AS Eesti Väärtpaberikeskus
ANNUAL REPORT 2015

Beginning of financial year:	01.01.2015
End of financial year:	31.12.2015
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Table of content

Management Report

Management Report

The mission of Nasdaq Tallinn AS is to be the heart of the securities market!

In their activities, the companies of Nasdaq Tallinn AS proceed from the following principles:

- **COOPERATION** - we understand that no one works alone. We are ready to assist and thus enhance the value of intra-organizational teamwork as well as cooperation with the state, market participants and all other cooperation partners.
- **OPENNESS** - we are open to new opportunities and ideas. We are the engine driving market development, always bringing the best ideas to life. We are aided by our open-mindedness and the agility of our thought process. We learn and help others learn from our experiences.
- **RELIABILITY** - we are responsible and intelligent in our work. We are honest to ourselves and others and we do not give promises we cannot keep. We cherish what we have achieved.
- **PROFESSIONALISM** - we have the skills, experience and will to do our job well. We are professionals in our field. The quality of our work is high. Our decisions are intelligent and well-thought-out. We have the courage to admit our mistakes.
- **DEDICATION** - being the heart of the securities market, we have an influence on the activity of people, organizations and the state. We sense our responsibility in all of the decisions we make and actions we take. We do our work with heart and we enjoy what we do.

Organisation

AS Eesti Väärtpaberikeskus (EVK) is the registrar of the central register of securities in Estonia. The register keeps account of all public limited companies, securities and funded pension accounts in Estonia.

EVK is 100% owned by Nasdaq Tallinn AS. Nasdaq Tallinn AS belongs to Nasdaq group that is the world's leading provider of services related to trading, settlement, stock exchange technologies, listing, information and listed companies on six continents.

AS on 31 December 2015, AS Eesti Väärtpaberikeskus (hereinafter the EVK) employed 20 persons, one of them was on maternity leave (in 2014: 21 employees, 2 on maternity leave). The total salaries paid to the employees amounted to 746.5 thousand euros (in 2014: 770.4 thousand euros), of which the fees paid to the members of the board of the EVK amounted to 71.5 thousand euros (in 2014: 141.9 thousand euros). Other benefits to the management amounted to 2.8 thousand euros (in 2014: 3.8 thousand euros).

The potential obligations related to the management amounted to 3.6 thousand euros. No payments were made to the members of the supervisory council of the EVK during the reporting year. In addition to other benefits, employees of the Nasdaq group have the cross-group stock program, based on which an employee can obtain stocks of Nasdaq, Inc. if the goals of the company and of the employee are achieved (including stock options).

Main Activities in 2015

1. General

1.1. Merging the Baltic depositories belonging to the Nasdaq group

At the beginning of the year 2015, the Baltic central depositories made the decision to take a step towards merging the Estonian, Latvian and Lithuanian central depositories and reorganisation of activities, with the aim of bringing the activities into accordance with the new regulation applicable for the central depositories[1] (*Central Depositories Regulation*). This regulation and the regulative technical standards established on the basis thereof set for the central depositories organisational, technical and capital requirements that are higher than before. Although the higher requirements bring along higher cost level, the Central Depositories Regulation gives the central depositories an opportunity to offer services beyond their country of location – through local affiliates.

Relying on a thorough analysis, the Baltic depositories decided to establish a new common Baltic central depository *(Baltic Depository)*, with the head office in Latvia and affiliates in Estonia and Lithuania. Processing of the activity licence required on the basis of the Central Depositories Regulation takes place in cooperation with the Baltic financial supervision authorities.

Relying on the Central Depositories Regulation, a common business model was developed, which was introduced to the Baltic market participants and regulators in the summer of 2015.

The Baltic Depository's new business model will be taken into use in 2017 simultaneously with the implementation of the new depository information system and accession with the *Target2-Securities* (T2S) settlement platform.

1.2. Target 2 Securities

On 19 June 2015, the T2S settlement platform started its work, with which the first four central depositories out of twenty four joined according to the initial plans. Joining of the Italian central depository was delayed and the migration took place in autumn during the specially planned sub-wave.

At the beginning of the year 2016, changes in the schedule for accession with the T2S settlement platform took place for EVK and other Baltic central depositories. In October 2015, one of the four largest European depositories, *Euroclear ESES*, informed the management of T2S that preparations for the accession will take more time than initially planned, as a result of which major changes took place for those who planned to joined in the second, third and fourth wave, as well as in the schedule for testing of the fourth wave. Additionally, it was decided that a fifth wave for accession should be created. The testing schedule for the fourth wave was brought four months forward by the T2S management.

EVK and other Baltic central depositories have not been able to accept the new proposed schedule due to the dense schedule arising from the preparation of the new depository information system and T2S project. After consultations with the market participants and supervisory authorities, all Baltic central depositories decided in favour of the fifth accession wave (in September 2017) instead of the fourth wave.

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[1] Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012, available at: **http://eur-lex.europa.eu/legal-content/ET/TXT/PDF/?uri=CELEX:32014R0909&from=EN**

The Baltic central depositories created a single and commonly usable connection with the TARGET2-Securities platform according to the schedule foreseen by T2S. In the second half of the year, tests with the T2S settlement platform started in the bilateral testing cycle, which will be followed by the multilateral testing period and tests with the participation of the Baltic market participants in 2017.

2. Pension Services

2.1. Updating the Webpage

In the first quarter of 2015 (03.03.2015) the website managed by EVK www.pensionikeskus.ee was opened with a new design. The design of the website was updated and made responsive to the modern smart devices. Additionally, the content of the website was thoroughly updated: the structure was simplified and all the content articles were reviewed. The updated website now offers more materials translated into English and Russian.

In the second quarter, the design of the public part was harmonised with the new website, but the functionality remained the same.

After the opening of the website www.pensionikeskus.ee passed the SEO analysis (*search engine optimization*) and the proposals for improving the SEO were implemented.

2.2. Registry Information System

The most important technical developments in the KOPIS information system: the TSD declaration submitted to the Tax and Customs Board was transferred from the csv format to xml format, new X-road services for Statistics Estonia were developed for carrying out a registries-based census and a new X-road service for micro loans companies was created.

2.3. New Pension Platform EPIS

In 2015, it was decided to create a new pension platform EPIS, which in long-term perspective would bring together the assets of the second and third pillars, resulting in a combined view of a person's pension assets and would offer technical solutions in terms of regulative and technical needs. As the final result of the project, keeping of the register of the funds of the mandatory and voluntary funded pensions will be transferred to a new modern platform and common pension account system.

The biggest change concerns the third pillar, in the case of which the aim is to harmonise the related services (including submission of applications etc.).

For the investors, the new platform and related functionalities will allow (i) easier management of one's pension assets (including common balance notice, statement), (ii) submission of inheritance application for both pillars with one application, (iii) for the third pillar, subscription of units as foreign payments etc.

The technical load of the fund managers will be decreased due to the fact that in the future the connection will be managed only through one platform. Statistics can be queried from one system and faster than before, and it will be possible to build the future services up on the basis of one system.

The EPIS project will be carried out in three stages. In the first stage the keeping of the register of the second pillar and management of the pension account as well as the related principal services will be transferred to the new platform. The deadline for the first stage is the summer of 2016.

In the second stage, all additional services related to the second pillar that are not included in the development of the first stage will be developed. The deadline for the second stage will be the fourth quarter of 2016.

In the third stage the services and functionality related to keeping of the register of the third pillar will be developed. The deadline for the third stage depends on the T2S testing schedule and the readiness of the account managers, but the latest deadline will be the summer of 2018.

2.4. New Investment Funds Act

In 2015, the new Investment Funds Act was passed, which will bring along development works for the system of voluntary funded pension and settlement of funds. We planned the mapping of the development needs for the beginning of the year 2015. During the course of the analysis performed if appeared that the fund managers are not ready for quick changes. The development needs arising from the new act have been taken into account in the analysis and developments of the EPIS information system.

3. Register and Settlement Services

During the second half of the year 2015, preparations were started for the transfer to the accounting system *PeopleSoft* on 1 January 2016.

During the first half of the year, the EVK registry system was aligned to support the amendments of the Commercial Code that entered into force on 1 July 2015.

The systems managed by EVK support the provision of services to e-residence and last year, the e-residents started using the services actively.

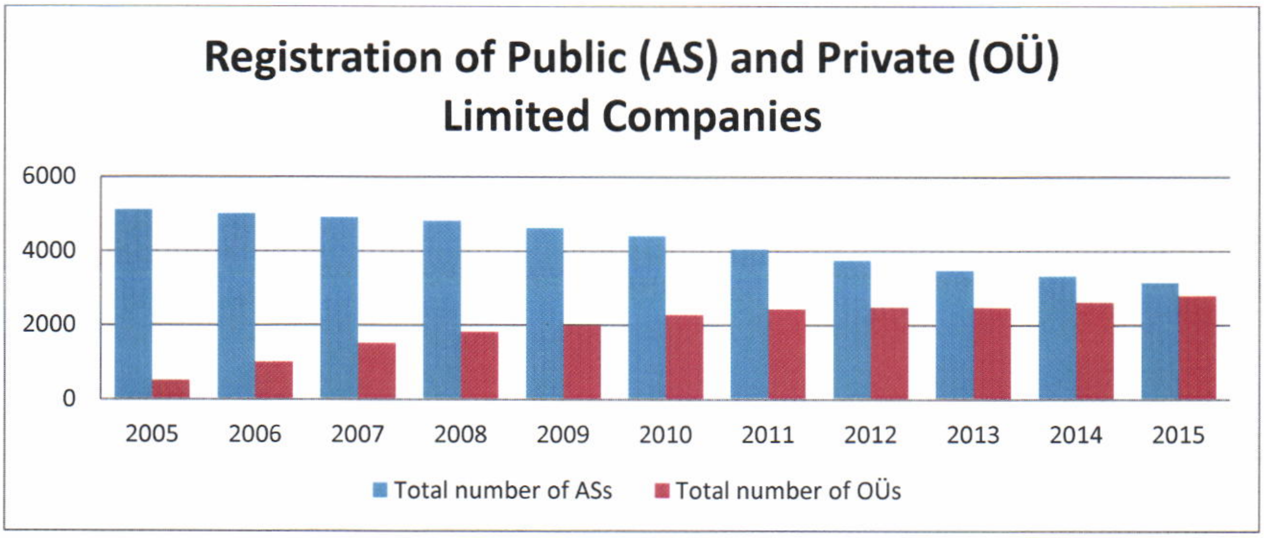
By the end of the year 2015 we, together with the market participants, started the compliance and impact analysis of the corporate events standards aimed at the European markets, depositories and issuers (*GMJWG - Joint Working Group on General Meetings; JWGGM - Joint Working Group on General Meetings*) with the aim of developing proposals for eliminating or decreasing the potential peculiarities of the Estonian market.

During the first half of the year 2015, we carried out seminars for account managers in order to introduce different services and changes arising from T2S for the Estonian market in general.

Registration of Companies

As at the end of 2015, the value of the securities registered at the Estonian CSD was 7.55 billion euros. By the end of the year, 80% of the 5,877 companies registered at the Estonian CSD had converted their capital to euros. All public limited companies and private limited companies registered at the Estonian CSD were offered free personal consultations for transferring to the euro as well as on transactions related to the securities of the companies.

While the number of registered public limited companies has somewhat decreased (3,109 registered), the interest of private limited companies in registering their shares at the Estonian CSD is still growing (2,761 registered). In addition to the registered public and private limited companies, 7 European companies (SE) have been registered. Registering the stocks or shares gives the possibility to perform purchase and sale as well as pledging transactions in a more convenient and favourable manner without notarial deeds.



Funded Pension

In 2014, the number of subscribed persons grew to 677,327, which is 12,803 persons more than at the end of the year 2014. At the end of the year 2015, the total volume of the mandatory funded pension funds was 2.6 billion euros, which is 18.2% higher than at the end of the year 2014.The EPI index that measures the average rate of return of the funded pension funds grew by 2.55% to 168.03 points in 2015. In total, there were 20 supplementary funded pension funds registered in Estonia at the end of the year 2015.

The number of applications for changing the funded pension funds shows continued decrease:

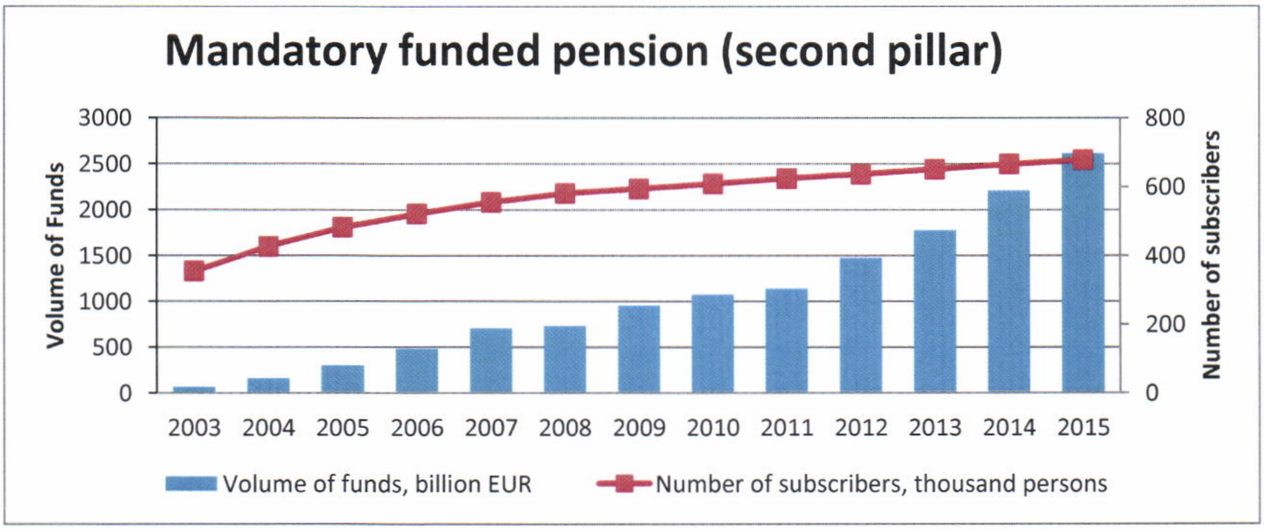
Year	No. of applications
2012	102,923
2013	79,787
2014	75,610
2015	74,071

During the years 2016-2017 the contributions with higher payment rate will continue for the persons who in 2013 submitted an application for temporary increase of the funded pension payment rate for the year 2014-2017. In total 106,140 persons submitted an application for increasing the payments

The persons who voluntarily continued payments in 2010, automatically received the higher payment rate of 2%+6% in 2014, according to which the person pays 2% and the state adds 6% from the social tax. Such persons had the right to submit an application for increasing the personal payment rate from 2% to 3% (in such case, the scheme of 3%+6% will be applied). In total 40,410 persons used that opportunity.

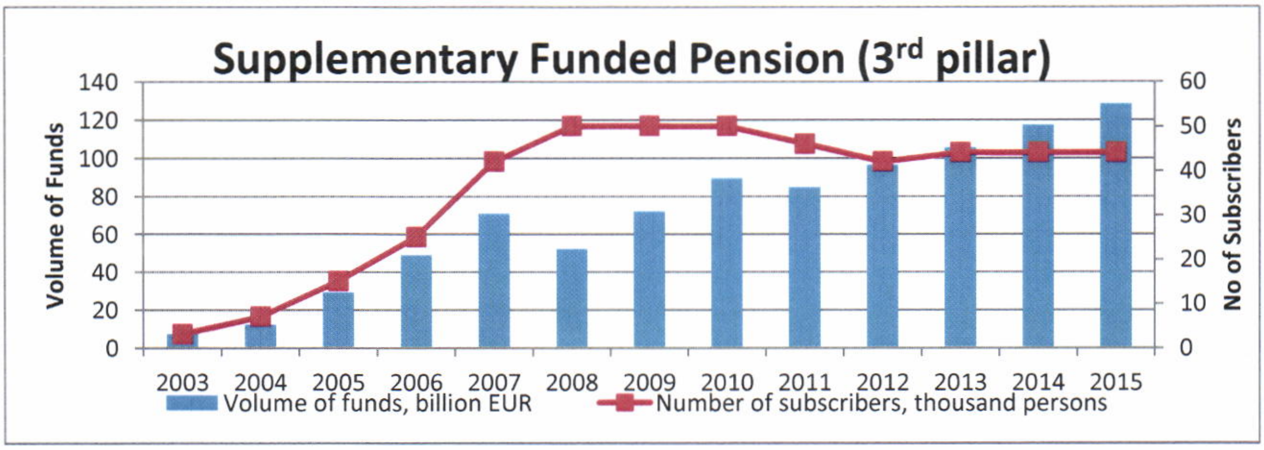
The persons who did not continue voluntary payments in 2010, also had the possibility to submit an application to have the increased payment rate according to the 3%+6% system during the period 2014-2017. This opportunity was used by 65,730 persons.

Over 23,100 persons have submitted an application for receiving payments from the funded pension since the year 2009. Approximately 6,500 persons who have the right to receive funded pension, have not submitted the relevant application and have postponed receiving their payments.



Voluntary Funded Pension

In 2015, the volumes of the supplementary funded pension (third pillar) increased by 8.7% from 117.4 million euros to 127.6 million euros. However, the number of the clients of the supplementary funded pension remained relatively the same as at the end of 2013 and 2014: while by the end of the year 2013, there were approximately 44,000 investors in the third pillar, at the end of the year 2014, there were 44,100 investors, then by the year 2015 there were 44,262 investors. At the end of the year 2015, there were 10 supplementary funded pension funds in Estonia.



Financial Results

Last year, the results of EVK were influenced by the high number of transactions made with the funded pension units and increase in the number of persons who subscribed to the mandatory funded pension.

In 2015, the operating revenue of EVK grew by 4%, being 2.59 million euros in 2015 (in 2014: 2.50 million euros). At the end of the period, the equity capital of the EVK amounted to 1.82 million euros (in 2014: 1.82 million euros). In 2015, the net profit amounted to 304 thousand euros (in 2014: profit 395 thousand euros).

Key financial indicators of the EVK:

	2014	2015
Net profit margin	16%	12%
Return on equity	23%	17%
Return on assets	20%	15%
Revenue growth	2%	4%

Plans for the year 2016

1. Pension

The most important task for the year 2016 will be continuation of the development of the new pension platform, which started in 2015, in order to modernise the technical solutions that offer the pension service based on the regulatory and technical needs.

The national registers are obliged to transfer to the new version of X-road in 2016. For EVK, the transfer will take place in two stages. During the first stage, we will update the version for ensuring access to the clients of EVK and in the second stage the update will take place for the transfer of queries made by EVK to the new version.

2. Register and Settlement Services

We will continue with the preparations and consultations for joining the T2S European securities settlement platform.

We will continue working towards replacing the existing securities register and settlement system with the new depository information system in order to connect it to the T2S settlements platform. Estonia will join the T2S platform with the "fifth wave" or in September 2017.

EVK will analyse the existing exchange of data with the issuers and if necessary, will carry out additional works based on the corporate standard requirements applicable in Europe.

In 2016, we would like to introduce the European standards to the stock exchange issuers as well as to the public, and reach an agreement with respect to the possible updates between issuers and investors in order to ensure that the Estonian market would function with respect to the corporate events in a way that considers the good practice applicable in Europe as a whole.

Mandatory Funded Pension Registry Service Report

Pursuant to the Regulation of the Minister of Finance "Establishing the Format for the Report of the Mandatory Funded Pension Registry Service and Guidelines for Its Completion" dated 09.01.2012, AS Eesti Väärtpaberikeskus (EVK) prepares the Mandatory Funded Pension Registry Service Report as a note to its Annual Accounts since 2012.

NAME OF ENTRY	2015	2014
1. Revenue from service fees	**617,583**	**580,693**
1.1. Maintenance fees	353,867	297,491
1.2. Application fees	206,269	232,409
1.3. Other revenue	57,447	50,793
2. Labour costs and various operating costs (-)	**-544,485**	**-507,144**
2.1. Labour costs	-256,892	-246,622
2.2. Supervision fees	-4,716	-4,548
2.3. IT costs	-94,301	-86,171
2.3.1. IT costs with affiliated parties	-14,274	-5,357
2.4. Other operating costs	-188,577	-169,803
2.4.1. Other operating costs with affiliated parties	-25,502	-28,987
3. Other operating income and costs (+/-)	**-10,656**	**-5,031**
4. Operating result (+/-)	**62,442**	**68,518**
5. Financial revenue and expenses (+/-)	**-14**	**62**
6. Result of the reporting year (+/-)	**62,428**	**68,580**

Upon dividing costs between the mandatory funded pension registry service and other services, AS Eesti Väärtpaberikeskus is guided by the principles established in its internal accounting rules.

1. Upon dividing costs in the expense report, the following values are taken as the basis:
1.1. COST CENTRE – the dimension that establishes, which business area (pension, register, settlements, free services) or support service (legal advice, IT, finance) this cost is related to.
1.2. COST TYPE – the dimension that establishes the service group (application fees, maintenance fees, transfer fees, query fees, registration fees, transaction fees, other services) corresponding to the business area of EVK.
1.3. TURNOVER – the turnover takes into account the sales turnover of services recorded in the specific report during the same reporting period.

2. Distribution of the report:
2.1. REVENUE – sales turnover of a specific group of services during the reporting period.
2.2. DIRECT COSTS – costs that are directly related to one specific group of services. It is expressed in the system by applying to the cost a TYPE OF COST in addition to the respective COST CENTRE of a business area of the EVK.
2.3. BUSINESS AREA COSTS – costs that are directly related to one business area of the EVK, but are not clearly limited with one service group. In terms of the system, these costs are characterised by the COST CENTRE corresponding to the business area of the EVK. Such entries have no COST TYPE. The costs of the business area are divided to the services groups on the basis of the turnover shares of different service groups by the business area.
2.4. OVERHEAD COSTS – all expenses of support services and general administration that cannot be related to specific business areas belong under overhead costs and are divided proportionally across the columns of the table on the basis of the turnovers of the service groups during the specific period.

3. Determining costs
3.1. None of the cost accounts can be defined as direct, business area or indirect cost, but the costs included there will be divided according to the analytics added in the cost accounting process (or the dimensions of cost centre and cost type), which is added based on the purpose of the specific cost.
3.2. The same principle is applied for distributing expenses made to employees between the business area and overhead costs. The salaries of the employees of the support functions and all other expense materials acquired for them are recorded under overhead costs, the cost of the employees of the EVK business areas are divided as a whole between the business area costs. Only the costs of the employees of the EVK support functions and EVK business unit overhead costs are distributed under the EVK overhead costs.
The Mandatory Funded Pension Registry Service Report includes only the data on the EVK pension business are.

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The Mandatory Funded Pension Registry Service Report includes only the data on the EVK pension business area.

Financial Statement

Balance sheet

(in euros)

	31.12.2015	31.12.2014	Note
ASSETS			
Current assets			
Cash	835,818	1,106,715	2
Receivables and prepayments	304,564	224,212	3
Total current assets	**1,140,382**	**1,330,927**	
Non-current assets			
Financial investments	1,249	1,249	5
Receivables and prepayments	180,000	0	3
Property, plant and equipment	44,481	53,581	6
Intangible assets	722,006	679,296	7
Total non-current assets	**947,736**	**734,126**	
TOTAL ASSETS	**2,088,118**	**2,065,053**	
LIABILITIES AND EQUITY			
Current liabilities			
Payables and prepayments	266,082	246,963	9
Total current liabilities	**266,082**	**246,963**	
TOTAL LIABILITIES	**266,082**	**246,963**	
Equity			
Issued capital	735,000	735,000	11
Share premium	5,113	5,113	
Mandatory reserve	500,000	500,000	
Retained earnings	277,977	182,680	
Profit for the financial year	303,946	395,297	
Total equity	**1,822,036**	**1,818,090**	
TOTAL LIABILITIES AND EQUITY	**2,088,118**	**2,065,053**	

Income statement

(in euros)

	2015	2014	Note
Revenue	2,580,778	2,494,705	12
Other income	9,954	8,248	
Other operating expenses	-1,093,400	-890,666	13
Employee expenses	-746,479	-770,374	14
Depreciation, amortisation and impairments	-316,725	-346,763	6, 7
Other expenses	-55,127	-33,685	
Operating profit	**379,001**	**461,465**	
Financial income and expense	-55	288	
Profit (loss) before income tax	**378,946**	**461,753**	
Income tax	-75,000	-66,458	11
Profit (loss) for the financial year	**303,946**	**395,297**	

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28.04.2016
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Cash flow statement

(in euros)

	2015	2014	Note
Cash flows from operating activities			
Receipts of sales of goods and rendering of services	2,905,551	2,774,058	
Payments to suppliers for goods and services	-1,206 130	-946,430	
Payments to employees	-413,087	-412,376	
Other cash flows from operating activities	-668,813	-627,297	
Total cash flows from operating activities	**617,521**	**787,955**	
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	-333,535	-312,296	
Loans granted	-180,000	0	
Interest received	117	351	
Total cash flows from investing activities	**-513,418**	**-311,945**	
Cash flows from financing activities			
Dividends paid	-300,000	-250,000	11
Corporate income tax paid	-75,000	-66,456	11
Total cash flows from financing activities	**-375,000**	**-316,456**	
Total cash flows	**-270,897**	**159,554**	
Cash and cash equivalents at the beginning of the period	1,106,715	947,155	2
Change in cash and cash equivalents	**-270,897**	**159,554**	
Impact from currency exchange rate changes	0	6	
Cash and cash equivalents at the end of the period	835,818	1,106,715	2

Statement of changes in equity

(in euros)

	Issued capital	Share premium	Mandatory reserve	Retained earnings	**Total**
Balance as at 31.12.2013	**735,000**	**5,113**	**500,000**	**432,680**	**1,672,793**
Profit (loss) for the financial year	0	0	0	395,297	**395,297**
Dividends paid	0	0	0	-250,000	**-250,000**
Balance as at 31.12.2014	**735,000**	**5,113**	**500,000**	**577,977**	**1,818,090**
Profit for the financial year	0	0	0	303,946	**303,946**
Dividends paid	0	0	0	-300,000	**-300,000**
Balance as at 31.12.2015	**735,000**	**5,113**	**500,000**	**581,923**	**1,822,036**

Additional information on the owner's equity of the Company is presented in Note 11.

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Notes to the Financial Statement

Note 1 Accounting principles used in the preparation of the Financial Statements

The financial statements 2015 of Eesti Väärtpaberikeskus AS have been prepared in accordance with the generally accepted accounting principles of the Republic of Estonia. The main requirements of the generally accepted accounting principles of the Republic of Estonia have been stipulated in the Accounting Act of the Republic of Estonia, and supplemented by the guidelines issued by the Accounting Standards Board of the Republic of Estonia.

The financial statements have been prepared on historical cost basis, except in cases set forth in the accounting principles below.

The financial statements have been prepared in euros.

Cash and cash equivalents

Cash in bank, demand deposits, deposits with a maturity of up to 3 months, money market fund shares and shares of other highly liquid funds are recorded as cash and cash equivalents under "Cash" in the balance sheet and cash flow statements.

Foreign currency transactions

Any currency other than the euro is considered foreign currency. Foreign currency transactions are recorded on the basis of the foreign currency exchange rates of the European Central bank officially applicable on the transaction date. Monetary assets and liabilities denominated in foreign currency are revaluated into euro on the basis of the currency exchange rates of the European central Bank officially applicable on the balance sheet date. Foreign exchange and losses arising from revaluation are presented in the income statement of the period. Non-monetary assets and liabilities which are denominated in foreign currency and measured at fair value, are revaluated into foreign currency on the basis of the currency exchange rates of the European Central Bank officially applicable on the date of establishment of the fair value. Non-monetary assets and liabilities which are not measured at fair value are not translated on the balance sheet, but recorded on the basis of the exchange rate of the European Central Bank on the transaction date.

Financial investments

Receivables, which have not been purchased for resale and financial assets held until maturity are recorded at cost, using the effective interest rate method. The adjusted cost is calculated for the entire holding period by taking into account any discount or premium on acquisition, as well as expenses directly related to the transaction.

Financial assets measured at cost will be written down, if it is probable that their recoverable amount is lower than their carrying amount. The recoverable amount of a financial asset measured at cost is the net present value of future cash flows from the financial asset, discounted with the effective interest rate fixed at the initial recognition. The write-down of financial assets related to operating activities is charged to expenses in the income statement under "Other operating expenses", while the write-down of financial assets related to investing activities is charged to "Financial expenses" in the income statement.

Financial assets

The company's financial assets include cash and cash equivalents, accounts receivable and other receivables, as well as short-term and long-term financial investments.

All financial assets are initially recognised at their cost, being the fair value of the consideration given. The initial cost also includes all expenditures directly related to the purchase of the financial asset, including

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service charges payable to brokers and advisors, non-refundable taxes related to the transaction and other similar expenditures, except for expenses related to the acquisition of financial assets recorded at fair value with change in the income statement.

All regular way purchases and sales of financial assets under regular market conditions are recorded on the transaction date—i.e. the day when the group commits (e.g. concludes a contract) to purchase or sell the particular financial asset, except for short-term and long-term financial investments, which are recorded on the value date – i.e. the date when the company acquires or transfers ownership of the financial asset. Transactions under regular market conditions are purchases and sales transactions in the case of which the transfer of the purchased or sold financial assets from the seller to the buyer is carried out within the period established for the market of required with the relevant market regulations.

When accounting for purchases and sales of financial assets recognised on value date, any changes in the value of assets between the trade date and the balance sheet date are charged to profit or loss, similarly with comparable financial assets owned by the company.

Subsequent to the initial recording, financial assets are measured at their fair value, except for:
- receivables, which the company has not purchased for resale and financial investments held until maturity are recorded at adjusted cost;
- investments in shares and other equity instruments the fair value of which cannot be reliably measured (incl. derivative instruments related to such assets) are recorded at cost.

Financial assets recorded at fair value
Financial assets measured at fair value are revalued on each balance sheet date, whereas the possible transaction costs related to the disposal of the asset are not deducted. The fair value of listed securities is based on the closing price of the security, as well as the official exchange rate of the European Central bank on the balance sheet date. Unlisted securities are recorded at their fair value, which is found on the basis of the information on the value of the investment available to the group.

Gains and losses from the changes in fair value are recorded under "Financial income and expenses" in the income statement. Profit and loss from disposals of financial assets measured at fair value, as well as interests and dividends on the respective securities, are recognised under "Financial income and expenses" in the income statement.

Financial assets recorded at cost
Financial assets recorded at cost are written down to their recoverable amount, if the recoverable amount has fallen below the carrying amount. The recoverable amount of financial assets recorded at cost consists of the estimated future cash flows from the financial asset, discounted with the average rate of return from similar financial assets on the market. The amount of write-down is charged to the financial expenses of the period. The write-down of financial assets recorded at cost will not be subject to later reversal.

Financial assets are derecognized when the group no longer controls the rights arising from the financial assets, or when all the cash flows attributable to the asset, and a majority of the risks and benefits related to the financial asset are transferred to a third party.

Receivables and prepayments
Impairment of trade receivables is recorded according to the applicable policy for impairments. The circumstances indicating an impairment loss may include the bankruptcy or major financial difficulties of the debtor, and default or delinquency in payments. If possible, accounts receivable are evaluated on individual basis. If the evaluation of the receivables on individual basis proves impossible, only the material

28.04.2016
LS
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receivables will be evaluated. Other receivables are evaluated as groups on the basis of the policies for impairment of receivables established in the group, which have been compiled on the basis of the

experiences of previous years regarding overdue payments. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement under other operating expenses. When a receivable is deemed uncollectible, it is written off from trade receivables and the allowance account for trade receivables. Collection of receivables, which have been previously expensed as doubtful receivables, is recorded as an adjustment to doubtful receivables. In case of collection of receivables previously written down, or other events indicating that the write-down is no longer justifiable, the previous write-down will be reversed in the income statement as a reduction of the expense item to which the write-down was initially charged.

Interest income from receivables is recorded under "Other financial income and expenses" in the income statement.

Property, plant and equipment

Assets with a useful life over 1 year and cost over 650 euros are considered to be property, plant and equipment (PPE). Assets with a useful life over 1 year, but at cost of less than 650 euros, are fully expensed upon acquisition, regardless of their useful life.

PPE are initially recorded at cost, consisting of the purchase price (incl. customs duties and other non–refundable taxes) and expenses directly related to the acquisition, incurred upon bringing the assets to their present operating condition and location. An item of PPE is carried in the balance sheet at its cost , less accumulated depreciation and any accumulated impairment losses.

Expenses incurred on a PPE item are recorded under PPE, if future economic benefits are expected to arise from the asset item, and the cost of the asset item can be reliably measured. Other costs on maintenance and repairs are expensed when incurred.

Depreciation is calculated on the basis of the straight-line method. Depreciation rates are determined for each PPE item individually, depending on its estimated useful life. In case of asset items with a significant final value, only the depreciable difference between the cost and the final value shall be charged to expenses over the useful life of the item. A PPE item will no longer be depreciated, if the final value of the asset rises above its carrying amount.

If PPE item consists of distinguishable components with different useful lives, these components are recorded as separate asset items, and their depreciation rates specified separately in accordance with their useful lives.

The following annual depreciation rates are applied for the PPE groups:

Other equipment and IT equipment	20%-40%
Other machinery and equipment	20%-40%

Depreciation is calculated from the moment an asset can be used for the purposes established by the management, until the final value of the assets exceeds its carrying amount, or until the asset`s classification into "fixed assets held for sale", or removal from use. The depreciation rates, depreciation methods and final values are evaluated on each balance sheet date. If the recoverable amount of the fixed assets item (i.e. higher of the net selling price or the value of asset in utilization) is lower than its carrying amount, the fixed assets item will be written down to its recoverable amount.

Intangible assets

Intangible assets (development costs, patents, licenses, trademarks, software) are recorded on the balance sheet if the assets are controlled by the company, if future economic benefits are expected to arise from the assets and if the cost of the assets can be reliably measured. Intangible assets are initially recorded at cost, consisting of the purchase price and expenses directly related to the acquisition. An intangible asset item is recorded on the balance sheet at its cost, less accumulated amortisation and any accumulated impairment losses. Intangible assets with an indefinite useful life are not amortised. On each balance sheet date, however, these assets are tested for impairment and the asset will be written down to its recoverable amount, if the recoverable amount has dropped below the carrying amount. Intangible assets with a definite useful life are amortised on a straight-line basis. Depending on the area of use of the intangible asset item, the annual amortisation rate is 20% to 40%.

Development costs are expenses incurred on the implementation of the research results for the development, design or testing of new products, services, processes or systems. Development costs are capitalised, if there is a plan for the execution of the project, and the cost amount as well as future economic benefits from the intangible assets can be reliably measured.

Finance lease and operating lease

Lease transactions, where all material risks and rewards from ownership of an asset are transferred to the lessee, are recorded as finance lease. All other lease transactions are recorded as operating lease.

Company as the lessee

Assets acquired under finance lease are recognised in the balance sheet as assets and liabilities at their fair value or the net present value of the minimum lease payments, whichever is smaller. Lease payments are divided into financial expenses (interest expenses) and reduction of the net book value of the liability. Financial expenses are divided over the lease period so that the interest rate of the net book value of the liability would be the same at any given moment. Assets leased under finance lease terms are depreciated similarly to the acquired fixed assets, whereas the depreciation period is the estimated useful life of the asset item, or the lease period, whichever is shorter. Initial direct expenses incurred by the lessee upon conclusion of the finance lease contract are charged to the cost of the leased assets. Operating lease payments are recorded in the income statement during the rental period as expenses based on the straight-line method.

Financial liabilities

All financial liabilities (accounts payable, accrued expenses, and other short-term and long-term borrowings) are initially accounted for at their cost, which includes all expenses directly related to the acquisition. Subsequently, financial liabilities are recorded on the basis of the amortised cost method.

Generally, the amortised cost of short-term financial liabilities equals to their nominal value due to which short-term financial liabilities are recorded in the balance sheet at the payable amount. The adjusted cost of long-term liabilities is calculated on the basis of the effective interest rate method.

Financial liabilities are recorded as short-term liabilities, if the liability is due within less than 12 months after the balance sheet date, or if the company has no unconditional right to delay payment for more than 12 months after the balance sheet date. Borrowings which are due for repayment within 12 months after the balance sheet date, but which are refinanced into long-term borrowings after the balance sheet date but before the approval of the Annual Report, are recorded as short-term borrowings. Furthermore, borrowings the immediate repayment of which can be demanded by the creditor due to the violation of a provision of the loan agreement are also recorded under short-term borrowings.

Provisions and contingent liabilities

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Contingent liabilities that have occurred as a result of activities that took place before balance sheet date and of which the date and amount of realisation are not defined are recorded under provisions. Provisions are recorded based on the best estimation of the amount and time by the management board. Provisions are recorded on the balance sheet in the amount that is deemed to be necessary as of the balance sheet date to cover or hand over the liabilities to a third party.

Mandatory reserve

The company has set up a mandatory reserve in accordance with the Commercial Code of the Republic of Estonia. The mandatory reserve is set up of the annual allocations of net profit. Pursuant to the Commercial Code at least 1/20 of the net profit must be transferred to the legal reserve until the mandatory reserve amounts to 1/10 of the share capital.

Based on the Estonian Central Register of Securities Act Estonian CSD as registrar must hold reserve capital that is at least 1/5 of the share capital but not less than 6 months` activity costs of the registrar. Calculation principles for the operating expenses are set by Regulation of the Ministry of Finance (Regulation No 98 "Principles for calculating the operating expenses of the Registrar of the Central Register of Securities" dated from 23rd of November 2001). Reserve capital can be used for covering the loss or for increasing the share capital of the company. The mandatory reserve cannot be paid out as dividends.

Revenues

Revenue from sales of services is recorded upon rendering of the service, or based on the stage-of-completion method, if the service is rendered during a longer period of time.

Revenue from registry services

- Registration fees. Revenue is recorded upon the registration operation.
- Maintenance fees. Revenue from maintenance fees is recorded on a straight-line basis, over the maintenance period set forth in the public price list of the ECSD.
- Securities account administration fees. Revenue from administration fees is recorded on a straight-line basis over the administration period set forth in the public price list of ECSD.
- Transfer fees. Revenue is recorded upon transfer or on a straight-line basis in accordance with the public price list of ECSD.
- Transaction fees. Revenue is recorded after the conclusion of the securities transaction.
- Information forwarding fees. Revenue is recorded after the processing of inquiries.
- Funded pension information system user fees. Revenue is recorded on a straight-line basis over the period of use set forth in the public price list of ECSD.

Interest income and dividend income is recorded when collection of the revenue is probable and the amount of the revenue can be reliably measured. Interest income is recognised based on the effective interest rate method, except if the receipt of the interest is doubtful. In this case, interest income is recorded on cash basis. Dividend income is recognised when the owner is granted a legal right to receive dividends.

Corporate income tax

Pursuant to the Income Tax Act of the Republic of Estonia, companies are not subjected to income tax on the profit for the financial year in Estonia. Income tax is imposed on dividends, fringe benefits, gifts, costs of entertaining guests, non-operating expenses and transfer price adjustments. The established tax rate is 20/80 on the net dividend paid. Under certain conditions, the dividends received may be redistributed without incurring further income tax expense. Corporate income tax is recorded under liabilities on the payment of dividends and under income tax expense in the income statement at the moment of announcing the dividends, irrespective of the period for which the dividends were announced or when the dividends are actually paid. The income tax payment obligation arises on the 10th day of the month following the dividend payment.

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Due to the peculiarity of the taxation system, there are no differences between the taxation and carrying values of the assets for companies registered in Estonia and due to that there are no deferred income tax payables or liabilities. The contingent income tax liability related to the payment of dividends from retained profit is not recorded in the balance sheet. The maximum income tax liability related to the distribution of retained earnings as dividends has been disclosed in the notes to the financial statements.

Related Parties

For the purposes of the financial statements of Eesti Väärtpaberikeskus AS the following are considered related parties:

- parent company Nasdaq Tallinn AS
- other companies belonging to the Nasdaq consolidation group ;
- owners and shareholders of the parent company;
- management board and senior management;
- family members of the persons listed above, and the companies under their control or significant influence.

Events after the balance sheet date

Material circumstances that have an effect on the valuation of assets and liabilities and became evident between the balance sheet date and the date of preparing the financial statements, but are related to transactions that took place in the reporting period or earlier periods, are recorded in the financial statements.

Subsequent events that have not been taken into consideration when assessing the assets and liabilities but have a material effect on the result of the next financial year, are recorded in the financial statements.

EY 28.04.2016 LS
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Note 2 Cash

(in euros)

	31.12.2015	31.12.2014
Settlement accounts	835,818	1,106,715
Total cash	**835,818**	**1,106,715**

Note 3 Receivables and prepayments

(in euros)

	31.12.2015	Within 12 months	Within 1-5 years	Note
Accounts receivable	228,783	228,783	0	
Receivables from customers	277,918	277,918	0	
Allowance for doubtful receivables	-49,135	-49,135	0	
Tax prepayments and receivables	26,529	26,529	0	4
Others receivables	180,393	393	180,000	
Loan	180,000	0	180,000	15
Accruals	393	393	0	
Prepayments	48,859	48,859	0	
Prepaid expenses	48,859	48,859	0	
Total receivables and prepayments	**484,564**	**304,564**	**180,000**	

	31.12.2014	Within 12 months	Within 1-5 years	Note
Accounts receivable	181,095	181,095	0	
Receivables from customers	240,596	240,596	0	
Allowance for doubtful receivables	-59,501	-59,501	0	
Tax prepayments and receivables	2,441	2,441	0	4
Prepayments	40,676	40,676	0	
Prepaid expenses	40,676	40,676	0	
Total receivables and prepayments	**224,212**	**224,212**	**0**	

Loan receivable related party in the amount of EUR 180,000 has been granted a payment deadline 31.12.2017 and interest one month EURIBOR + 0.75%.

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Note 4 Tax prepayments and liabilities

(in euros)

	31.12.2015		31.12.2014	
	Tax prepayments	**Tax liabilities**	**Tax prepayments**	**Tax liabilities**
Value added tax	26,529	0	2,441	0
Personal income tax	0	14,755	0	15,225
Fringe benefit income tax	0	926	0	888
Social tax	0	28,807	0	28,726
Contributions to mandatory funded pension	0	1,581	0	1,563
Unemployment insurance tax	0	1,860	0	2,097
Total tax prepayments and liabilities	**26,529**	**47,929**	**2,441**	**48,499**

Tax prepayments are described on balance sheet as "Receivables and prepayments" (Note 3) and tax payables on balance sheet as "Payables and prepayments" (Note 9).

Note 5 Non-current financial investments

(in euros)

	Other	Total
31.12.2013	1,249	1,249
31.12.2014	**1,249**	**1,249**

	Other	Total
31.12.2014	1,249	1,249
31.12.2015	**1,249**	**1,249**

* The share of the Association of National Numbering Agencies (hereinafter ANNA) has been acquired by the group company AS Eesti Väärtpaberikeskus with the goal of obtaining the rights of the national securities numbering agency. Only an ANNA member may serve as the national securities numbering agency. Pursuant to the Statutes of ANNA, membership requires that the member holds one share in ANNA.

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28.04.2016
LS

Note 6 Property, plant and equipment

(in euros)

	Computers and computer systems	Other tangible fixed assets	**Total**
Balance as of 31.12.2013			
Cost	281,578	192,757	474,335
Accumulated depreciation	-272,713	-177,546	-450,259
Residual cost	**8,865**	**15,211**	**24,076**
Acquisitions and additions	20,252	30,924	51,176
Depreciation	-9,999	-11,512	-21,511
Other changes	-160	0	-160
Balance as of 31.12.2014			
Cost	88,343	215,205	303,548
Accumulated depreciation	-69,385	-180,582	-249,967
Residual cost	**18,958**	**34,623**	**53,581**
Acquisitions and additions	14,896	705	15,601
Depreciation	-13,087	-11,614	-24,701
Balance as of 31.12.2015			
Cost	210,211	106,392	316,603
Accumulated depreciation	-189,444	-82,678	-272,122
Residual cost	**20,767**	**23,714**	**44,481**

Note 7 Intangible assets

(in euros)

	Software	Unfinished projects and prepayments	Total
Balance as of 31.12.2013			
Cost	2,414,527	118,670	2,533,197
Accumulated depreciation	-1,777,854	0	-1,777,854
Residual cost	**636,673**	**118,670**	**755,343**
Acquisitions and additions	23,487	225,717	249,204
Depreciation	-325,251	0	-325,251
Re-classification	62,682	-62,682	0
Balance as of 31.12.2014			
Cost	2,500,696	281,705	2,782,401
Accumulated depreciation	-2,103,105	0	-2,103,105
Residual cost	**397,591**	**281,705**	**679,296**
Acquisitions and additions	34,178	300,556	334,734
Depreciation	-292,024	0	-292,024
Balance as of 31.12.2015			
Cost	1,638,648	582,261	2,220,909
Accumulated depreciation	-1,498,903	0	-1,498,903
Residual cost	**139,745**	**582,261**	**722,006**

Unfinished projects and prepayments include development costs of payment- and registry systems.

Note 8 Operating lease

(in euros)

Accounting entity as lessee

	2015	2014
Operating lease expenses	122,367	117,235

2015 operating lease consists of the premises rental in the amount of 122,367 euros (2014: premises rental 117,235 euros).

The premises lease contract (concluded on 17.11.2003) is cancellable with an advance notice of 6 months. Under a justified proposal, the lessor shall have the right to adjust the rent in accordance with the market prices.

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Note 9 Payables and prepayments

(in euros)

	31.12.2015	Within 12 months	Note
Trade payables	89,722	89,722	
Employee payables	124,354	124,354	
Tax payables	47,929	47,929	4
Other payables	1,008	1,008	
Other accrued expenses	1,008	1,008	
Prepayments received	3,069	3,069	
Deferred income	3,069	3,069	
Total payables and prepayments	**266,082**	**266,082**	

	31.12.2014	Within 12 months	Note
Trade payables	61,916	61,916	
Employee payables	132,475	132,475	
Tax payables	48,499	48,499	4
Other payables	1,005	1,005	
Other accrued expenses	1,005	1,005	
Prepayments received	3,068	3,068	
Deferred income	3,068	3,068	
Total payables and prepayments	**246,963**	**246,963**	

Note 10 Contingent liabilities

(in euros)

	31.12.2015	31.12.2014
Contingent liabilities		
Potential dividends	465,538	462,382
Income tax from the potential dividends	116,385	115,595
Total	**581,923**	**577,977**

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Note 11 Share capital

(in euros)

	31.12.2015	31.12.2014
Share capital	735,000	735,000
Number of shares (pcs)	735,000	735,000
Nominal value of shares	1	1

As at 31.12.2015 Estonian CSD share capital consists of 735,000 ordinary shares with a nominal value of one euro (as of 31.12.14: 735,000 ordinary shares with a nominal value of one euro).

According to the statute the maximum share capital is 2,920,000 euros. From 01.07.2007 the application EVK legally as long as the higher capital requirement (730,000 euros).

In 2015 the amount of announced and paid dividends was 300,000 euros (in 2014 it was 250,000 euros). The respective income tax expense amounted to 75,000 euros (in 2014 it was 66,456 euros).

Note 12 Net sales

(in euros)

	2015	2014
Net sales by geographical location		
Net sales in European Union		
Estonia	2,535,291	2,445,228
Other European Union net sales	45,366	49,467
Total net sales in European Union	**2,580,657**	**2,494,695**
Net sales outside European Union		
Other countries outside European Union	121	10
Total net sales outside European Union	**121**	**10**
Total net sales	**2,580,778**	**2,494,705**

	2014	2014
Net sales by operating activities		
Issuer fees	1,143,774	1,150,290
Members fees	738,844	642,099
Pension registry services	637,991	601,353
Other revenues	60,169	100,963
Total net sales	**2,580,778**	**2,494,705**

EY
28.04.2016
LS
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Note 13 Other operating expenses

(in euros)

	2014	2014
Office rent & maintenance	154,319	150,260
Other office expenses	23,044	22,118
Travel expense	53,352	36,446
Allowance for doubtful receivables	23,118	24,019
Marketing expenses	10,939	11,276
Personnel and training expenses	84,057	73,900
Posting services	11,045	11,926
Other services purchased	209,170	126,762
IT expenses	296,145	261,297
Insurance	15,714	9,648
Group management expenses	89,019	99,631
Other expenses	123,478	63,383
Total other operating expense	**1,093,400**	**890,666**

Note 14 Labour expense

(in euros)

	2015	2014
Wage and salary expense	576,070	592,021
Social security taxes	170,409	178,353
Total labour expense	**746,479**	**770,374**
Average number of employees in full time equivalent	21	22

Note 15 Related parties

(in euros)

Parent company	Nasdaq Tallinn AS
Country where parent company is registered	Estonia
Group`s name	The Nasdaq Group Inc
Country where group is registered	USA

Related party balances according to groups

	31.12.2015	**31.12.2014**
	Receivables	**Receivables**
Other entities belonging into same consolidation group	180,000	0

2015	**Purchases**	**Sales**
Parent company	11,670	12,814
Other entities belonging into same consolidation group	459,656	155,771
2014	**Purchases**	**Sales**
Parent company	12,483	14,224
Other entities belonging into same consolidation group	306,242	90,474

Remuneration and other significant benefits calculated for members of management and highest supervisory body		
	2015	**2014**
Remuneration	71,492	141,947
Other benefits	2,780	3,838

According to the management of the company, the prices used for transactions with related parties do not significantly differ from the market prices.

Contingent liabilities to members of the Management as of 31.12.2015 are 3,600 euros. In addition to other benefits, the employees of the NASDAQ OMX Group can participate in the cross-group shares programme, on the basis of which shares (including share options) of NASDAQ OMX can be obtained in the event the company or an employee achieves the set goals.

No payments were made to the members of the Supervisory Council.

Note 16 Off-balance sheet items

(in euros)

Estonian CSD provides services delivering the pension, investment fund and share based payment money. The deposits are held in Swedbank, SEB, Nordea Bank and Danske Bank on behalf of Estonian CSD and the company registers this as an off-balance sheet item.

	31.12.2015	31.12.2014
2nd pillar pension*	212,815	3,621,039
Other funds**	123,490	96,559
Interest and dividend payments**	11,588,287	83,698
Total	**11,924,592**	**3,801,296**

* Mandatory funded pension payments for which no shares have been issued yet.
** Other investment fund subscription fees, for which no shares have been issued yet, or for which shares have been issued but no money has been transferred to the fund.
*** Payments for securities (interest, redemption, compensation and dividend payment) subject to disbursement to investors.

All amounts are to be transferred within a month. Returned payments are processed on a daily basis.

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Translation of the Estonian Original

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AS Eesti Väärtpaberikeskus

We have audited the accompanying financial statements of AS Eesti Väärtpaberikeskus, which comprise the balance sheet as at 31 December 2015, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (Estonia). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of AS Eesti Väärtpaberikeskus as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with the Estonian generally accepted accounting principles.

Tallinn, 28 April 2016

Ivar Kiigemägi
Authorised Auditor's number 527
Ernst & Young Baltic AS
Audit Company's Registration number 58

Herki Didvig
Authorised Auditor's number 573

Signatures of the Management Board to the Annual Report 2015

Hereby we approve the Annual Report 2015 of AS Eesti Väärtpaberikeskus.

Kristi Sisa
Member of the Management Board

28 of April 2016