensive income:		
Unrealised exchange rate differences	26	24
Total other comprehensive income	**26**	**24**
Comprehensive income for the financial year	**3,210**	**1,022**

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Statement of cash flow

(in thousands of euros)	2018	2017	Note
Cash flows from operating profit			
Operating profit (loss)	3,468	1,239	
Adjustments			
Depreciation and impairment on fixed assets	1,021	866	9,10
Profit (loss) from sale of fixed assets	(6)	(64)	9,21
Change in fair value of investment property	50	0	8
Eliminating negative goodwill	(1,419)	0	11,21
Other adjustments	(27)	(26)	
Total adjustments	**(381)**	**776**	
Change in receivables and prepayments related to operating activities	(1,830)	(705)	4
Change in inventories	(449)	(1,480)	7,11
Change in liabilities and prepayments related to operating activities	2,014	1,168	11,15
Interest paid	(110)	(78)	
Corporate income tax paid	(102)	(105)	16
Total cash flows from operating activities	**2,610**	**815**	
Cash flows from investing activities			
Purchase of a business combination	(1,264)	0	11
Purchase of property, plant and equipment and intangible assets	(482)	(326)	9,10,11
Proceeds from sale of property, plant and equipment and intangible assets	19	98	9
Interest received	3	0	
Total cash flows from investing activities	**(1,724)**	**(228)**	
Cash flows from financing activities			
Proceeds from borrowings	1,032	0	14
Repayments of borrowings	(600)	(381)	14
Change in overdraft and factoring balance	432	938	14
Finance lease principal payments	(993)	(653)	14
Dividends paid	(410)	(420)	16
Total cash flows from financing activities	**(539)**	**(516)**	
Total cash flows	**347**	**71**	
Cash and cash equivalents at the beginning of the period	203	132	
Change in cash and cash equivalents	**337**	**71**	
Effect of exchange rate changes	(10)	0	
Cash and cash equivalents at the end of period	540	203	

The notes set out on pages 11-48 are an integral part of these financial statements.

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Statement of changes in equity

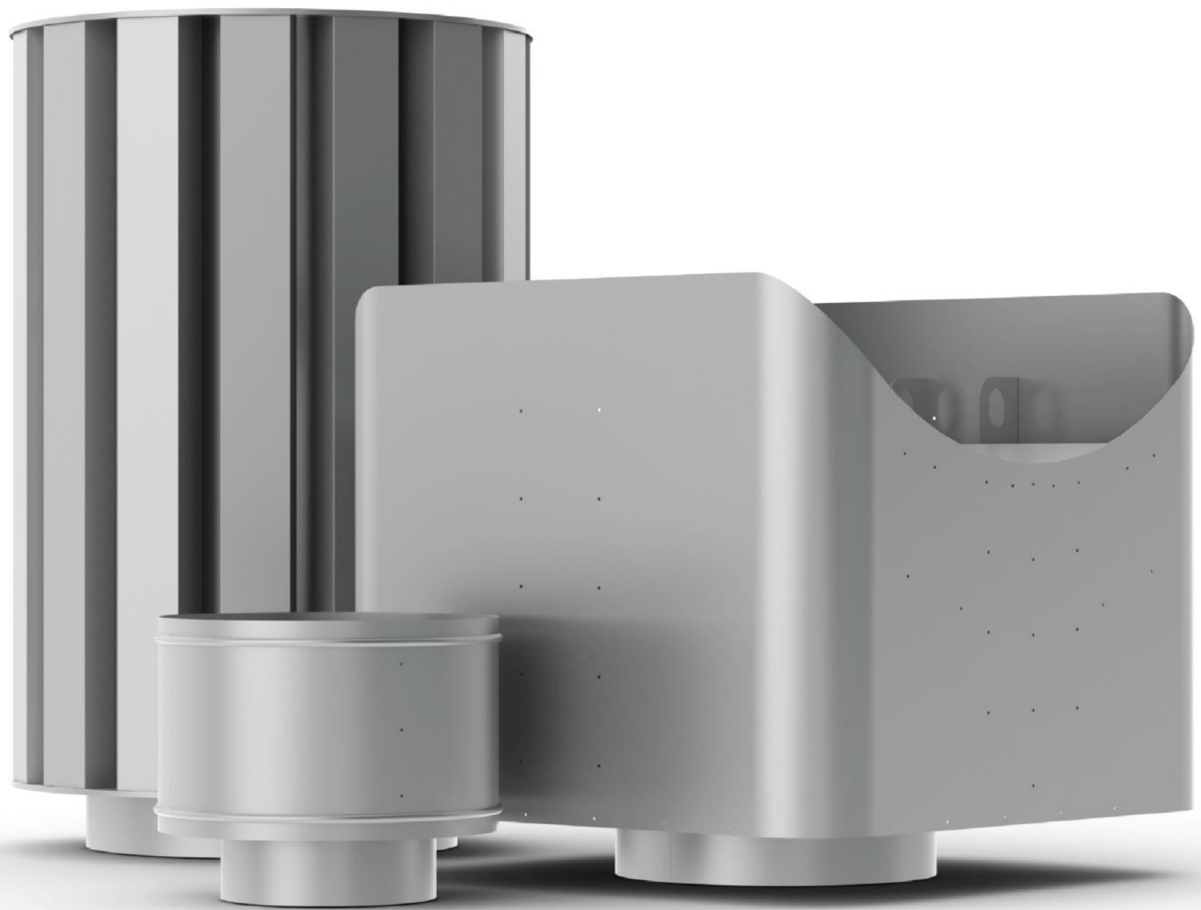
(in thousands of euros)

	Share capital	Share premium	Statutory reserve capital	Other reserves	Retained earnings (loss)	Total
31.12.2016	**103**	**1,156**	**10**	**(11)**	**4,970**	**6,228**
Net profit for the financial year	0	0	0	0	998	998
Dividends declared	0	0	0	0	(420)	(420)
Other comprehensive income for the financial year	0	0	0	24	0	24
31.12.2017	**103**	**1,156**	**10**	**13**	**5,548**	**6,830**
Net profit for the financial year	0	0	0	0	3,184	3,184
Dividends declared	0	0	0	0	(410)	(410)
Other comprehensive income for the financial year	0	0	0	26	0	26
31.12.2018	**103**	**1,156**	**10**	**39**	**8,322**	**9,630**

In 2018, unrealised exchange rate differences are recognised as changes in reserves in the amount of EUR 26 thousand (2017: EUR 24 thousand).

Further information on share capital is provided in Note 16.

The notes set out on pages 11-48 are an integral part of these financial statements.



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Note 1 Accounting policies

Principal accounting policies applied in the financial statements of AS ETS NORD (hereinafter “the Company”) are set out below. The accounting policies have been applied consistently throughout the years presented in the report, unless stated otherwise.

General information

ETS NORD AS is a public limited company established in 1998. The Company's main activity are designing, manufacturing and sales of ventilation equipment and accessories. The Company owns sales, production and logistics units in Estonia, Finland, Sweden and Denmark. The Finnish, Swedish and Danish units operate as branches of ETS NORD AS.

The Management Board of the Company authorised these financial statements for issue on February 28, 2019. Pursuant to the Commercial Code of the Republic of Estonia, the annual report is subject to approval by the Supervisory Board of the Company and the General Meeting of Shareholders. Shareholders have the right not to approve the annual report prepared and presented by the Management Board and require the preparation of a new annual report.

Accounting policies used in preparing the financial statements

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union.

The preparation of the financial statements in accordance with IFRS requires management to make assumptions and pass judgements, which affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and related assumptions are based on the historical experience and topical information. Actual results may not coincide with these estimates. Significant estimate for the Company is the estimation of the investment property’s fair value. Refer to note 8 for the significant inputs of the regarding estimation.

The Company's management has prepared the financial statements on a going concern basis. According to management’s judgement, the Company has no intention nor need to cease operations and there is no uncertainty to continue as a going concern as to the date of preparation of the annual report.

The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in thousands of euros.

Changes in accounting policies or information

The financial statements have been prepared in accordance with the principle of consistency and comparability, the content of the changes in methodology and their effects are explained in the relevant notes. When the presentation of the financial statements or the method of classification has been substantially changed, the comparative figures of previous periods have also been adjusted.

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New international financial reporting standards, amendments to published standards and interpretations of the international financial reporting interpretations committee (IFRIC)

Adoption of new or revised standards and interpretations

The following new or revised standards and interpretations became effective for the Company from in the financial year starting 1 January 2018:

IFRS 9, "Financial Instruments" effective for annual periods beginning on or after 1 January 2018. Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition.

  In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The impact of the implementation of IFRS 9 is described in more detail in Note 2.

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IFRS 15, "Revenue from Contracts with Customers" effective for annual periods beginning on or after 1 January 2018. The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. See the impact analysis of the implementation of IFRS 15 in Note 2.

There are no other new or revised standards or interpretations that are effective for the first time for the financial year beginning on 1 January 2018 that would be expected to have a material impact to the Company.

New accounting standards, interpretations and changes

Certain new or revised standards and interpretations have been issued that are mandatory for the Company's annual periods beginning on or after 1 January 2019, and which the Company has not early adopted.

IFRS 16, "Leases" effective for annual periods beginning on or after 1 January 2019. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Company estimates the impact of the changes to be material as the future lease payments are significant the Company (see Note 13).

The Company implemented the standard from 1 January 2019, applying the simplified transition approach, i.e. the comparative data is not restated. As a result of the implementation, the assets and liabilities of the Company will increase in the balance sheet by a total of EUR 6,129 thousand. Interest expense for 2019 will increase by EUR 183 thousand, depreciation will increase by EUR 1,907 thousand and other operating expense will decrease by EUR 2,029 thousand.

The Company's loan agreement sets out special conditions (equity ratio), the non-fulfilment of which may prompt the creditor to demand early repayment of the loan. The Company has informed the lenders about the changes in the accounting policies and its impact and has received a consent that failure to comply with this special condition will not result in early repayment of the loan.

There are no other new or revised standards or interpretations that are not yet effective that would be expected to have a material impact on the Company.

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Financial instruments

Accounting policies effective for annual periods beginning on or after 1 January 2018

Classification

The Company classifies financial instruments at amortised cost measurement category. The classification depends on the Company's business model for managing financial assets and contractual terms of cash flows.

Recognition and derecognition

Purchases and sales of financial assets under normal market conditions are recognised on the transaction date, i.e. the date on which the Company assumes the obligation to purchase or sell the asset.

Financial assets are derecognised when the rights to the cash flows from the financial asset end or are transferred and the Company transfers substantially all the risks and rewards.

Measurement

Financial assets are initially recognised at fair value plus transaction costs directly attributable to the acquisition of a financial asset, except for financial assets at fair value through profit or loss. Transaction costs for financial assets at fair value through profit or loss are recognised as an expense in the income statement.

Debt instruments

The further recognition of debt instruments depends on the Company's business model for managing financial assets and the contractual cash flows of the financial asset.

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

Amortised cost

Assets that are held to collect contractual cash flows and whose cash flows are solely payments of principal and interest on the principal amount outstanding are recognised at amortised cost. Interest income on these assets is recognised in financial income using the effective interest rate method. Upon derecognition, the gain or loss received is recognised in the income statement in other operating income/expense. Foreign exchange gains and losses and credit losses are recognised on a separate line in the income statement.

As at January 1, 2018 and December 31, 2018, the following categories of financial assets were held by the Company:

- trade receivables;

- bank deposits;

- cash and cash equivalents.

Equity instruments

The Company has no investments in equity instruments.

Impairment

The Company assesses the expected credit losses of debt instruments at amortised cost on the basis of future information. The impairment method applied depends on whether the credit risk has increased significantly.

Estimated credit loss measurement takes into account: an unbiased and probable weighted amount that is determined by range of possible different outcomes, time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For receivables and contractual assets that do not have a significant financing component, the

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Company applies the simplified approach permitted by IFRS 9 and recognises the impairment of receivables as the expected credit loss on initial recognition. The Company uses a discount matrix where the discount is calculated on the basis of different periods of expirations.

Cash and cash equivalents

For the purposes of the balance sheet and the cash flow statement, cash and cash equivalents comprise cash on hand, bank account balances (except for overdraft), demand deposits held in banks, term deposits with maturities of one year or less and money market fund (MMF) units.

Overdrafts are recognised in the balance sheet as non-current borrowings.

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

The functional currency of the Company's branches is the currency of their economic environment. The functional currency of the Estonian company and the branch registered in Finland is Euro, Danish branch's functional currency is Danish Krone and the functional currency of Swedish branch is Swedish Krona. The financial statements are presented in thousands of euros. Foreign currency transactions have been translated into the functional currency using the official exchange rate of the European Central Bank or official exchange rate of Central Bank of Denmark or Sweden. Exchange rate differences between the cash transfer date and the transaction date, the currency translation differences are recognised in the income statement. Monetary assets and liabilities denominated in a foreign currency are translated using the official exchange rate of the European Central Bank or official exchange rate of Central Bank of Denmark or Sweden applicable at the end of the reporting period. Any translation gains and losses are recognised in the income statement. Gains and losses on translation of payables and cash and cash equivalents are recognised as finance income and costs in the income statement; other gains and losses from exchange rate changes are recognised as other operating income or operating expenses. Non-monetary financial assets and liabilities carried at fair value, denominated in a foreign currency, are revaluated into functional currency, based on the foreign currency exchange rates of the European Central Bank or exchange rates of the Central Bank of Denmark or Sweden on the date of the evaluation of fair value. Non-monetary financial assets and liabilities, denominated in a foreign currency, which are not recognised at fair value (for example advances, inventories recognised at cost, property, plant and equipment and intangible assets), will not be revaluated on the balance sheet date but will be reflected based on the foreign currency exchange rates of the Central Bank prevailing on the transaction date.

None of the Company's branch offices operates in a hyperinflationary economic environment.

Financial statements of foreign branches

For consolidation purposes, the financial statements of foreign branches will be translated from their functional currency to the presentation currency of ETS NORD AS. If the functional currency of the foreign branch is not the same as the presentation currency of ETS NORD AS the following exchange rates will be used to convert the foreign currency:

a) all assets and liabilities are translated into euros at the exchange rate of the European Central Bank prevailing at the balance sheet date;
b) income and expenses, cash flows and other changes in equity are translated at the rate at the transaction dates. The differences arising from the conversion of the financial statements will be recognised as other comprehensive profit or loss in the statement of comprehensive income.

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Investments in subsidiaries and associates

Investments in subsidiaries and associates are recorded at cost.

Business combinations

The Company uses the acquisition method for recognising business combinations. The consideration transferred for the acquisition of the business consists of the fair values of the assets transferred, the liabilities assumed by the acquirer and the equity instruments issued by the entity. The transferred consideration also includes the fair value of the asset or liability arising from the contingent consideration arrangement. Acquisition costs are recognised as an expense. Acquired identifiable assets and liabilities and contingent liabilities are recognised at their fair values at the acquisition date. For each business combination, an entity chooses whether to recognise a non-controlling interest in the acquiree at fair value or in proportion to the non-controlling interest in the acquiree's identifiable net assets. From the acquisition date, the income and expenses of the acquired entity are recognised in the income statement of the Company and goodwill is recognised in the balance sheet of the Company.

If the cost of the acquired interest is less than the fair value of the net assets acquired, the difference is recognised in the income statement as income.

Financial instruments

Accounting policies until 31 December 2017

Financial assets comprise of cash and cash equivalents, trade receivables, accrued income and other current and non-current receivables.

Financial assets are recognised in the balance sheet at value date (the date when the Company becomes the owner of the financial asset and derecognised when the Company has transferred all the significant risks and rewards of ownership to the buyer.)

Depending on the purpose for which financial assets were acquired as well as management's intentions, financial assets are divided into the following groups:

• financial assets at fair value through income statement;

• loans and receivables;

• held-to-maturity investments;

• available-for-sale financial assets.

As at 31 December 2018 and 2017, the Company had not classified any financial assets as held-to-maturity investments, available-for sale financial assets or financial assets at fair value through income statement.

Financial instrument at fair value through profit or loss comprise of finance assets held for trading (asset that is acquired for the purpose of reselling in the near future). Financial assets at fair value through profit or loss are initially recognised at their fair value, attributable transaction costs are recognised in the income statement. Financial assets in the aforementioned category are still recognised at their fair value and the gains and losses arising from changes in their fair value are recognised in the income statement as profit/loss of the period. The fair value of the financial assets at fair value through profit or loss is determined from the quoted market prices at the balance sheet date.

Loans and receivables are initially recognised at fair value, together with transaction costs attributable to the financial asset. After initial recognition, loans and receivables are carried for at amortised cost using the effective interest rate method (less any impairment losses).

The recoverable amount of financial assets carried at amortised cost is the present value of expected future cash flows received from the financial assets, discounted with the effective interest rate fixed on the moment of the initial recognition of the asset. The impairment of

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financial assets is recognised as expense in the income statement.

Receivables and prepayments

Accounting policies until 31 December 2017

Current receivables arising in the Company's ordinary course of business are recorded as trade receivables. Trade receivables are carried at amortised cost (i.e. nominal value less necessary allowances).

Impairment of receivables is recognised when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Evidence of potential impairment includes the bankruptcy or major financial difficulties of the debtor and non-adherence to payment dates. The likelihood of receipt of claims is assessed individually for each customer, if possible. If individual assessment is not possible due to the amount of receivables, only significant receivables are individually assessed. The remainder of the receivables are collectively assessed for impairment using previous years' experience on uncollectible receivables. The collection of the receivables that have previously been written down is accounted for as a reversal of the allowance for doubtful receivables.

All other receivables (accrued income, loans granted and other current and non-current receivables), except receivables acquired for resale, are measured at amortised cost. Receivables acquired for resale are carried using the fair value method.

Inventories

Inventories are stated at the lower of acquisition cost and net realisable value. Inventories are initially recognised at acquisition cost which consists of purchase costs, production costs and other costs incurred in bringing the inventories to their current condition and location.

In addition to the purchase price, purchase costs also include custom duties, other non-refundable taxes and directly attributable transport, less discounts and subsidies. The production costs of inventories include costs directly related to the units of production (such as direct raw materials and materials and packing material costs, unavoidable storage costs related to work in progress, direct labour costs), and also a proportional part of general production overheads (depreciation of production buildings and equipment, repair and maintenance costs, salaries of management involved in production activities).

The cost of inventories is accounted for and their book value is calculated by using the FIFO method.

Investment properties

Investment properties are real estate properties (building) that the Company owns or leases under operating lease terms for the purpose of earning rental income or benefitting from the increase of the market value, and that are not used for the Company's operating activities.

Investment properties are recognised in the balance sheet at fair value.

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Property, plant and equipment and intangible assets

Items of property, plant and equipment are initially recognised at its cost which consists of the purchase price (including customs duties and other non-refundable taxes) and other expenditures directly related to the acquisition that are necessary for bringing the asset to its operating condition and location. Property, plant and equipment are subsequently carried at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on the basis of useful lives of items of property, plant and equipment, using the straight-line method.

Items of property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from the disposal of items of property, plant and equipment are included either within other operating income or within other operating expenses in the income statement.

Intangible assets are recognised in the financial statements only if the following terms have been satisfied:

- the asset is controlled by the Company;
- it is probable that the Company will benefit from the use of the asset in the future;
- acquisition cost of the asset can be reliably measured.

Intangible assets are initially recognised at its cost which consists of the purchase price and other expenditures directly related to the acquisition. Intangible assets are subsequently carried at cost less accumulated depreciation and any impairment losses. Intangible assets are amortised by using the straight-line method during the estimated useful life. Improvement costs of non-current assets, which increase the performance ability of such assets over the initially estimated level and will likely participate in generating future additional income, are capitalised in the balance sheet as non-current assets. Expenditures made with the objective of ensuring and preserving the future income from the asset, are recorded in expenses of the reporting period as incurred.

Assets that are subject to depreciation and amortisation are reviewed for any indication of impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For impairment, the recoverable amount is evaluated either for a single asset item or for the smallest possible group of assets for which cash flow can be identified (cash generating unit). The impairment loss is expensed in the income statement.

At the end of every reporting period, it is assessed whether there are circumstances indicating that the impairment loss of assets recognised in previous years no longer exists or it has decreased (except goodwill which for impairment loss is not reversed). If the impairment test indicates that the recoverable amount of an asset or an asset group (cash generating unit) has increased above its carrying amount, the previous impairment loss is reversed up to the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. Reversals of impairment losses are recognised in the income statement as a reduction of the impairment loss.

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Research and development costs

Development costs are costs that are incurred in applying research findings for the development of specific new products or services. Development costs can capitalised if a plan exists for implementing the project and it is possible to assess the future income generated by the intangible asset. The Company does not capitalise development costs, as the product development and research stages cannot be clearly differentiated and it is difficult to reliably estimate the possible future income generated by the intangible asset.

Threshold for recognising assets as items of property, plant and equipment and intangible assets; 959 euros

Useful lives assigned to asset classes (in years):

Fixed asset group name	Useful life
Buildings and structures	3-11
Production equipment	5-20
Inventory and IT equipment	3-5
Machinery and equipment	3-6
Intangible assets	3-5
Trademark	15

Sale of tangible and intangible fixed assets

Gains and losses on the sale of tangible and intangible assets are recognised in the income statement in net amount under 'Other operating income' or 'Other operating expenses'.

Trademark

Trademarks, licenses and customer agreements are recognised at fair value on the acquisition date less accumulated depreciation and any impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life of the trademark.

Impairment of non-financial assets

As at the balance sheet date, the Company does not have assets with indefinite useful lives. Assets that are subject to depreciation and amortisation are reviewed for any indication of impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Losses arising from the impairment of assets are recognised in the amount which the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of the:

- fair value of the asset less selling costs;
- value in use.

In case it is not possible to determine the fair value of the asset less costs to sell, the asset's value in use is considered its recoverable value. The value in use is calculated as the present value of the estimated future cash flows generated by the assets.

The impairment of assets may be assessed either for an individual asset or for a group of assets (cash generating unit). A cash generating unit is the smallest separately group of identifiable assets the cash flow generated can be forecast for significant part regardless of cash flow generated from the rest of assets. The impairment loss is expensed immediately in the income statement.

Depending on the results of the impairment test, the previously recognised impairment loss could be partially or completely reversed.

Leases

Leases, which transfer all significant risks and rewards, incidental to ownership, to the lessee are classified as finance leases. All other leases are classified as operating leases.

The Company as a lessee

Assets and liabilities under finance leases are

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initially recognised at the lower of the fair value of the leased property and the present value of minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Financial expenses are allocated over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability. Assets leased under finance leases are depreciated similarly to acquired non-current assets. When the transfer of ownership is not sufficiently certain, the deprecation period is the lower of the asset's expected useful life or the duration of the lease period.

Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

The Company as a lessor

Assets leased out under finance lease terms, are recorded in the balance sheet as receivables in the amount of the net investment made (equal to the present value of the lease payments receivable, plus the non-guaranteed residual value of the leased asset at the end of the lease). Lease payments received from the lessee are allocated between principal repayments and finance income. The finance income is allocated over the lease period using the net investment method, which reflects a constant periodic rate of return. Initial direct expenses related to the conclusion of the lease agreement (commissions and notary fees), that are attributable to the lessor, are taken into account in calculating the effective interest rate and finance lease receivable and are recognised as a reduction of income during the lease period.

Assets leased out under operating lease terms are recognised in the balance sheet in regular circumstances, similar to other assets recognised in the Company's balance sheet.

Leased out assets are depreciated using the depreciation principals applied in the Company for assets of the same type. Operating lease payments are recognised as income over the lease period on a straight-line basis. Initial direct expenses related to the conclusion of the lease agreement are recognised in the lessor's balance sheet as assets (as the same item as the leased asset) and amortised over the lease period proportionally to the recognition of rental income.

Financial liabilities

Accounting policies until 31 December 2017

All financial liabilities (trade payables, loans and borrowings, accrued expenses, debt securities issued and other current and non-current payables) are initially recognised at cost, which include all expenses directly attributable to its acquisition or issue. Thereafter financial liabilities are measured at amortised cost.

As a rule, the amortised cost of current financial liabilities is equal to their nominal value. Therefore, current financial liabilities are reported at the amount payable. The amortised cost of non-current financial liabilities is determined using the effective interest rate method.

A financial liability is classified as current when it is due to be settled within 12 months after the balance sheet date or the Company does not have an unconditional right to defer settlement of the liability for more than 12 months after the balance sheet date. Borrowings due to be settled within 12 months after the balance sheet date that are refinanced as long-term after the balance sheet date but before the financial statements are authorised for issue, are recognised as current liabilities. Borrowings that the lender has the right to recall at the balance sheet date as a consequence of a breach of contractual terms are also recognised as current liabilities.

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Factoring

The recognition of amounts received for the resale (factoring) of receivables arising in the ordinary course of business depends on whether the buyer of the receivable (the factor) has the right to surrender the receivable to the seller (with recourse) or not (without recourse). In the case of non-regression factoring, amounts received are recognised as deduction of receivables. The difference between the carrying amount of the receivable and the cash received is recognised as an expense in the period. Factoring with regress is treated as a financial liability with the receivables as a collateral. Until the receivable is received, the amounts received from the sale of receivables are recognised as interest bearing liabilities. The difference between the carrying amount of the receivable and the cash received is recognised in the financial expenses of the period.

Provisions and contingent liabilities

Provisions are recognised in the balance sheet when the Company has a present legal or contractual obligation which has arisen as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the liability can be reliably estimated.

Provisions have been recognised based on the best estimates of the management and the actual costs of these transactions can differ from the provided estimates.

Other possible or existing liabilities, which will probably not require an outflow of resources or for which a reliable estimate of resources is not possible, are disclosed as contingent liabilities in the notes to the financial statements.

Warranty provision

The Company gives warranties on products sold. Previous years' experience shows that the Company's guarantee costs are insignificant and, accordingly, no warranty provision has been established, except in exceptional cases, when provisions are established according to management's assessment.

Statutory reserve capital

Reserve capital is formed to comply with the requirements of Articles of Association. Reserve capital is formed from annual net profit allocations. During each financial year, at least 1/20 of the net profit shall be entered in reserve capital, until reserve capital reaches 1/10 of share capital. Reserve capital may be used to cover a loss, or to increase share capital. Payments to shareholders cannot be made from reserve capital.

Revenue recognition

Accounting policies until 31 December 2017

Revenue from the sale of goods is recognised when all significant risks and rewards of ownership of the goods have been transferred to the buyer, when the amount of revenue and the costs incurred in respect of the transaction can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company.

Revenue from the rendering of services is recorded in the accounting period in which the services are rendered. If a service is rendered over a longer period of time, revenue from the rendering of a service is recorded using the stage of completion method.

Revenue from interest is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably. Revenue arising from interest is recognised taking into account the effective interest rate, except if the receipt of interest is uncertain. In such cases, interest income is accounted for on a cash basis.

Income from services regarding construction contracts in progress are recognised using the

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stage of completion method, which among other things requires that the stage of completion of construction contracts can be measured reliably at the balance sheet date. In order to measure the stage of completion the Company has introduced a precise, systematic accounting for expenses, forecast and income reporting. The expected final outcome of each construction site is under continuous control; deviations from the budget are analysed and forecast for the final outcome is adjusted, if necessary.

Accounting policies from 1 January 2018

Revenue from Contracts with Customers

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

Larger customers are granted retroactive volume-based discounts, which depend on the volumes sold over the last 12 months. Revenue from these sales is recognised in the transaction price agreed in the contracts, less estimated volume-based discounts. The amount of volume-based discounts is based on past experience using the estimated value method, and revenue is recognised only to the extent that it is highly probable that it will not be reversed at a later date. With respect to expected volume-based allowances to be paid, the repayment obligation (recognised under "Other payables") is recognised for all sales during the period.

No element of financing is deemed present as the sales are made with a credit term of 60 days, which is consistent with industry practice.

The Company has set up a provision for products where the Company is obliged under the terms of the warranty to repair or replace the defective product.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Company has not made any contractual obligations to revoke any products. As the number of returned products has remained at a very low level for years, it is very likely that there will be no significant cumulative reversal of revenue. The validity of this assumption and the estimated amount of refunds is reviewed at each balance sheet date.

If the Company provides any additional services to the customer after control over the goods has passed, revenue from such services is considered to be a separate performance obligation and is recognised over the time of the service rendering.

Maintenance service

The Company provides maintenance services for equipment sold under maintenance contracts at a variable price. Revenue from the services is recognised in the period in which the services are rendered.

Financing component

The Company has no contracts where the period between the delivery of goods or services allowed to the customer and the receipt of payment from the customer would be longer than one year. Consequently, the Company's transaction price is not adjusted for the effect of the time value of money.

Statement of cash flows

The indirect method has been used for the preparation of the cash flow statement. Cash flows from operating activities are determined by adjusting the net profit for the financial year through elimination of the effect of non-monetary transactions, changes in the balances of assets and liabilities related to operating

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activities and revenue and expenses related to investing or financing activities. Cash flows from investing and financing activities are reported using the direct method.

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Taxation

Corporate income tax in Estonia

Under Estonian laws, corporate profit for the year is not subject to income tax. Because of the specific nature of the taxation system, there are no temporary differences between the tax bases and carrying amounts of assets and liabilities and, therefore, deferred tax assets and liabilities do not arise. In Estonia, instead of taxing the profit, the distribution of retained earnings is subject to income tax of 20/80 of the amount paid out as dividends (effective from 1 January 2015). Income tax payable on dividends is recognised as income tax expense and a liability at the time the dividend is declared, regardless of the period for which the dividend is declared or the period in which the dividend is actually distributed.

As at 1 January 2018, the dividend tax rate will change (depending on the company, the tax rate on dividends paid may decrease to 14/86 of net dividends paid). The management evaluates that the change will not have a significant impact on the subsequent reporting period, the impact might take place starting from 2019.

The contingent liability resulting from possible dividend payout is not recognised in the balance sheet. The maximum income tax liability that would arise if all of the unrestricted equity were distributed as dividends is disclosed in the notes to the financial statements.

Corporate income tax in other countries

In Sweden, Denmark and Finland, the entity's net profit is subject to income tax, adjusted for temporary and permanent differences in the Income Tax Act.

Income tax rates in other countries	2018	2017	2016
Finland	20%	20%	20%
Sweden	22%	22%	22%
Denmark	22%	22%	22%

Related parties

Parties are considered to be related if one party has control over the other party or can exercise significant influence over the financial decisions of the other party. For the Company the following are considered to be related parties:

- management and supervisory board members, and persons holding significant share (except if the relevant persons cannot exercise significant influence over the entity's financial decisions);
- immediate family members of management and supervisory board members, and persons holding significant share and entities under their control or significant influence.

Events after the balance sheet date

Significant circumstances that have an adjusting effect on the evaluation of assets and liabilities and that became evident between the balance sheet date and the date of approving the financial statements 28 February 2019, but that are related to the reporting period or prior periods, have been recorded in the financial statements. Non-adjusting events and the events that have a significant impact on the results of the next financial year have been disclosed in the notes to the financial statements.

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Note 2 Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” on the Company's financial statements.

IFRS 9 “Financial Instruments”

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies, although no adjustments were recognised to the amounts in the financial statements. The new accounting policies are set out in note Note 1. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

On 1 January 2018 (the date of initial application of IFRS 9), the Company’s management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories. On the date of initial application, 1 January 2018, the financial instruments of the Company were as follows, with any reclassifications noted (the reclassifications of the financial instruments on adoption of IFRS 9 did not result in any changes to measurements):

	Measurement category		Carrying amount at 1 January 2018 EUR		
	Initial (IAS 39)	**New (IFRS 9)**	**Initial**	**New**	**Difference**
Financial assets					
Cash and cash equivalents	Amortised cost	Amortised cost	203	203	0
Trade receivables	Amortised cost	Amortised cost	4,406	4,406	0
Other receivables	Amortised cost	Amortised cost	71	71	0
Financial liabilities					
Borrowings	Amortised cost	Amortised cost	6,591	6,591	0
Trade payables	Amortised cost	Amortised cost	2,372	2,372	0
Other payables	Amortised cost	Amortised cost	951	951	0

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Impairment of financial assets

The Company has the following types of financial assets that belong under IFRS 9 new expected credit loss model:

- receivables from sale of goods and rendering of services;
- bank deposits;
- cash and cash equivalents.

The Company was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. As a result of the change in of the change in impairment methodology there was no material increase of the loss allowance on 1 January 2018, thus no adjustments were made to the Company's retained earnings and equity. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial as at 1 January 2018 and 31 December 2018.

IFRS 15 "Revenue from Contracts with Customers"

As at 1 January 2018, the Company applied IFRS 15 "Revenue from Contracts with Customers" using revised retrospective approach, as a result of which the effect of the application of the standard was recognised as at the date of first application (i.e. 1 January 2018). The comparative information for 2017 has not been changed and is presented in accordance with the previous standards of IAS 18 or IAS 11 and the relevant interpretations. In addition, IFRS 15 disclosure requirements have not been applied to comparative information.

As a result of the implementation, no adjustments have been made in the financial statements as at 1 January 2018.

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Note 3 Financial risk management

Note 3.1 Financial risks

The operations of the Company expose it to a variety of financial risks: credit risk, liquidity risk and market risk (which involves foreign currency risk and interest rate risk of cash flows). The general risk management programme of the Company focuses on unpredictability of the financial market and attempts to minimise any possible negative effects on the financial activities of the Company. The Company's financial instruments are cash that is for funding operating activities, receivables from debtors and payables to creditors arising from operating activities and loans received. Management defines risk as a potential deviation from the expected results. The Company's risk management is based on the Company's internal regulations. All financial assets of the Company are divided into „amortised cost" categories, all financial liabilities are divided into „amortised cost" categories, which are recognised at amortised cost.

In thousands of euros	31.12.2018	31.12.2017
Financial assets		
Cash and cash equivalents	540	203
Trade receivables (Note 4)	6,258	4,406
Other receivables (Note 4)	93	71
Total financial assets	**6,891**	**4,680**
Financial liabilities		
Borrowings (Note 14)	7,170	6,591
Trade payables (Note 15)	3,386	2,372
Other payables (Note 15)	1,260	951
Total financial liabilities	**11,816**	**9,914**

Note 3.1.1 Credit risk

The Company's credit risk includes potential losses that arise from the inability of the Company's business partners to meet their contractual obligations. The Company's credit risk arises from cash and cash equivalents, deposits in banks and financial institutions, and receivables exposed to risk. The Company is exposed to financial risks as at 31 December 2018 in the amount of EUR 6,891 thousand, as at 31 December 2017 in the amount of EUR 4,680 thousand.

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Cash and cash equivalents

The Company accepts banks and financial institutions with the credit rate "A" as long-term cooperation partners, but banks with no credit rating are also accepted in the short term.

In thousands of euros		31.12.2018	31.12.2017
Credit rating „A“		540	203
Total		**540**	**203**

The credit rating is derived from the website of Fitch Ratings.

Cash balance on hand as at 31 December 2018 was EUR 2 thousand (31 December 2017: EUR 1 thousand).

Receivables

Pursuant to the Company's credit policy, collateral is not required from wholesale customers to ensure collection of receivables, but focus is laid on monitoring deliveries, balances of trade receivables and compliance with payment terms on a continuous basis. For riskier customers, complete or partial prepayment, credit limits, sureties and shorter payment terms are applied.

As a rule, sales to retail customers occur in cash, prepayment or bank payment cards. Thus, the sale to retail customers does not involve credit risk, except for the risk arising from banks and financial institutions that the Company has accepted as a contractual partner.

For measuring expected credit losses, receivables are grouped according to the common features of the credit risk and the expiration period. Expected credit loss rates are based on payment discipline and historical credit losses in the respective periods. Historical losses have been adjusted for the purpose to reflect current and future information relating to macroeconomic factors and the ability of buyers to pay claims. The Company has estimated that the number of credit losses and the number of bankruptcies in countries where goods and services are sold are the most relevant indicators and accordingly adjusts historical loss rates based on the expected change in these indicators.

The allowances of receivables based on the principles described above as at 31 December 2018 and 1 January 2018 (at the date of application of IFRS 9) was immaterial.

As at the balance sheet date, the Company was not aware of any significant risks related to accounts receivables. The Company monitors the financial position of its existing and potential partners and their ability to meet their commitments.

In thousands of euros	31.12.2018	31.12.2017
Not overdue	4,808	3,444
Overdue	1,450	962
Incl. 1-45 days overdue	*1,405*	*926*
Incl. 46-90 days overdue	*28*	*36*
Incl. 91 days and more overdue	*17*	*0*
Total receivables	**6,258**	**4,406**

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Additional information on allowances can be found in Note 4. As at the compilation of the annual report, the amount of outstanding receivables (both overdue and not overdue), recognised in the balance sheet as at 31 December 2018, amount to EUR 171 thousand.

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Note 3.1.2 Liquidity risk

Liquidity risk is a potential loss arising from limited or insufficient monetary funds to meet the obligations arising from the Company's operations. The management constantly monitors financial forecasts using the Company's financial resources and sufficiency to meet obligations and to finance the Company's strategic goals.

Analysis of financial liabilities by maturity as at 31 December 2018:

Amounts in thousands of euros	31.12.2018	Discounted cash flow		
		1-12 months	**1-5 years**	**Total**
Borrowings (Note 14)	7,170	2,309	5,007	7,316
Trade payables (Note 15)	3,386	3,386	0	3,386
Other payables (Note 15)	1,260	1,202	58	1,260
Total	**11,816**	**6,897**	**5,065**	**11,962**

Analysis of financial liabilities by maturity as at 31 December 2017:

Amounts in thousands of euros	31.12.2017	Discounted cash flow		
		1-12 months	**1-5 years**	**Total**
Borrowings (Note 14)	6,591	1,371	5,322	6,693
Trade payables (Note 15)	2,372	2,372	0	2,372
Other payables (Note 15)	951	833	118	951
Total	**9,914**	**4,576**	**5,440**	**10,016**

For determining cash flows for interest bearing borrowings, which are based on floating interest rate, the spot interest rate has been used. As at 31 December 2018, the Company had an unused overdraft limit of EUR 652 thousand (as at 31 December 2017: EUR 438 thousand). The principal repayments of the long-term bank loans take place according to the payment schedule specified in the loan agreement.

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Note 3.1.3 Market Risk

Interest rate risk of cash flows

The Company's cash flow interest rate risk is mainly related to long-term borrowings that bear a floating interest rate.

The Company is exposed to cash flow risk due to interest rate changes as the loan has floating interest rate - the sensitivity analysis of interest rate fluctuations is presented below. Management estimates that the cash flow risk arising from changes in interest rates does not have a material impact, and therefore derivatives are not used to hedge the risks.

The Company's interest rate risk is mainly dependent on a possible change in Euribor (Euro Interbank Offered Rate) and EONIA. The EONIA is (0.366) % on the date of the report, but the negative EONIA is considered equal to 0% in terms of the loan agreements. Loan and leasing rates are linked to 6-month Euribor. As at 31 December 2018, the 6-month Euribor was (0.238) % (31 December 2017: 6-month Euribor (0.271) %). As the Euribor is negative, but in newer leasing contracts it is set to 0%, then the continued decrease in the Euribor and EONIA does not have a reducing effect on interest expense. The rise in Euribor and EONIA above zero will affect the Company's interest expenses.

Based on Euribor changes, interest review days for long-term bank loans are in February and August and for leasing contracts on an ongoing basis depending on the date of conclusion of the contract.

As at 31 December 2018, the residual value of the borrowings was EUR 7,165 thousand, as at 31 December 2017 EUR 6,584 thousand.

A 0.5% change in the interest rate on debt liabilities would have an impact on the net profit of the Company in 2018 of EUR 51 thousand (2017: EUR 26 thousand).

Foreign currency risk

Currency risk is the risk that a company may incur a significant loss due to currency fluctuations. The Company's currency risk from export-import transactions is low, as the vast majority of contracts are concluded in euros. In the financial year, the Company collected in currencies not directly or indirectly tied to the Euro.

The Company’s currency positions and sensitivity analysis as at 31 December 2018:

Amounts in thousands of euros	EUR	SEK	DKK	USD	CHF	TOTAL
Cash and cash equivalents	493	10	37	0	0	540
Trade receivables (Note 4)	5,919	0	339	0	0	6,258
Other receivables (Note 4)	70	0	23	0	0	93
Total financial assets	**6,482**	**10**	**399**	**0**	**0**	**6,891**
Borrowings (Note 14)	7,170	0	0	0	0	7,170
Trade payables (Note 15)	3,328	28	25	0	5	3,386
Other payables (Note 15)	1,253	7	0	0	0	1,260
Financial liabilities	**11,751**	**35**	**25**	**0**	**5**	**11,816**
Net currency positions	**(5,269)**	**(25)**	**374**	**0**	**(5)**	**(4,925)**
Currency weakening or strengthening against EUR,%		9.5%	0.4%	0	6.9%	
Effect on profit (loss) EUR		(2)	1	0	(0)	(1)

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The Company's currency positions and sensitivity analysis as at 31 December 2017:

Amounts in thousands of euros	EUR	SEK	DKK	USD	CHF	TOTAL
Cash and cash equivalents	188	0	15	0	0	203
Trade receivables (Note 4)	4,135	0	271	0	0	4,406
Other receivables (Note 4)	71	0	0	0	0	71
Total financial assets	**4,394**	**0**	**286**	**0**	**0**	**4,680**
Borrowings (Note 13)	6,591	0	0	0	0	6,591
Trade payables (Note 14)	2,281	23	49	19	0	2,372
Other payables (Note 14)	943	6	2	0	0	951
Financial liabilities	**9,815**	**29**	**51**	**19**	**0**	**9,914**
Net currency positions	**(5,421)**	**(29)**	**235**	**(19)**	**0**	**(5,234)**
Currency weakening or strengthening against EUR,%		6%	0	15%	0	
Effect on profit (loss) EUR		(2)	0	(3)		(5)

The Company has not acquired hedging instruments to hedge currency risk. The percentage of currency depreciation or appreciation against the euro is derived from the difference between the exchange rate minimum and the maximum of the previous financial year.

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Note 3.2 Capital management

The main objective of the Company in managing capital risk is to ensure the sustainability of the Company in order to secure the return to shareholders and benefits to other stakeholders, while maintaining an optimal capital structure to reduce the cost of capital. In order to maintain or improve the capital structure, the Company is able to regulate the dividends paid to the shareholders, reimburse the paid share capital to the shareholders, issue new shares or sell assets to reduce liabilities. The management monitors capital on the basis of the debt to capital ratio. This ratio is calculated as net debt divided by total assets. The Company finances business with both loan capital and equity.

The Company's loan agreements set out special conditions (equity ratio), the non-fulfilment of which may require the lender to repay the loan early. As at the balance sheet date, the Company's financial indicators are in line with the special terms of the loan agreements.

In thousands of euros	31.12.2018	31.12.2017
Total assets	24,380	18,852
Total equity	9,630	6,830
Equity to assets ratio	39%	36%

As at 31 December 2018 and 31 December 2017, the Company’s equity complied with the requirements of the Commercial Code.

Note 3.3 Fair value

The fair value of long-term loans and borrowings (except overdrafts) does not differ materially from their carrying amount as loans bear a floating interest rate that fluctuates according to the fluctuation of market interest rates and the risk margin of the loans is dependent on the total debt and EBITDA ratio and therefore the performance of the Company’s operations is also reflected in the risk margin (level 3).

Consequently, the Management Board estimates that the fair value of long-term liabilities does not differ materially from their carrying amount.

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Note 4 Receivables and prepayments

(in thousands of euros)

	31.12.2018	Divided by remaining maturity		Note
		12 months	1 - 5 year	
Trade receivables	6,258	6,258	0	5
Receivables from customers	6,312	6,312	0	5
Allowance for doubtful receivables	(54)	(54)	0	5
Tax prepayments and recoveries	115	115	0	6
Other receivables	93	93	0	
Prepayments	81	81	0	
Total receivables and prepayments	**6,547**	**6,547**	**0**	

	31.12.2017	Divided by remaining maturity		Note
		12 months	1 - 5 years	
Trade receivables	4,406	4,406	0	5
Receivables from customers	4,421	4,421	0	5
Allowance for doubtful receivables	(15)	(15)	0	5
Tax prepayments and recoveries	86	86	0	6
Other receivables	71	71	0	
Prepayments	154	154	0	
Total receivables and prepayments	**4,717**	**4,717**	**0**	

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Note 5 Trade receivables

(in thousands of euros)

	31.12.2018	31.12.2017	Note
Receivables from customers	6,312	4,421	4
Allowance for doubtful receivables	(54)	(15)	4
Total trade receivables	**6,258**	**4,406**	
Allowance for doubtful receivables			
Allowance for doubtful receivables at the beginning of period	(15)	(30)	
Allowance for doubtful receivables recognised	(39)	(29)	
Irrecoverable receivables	0	44	
Allowance for doubtful receivables at the end of period	**(54)**	**(15)**	

Note 6 Tax prepayments and liabilities

(in thousands of euros)

	31.12.2018		31.12.2017	
	Prepayment	**Liability**	**Prepayment**	**Liability**
Value added tax	8	983	84	742
Personal income tax	0	192	0	152
Income tax on fringe benefits	0	4	0	6
Social security tax	0	235	0	215
Mandatory pension fund	0	6	0	6
Unemployment insurance premiums	0	11	0	9
Corporate income tax	105	0	0	0
Prepayment account balance	2	0	2	0
Total liabilities and prepayments	**115**	**1,431**	**86**	**1,130**

Balances on tax prepayments and liabilities are also disclosed in Notes 4 and 15.

Contingent liabilities that may arise from a tax revision.

The tax authorities may at any time inspect the books and records of the Company within 5 years subsequent to the reported tax year, and may as a result of their inspection impose additional tax assessments and penalties. The management of the Company is not aware of any circumstances, which may give rise to a potential material liability for the Company in this respect.

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Note 7 Inventories

(in thousands of euros)

	31.12.2018	31.12.2017
Raw materials	2,445	1,543
Work in progress	39	63
Finished goods	2,151	2,200
Goods for sale	1,789	1,440
Prepayments for inventories	0	53
Total inventories	**6,424**	**5,299**

In 2018, inventories were written off in the amount of EUR 85 thousand (2017: EUR 26 thousand). Additional information on inventory write-offs is provided in Note 18.

Note 8 Investment properties

(in thousands of euros)

Fair value method	
31.12.2016	**2,550**
Profit (loss) from changes in fair value	0
31.12.2017	**2,550**
Profit (loss) from changes in fair value	(50)
31.12.2018	**2,500**

	2018	2017
Rental income from investment properties	246	243

The fair value of investment properties as at 31 December 2018 has been determined using the discounted cash flow method. The discount rate used is 10.5% (2017: 10%) and the amount of generated cash flows is EUR 2,472 thousand (2017: EUR 2,550 thousand). Expertise of an independent professional valuer is used to determine the fair value.

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Note 9 Property, plant and equipment

(in thousands of euros)

	Buildings	Machinery and equipment	Other property, plant and equipment	Unfinished projects and prepayments	Total
31.12.2016					
Cost	500	6,458	435	170	7,563
Accumulated depreciation	(212)	(2,868)	(225)	0	(3,305)
Carrying amount	**288**	**3,590**	**210**	**170**	**4,258**
Acquisitions and improvements	20	2,382	146	4	2,552
Depreciations	(55)	(697)	(68)	0	(820)
Sales	0	(34)	0	0	(34)
Reclassifications	0	193	(23)	(170)	0
Disposals	0	(1)	0	0	(1)
Currency exchange differences	0	(7)	0	0	(7)
31.12.2017					
Cost	520	8,715	519	4	9,758
Accumulated depreciation	(267)	(3,289)	(254)	0	(3,810)
Carrying amount	**253**	**5,426**	**265**	**4**	**5,948**
Acquisitions and improvements	54	775	70	40	939
Additions from business combination	0	307	0	0	307
Depreciation	(57)	(794)	(73)	0	(924)
Sales	0	(13)	0	0	(13)
Reclassifications	0	26	(22)	(4)	0
Disposals	0	(5)	0	0	(5)
Currency exchange differences	0	(11)	(1)	0	(12)
31.12.2018					
Cost	568	9,697	568	40	10,873
Accumulated cost	(318)	(3,986)	(329)	0	(4,633)
Carrying amount	**250**	**5,711**	**239**	**40**	**6,240**

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Disposed property, plant and equipment at selling price

	2018	2017
Machinery and equipment	0	98
Transportation	19	0
Other machinery and equipment	0	98
Total	**19**	**98**

In 2018, the Company has acquired machinery and equipment under financing lease terms in the amount of EUR 708 thousand (2017: EUR 2.314 thousand). Further information is disclosed in Note 14.

Profit from the sale of fixed assets amounted to EUR 6 thousand in 2018 (2017: profit of EUR 64 thousand); these amounts have been subtracted by any expenses related to the disposal of fixed assets, which the company did not have in 2018 (2017: none).

Additional information regarding the business combination is provided in Note 11.

Note 10 Intangible assets

(in thousands of euros)

	Other intangible assets	Trademarks	Prepayments	Total
31.12.2016				
Cost	282	0	0	2,453
Accumulated depreciation	(189)	0	0	(324)
Carrying amount	**93**	**0**	**0**	**93**
Acquisitions and improvements	54	0	34	88
Depreciation	(46)	0	0	(46)
31.12.2017				
Cost	334	0	34	368
Accumulated depreciation	(233)	0	0	(233)
Carrying amount	**101**	**0**	**34**	**135**
Acquisitions and improvements	13	0	238	251
Additions from business combinations	47	1,567	221	1,835
Depreciation	(75)	(17)	0	(92)
31.12.2018				
Cost	393	1,567	493	2,453
Accumulated depreciation	(307)	(17)	0	(324)
Carrying amount	**86**	**1,550**	**493**	**2,129**

Additional information regarding the trademark is provided in Note 11.

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Note 11 Business combinations

(in thousands of euros)

	Recair OY Fair value	KH Vent A/S Fair value	Total	Note
Acquisition date	1 August 2018	1 February 2018		
Description of the acquired business combination	Recair OY ventilation equipment manufacturing unit	KH Vent A/S ventilation solutions manufacturing and wholesale unit		
Acquired assets and liabilities:				
Inventory	497	179	676	
Property, plant and equipment	158	149	307	9
Intangible assets	1,835	0	1,835	10
incl. trademark	1,567	0	1,567	
Current liabilities	(105)	0	(105)	
Non-current liabilities	(30)	0	(30)	
Net assets	2,355	328	2,683	
Cost	937	327	1,264	
Goodwill	**1,418**	**1**	**1,419**	**21**

Recair has been a recognised brand on the Finnish ventilation equipment market for the last 25 years.

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Note 12 Finance lease

(in thousands of euros)

The Company as a lessee

	31.12.2018	Divided by remaining maturity		Interest rate	Currency	Final maturity date
		12 months	1 - 5 years			
Machinery and equipment	2,796	854	1,942	*	EUR	25.12.2023
Buildings	19	10	9	*	EUR	25.12.2020
Total finance lease liabilities	**2,815**	**864**	**1,951**			

	31.12.2017	Divided by remaining maturity		Interest rate	Currency	Final maturity date
		12 months	1 - 5 years			
Machinery and equipment	3,073	854	2,219	*	EUR	25.12.2022
Buildings	27	27	0	*	EUR	25.12.2018
Total finance lease liabilities	**3,100**	**881**	**2,219**			

* interest rate = 6-month Euribor + risk margin

Additional information on finance leases is provided in Note 14.

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Note 13 Operating lease

(in thousands of euros)

The Company as a lessor

	2018	2017
Operating lease income	256	271

The Company leases out the investment property and production machinery included in the balance sheet under operating lease terms.

The Company as a lessee

	2018	2017
Operating lease expenses	1,866	1,545
Future operating lease expenses		
12 months	2,074	1,497
1-5 years	4,607	5,355

The Company leases production, warehouse and office premises under operating lease terms. In addition, motor vehicles, warehouse and office equipment have been leased under operating lease terms.

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Note 14 Borrowings

(in thousands of euros)

31.12.2018		Divided by remaining maturity		Interest rate	Currency	Final maturity date
		12 months	1 - 5 years			
Credit cards	5	5	0		EUR	31.12.2019
Factoring	648	648	0		EUR	termless
Overdraft	2,748	0	2,748	**	EUR	15.04.2020
Bank loans	954	713	241	*	EUR	15.04.2020
Finance lease liabilities	2,815	864	1,951			
Total borrowings	**7,170**	**2,230**	**4,940**			

31.12.2017		Divided by remaining maturity		Interest rate	Currency	Final maturity date
		12 months	1 - 5 years			
Credit cards	7	7	0		EUR	31.12.2018
Overdraft	2,962	0	2,962	**	EUR	15.04.2019
Bank loans	522	391	131	*	EUR	15.04.2019
Finance lease liabilities	3,100	881	2,219			
Total borrowings	**6,591**	**1,279**	**5,312**			

* interest rate = 6-month Euribor + 1.45%

** interest rate = EONIA + 1.25%

Additional information on finance lease liabilities is provided in Note 12.

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	31.12.2018	change	31.12.2017	change	31.12.2016
Credit cards	5	(2)	7	0	7
Factoring	648	648	0	0	0
Bank loan(s)	954	432	522	(381)	903
additional bank contracts	-	1,032	-	0	-
bank loan repayments	-	(600)	-	(381)	-
Overdraft	2,748	(214)	2,962	938	2,024
Finance lease	2,815	(285)	3,100	1,661	1,438
additional finance lease contracts	-	708	-	2,314	-
finance lease repayments	-	(993)	-	(653)	
Total borrowings	**7,170**		**6,591**		**4,373**

The carrying amount of assets in Estonia pledged as collateral

	31.12.2018	31.12.2017
Buildings	2,713	2,751
Machinery and equipment	851	640
Other property, plant and equipment	190	224
Inventory	3,436	3,216
Total	**7,190**	**6,831**

As at 31 December 2018, the overdraft and investment loan taken from A/S Danske Bank Estonian branch is secured by a commercial pledge of I-VII order, set on movable property located in Estonia in the amount of EUR 3 million (EUR 3 million as at 31 December 2017).

Mortgage for the benefit of A/S Danske Bank Estonia branch has been set on the registered immovable as at 31 December 2018 in the amount of EUR 1.6 million (as of 31 December 2017 in the amount of EUR 1.6 million).

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Note 15 Payables and prepayments

(in thousands of euros)

		Divided by remaining maturity		
	31.12.2018	12 months	1 - 5 years	Note
Trade payables	3,386	3,386	0	
Payables to employees	1,457	1,457	0	
Tax liabilities	1,431	1,431	0	6
Other payables	1,260	1,202	58	
Provisions	27	0	27	
Prepayments received	19	19	0	
Total payables and prepayments	**7,580**	**7,495**	**85**	

		Divided by remaining maturity		
	31.12.2017	12 months	1 - 5 years	Note
Trade payables	2,372	2,372	0	
Payables to employees	968	968	0	
Tax liabilities	1,130	1,130	0	6
Other payables	951	833	118	
Prepayments received	10	10	0	
Total payables and prepayments	**5,431**	**5,313**	**118**	

As at 31 December 2018, other payables consist of interest payables in the amount of EUR 3 thousand (2017: EUR 3 thousand), liabilities arising from customer contracts in the amount of EUR 1,153 thousand (2017: EUR 756 thousand) and of other accrued expense in the amount of EUR 104 thousand (2017: EUR 192 thousand).

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Note 16 Share capital

(in thousands of euros)

	31.12.2018	31.12.2017
Share capital	103	103
Number of shares (pcs)	172,000	172,000
Nominal value of shares	0.60	0.60

In 2018, dividends of EUR 410 thousand (2017: EUR 420 thousand) were announced, from which the income tax on dividends was EUR 102 thousand (2017: EUR 105 thousand). In 2018, dividends in the amount of EUR 410 thousand were paid out, in 2017 in the amount of EUR 420 thousand.

The Company's retained earnings as at 31 December 2018 is EUR 8,322 thousand (31 December 2017 is EUR 5,548 thousand). As at the balance sheet date, EUR 6,657 thousand (31 December 2017: EUR 4,438 thousand) can be paid out as dividends to the owners. Dividend payout would result in a dividend income tax of 20/80 (31 December 2017: 20/80) on net dividends amounting to EUR 1,665 thousand (31 December 2017: EUR 1,110 thousand).

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Note 17 Revenue

(in thousands of euros)

	2018	2017
Revenue by geographical location		
Revenue from European Union countries		
Finland	23,751	19,141
Estonia	9,522	7,933
Sweden	3,915	2,583
Denmark	1,672	690
Netherlands	17	78
Latvia	110	33
Poland	41	13
Italy	0	13
Germany	0	5
Revenue from other European Union countries	7	5
Total revenue from European Union countries	39,035	30,494
Revenue from outside of European Union countries		
Norway	138	53
Armenia	3	0
Russia	0	28
Total revenue from outside of European Union	141	81
Total revenue	**39,176**	**30,575**
Revenue by operating activities		
Sale of self-manufactured ventilation equipment	30,306	24,123
Sale of purchased ventilation equipment	7,380	5,197
Income from leases and utility services	266	285
Waste management	390	328
Services	834	642
Total revenue	**39,176**	**30,575**

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Note 18 Costs of goods sold

(in thousands of euros)

	2018	2017	Note
Raw materials	(13,892)	(10,909)	
Goods purchased for resale	(4,609)	(3,241)	
Personnel expenses	(3,954	(3,061)	22
Lease and rent	(738)	(585)	
Depreciation and amortisation expense	(566)	(506)	9,10
Packaging material	(340)	(329)	
Service purchased for production	(309)	(204)	
Equipment repair and maintenance	(204)	(161)	
Energy	(110)	(106)	
Miscellaneous office expenses	(140)	(86)	
Utility expenses	(106)	(79)	
Transportation expenses	(33)	(43)	
Discount and write-off of inventories	(85)	(26)	7
Services purchased for resale	(11)	(25)	
Impairment of assets	(4)	(16)	9
Other	(298	(243)	
Total cost of goods sold	**(25,399)**	**(19,620)**	

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Note 19 Marketing and distribution expense

(in thousands of euros)

	2018	2017	Note
Transportation expenses	(1,836)	(2,226)	
Personnel expenses	(2,180)	(1,584)	22
Miscellaneous office expenses	(176)	(147)	
Traveling expenses	(138)	(140)	
Advertising	(280)	(117)	
Lease and rent	(117)	(100)	
Depreciation and amortisation expense	(110)	(77)	9,10
Impairment of assets	0	(1)	9
Other marketing expenses	(366)	(283)	
Other	(117)	(89)	
Total marketing and distribution expense	**(5,320)**	**(4,764)**	

Starting 2018, the Company distinguishes transport expenses between warehouses from marketing related transport expenses. The transport expenses between warehouses is recognised as cost of goods sold under raw materials. The Company is not able to calculate comparable data for 2017 for technical reasons and therefore the amount is unchanged in the 2017 comparative data.

Note 20 General and administrative expense

(in thousands of euros)

	2018	2017	Note
Personnel expenses	(3,436)	(2,738)	22
Lease and rent	(890)	(770)	
Depreciation and amortisation expense	(340)	(266)	9,10
Miscellaneous office expenses	(308)	(217)	
Packaging material	(166)	(146)	
Services purchased	(170)	(121)	
Transportation expenses	(147)	(110)	
Utility expenses	(99)	(84)	
Research and development expenses	(236)	(74)	
Energy	(75)	(68)	
Equipment repair and maintenance	(32)	(52)	
Traveling expenses	(64)	(39)	
Doubtful receivables expense	(37)	(24)	
Impairment of assets	(1)	0	9
Other	(362)	(306)	
Total general and administrative expense	**(6,363)**	**(5,015)**	

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Note 21 Other operating income

(in thousands of euros)

	2018	2017	Note
Negative goodwill	1,419	0	11
Profit from sale of fixed assets	6	64	9
Profit from foreign exchange change	7	29	
Profit from sale of small equipment	1	1	
Total other operating income	**1,433**	**94**	

Note 22 Personnel expense

(in thousands of euros)

	2018	2017	Note
Wages and salaries	(7,629)	(5,760)	
Social security taxes	(1,374)	(1,210)	
Pension expense	(567)	(413)	
Total personnel expense	**(9,570)**	**(7,383)**	**18,19,20**
Average number of employees in full time equivalent units	274	222	

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Note 23 Related parties

(in thousands of euros)

Balances with related parties by group

	31.12.2018		31.12.2017	
	Receivables	Liabilities	Receivables	Liabilities
Associates	98	0	130	31
Management and executive board members and substantial private owners and companies under their control or significant influence	198	10	62	10

Purchases and sales

	2018		2017	
	Purchases	Sales	Purchases	Sales
Associates	0	904	0	738
Management and executive board members and substantial private owners and companies under their control or significant influence	134	589	110	713

Remuneration and other material benefits expense relating to key management personnel

	2018	2017
Calculated remuneration	406	358

Related party sales are made up from sale of own production and sale of purchased goods, purchases to related parties compile of purchase of services.

As at 31 December 2018 (and also 31 December 2017), no allowances have been made regarding receivables against related parties.

Upon termination of employment, termination benefits totalling up to 3-month remuneration will be paid to the members of the Management Board.

Signatures to the report

The accuracy of the information of the annual report of ETS NORD AS (Commercial Registry No: 10462380 for the period of 1 January 2018 – 31 December 2018 has been confirmed by:

Signer name	Signer's position	Date and signature
Ene Saluste	Member of the Management board	28.02.2019 /signed/
Urmas Hiie	Member of the Management board	28.02.2019 /signed/
Markku Olavi Mattila	Member of the Management board	28.02.2019 /signed/

INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)*

To the Shareholders of AS ETS NORD AS

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of AS ETS NORD AS (the Company) as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

We audited the Company's financial statements that comprise:
- the balance sheet as at 31 December 2018;
- the income statement and statement of other 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 a summary of 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.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Auditors Activities Act of the Republic of Estonia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Auditors Activities Act of the Republic of Estonia.

Other information

The Management Board is responsible for the other information contained in the annual report in addition to 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.

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 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.
- 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.

AS PricewaterhouseCoopers

/signed/

Jüri Koltsov
Vandeaudiitor, litsents nr 623

8. märts 2019

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[*] *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.*