

ANNUAL REPORT 2024

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	01.01.2024-31.12.2024
Management board	Sille Pettai Mari Kuhi
Supervisory board	Priit Põldoja Aare Järvan Ahti Kuningas Veiko Hintsov Lauri Matias Kaila
Auditor	KPMG Baltics OÜ

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Management report

Established in 2011, AS SmartCap (hereinafter “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 Estonian Financial Supervision Authority. AS SmartCap is a subsidiary of the Estonian Business and Innovation Agency.

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

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

- being an anchor investor in venture capital funds with a long-term strategic view;
- investing in different economic cycles;
- diversifying the supply of capital and investment solutions across different market segments.

The assets of the **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 2) international venture capital funds that have a significant component adding 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 2024, the investment portfolio of the Venture Capital Fund included five Estonian-focused early stage venture capital funds (2023: three) and an investment in the NATO Innovation Fund.

The assets of the **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 2024, the investment portfolio of the Green Fund included one investment fund focusing on clean economy technologies and twelve green technology companies.

The **SmartCap Defence Fund** (hereinafter “Defence Fund”) was established on 5 November 2024 and opened for investments in mid-January 2025. As at 31 December 2024, the Defence Fund had not yet made any investments.

As at 31 December 2024, the volume of assets under the management of SmartCap amounted to 404 million euros (2023: 277 million euros) (see Figure 1). At the end of 2024, SmartCap’s investments made through venture capital funds and direct investments had reached in total 143 companies (2023: 132 companies).

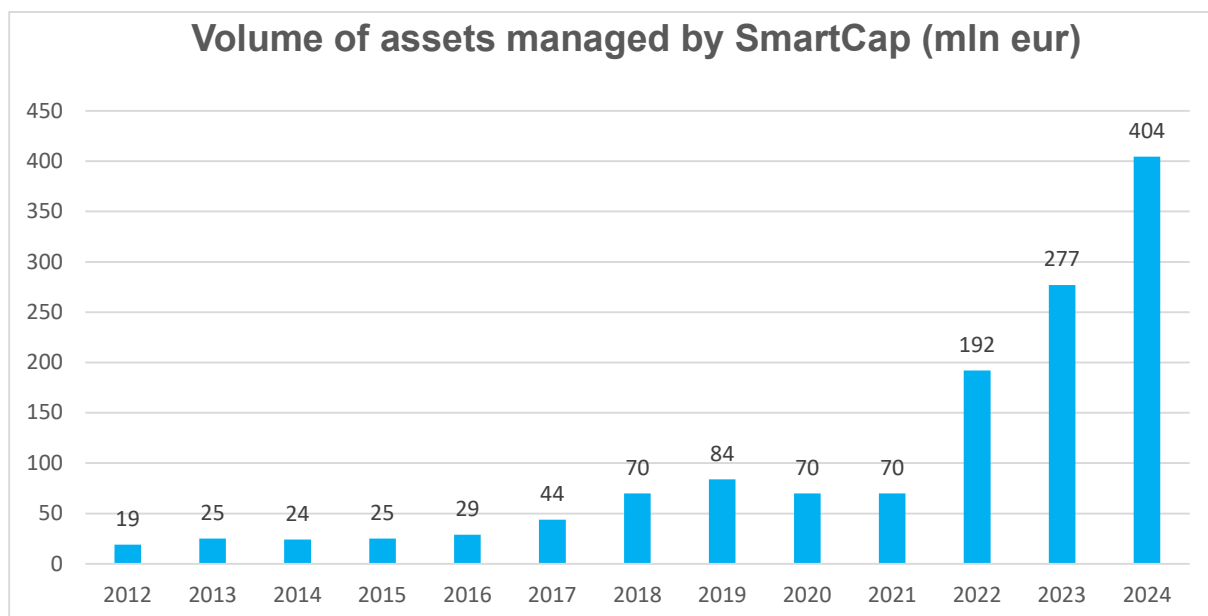


Figure 1. Volume of assets of the funds managed by SmartCap as of foundation, mln EUR

The Estonian technology sector in 2024 continued on the trajectory that began in 2023, with the database “Funding, Failures & Exits of Estonian Tech Startups”, compiled through collective efforts, showing that the amount of capital raised by local technology companies continued to decline. While in 2023 the amount of capital raised fell by 67% compared to 2022 and totalled 453 million euros, then in 2024 the amount decreased by an additional 22% compared to 2023 and totalled 353 million euros. At the same time, similar to the previous year, the share of local capital in the total volume of transactions continued to grow, reaching 23% in 2024 (2023: 11%). While the volume and share of foreign capital decreased, we see that local capital was increasingly ready and able to replace and compensate it to a significant extent. A positive development in the transaction market was also the increase in the share of technology start-ups that were raising capital from investors for the first time – compared to 2023, this indicator rose from 25% in 2023 to 42% in 2024. This reflects the growing readiness of investors to contribute to entirely new technology companies and creates the conditions for revitalising the transaction market in 2025.

The most significant events in SmartCap’s investment activities in 2024 were:

- establishment of the Defence Fund and an investment capital contribution of 50 million euros;
- an additional investment capital contribution of 75 million euros to the Venture Capital Fund and renewal of its investment strategy;
- activation of investment activities of the Green Fund;
- initiation of discussions with the State on updating SmartCap’s strategy.

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, as well as to begin exploring 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 of potential new investments of the Venture Capital Fund are assessed, including their investment strategy, the experience and competence of the investment team, investment terms, and expected returns.

The Defence Fund established in 2024 aims to develop the Estonian defence industry and create innovative defence and security-related capabilities to respond to growing global demand. In addition, the Defence Fund contributes to Estonia's economic growth and increases the access of defence sector companies to local capital by making investments into funds managed either by new or already experienced fund managers, which in turn invest into companies developing or producing military or dual-use products and technologies. The Fund was opened for investments in mid-January 2025.

SmartCap follows responsible investment principles when making investment decisions in order to identify potential negative environmental or social impacts and negative impacts arising from management practices, and thereby manage sustainability risks. SmartCap is a member of the Responsible Business Forum in Estonia and the Green Tiger. In 2025, SmartCap will also publish its first sustainability report.

In 2025, the focus of SmartCap will be on launching investment activities in the Defence Fund. New fund investments will continue to be made from the Venture Capital Fund and direct and fund investments from the Green Fund. SmartCap also plans to update its strategy.

As at 31 December 2024, SmartCap employed 12 people, incl. 2 members of the management board (31 December 2023: 11 employees, incl. 2 members of the management board).

The total remuneration calculated for employees was 524,997 euros (2023: 376,962 euros), social tax not included. The total remuneration calculated for the members of the management board amounted to 127,579 euros (2023: 149,432 euros), social tax not included. The total remuneration calculated for the members of the supervisory board amounted to 52,800 euros (2023: 46,727 euros), social tax not included.

In thousands of euros	2024	2023	Change %
Revenue (gross)	2 721	2 874	-5,3%
Administrative expenses	2 040	2 190	-6,9%

*Change in revenue (%) = (revenue 2024 – revenue 2023) / revenue 2023 * 100*

*Change in administrative expenses (%) = (administrative expenses 2024 – administrative expenses 2023) / administrative expenses 2023 * 100*

Financial statements

Balance sheet

(in euros)

	Note	31.12.2024	31.12.2023
ASSETS			
Current assets			
<i>Cash and cash equivalents</i>	2	3 543 740	1 592 306
<i>Term deposits</i>	2	150 000	1 000 000
<i>Receivables and prepayments</i>	3,11	762 952	949 271
Total current assets		4 456 692	3 541 577
TOTAL ASSETS		4 456 692	3 541 577
LIABILITIES AND EQUITY			
LIABILITIES			
Short-term liabilities			
<i>Payables and prepayments</i>	4,11	402 100	272 564
Total short-term liabilities		402 100	272 564
Total liabilities		402 100	272 564
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>		2 910 755	2 162 110
<i>Profit for financial year</i>		785 578	748 645
Total equity		4 054 592	3 269 014
Total liabilities and equity		4 456 692	3 541 578

Income statement

(in euros)

	Note	2024	2023
Fee and commission income	8,11	2 719 272	2 231 691
Other operating revenue	8	1 470	641 910
Other operating expenses	9	-1 097 118	-1 424 470
Staff costs	10	-942 673	-765 605
Other operating charges		-611	-183
Operating profit		680 340	683 343
Interest income	2	105 238	65 302
Profit before income tax		785 578	748 645
Profit for financial year		785 578	748 645

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. 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 2024 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 2024 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 collected. 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 expenses. 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. 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 acquisition cost, which also includes all the expenses directly attributable to acquisition. Thereafter financial 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 company 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 for SmartCap consists of the management fees payable 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 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 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 22/78 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. 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 2024 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)

	31.12.2024	31.12.2023
Cash at bank	10 554	10 523
Overnight deposit	1 933 186	881 783
Term deposits of up to 3 months	1 600 000	700 000
Total cash and cash equivalents	3 543 740	1 592 306
Term deposits more than 3 months	150 000	1 000 000
Total cash, cash equivalents and deposits	3 693 740	2 592 306

As at 31 December 2024 and 31 December 2023, all funds were denominated in euros. Interest income earned on cash and cash equivalents amounted to 105 238 euros (2023: 65 302 euros).

Note 3. Receivables and prepayments

(in euros)

	31.12.2024	Within 12 months	Note
Receivables from related parties	722 981	722 981	11
Other receivables	39 970	39 970	
Total receivables and prepayments	762 952	762 952	

	31.12.2023	Within 12 months	Note
Receivables from related parties	876 225	876 225	11
Other receivables	73 046	73 046	
Total receivables and prepayments	949 271	949 271	

Note 4. Payables and prepayments

(in euros)

	31.12.2024	Within 12 months
Trade creditors	98 553	98 553
Payables to employees (note 5)	176 681	176 681
Payables to related parties (note 11)	2 596	2 596
Taxes payable	37 410	37 410
Other payables	86 860	86 860
Total payables and prepayments	402 100	402 100

	31.12.2023	Within 12 months
Trade creditors	66 855	66 855
Payables to employees (note 5)	131 265	131 265
Payables to related parties (note 11)	4 844	4 844
Taxes payable	38 062	38 062
Other payables	31 538	31 538
Total payables and prepayments	272 564	272 564

Note 5. Payables to employees

(in euros)

	31.12.2024	31.12.2023
Wages and salaries	145 810	100 664
Holiday pay liability	30 871	30 576
Other payables to employees	0	25
Total payables to employees	176 681	131 265

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)

	31.12.2024	31.12.2023
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 SmartCap, options were distributed to the investment team, expert committee, and members of the management board and supervisory board of SmartCap. The dividends payable for preferred shares depend on the success fees that are paid to SmartCap for managing the Venture Capital Fund. The preferred shares have been paid for in full.

Note 7. Contingent liabilities

	31.12.2024	31.12.2023
Income tax liability	813 193	582 151

As at 31 December 2024, the retained earnings of AS SmartCap amounted to 3 696 333 euros (2023: 2 910 755 euros). When dividends are paid out to the owners, income tax is charged at 22/78 of the amount paid out as net dividends. This means that as of the reporting date 2 883 139 euros (2023: 2 328 604 euros) can be paid out as dividends to the owners from the retained earnings, and the payment of dividends would entail income tax on dividends in the amount of 813 193 euros (2023: 582 151 euros).

Note 8. Fee and commission income and other operating revenue

(in euros)

	2024	2023
Fee and commission income from funds under management (Note 11)	2 719 272	2 231 691
Other operating revenue	1 470	641 910
Total fee and commission income and other operating revenue	2 720 742	2 873 601

The fee and commission income of SmartCap consists of the management fees payable for the management of the SmartCap Venture Capital Fund, the Green Fund and the Defence Fund on the account of the funds (see also Note 11). In the reporting year and in 2023, 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)

	2024	2023
Rent and utility costs related to the rental premises	50 185	43 662
Miscellaneous office expenses	20 854	9 249
Business trip expenses	32 687	23 674
Employee-related costs	104 356	90 472
VAT expenses on goods and services purchased	171 988	224 446
Legal services	140 759	123 846
Expenses related to risk and financial advisory for funds under management	344 616	206 492
Procedural and supervision expenses	2 073	3 451
Information and communication technology expenses	36 165	40 564
Information and PR services	111 962	79 590
Expenses of content activities related to Startup Estonia accelerator programme	0	494 259
Other	81 473	84 765
Total other operating expenses	1 097 118	1 424 470

AS SmartCap leases office premises at Pärnu mnt 12, Tallinn. The lease agreement is in effect until 31 March 2027. The possibility of premature termination with four months' notice applies from November 2025. A bank guarantee has been established for the benefit of the lessor, which is secured with a deposit in the amount of up to two months of rent (6 692 euros). In 2024, the lease expenses without value added tax amounted to 45 150 euros (2023: 36 515 euros). The lease expenses without value added tax planned for 2025 amount to 85 850 euros.

For the purposes of calculating the minimum own funds requirement of AS SmartCap, fixed overheads are 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

(eurodes)

	2024	2023
Wages and salaries	705 376	573 121
Social security charges	237 297	192 484
Total staff costs	942 673	765 605

Average number of employees by type of work:		
Person working under employment contract	9,5	7,0
Member of management or supervisory body of the legal person	7,0	7,0

As at 31 December 2024, AS SmartCap employed 12 full-time employees, incl. 2 members of the management board (31 December 2023: 11 employees, incl. 2 members of the management board).

The total remuneration calculated for the employees was 524 997 euros (2023: 376 962 euros), social tax not included. The total remuneration calculated for the members of the management board of AS SmartCap amounted to 127 579 euros (2023: 149 432 euros), social tax not included. The total remuneration calculated for the members of the supervisory board of AS SmartCap amounted to 52 800 euros (2023: 46 727 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

	31.12.2024		31.12.2023	
Balances with related parties by groups				
	Receivables	Payables	Receivables	Payables
Parent company (see notes 1,4)	0	2 596	0	4 757
Executive and senior management	0	0	0	0
Republic of Estonia (see note 3)	0	0	320 911	0
Funds managed (see notes 1,3)	722 981	0	555 315	87
Purchases and sales				
	2024		2023	
	Purchases	Sales	Purchases	Sales
Parent company (see note 1)	29 896	0	48 416	0
Executive and senior management	15 203	0	11 440	0
Republic of Estonia (see note 1)	0	0	0	483 762
Funds managed (see notes 1,8)	0	2 719 271	0	2 231 690
Remuneration and other significant benefits calculated for executive and senior management				
	2024		2023	
Remuneration calculated	180 379		196 159	

During the reporting period, no write-downs of receivables from related parties have been made. SmartCap is paid a management fee for the management of the Venture Capital Fund, the Green Fund and the Defence Fund on the account of the funds. During the reporting period, the management fee was calculated in the amount of 2 719 272 euros (2023: 2 231 691 euros) (see also Note 8).

As at 31 December 2024, the fund management fee receivable by SmartCap amounted to 345 318 euros (2023: 555 315 euros). Commission expenses payable amounted to 4 844 euros (2023: 87 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 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 2024

The management board has prepared the management report and financial statements of AS SmartCap for the financial year ended on 31 December 2024.

Mari Kuhi	Member of Management Board	27.03.2025
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Sille Pettai	Member of Management Board	27.03.2025
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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 2024 in the amount of 785 578 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 2024 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 present fairly, in all material respects, the financial position of the Company as at 31 December 2024, and its financial performance for the year then ended in accordance with the 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 the 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, 27 March 2025

/signed/

Liina Randmann

Certified Public Accountant, Licence No. 661

/signed/

Veiko Kompus

Certified Public Accountant, Licence No. 707

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