

CONSOLIDATED ANNUAL REPORT

beginning of financial year: 01.01.2018

end of the financial year: 31.12.2018

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Management report

Introduction

The Placet Group is an international group whose parent company is Placet Group OÜ, whose main office is located in Estonia. The principal activity of this group is the issuing of express and consumer loans.

As of 31.12.2018, the group had the following structure:

Placet Group OÜ (Estonia) is the group's parent company

Company	State of registry	Investor's holding	Principal activity
Placet Group OÜ subsidiaries			
UAB Nordecum	Lithuania	100%	Issuing of express and consumer loans
Nordecum Sp. Z o.o.	Poland	100%	Issuing of express and consumer loans
UAB Nordecum subsidiary			
ITM Inkasso UAB	Lithuania	100%	Collection agency services

In 2018, Placet Group OÜ made further progress in the development of its credit account services, resulting in the growth of its loan portfolio in Estonia by 29% (as of December), attributable primarily to credit account products. In 2018, Placet Group OÜ brought its IT systems and procedures into compliance with Regulation (EU) 2016/679 (GDPR) of the European Parliament and Council, applicable as of May 25, 2018.

In the summer of 2018, Placet Group OÜ began offering business loan services to start-ups and going concerns.

One of the more significant events of 2018 is the adoption by Placet Group OÜ's Lithuanian subsidiary UAB Nordecum of new software which not only speeds up service transactions, i.e., the processing of client data, but also makes it possible to better protect and maintain client-related data.

In the fall of 2018, UAB Nordecum began offering installment payment services for furniture purchases in several Lithuanian furniture stores.

On the Polish market, loan services were launched under another brand name, sloan.pl, with the goal of offering consumer loans for an extended period (up to 6 months).

Revenue, expenses, and profit

In 2018 sales revenue for the group amounted to 13,414 thousand euros, which consist of general activity interest and service fee income, increasing in both Estonia and Lithuania. In 2018, consolidated net income was 3,464 thousand euros. In 2018, interest income reached 10,106 thousand euros, an increase of 14% from the previous year. In 2018, interest cost were 1,275 thousand euros, compared with 1,197 thousand euros in the previous year. The loan portfolio increased by 30% compared to the previous year.

Key financial indicators and ratios

	2018	2017
Sales revenue (thousands of euros)	13,414	11,572
Earnings rate (%)	37.19%	35.65%
Current ratio	6.31	6.65
ROA	10.30%	11.68%
ROE	21.77%	23.64%

Formulas used in ration calculations:

Earnings rate (%) = earnings/sales revenue*100

Current ratio = current assets/short-term liabilities

ROA (%) = net income/total assets * 100

ROE (%) = net income/total equity * 100

Human resources

As of the end of 2018, the average number of people employed by the group was 78: 48 in Estonia, 24 in Lithuania, and 6 in Poland. Labor costs (including social taxes) amounted to 1,920 thousand euros. In 2018, management was paid compensation totaling 115 thousand euros.

Impact of macro-economic environment on business activities

The general rise in economic and consumer confidence and diminishing unemployment set the stage for economic growth in 2019 in those countries in which the group is active.

Dividend policy

The parent company in the previous years paid dividends to the owners. Subsidiaries do not pay dividends, but use earned profits to cover losses incurred over previous periods and expand activities in their current markets. The amount to be paid out in dividends in the coming year at the moment of the completion of the annual report has not yet been set.

Objectives for the next financial year

The main objective for the coming financial year is to increase market share in the countries in which the group is active, developing information technologies and offering clients new solutions and a broader range of products.

The group will also continue to improve the quality of financial services and increase credit quality. There are no plans to expand into new markets in 2019.

The annual accounts

Consolidated statement of financial position

(In Euros)

	31.12.2018	31.12.2017	Note
Assets			
Current assets			
Cash and cash equivalents	639 370	466 040	
Receivables and prepayments	15 981 290	14 098 462	2,6
Total current assets	16 620 660	14 564 502	
Non-current assets			
Financial investments	508 000	608 000	5
Receivables and prepayments	16 050 299	10 166 000	2,6
Property, plant and equipment	451 064	460 760	7
Total non-current assets	17 009 363	11 234 760	
Total assets	33 630 023	25 799 262	
Liabilities and equity			
Liabilities			
Current liabilities			
Loan liabilities	1 032 075	841 922	8
Payables and prepayments	1 602 230	1 347 337	9
Total current liabilities	2 634 305	2 189 259	
Non-current liabilities			
Loan liabilities	15 086 667	10 858 989	8
Provisions	0	1 357	
Total non-current liabilities	15 086 667	10 860 346	
Total liabilities	17 720 972	13 049 605	
Equity			
Equity held by shareholders and partners in parent company			
Issued capital	5 700 000	5 700 000	11
Share premium	65 829	65 829	
Unrealised exchange rate	11 708	196 171	
Retained earnings (loss)	6 667 657	3 773 269	
Annual period profit (loss)	3 463 857	3 014 388	
Total equity held by shareholders and partners in parent company	15 909 051	12 749 657	
Total equity	15 909 051	12 749 657	
Total liabilities and equity	33 630 023	25 799 262	

Consolidated income statement

(In Euros)

	2018	2017	Note
Interest income	10 106 048	8 810 089	12
Interest expenses	-1 275 410	-1 196 737	16
Net interest income	8 830 638	7 613 352	
Service fee income	3 307 768	2 762 376	12,13
Service fee expenses	-774 539	-509 050	16
Net service fee income	2 533 229	2 253 326	
Other financial income and expense	23	24	
Other income	181 927	159 949	
Other operating expense	-5 894 154	-4 919 338	14
Employee expense	-1 920 125	-1 917 776	15
Depreciation and impairment loss (reversal)	-9 696	-9 696	7
Other expense	-8 852	-55 647	
Profit (loss) before tax	3 712 990	3 124 194	
Income tax expense	-249 133	-109 806	17
Annual period profit (loss)	3 463 857	3 014 388	
Profit (loss) from shareholders and partners in parent company	3 463 857	3 014 388	

Consolidated statement of cash flows

(In Euros)

	2018	2017	Note
Cash flows from operating activities			
Operating profit (loss)	4 988 377	4 126 103	
Adjustments			
Depreciation and impairment loss (reversal)	9 696	9 696	7
Other adjustments	-9 765 956	-8 615 285	
Total adjustments	-9 756 260	-8 605 589	
Changes in receivables and prepayments related to operating activities	-7 737 920	-5 021 151	2
Changes in payables and prepayments related to operating activities	-120 046	-234 111	9
Interest received	10 124 919	8 410 399	6,12
Income tax refund (paid)	-221 378	-157 962	3,17
Total cash flows from operating activities	-2 722 308	-1 482 311	
Cash flows from investing activities			
Loans given	0	-674 500	6
Repayments of loans given	0	1 651 500	6
Interest received	5 502	955 372	2,6,12
Other cash inflows from investing activities	23	25	
Total cash flows from investing activities	5 525	1 932 397	
Cash flows from financing activities			
Loans received	11 375 617	10 070 533	8
Repayments of loans received	-6 957 786	-8 230 198	8
Interest paid	-1 223 255	-2 053 816	9,16
Dividends paid	-120 000	-480 000	9,17
Income tax refund (paid)	0	-120 000	3,17
Total cash flows from financing activities	3 074 576	-813 481	
Total cash flows	357 793	-363 395	
Cash and cash equivalents at beginning of period	466 040	620 474	
Change in cash and cash equivalents	357 793	-363 395	
Effect on exchange rate changes on cash and cash equivalents	-184 463	208 961	
Cash and cash equivalents at end of period	639 370	466 040	

Consolidated statement of changes in equity

(In Euros)

	Equity held by shareholders and partners in parent company				Total
	Issued capital	Share premium	Unrealised exchange rate	Retained earnings (loss)	
	31.12.2016	5 700 000	65 829	-12 790	
Annual period profit (loss)				3 014 388	3 014 388
Other changes in equity			208 961		208 961
31.12.2017	5 700 000	65 829	196 171	6 787 657	12 749 657
Annual period profit (loss)				3 463 857	3 463 857
Declared dividends				-120 000	-120 000
Other changes in equity			-184 463		-184 463
31.12.2018	5 700 000	65 829	11 708	10 131 514	15 909 051

Notes

Note 1 Accounting policies

General information

The 2017 annual accounts of Placet Group OU have been prepared in compliance with the accounting principle generally accepted in the Republic of Estonia. The basic requirements of the accounting principles generally accepted in Estonia have been established in the Accounting Act of the Republic of Estonia and accompanied by the guidelines issued by the Accounting Standards Board. The preparation of the annual accounts has been based on the acquisition cost principle, except cases described in the accounting policies below.

The annual accounts have been compiled in euros.

Financial assets

Financial assets are cash and their equivalents, short-term investments, accounts receivables and other short-term and long-term financial investments.

Financial assets are recorded at cost. On further recognition, the actual or fair value of financial assets shall be an amount for which the asset could be exchanged in a transaction between knowledgeable, interested and financially independent person

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances on current (settlement) bank accounts, deposit withdrawable on demand, and short-term revocable bank deposits with an original maturity of up to one year.

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

Foreign currency transactions have been recorded using the official exchange rates of the European Central Bank on the day of transaction. Financial assets and liabilities and non-monetary financial assets and liabilities, which are recorded in a foreign currency using the fair value method, are re-valued on the date of the balance sheet in euros using the official exchange rates of the European Central Bank. Profits from foreign currency transactions are recorded on the income statement as revenue and expenses of the period.

Financial investments

Financial investments are presented in the balance sheet using the actual cost method (at acquisition cost).

Receivables and prepayments

The short-term receivables occurring in the course of regular business of the company are recorded as trade receivables, except for receivables against other group companies and affiliated undertakings. Trade receivables are recorded in the adjusted acquisition cost (i.e. nominal value minus discounts applied, if necessary).

The probability of recovery of claims is assessed separately for each purchaser, if possible. The accrual of the previously deducted doubtful debts is reflected as the reduction of the expenses of doubtful debts.

Financial liabilities

All financial liabilities (trade creditors, loans received, accruals and other short-term and long-term loan liabilities) are initially recorded in their acquisition cost that also includes all expenses directly related to acquisition. The adjusted acquisition value method is used for subsequent accounting.

The adjusted acquisition value of short-term financial liabilities is generally equal to their nominal value, which is why the short-term financial liabilities have been shown on the balance sheet with the amounts payable. The calculation of the adjusted acquisition cost of the long-term financial liabilities is carried out by using the effective interest method.

Revenue recognition

Revenue from the sale of goods is reflected when all material risks related to the ownership of the asset have been transferred to the purchaser, and the sales revenue and expenses related to the transaction can be reliably assessed and the receipt of the payment for the transaction is likely.

Revenues from the sale of services is reflected after the provision of services, taking into account the completion state method.

Taxation

Pursuant to the current legislation in Estonia, the profits of the companies are not subject to taxation, therefore also eliminating any deferred income tax claims and liabilities. Instead of profit, taxes are imposed on dividends paid from the retained profits at the rate of 20/80 on the sum paid as net dividends in Estonia. Corporate income tax resulting from the payment of dividends is recorded in the income statement as expenditure on income tax in the same period when the dividends are announced, irrespective of the period for which they are announced or when they are actually paid.

Note 2 Receivables and prepayments

(In Euros)

	31.12.2018	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Accounts receivable	171 141	171 141			
Accounts receivables	171 141	171 141			
Tax prepayments and receivables	59 522	59 522			3
Other receivables	32 850 439	16 800 140	15 661 556	388 743	6
Loan receivables	31 809 339	15 759 040	15 661 556	388 743	
Interest receivables	510 900	510 900			
Accrued income	530 200	530 200			
Prepayments	40 917	40 917			
Deferred expenses	6 369	6 369			
Other paid prepayments	34 548	34 548			
Total receivables and prepayments	32 031 589	15 981 290	15 661 556	388 743	
	31.12.2017	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Accounts receivable	115 243	115 243			
Accounts receivables	115 243	115 243			
Tax prepayments and receivables	3 383	3 383			3
Other receivables	25 048 763	14 889 606	10 159 157		6
Loan receivables	24 209 729	14 050 572	10 159 157		
Interest receivables	535 273	535 273			
Accrued income	303 761	303 761			
Prepayments	266 760	259 917	6 843		
Deferred expenses	266 760	259 917	6 843		
Total receivables and prepayments	24 264 462	14 098 462	10 166 000		

Note 3 Tax prepayments and liabilities

(In Euros)

	31.12.2018		31.12.2017	
	Tax prepayments	Tax liabilities	Tax prepayments	Tax liabilities
Corporate income tax	53 580	129 364		48 029
Value added tax		31 450		26 283
Personal income tax		30 084		19 443
Fringe benefit income tax		1 181		309
Social tax	480	33 865		53 353
Contributions to mandatory funded pension		1 436		2 014
Unemployment insurance tax		1 967		2 521
Other tax prepayments and liabilities	2 093	2 092		
Prepayment account balance	3 369		3 383	
Total tax prepayments and liabilities	59 522	231 439	3 383	151 952

Note 4 Shares of subsidiaries

(In Euros)

Shares of subsidiaries, general information					
Subsidiary's registry code	Name of subsidiary	Country of incorporation	Principal activity	Ownership interest (%)	
				31.12.2017	31.12.2018
302535232	UAB Nordecum	Lithuania		100	100
302604899	UAB ITM Inkasso	Lithuania		100	100
361270895	Nordecum Sp. z. o.o.	Poland		100	100

Shares of subsidiaries, detaild information		
Name of subsidiary	31.12.2017	31.12.2018
UAB Nordecum	222 992	222 992
UAB ITM Inkasso	0	0
Nordecum Sp. z.o.o.	123 609	123 609
Total shares of subsidiaries, at end of previous period	346 601	346 601

Note 5 Long-term financial investments

(In Euros)

		Total
	Shares	
31.12.2016	608 000	608 000
31.12.2017	608 000	608 000

		Total
	Shares	
31.12.2017	608 000	608 000
Disposal at selling price or redemption	-100 000	-100 000
31.12.2018	508 000	508 000

Note 6 Other receivables

(In Euros)

	31.12.2018	Allocation by remaining maturity			Interest rate	Base currencies	Due date
		Within 12 months	1 - 5 years	Over 5 years			
Loan receivables	31 809 339	15 759 040	15 661 556	388 743			
Interest receivables	510 900	510 900					
Accrued income	530 200	530 200					
Total other receivables	32 850 439	16 800 140	15 661 556	388 743			

	31.12.2017	Allocation by remaining maturity			Interest rate	Base currencies	Due date
		Within 12 months	1 - 5 years	Over 5 years			
Loan receivables	24 209 729	14 050 572	10 159 157				
Interest receivables	535 273	535 273					
	529 771	529 771					
	5 502	5 502					
Accrued income	303 761	303 761					
Total other receivables	25 048 763	14 889 606	10 159 157				

Note 7 Property, plant and equipment

(In Euros)

		Total
	Buildings	
31.12.2016		
Carried at cost	485 000	485 000
Accumulated depreciation	-14 544	-14 544
Residual cost	470 456	470 456
Depreciation	-9 696	-9 696
31.12.2017		
Carried at cost	485 000	485 000
Accumulated depreciation	-24 240	-24 240
Residual cost	460 760	460 760
Depreciation	-9 696	-9 696
31.12.2018		
Carried at cost	485 000	485 000
Accumulated depreciation	-33 936	-33 936
Residual cost	451 064	451 064

Note 8 Loan commitments

(In Euros)

	31.12.2018	Allocation by remaining maturity			Interest rate	Base currencies	Due date
		Within 12 months	1 - 5 years	Over 5 years			
Current loans							
Current loans total	1 032 075	1 032 075					
Non-current loans							
	5 458 850		5 458 850		7%	EUR	2020
	9 627 817		9 627 817		10%	EUR	2020
Non-current loans total	15 086 667		15 086 667				
Loan commitments total	16 118 742	1 032 075	15 086 667				
	31.12.2017	Allocation by remaining maturity			Interest rate	Base currencies	Due date
		Within 12 months	1 - 5 years	Over 5 years			
Non-current loans							
	4 631 413	841 922	3 789 491		7.25% + 6 kuu EURIBOR	EUR	2020
	7 069 498		7 069 498		10% - 11%	EUR	2020
Non-current loans total	11 700 911	841 922	10 858 989				
Loan commitments total	11 700 911	841 922	10 858 989				

Note 9 Payables and prepayments

(In Euros)

	31.12.2018	Within 12 months	Note
Trade payables	340 114	340 114	
Employee payables	230 610	230 610	10
Tax payables	231 439	231 439	3
Other payables	767 669	767 669	
Interest payables	421 556	421 556	
Other accrued expenses	346 113	346 113	
Prepayments received	32 398	32 398	
Deferred income	32 398	32 398	
Total payables and prepayments	1 602 230	1 602 230	

	31.12.2017	Within 12 months	Note
Trade payables	165 721	165 721	
Employee payables	199 148	199 148	10
Tax payables	151 952	151 952	3
Other payables	622 773	622 773	
Interest payables	369 401	369 401	
Other accrued expenses	253 372	253 372	
Prepayments received	207 743	207 743	
Deferred income	207 743	207 743	
Total payables and prepayments	1 347 337	1 347 337	

Note 10 Employee payables

(In Euros)

	31.12.2018	31.12.2017
Remuneration liability	145 784	112 355
Vacation pay liability	84 826	86 793
Total employee payables	230 610	199 148

Note 11 Share capital

(In Euros)

	31.12.2018	31.12.2017
Share capital	5 700 000	5 700 000
Number of shares (pcs)	2	2

Note 12 Net sales

(In Euros)

	2018	2017	Note
Net sales by geographical location			
Net sales in European Union			
Estonia	7 307 121	6 156 123	
Lithuania	4 327 157	3 548 848	
Poland	1 779 538	1 867 494	
Total net sales in European Union	13 413 816	11 572 465	
Total net sales	13 413 816	11 572 465	
Net sales by operating activities			
Ineterest income	10 106 048	8 810 089	
Service fee income	3 307 768	2 762 376	13
Total net sales	13 413 816	11 572 465	

Note 13 Service fee income

(In Euros)

	2018	2017
Comission fee	2 795 750	1 944 147
Prolongation fee	50 473	166 934
Loan procedural costs	461 545	651 295
Total service fee income	3 307 768	2 762 376

Note 14 Miscellaneous operating expenses

(In Euros)

	2018	2017
Leases	22 242	17 442
Miscellaneous office expenses	1 481 106	694 602
Travel expense	7 756	6 133
State and local taxes	2 491	6 792
Allowance for doubtful receivables	2 305 531	2 181 327
Advertising expenses	1 984 463	1 899 306
Legal and consulting expenses	90 565	113 736
Total miscellaneous operating expenses	5 894 154	4 919 338

Note 15 Labor expense

(In Euros)

	2018	2017
Wage and salary expense	1 447 511	1 436 839
Social security taxes	472 614	480 937
Total labor expense	1 920 125	1 917 776
Average number of employees in full time equivalent units	78	75

Note 16 Interest expenses

(In Euros)

	2018	2017
Interest expenses from loans	1 275 410	1 196 737
Total interest expenses	1 275 410	1 196 737

Note 17 Income tax

(In Euros)

Income tax expense components	2018	2017
	Deferred income tax	Deferred income tax
Declared dividends	249 133	109 806
Other countries	249 133	109 806
Total	249 133	109 806

Note 18 Related parties

(In Euros)

Related party balances according to groups

	31.12.2018	31.12.2017	
	Liabilities	Receivables	Liabilities
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	236 346	0	55 735
Close family members and entities under their prevalent and material influence of management and higher		0	0

2018	Loans received	Interest rate	Base currencies	Due date
Management and higher supervisory body and individuals with material ownership interest				

2017	Loans received repayments	Interest rate	Base currencies	Due date
Management and higher supervisory body and individuals with material ownership interest				
Close family members and entities under their prevalent and material influence of management and higher				

Purchases and sales

	2018		2017	
	Purchases	Sales	Purchases	Sales
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	114 532	109 685	0	171 287
Close family members and entities under their prevalent and material influence of management and higher			0	0

Remuneration and other significant benefits calculated for members of management and highest supervisory body	2018	2017
	Remuneration	115 178

Note 19 Non consolidated statement of financial position

(In Euros)

	31.12.2018	31.12.2017
Assets		
Current assets		
Cash and cash equivalents	94 998	126 893
Receivables and prepayments	9 874 193	10 238 491
Total current assets	9 969 191	10 365 384
Non-current assets		
Investments in subsidiaries and associates	346 601	346 601
Financial investments	508 000	608 000
Receivables and prepayments	10 178 398	5 335 530
Property, plant and equipment	451 064	460 760
Total non-current assets	11 484 063	6 750 891
Total assets	21 453 254	17 116 275
Liabilities and equity		
Liabilities		
Current liabilities		
Loan liabilities	1 032 075	841 922
Payables and prepayments	571 256	505 015
Total current liabilities	1 603 331	1 346 937
Non-current liabilities		
Loan liabilities	5 458 850	3 789 492
Total non-current liabilities	5 458 850	3 789 492
Total liabilities	7 062 181	5 136 429
Equity		
Issued capital	5 700 000	5 700 000
Share premium	65 829	65 829
Retained earnings (loss)	6 094 017	4 399 502
Annual period profit (loss)	2 531 227	1 814 515
Total equity	14 391 073	11 979 846
Total liabilities and equity	21 453 254	17 116 275

Note 20 Non consolidated income statement

(In Euros)

	2018	2017
Interest income	6 979 525	5 761 984
Interest expenses	-378 720	-483 427
Net interest income	6 600 805	5 278 557
Service fee income	357 239	474 531
Service fee expenses	-526 073	-509 050
Net service fee income	-168 834	-34 519
Other financial income and expense	120 023	24
Other income	283 034	279 323
Other operating expense	-2 901 234	-2 249 614
Employee expense	-1 384 026	-1 442 996
Depreciation and impairment loss (reversal)	-9 696	-9 696
Other expense	-8 845	-6 564
Profit (loss) before tax	2 531 227	1 814 515
Annual period profit (loss)	2 531 227	1 814 515

Note 21 Non consolidated statement of cash flows

(In Euros)

	2018	2017
Cash flows from operating activities		
Operating profit (loss)	2 760 282	2 022 746
Adjustments		
Depreciation and impairment loss (reversal)	9 696	9 696
Other adjustments	-6 849 859	-5 486 789
Total adjustments	-6 840 163	-5 477 093
Changes in receivables and prepayments related to operating activities	-4 868 221	-2 812 502
Changes in payables and prepayments related to operating activities	43 300	94 999
Interest received	6 887 788	5 427 195
Total cash flows from operating activities	-2 017 014	-744 655
Cash flows from investing activities		
Loans given	-300 000	-674 500
Repayments of loans given	730 000	1 751 500
Interest received	51 386	1 180 328
Dividends received	120 000	0
Total cash flows from investing activities	601 386	2 257 328
Cash flows from financing activities		
Loans received	8 342 302	5 626 621
Repayments of loans received	-6 482 790	-6 221 989
Interest paid	-355 779	-480 955
Dividends paid	-120 000	-480 000
Income tax refund (paid)	0	-120 000
Total cash flows from financing activities	1 383 733	-1 676 323
Total cash flows	-31 895	-163 650
Cash and cash equivalents at beginning of period	126 893	290 543
Change in cash and cash equivalents	-31 895	-163 650
Cash and cash equivalents at end of period	94 998	126 893

Note 22 Non consolidated statement of changes in equity

(In Euros)

				Total
	Issued capital	Share premium	Retained earnings (loss)	
31.12.2016	5 700 000	65 829	4 399 502	10 165 331
Annual period profit (loss)			1 814 515	1 814 515
31.12.2017	5 700 000	65 829	6 214 017	11 979 846
Annual period profit (loss)			2 531 227	2 531 227
Declared dividends			-120 000	-120 000
31.12.2018	5 700 000	65 829	8 625 244	14 391 073

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of PLACET GROUP OÜ

Opinion

We have audited the consolidated financial statements of PLACET GROUP OÜ and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated income statement, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Estonian financial reporting standard.

Basis for Opinion

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

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue 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 (EE) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.¹
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.