

# SMARTCAP VENTURE CAPITAL FUND

## Annual Report 2024

**SMARTCAP VENTURE CAPITAL FUND**  
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Beginning of the financial year	01.01.2024
End of the financial year	31.12.2024
Name of the Fund	SmartCap Venture Capital Fund
Management company	AS SmartCap
Fund manager	Sille Pettai

Type and principal activity of the Fund	<p>A common closed-ended alternative investment fund whose assets are invested in Estonian-focused venture capital funds that develop innovative Estonian companies with international growth potential or in international venture capital funds that have a significant component that adds value to the Estonian ecosystem of innovative companies with international growth potential, therethrough supporting changes that help modernise the Estonian economy and develop the local capital market.</p>
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# Management report

SmartCap Venture Capital Fund (hereinafter the Venture Capital Fund) is a common closed-ended alternative investment fund managed by AS SmartCap (hereinafter SmartCap), a small fund management company operating under the authorisation issued by the Estonian Financial Supervision Authority. The assets of the Venture Capital Fund are invested in Estonian-focused venture capital funds that develop innovative Estonian companies with international growth potential or in 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 2024, the volume of assets of the Venture Capital Fund amounted to 249 million euros (Figure 1), and the investment portfolio of the Venture Capital Fund included five Estonian-focused early-stage venture capital funds (2023: three venture capital funds), an investment in the NATO Innovation Fund, and two direct investments. As at the end of 2024, the investments of the Venture Capital Fund had reached, through fund and direct investments, in total approximately 143 companies (2023: 126 companies).

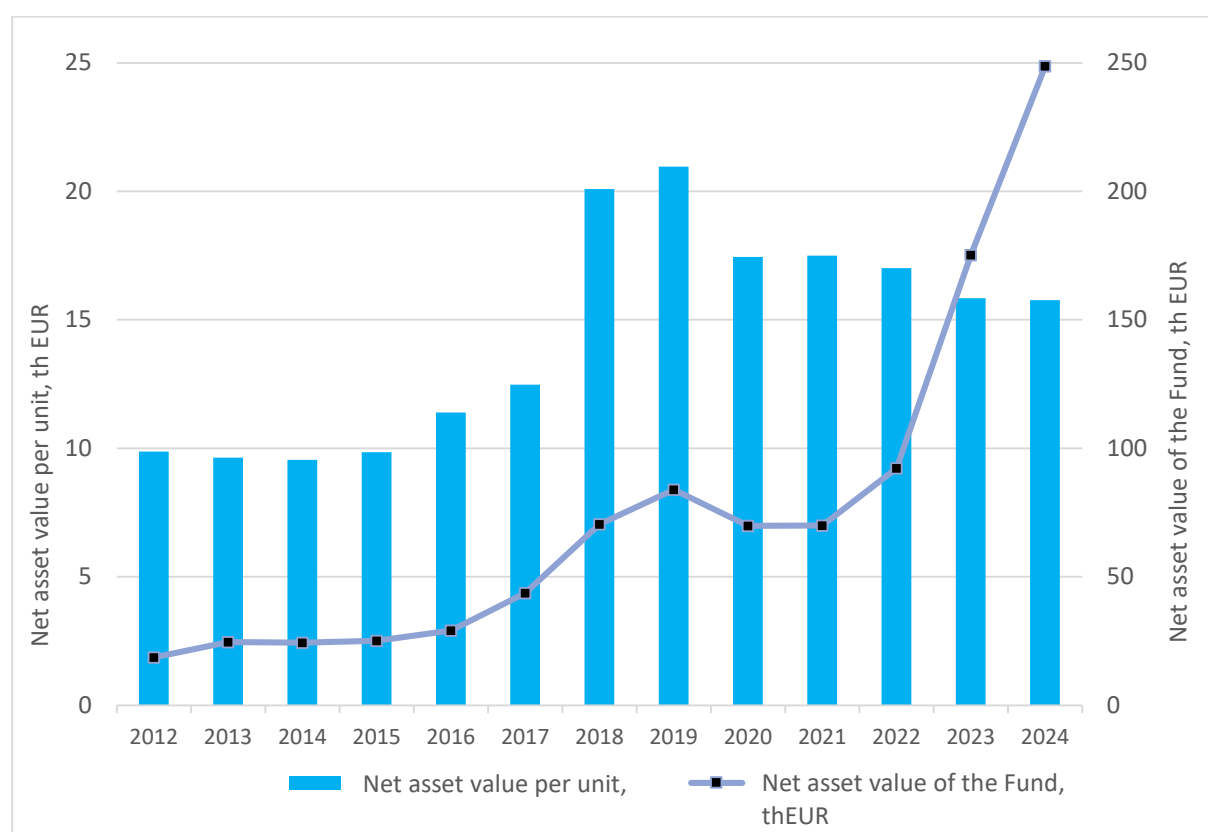


Figure 1. Dynamics of the net asset value of the Venture Capital Fund as from its foundation

In the Estonian technology sector, the past year continued along the trajectory that began in 2023, where according to the collaboratively compiled database 'Funding, Failures & Exits of Estonian Tech Startups', the volume of capital raised by local technology companies continued to decline. While in 2023 the volume of capital raised decreased by 67% compared to 2022, amounting to a total of 453 million euros, in 2024 the volume declined by a further 22% compared to 2023, totalling 353 million euros.

At the same time, the share of local capital in the transaction volume of the Estonian technology sector continued to grow significantly, almost doubling both in absolute terms and in proportion to the total capital raised – while in 2023, 49 million euros came from Estonian investors, accounting for 11% of the total transaction volume, in 2024 the figure was 81 million euros, already accounting for 23% of the total transaction volume. While the volume and share of foreign capital in transactions decreased, local capital increasingly demonstrated its ability and willingness to substitute and compensate for it to a significant extent. A positive change in the transaction market was also the increase in the share of technology sector companies that were raising capital for the first time – compared to 25% in 2023, the figure rose to 42% in 2024. This reflected investors' growing willingness to invest in entirely new technology companies and creates the conditions for revitalising the transaction market in 2025.

The principal activities in 2024 were:

- an additional investment capital contribution to the Venture Capital Fund of 75 million euros and renewal of the investment strategy;
- investments in two Estonian-focused early-stage venture capital funds.

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 to start 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, 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.

In 2025, SmartCap will focus on making new fund investments from the Venture Capital Fund.

## ENVIRONMENTAL INFORMATION

The assets of the Venture Capital Fund are invested following the principles of responsible investment. This means that investment decisions are adopted taking into account sustainability, i.e. environmental, social and corporate governance, risks. As the Venture Capital Fund operates on the basis of the fund of funds model and is not directly open to the target companies, the sustainability impact of the Venture Capital Fund is only

reflected through investments in other funds. In order to reduce the sustainability risk, risk considerations are embedded in the investment decisions of the Venture Capital Fund – the Venture Capital Fund will only invest assets in funds that also understand and integrate responsible investment principles into their own operations. For the investments added in 2024, the sustainability risk was taken into account and the respective management company was required to establish a responsible investment management system to address sustainability risks at the level of the target companies.

# Signatures of management board of management company to annual report of SmartCap Venture Capital Fund for 2024

The management board of SmartCap has prepared the annual report of SmartCap Venture Capital Fund for 2024, which consists of the management report and the financial statements (incl. notes thereto) to which the sworn auditor's report has been appended.

/digitally signed/

Sille Pettai

AS SmartCap

Fund Manager

Member of the Management Board

/digitally signed/

Mari Kuhi

AS SmartCap

Member of the Management Board

Tallinn, 14 May 2025

# Financial statements

## Statement of financial position

(in euros)

	Note	31.12.2024	31.12.2023
<b>ASSETS</b>			
Cash and cash equivalents	5	101 153 233	80 720 030
Term deposits	5	110 100 000	58 250 000
Financial investments at fair value with changes through profit or loss	6	36 443 204	35 424 371
Receivables and prepayments	10	0	50
Accrued interest income		1 418 328	1 131 228
<b>TOTAL ASSETS</b>		<b>249 114 765</b>	<b>175 525 679</b>
<b>LIABILITIES</b>			
<b>Short-term liabilities</b>			
Payables and prepayments	7	510 011	360 740
<b>Total short-term liabilities</b>		<b>510 011</b>	<b>360 740</b>
<b>TOTAL LIABILITIES</b>		<b>510 011</b>	<b>360 740</b>
<b>Net asset value of the Fund attributable to unit-holders</b>	<b>9</b>	<b>248 604 754</b>	<b>175 164 939</b>

› The notes on pages 12 to 29 are an integral part of these financial statements.



## Income and expense statement

(in euros)

	Note	2024	2023
<b>INCOME</b>			
Interest income	5	6 790 712	3 385 498
Dividends		122 582	27 041
Realised profit on sale of financial assets		0	36 716
<b>Total income</b>		<b>6 913 294</b>	<b>3 449 255</b>
<b>EXPENSES</b>			
Unrealised loss on financial assets recognised at fair value through profit or loss	6	-6 563 380	-20 961 570
Management fees	8,10	-1 868 499	-1 413 549
Other expenses	8	-41 600	-40 030
<b>Total expenses</b>		<b>-8 473 479</b>	<b>-22 415 149</b>
<b>PROFIT/LOSS OF THE FUND</b>		<b>-1 560 185</b>	<b>-18 965 894</b>

› The notes on pages 12 to 29 are an integral part of these financial statements.

## Statement of changes in net asset value of Fund

(in euros)

	2024	2023
<b>Net asset value of the Fund at the beginning of the reporting period</b>	<b>175 164 939</b>	<b>92 220 833</b>
Cash received from subscription of units	75 000 000	101 910 000
Profit/loss of the Fund	-1 560 185	-18 965 894
<b>Net asset value of the Fund at the end of the reporting period</b>	<b>248 604 753</b>	<b>175 164 939</b>
Number of units outstanding at the end of the reporting period	15 772,001	11 059,898
Net asset value per unit at the end of the reporting period	15 762,4104	15 837,8440

➤ The notes on pages 12 to 29 are an integral part of these financial statements.

## Statement of cash flows

(in euros)

	Note	2024	2023
<b>Cash flows from operating activities</b>			
Administrative and other operating expenses paid		-1 760 778	-1 313 373
Capital calls paid	6	-8 052 052	-4 422 459
Capital returned		469 839	64 023
Inflows and outflows of term deposits (net)		-51 850 000	-58 250 000
Interest received		6 503 612	2 278 899
Dividends received		122 582	27 041
<b>Total cash flows from operating activities</b>		<b>-54 566 797</b>	<b>-61 615 868</b>
<b>Cash flows from financing activities</b>			
Received for units or shares issued	10	75 000 000	101 910 000
<b>Total cash flows from financing activities</b>		<b>75 000 000</b>	<b>101 910 000</b>
<b>TOTAL CASH FLOWS</b>		<b>20 433 203</b>	<b>40 294 132</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>5</b>	<b>80 720 030</b>	<b>40 425 898</b>
Change in cash and cash equivalents		20 433 203	40 294 132
<b>Cash and cash equivalents at the end of the period</b>	<b>5</b>	<b>101 153 233</b>	<b>80 720 030</b>

➤ The notes on pages 12 to 29 are an integral part of these financial statements.

# Notes to financial statements

## Note 1. General information

Established on 20 February 2012, SmartCap Venture Capital Fund (hereinafter also the Venture Capital Fund) is a closed-ended non-public contractual investment fund (alternative fund). The Venture Capital Fund is comprised of money raised through the issue of units and other assets received from investing such money, owned collectively by investors and managed by AS SmartCap, registered office at Sepise 7, Tallinn. Supervision over the Venture Capital Fund is exercised by the Estonian Financial Supervision Authority.

The financial year of the Fund begins on 1 January and ends on 31 December. The financial statements have been prepared in euros.

## Note 2. Summary of significant accounting and reporting policies

A summary of significant accounting and reporting policies applied in the preparation of these financial statements is set out below. These accounting and reporting policies have been consistently applied to all the reporting periods, unless otherwise stated.

### 2.1. Fundamentals of accounting

The financial statements of the Venture Capital Fund have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (IFRS EU). The financial reporting policies of investment funds have been provided for in the Investment Funds Act and in the Accounting Act of Estonia. The financial statements have been prepared taking into account the procedure for establishment of the net asset value of the Fund as established by AS SmartCap.

#### **Management judgments and estimates**

The preparation of financial statements in accordance with the International Financial Reporting Standards (IFRS EU) requires the management to make estimates, judgments and assumptions that affect the balances of income, expenses, assets and liabilities and the presentation of contingent assets and liabilities as at the reporting date. Estimates and related assumptions are based on past experience and various other factors which are considered reasonable under the circumstances. Based on the results obtained, judgments are made about the carrying amounts of assets and liabilities that are not apparent from other sources. Although these estimates have been made to the best knowledge of the management, the subsequent actual result may differ from the assumptions made. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to

accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that reporting year or in the year of the revision and future years if the revision affects both current and future reporting years. Those areas requiring more complex estimates and where accounting estimates and assumptions made have a significant impact on the information recognised in the financial statements are disclosed separately in Note 4.

## 2.2 New or revised standards and interpretations

### Application of new and/or amended International Financial Reporting Standards (IFRS) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC)

The following amendments to standards issued by the International Accounting Standards Board (IASB) and adopted by the EU were applicable to this reporting period:

- „Classification of Liabilities as Current or Non-current“ (Amendments to IAS 1);
- „Non-current Liabilities with Covenants“ (Amendments to IAS 1);
- „Supplier Finance Arrangements“ (Amendments to IAS 7 and IFRS 7);
- „Lease Liability in a Sale and Leaseback“ (Amendments to IFRS 16);

In 2024, the Green Fund applied these amendments to international financial reporting standards issued by the IASB and adopted by the EU, which were mandatory for reporting periods beginning on or after 1 January 2024. Their adoption did not have a significant impact on the data or amounts disclosed in these financial statements.

### New standards, interpretations and amendments to standards that have entered into force

The following new and amended standards apply to annual periods beginning after 1 January 2024 and earlier application is permitted. The Green Fund has not early adopted any of these new and amended standards and considers that, when they become effective, they will not have a significant impact on the Green Fund's financial statements.

- Amendments to classification and measurement of financial instruments' (Amendments to IFRS 9 and IFRS 7);
- Annual improvements to IFRS Standards – Volume 11;
- Lack of Exchangeability' (Amendments to IAS 21)
- „Presentation and Disclosure in Financial Statements“ (Amendments to IFRS 18)

### Standards, interpretations and amendments to standards not yet effective

The following new standards, interpretations and amendments were not yet applicable to the reporting period ended 31 December 2024. The Green Fund has not early adopted any of these new and amended standards and considers that, when they become effective, they will not have a significant impact on the Green Fund's financial statements.

- › „Subsidiaries without Public Accountability: Disclosures' (Amendments to IFRS 19).

## 2.3. Financial assets

### 2.3.1. Classification

The financial assets of the Venture Capital Fund are classified into the following categories:

- › At fair value through profit or loss

The Venture Capital Fund recognises venture capital investments in venture capital funds and direct investments in portfolio companies (hereinafter financial investments) at fair value through profit or loss.

- › At amortised cost

Financial assets whose objective is to hold financial assets in order to collect contractual cash flows and whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding are recognised at amortised cost. The following financial assets are recognised in this category: "Cash and cash equivalents", "Term deposits" and "Other short-term receivables".

The classification of financial assets is based on the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. The category of a financial asset is determined by the fund manager upon the initial recognition of the financial asset.

### 2.3.2. Recognition and measurement

Regular purchases and sales of financial assets are recognised and derecognised, as applicable, using trade date accounting. The Venture Capital Fund derecognises financial assets when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and substantially all the risks and rewards of ownership relating to the financial assets have also been transferred.

- (a) Financial assets recognised at amortised cost

Financial assets classified in this category are initially recognised at fair value plus transaction costs. Subsequently, they are recognised at amortised cost using the effective interest rate method. Interest income from loans and receivables is recognised in the income and expense statement under “Interest income”.

#### (b) Financial investments

The financial assets recognised at fair value through profit or loss are initially recognised at fair value, and the transaction costs attributable to acquisition are recognised as expenses in the income and expense statement. Subsequently, the financial assets recognised at fair value through profit or loss are measured at fair value. Changes in fair value are recognised in the income and expense statement under “Profit/loss on financial assets at fair value through profit or loss” in the period when they occur.

For investees, SmartCap assesses whether the Venture Capital Fund has significant influence over the investee. Significant influence is generally presumed to exist when the Venture Capital Fund owns 20% to 50% of the voting shares in the company.

In exceptional circumstances, significant influence may also exist if the share is less than 20%. The existence of significant influence is usually characterised by the following factors:

- (a) membership in the executive management or senior management body of the investee;
- (b) participation in the operating policy decisions of the investee;
- (c) major transactions between the investor and the investee;
- (d) partial overlapping of the managements of the investor and the investee;
- (e) exchange of technical information between the investor and the investee.

Investments in associates are recognised in the same way as other investees – at fair value through profit or loss, in accordance with the exception set out in IAS 28 *Investments in Associates* regarding the recognition of associates in the financial statements of venture capital companies. An investment in an associate is initially recognised at fair value and the transaction costs attributable to acquisition are recognised as expenses in the income and expense statement.

## 2.4. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position and the statement of cash flows include balances of current accounts (excluding overdrafts), balances of overnight deposits, term deposits of up to three months and investments in money market funds and other highly liquid funds, provided that the Venture Capital Fund invests in financial assets that comply with the definition of cash and cash equivalents..

Interest earned on the balance of the current account and on deposits is recognised in the income and expense statement under “Interest income”.

## 2.5. Impairment of financial assets

If the Venture Capital Fund holds financial assets that are not recognised at their fair value through profit or loss, then at each reporting date an assessment is made as to whether there is any indication that the asset may have suffered an impairment compared to its carrying amount. Indicators of impairment of a financial asset may include:

- financial difficulties of the issuer of the security, indications of the issuer’s possible bankruptcy;
- non-payment or late payment of interest or principal;
- disappearance of an active market for the financial asset;
- other significant events that may indicate impairment of assets..

Impairment requirements are based on the expected credit loss model. The carrying amount of an asset is reduced by the amount of expected credit losses, and the loss is recognised in the income and expense statement. The assessment of expected credit losses is unbiased, probability-weighted and incorporates all available information relevant for the estimate. The recognition of interest income on such an asset is not changed when the financial asset is impaired. If the expected credit loss on an impaired asset decreases and the decrease can be objectively related to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed.

## 2.6. Financial liabilities

All financial liabilities (liabilities to suppliers, accrued expenses and other short- and long-term financial liabilities) are recognised at amortised cost. The amortised cost of short-term financial liabilities is generally equal to their nominal value, which is why short-term financial liabilities are recognised in the statement of financial position at the amount payable. For the amortised cost of long-term financial liabilities, they are initially recognised at the fair value of the consideration received (less transaction costs), with subsequent interest expense on the liabilities recognised using the effective interest rate method.

## 2.7. Transactions with related parties

For the preparation of the interim financial statements, related parties are considered to be associates, SmartCap and its executive and senior management, and other persons and entities that are able to control or significantly influence the financial and business decisions of the Venture Capital Fund. Since 100% of the units of the Venture



Capital Fund are owned by the Republic of Estonia, entities under the control or significant influence of the state are also considered related parties of the Venture Capital Fund.

## 2.8. Income

### › Interest income

Interest income is recognised when the receipt of income is probable and the amount of income can be measured reliably. Interest income is recognised using the effective interest rate method, except in cases where the receipt of interest is uncertain. In such cases, interest income is recognised on a cash basis.

## 2.9. Calculation of net asset value of the Venture Capital Fund

The net asset value of the Venture Capital Fund is determined in accordance with the Investment Funds Act, the internal procedural rules of SmartCap and the rules of the Venture Capital Fund.

To determine the net asset value (NAV) of the Venture Capital Fund, the market value of the total assets of the Venture Capital Fund is calculated and the liabilities of the Venture Capital Fund are deducted. The unit value is obtained by dividing the total net asset value by the number of units in circulation.

## 2.10. Fund units

The Venture Capital Fund has issued one class of units which entitle the unitholder to a proportional share of the net assets of the Venture Capital Fund upon the liquidation of the Venture Capital Fund. The units do not entail any contractual obligations other than redemption upon the liquidation of the Venture Capital Fund. The units are recognised as equity because the following IAS 32 criteria are met:

- › the units entitle the holder to a proportional share of the net assets of the Venture Capital Fund (i.e. total net asset value) upon the liquidation of the Venture Capital Fund. The net asset value of the Venture Capital Fund is obtained by deducting the liabilities of the Venture Capital Fund from the market value of the Fund's assets. The proportional share is calculated as follows: the total net asset value of the Venture Capital Fund is divided by the total number of units issued, and the resulting amount is multiplied by the number of units held by each unitholder;
- › the units are subordinated to all other debt or other instruments issued by the Venture Capital Fund;
- › all units carry identical rights (to receive remuneration in proportion to the share in net assets);
- › the Venture Capital Fund has no other financial instruments or contracts with cash flows that are largely based on profit, changes in net assets or changes in the fair value of assets recognised in or outside the

statement of financial position, the result of which would be to significantly restrict or fix the return to the unitholders.

If the terms of the units change so that the above criteria are no longer met, the units are classified as a financial liability from the date on which those conditions are no longer met. A financial liability is initially recognised at the fair value of the transaction date. Where there is a difference between the carrying amount of the equity instrument and the fair value of the liability, the difference is recognised in equity.

Direct costs related to the issue of new units are recognised in equity as a deduction from the consideration received for the units. If the Venture Capital Fund repurchases its own units, equity attributable to unitholders is reduced by the consideration paid, less any directly attributable transaction costs.

## 2.11. Events after the reporting date

Between the reporting date of 31 December 2024 and the date of approval of the financial statements, no material circumstances have arisen that would affect the valuation of assets and liabilities in the financial statements or transactions conducted in previous periods.

## Note 3. Risk management

SmartCap has adopted risk management rules that establish the principles, organisation and organisational structure of risk management at SmartCap. Through the risk management framework, the risks related to investment activities are identified and the risks and their extent that are acceptable for achieving the objectives of the Venture Capital Fund are determined.

The Venture Capital Fund is an early-stage venture capital fund whose investments are inherently high-risk and arise from:

- › the early stage of development of the investees (start-ups), due to which their business models and capacity to generate revenues have not yet been proven and therefore several investees may fail in their business activities;
- › the concentration of investments of a similar high-risk level in the Venture Capital Fund;
- › the low liquidity of the long-term non-tradable instruments included in the investment portfolio, whereby the timing of exit from an investment may significantly affect the return on investments and the overall return of the Venture Capital Fund.

For the purpose of managing and mitigating risks, the potential investees of the Venture Capital Fund are analysed in detail before an investment is made, assessing their suitability for the risk profile of the Fund. The

risk profile of the Venture Capital Fund, which sets out the risk appetite of the Fund, is reviewed and updated by SmartCap at least once a year.

In addition to pre-investment risk assessment and control, SmartCap monitors at least once a quarter the risk exposures in the statement of financial position of the Venture Capital Fund and assesses their compliance with the established risk profile.

### 3.1. Strategic risk

Strategic risk reflects the possibility of failing to achieve the investment performance envisaged in the investment policy set out in the terms and conditions of the Venture Capital Fund due to the unfavourable global economic environment or the Estonian capital market and business environment, including the accumulation of various risks described in Note 3.

According to the terms of the Fund, the main objective of the Venture Capital Fund is to increase the value of the Fund's assets over time, while contributing significantly to the development of the Estonian capital market and the growth of innovative Estonian companies.

The risks associated with increasing the value of the Venture Capital Fund's assets are mitigated through the management of the risk categories described below. The Venture Capital Fund is exposed to strategic risk arising from limited investment opportunities in Estonia-related venture capital funds and their limited access to institutional capital, which is why the assets of the Venture Capital Fund are also invested in venture capital funds managed by emerging fund managers. Depending on the economic environment, the number of new investments may vary considerably from year to year. In addition, due to the long-term objective of the Venture Capital Fund to develop the capital market, SmartCap monitors on an ongoing basis the availability of the Fund's long-term free investment capital across different economic cycles and, if necessary, initiates preliminary negotiations with the investor on the possible raising of additional capital.

### 3.2. Investment risk

Investment risk is the risk that the value of an investment may change negatively due to circumstances related to the issuer, including environmental, social or corporate governance circumstances (i.e. sustainability risk). The term „issuer“ also covers persons who have established an investee, issued securities of an investee or otherwise

exercise control over an investee, which is not considered a security under the applicable law but in which the Venture Capital Fund has investe.

To mitigate investment risk, SmartCap involves co-investors in all investments of the Venture Capital Fund to ensure that investments are made under market conditions. In addition, the activities of issuers of securities (or other assets that are not securities) forming part of the assets of the Venture Capital Fund are constantly analysed and monitored. Investment decisions are made on the basis of sufficient and relevant information, collecting the necessary amount of information and analysing it in appropriate detail from the economic, financial and legal perspective. For the additional management of investment risk, SmartCap's employees are, where necessary and possible, members of the supervisory board or another governing body of the issuer and participate in its work.

Breakdown of investments by type of investment as at 31 December 2024:

	<b>Number of investments</b>	<b>Carrying amount of investments</b>
Direct investments in portfolio companies	2	78 858
Direct investments in funds	6	36 364 346
Indirect investments in portfolio companies	182	36 495 314

	<b>Number of investments 31.12.2023</b>	<b>Carrying amount of investments 31.12.2023</b>
Direct investments in portfolio companies	2	374 972
Direct investments in funds	4	35 049 399
Indirect investments in portfolio companies	61	34 521 881

### 3.3. Market risk

Market risk is the risk that adverse changes in market prices, including foreign exchange rates, interest rates and market prices of securities, may cause the Venture Capital Fund to incur losses. As the investments of the Venture Capital Fund are made in non-tradable securities, the Fund is directly exposed to the market risk arising from its securities positions only at the time of their acquisition and disposal, and indirectly through revaluation, which takes into account intermediate investment rounds and the impacts of interest rate fluctuations on cash flow-based revaluation models.

Exposure of Venture Capital Fund to investment and exit risk:

	31.12.2024	31.12.2023
Undrawn investment commitments	45 793 586	38 391 844
Investments in exit phase at carrying amount	17 981 474	22 813 585

Exposure of Venture Capital Fund to interest rate risk::

Contractual number of days until maturity of the deposit	31.12.2024	31.12.2023
0 – 30 days	30 575 781	51 470 030
30 – 90 days	70 919 009	29 250 000
90 – 180 days	47 626 638	29 150 000
180 – 360 days	63 550 134	29 100 000
<b>Total</b>	<b>212 671 562</b>	<b>138 970 030</b>

The Fund manages its liquid assets using a maturity-based allocation model. As the deposits held by the Fund are short-term non-tradable deposits held to maturity, they are not subject to market-based revaluation. The Fund's exposure to interest rate market risk is therefore minimal and results mainly from the rebalancing of the existing deposits.

### 3.4. Credit risk

Credit risk is the risk that the counterparty is unable to perform its financial obligations to the Venture Capital Fund. The credit risk of the Venture Capital Fund arises from the cash and cash equivalents held in credit institutions as well as from debt instruments.

As a result of the capital raised from the investor and the units issued by the Venture Capital Fund during the reporting year, the volume of the Fund's liquid assets increased by approximately 72 million euros from 139 million euros to 211 million euros.

Breakdown of funds related to counterparty credit risk by asset type:

	31.12.2024	31.12.2023
Cash and cash equivalents	101 153 233	80 720 030
Term deposits	110 100 000	58 250 000
<b>Total</b>	<b>211 253 233</b>	<b>138 970 030</b>

The Venture Capital Fund deposits its liquid assets with commercial banks registered in the European Economic Area and holding an investment rating. According to the 2024 risk profile, SmartCap limited the credit risk of the Venture Capital Fund for the reporting year to a small number of well-capitalised credit institutions registered in Estonia..

Breakdown of liquid assets (cash and cash equivalents and term deposits) by counterparty credit rating:

Moody's rating	31.12.2024	31.12.2023
Aaa	0	0
Aa3 to Aa1	211 243 119	138 970 030
A3 to A1	0	0
Baa3 to Baa1	10 114	0
<b>Total open credit risk position</b>	<b>211 253 233</b>	<b>138 970 030</b>

### 3.5. Liquidity risk

Liquidity risk is the risk that the Venture Capital Fund is unable to meet its investment commitments. The liquidity risk of the Venture Capital Fund arises from fund or direct investment commitments undertaken.

According to the risk profile, the Venture Capital Fund is required at all times to hold a sufficient amount of liquid assets to cover its investment commitments. Compliance with the required liquidity risk position was ensured by ongoing monitoring and quarterly reporting to the Management Board and Supervisory Board.

Breakdown of investment commitments and available funds of the Fund:

	31.12.2024	31.12.2023
Investment commitments undertaken on account of the Fund	45 793 586	38 391 844
Liquid assets (cash and cash equivalents and term deposits)	211 253 233	138 970 030
Coverage ratio of investment commitments	4,6	3,6

### 3.6. Concentration risk

Concentration risk is the risk that the value of the investments of the Venture Capital Fund may decrease because the Fund is excessively dependent on a certain group or source of risk factors.

SmartCap mitigates concentration risk by complying with the investment restrictions provided in the rules of the Venture Capital Fund and other possible diversification requirements. SmartCap constantly analyses the Fund's risk concentrations in the following categories: portfolio company issuer, management company, vintage of the investment, economic sector, development stage of portfolio companies and, in the case of fund investments, the experience of the management company.

Compared to 2023, the decline in the main risk concentration categories continued in 2024, mainly due to the issuance of new units in the amount of 75 million euros. As a result of the issuance, the Fund's investments and future investment commitments as a ratio to the net assets of the Fund decreased from 42% at the end of 2023 to 33% as at 31 December 2024.

The following table provides an overview of a selected number of concentration risk categories that are regularly monitored by the asset manager of the Venture Capital Fund.

	31.12.2024	31.12.2023
Largest investment in a portfolio company*	1,7%	2,5%
Largest fund investment (investment commitment)	11.0%	15,5%
Largest allocation to one economic sector*	6.7%	9,6%
Largest allocation to one vintage of investment	7.3%	12,8%
Largest allocation to one development stage of company*	4.8%	7,5%

\* Includes both direct investments and indirect investments in portfolio companies made through fund investments.

### 3.7. Operational risk

Operational risk is the risk of incurring a loss due to the inadequacy or failure of internal processes, people or systems to perform as expected, or due to external events. The definition includes legal risk, but excludes strategic, reputational and system risks.

The management of the operational risk of the Venture Capital Fund is carried out in the same way as for other risk categories. For this purpose, all potential risks related to the Fund's (i) critical business processes, (ii) employees/service providers, (iii) systems and (iv) possible external threats are assessed. For the risks identified, the Supervisory Board of SmartCap establishes tolerance limits and possible mitigation measures. The fund-specific operational key risk indicators (KRIs) established by the Supervisory Board of SmartCap are monitored by the asset manager once a quarter. In the event of an operational risk incident, it is recorded in the risk incident register of the Venture Capital Fund.

### 3.8. Capital risk management

Capital is considered to be the units subscribed by the investor of the Venture Capital Fund. Units are not redeemed at the request of the investor. Redemption of units takes place only upon the liquidation of the Venture Capital Fund, a decision which can be made by the unitholders.

All units of the Venture Capital Fund are owned by the Republic of Estonia.

In the event of liquidation of the Venture Capital Fund, it must be taken into account that the assets of the Fund also include illiquid assets and, as a result, there is a high risk of preserving the fair value of the assets during an extraordinary liquidation process. The Venture Capital Fund is not leveraged with loans.

### 3.9. Fair value of financial assets and liabilities

As the financial assets recognised at amortised cost are short-term and bear interest, and as there have been no significant changes in the market between the date of recognition of the financial asset and the reporting date, their carrying amount is considered to approximate fair value. Since financial liabilities are short-term, non-interest-bearing and have been settled by the time the report was approved, their carrying amount is also considered to approximate fair value.

The Venture Capital Fund categorises financial investments into three levels depending on their revaluation method:

**Level 1:** financial investments measured at unadjusted quoted prices in active markets;



**Level 2:** financial instruments measured using valuation techniques based on observable inputs. This category includes, for example, financial instruments valued using the prices of similar instruments in an active regulated market, or instruments where a regulated market price is used for revaluation but the liquidity on the exchange is low.

**Level 3:** financial instruments measured using valuation techniques based on unobservable inputs.

	Level 1	Level 2	Level 3	31.12.2024
Fund units	0	0	36 364 346	36 364 346
Direct investments	0	0	78 858	78 858
<b>Total financial assets</b>	<b>0</b>	<b>0</b>	<b>36 443 204</b>	<b>36 443 204</b>

	Level 1	Level 2	Level 3	31.12.2023
Fund units	0	0	35 049 399	35 049 399
Direct investments	0	0	374 972	374 972
<b>Total financial assets</b>	<b>0</b>	<b>0</b>	<b>35 424 371</b>	<b>35 424 371</b>

According to the internal rules for determining the net asset value of the Venture Capital Fund approved by the Management Board of SmartCap:

- › cash and deposit balances are valued at nominal value;
- › accrued but not yet received interest on deposits is recognised as accrued income;
- › the fair value of a non-tradable security is determined primarily on the basis of valuation methods provided for in IFRS and in the International Private Equity and Venture Capital Valuation (IPEV) Guidelines, which may include:
  - the price of the last investment transaction;
  - the discounted cash flow method;
  - the net asset method;
  - valuation based on earnings multiples.
- › the value of an investment fund share or unit is determined on the basis of its last known net asset value (NAV).

Cash and cash equivalents and term deposits that are not quoted in an active market and whose value corresponds to carrying amount are not disclosed in this note.

Receivables and liabilities to suppliers are short-term, their fair value is close to carrying amount, and their valuation corresponds to Level 2.

For non-tradable closed-end fund units (Level 3), the Venture Capital Fund primarily uses NAV-based valuation and valuation based on earnings multiples. If, in SmartCap's assessment, these methods do not reflect the fair value of the investment, other methods prescribed by international standards are used.

## Note 4. Significant accounting estimates

The preparation of the financial statements requires the use of various accounting estimates and assumptions that affect the assets and liabilities recognised in the financial statements and the off-balance sheet assets and contingent liabilities disclosed in the notes. Although these estimates have been made to the best knowledge of the management, they may not coincide with the subsequent actual results. Changes in management estimates are included in the income and expense statement of the period in which the change occurred.

In the case of the financial information disclosed in these financial statements, the management's estimates are related to the estimates of the fair value of financial investments. For the purpose of determining fair value, the last known NAV has been used, adjusted where necessary. As at the reporting date, long-term financial investments accounted for 14.6% of the assets of the Venture Capital Fund (31 December 2023: 20.2% of the assets of the Venture Capital Fund).

## Note 5. Cash and equivalents and term deposits

(in euros)	31.12.2024	31.12.2023
Cash at bank	10 114	10 063
Funds in deposits of up to 3 months	101 143 119	80 709 967
<b>Total cash and cash equivalents</b>	<b>101 153 233</b>	<b>80 720 030</b>
Term deposits	110 100 000	58 250 000
<b>Total</b>	<b>211 253 233</b>	<b>138 970 030</b>

As at 31 December 2024 and 31 December 2023, all cash was denominated in euros. Interest income earned on cash and cash equivalents and term deposits amounted to 6 790 712 euros in 2024 (2023: 3 385 498 euros).

Cash of the Venture Capital Fund and commitments undertaken on its account:

	31.12.2024	31.12.2023
Initial investment decisions adopted on account of the Fund	0	40 000 000
Future investment commitments undertaken on account of the Fund	45 793 586	38 391 844
Available funds for future investments	165 459 647	60 578 186
<b>Total</b>	<b>211 253 233</b>	<b>138 970 030</b>

## Note 6. Financial investments at fair value with changes through profit or loss

(in euros)	31.12.2024	31.12.2023
Carrying amount of holdings at the beginning of the reporting period	35 424 370	51 990 789
<b>Total investments at fair value at the beginning of the year</b>	<b>35 424 370</b>	<b>51 990 789</b>
Drawdowns	8 052 052	4 422 459
Revaluations of fair value of holdings/loans	-6 563 380	-20 961 570
Sale of holdings at cost	-469 839	-27 308
<b>Total investments at fair value at the end of the reporting period</b>	<b>36 443 203</b>	<b>35 424 370</b>

## Note 7. Payables and prepayments

(in euros)	31.12.2024	31.12.2023
Management fee (Note 10)	498 230	351 018
Other accrued expenses	11 781	9 723
<b>Total</b>	<b>510 011</b>	<b>360 740</b>

All payables and prepayments are short-term.

## Note 8. Operating expenses

(in euros)	2024	2023
Management fee expenses of the Venture Capital Fund (Note 10)	1 868 499	1 413 549
Other expenses	41 600	40 030
<b>Total</b>	<b>1 910 099</b>	<b>1 453 579</b>

## Note 9. Units and statement of comparison of net asset value of Fund

Year	Net asset value of the Venture Capital Fund	Net asset value per unit of the Venture Capital Fund
31.12.2024	248 604 756 €	15 762,4104
31.12.2023	175 164 939 €	15 837,8440
31.12.2022	92 220 833 €	17 007,0849

## Note 10. Transactions with related parties

The related parties of the Venture Capital Fund are::

- › Investees over which the Venture Capital Fund has significant influence;
- › SmartCap and its executive and senior management;
- › Close family members of the persons listed above and entities controlled by them or under their significant influence;
- › The sole unitholder of the Venture Capital Fund, the Republic of Estonia, and entities under the control or significant influence of the state.

Except for investment transactions, the Venture Capital Fund did not make transactions with investees during the period 01.01.2021–31.12.2024. Transactions with investees are disclosed in Note 6.

During the reporting period, 75 million euros were received from the Ministry of Economic Affairs and Communications for the subscription of fund units (2023: 101.9 million euros).

During the reporting period, the management fee calculated to SmartCap amounted to 1 868 499 euros (2023: 1 413 549 euros).

As at 31 December 2024, the Venture Capital Fund had no receivable from SmartCap in respect of expense reimbursement (31 December 2023: 50 euros).

As at 31 December 2024, the management fee payable by the Venture Capital Fund to SmartCap amounted to 498 230 euros (31 December 2023: 351 018 euros).

## Note 11. Off-balance sheet commitments

(in euros)

Off-balance sheet commitments include undrawn investment commitments under investment agreements as at the reporting date.

	<b>31.12.2024</b>	<b>31.12.2023</b>
Undrawn investment commitments	45 793 586	38 391 844



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## **Independent Auditors' Report**

*(Translation of the Estonian original)*

To the shareholder and management company of SmartCap Venture Capital Fund

### **Opinion**

We have audited the financial statements of SmartCap Venture Capital (the Fund), which comprise the statement of financial position as at 31 December 2024, the income and expense statement, the statements of cash flows and statement of changes in net asset value of Fund, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### **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 Fund 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**

Fund manager management (the 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 International Financial Reporting Standards as adopted by the European Union, 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 Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund'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 Fund'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 Fund'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 Fund 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, 14 May 2025

/digitally signed/

Liina Randmann

Certified Public Accountant, Licence No. 661

/digitally signed/

Veiko Kompus

Certified Public Accountant, Licence No. 707

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