

ANNUAL REPORT 2023

SMART>
CAP

General information of the company

Business name	AS SmartCap
Registry code:	12071991
Legal address	Sepise 7, Tallinn 11415, Estonia
E-mail address	info@smartcap.ee
Website	www.smartcap.ee
Principal activity	Fund management activities
Financial year	1 January 2023 – 31 December 2023
Management board	Sille Pettai Mari Vavulski
Supervisory board	Priit Põldoja Aare Järvan Ahti Kuningas Veiko Hintsov Mikko Jussi Suonenlahti
Auditor	KPMG Baltics OÜ

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Management report

Established in 2011, AS SmartCap is a company that operates as a small fund management company for the purposes of clause 306 (5) 5) of the Investment Funds Act under the activity licence issued by the Financial Supervision Authority. AS SmartCap operates as a subsidiary of the Estonian Business and Innovation Agency.

SmartCap manages two common closed-ended alternative funds (SmartCap Venture Capital Fund and SmartCap Green Fund). The sole unit-holder of SmartCap funds is the Republic of Estonia.

The objective of SmartCap is to develop the capital market of Estonia by offering venture capital investments and enable therethrough ambitious and innovative Estonian companies to grow. SmartCap contributes to the economic growth and development of capital market of Estonia by:

- › being an anchor investor in venture capital funds with a long-term strategic view;
- › investing in different economic cycles;
- › focusing on market gaps in different growth phases and verticals, providing missing investment opportunities.

The assets of **SmartCap Venture Capital Fund** (hereinafter Venture Capital Fund) are invested in 1) Estonian-focused venture capital funds that develop innovative Estonian companies with international growth potential, or in 2) international venture capital funds that have a significant component that adds value to the Estonian ecosystem of innovative companies with international growth potential, thereby supporting changes that help modernise the Estonian economy and develop the local capital market. As at 31 December 2023, the investment portfolio of the Venture Capital Fund included three Estonian-focused early stage venture capital funds (2022: three venture capital funds) and an investment in the NATO Innovation Fund.

The assets of **SmartCap Green Fund** (hereinafter Green Fund) are invested directly or through other venture capital funds in innovative and/or research-intensive Estonian green technology companies whose activities contribute to the development and market introduction of new products, services or technologies that make it possible to find solutions to environmental problems and reduce or sequester greenhouse gas emissions. As at 31 December 2023, the investment portfolio of the Green Fund included one investment fund that focuses on clean economy technologies and six green technology companies.

As at 31 December 2023, the volume of assets under the management of SmartCap amounted to 277 million euros (2022: 192 million euros) (see Figure 1).

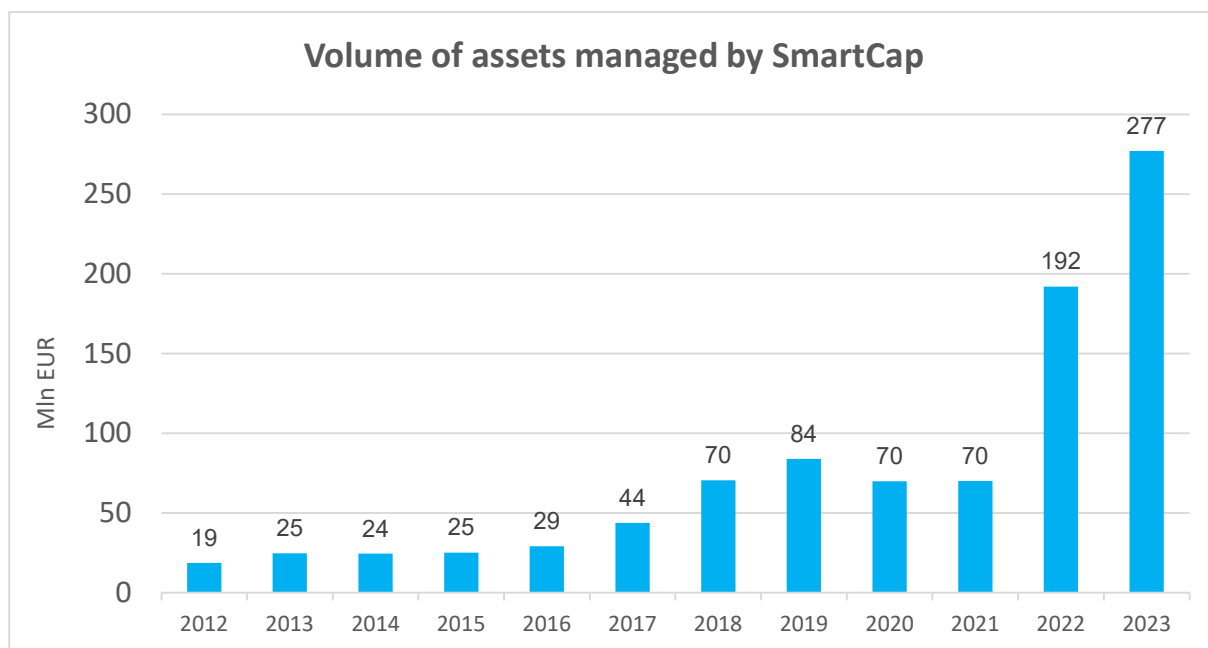


Figure 1. Volume of assets of the funds managed by SmartCap as of foundation, mln EUR

As at the end of 2023, the investments of SmartCap as an asset management company made through venture capital funds and direct investments had reached in total 132 companies (2022: 117 companies). Of these companies, 80 were actively operating and still belonged to the portfolio of SmartCap as at the end of 2023, and their total turnover amounted to 1.45 billion euros (2022: 1.32 billion euros). At the end of the year, these companies provided jobs to almost 2,900 people in Estonia (2022: 3,200 people), on whose remuneration labour taxes were paid in the amount of approximately 82 million euros during the year (2022: 70 million euros).

The increased global uncertainty of recent years spilled over into 2023, when the reduced risk appetite of investors was compounded by continued interest rate rises and capital appreciation. The change in sentiment among investors over the recent years also reached the European private equity and venture capital market in 2023, when according to Invest Europe the volume of capital raised by European private equity and venture capital funds in six months 2023 decreased by 60% when compared to six months in 2022 and was at the lowest level of the last eight years. According to Invest Europe, a similar change in trend was also seen in the volume of new investments made and exits from investments by European private equity and venture capital funds in six months 2023, dropping by 54% and 42%, respectively, when compared to the same period in 2022.

Last year was also a markedly calmer year on the start-up landscape in the Estonian technology sector, with the amount of capital raised by companies falling by 71% compared to 2022. At the same time, 2023 was also characterised by the largest share of local capital in the volume of transactions in the last seven years, amounting to more than 12%. The share of technology start-ups that were raising capital from investors for the first time among all technology start-ups that raised capital in Estonia was at an all-time low at just 25%, which clearly indicated that investors were more willing to invest in companies already in the investment portfolio.

The most significant events in the investment activities of SmartCap in 2023 were:

- an additional investment capital contribution to the Venture Capital Fund and renewal of the investment strategy;
- an investment of the Venture Capital Fund in the NATO Innovation Fund;
- launching the investment activities of the Green Fund;

- › discussions with the State to provide additional investment capital to finance SmartCap's new investment programmes.

The additional investment capital contribution to the Venture Capital Fund made it possible to update the investment strategy and process, and to introduce an 'open door policy' typical of Western European sovereign wealth funds, and the exploration of new investment opportunities. As a result, the Venture Capital Fund offers local fund managers the opportunity to raise capital when they need it, including for starting management companies and for anchor investment. The market prospects and competitive advantages, including the investment strategy, the experience and competence of the investment team, the investment terms and the expected returns of the potential new investments of the Venture Capital Fund are assessed.

A significant investment made from the Venture Capital Fund in 2023 was the investment in the NATO Innovation Fund, which was launched in June 2022 when 22 NATO member states agreed to establish the NATO Innovation Fund with a volume of 1 billion euros in order to jointly contribute to the development of dual-use, i.e. civilian and military, deep technologies. Early last year, the Estonian State decided to invest nearly 30 million euros in the NATO Innovation Fund through the Venture Capital Fund of SmartCap.

Planning new SmartCap investments and investing in the Estonian private equity and venture capital markets in the long term will require the Venture Capital Fund to secure investment capacity through additional investment capital. For this purpose, SmartCap continued negotiations with the State to create new opportunities for making venture capital investments and improving and diversifying the financing opportunities of the local market participants.

The Green Fund is a venture capital fund amounting to 100 million euros and created with the support of the EU Recovery and Resilience Facility (RRF), which makes equity investments available to Estonian green technology companies directly or through private-sector venture capital funds from 2022 to 2026. In 2023, the Green Fund focused on both fund investments and direct investments. In 2023, SmartCap selected two private-sector green technology fund management companies and an anchor investment of 20 million euros is planned for each of them. SmartCap also made the first investments from the Green Fund in green technology companies and reached six investments by the end of the year.

The main non-core activity of SmartCap in the form of implementing the Startup Estonia programme in the field of accelerators ended on 31 December 2023. The health technology research accelerator was implemented under a contract signed in 2022 with a consortium led by the University of Tartu. During 2022, 14 business projects were selected for health technology research accelerator, for which business consulting and prototyping services were provided for 18 months. The contract also resulted in the completion of the concept design of the health technology accelerator, a map of the sector's ecosystem and strategy for 2023-2028.

SmartCap follows responsible investment principles when making investment decisions to identify potential negative environmental or social impacts and negative impacts from management practices and thereby manage sustainability risks. SmartCap is a member of the Responsible Business Forum in Estonia and the Green Tiger, which are organisations that promote sustainability. In 2023, the Responsible Business Forum in Estonia recognised SmartCap for its activities to date in implementing sustainable principles in its daily operations, business strategy and management level with the Silver Label of a Responsible Company. The annual environmental footprint of SmartCap was assessed for the third year in a row which allows to understand the origin and extent of the environmental impact. The carbon footprint of SmartCap in 2023 was 19.29 tonnes of CO₂ equivalent (2022: 17.22 tonnes of CO₂ equivalent), with the largest impacts from business travel of 8.44 tonnes of CO₂ equivalent (2022: 14.68 tonnes of CO₂ equivalent), purchased heat of 4.45 tonnes of CO₂

equivalent (2022: 0.26 tonnes of CO₂ equivalent) and electricity of 2.94 tonnes of CO₂ equivalent (2022: 2.17 tonnes of CO₂ equivalent). The ESG action plan for 2024 foresees both the introduction of responsible business travel policies and the implementation of elements of the green office concept, which would help make current consumption even more sustainable.

In 2024, SmartCap will focus on new fund investments from the Venture Capital Fund and direct investments from the green technology investment programme of the Green Fund. SmartCap will also continue its negotiations with the State in order to create new venture capital investment solutions and to improve and diversify financing options for Estonian companies. In cooperation with Ernst & Young Baltic AS, SmartCap is also conducting a comparative market analysis of the European and Estonian private equity and venture capital markets to map the needs and opportunities for the further development of the Estonian capital market.

As at 31 December 2023, SmartCap had 11 (31 December 2022: 7) full-time employees. The annual average number of employees was 9.0. The total remuneration calculated for the employees was 376,962 euros (2022: 197,127 euros), social tax not included. The total remuneration calculated for the members of the management board of AS SmartCap amounted to 149,432 euros (2022: 178,674 euros), social tax not included. The total remuneration calculated for the members of the supervisory board of AS SmartCap amounted to 46,727 euros (2022: 31,000 euros), social tax not included.

In thousands of euros	2023	2022	Change %
Revenue (gross)	2,874	1,327	116.6%
Administrative expenses	2,190	1,175	86.4%

*Change in revenue (%) = (revenue 2023 – revenue 2022) / revenue 2022 * 100*

*Change in administrative expenses (%) = (administrative expenses 2023 – administrative expenses 2022) / administrative expenses 2022 * 100*

Financial statements

Balance sheet

(in euros)

	Note	31.12.2023	31.12.2022
ASSETS			
Current assets			
<i>Cash and cash equivalents</i>	2	1,592,306	2,197,501
<i>Term deposits</i>	2	1,000,000	0
<i>Receivables and prepayments</i>	3	949,272	536,952
Total current assets		3,541,578	2,734,453
TOTAL ASSETS		3,541,578	2,734,453
LIABILITIES AND EQUITY			
LIABILITIES			
Short-term liabilities			
<i>Payables and prepayments</i>	4	272,564	214,084
Total short-term liabilities		272,564	214,084
Total liabilities		272,564	214,084
EQUITY			
<i>Share capital at nominal value</i>	6	325,240	325,240
<i>Share premium</i>		662	662
<i>Treasury shares</i>		-167	-167
<i>Legal reserve</i>		32,524	32,524
<i>Retained earnings</i>		2,162,110	2,009,179
<i>Profit for financial year</i>		748,645	152,931
Total equity		3,269,014	2,520,369
Total liabilities and equity		3,541,578	2,734,453

Income statement

(in euros)

	Note	2023	2022
Fee and commission income	8; 11	2,231,691	1,098,028
Other operating revenue	8	641,910	228,812
Other operating expenses	9	-1,424,470	-632,150
Staff costs	10	-765,605	-543,051
Other operating charges		-183	-444
Operating profit		683,343	151,195
Interest income	2	65,302	1,736
Profit before income tax		748,645	152,931
Profit for financial year		748,645	152,931

Note 1. Accounting policies

General information

AS SmartCap is a subsidiary of the Estonian Business and Innovation Agency which operates as a venture capital fund management company under the licence issued by the Estonian Financial Supervision Authority. AS SmartCap manages two common closed-ended alternative funds, the sole unit-holder of which is the Republic of Estonia.

The financial statements of AS SmartCap for 2023 have been prepared in accordance with the Estonian financial reporting standard. The basic requirements of the Estonian financial reporting standard have been established in the Accounting Act of the Republic of Estonia and are supplemented by the guidelines issued by the Estonian Accounting Standards Board. The financial statements of the company for 2023 have been prepared as abridged financial statements of a small undertaking in accordance with the requirements of §§ 15, 18 and 21 of the Accounting Act.

The financial statements have been prepared using the cost principle, unless otherwise indicated in the accounting policies below.

The financial statements have been prepared in euros.

Financial assets

The company has the following financial assets: cash and cash equivalents and other receivables. Cash and cash equivalents and other receivables are recognised at amortised cost. The amortised cost of short-term receivables is generally equal to their nominal value (less repayments and possible write-downs) and therefore short-term receivables are recognised in the balance sheet in the amounts that are likely to be received. Write-downs resulting from impairment are recognised in the income statement as expenses.

Cash and cash equivalents

Balances of current accounts, overnight deposits and term deposits with an original maturity of up to three months, which can be withdrawn at short notice, are recognised as cash and cash equivalents in the balance sheet.

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

Foreign currency transactions are recognised using the official exchange rates quoted by the European Central Bank on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies as at the reporting date are revalued in euros using the official exchange rates quoted by the European Central Bank on the reporting date.

Gains and losses from revaluation are recognised in the income statement of the reporting period, with foreign exchange gains and losses from settlements with buyers and suppliers recognised as operating revenue and charges. Other exchange rate differences are recognised under financial income and expenses.

Receivables and prepayments

Short-term receivables that have emerged in the course of the ordinary business activities of the company are recognised as trade receivables. Trade receivables are recognised at amortised cost (i.e. nominal value less repayments and write-downs, if any).

Receivables are written down if there is objective proof that not all amounts of the receivables will be received according to the original contract terms and conditions of the receivables. The circumstances that refer to a possible impairment of receivables are the bankruptcy or serious financial difficulties of the debtor and their failure to adhere to payment deadlines. The book value of receivables is reduced by the write-down amount of doubtful receivables and the loss from the write-down is recognised in the income statement under significant write-downs of current assets. If a receivable is regarded uncollectible, the receivable and its write-down are written off the balance sheet. Collection of doubtful receivables that have previously been written down is recognised as a decrease in the expenses of doubtful receivables.

Financial liabilities

All financial liabilities (trade creditors, accrued expenses) are initially recognised at their amortised cost, which also includes all the expenses directly attributable to acquisition. Thereafter financial assets and liabilities are recognised at amortised cost.

The amortised cost of short-term financial liabilities is generally equal to their nominal value, due to which short-term financial liabilities are recognised in the balance sheet in the amount subject to payment. A financial liability is classified as short-term if it is due within twelve months of the reporting date.

Provisions and contingent liabilities

A provision is recognised if the group has a legal or factual liability arising from an obligating event that occurred prior to the balance sheet date, the settlement of the liability is likely, and the amount thereof can be reliably measured. A provision is recognised in the balance sheet in an amount which, in the opinion of the management,

is required for the satisfaction of the provision-related liability as at the balance sheet date. A provision is recognised at the discounted value if it is likely to be settled within more than 12 months after the balance sheet date unless the impact of discounting is insignificant.

Legal reserve

The legal reserve has been formed in accordance with the Commercial Code. The legal reserve is formed from annual net profit transfers. Each financial year, at least 1/20 of the net profit must be transferred to the legal reserve until the legal reserve accounts for 1/10 of the share capital. The legal reserve may be used to cover a loss or to increase the share capital. Payments may not be made to shareholders from the legal reserve.

Revenue

Revenue is recognised at the fair value of the consideration received or receivable on the accrual basis upon provision of the service.

Fee and commission income consists of the management fees payable to SmartCap for fund management activities. The amount of the management fee is an agreed percent of the net asset value of the funds, the grounds for and principles of calculation of which have been set out in the rules of the funds.

Other revenue is generally related to one-off transactions and is recognised on the accrual basis at the time the relevant transaction was concluded. In addition, other revenue includes the earmarked revenue related to expenses to be covered from European Union funds. Targeted financing related to operations is recognised as revenue if the receipt of the targeted financing is practically certain and the substantial terms and conditions related to the targeted financing are met. The received targeted financing whereby the conditions for recognition as revenue are not met is recognised as a liability in the balance sheet.

Lease accounting

Finance lease means a lease where the risks and rewards related to the ownership of the asset in question are transferred to the lessee. Other leases are regarded as operating leases. In the reporting period or in the reference period AS SmartCap has not entered into any leases classified as finance leases. In the case of an operating lease, the lessee does not recognise the leased asset item in its balance sheet. Operating lease payments are recognised as operating expenses evenly over the lease period.

Taxation

Pursuant to the Income Tax Act in force in Estonia, corporate earnings are not subject to tax in Estonia. Income tax is paid on dividends, fringe benefits, gifts, donations, reception costs, disbursements not attributable to

business and adjustments of transfer prices. The tax rate applicable to profit distributed as dividends is 20/80 of the net amount to be paid out. Under certain conditions, dividends received may be redistributed without any additional income tax expense. The corporate income tax payable on dividends is recognised as a liability and as income tax expense in the income statement in the same period when the dividends are declared, regardless of the period for which the dividends are declared or when they are actually paid out. The income tax liability emerges on the tenth day of the month following the month when the dividends were paid out. As of 2019, a tax rate of 14/86 can be applied to dividend payments. This more favourable tax rate can be applied to dividend payments not exceeding the average dividend payments for the previous three financial years that have been taxed at the rate of 20/80. 2018 is the first year to be taken into consideration when calculating the average dividend payment for the previous three financial years. Due to the specific nature of the taxation system, there are no differences between the book values and tax bases of the assets of companies registered in Estonia that could result in deferred tax receivables and deferred tax liabilities. The contingent income tax liability that would arise if all of the retained profit were paid out as dividends is not recognised in the balance sheet. The maximum income tax liability associated with the payment of retained earnings as dividends is given in the notes to the financial statements.

Related parties

The following were deemed related parties when the financial statements of the company were prepared:

- parent company and the persons who control or have a significant influence over the parent company;
- funds established by AS SmartCap;
- executive and senior management;
- close family members of the persons listed above and companies under their control or significant influence.

Events after the reporting date

No material circumstances have occurred between the reporting date of 31 December 2023 and the date of preparation of the financial statements that would affect the valuation of assets and liabilities in the financial statements or transactions conducted in previous periods.

Note 2. Cash, cash equivalents and term deposits

(in euros)

	31.12.2023	31.12.2022
Cash at bank	10,523	197,496
Overnight deposit	881,783	2,000,005
Term deposits of up to 3 months	700,000	0
Term deposits of more than 3 months	1,000,000	0
Total cash and cash equivalents	2,592,306	2,197,501

As at 31 December 2023 and 31 December 2022, all cash and cash equivalents were denominated in euros. Interest income was earned from cash and cash equivalents in the total amount of 65,302 euros (2022: 1,736 euros).

Note 3. Receivables and prepayments

(in euros)

	31.12.2023	Within 12 months	Note
Receivables from related parties	876,226	876,226	11
Other receivables	73,046	73,046	
Total receivables and prepayments	949,272	949,272	

	31.12.2022	Within 12 months	Note
Trade receivables	0	0	
<i>Accounts receivable</i>	<i>30,783</i>	<i>30,783</i>	
<i>Doubtful receivables</i>	<i>-30,783</i>	<i>-30,783</i>	
Receivables from related parties	518,761	518,761	11
Other receivables	18,191	18,191	
Total receivables and prepayments	536,952	536,952	

In 2023, no receivables which had earlier been classified doubtful were collected (2022: 1,206 euros).

Note 4. Payables and prepayments

(in euros)

	31.12.2023	Within 12 months
Trade creditors	66,855	66,855
Payables to employees (see Note 5)	131,265	131,265
Payables to related parties	4,844	4,844
Taxes payable	38,062	38,062
Other payables	31,538	31,538
Total payables and prepayments	272,564	272,564

	31.12.2022	Within 12 months
Trade creditors	21,724	21,724
Payables to employees (see Note 5)	107,842	107,842
Payables to related parties	28,901	28,901
Taxes payable	18,763	18,763
Other payables	36,854	36,854
Total payables and prepayments	214,084	214,084

Note 5. Payables to employees

(in euros)

	31.12.2023	31.12.2022
Wages and salaries	100,664	89,218
Holiday pay liability	30,576	18,533
Other payables to employees	25	91
Total payables to employees	131,265	107,842

Payables to employees have been recognised in the balance sheet under payables and prepayments, about which additional information is set out in Note 4.

Note 6. Share capital

(in euros)

	31.12.2023	31.12.2022
Share capital	325,240	325,240
Number of ordinary shares (pcs)	325,000	325,000
Number of preferred shares (pcs)	2,400	2,400
Nominal value of shares (ordinary shares)	1	1
Nominal value of shares (preferred shares)	0.1	0.1

The ordinary shares have been paid for in full.

In 2017, the company bought back from the Estonian Development Fund 1,200 series B preferred shares and 1,200 series C preferred shares with the nominal value of 0.1 euros in the total amount of 240 euros. In accordance with the terms of the option programme approved by the supervisory board of AS SmartCap, options were distributed to the investment team, expert committee and members of the management board and supervisory board of AS SmartCap. The dividends payable for preferred shares depend on the success fees that are paid to AS SmartCap for managing the Venture Capital Fund. The preferred shares have been paid for in full.

Note 7. Contingent liabilities

	31.12.2023	31.12.2022
Income tax liability	590,504	432,422

The retained earnings of AS SmartCap as at 31 December 2023 amounted to 2,910,755 euros (2022: 2,162,110 euros). The income tax payable when dividends are paid out to owners is 20/80 of the amount paid out as net dividends. This means that as of the reporting date 2,328,604 euros (2022: 1,729,688 euros) can be paid out as dividends to the owners from the retained earnings and the payment of dividends would entail an income tax on dividends in the amount of 582,151 euros (2022: 432,422 euros).

Note 8. Fee and commission income and other operating revenue

(in euros)

	2023	2022
Fee and commission income from funds under management (Note 11)	2,231,691	1,098,028
Other operating revenue	641,910	228,812
Total fee and commission income and other operating revenue	2,873,601	1,326,840

The fee and commission income of AS SmartCap consists of the management fee payable for the management of the SmartCap Venture Capital Fund and SmartCap Green Fund on the account of the funds (see also Note 11). In the reporting year and in 2022, the service was sold 100% in the Republic of Estonia.

Other operating revenue includes the earmarked revenue related to the expenses of the research accelerator programme implemented with the resources of European Union structural funds.

Note 9. Other operating expenses

(in euros)

	2023	2022
Rent and utility costs related to the rental premises	43,662	27,417
Miscellaneous office expenses	9,249	3,663
Business trip expenses	23,674	23,478
Employee-related costs	44,389	20,116
VAT expenses on goods and services purchased	224,446	88,436
Services purchased	435,410	210,679
Procedural and supervision expenses	3,451	3,572
Information and communication technology expenses	40,564	32,717
Information and PR services	79,590	45,091
Expenses of content activities related to Startup Estonia accelerator programme	494,259	143,796
Other	25,775	33,185
Total other operating expenses	1,424,470	632,150

AS SmartCap leases office premises at Pärnu mnt 12, Tallinn. The lease agreement is in effect until 30 October 2024. The agreement prescribes no possibility of premature termination. A bank guarantee has been established for the benefit of the lessor, which is secured with a deposit in the amount of the rent of up to two months (6,692 euros). In 2023, the lease expenses without value added tax amounted to 36,515 euros (2022: 24,178 euros). The lease expenses without value added tax planned for 2024 amount to 40,152 euros. In addition, AS SmartCap rents office premises in the facilities of the Estonian Business and Innovation Agency at Sepise 7, Tallinn. The lease agreement is in effect until 1 November 2027. The agreement prescribes no possibility of premature termination. In 2023, the lease expenses without value added tax amounted to 5,335 euros (2022: 458 euros). The lease expenses without value added tax planned for 2024 amount to 5,004 euros.

In order to calculate the minimum requirement for the own funds of AS SmartCap, fixed overheads are also deemed to include, in addition to other operating expenses, the staff costs and other operating charges that are set out separately in the income statement.

Note 10. Staff costs

(in euros)

	2023	2022
Wages and salaries	573,121	406,801
Social security charges	192,484	136,250
Total staff costs	765,605	543,051

Average number of employees by type of work:		
Person working under employment contract	7.0	4.4
Member of management or supervisory body of the legal person	7.0	6.3

As at 31 December 2023, AS SmartCap employed 11 full-time employees, incl. 2 members of the management board.

The total remuneration calculated for the employees was 376,962 euros (2022: 197,127 euros), social tax not included. The total remuneration calculated for the members of the management board of AS SmartCap amounted to 149,432 euros (2022: 178,674 euros), social tax not included. The total remuneration calculated for the members of the supervisory board of AS SmartCap amounted to 46,727 euros (2022: 31,000 euros), social tax not included.

Note 11. Related parties

(in euros)

Name of accounting entity's parent company	Estonian Business and Innovation Agency
Country where accounting entity's parent company is registered	Republic of Estonia
Group name where parent company belongs	Ministry of Finance of the Republic of Estonia
Country where group's parent company is registered	Republic of Estonia

31.12.2023

31.12.2022

Balances with related parties by groups

	Receivables	Payables	Receivables	Payables
Parent company (see Note 1)	0	4,757	0	5,369
Executive and senior management	0	0	0	21,464
Republic of Estonia	320,911	0	105,985	12
Venture Capital Fund and Green Fund (see Note 1)	555,315	87	412,775	2,057

Purchases and sales

	2023		2022	
	Purchases	Sales	Purchases	Sales
Parent company (see Note 2)	48,416	0	30,741	0
Executive and senior management	11,440	0	23,096	0
Republic of Estonia (see Note 2)	0	483,762	242	226,392
Venture Capital Fund and Green Fund (see Notes 2 and 8)	0	2,231,691	0	1,098,027

Remuneration and other significant benefits calculated for executive and senior management

	2023	2022
Remuneration calculated	196,159	209,673

During the reporting period, no write-downs of receivables from related parties have been made. AS SmartCap is paid a management fee for the management of the Venture Capital Fund and the Green Fund on the account of the funds. During the reporting period, the management fee has been calculated in the amount of 2,231,691 euros (2022: 1,098,027 euros) (see also Note 8).

As at 31 December 2023, the fund management fee payable to AS SmartCap amounted to 555,315 euros (2022: 412,775 euros). Commission expenses payable amounted to 87 euros (2022: 2,057 euros).

Upon premature termination of a contract of service with members of the management board of AS SmartCap at the initiative of AS SmartCap, AS SmartCap is required to pay severance pay in the amount equal to the three months' remuneration of the member of the management board, except if the contract is terminated with good reason.

Signatures of members of management board to annual report 2023

The management board has prepared the management report and financial statements of AS SmartCap for the financial year ended on 31 December 2023.

Mari Vavulski	Member of Management Board	28 March 2024
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Sille Pettai	Member of Management Board	28 March 2024
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Profit distribution proposal

(in euros)

The management board of AS SmartCap makes a proposal to transfer the net profit of the financial year ended on 31 December 2023 in the amount of 748,645 euros to the retained earnings.



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Independent Auditors' Report

(Translation of the Estonian original)

To the shareholders of AS SmartCap

Opinion

We have audited the financial statements of AS SmartCap (the Company), which comprise the balance sheet as at 31 December 2023 and the income statement for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the financial statements presented on pages from 8 to 19 fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance for the year then ended in accordance with Estonian financial reporting standard.

Basis for Opinion

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

Other Information

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

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Standards on Auditing (Estonia), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:



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

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

Tallinn, 28 March 2024

/signed/

Liina Randmann

Certified Public Accountant, Licence No. 661

/signed/

Veiko Kompus

Certified Public Accountant, Licence No. 707

KPMG Baltics OÜ

Licence No 17

List of areas of activity

The fee and commission income of AS SmartCap was in accordance with the Estonian Classification of Economic Activities /*EMTAK*/ in full, i.e. to the extent of 2,231,691 euros, 66301 Fund management activities.

SMART> CAP

AS SMARTCAP

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