

Riigi Kinnisvara

Annual report 2020

We develop and sustain Estonia



Riigi Kinnisvara would like to thank everyone who contributed their time and effort to the annual report 2020.

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Kasutatud lühendid:

- * MoIA – Ministry of Internal Affairs
- * MoER – Ministry of Education and Research
- * MoRA – Ministry of Rural Affairs
- * MoE – Ministry of the Environment
- * MoSA – Ministry of Social Affairs
- * MoJ – Ministry of Justice
- * MoFA – Ministry of Foreign Affairs
- * MoC – Ministry of Culture
- * MoF – Ministry of Finance
- * MoEAC – Ministry of Economic Affairs and Communications
- * Col and SC – constitutional institutions and the State Chancellery
- * MoD – Ministry of Defence
- * LG – local government

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Management report

Offices of Consumer Protection and Technical Regulatory Authority in Tallinn



Address of the Chairman of the Supervisory Board

Dear reader

This year, Riigi Kinnisvara celebrates its 20th anniversary of successful operation in the development, management and maintenance of real estate necessary for fulfilling state functions and providing public services. Through various activities, we have been constantly involved in meeting strategic and budgetary objectives of national importance and ensuring long-term competitiveness of the Estonian state. During our entire operating history, our mission has involved more than just being a successful real estate company. The contribution of Riigi Kinnisvara in creating and developing a modern high-quality work environment for the employees of state agencies has undoubtedly been fruitful. Achievements and active involvement have shaped Riigi Kinnisvara to become main real estate service provider for public authorities, as well as preferred real estate partner and centre of excellence for state agencies. Behind our success story is a dedicated and competent team that is constantly improving in understanding and meeting customers' needs.

During our 20 years of operation, Riigi Kinnisvara has been shaped by various challenges. We have proficiently met those challenges, which increases our sense of security for the future. The year 2020 will go down in history along with the risks and opportunities arising from COVID-19 pandemic. Based on our experience, a pandemic affects economic sectors differently and often in opposite directions. The staff, customers and cooperation partners of Riigi Kinnisvara demonstrated appropriate readiness and adaptabil-

ity in coping with a pandemic, and thus, the preceding financial year can be described as full of challenges and successful.

When modernising the real estate environment entrusted to us, we continue to focus primarily on more efficient clarification and satisfaction of the needs of our customers. Existing real estate has been established in view of long-term perspective – for achieving strategic and budgetary objectives of national importance. Besides immediate and short-term changes in the operating environment, there are certainly other direct and indirect long-term effects of the pandemic. Increasing importance of remote work has put greater emphasis on topics related to the needs, opportunities and risks associated with remote work infrastructure, support services, staffing and (info)technological solutions. In this regard, the significant evaluation parameters will from now on involve the extent and pace of change in the mode of operation and work habits.

In this iconic year, I would like to thank everyone who has helped to shape the current image of Riigi Kinnisvara and continue contributing to its development!



Sulev Luiga

Chairman of the Supervisory Board of Riigi Kinnisvara AS

A handwritten signature in blue ink, appearing to read 'Sulev Luiga'.



Nõmme rescue depot in Tallinn

Address of the Chairman of the Management Board

Dear reader

The task of Riigi Kinnisvara is to support the development of the state to ensure modern, high-quality, and inspiring work environment for people working for the benefit of the state. Our team and cooperation partners take care of the functions related to real estate environment to support Estonian officials, rescue workers, police, judges, teachers and many others so they can focus on their main duties. This is our contribution to the preservation and development of the country.

The year 2020 put to the test entire Estonian society, as well as the capabilities of Riigi Kinnisvara and its employees. Looking back at the previous year, I can say that we met the challenges arising from the COVID-19 crisis. This involves quick response to the need to arrange disinfection of premises, isolation-induced pressure on the project schedule of cooperation partners' team members, re-organisation of services due to imposed restrictions or focused attention to the functioning of indoor climate and ventilation systems. Good results were reached through understanding, respectful and solution-oriented cooperation with all parties involved.

The size of our administrative and maintenance portfolio remained stable in 2020. Our portfolio of serviced buildings with total area of 1.6 million square metres makes us the largest real estate company in Estonia. While monetary investments in the real estate portfolio increased by over 50% compared to previous period and the volume of repair works had surged in the previous

year but one, greater challenge consisted in coping with growing number of different projects. There was also a clear increase in the volume of service projects outside our real estate portfolio, indicating greater trust in our services. Noteworthy examples include cooperation with the National Library during renovation of library building and joint project management with SA Viljandi Haigla in designing health complex Tervikum.

In recognition of us as the centre of excellence regarding state real estate, in spring 2020, the Government of the Republic appointed Riigi Kinnisvara as voluntary central purchasing body in public procurements concerning property development and maintenance. This allows using the real estate competence of the company in the interests of the state on a wider scale, supporting not only ministries and state agencies, but also state-owned foundations and companies, as well as local governments, in realising the investments and managing the real estate environment.

As a leader, I am incredibly pleased that we have managed to gradually improve the satisfaction of our customers, suppliers, and service providers. Difficult year has further increased already high dedication of employees and satisfaction with work and company. However, good results do not mean that we can rest on laurels; we can see the opportunities to improve both customer and employee experience, strengthen relationships and cooperation with our suppliers and service providers. To better exploit the potential of our team, we launched a corporate development programme to improve our implementation capacity.

We do our best to continue being a reliable and professional partner for our customers and cooperation partners in our 20th year of operation. The best solutions are found in cooperation. Thank you, everyone!



Kati Kusmin

Chairman of the Management Board of Riigi Kinnisvara AS

A handwritten signature in blue ink, appearing to read 'K. Kusmin'.



Supreme Court building in Tartu



Nõmme rescue depot in Tallinn

About the company

Riigi Kinnisvara (RKAS) aims at prudent development and management of state real estate by increasing its value. As a company engaged in real estate development and management, our mission is to support the development of the state by ensuring a high-quality environment for people who work for the wellbeing of our citizens.

RKAS employs 222 professionals who are proud of their job and company, colleagues, and joint achievements. The shares of the company are 100% in the ownership of the Republic of Estonia and governed by the Ministry of Finance. 2021 is a festive year for us, as we celebrate our 20th anniversary.

RKAS operates as national centre of excellence in the field of real estate – our customers include state agencies and public service providers. The Government of the Republic appointed Riigi Kinnisvara as voluntary central purchasing body in public procurements regarding property development and maintenance, which means simplified procedure for making our experience and competence accessible to other public sector suppliers, such as local governments, private companies with state participation, foundations and legal persons in public law. We have representative offices in Tallinn, Tartu, Pärnu and Jõhvi.

RKAS is one of major public procurers in Estonia. In 2020, we carried out 965 procurement proceedings with total value of 156 million euros. As of 31 December 2020, RKAS owned and managed 1,393 buildings with closed net area of 1.6 million m² (820 registered immovables). In 2020, the company's annual investment in real estate portfolio amounted to approximately 49 million euros.

Key indicators

Finances

Sales revenue (million €)	130
Operating profit (million €)	46
Net profit (million €)	35
Volume of assets (million €)	637
Return on the portfolio of assets (%)	9

Real estate portfolio

Number of immovable properties (number)	820
incl. owned	635
Total area of registered immovables (m ²)	5 727 018
Built-up closed net area in portfolio (m ²)	1 634 042
incl. owned	1 021 388

Employees

Number of employees at the end of the year (persons)	222
Staff turnover (%)	12

Procurements

Total number of public procurements (number)	965
Total value of public procurements (million €)	156

Sales

Number of objects sold (number)	73
Revenue from objects sold (million €)	8

Real estate development

Investments (million €)	67
incl. own portfolio of assets	49
Number of completed investment properties (number)	15
incl. own portfolio of assets	12

Organisation of repair works

Volume of works (million €)	23
incl. own portfolio of assets	14
Number of objects (number)	386
incl. own portfolio of assets	317

Energy portfolio

Total electricity consumption (MWh)	175 164
incl. own portfolio of assets (MWh)	113 088
Total natural gas consumption (MWh)	23 589
incl. own portfolio of assets (MWh)	15 639

Recognition

The 5th place in TOP 101 most valuable companies in Estonia

RKAS ranked 5th in the chart of top valuable companies, compiled by Prudentia and Nasdaq Tallinn.

The most popular employer in the field 2020 – the 1st place

Riigi Kinnisvara was awarded the title of the most popular employer in the real estate sector based on the survey by cvkeskus.ee.

Sample is based on the number of applications.

The 10th place in the list of attractive employers among students of technology

RKAS ranked in the 10th place in the chart of Instar EBC employer reputation survey for technology students..

The 6th place in TOP 100 most successful companies in Estonia

Riigi Kinnisvara ranked 6th in the chart of top successful companies in Estonia published by Äripäev.

Presentation of societal consciousness, sustainable strategies and responsible leadership in annual reports of 100 most influential companies in Estonia – among TOP 18

Sustinere, the spokesperson for responsible entrepreneurship, ranked Riigi Kinnisvara among top 18 companies based on the survey of the transparency, environmental and societal impact and responsible leadership in annual reports of the most influential companies.



Artwork for Supreme Court, "Justitia"
by Vergo Vernik



Significant events

January



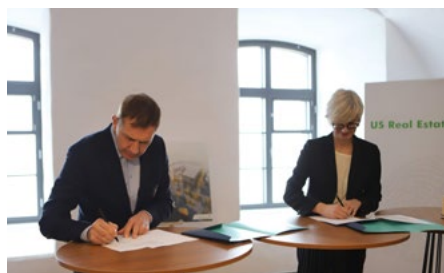
Opening of the student home of Rakvere Vocational School.

Salto architectural bureau won the architectural competition for Rakvere state gymnasium.

Installation “Bilberry” by Urmas Viik won the artwork competition for Sillamäe common building.

Ground-breaking of Lilleküla rescue depot.

February



Signing of contract for the sale of Patarei Sea Fortress.

Opening of the steel frame halls of the Agricultural Research Centre in Rapla county..

Customer seminar “Methodology of building security classes”.

Signing the contract for the construction of Tallinn Music and Ballet School with Merko Ehitus.

Mosaic mural “Fish in the Water” by Jass Kaselaan won the artwork competition for Võrumaa Vocational Education Centre.

March



Architect Must won the architectural competition for Tallinn state gymnasium at Kolde pst.

RKAS was appointed as voluntary central purchasing body in public procurements for property development and maintenance.

Opening of Lihula rescue depot

April



5th place in TOP 101 most valuable companies in Estonia.

Completion of Nõmme rescue depot.

May



Astlanda Ehitus won the construction procurement for Tabasalu education complex.

President Kersti Kaljulaid visited remote workplaces of Haapsalu state house.

Ground-breaking of the living and training facilities of service dogs at Narva cordon.

June



Opening of new laboratory facility of the Crop Research Institute in Jõgeva county.

Completion of sculpture "Justitia" by Vergo Vernik for the Supreme court building.

Ceramic mural "The View" by Liisu Arro and Elmet Treier won the artwork competition for the office building at Tartu mnt in Tallinn.

July



Opening of the outdoor area of the Koidula Museum in Pärnu.

Signing the contract for construction of Saaremaa Gymnasium with Nordecon.

Ground-breaking of the police building in Valga.

Mural "House" by Rait Prääts won the artwork competition for office and service building at Pepleri 35 in Tartu.

August



Opening of the children's house in Jõhvi, attended by President Kersti Kaljulaid and Minister of Social Affairs Tanel Kiik.

Opening of Nõmme rescue depot.

Re-opening of the Supreme Court building in Tartu.

September



Painting series “The Light” by Mall Nukke won the artwork competition for the police building in Valga.

Re-opening of the Koidula Museum in Pärnu.

Planting oaks in front of the common internal security building at Tammsaare pst in Pärnu.

Technology students voted Riigi Kinnisvara as one of top ten most attractive employers.

Participation in Garage48 digital construction hackathon.

October



KOKO architectural bureau won the architectural competition for Rae state gymnasium and sports facility in Harju county.

Arhitekt11 / Lunden Architecture won the architectural competition for Tõnismäe state gymnasium in Tallinn.

Signing the cooperation agreement with Viljandi Hospital for construction of Viljandi county hospital and health centre Tervikum.

Painting “Rex” by Laurensius won the artwork competition for housing unit in Tallinn.



Ground-breaking of the garage-workshop at the Agricultural Museum in Ülenurme.

Re-opening of the permanent exhibition at the Sports and Olympics Museum in Tartu.

Ground-breaking of Saaremaa state gymnasium.

Signing the contract for construction of the education and sports building of Laagri state gymnasium in Harju county with Eventus Ehitus.

November



Kolm Pluss Üks architectural bureau won the architectural competition for Narva education complex (incl. state gymnasium).

Ground-breaking of Tabasalu education complex in Harju county.

Organisation of real estate and innovation web conference “Mõttemuutjad 2020” (“Mindset Changers 2020”).

December



Photo collage “Flora Noir” by Margus Tammik and Eva Unt won the artwork competition for Saaremaa state gymnasium.

Allocating scholarship “Future Leaders” for autumn semester for real estate and construction specialties.

Painting series “Bog-rosemary” by Liisi Örd won the artwork competition for the building of Järvamaa Vocational Education Centre.



Nõmme rescue depot in Tallinn



Strategy of Riigi Kinnisvara

Mission, vision and values of Riigi Kinnisvara

Our mission

We support the development of the state by ensuring high-quality work environment for people working for the wellbeing of the citizens.

Our vision

The strongest real estate company in Estonia with top professionals in the field and all employees proud of their work and company, their colleagues and joint achievements, and customers who serve as the best advocates and ambassadors of the company.

Our key values

We are aware that most of our activities and decisions are under constant public scrutiny. Our common organisational culture and values are key factors for successful implementation of the strategy. Key values support the achievement of our goals, unite the team and fuel our success in the field.

We are:

DEDICATED

TRUE TO OUR WORDS

RESPECTFUL

Strategy of the state's real estate activity

The strategy of the state's real estate activity (Ministry of Finance, 2007) sets out four main objectives:

1. To ensure the development of the real estate required by the state to the level determined by contemporary requirements in the best possible manner in social, ecological, spatial design and economic terms, considering that requirements change over time, and developing the financial models required for executing these tasks.
2. To ensure the administration and maintenance of the real estate required for performing public functions in compliance with modern standards and in the most economically effective manner.
3. To ensure that disused real estate is transferred to economic circulation in the most effective way for the state, taking into account the long-term perspective of the development of the state real estate.
4. To ensure integrated and coordinated management of the development, administration and maintenance of real estate required to

perform public functions and create essential organisational foundations, regulations, information systems and a motivation mechanism necessary for that purpose.

In 2020, the state as the sole shareholder, set the following owner's expectations and strategic goals for RKAS:

1. To serve as a centre of excellence and to be preferred service provider for central government agencies in terms of real estate environment and services.
2. To be a strategic partner to the Ministry of Finance in developing the state's real estate strategy, management system of state's built-up real estate environment, and in providing input in state budgeting process.
3. To be the leader of innovation in public sector real estate, to create and share best practices.
4. To be a competent partner to suppliers and facilitate competition to achieve optimum price and quality ratio.
5. To contribute to improving the target levels of key indicators of the state agencies' management plan, incl. reduce customer's expenses by introducing cost-saving solutions for real estate environment and increasing the efficiency of RKAS activities.

The sole shareholder also defined the owner's expectation regarding the financial goals:

6. To plan economic activities based on target effect of budgetary position set for RKAS by the resolution of the sole shareholder in the course of compiling state budget strategy and state budget, target net debt burden and target volume of investment properties.
7. To ensure company's return on equity (ROE) that is comparable to ROE of other companies operating in similar areas of activity. Action plan should

be based on the cost of equity 4.3% and annual ROE must not fall below the average cost of equity of five preceding years.

8. In general, the owner does not expect dividends from RKAS during active investment period. As the investments stabilize, the owner aims at earning steady owner's revenue and expected dividends 50–100% of net profit, considering company's capital structure and investment need.
9. To plan economic activities based on optimum risk level and capital structure. To set the goal of achieving optimum equity share at the level of 55–60% of total volume of assets over the medium term.

The strategy of the state's real estate activities foresees a transition from decentralised management of real estate to an integrated management system that allows for more effective development and upkeep of the real estate environment. The purpose of integrated real estate management is to achieve and maintain the scale effect of expenses, to make economically better justified decisions in conditions where resources are limited, and to ensure balanced rights and responsibility. According to the strategy, majority of state's real estate will be transferred to RKAS who, as the centre of excellence, can develop and manage it more transparently and efficiently and organise the sale of disused property.

Strategic focus of Riigi Kinnisvara in 2021-2023

The strategy of RKAS mainly focuses on customer-oriented approach and services that allow continuing the management of state's real estate as a centre of excellence and find opportunities for optimisation, long-term expenditure planning, and maintaining and increasing the value of property.

The strategy is compiled in consideration of:

- Sustainability – solutions used for real estate environment must ensure

sustainability..

- Flexible work environments – rapidly changing form of work requires a flexible real estate environment and quick adaptability.
- Digitalisation – continuous digitalisation of operations and services reduces the need for physical environments.e.
- Smart use of space – efficient use of built-up space helps to ensure cost-efficiency during the entire lifespan of the building.
- Centralised real estate management – smart investments and decisions, which allow integrated management of the real estate portfolio.
- Real estate competence – constantly increasing need for functional solutions and innovation in real estate sector.

In view of owner's expectations, operating environment, and company's vision, RKAS set the following strategic priorities for 2021–2023:

1. Centre of excellence of the state's real estate activities

RKAS aims at providing solutions based on best practices and a leader in real estate sector. We have broad-based experience and knowledge and extensive cooperation networks in Estonia and abroad. We know the needs of the state and create solutions across various agencies.

By 2023:

- The share of RKAS' real estate portfolio in built-up state's real estate at the disposal of central government will increase by 50%.
- We represent the centre of excellence in the field of real estate for entire public sector and also support local governments with real estate development.
- In cooperation with universities, we will create a methodology for scheduling and organising repair works to ensure preservation of buildings and

cost-efficient and sustainable environment.

- We will be leaders in terms of developing energy-efficient and environmentally friendly buildings, managing the investments and expenditure during entire building lifespan, BIM and procurement of building automation systems, remote management and energy services.
- We will stand for high-quality spatial development by organising public architectural competitions and artwork competitions. We set an example in terms of ensuring accessibility of the buildings.

As a **centre of excellence**, we are a leader in meeting the real estate related challenges.

We organise **efficient real estate maintenance service** in public sector buildings

We improve the **work and service environment** of state agencies through optimisation of the use of space and property costs during the lifespan of a building.

2. Effective property maintenance

RKAS aims at providing the users of a building with modern environment that supports their main activities. We implement solutions that involve building automation, remote management, and modern security systems to ensure cost-efficient and high-quality work environment during entire building lifespan. In cooperation with our partners, we perform efficient and well-considered upkeep and repair works to maintain good condition of the buildings.

By 2023:

- We keep the increase in upkeep costs per area unit below market average.
- We ensure that at least 94% of entire rental property is rented out.



Supreme Court building in Tartu

- We perform repair work to ensure good condition of at least 60% of the building portfolio.
- In new buildings, we utilise artificial intelligence based remote management and automation systems in order to optimize upkeep costs of the building and quickly detect any faults or anomalies.
- We introduce BIM solutions for upkeep activities of new buildings.

3. Future-oriented development of work and service environment

RKAS aims at developing future-oriented and sustainable real estate environment. We invest in buildings that are intended to be used for a long time. In view of rapidly changing environment, optimal investments and flexible use of buildings are of critical importance.

By 2023:

- We implement various action-oriented work environments in county centres, thus ensuring more sustainable use of space and flexible work environment and supporting recruitment of civil servants based on their place of residence and regional development.
- We facilitate establishment of common spaces and areas and support construction of buildings for institutions with similar function or area of activity to reduce expenditure on real estate and promoting cooperation.
- We continue to centralise and optimise building portfolio on national level by investing in buildings with long lifespan.
- We annually increase the area of buildings that comply with minimum requirements for energy efficiency by 3%, growing their share to approximately 50% of total volume. We implement investment projects under the aid measure for improving energy efficiency of central government

buildings.

- We realise the real estate unnecessary for the state and, where necessary improve the registered immovables before selling them where necessary, thus creating additional financial resource for organising the building portfolio.

Economic environment and performance

Economic environment 2020+

Recent years had mostly positive effect on Estonian economy: economic growth was within 1.7-4.9%. A year ago, the growth was expected to decrease slightly on the background of weak forecasts by main trade partners and uncertainty of world economy. In previous year, unexpected outbreak of COVID-19 pandemic turned world economy to extensive decline. While in the middle of the year it was believed that the potential second wave of coronavirus will not cause significant restrictions, the actual situation has forced many countries to impose new strict restrictions again.

In 2020, Estonia's main export partners experienced a less noticeable decline than other European countries, meaning that our recession was somewhat lower than average. According to Statistics Estonia, last year Estonia's GDP decreased by 2.9%, which is one of the smallest declines in Europe. It is hoped that relatively mild impact of the crisis should also alleviate the recovery. Even though the second wave of the virus continues to slow down exiting from the crisis and deepens uncertainty, most forecasts predict more extensive recovery of the economy from the second half of 2021 onwards. A crucial factor for slowing down the spread of the virus and gradually remove restrictions consists in the vaccination of a critical number of people. According to Eesti Pank,

Estonian economy has generated vacant resources and, provided that the virus is finally under control, it creates good conditions for rapid economic restart.

In terms of world economy, China's economic growth, strong state of US industry and financial stimuli should be the factors contributing to restoration of the pre-pandemic situation this year. Estonia's main export destinations expect more accelerated economic recovery partially already in the second quarter which, according to the prognosis of Eesti Pank, would lead to annual increase in external demand by 6.5%.

In early 2021, overall sense of economic security has improved in nearly all sectors. However, the impact of the crisis varies by areas of activity: there has been remarkable reduction in value added in accommodation and catering sector, and growth in ICT sector.

Analysts predict ca 3% economic growth for Estonia in 2021. They also emphasise that broad-based economic recovery is most affected by countries' capability to vaccinate their population and any setbacks in that may slow down the recovery or even revert economic growth to decline. Estimated economic growth in 2022 is already 4.2–4.3%, resulting in near pre-crisis production capacity. According to the coalition agreement, the government has, among other things, focused on accelerating state investments to spur economic recovery and meet climate objectives while considering regional differences.

Although economic recession in Estonia turned out to be one of the least extensive in Europe, approximately 3% decrease in employment rate was one of the biggest. Unemployment rate reached 6.8% by the end of 2020 and the analytics expect it to stay the same or continue to progress gradually in 2021. According to the data of the third quarter of 2020, the average gross wag-



**Tarvo Kalva, regional chief,
Sillamäe regional group**

„Our team is very satisfied with our new house in Sillamäe, we are welladjusted and motivated. We have been waiting for such recreational, sports and work facilities for nearly twenty years, and it has finally become a reality. New house in the cityscape gives a clear signal of the presence of the state in Sillamäe; it is the most modern and customer-friendly structure in the city. It is pointless to compare it to the old building, which had not been renovated since the 1980s and lacked humane conditions for officials and customers alike.”

Common internal security building in Sillamäe

es increased by 3.2% compared to previous year, but less than 1% in case of construction and real estate services. Eesti Pank predicts a modest increase in wages in near future, but similar to the experience with the first wave, it is expected to increase in the middle of the year – in that case, it would match the recovery of economic activities. Analysts estimate annual wage increase ranging from 2.7 to 3.5%.

Regardless of the agreement reached in November 2019 between trade unions and employers stating that minimum wage was expected to be 40% of the estimated average wage in 2021, which would have allowed lowering minimum wages, it was decided not to go through with this change. Thus, the minimum wage is still the same as last year, i.e., 584 euros a month. In the long term, the impact of minimum wage may transfer to the prices of labour-intensive property maintenance services (e.g., upkeep).

Consumer prices dropped by 0.4% in 2020, mainly due to changes in energy and service prices. Expected price increase in 2021 is 1.1–1.7% and ca 2% in the following years.

Stricter loan requirements in the early stages of the crises were rather short lived and if loan loss does not increase, Eesti Pank expects no increase in interest rates. Additionally, the European Central Bank informed about several support measures at the end of 2020, pointing out that property purchase programme will continue at least until next year. In general, the monetary policy of central banks is expected to continue supporting the economy. Considering that incomplete utilisation of production resources obstructs companies' growth plans and thus also loan demand, this might lead to increased competition for customers with better credit worthiness. This may partially mean alleviation of loan conditions, but most likely it will lead to banks being more cautious when borrowing money to sectors that are most affected by the crisis.

Economic confidence index that reflects the estimations of undertakings was at its worst (68.6 points) in April and May. By December, it had increased by 23.9 points, reaching 92.5 points – this is below long-term average (100 points) but is still a bit higher than EU average (89.5 points). For companies, the largest problem arising from COVID-19 pandemics consists in the lack of demand, but according to their expectations, pandemics-induced problems will be much less significant after six months.

In the light of economic growth, tax revenues are expected to increase in 2021, probably prompted by pension reform. Due to increased budget expenditure, the general government will face budget deficit to almost the same amount as in 2020 (5–6%). According to Eesti Pank, in order to limit the increase of national debt, current level of expenditure requires either imposing higher taxes or maintain current taxation system and reduce expenses. Pursuant to the coalition agreement, the government aims at moving towards balanced state budget, taking into account the crisis situation, global competition and EU rules. It foresees carrying out a state budget revision, but there is no intention to plan new taxes to ensure stable tax environment. Government's attention is focused on effective and quick implementation of EU funds (budget period 2021–2027, recovery fund, etc.) to carry out structural reforms and compensate for crisis-induced damages.

Sources: Eesti Pank, Ministry of Finance, Estonian Institute of Economic Research, Statics Estonia, Swedbank



Supreme Court building in Tartu



Artwork "Pith" by Johannes Valdma and Allar Esko in Kohtla-Järve state gymnasium

Construction and real estate market

According to Statistics Estonia, the construction works performed by Estonian construction companies both here and abroad amounted to 3 billion euros in 2020, which is 6% less than in 2019. This is the first decrease after four years of growth. Buildings accounted for 2.1 billion euros and structures (roads, bridges, ports, mains, communication and power lines, sports grounds, etc.) for 936 million euros. Compared to 2019, the number of erected buildings reduced by 7% and structures by 5%. The volume of Estonian construction market reduced by 3%.

Both local and foreign construction markets were most affected by reduction in the volume of new buildings. Construction of structures that was still growing during the first half of the year, started to shrink in the third quarter. This was mainly due to decrease in the number of repair and reconstruction works. Construction volume of Estonian companies operating abroad reduced by approximately one third over the year. The share of construction works performed abroad in total volume of works was 6% (8% in previous year).

A permit of use was granted to a total of 1352 non-residential buildings with total useful area of 927,200 m², including the area of office premises 104,300 m². Compared to 2019, the area of non-residential buildings with permit of use increased by approximately one third. According to the register of construction works, permit of use was granted to nearly 7,600 new dwellings, which is approximately 8% more than in previous year. Majority of dwellings were completed in Tallinn, rural municipalities surrounding the capital city and in Tartu county. Building permit was issued for building 8,833 dwellings buildings, i.e., 10% more than in previous year.

Pursuant to the data of the Institute of Economic Research, the assessment

of the state of orders by construction companies was much better in January 2021 than in preceding months (balance -19, preceding 6 months' average -38). Due to improvement in the state of orders, the certainty indicator increased by 19 points, reaching -6, which is closer to the result in last January (-11). Certainty indicator increased to -10 for buildings, and to +5 for structures. More than half of the companies (52%) now have the number orders typical for winter season, one third of the companies have fewer orders than normally. In conclusion, no significant decrease in activities in construction and real estate market are expected.

The volume of both building permits, works in progress and permits of use was relatively high in late 2020. Despite reduced income for some households, there are still enough of households interested in purchasing a new dwelling.

Riigi Kinnisvara monitors the construction price of office buildings based on public procurements, and that price increased by 7.1% compared to the same period in previous year. Increase in the fourth quarter of 2019 was 4.7%.

According to Statistics Estonia, the construction price index (construction input price) increased in 2020, compared to average 0.4% in 2019. In the fourth quarter last year, the construction price index increased by 0.4% compared to the third quarter. Construction price index represents the change in construction cost at the level of direct site costs, which are divided in three main groups: labour force, construction machinery and materials. Calculation of construction price index involves four building groups: residential houses, apartment houses, industrial and administrative buildings. In case of repair and reconstruction price index, the focus is directed to administrative buildings. The increase in construction price index in the fourth quarter of 2020 was primarily due to the increase in material prices, as well as wages. Compared to the average of 2019, labour costs in 2020 increased by 0.1%, cost

of using machines by 1.5% and material prices by 0.5%. Repair and reconstruction price index in the fourth quarter of 2020 increased by 0.1% compared to the third quarter. Compared to the average in 2019, index increased by 0.2% in 2020.

Due to the pandemics, investments in property market hit the low in the second and third quarter of 2020, but by the end of the year, according to Colliers, the total investment volume amounted to 325 million euros, which exceeds the level of previous year by 75%.

Real estate capitalisation rate in the Baltic region has steadily shown signs of decrease during the past few years. Investors' need for real estate suitable for investments has caused decline in productivity. Since 2018, the decline in productivity levels has stabilised and reached 6–6.5% (prime yield) in terms of office and trade premises by the end of last year. Productivity of industrial real estate underwent certain decline in 2020 and reached 7.3% (prime yield).

In 2020, office premises with approximate area of 60,000 – 70,000 m² were added to the market. As of the end of last year, the office segment in Tallinn had 12 active projects with total rental capacity up to 100,000 m², and six new projects with total area of 46 200 m² were started in the last quarter of the year. However, according to the prognosis, only ca 30 000 m² of new office premises will be completed by the end of the year.

New office premises are usually built for lease purposes and the size of premises with greater liquidity is 100–250 m². It is still difficult to find quick solutions for larger premises (1,000+ m²). It is possible to book the premises during development phase, but there are only a few offers in analogous completed buildings and completion of new office premises takes time. Another frequent issue is parking. Premises with A class location are in greater demand, but they have fewer parking places.

Rent for class A office premises was in the range of 14–17 euros per m², and for B1 segment in the range of 9.5–14.5 euros per m² and there have been no major changes. Vacancy in class A office premises was predominantly in the range of 9–10%, and in case of class B1 office premises in the range of 8–9%.

The number of transactions with apartments took a steep fall last spring, but as a whole, pandemic has not had significant effect on that market. Analysts expect moderate price increase in apartment market of the capital city to continue in 2021.

Sources: Estonian Institute of Economic Research, Statistics Estonia, Colliers

Economic performance of Riigi Kinnisvara

Compared to the same period in 2019, the sales revenue of Riigi Kinnisvara in 2020 decreased by 6.1 million euros, amounting to 130.1 million euros. During 2020, the revenue from sales of unnecessary real estate totalled 8.1 million euros (17.2 million euros in 2019). Rental income in 2020 was 85.5 million euros, exceeding the result of previous period by 2.7 million euros.

Increase in sales revenue was mostly due to development projects completed either in 2020 or 2019, rental period of which comprised entire year for the first time. Another reason for the increase in revenue was the end of transition period and contractual increase in rent in case of properties after the owner had transferred the share capital. The revenue from the building at Mustamäe tee 51 in Tallinn constituted the greatest contribution to rental income in 2020.

The revenue from mediated services in 2020 was 33 million euros, which is 2.3 million euros less than in previous period. This was due to two main reasons: reduction in the amount of mediated electricity and price of electricity. Revenues from development services increased by 2.5 million euros similar to the

increase in corresponding expenditure. This was due to investments in the building belonging to the State Chancellery and project management related to the establishment of state gymnasiums.

In 2020, the cost of products sold was 90.1 million euros, which decreased by 7 million euros compared to previous period. Sales costs of inventories decreased by 7.7 million euros in 2020, because both the quantity of assets sold and their book value as well as sales profit were lower. Expenses of administrative objects decreased by 2.9 million euros, mainly because of reduced costs of consumer services (electricity, heating, water, and sewerage). Depreciation of administrative objects increased by 0.8 million euros, which was in proportion to the volume of assets of objects completed. Expenditure on development services increased by 2.4 million euros.

Other operating revenue in 2020 amounted to 10.8 million euros, which exceeds relevant indicator in 2019 by 8 million euros. Investments financed under support measure "Improving energy efficiency of central government buildings" in 2019–2024 amount to 20.3 million (I round of the support measure) + 9.9 million (II round of the measure) euros. Increase in the aid amount compared to previous year resulted in increase in other operating revenues.

Operating profit in 2020 was 45.8 million euros (36.3 million euros in 2019). Operating profit margin was 35.2%, i.e., it increased by 8.6% compared to previous year. Financial costs in 2020 were 1.1 million euros, decreasing by 31 thousand euros compared to previous period due to lower base interest rate. Net profit in 2020 totalled 34.7 million euros (35.2 million euros in 2019).

In terms of real estate development, RKAS is focused on the development of special buildings (e.g., rescue buildings, schoolhouses, etc.) and office premises. In 2020, investment amounted to 48.6 million euros (30.7 million euros in 2019). The largest investments resulted from the common internal securi-

ty building in Pärnu (17.3 million euros), capitalised repairs of administrative objects (6.8 million euros), and the common internal security building in Sillamäe (2.8 million euros).

Completed development objects handed over to the clients include Nõmme and Lilleküla rescue depots in Tallinn, common internal security building in Sillamäe, accommodation building at Tulika 37 in Tallinn, administrative building of the Rescue Board at Erika 3 in Tallinn, laboratory building of the Estonian Crop Research Institute in Jõgeva, building for service dogs in Narva cordon, renovated state houses in Rakvere and Jõhvi, premises of the Prosecutor's Office at Õhtu põik 5 in Pärnu, office premises at Endla 10a and Tartu mnt 85 in Tallinn, and design stage of the firing range of Viru Prison.

Compared to 31.12.19, share capital on 31.12.2020 amounted to 238.1 million euros, increasing by 0.6 million euros due to the addition of objects as non-monetary contributions. After payment of dividends (40 million euros), owner's equity decreased by 3.5 million euros by the end of 2020, compared to the end of previous year. As of 31.12.2020, owner's equity was 441.1 million euros. Overall, the company has maintained set goals and operated within the limits of general government.

In order to ensure operative response to the problems arising from the spread of COVID-19 and to reduce economic impact of the pandemics on the company, RKAS established emergency steering group. The steering group identified potential risks and measures to reduce such risks or minimise potential damages. It also compiled communication principles and plan for emergencies and notified all target groups (customers, cooperation partners, staff) of how the company will function in case of an emergency. As for the organisation of work, we have since March applied remote work whenever possible, meetings with colleagues and customers are held as video or phone conferences where possible.



Office building at Tartu mnt in Tallinn

Financial ratios describing the main activity of the company

	2020	2019	2018
Net profit margin (net profit / sales revenue)	26,7%	25,8%	15,8%
Operating margin (operating profit / sales revenue)	35,2%	26,6%	16,9%
Return on equity (net income / average shareholder's equity)	7,8%	8,3%	4,3%
Equity ratio (equity / asset)	69,2%	69,1%	67%
Return on assets (net income / average total assets)	5,4%	5,6%	2,8%
Return on real estate portfolio ((operating profit + depreciation) / annual average real estate portfolio) *	13,7%	11,6%	8%

* Real estate portfolio consists of long-term financial investments, investment properties and tangible assets (except for RKAS' office appliances, other office-related tangible assets, unfinished construction, and prepayments).

Performance indicators describing the main activity of the company (MEUR)

	2020	2019	2018
1. Revenue	130,1	136,2	106,5
2. Operating expenses	0,8	0,9	0,9
3. Wages and benefits of staff	8,5	7,9	8,2
4. Payments to capital providers	1,1	1,1	1,1
5. Payments to the state	10	0	0
6. Investments in the community	0,02	0,1	0,1

Economic impact of the pandemics on the activities of RKAS manifested primarily in slower pace of selling the real estate unnecessary for the state and postponed administrative costs for the first half of the year due to partial restrictions regarding scheduled utility and upkeep works. In order to ensure better indoor climate in buildings during COVID-19 pandemics, we have paid special attention to the functionality of ventilation systems. Moreover, private sector customers were not always able to pay the fees according to the lease contract. This concerns primarily catering, commercial and education and training companies, who lacked clientele due to movement restrictions and were thus forced to reduce the scope of their activities or suspend operation.

To ensure long-term functionality of tenancy relationship and to avoid a situation where private customers cancel the lease contracts, we have partially reduced the rent of private sector customers – in justified cases and upon relevant request of the customer, we have temporarily suspended the rent to the extent of administrative service and repairs and submit invoices only for rent and ancillary services. Considering that the rent from private sector customers constitutes less than 5% of all rent received by the company, the alleviation measure had no significant impact on company's cash flows this financial year.

In the first half of the year, real estate development projects encountered temporary problems with the delivery of equipment or construction materials and certain delay in agreed deadlines due to illness of the employees, but it did not have significant economic effect. The extent of falling ill among the employees of the company was modest and it had no significant effect on the economic performance of 2020.

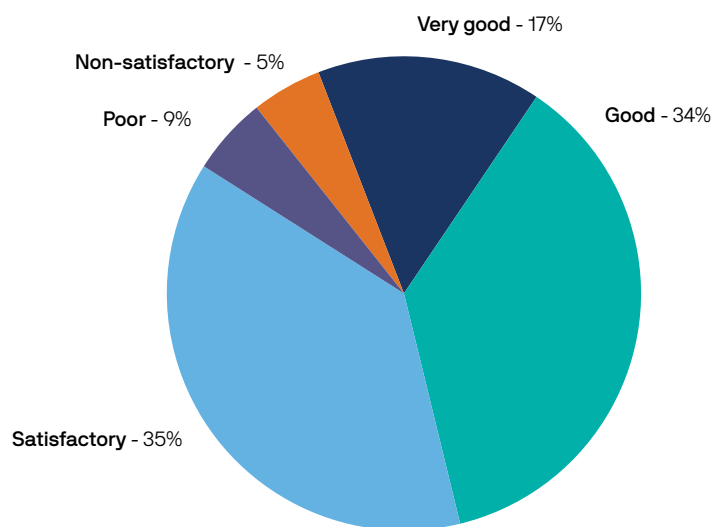
Major development programmes 2020+

Real estate management plans for areas of governance and plans for state's built-up real estate

Since 2018, RKAS in cooperation with areas of governance and the Ministry of Finance compiles real estate management plans. Compilation of these plans does not involve the Ministry of Defence and the Ministry of Foreign Affairs, and RMK. The purpose of the management plans is to get an overview of the size, condition, initial investment and repair needs, optimisation opportunities and priority investment needs of real estate used by the areas of governance. On national level, real estate management plans enable cross-governance optimisation of areas and comprehensive view of long-term planning of real estate resource, as well as setting priorities. Real estate management plans are updated annually.

In order to realise the priority investment needs of governance areas arising from the real estate management plans and to implement investments carried out through RKAS, the government granted RKAS an annual so-called optimisation fund limit, which provides a basis for creating a pipeline of such needs based on the evaluation criteria agreed and realising those needs according to financial possibilities. Total size of the optimisation fund limit for 2021–2024 is approximately 146 million euros. In 2021, optimisation fund is used for completion of two state houses (in Rapla and Jõgeva), police building in Valga, main building of the Agriculture Board and various minor investments.

Condition of the real estate used for performing the functions of the state and providing public service in 2020:



State houses programme

The year 2020 was productive in the development of state houses. We renovated state houses in Jõhvi and Rakvere, started reconstruction works in Jõgeva and Rapla and will start reconstruction of state house in Pärnu in 2021. Simultaneously, new state houses are designed in Paide, Valga and Kärdla. Also, design works are carried out for another state house at Roheline 64 in Pärnu (for subunits of the Ministry of the Environment and the Ministry of Rural Affairs). Thus, there are 7 active state house development projects in 2021.

State houses programme focuses on optimising the use of premises by state agencies and save on investments and upkeep costs. In case of the first three state houses (in Viljandi, Rakvere and Jõhvi), only 3 buildings were used instead of former 6 buildings, making use of nearly 2,500 m² formerly unused premises. Additionally, the area efficiency increased by approximately 30% due to reduction in the area per each renovated physical workspace by 10 m². This means monthly cost reduction of 70 euros per workspace, resulting in total annual savings in rental income amounting to ca 200,000 euros for all three buildings. Another noteworthy positive outcome was reduced environmental impact of used space: compared to former organisation of work distributed between six buildings, CO² emissions of the integrated solution with three state houses account for less than half of former total annual amount, i.e., they are reduced by 900 tons. Reintroduction of vacant premises and sales of old depreciated buildings improve the efficiency of performing state functions and providing public service and reduce both costs and ecological footprint.

State houses in Jõgeva and Rapla will be equipped with the first cross-agency customer service area in Estonia, to further support the boost of quality in the environment for providing public services. Among other things, special furniture was designed for the customer service areas in cooperation with state agencies, and technological solutions were designed specifically for state houses, e.g., ticket machines based on the principles of inclusive design.

One major strength of the state houses programme consists in providing state agencies with flexible specialist recruitment opportunities across Estonia. The state house and court in Kärdla is the first to adopt cross-agency common work environment solution. In a situation, where several agencies have just one employee per county, it is reasonable to ensure modern and functional use of space through flexible spatial planning and activity-based work environment.

Jaak Luksepp, leading official on physical security, Police and Border Guard Board:

Police and Border Guard Board (PBGB) supports the approach used by RKAS in planning of physical security of the buildings. It is crucial for PBGB that the buildings used for police work are secure for our staff and visitors alike. This requires adequate risk evaluation and risk mitigation measures. The methodology developed by the International Centre for Defence Studies enables doing exactly that and thus, we actively apply it when planning security measures for our buildings in cooperation with RKAS.

In order to highlight the originality of each state house, well-known authors in the area were commissioned to write unique texts that emphasise the importance of cooperation and communication. The meeting rooms of state houses in Rakvere and Jõhvi will be embellished by texts by Krista Ojasaar and Andrei Hvastov. The works by Veiko Belials, Paavo Matsin, Mart Juur, Olev Remsu, Igor Kotjuhin, Mathura, Indrek Koff, Lembit Uustulnd and Aapo Ilves are waiting their turn.

Methodology and implementation of security classes of buildings

Until recently, Estonia did not have a single integrated standard and methodology for planning the security of public sector buildings. Lack of common approach means a risk of under- or overinvestments in terms of building security, resulting in non-purposeful solutions. To solve this bottleneck, RKAS commissioned from the International Centre for Defence Studies a survey on security classes of buildings and applicable security measures, and method-

ology for secure planning. Compilation of the methodology involved analysis of international practice, current situation in Estonia and existing standards and legislation, interviews carried out with the customers of RKAS and testing of designed solutions on particular real estate objects. The resulting solution for determining security classes of buildings allows using measurable parameters to determine simply and quickly the security class of a building ranging from low to very high. Optimal standard or a catalogue of necessary security measures is compiled for each security class: the higher the required security class, the stricter the security measured to be applied.

Riigi Kinnisvara has used the methodology for determining security classes, created in cooperation with the Centre for Defence Studies, in all new development projects since the beginning of 2020. Implementation of the methodology so far has proved that systemic and timely risk evaluation along with well-considered selection of security measures ensures higher quality of terms of reference for design that allows creating purposefully functioning solutions with optimal investments.

Development of common internal security buildings

In 2019, the government allocated additional 35.6 million euros from RKAS optimisation reserve for establishing common buildings and depots governed by the Ministry of Internal Affairs, which was further supplemented by 13.3 million euros in 2020. The goal is to significantly improve the working and recreational environment of the people working in this sector across Estonia. In cooperation with the ministry, the Rescue Board and the Police and Border Guard Board, we work on 14 different objects. In most cases, the buildings are located outside Tallinn, e.g., in Kohtla-Järve, Kiviõli, Elva, Kilingi-Nõmme and Ruhnu, Haapsalu, Jüri, Türi, Viljandi, Paide and Jõgeva. Majority of buildings will be completed in 2022 and 2023.

In summer 2021, common internal security building will be completed in Pärnu, where most of the ca 13,000 m² area is used by the Rescue Board, the Police and Border Guard Board and Alarm Centre. New building features modern working conditions for approximately 400 people, it is an environmentally sustainable building that complies with class A energy efficiency requirements.

In 2020, reconstruction and expansion works were completed in Nõmme and Lilleküla rescue depots and for the first time it was done in compliance with zero-pollution concept. Pursuant to that concept, rescue depot will have separate clean and contaminated zones, which prevents transferring contamination to various areas in the depot. New structures completed in 2020 included common internal security building in Sillamäe and living and training facilities for service dogs of Narva cordon.

State gymnasiums programme

According to the school network programme of the Ministry of Education and Research, 26 state gymnasiums will be completed by 2023 in cooperation with RKAS. Besides already functional schoolhouses, Kuressaare, Paide and Tabasalu state gymnasium will commence academic activities in 2021 and. Laagri, Rakvere and Tallinn (Akadeemia tee) state gymnasiums in 2022. In 2023, they will be followed by state gymnasiums in Narva (at Kraavi and Pushkin streets), Jüri and Tallinn (Endla street and Kolde pst).

New gymnasium buildings have innovative design both in terms of technology and study environment. State gymnasiums programme has great impact on Estonian architecture: never before has public sector contributed so systematically to high quality architecture or created such an extensive conceptual

design competition. Participation rate of architects is also the highest of all times. State gymnasiums represent modern vision of academic environment that is engaging, secure and inspiring. All new state gymnasiums will receive a great work of art from the competitions for commissioning artwork.



Viljandi



Viimsi



Rapla



Real estate and services portfolio

Real estate portfolio

The purpose of RKAS is to provide mainly state agencies and public service providers with real estate services and consultancy regarding real estate. The company's main areas of activity are property management and maintenance, real estate development and organisation of repair works, as well as purchase, sales and leasing of real estate.

RKAS real estate portfolio is divided into five groups:



Administrative portfolio

Registered immovables that belong to RKAS, are covered by lease contracts and are in regular use.



Sales portfolio

Unnecessary assets, keeping of which is no longer expedient in view of the needs of the state and which RKAS has decided to transfer, valuing the assets beforehand if necessary.



Development portfolio

Registered immovables, the potential of which can likely be increased through development activities, and assets with active development process.



Contractual portfolio

Administrative objects not owned by RKAS and where RKAS provides the administration service under a contract.



Intermediate lease portfolio

Registered immovables, where RKAS is both the lessee and lessor of the section of the building belonging to third party.

As of 31.12.2020, the real estate portfolio of RKAS (administrative, development, and sales portfolio, hereinafter referred to as asset portfolio) contained 635 registered immovables with area of 5.7 million m². These registered immovables had 1,059 buildings with closed net area of 1 million m². Contractual portfolio contained 169 registered immovables with area of 7.7 million m². These registered immovables had 334 buildings with closed net area of 545,384 m². Intermediate lease portfolio contained 16 registered immovables with total area of 316,284 m², these registered immovables had 20 buildings with closed net area of 67,271 m².



General information on the portfolio as of 31.12.2021

Portfolio	Immovables, number	Number of buildings	Closed net area, m ²	Rental area, m ²	Rented, area m ²	Vacancy
Administrative	395	709	878 000	770 841	719 488	6,7%
Sales	190	249	75 172	73 303	8185	88,8%
Development	50	101	68 215	60 883	28 252	53,6%
TOTAL	635	1059	1 021 387	905 027	755 925	16,5%
Contractual	169	334	545 384			
Intermediate lease	16	20	67 271	56 819	55 538	2,3%
TOTAL	820	1413	1 634 041	961 846	811 463	15,6

Monetary view of the portfolio as of 31.12.2020

Portfolio	Acquisition cost *	Cash flow		NOI **
		Inflow, €	Outflow, €	
Administrative	612 195 600	96 607 456	-36 862 078	59 745 378
Sales	11 474 512	186 311	-741 173	-554 862
Development	23 362 422	586 677	-604 243	-17 566
TOTAL	647 032 534	97 380 444	-38 207 494	59 172 950
Contractual portfolio	0	10 434 828	-9 948 588	486 240
Intermediate lease portfolio	6 328 827	9 676 141	-9 245 001	431 140
TOTAL	653 361 361	117 491 413	-57 401 083	60 090 330

* Acquisition cost of assets without possible write-downs.

** NOI or net operating income.

Changes in real estate portfolio of RKAS in 2020

- The number of assets (immovables) dropped from 683 to 635 objects or by 7%:
 - administrative portfolio decreased by 5 registered immovables or by 1.3%;
 - development portfolio increased by 5 registered immovables or by 11.1% due to property valuation;
 - sales portfolio decreased by 48 registered immovables or by 20% due to sales of apartments.
- Built-up closed net area in the asset portfolio decreased by 3.9% or 41,728 m².
- Vacancy of the administrative portfolio remained at the level of 6–7% and was 6.7% by the end of the year. Vacancy of the asset portfolio remained between 16 and 20% and was 16.5% by the end of the year.
- Over the year, the return on asset portfolio varied between 8.2 and 9.4% and was 9.1% in December.

POLITSEI

PÄÄASTE

Ilja Andrejev, Brigade Chief in Sillamäe

“Common building in Sillamäe is more than just a building, it is a clever tool that helps us perform the strategic goals of the Rescue Board and social obligations in a more efficient manner.”

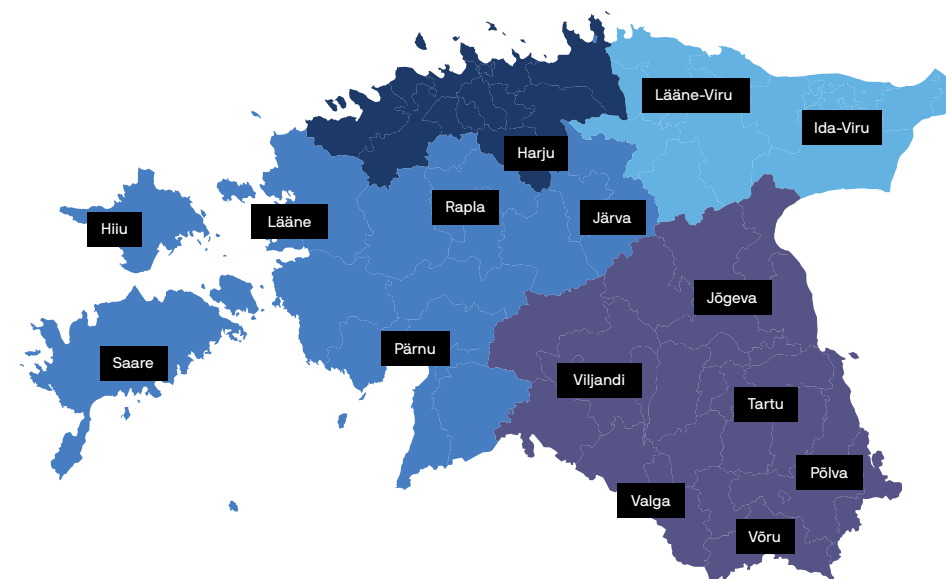
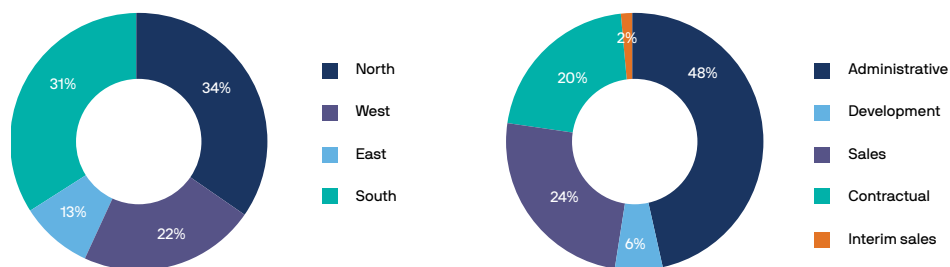
Artwork “Bilberry” by Urmas Viik, common building in Sillamäe



Regional division

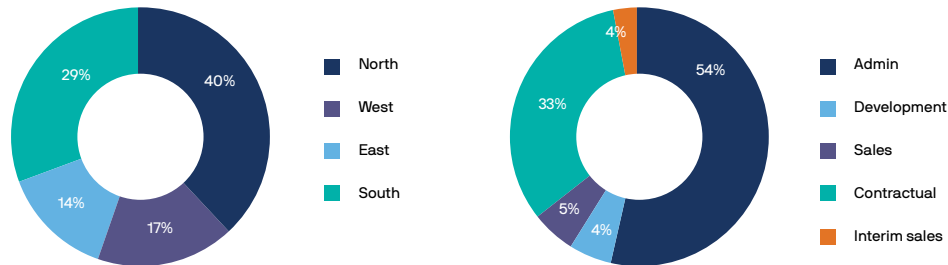
Approximately 64% of registered immovables and 68% of built-up area in RKAS portfolio is located in north and south regions.

Number of registered immovables

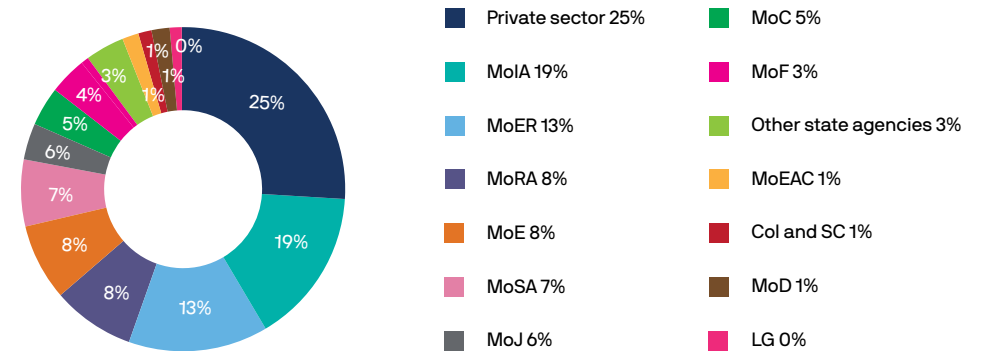


Region	Administrative portfolio	Development portfolio	Sales portfolio	Contractual portfolio	Intermediate lease portfolio	Total			
	Built-up closed net area, m ²					Total number of registered immovables	Share	Built-up closed net area, m ²	Share
North	389 683	49 372	13 770	147 433	49 533	279	34%	649 791	40%
South	262 656	9816	24 110	167 897	2948	246	30%	467 427	29%
West	105 691	7473	19 329	140 390	3493	187	23%	276 376	17%
East	119 971	1554	17 963	89 663	11 297	108	13%	240 449	15%
Total	878 000	68 215	75 172	545 384	67 271	820	100%	1 634 042	100%

Build-up area



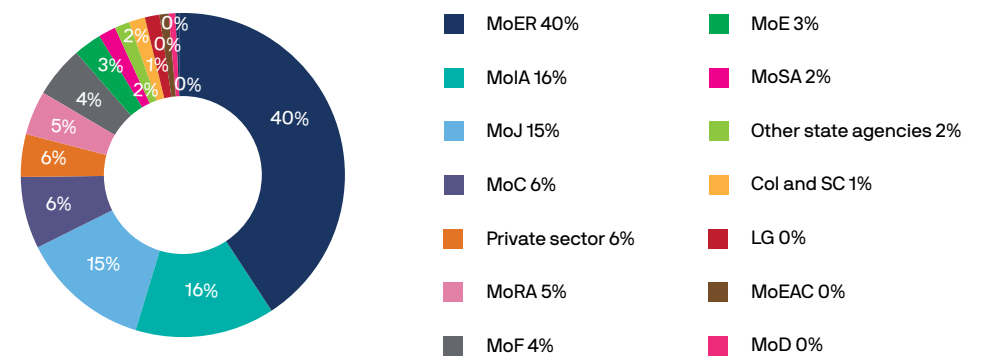
Distribution of the real estate portfolio by the number of contracts on 31.12.2020



Distribution of users of the premises in real estate portfolio

The largest share (40%) of users of the premises in RKAS real estate portfolio constitutes in the agencies of the Ministry of Education and Research (MoER), who are parties to both lease and management contracts and consist of many gymnasiums and vocational education institutions with above average spatial use, and thus, the share of MoER in all contracts is only 13%. Other major contractual partners are the Ministry of Internal Affairs (MoIA) with 16% of total area and 19% of total number of contracts, and the Ministry of Justice (MoJ) with 15% of the total area but only 6% of the number of contracts due to large proportion of three prisons in the entire portfolio. As for the number of contracts, the largest share (25%) consists of private sector customers, whereas their share of rented area is just 6%. As the main activity of RKAS is oriented towards servicing public agencies, the lease contracts with private sector can be deemed as a measure of vacancy management and we provide rental premises for the private sector only if there are any vacancies in existing buildings. In general, RKAS does not target any development activities at private sector.

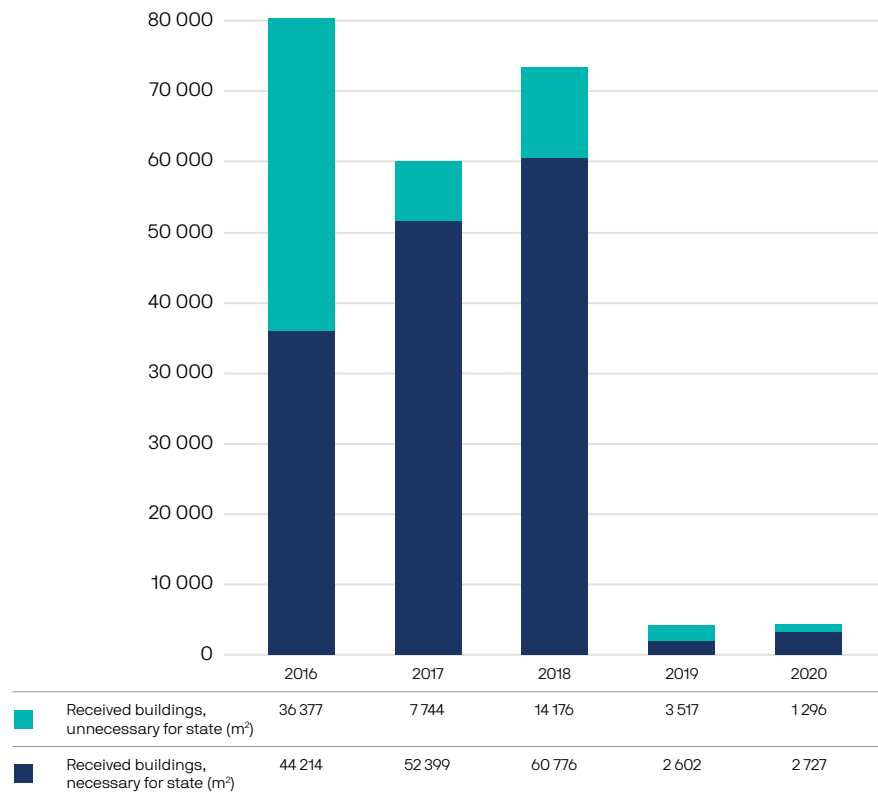
Distribution of the real estate portfolio by spatial use as of 31.12.2020



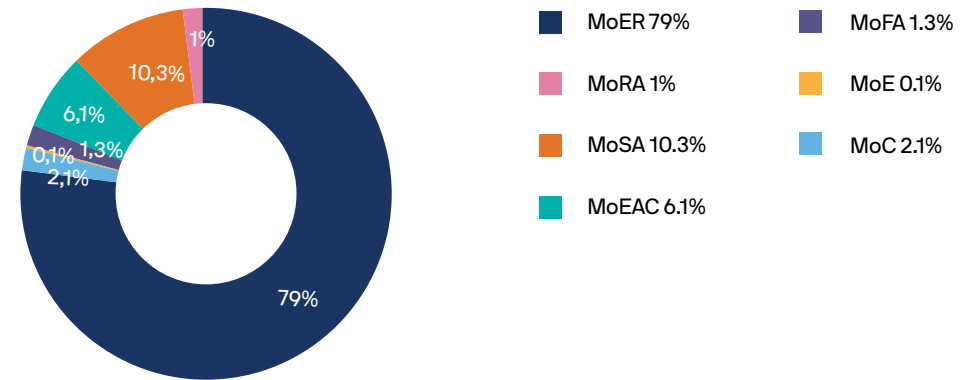
Prospects of assets transferred to Riigi Kinnisvara

In 2020, RKAS received buildings necessary for the state with closed net area 2,726 m² and unnecessary buildings with closed net area 1,296 m². Necessary assets, incl. those subject to valuation, were moved to administrative or development portfolio and unnecessary assets to the sales portfolio.

Closed net area of the buildings transferred to RKAS



State-owned real estate by areas of governance in 2020



Property manager

Area of registered asset (m²)

Ministry of Education and Research	540 152*
Ministry of Internal Affairs	70 405
Ministry of Economic Affairs and Communications	41 397
Ministry of Culture	14 660
Ministry of Foreign Affairs	8 950
Ministry of Rural Affairs	6 527
Ministry of the Environment	496
Total	682 587

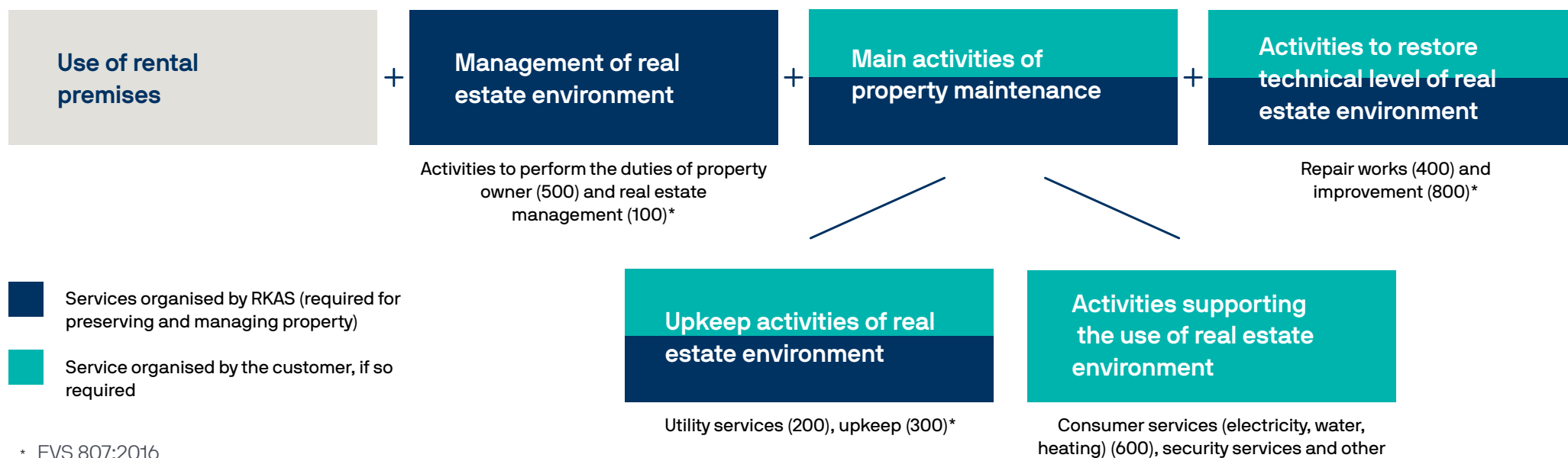
* Contains buildings in contractual portfolio of RKAS with area of ca 409,000 m².

Real estate management and maintenance

RKAS provides full property management service, comprising administration, utility services, upkeep, repair, owner duties, consumer and support services. All of the said services, except for administration and owner duties, are bought in by public procurement.

Main areas, where maintenance services are bought in, include utility, maintenance, upkeep (incl. interior and exterior upkeep) and security services (incl. technical and manned guard).

Property management services provided by RKAS



Lease model: property owned and managed by RKAS

Lease model properties are owned by RKAS and the customer pays rent for using these properties. Additionally, RKAS collects money for repair fund used for keeping the property in good condition during its lifespan.

Management model: property owned by customer

In case of management model, the property is owned by customer and they do not pay rent. There is no collection of repair fund; instead, RKAS plans and organises repair works together with the customer and they are paid from customer's budget.

Acquisition of services

In case of both models, RKAS organises the acquisition of all lease and ancillary services (maintenance, upkeep, consumption services, etc.).

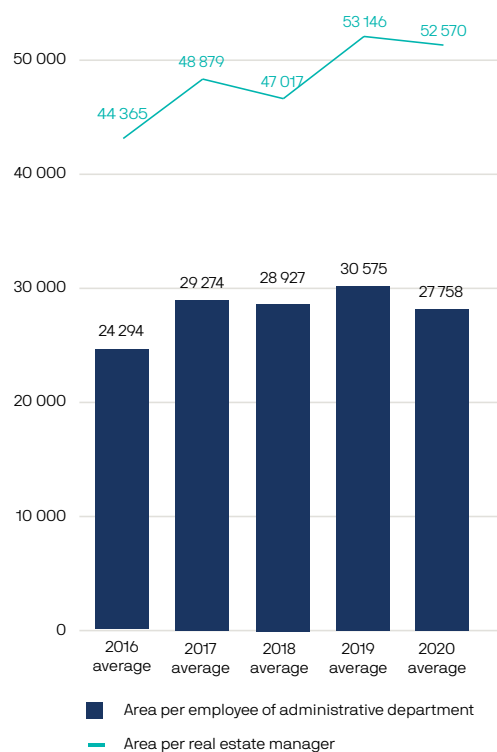
Administrative services provided by RKAS focus on ensuring the quality of maintenance services, customer support service, carrying out scheduled repair works, and preventive utility maintenance to avoid the occurrence of emergencies.

The onset of global COVID crisis in 2020 had certain effect on work priorities of RKAS: significantly greater attention was paid to working environment and health. We increased the anti-virus safety of objects under our management and rescheduled maintenance and repair works based on the changes in national and inhouse regulations pertaining to the organisation of work.

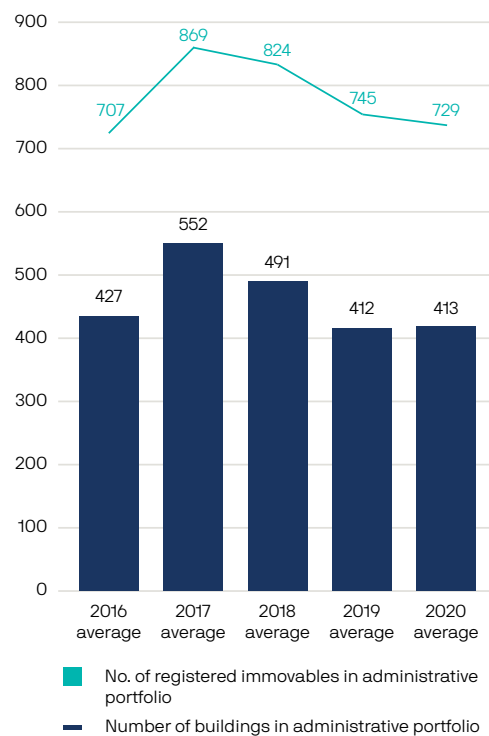
In 2020, the greatest challenge consisted in ensuring and reorganising maintenance services during the pandemic in spring and quickly responding to constantly changing requirements and restrictions. We operatively organised additional services necessary for our customers: disinfected surfaces, supplied on-site disinfectants, installed protective glass panes, etc.

As for innovations in 2020, we started category management which aims at extending the circle of tenderers in public procurements for upkeep and maintenance and thus, offer our customers even more operative, secure and high-quality service with the best price/quality ratio. Category management also ensures better exchange of information with market players and involves potential tenderers in the development of the service, to allow better consideration of future needs and opportunities.

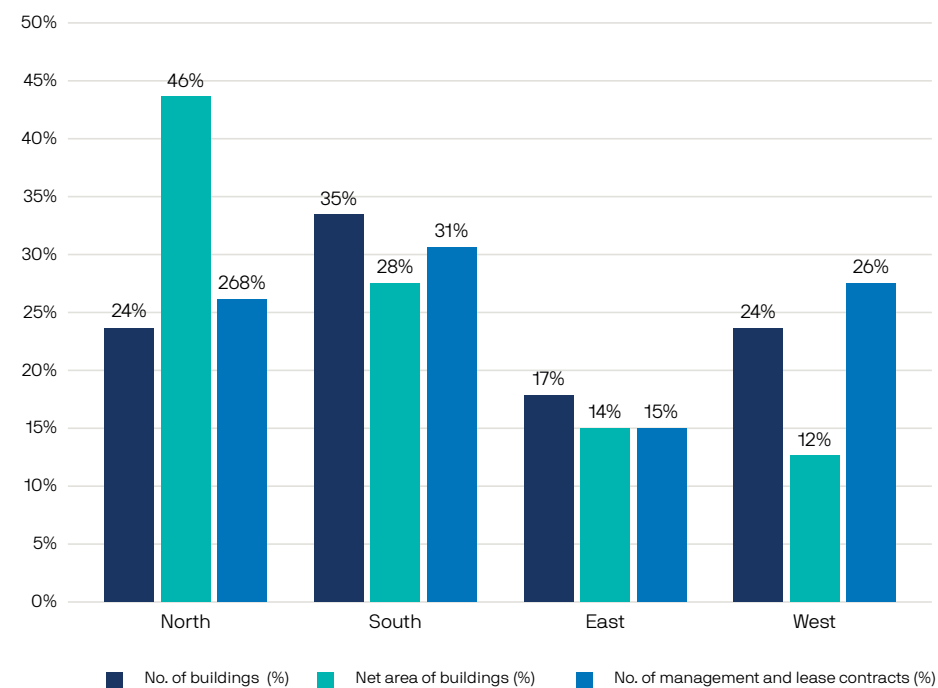
Administered net area in asset portfolio per employee (m²)



Number of registered immovables and buildings in administrative portfolio



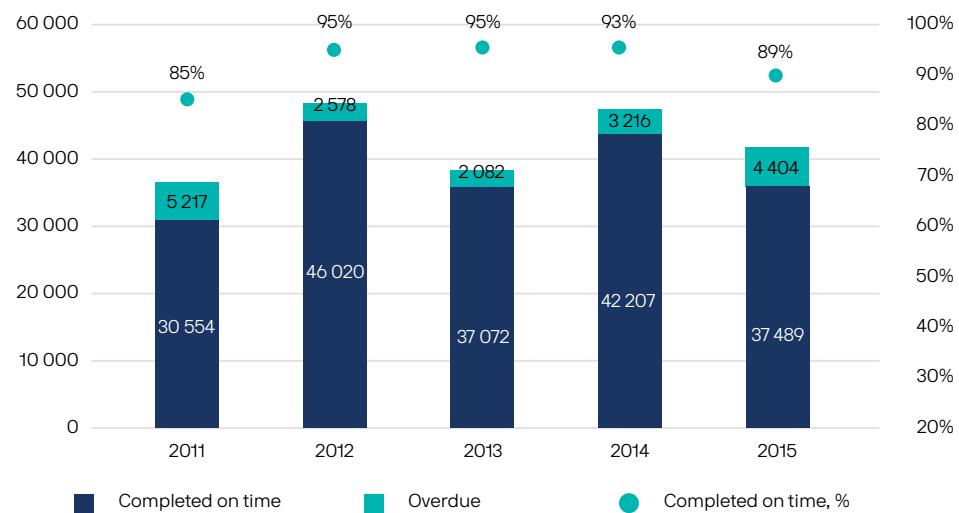
Regional distribution of administrative portfolio



* Contains objects in the administrative and interim lease portfolio of RKAS.

RKAS provides customers with operative solutions through customer support service, which received 41,893 job requests in 2020, on average 115 contacts on a daily basis. The share of requests completed on time was 89%. The results have decreased compared to 2019 due to implementation of a more conservative calculation methodology.

Job requests



Real estate development

Real estate development focuses mainly on the development of special buildings (e.g., rescue buildings and schoolhouses) and office premises. Development projects are divided into two: investments in own real estate portfolio and service projects (incl. project management, consultancy, organising procurements). Investments in service projects are compensated by the customers.

RKAS creates real estate environment necessary for the state by developing new buildings or reconstructing existing ones. Real estate development ensures energy efficiency of buildings, effective use of area and functionality of buildings that corresponds to the user's needs to organise their main activity and/or provide services. From the users' aspect, it is important to ensure modern, high-quality and motivating work, service and training environment.

Real estate development process starts by compilation of terms of reference, ascertaining the type of environment required by the user. This is the most critical part of entire development process and cooperation with customer is crucial in both design and construction process. In order to ensure better architectural and interior design quality of our projects, we added an architect to our team in 2020, who will be in charge of spatial solutions.

In 2020, a dozen various development projects were completed, including rescue buildings crucial for both the community and rescue workers, modernised work environment in office premises, and state houses, creation of which involved sprucing up old buildings in country centres and improving work conditions of regional staff of state agencies. Other noteworthy projects include the living space and training area of the service dogs of Narva cordon: this modern complex was a long-awaited improvement, and it has been com-

pleted by now. We also completed the laboratory building of the Estonian Crop Research Institute, which constitutes a part of a larger integrated solution that will transfer entire operation of the institute from depreciated facilities in Saku to modern work premises in Jõgeva county. In 2020, we invested approximately 49 million euros in our asset portfolio. Service projects accounted for investments amounting to 62 million euros.

Asset portfolio objects completed in 2020



Renovation of the office building at Endla Street

Customer:	Consumer Protection and Technical Regulatory Authority
Address:	Endla tn 10, Tallinn
Project started in:	November 2018
Completed in:	January 2020
Closed net area:	2631 m ²
Cost:	1 millions euros + VAT
Designer:	EEOO OÜ
Builder:	Nostra OÜ



Renovation of Jõhvi state house

Customer:	Riigi Kinnisvara
Address:	Pargi 15, Jõhvi
Project started in:	June 2019
Completed in:	January 2020
Closed net area:	2,534 m ²
Cost:	0.4 million euros + VAT
Designer and builder:	Dreibau OÜ and Arens Ehitustööd OÜ



Renovation of Rakvere state house

Customer:	Riigi Kinnisvara
Address:	Kreutzwaldi 5, Rakvere
Project started in:	August 2019
Completed in:	February 2020
Closed net area:	3,500 m ²
Cost:	0.7 million euros + VAT
Designer and builder:	Eviko AS



Renovation of the office building at Tartu mnt

Customer: Riigi Kinnisvara
Address: Tartu mnt 85, Tallinn
Project started in: September 2019
Completed in: February 2020
Closed net area: 1,606 m²
Cost: 1 million euros + VAT
Designer: KAMP arhitektid OÜ
Builders: Evicon Ehitus OÜ and Tesron Ehitus OÜ



Reconstruction and extension of Nõmme rescue depot

Customer: Rescue Board
Address: Jaama 4, Tallinn
Project started in: March 2019
Completed in: April 2020
Closed net area: 1,253 m²
Cost: 2.46 million euros + VAT
Designer: ConArte OÜ
Builder: Ehitus5ECO OÜ



Renovation of the office building at Õhtu põik 5

Customer: West Regional District Prosecutor's Office
Address: Õhtu põik 5, Pärnu
Project started in: May 2019
Completed in: May 2020
Closed net area: 1,010 m²
Cost: 0.63 million euros + VAT
Designer: Kommunaalprojekt OÜ
Builders: Evicon Ehitus OÜ and Tesron Ehitus OÜ



Reconstruction of the laboratory Building of the Estonian Crop Research Institute

Customer: Estonian Crop Research Institute
Address: J. Aamisepa 1, Jõgeva
Project started in: March 2019
Completed in: June 2020
Closed net area: 821 m²
Cost: 0.74 million euros + VAT
Designer: Kuubik Projekt OÜ
Builders: Dreibau OÜ and Arens Ehitustööd OÜ



Reconstruction and extension of accommodation premises at Tulika Str.

Customer: Centre for Defence Investment
Address: Tulika 37, Tallinn
Project started in: May 2019
Completed in: October 2020
Closed net area: 2148 m²
Cost: 1.75 million euros + VAT
Designer: Sirkel & Mall OÜ
Builder: Ehitus5ECO OÜ



Reconstruction of Lilleküla rescue depot

Customer: Rescue Board
Address: Paldiski mnt 47, Tallinn
Project started in: January 2019
Completed in: November 2020
Closed net area: 1,526 m²
Cost: 3 million euros + VAT
Designer: ConArte OÜ
Builder: Ehitus5ECO OÜ



Common internal security building in Sillamäe

Customer: Ministry of Internal Affairs
Address: I. Pavlovi 4, Sillamäe
Project started in: January 2018
Completed in: November 2020
Closed net area: 1,435 m²
Cost: 4 million euros + VAT
Designer: Kuu OÜ
Builders: Joint tenderers Dreibau
 Arens Ehitustööd
 Betoteam and Pro
 Ehitus OÜ



Living premises and training area of services dogs in Narva cordon

Customer: Police and Border Guard Board
Address: Tiigi 9a, Narva
Project started in: March 2020
Completed in: December 2020
Closed net area: 177 m²
Cost: 0.7 million euros + VAT
Designer: Kuubik Projekt OÜ
Builder: Scandec Ehitus OÜ



Reconstruction of office and service building at Pepleri Street

Customer: Social Insurance Board,
 National Institute for Health
 Development, Consumer Pro-
 tection and Technical
 Regulatory Authority, Ministry of
 Finance
Address: Pepleri 35, Tartu
Project started in: August 2018
Completed in: January 2021
Closed net area: 2,390 m²
Cost: 2.9 million euros + VAT
Designer: AS RTG Projektbüro
Builders: Embach Ehitus OÜ

Service projects

RKAS also provides its customers with real estate development and project management services. Investments in real estate via service projects totalled 62 million euros in 2020. Service projects involved reconstruction of grand historical building of the Supreme Court in Tartu. The project started already in 2016 and total investment amounted to 6.6 million euros. One major customer is the Ministry of Education and Research, in cooperation with whom we have built and opened 13 new state gymnasiums across Estonia and there are 11 new state gymnasiums yet to be built. In 2021, state gymnasiums will be completed in Tabasalu, Paide and Saaremaa. Operating state gymnasiums are in Rakvere, Laagri, Tallinn (Akadeemia tee, Kolde põst and Endla street), Narva (Pushkin street and Kraavi street), and in Rae rural municipality.

Objects completed in 2020 as service projects



Design of the firing range and parking lot of Viru Prison

Customer:	Viru Prison
Address:	Ülesõidu 1, Jõhvi
Project started in:	June 2019
Completed in:	April 2020
Closed net area:	544 m ²
Cost:	0.1 million euros + VAT
Designer:	Novarc Group OÜ



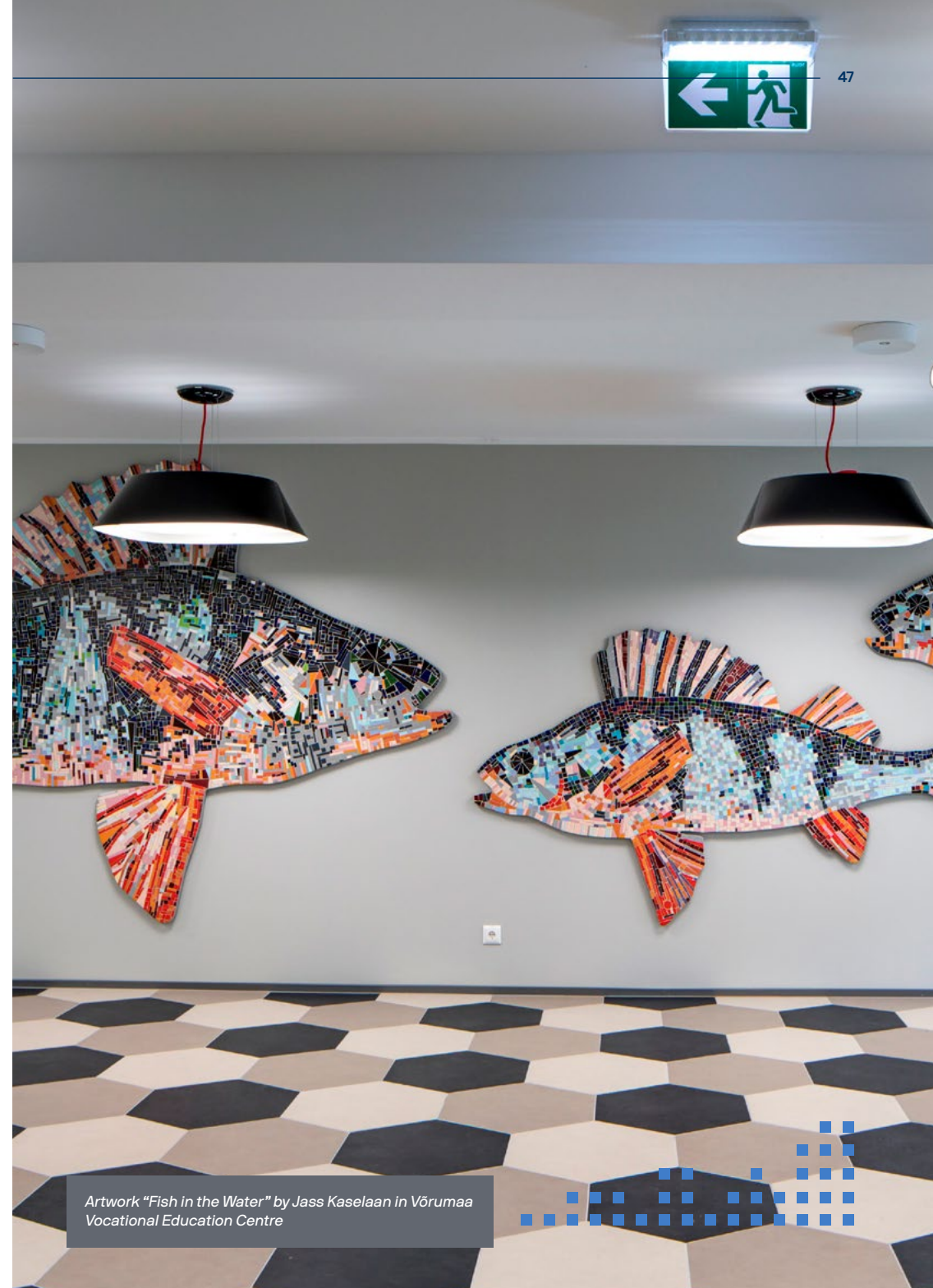
Reconstruction of the Supreme Court building

Customer:	Supreme Court
Address:	Lossi 17, Tartu
Project started in:	May 2016
Completed in:	March 2020
Closed net area:	4,067 m ²
Cost:	6.6 million euros + VAT
Designer:	RTG Projektbüroo AS
Builder:	Tartu Ehitus AS



Administrative building of the Rescue Board

Customer:	Ministry of Internal Affairs
Address:	Erika 3, Tallinn
Project started in:	September 2019
Completed in:	September 2020
Closed net area:	1,603 m ²
Cost:	3 million euros + VAT
Designers:	Kuubik Projekt OÜ, Architectural bureau Anu Kulbach OÜ
Builder:	Fund Ehitus OÜ

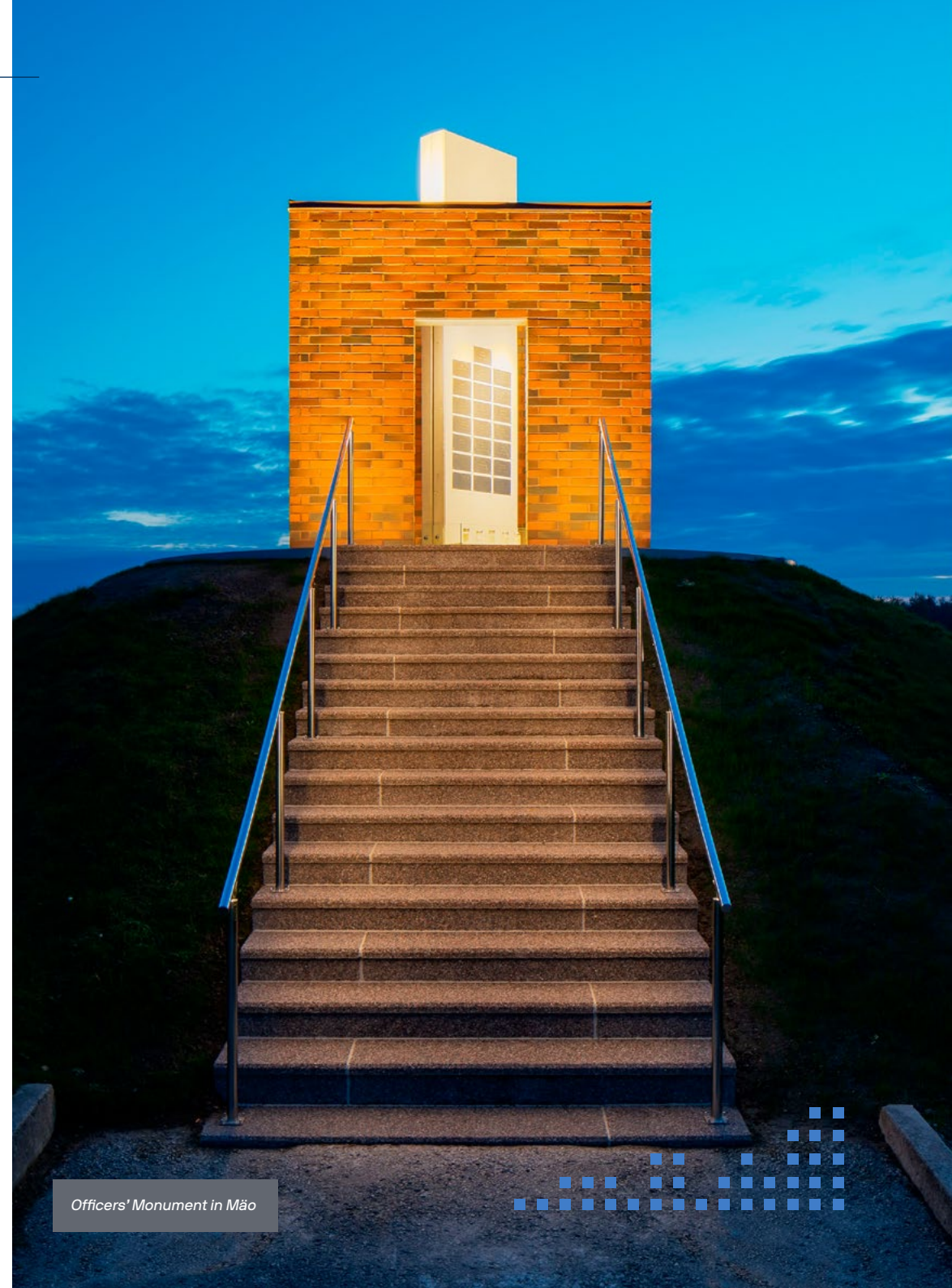
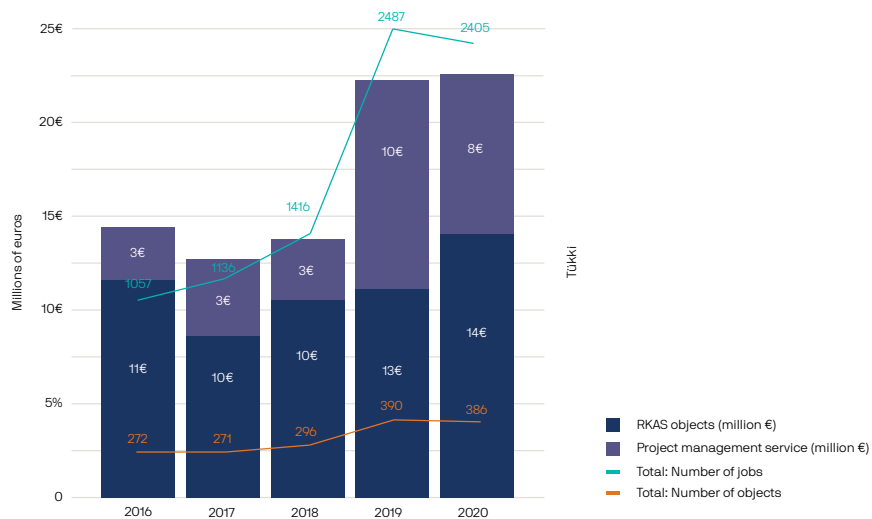


Artwork "Fish in the Water" by Jass Kaselaan in Võrumaa
Vocational Education Centre

Organisation of repair works

The purpose of organising repair works is to ensure preservation of the condition of rental premises. In 2020, RKAS performed repair works for approximately 22.5 million euros, of which 14.4 million euros was spent on maintaining the condition of the objects in RKAS asset portfolio and 8.1 million euros for project management of the objects in contractual administrative portfolio. In total, 2,405 repair jobs were carried out in 386 different objects. The Ministry of Education and Research is the major contracting authority for repair works in the objects in contractual administrative portfolio. The jobs requested by the MoER do not differentiate between the jobs performed for preserving the condition of the premises and large-scale reconstruction projects or replacement of existing buildings with new structures.

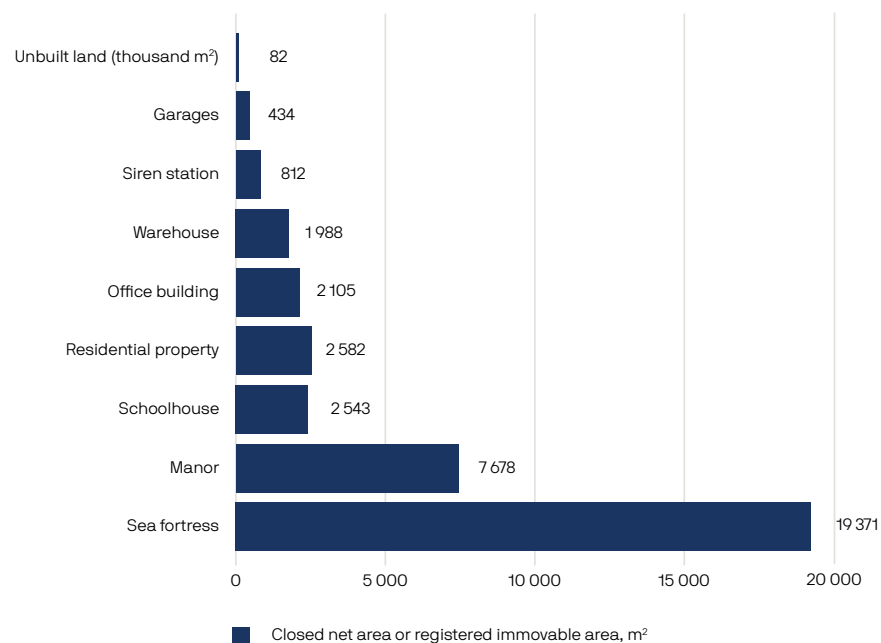
Repair works 2016-2019



Officers' Monument in Mäo

Sales of unnecessary real estate

Operational model of RKAS prescribes sales of real estate unnecessary for the state through public offer. During the year, RKAS transferred unnecessary real estate for a total of 8.1 million euros and sold 73 registered immovables. Riigi Kinnisvara also sold two manors, the sales process of which is more complicated and time-consuming than that of regular real estate.



In 2021, RKAS aims at reducing the share of residential property in the sales portfolio. Residential property consists mainly of apartment ownerships. More than half of the sales portfolio consists in apartment ownerships at Maleva 1 in Tallinn and Pakri 4 in Paldiski. One of the largest and more significant objects to be sold is the complex of former Vocational Secondary School at Pargi 2 / Aia 1 in Pärnu.

Significant sales objects in 2020.

Object	Transaction price (€)	Location	Reg.imm. area (m ²)
Patarei Sea Fortress	4 600 000	Tallinn	40 007
Ninamäe peninsula	455 000	Harku vald	22 600
Voltveti manor	155 556	Saarde vald	97 937
Väimela manor	78 600	Võru vald	50 540

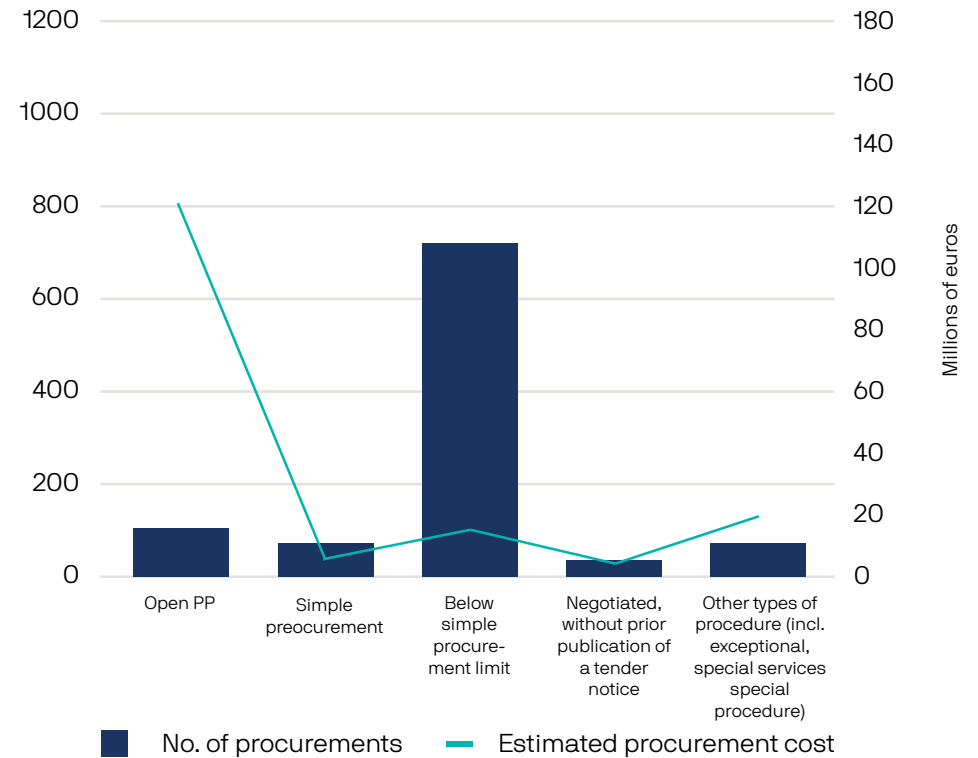
Procurement activities

Overview of public procurements

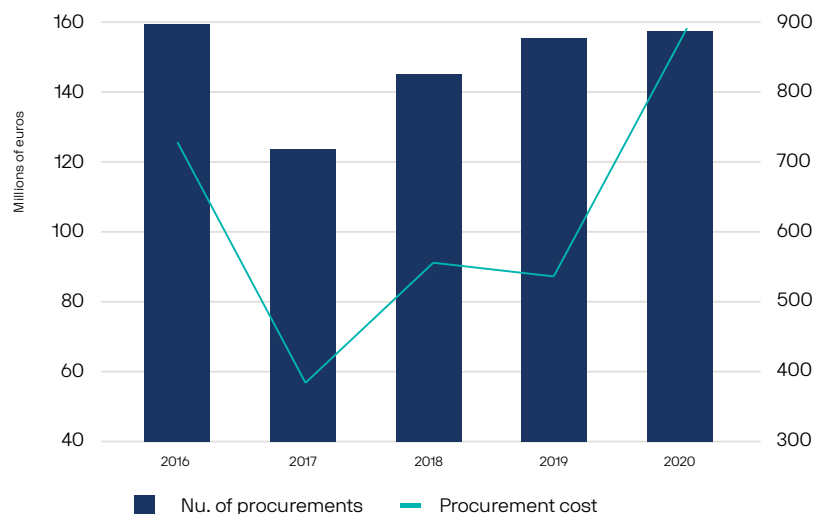
Procurement activities play a crucial role in the operation of RKAS. The company performs all purchased in compliance with the Public Procurement Act and subsequent internal regulation. Procurements are organised and procurement related materials are processed in a special digital procurement environment, which also allows preparing procurement plan and monitoring procurements, incl. realisation of the procurement plan. The company uses a dynamic procurement plan, i.e., planned procurements are displayed in real time in external web.

As one of the biggest organisers of public procurement, RKAS organised 965 procurements in 2020 with estimated cost of 155.5 million euros. In terms of the types of procurement procedures, those under the threshold of a simplified procurement were organised the most (72%), their cost constituted 7% of the total volume of procurements. Based on the cost of procurements, the largest part comprised procurements organised within an open procurement procedure in the total amount of approximately 120 million euros. the largest number of procurements were building procurements, which made up 54% of all procurements and 45% of the total cost of procurements.

Type of procedure and estimated cost



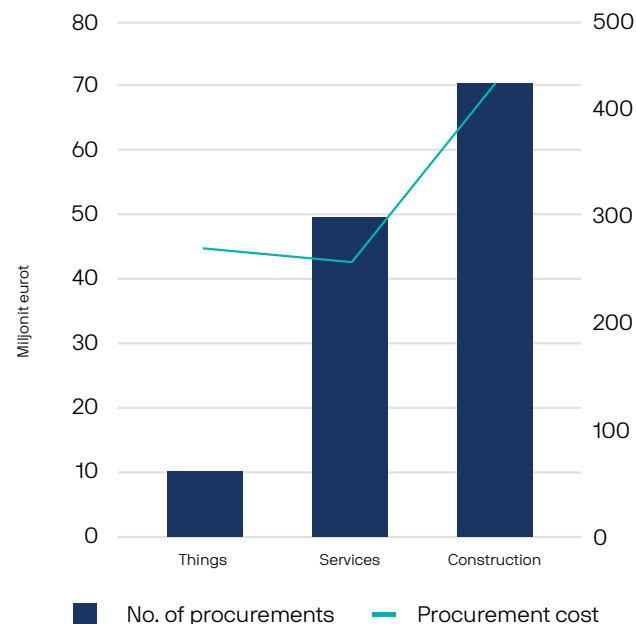
Total number and cost of procurements in 2020



Voluntary central purchasing body

In spring 2020, the Government of the Republic appointed RKAS as a voluntary central purchasing body in public procurements regarding property development and maintenance. This new role makes it possible to use simplified procedure for making our experience and competence accessible to other public sector suppliers besides ministries and their subunits – such as local governments, private companies with state participation, foundations, and legal persons in public law.

Procurement objects and estimated cost



This involves central organisation of real estate support service, which releases the client from the need to engage in the duties related to support. Using such central purchasing body and providing such service is voluntary. Besides implementation of competence to ensure procurement security (professionalism and lower risk of contestation), centralisation of procurement provides economies of scale and hence also optimum price and quality ratio of the services.

Appointment of RKAS as a voluntary central purchasing body was supported by several professional associations, incl. the Estonian Association of Construction Consulting Companies, the Estonian Association of Architects, the

Estonian Association of Construction Entrepreneurs and the Estonian Property Management Association.

RKAS operates as a voluntary central purchasing body in two areas: property management and development services. Management services include administration, utility, upkeep, consumption and security services, repair works and support services (consultancy regarding e.g., creation of the security concept of buildings, assessment of the condition of a building, organisation of maintenance activities, etc.). Development service involves e.g., organisation of design and construction and owner's supervision, furnishing, development project management (preparation, organisation, controlling and ensuring the performance of the contract) and commissioning artwork.

One remarkable and large-scale example of the work of a voluntary central purchasing body is the project launched in cooperation with SA Viljandi Haigla to build a modern county hospital and health centre Tervikum in Viljandi city.

Increase in the share of value-based procurements

As a major public procurement organiser in Estonia, RKAS focuses on the question how to effectively implement and use not only price-based but also value based procurements. This primarily concerns how to avoid underbidding and increase contracting authority's awareness and responsibility.

In case of price-based procurement, the tenders reflect the risk the tenderer is willing to take, which in turn translates in pressure on entire project, incl. its completion. Here, the contracting authority's role consists in contributing to the quality of the project, primarily to the clarity of roles, liabilities and expectations of participants. The clearer the project organisation, the less room there is for disagreements.

Value-based procurement means that in addition to the price, value points are used to assess specialist skills, prior experience, and organisation of work. While price-based procurement makes deciding easier for both contracting authority and supplier, carrying out of a value-based procurement takes more time and may involve different reasons for disagreement and risks.

In 2020, we carried out 7 value-based procurements: 3 for commissioning design service and 4 for owner's supervision.

The company intends to continue improving the practice of value-based procurements in 2021, incl. carrying out the first value-based construction procurements.

Joint procurements of energy purchases

Since the opening of electricity and natural gas markets, RKAS has provided its customers convenient complex service for purchasing energy. Energy portfolio includes 13 ministries and their subunits purchasing electricity and 6 agencies for purchasing natural gas. The goal of common energy portfolio is to ensure the transparency of procurement proceedings and the most favourable conditions. In addition to supplying electricity and natural gas, we have also supported our customers with administration of electricity grid contracts, incl. optimised the supply packages of all consumption points, which has resulted in cost savings for the customer.

As a result of minor competitions organised in 2020 for purchasing electricity and natural gas under framework contract, Eesti Energia was the successful partner in both fields. We acquired green energy from renewable sources for Hoolekandeteenused AS and IT-Agentuur and are willing to offer that service to other customers in the future. Electricity consumption in 2020 totalled 175

GWh. Average price of electricity consumed plus margin was 36.5 €/MWh, which was remarkably more favourable than 97.9 €/MWh in 2019.

Architectural competitions

RKAS stands for high-quality spatial development by organising public architectural competitions. RKAS organised 6 out of 22 public competitions in Estonia in 2020. A total of 109 conceptual designs met the qualification criteria, i.e., on average 18 designs per competition. This is a very great number in Estonia and indicates both the popularity of conceptual design competitions and trust in RKAS as contracting authority. Naturally, other reasons consisted in reduced number of private sector orders due to COVID-19 quarantine, unexpected free resource and authors' willingness to challenge themselves. The number of public competitions in 2019 was above average (28 out of 32 public competitions were public procurements), but with fewer participants (on average 11.4 designs per competition).

There are 484 architects with professional certificate in Estonia, but only a few of them participate in competitions and the same names recur among the participants. This has several reasons, including the fact that not everyone finds the reward amount motivating and the form of public procurement suitable. Average reward fund of public architectural competitions in 2019 was 25,000 euros, which is exactly ten times smaller than average reward fund of design contests in Finland. This is also a reason why we rarely receive designs from abroad. Average size of reward fund for architectural competitions organised by RKAS in 2020 was 26,000 euros. Total amount of reward fund was 156,000 euros, which corresponds to the reward fund of a single competition in Nordic countries.

On a broader scale, architectural competition represents a rather costly method of gaining ideas in socioeconomic terms. For instance, based on the survey carried out in Finland and Denmark, the participants in architectural competition spent on average 700 working hours per conceptual design. According to the respondents of the survey organised by the Estonian Association of Architects, the time spent ranged from 200 to 400 hours. When considering the bureaucracy involved in procurement procedure, the collectives that participate

in architectural competitions tend to be those with previous experience. This is not necessarily bad, because the quality of designs has improved year by year. Based on the architectural competition organised by RKAS last year, we could say that there are approximately 20 viable architectural bureaus in Estonia, able to contribute to creative activities besides their daily work, but it is not much. On a positive note, RKAS launched conceptual design competitions for interior architects in 2021, thus adding this area to procurements based on quality criteria. Furthermore, competitions allow interior architects to participate in negotiated procurements without prior publication of a tender notice and thus become a leading designer.

Commissioning of artworks

The Commissioning of Artworks Act was adopted in Estonia for already ten years ago, and it aims at improving the public space through artworks. This Act applies to public agencies, persons in public law, majority state-owned foundations and non-profit, but it does not extend to local governments.

Riigi Kinnisvara organised a record number of artwork competitions in 2020 – one fourth or 11 of 44 competitions for commissioning artwork organised in 2011–2020 were carried out last year.

Andro Mänd, president of the Estonian Association of Architects:

Due to recent activity of Riigi Kinnisvara, contemporary and high-quality architecture has become increasingly more important in Estonia and this is a sign of movement towards the understanding characteristic to the cultural space of the western world, where creation of high-quality urban space is an integral part of urban development. The way of thinking implemented by Riigi Kinnisvara, according to which new buildings are completed on the basis of designs found through public architectural competitions, has certainly been a significant catalyst in creating a modern living environment in Estonia. A definite success story is the state gymnasiums programme which has picked up pace in recent years and resulted in building schoolhouses that represent contemporary academic environment and high-quality architecture across Estonia. In the light of ongoing pandemics, activity-based office building concept introduced by Riigi Kinnisvara is a pioneering example of public sector approach to contemporary work environment. As the leader of the Estonian Association of Architects, I hope that Riigi Kinnisvara will not rest on laurels and that their achievement so far represent only the first step in searching for and testing new solutions.

Since the adoption of the Commissioning of Artworks Act, we have applied the principle that one percent (but no more than 65,000 euros) of the cost of a building intended for public use is allocated to commissioning artworks and thus improve public space with art. Over the years, life has become gradually more expensive and that includes costs of materials, support works, studio lease to be paid to create artworks for public buildings, which meant gradual decrease in the fees paid to the authors of artworks. Therefore, legislative amendment entered into force in 2021, raising the upper limit for the price of acquired artworks from 65,000 euros to 110,000 euros. This raise was necessary to add to public space contemporary artworks with professional quality and made of durable materials.

The range of artworks commissioned through public artwork competition is wide and comprises traditional oil or acrylic painting, drawings and sculpture as well as interactive installations, videos and objects of light and sound. The cost of the tender is not a criterion for choosing the artwork, because it is previously determined and known to all participants. The jury will assess submitted designs in terms of aesthetic and functional properties and their impact on the environment pursuant to the criteria defined in the competition guide. The winner of the competition is artistically best artwork in consideration of location, the use of the building, the area of activity of the institution and the potential audience.

In preparing the competition guide and conducting the competition, RKAS acts on the principle that the process must be transparent and unequivocal. The anonymous conceptual designs submitted to the competition for commissioning of artworks are evaluated by the jury consisting of at least five members. In order to ensure high artistic level of the commissioned artworks, the law prescribes that at least two thirds of the members of the jury must be appointed by the management board of an artistic association pursuing visual arts. Depending on the terms of reference and need, jury members will

also include the architect of the building, interior architect, an expert in cultural heritage or other area.

In 2020, Riigi Kinnisvara organised competitions for the commissioning of artworks that resulted in completion of four works of art with total value of 139,500 euros. One work consisted in a cooperation project with the Port of Tallinn and cost 65,000 euros. By the end of 2020, five competitions for artwork were announced for student home of Tallinn Lasnamäe School of Mechanics, state houses in Rapla and Jõgeva, state gymnasium in Paide and student home of Luua Forestry School. The jury will choose the winners in spring 2021.

Artworks completed in 2020

Sculpture "Justitia"	Vergo Vernik	Supreme Court	Lossi 17, Tartu
Installation "Bilberry"	Urmas Viik	Common building of Rescue Board and PBGB in Sillamäe	I. Pavlovi 4, Sillamäe
Mosaic mural "Fish in the Water"	Jass Kaselaan	Võrumaa Vocational Education Centre	Kooli tee 1, Väimela, Võrumaa
Ceramic mural "The View"	Liisu Arro ja Elmet Treier	Office building	Tartu mnt 85, Tallinn
Installation "Under the Sun"	Eveli Varik	D-terminal of the Old Harbour	Lootsi tn 13/4, Tallinn



Kuno Rooba, Head of Rakvere Vocational School:

„Our students moved to new students' home in January 2020. Compared to former facilities the new premises are more like a hotel. At first, it took time to get accustomed to modern technical solutions and there were a few instances where the alarm was activated during cooking. Besides our new gym, beds have received lots of positive feedback. Students say that the beds are comfortable and they sleep well”.

Student home of Rakvere Vocational School

2021. aastal valmivad kunstiteosed

Mural "House"	Rait Prääts	Office building at Pepleri street in Tartus	January
Painting series "Light"	Mall Nukke	Police building in Valga	March
Painting "Rex"	Laurentsius	Housing at Tulika 37 in Tallinn	May
Mosaic mural "Before take-off"	Jass Kaselaan	Tabasalu state gymnasium	August
Painting series "Bog rosemary"	Liisi Örd	Järvamaa Vocational Education Centre	August
Ceiling photo collage "Flora Noir"	Margus Tammik ja Eva Unt	Saaremaa state gymnasium	August
Forging "Iron worm"	Fred Truus	Agriculture Board in Saku	September

In 2020, Riigi Kinnisvara organised 11 competitions for commissioning artwork:

- Artwork competition for Võrumaa Vocational Education Centre, 35 designs
- Artwork competition for office building at Tartu mnt 85 in Tallinn, 32 designs
- Artwork competition for common internal security building in Pärnu, 20 designs
- Artwork competition for D-terminal at the Old Town Harbour (cooperation project with the Port of Tallinn), 34 designs
- Artwork competition for office building at Riia 15 in Tartu, 27 designs
- Artwork competition for police building in Valga, 21 designs
- Artwork competition for housing at Tulika 37 in Tallinn, 24 designs
- Artwork competition for Tabasalu state gymnasium, 10 designs
- Artwork competition for Järvamaa Vocational Education Centre, 9 designs
- Artwork competition for Saaremaa state gymnasium, 34 designs
- Artwork competition for Agriculture Board in Saku, 52 designs

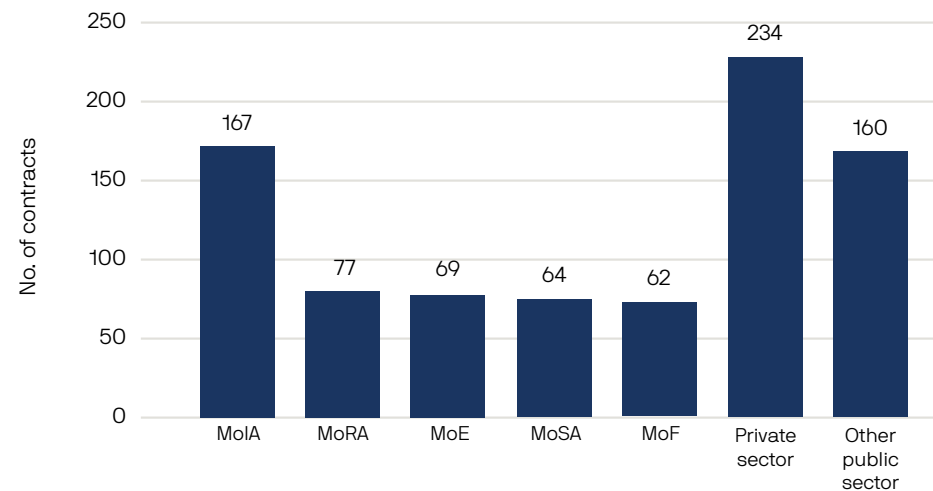


Lilleküla rescue depot in Tallinn

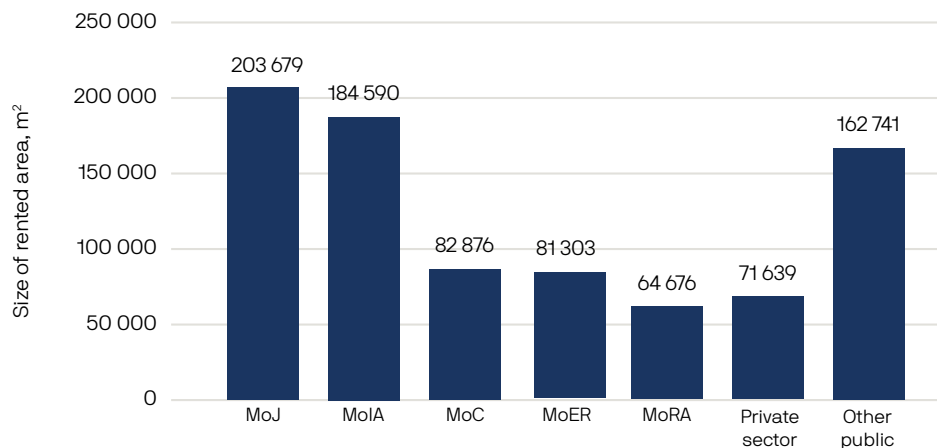
Customers

The customers of Riigi Kinnisvara are state agencies and public service providers: we take care of their real estate issues, so that the users of the buildings can focus on their main activities. We support our customers by providing services related to management, development, procurement and project management of real estate, work and academic environment. All this requires understanding the areas of activity and specific features of our customers.

Major customers by lease contracts in 2020



Major customers by the size of rental premises in 2020



Major customers in contractual portfolio (based on contract under public law)

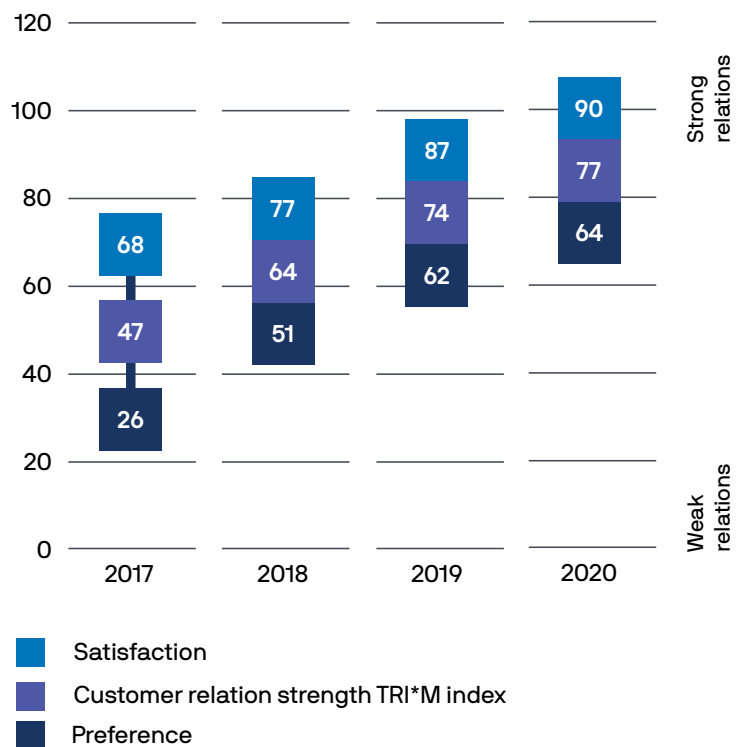
Customer	Area of contractual portfolio (m ²)
Ministry of Education and Research	484 787
Ministry of Internal Affairs	39 666
Ministry of Culture	5 039
eu-LISA (IT-agency)	5 001
Constitutional institutions and State Chancellery	4 811
Tartu City Government	2 476

As of December 2020, RKAS manages 908 contractual customer relations, of which 833 are based on lease contract and 147 based on contract under public law. In case of lease contracts, we either own the property or mediate the property of a third party and provide the customer agreed upkeep services according to the lease contract. In case of contract under public law, the customer has granted on the property in their ownership for us to manage and we ensure its upkeep and compliance with the customer's needs.

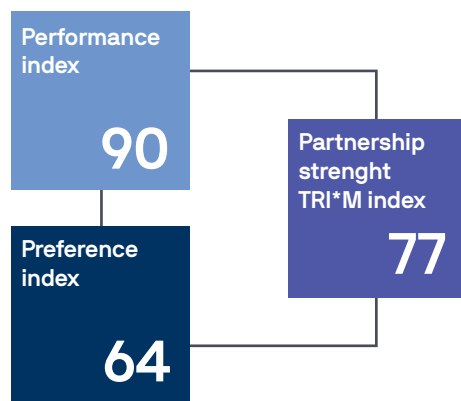
Customer feedback

RKAS measures the strength of customer relations in cooperation with Kantar Emor survey company since 2011. Main purpose of the survey is to map satisfaction of RKAS customers with services, communication, and contact person. The survey uses TRI*M index to measure satisfaction and the factors affecting it and analyses their impact on customer relation. When assessing the customer relations, the model also considers competition situation.

The survey carried out in 2020 had 327 participants (response rate 59%), during the year, the number of respondents increased by 43%, indicating that our customers consider it important to voice their opinion and speak up and value involvement. Based on their feedback, the satisfaction and preference has increased compared to 2019.

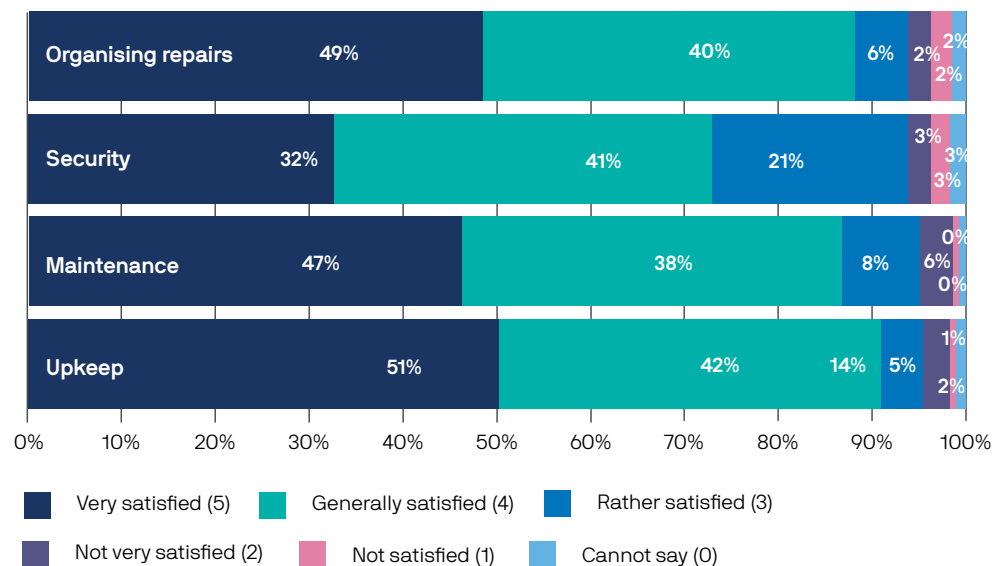


Source: Kantar Emor



In terms of management and maintenance, we also measure prompt post-contact feedback by using MyClient system, which allows to respond in an operative manner and remove any bottlenecks. The assessment given to our services through MyClient in 2020 is presented below.

Overall satisfaction with RKAS services in 2020



To provide better customer experience, we will adopt the methodology of net promoter score for measuring customer satisfaction in 2021. Regular, somewhat more frequent and more specific feedback helps us to solve problems more quickly and allows better assessment of customer satisfaction and areas of potential improvement.



Suppliers and service providers

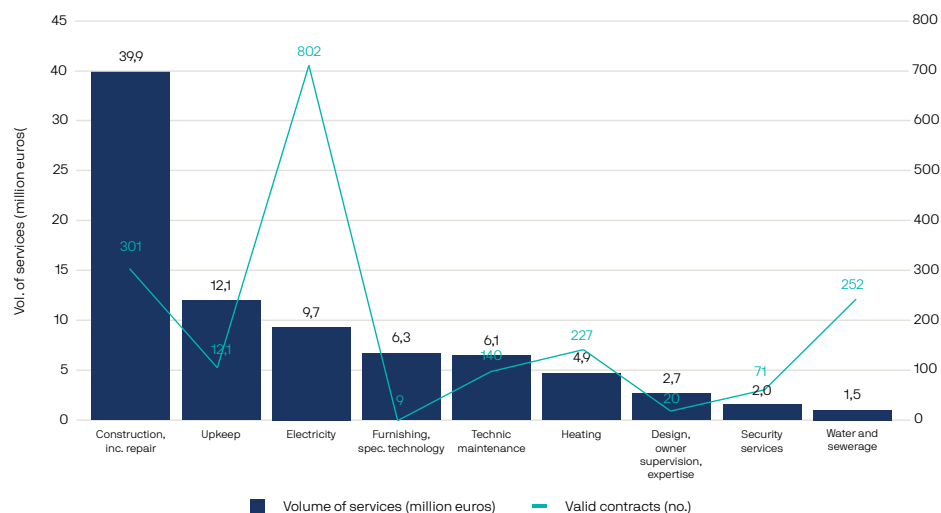
Based on the business model, the satisfaction of RKAS customers depends both on the contribution of the employees of our company and our cooperation partners. One of the strategic objectives of the state as the owner of RKAS expresses owner's expectation that RKAS should be an expert partner for suppliers and facilitate competition to achieve optimum price/quality ratio in organisation of services. In 2020, the cooperation with our partners was greatly affected by meeting the challenges arising from COVID-19 crisis. Spreading virus required us to implement changes in the organisation of work and precautions are now a part of our daily cooperation activities.

Within the company, we implemented several development activities aimed at our cooperation partners, e.g., improved availability of information about RKAS procurements on our webpage in the form of dynamic procurement plan. Furthermore, we strengthened our interoperability by creating category manager positions to improve the quality of maintenance and consumption services. We were successful in terms of explanations and information for potential new service providers, the success stories of several minor companies as RKAS cooperation partners have become a reality and the circle of tenderers continues to grow.

Service supply volume

Supply volume in 2020 by different service categories is presented below, total amount 85.3 million euros.

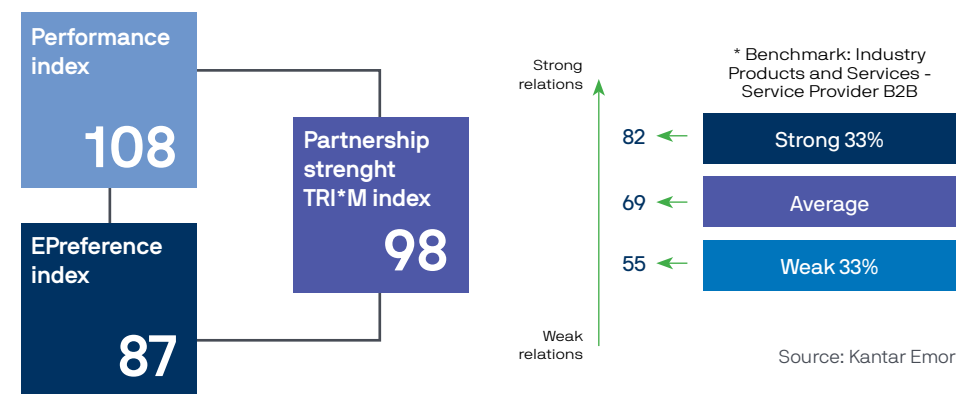
Volume of service contracts



Supplier relations survey

For the second year in a row, we carried out a supplier relations survey, which, similar to customer relations survey aimed at mapping key strength and development opportunities of relations according to our suppliers and service providers. In cooperation with survey company Kantar Emor, we used TRI*M methodology which evaluates partnership based on two components – performance and preference. The survey of 2020 had 217 respondents (response rate 30% of respondents and 56% of companies involved).

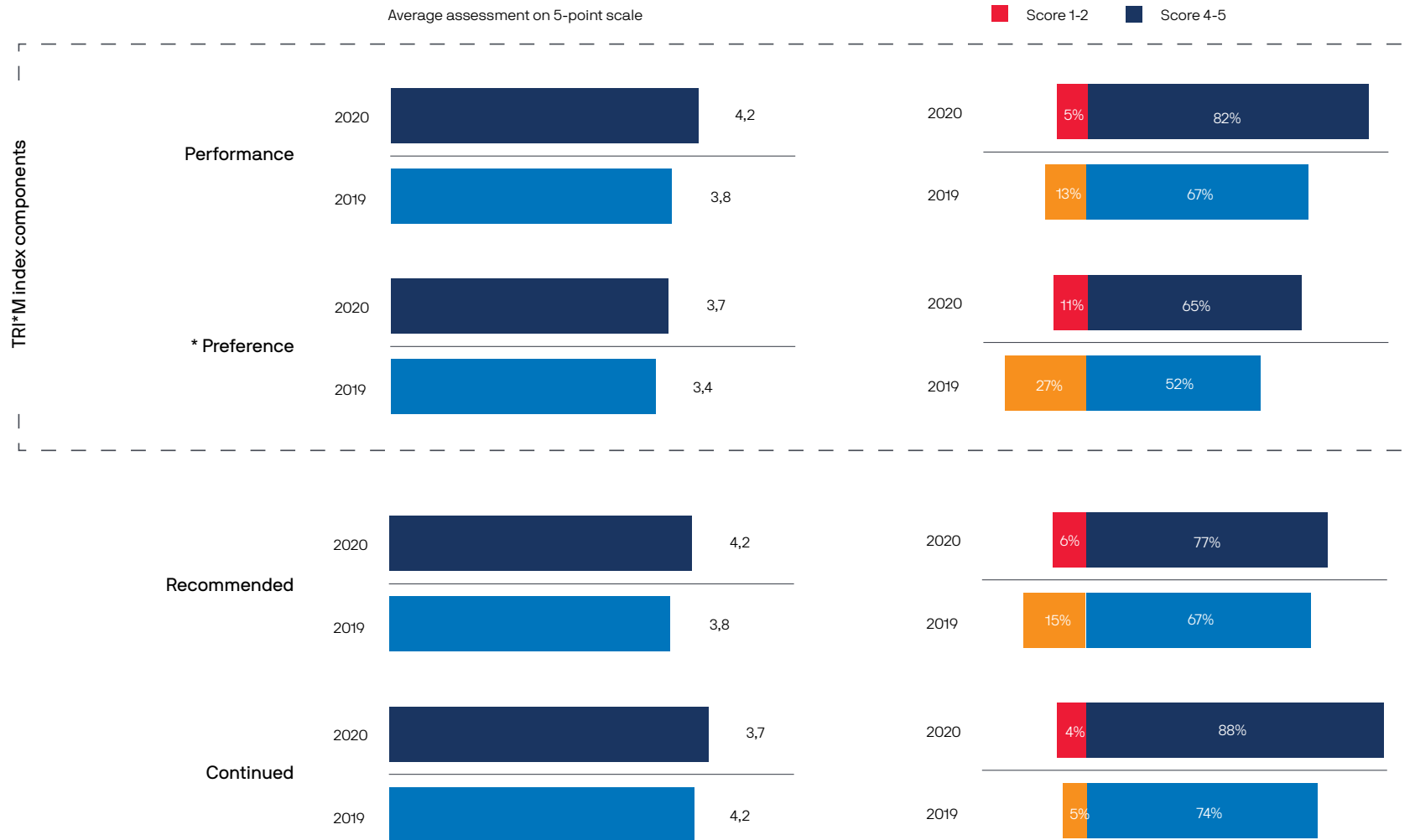
RKAS supplier relations strength index TRI*M in 2020



The source of reference base for survey results consists in global TRI*M databases. According to the surveys of business relations regarding European products and services, RKAS ranks among top 33%, where positive results refer to strong partnerships. The results of 2020 show significant improvement compared to the survey first carried out in 2019.

We have maintained our strong partnerships with regard to development services. Special emphasis should be given to our partner's expectation to receive from us more feedback regarding consultancy services (design, surveys, owner's supervision and expert assessments). Upkeep services have been in the lead in terms of improvement in partnership strength and shown sudden increase in satisfaction with cooperation.

The share of positive evaluations has increased



Employees

By the end of 2020, RKAS had 222 employees (number of employees is not a full-time equivalent), incl. those on parental leave. The number of full-time employees at the end of 2020 was 209 and 13 persons worked part-time.

In 2020, 35 new employees commenced work at the company. Staff turnover has remained on the same level as in previous year, i.e., 12%. During 2020, 2 employees returned from parental leave and 7 persons did their professional traineeship during that period. The company employed 2 persons with special needs. There were no violations that would indicate discrimination or violation of human rights, and there were no labour disputes that would have reached the labour dispute committee.

RKAS adheres to applicable laws and legislation, it has established procedures for occupational safety and organisation of work environment. We perform risk analysis to find out risk factors regarding work environment, which are then analysed and monitored. The company has appointed working environment specialist, elected working environment representatives and established working environment council, consisting of equal number of representatives elected by employer and employees. Employees undergo regular health check-ups. RKAS provides employees with means of work, work clothes and personal protection equipment. There were no occupational accidents in 2020.

Commitment and satisfaction of employees

For the fourth year in a row, RKAS in cooperation with the Estonian Centre of Applied Research CentAR carried out a survey of commitment and satisfaction of its employees, which is based on methodology developed by CentAR

Company operates in four locations:

155 employees in Tallinn:

- 40 in real estate development
- 34 in administrative services
- 6 in customer relations
- 11 in supplier relations
- 64 in support units

31 employees in Tartu:

- 10 in real estate development
- 21 in administrative services

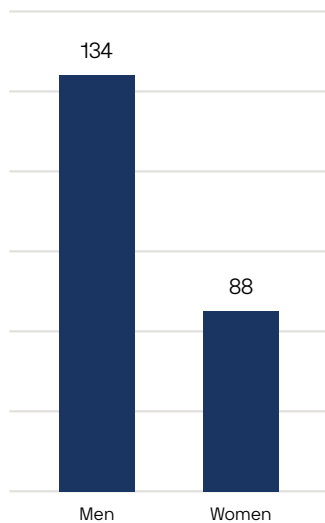
22 employees in Pärnu:

- 2 in real estate development
- 20 in administrative services

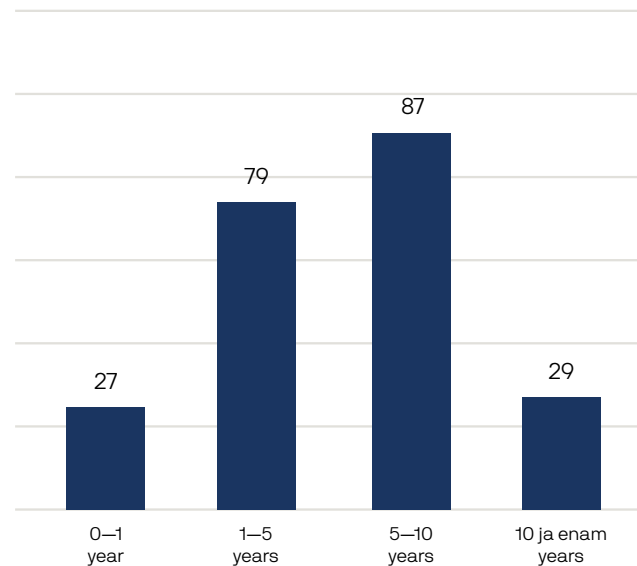
14 employees in Jõhvi:

- 2 in real estate development
- 12 in administrative services

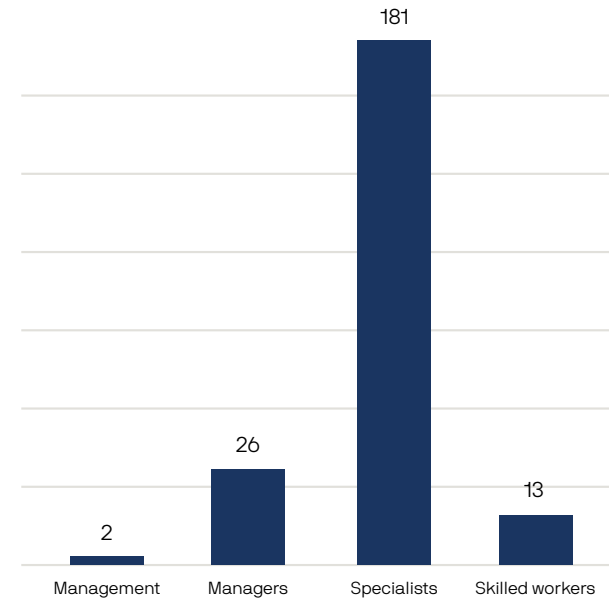
Employees by gender



Employees by length of service



Employees by position



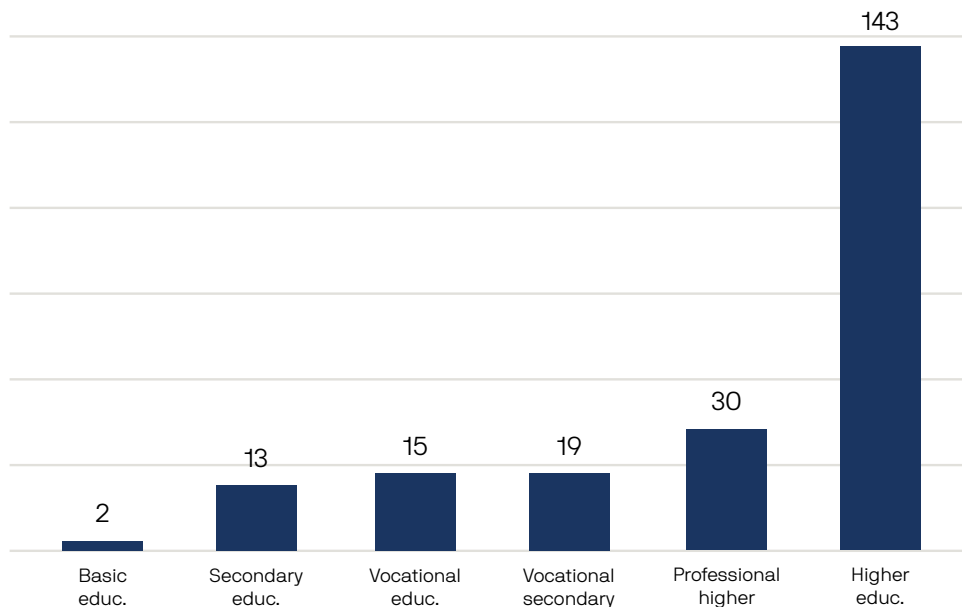
and Psience and was commissioned by the Ministry of Finance. The survey had 177 respondents (response rate 89%). Response rate has been high for several years (86-90%), which indicates that employees are willing to be involved in shaping their working environment. When comparing overall results of the organisation with the average results of public service, we can say that the commitment of RKAS employees exceeds that of the average result of public sector. Besides commitment and general satisfaction, the survey covered fifteen other areas that affect the output indicators mentioned above. In 12 of 15 survey areas, respondents' assessments were more positive than reference group average and, compared to the previous period, the results had improved in 13 areas.

Respondents' assessments were above average response to public service with regard to flexibility of organisation of work, direct management, career opportunities, remuneration, the role of top executive, employer's reputation, purposefulness of work, development opportunities, community at work, deep work, involvement in work and being informed. Across RKAS, a more critical approach was observed with regard to the clarity of the role of the respondent, work-life balance and workload. These areas need more attention in the organisation as a whole.

Development of competences

RKAS supports its employees' studies at the institutions of higher education and participation in professional training. In 2020, we invested 89,000 euros in training of our employees. We consider it important to provide in-service training and 37% of our employees have professional certificates.

RKAS employees have a very high level of education: 76% of employees has either applied higher education, bachelor or master's degree, and two employees have doctoral degree.



RKAS employees have been issued a total of 103 professional or competency certificates in the following specialities:

- Profession of certified heating, ventilation and cooling engineer, lv. 7 (Estonian Association of Civil Engineers) – 4 persons
- Construction manager, lv. 6 (Estonian Association of Construction Entrepreneurs) – 3 persons
- Construction engineer, lv. 6–7 (Estonian Association of Civil Engineers, TTÜ, TKTK) – 9 persons
- Concrete works builder, lv. 4 (Estonian Association of Construction Entrepreneurs) – 1 person
- Construction carpenter, lv. 4 (Estonian Association of Construction Entrepreneurs) – 1 person
- Foreman, lv. 5 (Estonian Association of Construction Entrepreneurs) – 2 persons
- Certified electric engineer, lv. 7 (TTÜ) – 1 person
- Electric engineer, lv. 6 (Estonian Society for Electrical Power Engineering, TTÜ) – 2 persons
- Real estate manager, lv. 4–5 (Estonian Property Management Association) – 29 persons
- Property administration manager, lv. 6 (Estonian Property Management Association) – 8 persons
- Property upkeep manager, lv. 6 (Estonian Property Management Association) – 1 person
- Property upkeep foreman, lv. 5 (Estonian Property Management Association) – 6 persons
- Appraiser, lv. 7 (Estonian Association of Appraisers) – 2 persons
- Junior appraiser, lv. 5 (Estonian Association of Appraisers) – 1 person
- Property upkeep specialist, level 4 (Estonian Property Management Association) – 1 person
- Cleaning manager, lv. 5 (Puhastusekspert OÜ) – 1 person
- Cleaner-instructor, lv. 4 (Puhastusekspert OÜ) – 4 persons



- Designer of security systems, lv. 6 (Estonian Association of Security Enterprises) – 1 person
- Specialist responsible for security systems (Estonian Association of Security Enterprises) – 1 person
- Security manager, lv. 5 (Estonian Association of Security Enterprises) – 4 persons
- Security specialist I (Estonian Association of Security Enterprises) – 1 person
- Authorised energy efficiency specialist, lv. 8 (Estonian Society of Heating and Ventilation Engineers) – 1 person
- Certified energy efficiency specialist, lv. 7 (TUT) – 1 person
- Certified energy efficiency specialist, lv. 7 (Estonian Society of Heating and Ventilation Engineers) – 1 person
- Spatial environment planner, lv. 7 (Estonian Association of Planners) – 1 person
- Authorised architect, lv. 7 (Estonian Association of Architects) – 1 person
- Certified interior architect, lv. 7 (Estonian Association of Interior Architects) – 1 person
- Electrical installation works, competence class A (Consumer protection and Technical Regulatory Authority) – 3 persons
- Electrical installation works, competence class B (Consumer Protection and Technical Regulatory Authority) – 5 persons
- Land surveying technician, lv. 4 (Association of Estonian Surveyors) – 1 person
- Land surveyor, lv. 5 (Association of Estonian Surveyors) – 1 person
- Certified water supply and sewerage engineer, lv. 7 (Estonian Association of Civil Engineers) – 1 person
- Supervisor of using pressure equipment (Consumer Protection and Technical Regulatory Authority) – 1 person
- Project manager assistant, lv. 5 (Estonian Project Management Association) – 1 person
- Plumber, lv. 4 (Estonian Association of Construction Entrepreneurs) – 1 person

Society

Membership of and cooperation with professional associations

RKAS wishes to contribute to various areas in the society and has a membership of the following Estonian organisations:

- Corporate Social Responsibility Forum
- Estonian Property Management Association
- Estonian Society of System Engineers
- Estonian Association of Construction Entrepreneurs
- Estonian Human Resource Management Association PARE
- Estonian Taxpayers Association
- The Digital Construction Cluster
- Workplace Evolutionaries Estonia (WE Hub)
- Heritage Conservation Advisory Panel
- Accessibility Task Force

RKAS is represented in the Accessibility Council of the Ministry of Social Affairs, one of the duties of which is to lead public discussion concerning accessibility and universal design, increase social awareness and implement the way of thinking and acting in accordance with the principles of inclusive living environment.

Accessible society makes it possible for everyone to live their lives to the fullest. In Estonia, this objective is expected to be achieved by 2035. In order to attain the said objective, the Government of the Republic established Accessibility Task Force in 2019, one of its members is RKAS. The task force prepares proposals and measures for ensuring accessibility in both public and private sector.



RKAS is a member of international organisations PuRE-net (The Public Real Estate Network) and The Workplace Network.

PuRE-net unites state companies, ministries, agencies and institutions in charge of public sector and state real estate in 23 European countries. This is a network of top executives and specialists, which allows sharing knowledge and experience in management and development of state real estate.

TWN is a global organisation that connects top real estate managers of public sector, members of which include companies, government agencies and institutions from 17 countries.

EFFECT4buildings – energy service development and implementation of wide-scale energy saving measures

EFFECT4buildings is a cooperation project aimed at improving energy efficiency measures applicable to existing public buildings in the Baltic region. Main contribution by RKAS consists in testing the applications that allow energy monitoring of buildings. The purpose of energy monitoring is to quickly detect potential overconsumption of energy by means of constant monitoring of the energy use of a building and proactive response to reduce such overconsumption.

Riigi Kinnisvara participates in social responsibility survey organised by Sustinere, assessing the sustainability of social and environmental impact, principles of responsible management and social role in general, with regard to activities described in annual reports of companies.



Supporting research and development activities

In line with the owner's expectations and strategy of the owner of Riigi Kinnisvara, we want to lead the innovation in Estonian real estate sector and are thus committed to three main subjects in our daily work:

- we launch research and development projects crucial for the advancement of our sector and constantly cooperate with education and research institutions;
- we focus on the development of knowledge and competence of our employees and sharing know-how both internally and externally;
- we contribute to projects that attract the interest of young people to our field of activity to increase the innovation, human-centredness, environmentally sustainable and efficient future of Estonian real estate and construction sector.

Supporting research

We support research and development activities in compliance with the State Assets Act, which prescribes that a state company can pay support and make donations only for the purposes of research and development activities in its field of activity, if it facilitates achievement of operational and financial objectives of the company. During one calendar year, state company can support research and make donations to the extent of up to 0.5% of average consolidated net profit of three preceding financial years.

In 2020, Riigi Kinnisvara supported research project for the development of a survey and methodology of repair methods of buildings in cooperation with Tallinn University of Technology, Estonian University of Life Sciences and Tallinn University of Applied Sciences. RKAS annually organises repair works for ca 25 million euros for real estate portfolio objects with area of ca 1.6 million

square metres. Currently valid regulation prescribes a framework for calculating estimated funds for repairs, but there is no central solution for planning the works. The purpose of the survey is to establish scientifically grounded and widely accepted methodology for planning repair works. Total amount of support is 94,620 euros, of which 24,960 euros is allocated for 2020.

Sharing knowledge and supporting innovation

In September, Riigi Kinnisvara supported the organisation of Garage48 digital construction hackathon weekend, which brought virtually together approximately 150 construction and real estate experts from more than 10 countries. The purpose of the hackathon was to promote solutions that support digitalisation of the sector. RKAS challenged the hackathon participants and the winning team BIMxFM developed an easy-to-use interface linking RKAS' FM-software and complete building model.

In November 2020, RKAS organised a science conference "Mindset Chang-ers 2020", where top specialists in real estate and construction sector across Europe shared their ideas and thoughts. Exciting presentations were made about various aspects of digital construction, work and study environments, and using big data in real estate sector. We were looking for answers to questions about the changes needed in the construction and real estate sector, how to create contemporary and durable work and study environments and how to make digitalisation more efficient in the context of development in the field of big data.

Supporting next generation and promoting specialties in real estate and construction sector

In 2020, we updated RKAS scholarship competition "Future Leaders" to promote education and image of specialties, so that we as the largest real estate

company in Estonia could notice, recognize and support the generation leading the innovation in real estate and construction sector. Scholarship applications can be submitted by all bachelor's, professional higher education, engineering or Master's or doctoral students from Tallinn University of Technology, Estonian Academy of Arts, Tallinn University of Applied Sciences, Tallinn University, University of Tartu and Estonian University of Life Sciences, if their research field is related to the operational goals of RKAS.

In 2020, Riigi Kinnisvara scholarship was allocated to the students below:

Martin Talvik

(Master's studies, building design and construction management, TalTech). Master's thesis constitutes a part of a project for creating a façade system that generates solar energy, which contributes to the development of energy efficiency of buildings, both in the form of innovative use of energy and more sustainable and green technology. Innovative façade solution could be used in buildings in a couple of years. Martin Talvik's vision was well-grounded, he showed great interest in his field of study and specialty in general. Scholarship 2,000 euros.

Kaleem Ullah

(doctoral studies, Institute of Construction and Architecture, TalTech). Doctoral thesis on "Introduction of BIM-systems for issuing building permits" allows further development in the field of digital construction. In the framework of this thesis, a project will be completed in cooperation with the City Planning Authority of Tallinn, which allows immediate implementation of the results. Scholarship 3,000 euros.

Ulla Alla

(Master's studies, architecture and urban planning, Estonian Academy of Arts). Master's thesis looks at the functioning and future prospects of Estoni-



Artwork "Home guard" by Jass Kaselaan,
Student home of Rakvere Vocational School

an construction sector at a different angle – is Estonian building stock saturated? Do we already have everything we need? This topic has great research potential for closer examination of certain region or its building stock and also in view of Estonian building stock as a whole. Scholarship 2,000 euros.

Markus Puidak

(Master's studies, architecture and urban planning, Estonian Academy of Arts). Research topic highlights the desire to increase the durability of construction development. The topic of the master's thesis would suit well for both state houses and symbolic buildings of county centres, the development of which has to consider modernisation and changes. Scholarship 2,000 euros.

Public buildings and accessibility

The objectives of the Government of the Republic action programme for 2019–2023 included living environment with improved accessibility in all areas. Based on that, the government established Accessibility Task Force in 2019, which will ascertain the state of accessibility and problems in all aspects crucial for living environment and society, incl. access to public sector buildings and agencies and entire public space and different parts thereof. Besides that, the Task Force is tasked with developing policy guidelines and solutions that contribute to moving towards the society, public space, and services accessible to everyone within the next ten years. Another target is to improve the awareness of decisionmakers and entire society with regard to accessibility and in near future, achieve a situation where created physical and e-environment correspond to contemporary principles of accessibility. Task Force was established in view of the principle to see entire population as the target group of accessibility during entire lifespan.

Task Force prepared an interim report of current situation, providing an overview of the work of the task force last year and presenting initial proposals for improving the political areas concerning living environment and societal accessibility. The goal is to give everyone equal opportunity to participate in social life. Proposals were made for development and expansion of minimum requirements to ensure planning and building all significant parts of living environment and public space based on accessibility and inclusive design.

Accessibility targeted at entire population

In order to be able to refer to Estonia as an accessible country in 2035, we need to prioritise implementation of the principles of accessibility and inclusive design on national level, adjust legislation accordingly, increase the importance of the topic when planning living environment, designing buildings and issuing building permits and permits for use, improve supervision efficiency, apply motivational measures to involve private sector, establish national consultancy system and include the topic in curricula. The proposals made in the interim report for improving the accessibility of public buildings are listed below.

- Approach accessibility based on so-called wider view, which gives everyone mobility-based opportunity for self-realisation throughout the entire lifespan and participation in social life with dignity and independently. In the Building Code and in Regulation no. 28 on accessibility to public buildings, replace strict wording regarding people with reduced mobility with the wording that reflects more extensive approach to accessibility and extend the scope of the regulation to all new and reconstructed buildings, regardless of the nature of services provided in those buildings.
- When addressing accessibility, use the term “inclusive design”, the purpose of which is not only meeting minimum requirements, but also

continuous creation of a better living environment, based on best practices and user experience.

- In addition to the Building Code, consider introducing concept of accessibility based on the principle of inclusive design in the Planning Act to ensure sustainable approach to the topic from design to completion and improve the priority of accessibility in the construction process. Review and ensure compliance with above principles also in other construction-related legislation, incl. regarding heritage conservation and fire safety.
- Similar to the energy-efficiency label, create accessibility label of buildings to assess their accessibility (e.g., by testing the label in cooperation with RKAS) or consider development of complex label that would take into account the quality of living environment on a wider scale.
- Add the accessibility based on the principles of inclusive design to curricula of corresponding specialties and vocational standards.
- Create a competence unit consisting of persons competent in accessibility and inclusive design that would consult designers, local government units, etc., and promote sectoral innovation.

In terms of development projects completed in 2020, one example of ensuring accessibility to public buildings is reconstructed office and service building at Pepleri street in Tartu. The layout of the building was radically changed in the course of construction. For better servicing of city residents, we focussed on ensuring accessibility to the building, starting from the border of the registered immovable to the entrance to the building, as well as moving between different floors and rooms inside the building. Before, people with reduced mobility and their vehicles did not have a convenient access to the building and thus, we rebuilt the half-sunken garage in the yard so that its roof can be used as parking place for both regular vehicles and those for disabled persons. Parking places for vehicles for disabled persons are now just 5 metres away from the entrance to the service hall of the Social Insurance Board.

Parallel to tidying up the yard, we established a sheltered bicycle parking area for 20 bicycles and container greenery. Driveway with high curb was replaced with driveway and walkway smoothly ascending towards the building. To facilitate mobility of people with impaired vision and blind people inside the building, we installed tactile guides on the floor, marked the stairs with contrast marking, indicated the number of the floor on handrails of the staircase and mounted informative panels in Braille to the doors of the premises. At the front door, people with and without impaired vision can examine the house and floor guide. Guide dogs are welcome to the building and there is a comfy place to lie down, along with a bowl of fresh water.

The queue system of the customer service of the Social Insurance Board supports independent coping of people with limited vision. Sound message from the speakers instructs the customer to go to the right service desk. There are several service desks and meeting rooms for people with hearing disability, plus an elevator with loop amplifier. People in wheelchair can access the meeting room with module desks with easily adjustable height. Service desk also has the option of electrical height adjustment to allow convenient wheelchair access. The building is equipped with WC for people with disabilities that complies with all standards.

RKAS involved in the development of various solutions people from Estonian Blind Union, Estonian Association of the Deaf, Estonian Association of People with Disabilities, NPA Händikäpp and NPA Accessibility Forum.

Heritage conservation and architectural heritage

RKAS first encountered heritage conservation already since the foundation of the company. Since 2015, the company has been represented at the Heritage Conservation Advisory Panel, proposals and opinions of which represent the

recommended basis for planning the heritage conservation work by the Heritage Conservation Board and local government and development of heritage conservation principles.

In 2020, RKAS real estate portfolio contains 146 buildings subject to heritage conservation or located in heritage conservation zone. In 2020, repairs works were performed in 43 buildings under heritage conservation or in heritage conservation area, in the course of which the condition of the buildings was improved or preserved. Total cost of such repair works of RKAS objects under heritage conservation in 2020 amounted to 2 million euros, which constituted 14% of all repair works performed by RKAS in 2020.

As for major heritage conservation related service projects works managed by RKAS, we completed reconstruction of the Supreme Court building in Tartu. Another work in progress is the preparation of the reconstruction project of Estonian National Library, which will be completed in spring 2021. Construction works of the National Library are scheduled for early 2022.



War of Independence Victory Column

Environment

Energy consumption and energy efficiency

One of the priorities of RKAS consists in reduced energy consumption and increased energy efficiency. Energy efficiency of a building refers to a quantity of energy required for heating, cooling, ventilating, hot water supply and lighting of the building, plus energy consumption depending on the user.

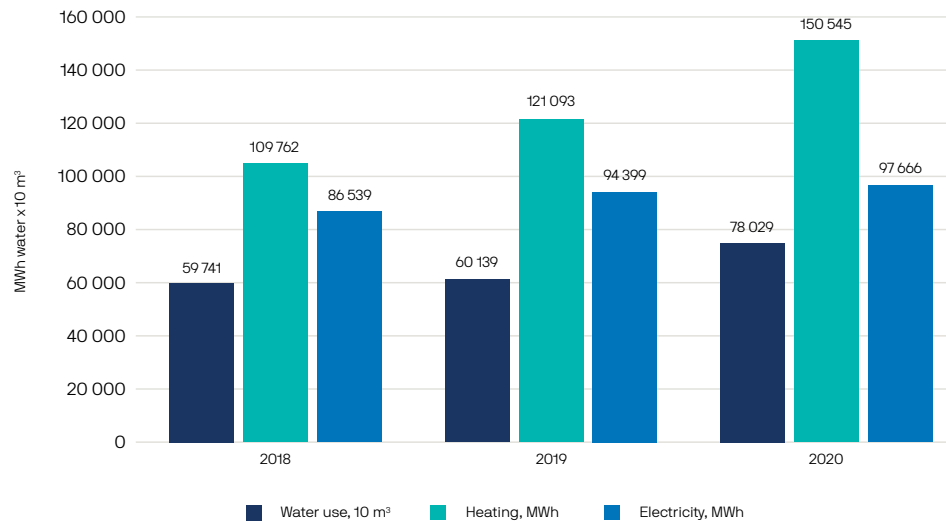
Environmental impact arising from energy use of buildings is reduced by performing various repair works, regular monitoring of energy consumption and quick response to overconsumption, as well as increasing the awareness of the user of the building. New developments and large-scale reconstruction work meet minimum requirements for energy efficiency established in legislation.

Energy consumption and efficiency is directed by using guidelines and actual activities ranging from optimisation, development construction and administration of real estate to maintenance and sales of the assets in the portfolio.

Company's energy and water consumption

RKAS regularly monitors energy and water consumption of buildings, analyses data and develops measures for stabilising and reducing consumption. Consumption within RKAS is marginal, constituting only ca 0.2% of the energy consumption outside the organisation. Consumption outside the organisation stands for consumption of energy and water by our real estate portfolio, affected directly by our customers and cooperation partners, whose activities we can direct only through increased awareness, area optimisation and repair works intended for improving energy efficiency.

The diagram below shows energy and water use indicators of the RKAS administrative and contractual portfolio within the last three years compared to portfolio increase.



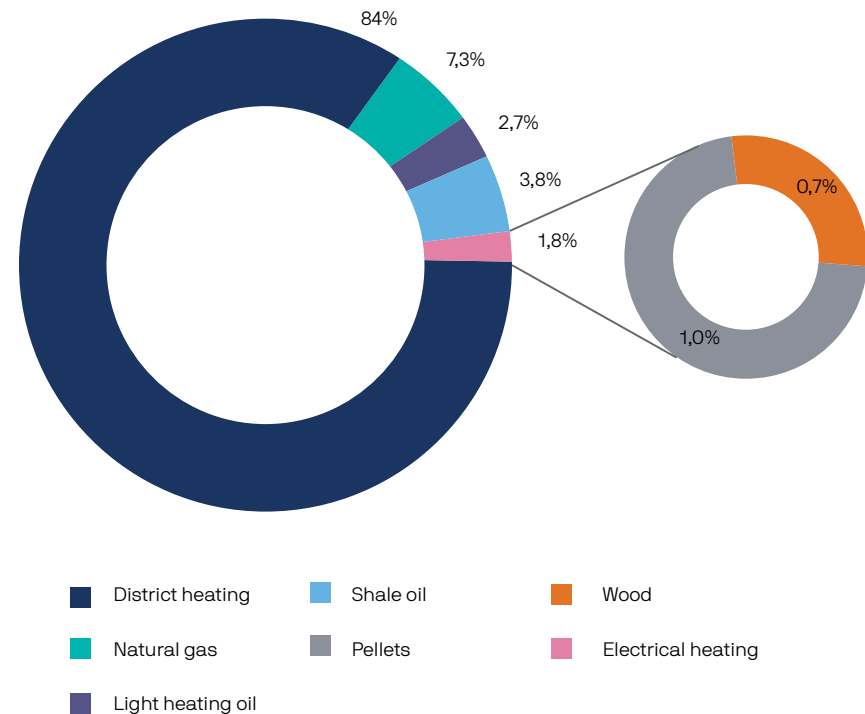
The increase in the consumption of thermal energy shown in the diagram is mostly affected by the following factors.

- Consumed quantities are adjusted with outdoor temperature. Considering that 2020 was relatively warm, the need for heating has unfortunately increased in buildings with low level of automation after adjustment, i.e., average room temperature was higher than usual.
- In 2018, the portfolio was supplemented with vocational education institutions under the Ministry of Education and Research, consumption data of which reached RKAS database after a while.
- As a result of different indoor climate projects, air circulation in buildings has improved, but it has affected both the consumption of heat energy and electricity.
- Impact of pandemic – buildings are more heated and ventilated, but the

number of users has decreased. The less used the premises, the more they need to be heated due to lack of use-induced free heat, which accounts for significant amount of heat required by entire building.

Heat energy and electricity

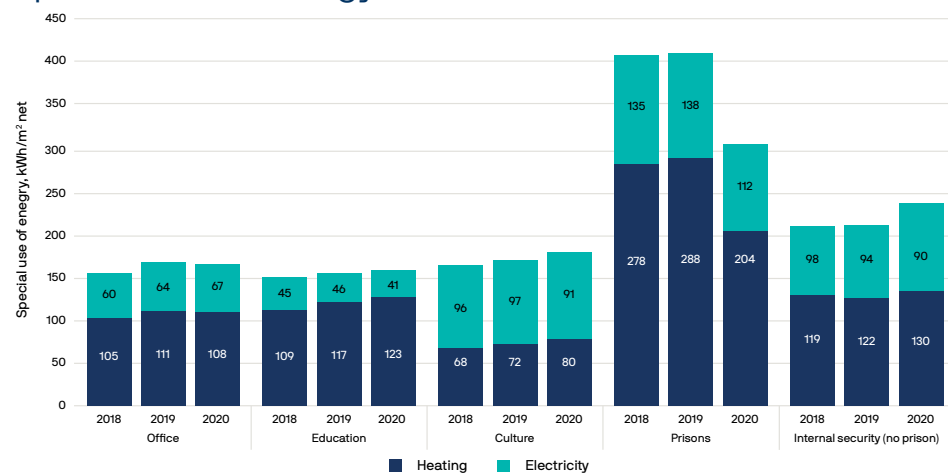
RKAS asset portfolio uses mainly district heating to supply heat to buildings. Distribution of locally produced heat by different energy sources (incl. renewable sources such as pellets, wood) is shown below.



All electricity used in 2020 for RKAS energy portfolio was purchased at electricity exchange market price.

The administrative and contractual portfolio of RKAS contains immovable properties and buildings with different profile and intended use, which can be divided into five groups: office, internal security, prisons, educational and cultural buildings. Intensity of energy and water consumption is characterised with special use, dynamics of which is shown on the diagrams below.

Special use of energy

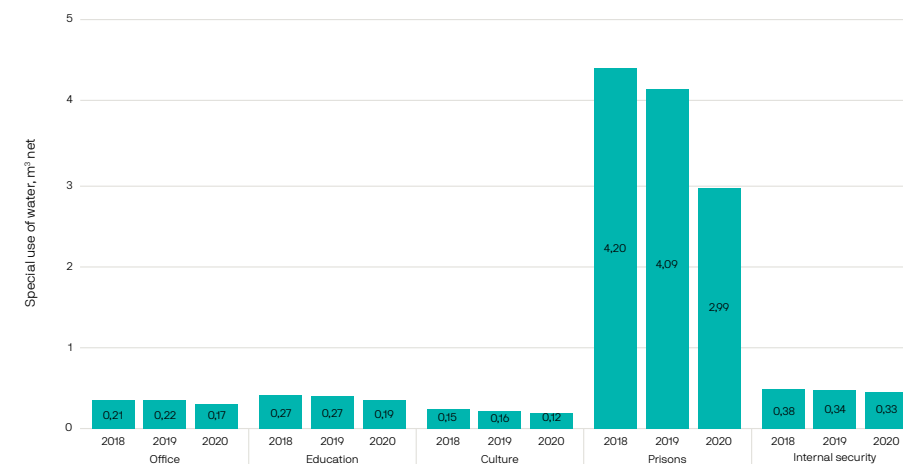


The diagrams show buildings that have been in use for at least one full year. The results are not affected by the buildings completed in 2020 or major reconstruction projects. Special use of energy and water has remained mostly stable. The greatest change has occurred in special use of energy in prisons affected the most by the completion of new modern Tallinn prison, energy consumption of which is lower than in Tartu and Viru prison

Remarkable contributions are made to improve indoor climate, which sometimes increases the energy consumption of buildings (e.g., construction of cooling or ventilation systems to avoid overheating). The aim is to reduce the energy consumption of every single building, but savings cannot be achieved on the account of indoor climate and the health of people using the building. Great energy consumption stands out in case of prisons that operate 24/7 and are subject to additional requirements (e.g., very intense outdoor lighting) and these registered immovables also accommodate production facilities (prison industry).

We monitor energy use on a monthly basis and carry out various repairs to improve energy efficiency to stabilise energy and water use. Consistent work helps to reduce overconsumption of energy and improve the quality of indoor climate.

Special use of water

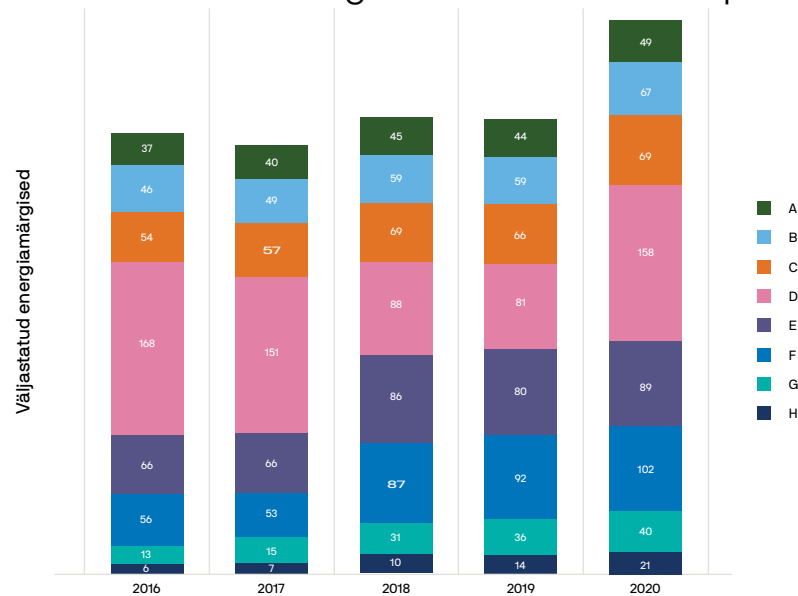


Energy-performance labels

Energy-performance label provides an overview of the energy efficiency and intensity of use of a building (buildings with energy-performance label class A have the greatest energy efficiency and buildings with energy-performance label class H consume the most energy). Energy-performance label class is an indication of the technical condition of the buildings and consumption habits of the user. RKAS consistently maps the data and issues energy-performance labels to buildings.

Pursuant to the Regulation of the Minister of Business and Information Technology “Minimum requirements for energy efficiency of buildings”, the energy-performance label class of an existing building must be at least C or

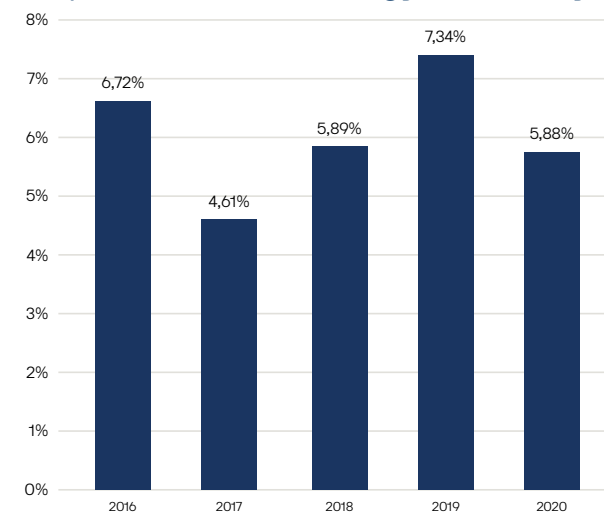
Distribution and dynamics of energy-performance labels of the buildings in RKAS real estate portfolio.



better. New buildings developed by RKAS are all designed as energy-performance label class A (near zero energy) buildings.

Approximately 27% of the buildings in administrative and contractual portfolio meet the minimum requirements for energy efficiency. Pursuant to one obligation of the EU Directive on energy efficiency (2012/27/EU), every Member State must bring at least 3% of the buildings used by the central government that are subject to minimum requirements, in accordance with the requirements, i.e., reconstruct them as at least a building with energy-performance label class C. We monitor the compliance with this obligation in our portfolio and we also annually check the impact of improvement works on energy efficiency. In recent years, we have achieved the compliance with minimum requirements of energy efficiency of the following share of buildings in the portfolio used by the central government:

Rate of buildings brought in compliance with minimum requirements of energy efficiency





Memorial to the Communism Victims at Maarjamäe



Projects for improved energy efficiency

Support measure for improving energy efficiency of central government buildings

In 2020, RKAS applied for investment aid from the support measure for improving energy efficiency of central government buildings, which contributes to improved energy efficiency and indoor climate of central government buildings. RKAS applied for and was granted aid for reconstruction of two buildings and assisted the Ministry of the Environment to apply for aid for development of new Environment House. As a result of reconstruction, existing buildings are brought in accordance with minimum requirements of energy efficiency.

In 2020, aid was granted to RKAS for the following projects.

Project	Address	Aid amount, €
Renovation of Tartu Courthouse	Kalevi 1, Tartu	7 410 630 €
Reconstruction of Vocational Rehabilitation Centre in Astangu	Astangu 27, Tallinn	2 448 270 €

In 2020 were completed the following renovation projects and new developments that received aid in 2019.

Project	Address	Aid amount	Final aid amount, €
Renovation of Rescue Board building in Rapla	Kevade 10, Rapla vald	325 222 €	313 820 €
Reconstruction of Rescue Depot in Nõmme	Jaama 4, Tallinn	326 486 €	326 486 €
Reconstruction of an office building in Tartu	Pepleri 35, Tartu	804 209 €	804 209 €
Reconstruction of Lilleküla rescue depot	Paldiski mnt 47, Tallinn	844 256 €	844 256 €
Construction of common internal security building in Sillamäe	Pavlovi 4, Sillamäe	1 004 290 €	1 004 290 €

Further information with all studied and developed tools with examples, guidelines and instructions is available on project website effect4buildings.se.

EFFECT4buildings – energy service development and implementation of wide-scale energy saving measures

The purpose of EFFECT4buildings project is to improve the energy efficiency measures for public buildings in the Baltic region. In 2020, we completed scheduled activities and a toolbox that helps to carry out energy efficiency projects in existing buildings and finding suitable financing model. The toolbox contains

practical examples and helpful tools for using financial instruments that significantly reduce property owner's risk in terms of project success.

RKAS focused mainly on testing of the tool for energy monitoring, which carrying out two test projects using software with different capacity. The purpose of energy monitoring is to constantly monitor the energy consumption of the building in order to promptly detect any excess consumption and proactively respond to reduce such excess use. The first test project involved five buildings (3 schools and 2 office buildings). All energy and water meters in the buildings were linked to new software. Achieved savings are shown in the table below: CO2 emissions were reduced by a total of 161.5 tons.

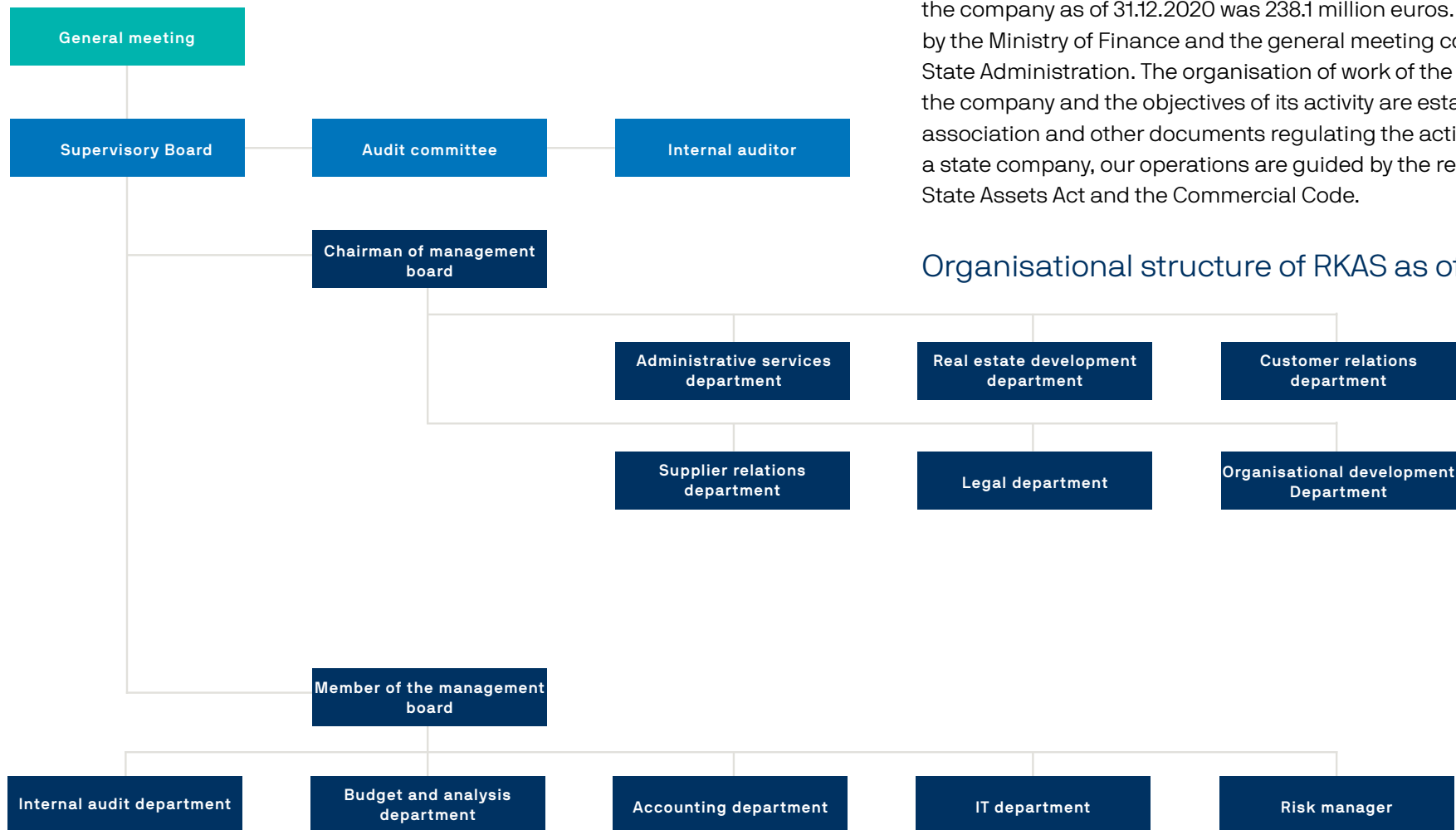
Overview of the works performed and more detailed results with explanations can be found in [final report](#).

Building	Financial savings achieved in 12 months, €
Lasnamäe 2, Tallinn (office building)	5991 €
Jaama 207, Tartu (office building)	3251 €
Võru state gymnasium	684 €
Tartu state gymnasium	16 415 €
Põlva state gymnasium	1082 €

The second test project involved testing software equipped with artificial intelligence, interfaced not only with energy meters, but also automation system of entire building. Tested software solution uses artificial intelligence that performs continuous diagnostics of the automation system of the building and creates work order for technical maintenance crew upon detection of any issues. Testing also involved climate control by using artificial intelligence. In the course of six months of testing, the application helped to reduce CO2 emissions by 179 tons.

Building	Savings achieved in 12 months
Lubja 4, Tallinn (office building)	41 400 €

Overview of the works performed and more detailed results with explanations can be found in [final report](#).



Governance

The Republic of Estonia is 100% shareholder of RKAS and the share capital of the company as of 31.12.2020 was 238.1 million euros. The shares are managed by the Ministry of Finance and the general meeting consists in the Minister of State Administration. The organisation of work of the management bodies of the company and the objectives of its activity are established in the articles of association and other documents regulating the activities of the company. As a state company, our operations are guided by the requirements of both the State Assets Act and the Commercial Code.

Organisational structure of RKAS as of 31.12.2020

Good Practice of Company Management

Pursuant to the State Assets Act, RKAS as a state-owned company is under obligation to implement the good practice of company management (GPCM) and to describe the adherence to such practice in the annual report. RKAS is 100% state-owned company and the Government of the Republic has appointed the Ministry of Finance as the person exercising the right of the founder. This leads to certain specifics and exceptions in group management on the level of general meeting and supervisory body, which is also indicated in this report.

General meeting

General meeting of shareholders is the highest management body of RKAS. General meeting is competent to decide on the issues specified in the subsection 298 (1) of the Commercial Code and other issues provided by law.

The management board decides and organises the calling of the general meeting pursuant to the provisions established by law. The supervisory board confirms the agenda of the general meeting. The resolutions of the general meeting are published on RKAS webpage within five business days after adopting the resolution, in accordance with the provisions of law.

RKAS does not adhere to the following GPCM clauses related to organising the general meeting:

- clause 1.2.1 – the notice on calling the general meeting is sent to shareholders and/or published in a national newspaper and simultaneously made available on the issuer's website;
- clause 1.2.3 – the management board shall, simultaneously with meeting

the requirements for calling the general meeting prescribed by law, publish on the issuer's website significant information regarding the agenda, submitted to or in other way made available to the management board;

- clause 1.2.4 – within reasonable time before the general meeting, the supervisory board shall publish on the issuer's website its proposals regarding the items on the agenda;
- clause 1.3.3 – the issuer shall, upon presence of relevant technical means and provide that it would not be too expensive, enable watching and participation in the general meeting by means of communication (e.g., internet).

In 2020, the general meeting adopted 15 resolutions, which are published at www.rkas.ee.

Management board and management

The management board is the managing body of RKAS, which represents and manages the company. Pursuant to the articles of association, the management board may have one to five members. Members of the management board are elected pursuant to the Commercial Code for a specified term of up to three years. In 2020, the management board members were Andrus Ait and Kati Kusmin. At the time of preparing the report, the management board of RKAS has two members. During 2020, the management board held 90 meetings.

The duties and remuneration of the members of management board are defined in their contract of service. Pursuant to the resolution of the supervisory board of RKAS, maximum limit of additional fees paid to the members of the management board for performance during one financial year is four times the average monthly fee paid in previous financial year. Upon removal

of the member of the management board on the initiative of the supervisory board prior to the expiry of the term of office of the member of the management board, RKAS shall pay such member a lump-sum severance payment to the extent of such member's remuneration of three months valid at the time of removal.

In 2020, the remuneration for the members of the management board included basic fee, compensation for using personal car and also the fee granted by the supervisory board for performance in 2019 as follows: Andrus Ait 96,183.72 euros, Kati Kusmin 126,633.72 euros.

Supervisory board

The Government of the Republic has formed an appointment committee for making proposals related to appointment of the members of supervisory board of companies with state holding, which, in view of the specific nature of the company, makes the person responsible for the holding in the company proposals regarding the election and removal of the member of the supervisory board; the size of the composition of the supervisory board and duration of office of board members; and the rate of remuneration paid to the members of the supervisory board. Owner's interests are protected in the company through the members of the supervisory board, who are representatives of the ministry (Ministry of Finance) responsible for the holding in the company.

The supervisory board plans the activities of RKAS, organises its management and supervises the activities of the management board. The supervisory board notifies the general meeting of the results of the review. The supervisory board gives orders to the management board for the organisation of the management of the company. The supervisory board decides on the development strategy and investment policy of the company, the conclusion of transactions

with immovables and the adoption of the investment and annual budget prepared by the management board.

Pursuant to the articles of association, the supervisory board has five to seven members. The members of the supervisory board are appointed and removed by the general meeting. The member of the supervisory board is elected for the term of up to three years. The chairman of the supervisory board organises the activities of the supervisory board. Meetings of the supervisory board are held according to the work plan approved at the beginning of the reporting period, but at least once every three months. There were 9 supervisory board meetings held in 2020. Since 12.06.2017, based on the resolution of sole shareholder, the monthly remuneration of the chairman of the supervisory board is 1,000 euros and the monthly remuneration of the member of the supervisory board is 500 euros. the remuneration of the members of supervisory board is paid on a monthly basis, minus taxes prescribed by law. There are no severance payment or other paid benefits prescribed for the members of the supervisory board.

Members of the supervisory board of Riigi Kinnisvara and their remuneration

Sulev Luiga (chairman of the supervisory board)	12 000 €
Tõnu Toompark	6000 €
Kaie Karniol	6000 €
Ruth Valksaar	6000 €
Norman Aas	6000 €
Tarmo Leppoja	6000 €

Audit committee

The audit committee supervises the supervisory board in the matters related to supervision. The committee exercises supervision with regard to accounting, preparation and approval of budget and reporting, financial risk management, annual accounts and auditing process, functionality of internal control system and the legality of board's activity.

The audit committee of the company has three members. Committee members are appointed for three years, but the supervisory board may decide to remove the committee member before the expiry of its term of office. Audit committee meetings are held at least once every three months; 7 meetings were held in 2020. The committee performs its duties in cooperation with the supervisory board, management board, internal auditors, and external experts if necessary.

Members of the audit committee of Riigi Kinnisvara and their remuneration

Taavi Saat (chairman, not the member of supervisory board)	6000 €
Marianne Paas (not the member of supervisory board)	4500 €
Kaie Karniol	616 €

Audit committee members who is not the member of the supervisory board will receive remuneration which equals 75% of the monthly remuneration determined for the member of the supervisory board of RKAS and the chairman of the audit committee who is not a member of the supervisory board will receive 100% of the monthly remuneration determined for the member of the supervisory board of RKAS. For the month when audit committee meeting

takes place, the audit committee member who is the member of the supervisory board will receive additional remuneration 133 euros for the chairman of the committee and 88 euros for the member of the committee.

Cooperation of the management board and supervisory board

The management board and supervisory board ensure full cooperation to provide the best protection of the interests of the company. At least once a quarter, a joint ordinary meeting of the management board and supervisory board takes place, where the management board notifies the supervisory board of significant facts in the business activities of the company, discusses the achievement of short-term and long-term goals and risks that may affect that.

Publication of information

RKAS webpage www.rkas.ee contains data and information subject to publication pursuant to legislation. Webpage allows access to annual reports, economic performance, economic indicators, overview of main activity, structure, brief strategy, news and notices and other information necessary for the general public. The information on the website (incl. news and notices) are constantly updated.

Financial reporting and auditing

Financial reports of the company are prepared in accordance with the Estonian financial reporting standard. The company selects an auditor in consideration of auditor's independence, competence, reliability, and auditing cost. Audit service is ordered in accordance with the Public Procurement Act. The annual report 2020 prepared by the management board is audited by audit company AS Pricewaterhouse-Coopers.

The management board of RKAS publishes annual report and also quarterly interim reports. The income statement, balance sheet and cash flow state-

ment for I and III quarters of the financial year are published by the end of the month subsequent to the quarter at the latest, and income statement, balance sheet and cash flow statement for II and IV quarters of the financial year are published within two months after the end of the quarter. The members of the management board and supervisory board forward signed annual report to the general meeting for approval.

Quality management

Riigi Kinnisvara implements management system compliant with ISO 9001 (quality management) and ISO 14001 (environmental management) standards. Management system covers all areas of activity of RKAS, i.e., property management and maintenance, property development and investment properties, purchase, sales and rental of real estate and project management.

Quality policy gives guidelines to meet the expectations of the owner and goals of the company through satisfaction of customer, cooperation partners and employees.

Quality management principles of RKAS

1. We are the centre of excellence for the provision of real estate environment and services for state agencies.
2. We ensure good quality, energy efficiency, responsible management of real estate and its compliance with requirements arising from legislation.
3. We contribute to ensuring optimum efficient and sustainable real estate solution and services based on the nature of the duties of state agencies.
4. We provide state agencies with solutions to optimise the use of premises, in order to improve cost-efficiency and sustainability of the activities of state agencies.
5. We develop and participate in implementation of modern construction and property upkeep methodologies.
6. When acquiring services and things, we consider the best possible economic use of financial means, incl. durability and responsibility.
7. We monitor used resources and applied activities in order to optimise costs, increase performance and facilitate responsible conduct.

Environmental policy directs us to sustainable use of resources, which is part of our responsible conduct. When planning and implementing the activities for environmental sustainability and energy efficiency, we take into consideration economic reasonability.

RKAS principles for ensuring sustainable environment and energy management

Safe and clean real estate environment. We create measures for ensuring safe and socially responsible real estate environment (incl. indoor climate, cleanliness of rooms and use of finishing materials).

Energy efficiency. We reduce environmental impact arising from the energy consumption in buildings through more efficient resource management, we follow the requirements arising from legislation and optimise energy expenditure.

Water. We reduce the environmental impact resulting from water consumption and relevant expenditure through more efficient use of resources.

Waste handling. We optimise the costs related to waste handling. We perform waste handling based on good practice and follow the principle that waste is a resource. We increase our customers' awareness of waste handling.

Air emissions. We monitor air emissions in order to identify possibilities to reduce the amount of emissions, environmental pollution and possibilities for cost optimisation.

Procurements. We organise procurements in view of their environmental sustainability and cost-efficiency (e.g., joint procurement, green public procurements, value-based procurements).

Construction and repair. Construction, reconstruction and repair of buildings are based on the principles of energy-efficiency and environmental sustainability, ensuring healthy and clean real estate environment. Design of buildings and assessment of design documentation is based on the eco-label criteria (e.g., green label).

Involvement of stakeholders. We encourage and support our staff and stakeholders to choose sustainable lifestyle.

Key quality management activities in 2020

ISO-certification

Metrosert AS performed supervisory audit of quality and environmental management standards ISO 9001:2015 and ISO 14001:2015 issued to the company, in the course of which the management systems implemented in RKAS were confirmed to be in compliance with relevant standards.

Compliance with ISO 9001:2015 ensures systemic functioning of the company and specifies requirements for quality management system.

Compliance with ISO 14001:2015 gives the stakeholders of the company assurance that the company is committed to ensuring sustainability, continuous compliance of its activities with environmental legislation and continuity and efficiency of the functioning of its environmental management system.

Certification of real estate management

Estonian Property Management Association has issued to RKAS three-star certificate of real estate management. This certificate is issued to a company, where:

- All managed objects are covered by real estate managers holding valid professional certificate;
- Job descriptions of the staff of the management company are based on professional standards;
- Management company is capable of professional development of customer's real estate;
- Customer services and consultancy are organised in a reliable and professional manner and provided to all persons using the managed

objects;

- Object logbook is used for all serviced objects;
- Management company is capable of managing the objects located within at least three counties;
- Contracting authority is provided with compilation and submission of reports prescribed by law and additionally requested by the contracting authority.

Reorganisation of management system

In order to achieve the objectives of the company and for more efficient management of customer expectations, RKAS continued reorganising its management system and optimising work processes.

Pursuant to the internal audit plan for management system, compliance audits were performed in 2020 with regard to the activities of property managers, security solutions planned for buildings, handling non-compliances, carrying out procurements and competitions, organisation of human resources and occupational health, information management and communication and prevention of fraud.

Based on all observations made by the auditors, the company prepared detailed action plans to eliminate all non-conformities and implement further suggestions.

Risk management

The purpose of RKAS risk management is to understand, assess and manage operational risks in order to ensure success, achieve set goals and reduce potential setbacks. Although risks hinder achievement of set goals, they are natural part of daily work of RKAS – they cannot always be avoided, but they can be managed.

Possible negative consequences of risks in RKAS included the following:

1. Failure to achieve strategic objectives;
2. Occurrence of errors, damages, accidents or abuse;
3. Potential material and reputation damage involved in partial or full realisation of risks;
4. Impeachment of company's sustainability.

For risk management purposes, RKAS has established a single framework, which is described in the risk management process of the company. Company's risk manager is the process holder. All data related to the risk management process are registered in an electronic risk register.

The risks with the greatest need for management measures necessary for achieving the objects set by the company for 2020:

- Market risk – quality of services acquired from the market;
- Reputational risk – image of business entity in state ownership, clear procedures and messages to partners, transparent decisions;
- Quality risk in terms of the supervision of management services – supervision for performance of service contracts concluded for object management;
- Quality risk – clarity of the terms of reference to achieve set objectives and data quality in general;

- Process risks – fragmented information, outdated normative documents
- Project risks – development projects stay within the budget and in agreed term and quality;
- Occupational health risks – risks related to COVID-19, concerning the safety of staff, customers and service providers.

Risk assessment and follow-up assessment are performed by relevant specialists of RKAS – in cooperation with risk manager – whose achievement of goals is affected by that risk (risk holders) and the assessments are then reviewed by the management in the course of periodic reporting. Risk manager updates risk register and controls the alleviation of conditional and critical risks. Summary of the assessment of updated risks in the risk register is submitted to the management bodies of RKAS for approval once a year.

Significant activities in risk management in 2020

- 1. Functioning crisis management system.** After COVID-19 outbreak in early 2020, the company established a crisis steering group to monitor pandemic-related issues, updated company's plans for continued functionality and internal rules, gave customers and cooperation partners feedback about opportunities available to RKAS as well as requirements necessary to control COVID-19. In course of that, we significantly increased the share of remote work, mapped our cooperation partners' capabilities to acquire and use disinfectants and our prompt readiness to respond to customers in concerns and needs in view of COVID-19..
- 2. Functioning ISO quality and environmental management process.** Three ISO quality management audits were performed in 2020 and supervision audits of ISO 9001:2015 quality management and ISO 14001:2015 environmental management certification issued to the company. All the above audits confirmed the compliance of RKAS management systems with

established rules, which assures both company's management bodies and stakeholders that RKAS is committed to ensuring sustainable business operations and adheres to the regulations concerning environment.

- 5. Regular internal audits.** Contractual internal auditor PricewaterhouseCoopers Advisors performed the compliance audits regarding the activities of property managers of RKAS, planned security solutions of buildings, handling of non-conformities and prevention of fraud. In view of all observations made by the auditors, RKAS prepared detailed action plans to eliminate the bottlenecks. In order to increase the efficiency of internal audit in the future, RKAS established a new structural unit – internal audit department – in the second half of 2020.
- 6. Updating of RKAS processes.** RKAS continued to update all its processes, based on its current structure and principles of process description.
- 7. Information security.** In 2020, several IT solutions were completed, which facilitate coherent and secure handling of information when exchanging information with colleagues and customers.
- 8. Coherent action plans.** We continued implementation of action plans based on company's strategy for 2017–2020 and quarterly reporting.

The measures for ensuring compliance with the principles of corruption prevention in RKAS include:

- Ethical code of employees;
- Hotline;
- General measures for processes and transactions, based on mandatory tête-à-tête principle;
- Clearly regulated procurement procedures;
- Procedure for declaring business interests and prevention of conflict of interest.

Prevention of corruption

RKAS follows the principle of zero tolerance with regard to any form of corruption. Our activities are based on honesty and transparency, and we consider it important that all our employees comply with the same ethical principles – this is also defined in the principles of corruption prevention approved by the supervisory board of RKAS and company's code of ethics.

The procedure for declaring business interests and prevention of the conflict of interest specifies general principles set out in the code of ethics and determines particular tasks of every employee in the event of a conflict of interest, incl. the terms for accepting gifts and refusing from services. It also determines the circle of persons who are required to submit, at least once a year, a declaration of personal interest. In 2020, such declarations were audited in case of 173 employees of RKAS. In addition to the information contained in the declaration of interest, RKAS is subject to permanent auditing, which involves assessment of potential risk of fraud, incl. conflict of interest. In 2020, there were no potential conflict of interest or suspicion of corruption detected among the employees of RKAS.

Annual accounts *



* The text of annual accounts contained in the yearbook and independent sworn auditor's report are copied from the original version of the annual accounts and sworn auditor's report.

Lilleküla rescue depot in Tallinn



Balance sheet

(in thousands of euros)

	31.12.2020	31.12.2019	Note no
Assets			
Current assets			
Cash	38 777	63 980	
Receivables and prepayments	12 134	13 339	2
Inventories	10 217	10 278	3
Total current assets	61 128	87 597	
Fixed assets			
Receivables and prepayments	2 102	2 199	2
Investment properties	13 539	12 949	5
Tangible assets	558 421	538 885	6
Intangible assets	2 036	2 110	7
Total fixed assets	576 098	556 143	
Total assets	637 226	643 740	
Liabilities and owner's equity			
Liabilities			
Current liabilities			
Loan liabilities	6 373	6 369	10
Debts and prepayments	22 363	22 542	11
Total current liabilities	28 736	28 911	

	31.12.2020	31.12.2019	Note no
Long-term liabilities			
Loan liabilities	115 795	122 158	10
Debts and prepayments	51 564	48 010	11
Total long-term liabilities	167 359	170 168	
Total liabilities	196 095	199 079	
Owner's equity			
Share capital in nominal value	238 052	237 208	14
Non-registered share capital	0	239	14
Share premium	2	2	
Legal reserve	7 853	6 094	
Retained profit (loss)	160 524	165 933	
Profit (loss) for financial year	34 700	35 185	
Total owner's equity	441 131	444 661	
Total liabilities and owner's equity	637 226	643 740	

Income statement

(in thousands of euros)

	2020	2019	Note no
Sales revenue	130 089	136 234	15
Cost of products sold (goods, services)	-90 075	-97 113	17
Gross profit (loss)	40 014	39 121	
Marketing costs	-1 130	-1 204	18
General administrative expenses	-3 911	-4 063	19
Other operating revenue	10 831	2 797	16
Other operating charges	-37	-389	
Operating profit (loss)	45 767	36 262	
Other financial income and expenses	-1 067	-1 077	21
Profit (loss) before income tax	44 700	35 185	
Income tax	-10 000	0	14
Profit (loss) for financial year	34 700	35 185	

Cash flow statement

(in thousands of euros)

	2020	2019	Note no
Cash flows from operating activities			
Operating profit (loss)	45 767	36 262	
Adjustments			
Depreciation and impairment of fixed assets	27 066	26 200	5, 6, 7
Profit (loss) from sales of fixed assets	-8	0	
Other adjustments	-10 650	-2 298	
Total adjustments	16 408	23 902	
Change in operating claims and prepayments	1 847	3 609	
Change in inventories	3 670	11 380	
Change in operating liabilities and prepayments	2 857	3 949	
Received from target financing	76	38	13
Total cash flow from operating activities	70 625	79 140	
Cash flows from investing activities			
Paid upon acquisition of tangible and intangible assets	-48 495	-30 343	6,7
Received from the sales of tangible and intangible assets	14	0	
Received from target financing	10 041	0	13
Interest received	27	19	
Total cash flow from investing activities	-38 413	-30 324	

	2020	2019	Note no
Cash flows from financial activities			
Repayments of loans received	-6 334	-6 330	10
Interest paid	-1 081	-1 115	21
Dividends paid	-40 000	0	14
Corporate income tax paid	-10 000	0	14
Total cash flow from financial activities	-57 415	-7 445	
Total cash flows	-25 203	41 371	
Cash and cash equivalents at the beginning of the period	63 980	22 609	
Change in cash and cash equivalents	-25 203	41 371	
Cash and cash equivalents at the end of the period	38 777	63 980	

Statement of changes in owner's equity

(in thousands of euros)

	Share capital in nominal value	Non-registered share capital	Share premium	Legal reserve	Retained profit (loss)	Total
31.12.2018	226 629	9 299	1	5 251	166 955	408 135
Profit (loss) for financial year	0	0	0	0	35 185	35 185
Share capital issued	10 579	-9 060	1	0	0	1 520
Change in reserve	0	0	0	843	-843	0
Other changes in owner's equity	0	0	0	0	-179	-179
31.12.2019	237 208	239	2	6 094	201 118	444 661
Profit (loss) for financial year	0	0	0	0	34 700	34 700
Share capital issued	844	-239	0	0	0	605
Dividends announced	0	0	0	0	-40 000	-40 000
Change in reserve	0	0	0	1 759	-1 759	0
Other changes in owner's equity	0	0	0	0	1 165	1 165
31.12.2020	238 052	0	2	7 853	195 224	441 131

Additional information concerning the entries of owner's equity is specified in Note no. 14 to the annual accounts.

Notes to annual accounts

Note 1. Accounting principles

General information

The annual accounts 2020 of Riigi Kinnisvara AS (abbreviated RKAS or company) have been prepared in compliance with Estonian financial reporting standard and by using the acquisition cost principle, except in the cases described in the principles below.

Main requirements of the Estonian financial reporting standard are prescribed in the Accounting Act of the Republic of Estonia and supplemented by the public sector financial accounting and reporting guidelines. The public sector financial accounting and reporting guidelines are based on the Estonian financial reporting standard.

Annual accounts have been prepared in thousands of euros, unless indicated otherwise.

Financial assets

The company has the following financial assets: cash, trade receivables and other receivables.

Cash, trade receivables and other receivables, except for receivables acquired for the purpose of resale, are recorded at adjusted acquisition cost. Adjusted acquisition cost of short-term receivables is generally equal to their nominal value (minus repayments and potential write-downs), and thus the short-term receivables are presented on the balance sheet as likely receivable amounts.

For calculating the adjusted acquisition cost of long-term financial assets, financial assets are at first recorded at fair value, and during subsequent periods recorded by using effective interest method.

Trade receivables

Short-term receivables generated in the course of ordinary business activities of the company are presented as trade receivables. Trade receivables are presented at adjusted acquisition cost (i.e., nominal value minus repayments and potential write-downs).

Write-downs of receivables are recorded if there is objective evidence that not all amounts receivable will be received according to their initial contractual terms. The circumstances that indicate potential impairment of receivables include bankruptcy or substantial financial difficulties of the debtor and failure to comply with payment dates. Impairment of receivables (i.e., need for write-downs) is valued separately for every purchaser, based on net present value of the amounts likely to be received in future. The receivables that are overdue more than 6 months are considered unlikely (i.e., they are recorded as write-down). Receivables can be considered unlikely earlier, if there are other events indicating that the value covered by receivable is lower than book value of the receivable.

The write-down amount of unlikely receivables is the difference between the book value of these receivables and net present value of future cash flows, by using effective interest method. Book value of receivables is reduced by the write-down amount of unlikely receivables and loss from write-down is recorded in the income statement as miscellaneous operating expenses. If a receivable is deemed uncollectible, then the receivable and relevant write-down will be removed from the balance sheet. After receiving the receivables previously written down as unlikely, they are recorded as reduction in unlikely receivables.

Impairment of financial assets

On each balance sheet day, an assessment is made whether there are signs of the impairment of financial asset or group of financial assets recorded by using adjusted acquisition cost or acquisition cost method. If such signs are present, the financial assets recorded at adjusted acquisition cost are written down to net present value of payments likely to be received from financial asset in future (discounted by fixed effective rate upon first recording of given financial asset) and financial assets recorded at acquisition value are written down to the amount that could reasonably be received upon sales of particular financial asset as at the balance sheet date. Write-downs from impairment are recorded in income statement as expense.

Cash

Cash presented on the balance sheet includes bank balance.

Cash equivalents shown in the cash flow statement are investments with high liquidity, no risk and short term, which can be quickly realised and cashed in.

Cash flows from operating activities are prepared by using indirect method. Cash flows from investing and financial activities are presented as gross accruals and payments of the reporting period.

Transactions recorded in a foreign currency and financial assets and liabilities in foreign currency

All other currencies besides functional currency euro (euro is the functional currency of the company) are considered foreign currency. Presentation of transactions in foreign currency is based on official exchange rates of the European Central Bank on the transaction date. Monetary assets and liabilities

in foreign currency (receivables and loans paid in money) are converted to functional currency on the basis of the official exchange rates of the European Central Bank as at the balance sheet date. Profit and loss on translation of foreign currencies are recorded in the income statement of the reporting period.

Inventories

Goods purchased for resale and raw materials are registered at acquisition cost, consisting of purchase price, non-refundable taxes and directly acquisition-related transportation costs and other direct costs minus discounts.

Registered immovables delivered as non-monetary contribution to share capital, and subject to sale, are recorded under inventories. They are registered at their usual value indicated in assessment reports, plus transaction costs.

Inventories are valued considering which is lower, the acquisition cost or net realisation cost. Net realisation cost is estimated sales price, minus estimated expenses necessary for bringing the product in condition ready for sale, marketing and closing the sale. Individual valuation method is used for accounting of inventories.

Investment properties

Investment properties include a real estate objects (land, building) maintained by the company for the purpose of gaining income from rent or to increase market value, and they are not used in the economic activities of the company.

For the purposes of the public sector financial accounting and reporting

guidelines, investment properties only include such land or building or part of a building leased to a non-public sector entity for the purpose of gaining income from rent or to increase market value, and not used in the main activity of any of the public sector entities. Buildings and premises used by the public sector entities are recorded as tangible assets.

Investment properties are at first registered on the balance sheet at acquisition cost, containing the transaction fees directly related to the acquisition. Later on, pursuant to the public sector financial accounting and reporting guidelines, the investment properties will be recorded at acquisition cost, minus accumulated depreciation and potential write-downs resulting from reduction in value.

Depreciation is calculated by linear method. Component accounting is not used, and assets and its parts are subject to common depreciation rate. The depreciation rate applied to investment properties of the company is 4%. Land is not depreciated.

Future expenses are added to the acquisition cost of the investment properties if it is likely that the company will gain economic benefit in future and the acquisition cost of expenses can be measured on a reliable basis. Other future expenses (such as minor repair, maintenance) are recorded as expenses of the reporting period. Upon replacement of any component of the object of investment property, the acquisition cost of the new component shall be added to the acquisition cost of the object and carrying amount of the component replaced shall be removed from balance sheet.

Investment property shall no longer be recorded on the balance sheet upon retirement or disposal of the object unless the property is likely to generate economic benefit. The profit or loss resulting from discontinuation of record-

ing the investment property is recorded in income statement of the period when recording ended as revenue from sales of inventories.

If the purpose of using the property changes so that the object formerly at the disposal of private sector transfers to the disposal of public sector, the asset is reclassified as fixed asset. If a decision has been made about selling the object, the asset is reclassified as inventory. As of the date of change, the object shall be subject to accounting principles applicable to the group of assets where it was added.

Tangible and intangible assets

Tangible assets are assets with useful life more than one year and cost over 5,000 euros. the assets with useful life more than one year, but acquisition cost less than 5,000 euros, are charged off at 100% when taken into use. Assets with lower value and recorded as costs are recorded off balance sheet.

Tangible assets are at first recorded at acquisition cost, consisting of purchase price and directly acquisition-related expenses. Loan interest expenses are not capitalised at the acquisition cost of fixed assets.

Later on, tangible assets are recorded on the balance sheet at acquisition cost, after deducting accumulated depreciation and potential write-downs resulting from decrease in value.

Later expenditure related to registered tangible asset (e.g., replacement of certain parts of an asset) will be added to the book value of assets after meeting the following criteria:

1. it is likely that it will provide the company with future financial gain, and
2. their acquisition cost can be measured on a reliable basis.

Replaced parts are written off the balance sheet. All other expenses are recorded as costs for the period when they were incurred. Tangible assets are depreciated by linear method. Depreciation rate is calculated separately for each group of fixed assets, depending on its useful life.

Land is not depreciated.

Depreciation shall be calculated as of the moment of taking the asset into use for the purpose intended by the management, and it is no longer depreciated when carrying amount exceeds book value, the asset is removed from use, or upon reclassification into inventories.

Intangible asset is only registered after meeting the following criteria:

- asset is under control of the company;
- the company is likely to receive revenue from using the asset in future;
- acquisition cost of the asset can be measured on a reliable basis.

Registered immovables used on the basis of the contract for a right of superficies

In addition to registered immovables owned by the company, tangible assets include fixed assets used based on the contract of for a right of superficies. The company renovated the buildings on the registered immovables used based on the contract for a right of superficies and records them as fixed assets until the expiry of the contract. Accounting principle is identical to the accounting principle used by the group for tangible assets.

Registered payments for the right of superficies

Payments for a right of superficies are registered at discounted value, because the payment obligation becomes due at the expiry of the contract. Value of the assets will increase linearly, until the due date of the right of superficies.

Intangible assets are at first registered at acquisition cost, consisting of purchase price and directly acquisition-related expenses. Later on, intangible assets are recorded on the balance sheet at acquisition value after deducting accumulated depreciation and potential write-downs resulting from decrease in value.

Impairment of assets in case of fixed assets required for provision of public service

According to the public sector financial accounting and reporting guidelines, the value of assets is not tested and impairment of assets to cover value is not recorded in case of fixed assets required for provision of public service, unless the employment of asset is due to its deterioration or its discontinued use in part or in full for any other reason.

Impairment of assets except for fixed assets required for provision of public service

On each balance sheet day, an assessment is made whether there are signs regarding the impairment of assets. If there are signs indicating impairment of an asset below its book value, an impairment test shall be performed to find the cover value of the asset. If the cover value test cannot be performed for a single asset, the impairment test shall be performed with the smallest asset group, where that asset belongs to, i.e., cash generating unit.

Cover value equals to the higher net sales price of asset minus transaction fees and value in use. Value in use is the present value of cash flows likely to be received from using the asset and from the sales thereof, using expected profitability of investments with similar risk level as the discount rate. Assets that have been written down once are assessed on the subsequent balance sheet date to see whether the cover value of the asset has increased. If the impairment test shows that the cover value of asset or asset group (cash generating unit) has exceeded book value, the former write-downs are

reversed, and the book value of the assets is increased to the amount that would have been achieved in view of normal depreciation during the period. Reversal of write-downs is recorded in the income statement of the reporting year as reduction of fixed asset write-down expense.

Useful life by fixed asset group (years)

Fixed asset group	Useful life
Buildings and structures	25 years
Furnishings	5-10 years
Data processing equipment	3 years
Intangible assets	2-10 years

Lease

Financial lease includes lease contract, where all significant risks and benefits related to the ownership of assets are transferred to the lessee, except for lease contracts between entities belonging to common consolidation group indicated in public sector financial accounting and reporting guidelines, which are always recorded as operating lease. All other lease transactions are recorded as operating lease.

Company as a lessee

Financial lease is recorded on the balance sheet as an asset and a liability at fair value or as net present value of minimum lease payments, whichever is the lowest. Lease payments are divided into financial expense (interest cost) and reduction of liability. Financial costs are divided over the lease period so that interest rate with regard to the liability is always the same.

Assets leased under financial lease are depreciated similar to acquired fixed assets, whereas depreciation period consists in the estimated useful life of the asset or the period of validity of lease relationship, whichever is the shortest.

Direct costs incurred by the lessee with regard to entry into the financial lease contracts are recorded under acquisition cost of leased assets. Operating lease payments shall be recorded in income statement as linear expenses during the lease period.

Company as a lessor

Assets leased under financial lease are recorded on the balance sheet as receivable in the amount of net investment made in financial lease (equal to present value of these payments to be received, plus unguaranteed balance of leased assets at the end of lease period). The lease payments received from the lessee are divided into principal repayments of financial lease and financial income. Financial income is divided over the lease period so that lessor's rate of return is always the same with regard to remaining net investment made in financial lease. Direct expenses incidental to the entry into lease contracts (commission fees and notary fees) that are incurred by the lessor are taken into account when calculating effective interest rate of lease and receivable financial lease and are recorded as reduction in revenue during the lease period.

Assets leased under operating lease are recorded on the balance sheet as usual, similar to other assets recorded on the company's balance sheet. Leased assets are depreciated based on depreciation principles applied in the company to assets of the same type. Operating lease payments shall be recorded as linear expenses during the lease period. First expenses incidental directly to the entry into operating lease contracts are recorded on the balance sheet of the lessor as assets (under the same entry as leased assets)

and depreciated as costs during the lease period in proportion to recording income from rent.

Financial obligations

All financial obligations (trade creditors, loan obligations, accruals, issued bonds and other short-term and long-term debt) are first registered at their acquisition cost, which includes all directly acquisition-related costs. Later financial obligations are recorded at adjusted acquisition cost.

Adjusted acquisition cost of short-term financial obligations generally equals to their normal value, and therefore short-term financial obligations are recorded on the balance sheet in the amount payable. Adjusted acquisition cost of long-term financial obligations is at first registered at fair value of the fee received (after deducting transaction costs), and in subsequent period interest expense on the obligations are calculated by using effective interest rate.

Financial obligation is classified as short-term, if its due date is within 12 months from the balance sheet date; or if the company has no right to postpone the payment of liability for more than 12 months after the balance sheet date. Loan obligations, the repayment date of which is within 12 months from the balance sheet date but refinanced as long-term after the balance sheet date and before approval of annual report, are recorded as short-term. Additionally, revocable loan liabilities on the balance sheet date due to violation of provisions established in loan contract are recorded as short-term.

Provisions and potential liabilities

Provision is recorded on the balance sheet if the company is subject to legal or operation-related obligations arising from a binding event before the balance sheet date, realisation of which is unlikely, and the amount of provision can be measured on a reliable basis. Evaluation of provisions is based on management evaluations, experience and the opinions of independent experts if necessary, and they are recorded on the balance sheet in the amount necessary to meet obligations related to provision as at the balance sheet date.

Commitments, guarantees and other obligations that, under certain conditions, may become a liability in the future, but are estimated by the management of the parent undertaking to be more likely not realised than realised, are published as potential liabilities in the notes to the annual accounts.

Target financing

Pursuant to the public sector financial accounting and reporting guidelines, these public sector units that prepare annual accounts based on Estonian financial reporting standard, perform target financing as follows: target financing is recorded as revenue during the period when operating costs are incurred or fixed assets are acquired, if the criteria for target financing do not involve the risk of recourse claim or loss of payment; if there is a risk of recourse claim or loss of payment, then target financing is recorded as revenue after relevant risk disappears.

Target financing is registered at fair value of the asset received or to be received. Revenue from target financing is recorded in income statement under entry "Other operating revenue".

Upon non-monetary target financing, the received assets are registered on the balance sheet at fair value.

Legal reserve

Pursuant to Commercial Code, at least 1/20 of net profit of reporting year has to be transferred to legal reserve, until it amounts to 1/10 of share capital. Legal reserve can be used to cover loss or to increase share capital. Legal reserve cannot be used to make payments to shareholders.

Revenues

Revenue from sales of assets and goods is recorded at fair value of the payment received or to be received, considering all discounts and benefits. The revenues from sales of assets are recorded as of the moment when significant ownership-related risks have been transferred from the seller to the purchaser, sales revenue and transaction related expenses can be evaluated on a reliable basis, and receipt of revenue from a transaction is probable.

The revenues from sales of services are recorded after providing the service, or if the service is provided over a longer period, then based on the documented interim stage of completion. Interest income is recorded if the receipt of revenue is probable and the amount of revenue can be measured on a reliable basis. Interest income is recorded by using effective interest rate, except in cases where the receipt of interest is uncertain. In that case the interest income is calculated on cash basis.

Interest income from financial lease contracts is recorded under sales revenue.

Taxation

Pursuant to the Income Tax Act valid in Estonia, the profit of the company for the financial year is not the object of taxation. Income tax is paid on dividends, fringe benefits, gifts, entertaining expenses, non-business payments and transfer price adjustments. The taxation rate of distributed profit is 20/80 on net amount to be paid. Under certain conditions, it is possible to distribute gained dividends without further income tax expense. Corporate income tax due to payment of dividends is recorded as liability and in income statement as income tax expense at the same period when dividends are declared, irrespective of the period for which they are declared or when they are actually paid out. The obligation to pay income tax occurs on the 10th date of the month following the payment of dividends.

Since 2019, it is possible to apply taxation rate 14/86 on dividend payments. Such a favourable tax rate can be used for dividend payments reaching up to average dividend payments of three preceding financial years, taxed with taxation rate 20/80. The year 2018 is the first year for calculating the average dividend payment of three preceding financial years.

Due to the peculiarity of the taxation system, the companies registered in Estonia do not have differences between the taxation based and book value of assets and thus there are no deferred income tax claims or obligations.

Balance sheet does not present potential income tax liability with regard to payment of dividends resulting from profit distribution. Maximum income tax obligation incidental to payment of dividends based on distribution of profit is provided in the notes to the annual accounts.

Note 2. Receivables and prepayments

(in thousands of euros)

	31.12.2020	Distribution by remaining period			Note no
		Within 12 months	Within 1-5 years	Over 5 years	
Trade receivables	8 703	8 703	0	0	
Accounts receivable	8 709	8 709	0	0	
Unlikely receivables	-6	-6	0	0	
Prepaid and deferred taxes	55	55	0	0	4
Other receivables	3 188	3 188	0	0	
Accrued income	3 188	3 188	0	0	
Prepayments	91	91	0	0	
Financial lease receivables	2 199	97	387	1 715	8
Total receivables and prepayments	14 236	12 134	387	1 715	

	31.12.2019	Distribution by remaining period			Note no
		Within 12 months	Within 1-5 years	Over 5 years	
Trade receivables	9 293	9 293	0	0	
Prepaid and deferred taxes	400	400	0	0	4
Other receivables	3 425	3 425	0	0	
Interest receivable	14	14	0	0	
Accrued income	3 411	3 411	0	0	
Prepayments	126	126	0	0	
Financial lease receivables	2 294	95	443	1 756	8
Total receivables and prepayments	15 538	13 339	443	1 756	

Note 3. Inventories

(in thousands of euros)

	31.12.2020	31.12.2019
Goods for resale	10 217	10 278
Total inventories	10 217	10 278

In 2020, there were write-downs for 31 thousand euros (292 thousand in 2019) due to the decrease in net realisation cost of registered immovable held for resale recorded as inventories.

Note 4. Prepaid taxes and taxes payable

(in thousands of euros)

	31.12.2020		31.12.2019	
	Prepayment	Taxes payable	Prepayment	Taxes payable
Corporate income tax	0	4	0	3
Value added tax	0	15	356	0
Personal income tax	0	198	0	181
Social tax	0	348	0	319
Mandatory funded pension	0	17	0	16
Unemployment insurance premium	0	24	0	22
Prepaid account balance	55		44	
Total prepaid taxes and taxes payable	55	606	400	541

See Note no. 2 and Note no. 11.

Tax authority has the right to check the tax accounting of the company within up to 5 years after submitting the tax return and, upon detection of errors, prescribe additional tax amount, interest and penalty. According to the estimation of the management of the company, there are no circumstances, based on which the tax authority could order the company to pay significant additional tax amount.

Note 5. Investment properties

(in thousands of euros)

Acquisition cost method

	Land	Buildings	Total
31.12.2019			
Acquisition cost	7 773	7 832	15 605
Accumulated depreciation	-415	-2 241	-2 656
Carrying amount	7 358	5 591	12 949
Depreciation cost	0	-335	-335
Reclassification	-398	874	476
Other changes	133	316	449
31.12.2020			
Acquisition cost	7 413	8 638	16 051
Accumulated depreciation	-320	-2 192	-2 512
Carrying amount	7 093	6 446	13 539

As RKAS does not divide its real estate portfolio into investment properties and fixed assets in its economic activities, there is no separate accounting of the revenue gained from investment properties and costs directly related to administration. The said costs are included in the costs of products sold.

Similar to 31.12.2019, there were no investment properties pledged as security of loan obligations as of 31.12.2020.

Note 6. Tangible assets

(in thousands of euros)

	Land	Buildings	Machinery and equipment	Other tangible assets	Unfinished projects	Prepayments	Prepayments for unfinished projects	Total
31.12.2019								
Acquisition cost	33 059	592 337	38	21 510	20 661	928	21 589	668 533
Accumulated depreciation	0	-122 966	-34	-6 648	0	0	0	-129 648
Carrying amount	33 059	469 371	4	14 862	20 661	928	21 589	538 885
Purchases and improvements	0	33	0	77	48 149	202	48 351	48 461
Purchase of land and formerly used buildings	0	33			0	0	0	33
Other purchases and improvements			0	77	48 149	202	48 351	48 428
Depreciation cost	0	-24 068	-2	-2 073	0	0	0	-26 143
Write-downs from impairment of assets	0	0	0	-2	0	0	0	-2
Sales (at carrying value)	0	0	0	-6	0	0	0	-6
Reclassifications	-262	23 245	0	1 043	-25 577	0	-25 577	-1 551
Reclassification from unfinished projects	125	24 345	0	1 056	-25 526	0	-25 526	0
Reclassifications as investment properties	362	-757	0	0	-51	0	-51	-446
Reclassification as inventories	-749	-343	0	-13	0	0	0	-1 105
Other changes	-601	-622	0	0	0	0	0	-1 223
31.12.2020								
Acquisition cost	32 196	613 816	8	22 202	43 233	1 130	44 363	712 585
Accumulated depreciation	0	-145 857	-6	-8 301	0	0	0	-154 164
Carrying amount	32 196	467 959	2	13 901	43 233	1 130	44 363	558 421

In 2020, tangible assets for 2,314 thousand euros were added as non-monetary contribution to share capital (670 thousand in 2019). Due to cancellation of share capital, tangible assets were transferred to the state in the value of more than 3,537 thousand euros (45 thousand in 2019). See also Note no. 14. Additions and reductions of share capital are recorded under "Other changes".

The largest unfinished projects with current acquisition cost are:

- construction of common building in Pärnu – 22.7 million euros;
- R2 project – 2.8 million euros;
- Reconstruction of Tartu state house – 2.8 million euros;
- Reconstruction of Valga police house – 2.7 million euros;
- Construction of Tallinna Music and Ballet School – 2.6 million euros.

In 2020, construction works with the value of 10,514 thousand euros (2,550 thousand in 2019) were recorded as unfinished projects, relevant revenue was recorded as revenue from target financing for improving energy efficiency of central government buildings (See also Note no. 13 and Note no. 16).

Note 7. Intangible assets

(in thousands of euros)

	Computer software	Unfinished projects and prepayments	Total
31.12.2019			
Acquisition cost	3 797	0	3 797
Accumulated depreciation	-1 687	0	-1 687
Carrying amount	2 110	0	2 110
Purchases and improvements			
	0	533	533
Depreciation cost			
	-597	0	-597
Reclassifications			
	508	-508	0
Other changes			
	-10	0	-10
31.12.2020			
Acquisition cost	4 207	25	4 232
Accumulated depreciation	-2 196	0	-2 196
Carrying amount	2 011	25	2 036

Note 8. Financial lease

(in thousands of euros)

Reporting entity as a lessor

	31.12.2020	Distribution by remaining period			Interest rate	Maturity	Note no
		Within 12 months	Within 1-5 years	Over 5 years			
LG schools (option to purchase)	2 023	63	248	1 712	0,213%	11.2038	
Other with option to purchase	176	34	139	3	0,213%	01.2026	
Total financial lease receivable	2 199	97	387	1 715			2

	31.12.2019	Distribution by remaining period			Interest rate	Maturity	Note no
		Within 12 months	Within 1-5 years	Over 5 years			
LG schools (option to purchase)	2 083	61	241	1 781	0,427%	11.2038	
Other with option to purchase	211	34	139	38	0,427%	01.2026	
Total financial lease receivable	2 294	95	380	1 819			2

All contracts have been concluded in Estonian kroons, but euro is the currency used for calculations since its introduction.

Reporting entity as a lessee

	31.12.2020	Distribution by remaining period			Note no
		Within 12 months	Within 1-5 years	Over 5 years	
Total financial lease liabilities	412	27	121	264	10

	31.12.2019	Distribution by remaining period			Note no
		Within 12 months	Within 1-5 years	Over 5 years	
Total financial lease liabilities	437	25	115	297	10

Note 9. Operating lease

(in thousands of euros)

Reporting entity as a lessor

	2020	2019
Operating lease revenue	85 451	82 788
Carrying amount of assets leased or rented		
Investment properties	5 613	6 896
Other assets	511 663	515 015
Total	517 276	521 911

Leased land, buildings and other inventory are recorded under "Other assets".

Majority of contracts have a clause that rent can be adjusted once a year based on consumer price index.

Investment properties with carrying amount of 7,926 thousand euros (6,052 thousand euros in 2019) do not earn revenue, because they are not leased and are waiting for new business solutions.

As for investment properties, see Note no. 5.

Reporting entity as a lessee

	2020	2019
Operating lease expense	8 035	8 021

In 2020, majority of leased assets consisted in buildings leased from private sector, which were then subleased to the customers of the company.

In 2020, the lease revenue from the said buildings amounted to 8,395 thousand euros and lease cost amounted to 7,527 thousand euros (revenue was 8,143 thousand euros and cost 7,246 thousand euros in 2019).

Note 10. Loan liabilities

(in thousands of euros)

	31.12.2020	Distribution by remaining period			Note no
		Within 12 months	Within 1-5 years	Over 5 years	
Long-term loans					
Total long-term loans	73 256	6 346	25 385	41 525	
Long-term bonds					
Total long-term bonds	48 500	0	0	48 500	
Total financial lease liabilities	412	27	121	264	8
Total loan liabilities	122 168	6 373	25 506	90 289	

	31.12.2019	Distribution by remaining period			Note no
		Within 12 months	Within 1-5 years	Over 5 years	
Long-term loans					
Total long-term loans	79 590	6 344	25 377	47 869	
Long-term bonds					
Total long-term bonds	48 500	0	0	48 500	
Total financial lease liabilities	437	25	115	297	8
Total loan liabilities	128 527	6 369	25 492	96 666	

The interest rate of long-term bank loans is based on Euribor for six months, plus margin 0.34 – 0.68% a year. Long-term bank loans mature in 2028 and in 2038, and loan interest rate for 6 months is up to 0.68%.

Fixed interest rate of bonds is 1.61% and maturity is 2027. Bonds of Riigi Kinnisvara AS are registered in the Register of Securities (ISIN-code EE3300111236).

Underlying currency of loans and bonds is euro.

Loan obligations are guaranteed by mortgage established on registered immovable owned by the company and recorded as tangible asset with book value of 33,000 thousand euros.

Note 11. Debts and prepayments

(in thousands of euros)

	31.12.2020	Distribution by remaining period			Note no
		Within 12 months	Within 1-5 years	Over 5 years	
Trade creditors	14 463	14 463	0	0	
Employee-related liabilities	788	788	0	0	
Taxes payable	606	606	0	0	4
Other payables	2 394	2 394	0	0	
Interest payable	23	23	0	0	
Other accruals	2 371	2 371	0	0	
Prepayments received	55 676	4 112	8 150	43 414	
Deferred income	54 559	2 995	8 150	43 414	
Other prepayments received	1 117	1 117	0	0	
Total debts and prepayments	73 927	22 363	8 150	43 414	

Debts and prepayments received include security in the sum of 2,275 thousand euros (2,597 thousand euros in 2019) received by RKAS, prepayments made by purchasers in the sum of 1,588 thousand euros (2,114 thousand euros in 2019) and deferred repair liabilities arising from contracts in the sum of 1,406 thousand euros (1,773 thousand euros in 2019). The said obligations are non-interest bearing.

Long-term deferred income includes lease prepaid by the Ministry of Education and Research for the Emajõe Training Centre of Maarjamaa Educational

	31.12.2019	Distribution by remaining period			Note no
		Within 12 months	Within 1-5 years	Over 5 years	
Trade creditors	13 172	13 172	0	0	
Employee-related liabilities	598	598	0	0	
Taxes payable	541	541	0	0	4
Other payables	2 633	2 633	0	0	
Interest payable	25	25	0	0	
Other accruals	2 608	2 608	0	0	
Prepayments received	53 608	5 598	6 832	41 178	
Deferred income	51 896	3 886	6 832	41 178	
Other prepayments received	1 712	1 712	0	0	
Total debts and prepayments	70 552	22 542	6 832	41 178	

College in the sum of 4,494 thousand euros (4,681 thousand euros in 2019) and prepaid lease for the Estonian National Museum in the sum of 42,186 thousand euros (38,332 thousand euros in 2019).

Long-term deferred income includes the fee received from the sales of the right of superficies of the building at Suur-Ameerika 1, which will be recorded as revenue over 50 years. Balance of the liability is 4,884 thousand euros (4,997 thousand euros in 2019).

Note 12. Contingent liabilities and assets

(in thousands of euros)

Contingent investment liabilities

As at 31.12.2020, RKAS had investment liabilities (liabilities, the performance of which is estimated as essentially necessary) in the total sum of ca 96.5 million euros (131.6 million euros in 2019). Ca 28.4 million euros of that sum consists in future repair liabilities arising from valid lease contracts. The largest investment liabilities related to development projects are (in million euros):

Administrative and laboratory building of the Agricultural Research Centre in Saku	7.5
Common building of the PBGB in Kohtla-Järve	7.1
Valga state house	4.7
Rapla state house	3.9
Common building of the PBGB in Kiviõli	3.7
Common building of the PBGB in Elva	3.3
Construction of the universal hall of Estonian Crop Research Institute in Jõgeva	2.6
Roof and façade of the Maritime Museum	2.5
R2 project	2.3
Pärnu state house (Roheline 64)	2.4
Building of the Agriculture and Food Board in Saku	2.3
Jõgeva state house	2.2
Common building of the PBGB in Pärnu	2.1
Türi rescue depot	1.9

The greatest volume of investment liabilities is linked to the projects of rescue depots and common buildings of the PBGB commissioned by the Ministry of Internal Affairs, with investment over 23 million euros since 2020. This is followed by the Ministry of Rural Affairs with 20.3 million euros, state houses with 18.4 million euros and the objects of State Chancellery with 2.5 million euros. Additionally, estimated contingent liabilities related to repairs arising from existing lease contracts are 28.4 million euros.

Certain investment liabilities (except for future repair liabilities) are expected to be realised at the following pace (in million euros):

2021 – 40.7
2022 – 25.5
2023 - 1.3

Repair liabilities will be realised according to the need arising during the validity of these contracts.

Financing of investments is based on the owner's expectations, according to which we plan our economic activities in consideration of optimum risk level and capital structure. In the medium term, we are targeting equity constituting 55-60% of total assets.

In 2021-2024, investments in the amount of 17 million euros will be financed under the measure "Promotion of energy efficiency and use of renewable energy in public sector buildings" (see also Note no. 13 and Note no. 16).

We also note that Riigi Kinnisvara AS is involved in the government sector in national accounts and new investments require the consent of the general meeting. Necessary authorisation has been granted for the above investments.

Note 13. Target financing

(in thousands of euros)

Assets at acquisition cost

	31.12.2018 Payable	Received	Recorded in income statement	31.12.2019 Payable	Note no
Target financing for acquisition of fixed assets					
Improvement of energy efficiency of central government buildings	0	0	2 550	2 550	6, 16
Total target financing for acquisition of fixed assets	0	0	2 550	2 550	
Target financing for operating costs					
Total target financing for operating costs	0	38	38	0	
Total target financing	0	38	2 588	2 550	

	31.12.2019 Payable	Received	Recorded in income statement	31.12.2020 Payable	Note no
Target financing for acquisition of fixed assets					
Improvement of energy efficiency of central government buildings	2 550	10 041	10 514	3 023	6, 16
Total target financing for acquisition of fixed assets	0	0	86	86	
Target financing for operating costs					
Total target financing for operating costs	2 550	10 041	10 600	3 109	
Total target financing	0	76	81	5	
Kokku sihtfinantseerimine	2 550	10 117	10 681	3 114	

The support for improving energy efficiency of central government buildings is financed from measure "Promoting energy efficiency and renewable energy use in public sector buildings". Aid is granted by the Ministry of Finance.

Company is required to keep the building at the disposal of central government for at least five years after the project ends and cannot increase rent of central government arising from project-related costs which are covered by the aid, before the expiry of the lease contract.

The largest aid amount in 2020 is allocated to establishment of PBGB common building in Pärnu in the sum of 6,093 thousand euros (1,976 thousand euros in 2019).

Note 14. Share capital

(in thousands of euros)

	31.12.2020	31.12.2019
Share capital	238 052	237 208
Number of shares	2 380 517	2 372 083
Nominal value of shares	100	100
Share capital in full euros:		
31.12.2019		237 208 300
Issued and registered share capital		843 400
31.12.2020		238 051 700

The following changes occurred in 2020:

- 2,393 new shares, all issued and entered into the books in 2018 as unregistered share capital, were registered in Commercial Register.
- 6,041 new shares, all issued in 2020, were entered into the books and registered in Commercial Register.

For shares issued in 2020, non-monetary contributions were made consisting in registered immovables for 5,306 thousand euros, of which registered immovables for 2,544 thousand euros were recorded as inventories, registered immovables for 448 thousand euros were recorded as investment properties and registered immovables for 2,314 thousand euros were recorded as tangible assets. As a result of cancelling the decisions made in previous year, three registered immovables with the value of 4,702 thousand euros were returned to the state, of which registered immovables for 2,600 thousand euros were recorded as inventories and for 2,102 thousand euros as tangible assets.

The following changes occurred in 2019:

- 90,601 new shares, all issued in 2018 and entered into the books as unregistered share capital, were registered in Commercial Register.
- 15,194 new shares, all issued in 2019, were entered into the books and registered in Commercial Register.

For issued shares, non-monetary contributions were made consisting in registered immovables for 1,564 thousand euros, of which registered immovables for 894 thousand euros were recorded as inventories and registered immovables for 670 thousand euros as tangible assets. As a result of cancelling the decision made in previous year, two registered immovables with the value of 44 thousand euros were returned to the state.

The registered immovables received as non-monetary contribution are entered under the nominal value of share capital on the balance sheet of the company after making relevant registration entries in the land register.

In 2020, shareholders were declared and paid dividends in the sum of 40,000 thousand euros (no dividends paid in 2019). Income tax on dividends was paid in the sum of 10,000 thousand euros.

Retained profits of RKAS (in view of legal requirement to transfer 1/20 of net profit of reporting year to legal reserve) on 31 December 2020 was 193,489 thousand euros (199,359 in 2019). Upon payment of dividends to owners, income costs are calculated at lower tax rate 14/86 and regular rate 20/80 on the amount of net dividends paid. Thus, it is possible to pay owners dividends in the sum of 155,721 thousand euros (159,487 in 2019) from retained profit existing on the balance sheet date and the payment of dividends would involve income tax in the sum of 37,768 thousand euros (39,872 in 2019).

Note 15. Sales revenue

(in thousands of euros)

	2020	2019
Sales revenue broken down by geographical area		
Sales to EU countries		
Estonia	129 749	135 894
Sales to EU countries, other	340	340
Sales to EU countries, total	130 089	136 234
Total sales revenue	130 089	136 234
Sales revenue broken down by field of activity		
Income from rent and mediated services	118 421	118 027
Development services	3 526	1 027
Sales of inventories	8 132	17 163
Interest revenue from financial lease contracts	10	17
Total sales revenue	130 089	136 234

Note 16. Other operating revenue

(in thousands of euros)

	2020	2019	Note no
Income from target financing	10 514	2 550	6, 12, 13
Other operating revenue	317	247	
Total other operating revenue	10 831	2 797	

Target financing consisted in aid measure for improving energy efficiency of central government buildings.

Note 17. Cost of sold products (goods, services)

(in thousands of euros)

	2020	2019	Note no
Real estate purchased for resale	3 650	11 381	
Expenses related to management activities:			
Management service	278	414	
Utility services	5 576	5 609	
Upkeep	11 972	11 959	
Construction and repair works	7 647	6 976	
Owner's duties	489	581	
Electricity	9 639	12 346	
Heating (thermal energy)	4 894	5 520	
Water and sewerage	1 548	1 757	
Support services	2 222	2 248	
Rental cost	7 473	7 246	
Depreciation of managed objects	26 395	25 599	5, 6,7
Wages and social tax	5 054	4 519	20
Capitalised labour costs	-222	-165	
Other expenses	192	273	
Expenses of development services:			
Expenses of development projects	2 634	264	
Wages and social tax	611	537	20
Other expenses	23	49	
Total cost of sold products (goods, services)	90 075	97 113	

Note 18. Marketing expenses

(in thousands of euros)

	2020	2019	Note no
Bought-in services	85	164	
Wages and social tax	1 868	1 773	20
Capitalised labour costs	-895	-821	
Other expenses	72	88	
Total marketing expenses	1 130	1 204	

Note 19. General administration expenses

(in thousands of euros)

	2020	2019	Note no
Wages and social tax	2 026	2 089	20
Depreciation of office fixed assets	671	601	5, 6, 7
Rent and other office expenses	148	434	
IT costs	429	331	
Other staff costs	141	163	
Other costs	496	445	
Total general administrative expenses	3 911	4 063	

Note 20. Staff costs

(in thousands of euros)

	2020	2019	Note no
Wages and salaries	7 260	6 828	
Social tax	2 434	2 287	
Total staff costs	9 694	9 115	17-19
Full-time equivalent of average number of employees	229	219	
Average number of employees by types of employment:			
Person employed under the employment contract	219	211	
Person who provides service under the contract under the law of obligations, except for sole proprietor	7	6	
Member of the management or control body of a legal person kontrollorgani liige	10	9	

Wages and salaries contain remuneration in the sum of 7,162 thousand euros (6,687 thousand euros in 2019) and fringe benefits in the sum of 98 thousand euros (141 thousand euros in 2019).

Note 21. Other financial revenue and expenses

(in thousands of euros)

	2020	2019
Financial revenue	12	33
Interest revenue	-1 079	-1 110
Total other financial income and expenses	-1 067	-1 077

Note 22. Related parties

(in thousands of euros)

Remuneration and other significant benefits calculated for executive and top management

	2020	2019
Calculated remuneration	276	290

Transactions with related parties include transactions with shareholder and its consolidation group, members of the supervisory board and management board, employees, their close family members and companies where they have significant holding. Executive and top management includes members of the management board and supervisory board of parent undertaking and subsidiary.

The report of Riigi Kinnisvara AS, as a state accounting entity, does not disclose transactions with other state accounting entities, local government units and persons in public law, unless so required in the legislation or rules governing the activities of relevant entity.

The members of the management board of Riigi Kinnisvara AS are entitled to severance payment if the member of the management board is removed on the initiative of the supervisory board before expiry of office of the member of the management board. As at 31.12.2020, potential severance payment amounted to 42 thousand euros (42 thousand euros on 31.12.2019).

Similar to 2019, no write-downs have been formed regarding the claims against related parties in 2020.

Independent sworn auditor's report

To the shareholder of Riigi Kinnisvara AS

Opinion

In our opinion, the annual accounts give, in all material respects, a true and fair view of the financial position of Riigi Kinnisvara AS (Company) as of 31 December 2020 and of its financial performance and cash flows for the financial year then ended in accordance with Estonian financial reporting standard.

Scope of audit

The annual accounts of the company contains:

- Balance sheet as of 31 December 2020;
- Income statement for the financial year then ended;
- Cash flow statement for the financial year then ended;
- Statement of changes in owner's equity for the financial year then ended; and
- Notes to the annual accounts, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted the audit in accordance with international auditing standards (ISA). Our responsibilities according to these standards are further described in this report under "Responsibilities of the auditor relating to audit of consolidated annual accounts".

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

Independence

We are independent of the company, as prescribed by the Code of Ethics for Professional Accountants (including international independence standards) (IESBA code) issued by International Ethics Standards Board for Accountants (IESBA). We have complied with our other ethical responsibilities pursuant to the IESBA code.

Other information

Management is responsible for other information. Other information comprises management report (but does not comprise annual accounts and our sworn auditor's report).

Our opinion on the annual accounts does not comprise other information and we do not draw any assured conclusion regarding that in any form.

In the course of auditing the annual accounts, it is our responsibility to examine other information and, while doing so, consider whether other information is significantly different from the annual accounts or knowledge obtained by us in the course of audit or whether it seems to contain material misstatements in any other way. If we conclude, based on the work done, that other information contains material misstatements, then we are required to indicate this fact in the report. We have nothing to report in this regard.

Responsibilities of the management and those charged with governance relating to annual accounts

Management is responsible for the preparation and fair presentation of the annual accounts in accordance with accounting principles generally accepted in Estonia and internal control deemed necessary by the management to ensure preparation of annual accounts that are free from material misstatements whether due to fraud or error.

When preparing the annual accounts, the management is required to assess the company's ability to continue as a going concern, submit information, if applicable, about the circumstances relating to going concern, and use the going concern assumption, unless the management intends to either liquidate the company or terminate its activities or lacks realistic alternative.

Those charged with governance are responsible for executing supervision of the accounting process of the company.

Responsibilities of the sworn auditor relating to audit of annual accounts

Our purpose is to obtain reasonable assurance whether the annual accounts as a whole are free of material misstatements, whether due to fraud or error, and to prepare sworn auditor's report expressing our opinion. Reasonable assurance is a high, but not absolute level of assurance, and thus does not always guarantee identification of existing material misstatement during audit conducted in accordance with ISAs. Misstatements may be due to fraud or error, and they are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions

of users taken on the basis of the annual accounts.

We conducted the audit with professional scepticism in accordance with ISA and maintained professional scepticism in the course of entire audit. We also:

- Identify and assess the annual accounts for risks of material misstatements, whether due to fraud or error, and design and implement appropriate audit procedures to respond to the assessed risks and obtain sufficient appropriate audit evidence to support our opinion. The risk of material misstatement due to fraud is greater than the risk of material misstatement due to error, because fraud may stand for secret agreement, forgery, intentional failure to act, misrepresentation or ignoring internal control;
- Obtain an understanding of relevant internal control in order to design audit procedures appropriate under current circumstances, but not in order to express opinion on the performance of the company's internal control;
- Assess the appropriateness of used accounting principles and reasonability of management's assessments and related disclosed information;
- Assess the appropriateness of management's use of the going concern assumption and, based on the audit evidence, assess potential presence of any events or conditions that may cause material uncertainty, which may result in remarkable uncertainty about the company's ability to continue as a going concern. If we conclude that there is such a material uncertainty, then we are required to draw attention to relevant information disclosed in the annual accounts in the sworn auditor's report or modify the opinion if the information disclosed is insufficient. Our conclusions are based on the audit evidence obtained until the date of sworn auditor's report. Future events or conditions may still cause the company to cease to continue as a going concern;

- Assess overall manner of presenting, structure and content of the annual accounts, including disclosed information, and whether annual accounts present underlying transactions and events in a manner that achieves fair presentation.

We exchange information with those charged with governance of the company, inter alia the intended scope and timing of audit and significant observations, including any material deficiencies in internal control discovered in the course of the audit.



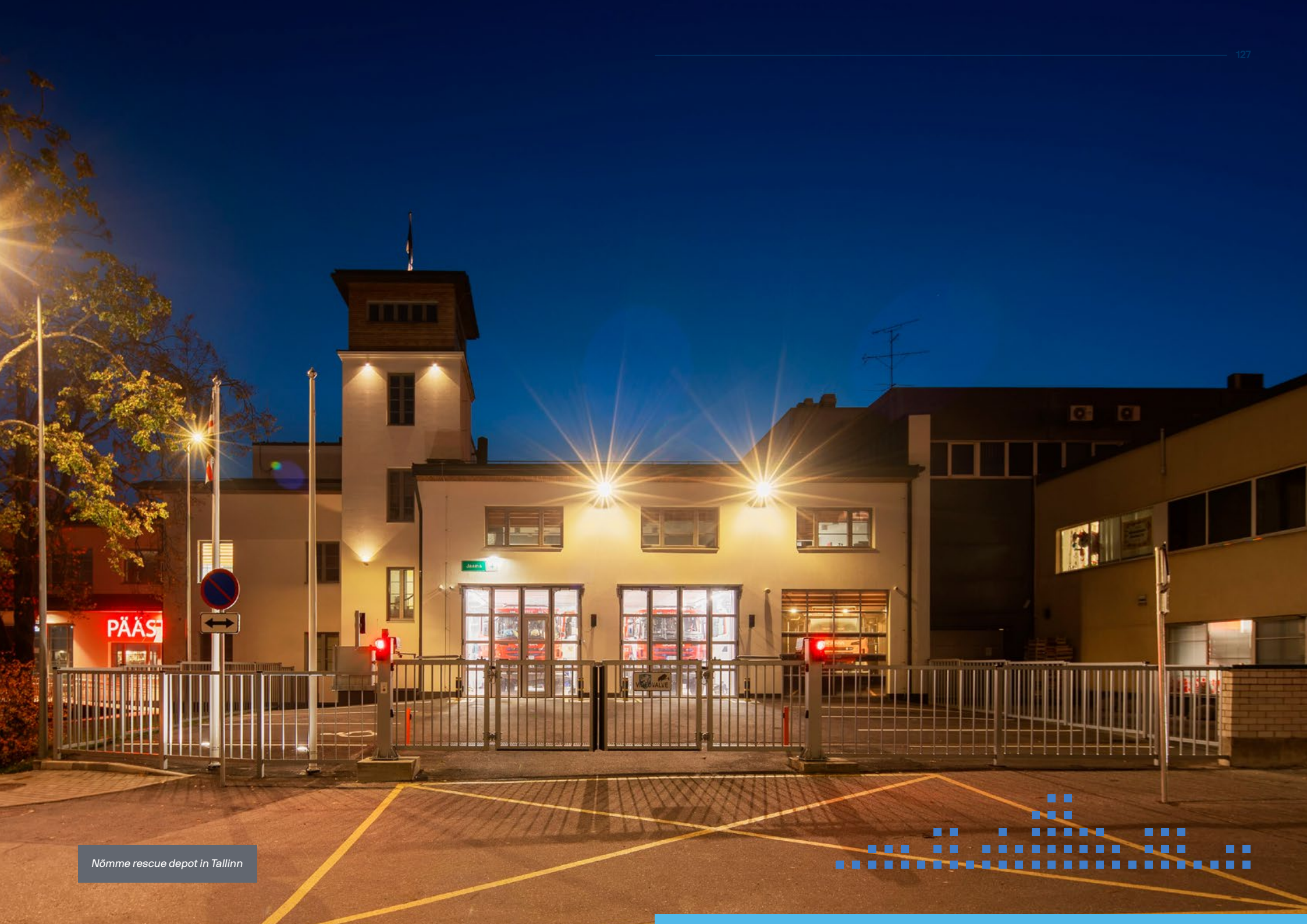
Janno Hermanson
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31 March 2021 Tallinn, Estonia



Nõmme rescue depot in Tallinn



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