

SMARTCAP GREEN FUND

Annual Report 2025

SMARTCAP GREEN FUND
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Beginning of the financial year	01.01.2025
End of the financial year	31.12.2025
Name of the Fund	SmartCap Green Fund
Management company	AS SmartCap
Fund manager	Sille Pettai
Type and principal activity of the Fund	A common closed-ended alternative investment fund whose assets are invested as direct investments or through other Estonian-focused venture capital funds in innovative and/or research-intensive green technology companies whose activities contribute to solving environmental problems, incl. to the development and market introduction of new products, services or technologies that reduce or sequester greenhouse gas emissions.

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Management report

The principal objective of SmartCap Green Fund (hereinafter the Green Fund) is to improve the availability of capital for the development of innovative green technologies by making investments directly or through funds in innovative and/or research-intensive green technology companies. The Green Fund contributes both to the environmental objectives listed in Article 9 of the EU Taxonomy Regulation and thereby also to the achievement of the objectives established in the long-term development strategy “Estonia 2035”.

Through the Green Fund, equity investments in the amount of 100 million euros (incl. the management fee of the Green Fund) are made available to Estonian green technology companies in the period from 2022 to 2026 with the support of the EU Recovery and Resilience Facility (RRF). The assets of the Green Fund are invested directly or indirectly through venture capital funds in Estonian companies that develop innovative and/or research-intensive green technology companies, or directly in Estonian companies whose activities contribute to the development and market introduction of new products, services or technologies that help solve environmental problems.

In 2025, the Green Fund made 14 investments in the total amount of 50 million euros, of which 3 investments in the total amount of 32 million were fund investments and 11 investments in the total amount of 18 million euros were direct investments in companies. As at 31 December 2025, the investment portfolio of the Green Fund included three investment funds focusing on clean economy technologies and sixteen green technology companies (2024: one fund and 12 companies). As at 31 December 2025, the net assets amounted to 101.7 million euros (2024: 105.1 million euros).

Market trends

The year 2025 was characterised by stabilisation and a gradual recovery in the Baltic venture capital market. At the same time, there is a noticeable trend towards investors becoming increasingly selective, with investment concentrating on defence technologies and companies benefiting from the rise of artificial intelligence. According to the Baltic Startup Funding Report 2025¹, start-ups in the Baltic states raised a total of nearly 600 million euros in venture capital in 2025, which was more than in 2024 and signalled a recovery in investment activity following the decline seen in previous years.

In 2025, Estonian technology companies raised nearly 350 million euros in venture capital, which – according to the collaboratively compiled database ‘Funding, Failures & Exits of Estonian Tech Startups’, comparable to the figures for 2024; however, the growth in transaction market activity is reflected in a significantly higher number

¹ Baltic Startup Funding Report | FIRSTPICK VC Baltic (<https://firstpick.vc/baltic-startup-funding-report/>)

of transactions than previously and the increasing importance of local Estonian investors in funding. The share of local capital – that is, investments by investors of Estonian origin – in the total transaction volume of the Estonian technology sector continued to grow strongly, reaching its highest level in the last ten years – both in absolute terms and as a proportion of total capital, exceeding 110 million euros (2024: 81 million euros) and accounting for more than 30% of the total capital raised (2024: 23% of the capital raised). Whilst the volume of capital raised by Estonian technology companies remains significantly below its peak levels – when it exceeded one billion euros in both 2021 and 2022 – the number of transactions was a remarkable 116 – the second-highest figure in terms of activity over the last ten years.

Key events for the Green Fund in 2025 and plans for 2026

- According to the EU Recovery and Resilience Facility (RRF), the Green Fund was set a target of making investments in the total amount of 90 million euros by 30 June 2026 at the latest. This target was achieved by the end of 2025.
- In 2025, the Green Fund made a total of 3 investments in funds, 4 new investments in companies and 7 follow-on investments in companies.
- to continue with active investment activities, subject to the existence of available funds.

Environmental information

The assets of the Green Fund are invested following the principles of responsible investment. According to the rules of the Green Fund, only such investments are made from the Fund, which contribute to the environmental objectives of the EU Taxonomy Regulation. In doing so, the Green Fund promotes environmental characteristics within the meaning of Article 8 of Regulation (EU) 2019/2088 of the European Parliament and of the Council (SFDR) and thus qualifies as a “light green” fund. To achieve this, SmartCap has established both as a condition for the competition of green technology funds to be carried out and for its own direct investment programme that investments may only be made in companies that contribute to the environmental objectives of the Taxonomy Regulation. As at the date of this report, the Green Fund has made a total of 29 investments, including 4 fund investments and 25 direct investments.

Signatures of management board of management company to annual report of SmartCap Green Fund for 2025

The management board of SmartCap has prepared the annual report of SmartCap Green Fund for 2025, 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 Management Board

/digitally signed/

Mari Kuhi

AS SmartCap

Member of Management Board

Tallinn, 27 April 2026

Financial statements

Statement of financial position

(in euros)

	Note	31.12.2025	31.12.2024
ASSETS			
Cash and cash equivalents	5	15,521,879	43,942,967
Term deposits	5	30,250,000	38,100,000
Financial investments at fair value with changes through profit or loss	6	53,792,871	22,401,696
Receivables and prepayments	7	2,493,188	0
Accrued interest income	7	533,382	821,276
TOTAL ASSETS		102,591,319	105,265,939
LIABILITIES			
Short-term liabilities			
Payables and prepayments	8	932,538	210,532
Total short-term liabilities		932,538	210,532
TOTAL LIABILITIES		932,538	210,532
Net asset value of the Fund attributable to unitholders	9	101,658,781	105,055,407

- The notes on pages 11 to 28 are an integral part of these financial statements.

Income and expense statement

(in euros)

	2025	2024
INCOME		
Interest income	1,620,214	3,536,953
Net profit on financial assets and liabilities recognised at fair value through profit or loss	0	402,013
Total income	1,620,214	3,938,966
EXPENSES		
Net loss on financial assets and liabilities recognised at fair value through profit or loss	-4,177,061	0
Management fees	-839,779	-836,552
Total expenses	-5,016,841	-836,552
PROFIT/LOSS OF THE FUND	-3,396,627	3,102,414

- The notes on pages 11 to 28 are an integral part of these financial statements.

Statement of changes in net asset value of Fund

(in euros)

	01.01.2025- 31.12.2025	01.01.2024- 31.12.2024
Net asset value of the Fund at the beginning of the reporting period	105,055,407	101,952,994
Profit/loss of the Fund	-3,396,627	3,102,413
Net asset value of the Fund at the end of the reporting period	101,658,781	105,055,407
Number of units outstanding at the end of the reporting period	10,040.7290	10,040.7290
Net asset value per unit at the end of the reporting period	10,124.6414	10,462.9263

- Further information about units is set out in Note 9.
- The notes on pages 11 to 28 are an integral part of these financial statements.

Statement of cash flows

(in euros)

	Note	2025	2024
Cash flows from operating activities			
Payments related to operating activities		-845,498	-830,280
Capital calls paid		-37,333,699	-16,381,162
Inflows and outflows of term deposits		7,850,000	-8,800,000
Interest received		1,908,108	3,384,381
Total cash flows from operating activities		-28,421,089	-22,627,061
TOTAL CASH FLOWS		-28,421,089	-22,627,061
Cash and cash equivalents at the beginning of the period	5	43,942,967	66,570,028
Change in cash and cash equivalents		-28,421,089	-22,627,061
Cash and cash equivalents at the end of the period	5	15,521,879	43,942,967

- The notes on pages 11 to 28 are an integral part of these financial statements.

Notes to financial statements

Note 1. General information

Established on 20 December 2021, SmartCap Green Fund (hereinafter also the Green Fund) is a closed-ended non-public common investment fund (alternative fund). The Green Fund is comprised of money raised through 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.

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 Green 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 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 amended standards and interpretations

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

In 2025, the Green Fund applied these amendments to international financial reporting standards issued by the International Accounting Standards Board (IASB) and adopted by the EU, which were mandatorily effective for reporting periods beginning on 1 January 2025. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

New standards, interpretations and amendments to published standards that are effective and not yet effective

The following new standards, interpretations and amendments are not yet effective for the reporting period ended 31 December 2025. The Green Fund has not early adopted any of these new and amended standards and assesses possible impact of these amendments on its financial statements.

- Amendments to IFRS 9 and IFRS 7: *Amendments to the Classification and Measurement of Financial Instruments and Contracts Referencing Nature-dependent Electricity*
- Annual Improvements to IFRS Accounting Standards – Volume 11;
- IFRS 18 *Presentation and Disclosure in Financial Statements*;
- IFRS 19 *Subsidiaries without Public Accountability: Disclosures*;

Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*.

2.3. Financial assets

2.3.1. Classification

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

- At fair value with changes through profit or loss

The Green Fund recognises venture capital investments in companies and venture capital funds (hereinafter financial investments) at fair value with changes 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 Green Fund derecognises financial assets when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and a significant part of the risks and rewards of ownership related to the financial assets have also 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 with changes 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 with changes through profit or loss are recognised at fair value. Changes in fair value are recognised in the income and expense statement under “Profit/loss on financial assets at fair value with changes through profit or loss” in the period when they occur.

For investees, SmartCap assesses whether the Green Fund has significant influence over the investee. Significant influence is generally presumed to exist when the Green 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 with changes 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. 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 assets and the reporting date, their carrying amount is considered to approximate fair value. As the financial liabilities are short-term, bear no interest and have been paid by the time the financial statements are approved, then their carrying amount is estimated to be close to their fair value.

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

Level 1: Financial investments measured using unadjusted prices quoted at the stock exchange or another active regulated market;

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

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

According to the internal rules for determining the net asset value of the Green Fund approved by the management board of SmartCap:

- the value of cash and deposits is determined on the basis of their nominal value;
- the value of the interest on deposits that has been calculated on the accrual basis but has not been received is determined as accrued income;

- the fair value of a non-tradable security is determined in particular on the basis of the valuation techniques provided for in the IFRS and the valuation techniques set out in the International Private Equity and Green Valuation (IPEV) Guidelines, which may be:
 - the price of the last investment transaction;
 - the discounted cash flow method;
 - the net assets 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.

All the investments of the Green Fund, which have been recognised at fair value, constitute level 3 investments.

2.5. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position and statement of cash flows include balances of current accounts (excluding overdraft), 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 Green 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”.

2.6. Impairment of financial assets

If the Green Fund holds financial assets that are not recognised at their fair value with changes 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.

2.7. Financial liabilities

All financial liabilities (trade creditors, accrued expenses and other short-term and long-term payables) 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. In order to calculate 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.

2.8. Transactions with related parties

Upon preparation of the financial statements, the following are deemed related parties: 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 Green Fund. Since 100% of the units of the Green 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 Green Fund.

2.9. Income

- Interest income

Interest income is recognised if the receipt of the income is likely and the amount of the income can be reliably measured. Interest income is recognised using the effective interest rate of assets unless the receipt of interest is uncertain. In the latter case, interest income is accounted for on a cash basis.

2.10. Calculation of net asset value of the Green Fund

The net asset value of the Green Fund is determined in accordance with the Investment Funds Act, the internal rules of procedure of AS SmartCap (the management company) and the rules of the Green Fund.

The net asset value (NAV) of the Green Fund is determined by adding up the values of the assets of the Green Fund (securities, cash and other assets and rights included in the pool of assets of the Green Fund) and deducting therefrom the liabilities of the Green Fund. The net asset value per unit is obtained by dividing the total net asset value by the number of all the units issued and not redeemed by the moment of the calculation.

2.11. Fund units

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

- the units entitle the holder to a proportional share of the net assets of the Green Fund (i.e. total net asset value) upon the liquidation of the Green Fund. The net asset value of the Green Fund is obtained by deducting the liabilities of the Green Fund from the market value of the assets of the Green Fund. The proportional share is calculated as follows: the total net asset value of the Green 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 Green Fund;
- the rights attaching to all units (to receive remuneration in proportion to the share in net assets) are identical;
- the Green Fund has no other financial instruments or contracts with cash flows that are largely based on profit, changes in the net assets or changes in the fair value of net 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 criteria listed above are no longer met, the units will be classified as a financial liability from the date on which those terms are no longer met. A financial liability is 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 a liability, the difference is recognised in equity.

Direct costs related to the issue of new units are recognised in equity as a reduction of the amount paid for the units. If the Green Fund repurchases its own units, the equity attributable to unitholders is reduced by the consideration received less costs directly attributable to the sale.

2.12. Events after the reporting date

No circumstances have occurred after the reporting date of 31 December 2025 and the date of approval of the financial statements 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 in 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 Green Fund are determined.

The Green Fund is an early-stage venture capital fund with an investment focus on green technology, and 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 Green Fund;
- the concentration on green technology companies;
- 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 Green Fund.

For the purpose of managing and mitigating risks, the potential investees of the Green 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 Green Fund sets out the main risks of the Fund, their indicators and risk limits. The risk profile is reviewed and updated by SmartCap at least once a year.

In addition to pre-investment risk assessment and check, SmartCap monitors at least once a quarter the risk exposures of the Green Fund and assesses their compliance with the established risk limits.

3.1. Strategic risk

Strategic risk includes a possible loss to be incurred due to unfeasibility or incomplete implementation of the investment policy of the Green Fund or the impact of competition, the operating environment or supervision.

SmartCap manages the strategic risk of the Green Fund by identifying the objectives arising from the strategy of the Fund and establishing the minimum requirements necessary to achieve these objectives.

The main strategic risks associated with the Green Fund are related to the nature of the investments (providing capital to develop new green technologies in strategic areas and thereby finance innovative research-intensive

green technology companies), the development of the local capital market, and the timeframe for achieving the above objectives.

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 the persons who have established an investee, issued securities of an investee or otherwise have control over an investee, which is not considered a security pursuant to the law in force but in which the Green Fund has invested.

To mitigate investment risk, SmartCap involves co-investors in all investments of the Green Fund to ensure that investments are made under market conditions. In addition, the activities of the issuers of securities (or assets other than securities) forming part of the assets of the Green 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, the employees of SmartCap are, where necessary and possible, members of the supervisory board or another body of the issuer and participate in its work.

The sustainability risk of the Green Fund manifests itself through investments in other investment funds as well as directly in companies. To achieve its objectives, the Green Fund invests its assets in companies (either through other investment funds or as direct investments) whose technologies contribute to the achievement of the environmental objectives set out in the Taxonomy Regulation. The specific activities that SmartCap and the investor of the Green Fund consider to contribute to the environmental objectives of the Taxonomy Regulation in the case of the Green Fund have been agreed in the rules of the Green Fund. Making investments that are not in compliance with the rules of the Green Fund may result in a fine imposed by the European Commission, which the investor may claim from SmartCap. To mitigate this sustainability risk, the circumstances related to this risk are taken into account when investment decisions are made. SmartCap is also an “active owner” to manage sustainability risks.

Breakdown of investments of the Green Fund by type of investment as at 31 December 2025 (in euros):

	Number of investments 31.12.2025	Carrying amount of investments 31.12.2025
Direct investments in portfolio companies	16	36,743,125
Direct investments in funds	3	17,049,746
<i>Indirect investments in portfolio companies</i>	28	17,049,746

	Number of investments 31.12.2024	Carrying amount of investments 31.12.2024
Direct investments in portfolio companies	12	21,283,766
Direct investments in funds	1	1,117,930
<i>Indirect investments in portfolio companies</i>	3	1,117,930

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 Green Fund to incur losses. As the investments of the Green Fund are made in non-tradable securities, the Green Fund is directly exposed to the market risk arising from its securities positions only at the time of acquisition thereof and exit therefrom, and indirectly through revaluation, which takes into account intermediate investment rounds and the impacts of interest rate fluctuations on cash flow-based revaluation models. As the investments of the Green Fund are geographically limited to Estonia, the Fund is not directly exposed to the currency risk.

Exposure of the Green Fund to investment and exit risk as at 31 December 2025 (in euros):

	31.12.2025	31.12.2024
Outstanding investment commitments to investees	34,767,547	39,348,860
Exit stage investments at carrying amount	0	0

31.12.2025 Exposure of the Green Fund to interest rate risk (in euros):

Contractual number of days until maturity of the deposits	31.12.2025	31.12.2024
0–30 days	10,000,879	20,818,321
30–90 days	5,521,000	23,124,646
90–180 days	4,650,000	8,100,000
180–360 days	25,600,000	30,000,000
Total	45,771,879	82,042,967

The Green Fund manages its liquid assets using a maturity-based allocation model. As the deposits held by the Green Fund are short-term non-tradable deposits held to maturity, they are not subject to market-based revaluation. The exposure of the Green Fund to the 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 Green Fund. The credit risk of the Green Fund arises from the cash and cash equivalents held in credit institutions as well as from debt instruments.

Breakdown of funds related to counterparty credit risk by asset type as at 31 December 2025 (in euros):

	31.12.2025	31.12.2024
Cash and cash equivalents	15,521,879	43,942,967
Term deposits	30,250,000	38,100,000
Other receivables	3,026,570	821,276
Total	48,798,449	82,864,243

The Green Fund deposits its liquid assets with commercial banks registered in the European Economic Area and holding an investment rating. According to the 2025 risk profile, SmartCap limited the credit risk of the Green Fund for the reporting year to just 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 as at 31 December 2025 (in euros):

Moody's rating	31.12.2025	31.12.2024
Aaa	0	0
Aa3 to Aa1	45,771,879	82,042,967
A3 to A1	0	0
Baa3 to Baa1	0	0
Total position exposed to credit risk	45,771,879	82,042,967

3.5. Liquidity risk

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

According to the risk profile, the Green Fund is required at all times to hold a sufficient amount of liquid assets to cover its investment commitments. The Fund ensured the compliance of the required liquidity risk position

with the risk profile through ongoing monitoring and quarterly reporting to the management board and supervisory board.

Breakdown of future commitments undertaken on the account of the Fund and available funds

	31.12.2025	31.12.2024
Future investment commitments undertaken on the account of the Fund (see clause 3.3)	34,767,547	39,348,860
Liquid assets (cash and cash equivalents and term deposits)	45,771,879	82,042,967
Investment commitment coverage ratio	1.3	2.1

The timing of disbursement of future investment commitments undertaken on the account of the Fund depends primarily on the capital requirements of investees and the terms agreed in the investment agreements. Commitments are usually called in gradually, rather than as a one-off payment. Consequently, the exact timing of disbursements may vary depending on the dynamics of the investments and market conditions. Based on the investment portfolio of the Green Fund, the majority of existing investment commitments are disbursed over the next five to six years, provided that the investments develop as planned.

3.6. Concentration risk

Concentration risk is the risk that the value of the investments of the Green Fund may decrease because the Green 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 Green Fund and other possible risk-spreading requirements. SmartCap constantly analyses the risk concentrations of the Fund 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.

As the ratio of the volume of investments made from the Green Fund to net assets was still relatively small at the end of 2025, no significant risk concentrations have yet occurred. The following table provides an overview of a selected number of concentration risk categories that are regularly monitored by the asset manager of the Green Fund.

	31.12.2025	31.12.2024
Largest investment in a portfolio company	4.9%	4.8%
Largest fund investment (investment commitment)	24.6%	19.0%
Largest allocation to one economic sector	16.9%	9.6%
Largest allocation to one vintage of investment	25.0%	12.4%
Largest allocation to one development stage of company	15.7%	7.6%

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 Green Fund is carried out in the same way as for other risk categories. For this purpose, all potential risks related to the Fund's critical business processes, employees/service providers, systems and possible external threats are assessed. For the risks identified, the supervisory board of SmartCap establishes tolerance limits and possible mitigation measures. The fund-based 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 Green Fund.

3.8. Capital risk management

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

All units of the Green Fund are owned by the Republic of Estonia.

In the event of liquidation of the Green Fund, it must be taken into account that the assets of the Green 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 Green 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 assets 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 Green Fund categorises financial investments into three levels depending on their revaluation method:

Level 1: Financial investments measured using unadjusted prices quoted at the stock exchange or another active regulated market;

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

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

	Level 1	Level 2	Level 3	31.12.2025
Fund units	0	0	17,049,746	17,049,746
Direct investments	0	0	36,743,125	36,743,125
Total financial assets	0	0	53,792,871	53,792,871

	Level 1	Level 2	Level 3	31.12.2024
Fund units	0	0	21,283,766	21,283,766
Direct investments	0	0	1,117,930	1,117,930
Total financial assets	0	0	22,401,696	22,401,696

According to the internal rules for determining the net asset value of the Green Fund approved by the management board of SmartCap:

- the value of cash and deposits is determined on the basis of their nominal value;
- the value of the interest on deposits that has been calculated on the accrual basis but has not been received is determined as accrued income;

- the fair value of a non-tradable security is determined primarily on the basis of the valuation methods provided for in the IFRS and the valuation methods set out 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 assets 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 do not have a list price by a market participant and their value corresponds to the carrying amount are not included in this Note.

Accrued income and trade creditors are short-term, their fair value is close to the carrying amount, and their valuation corresponds to Level 2.

For non-tradable closed-ended fund units (Level 3), the Green 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 financial statements have been prepared using various accounting estimates and assumptions that have an impact on the assets and liabilities recognised in the financial statements and on 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 need not coincide with the subsequent actual result. Changes in the management estimates are included in the income and expense statement of the period in which the change occurred.

In the event of the financial information disclosed in these financial statements, estimates of the management are related to the estimates of the fair value of financial investments. The price of the last investment transaction has been recognised as the fair value of the investments of the Green Fund. As at the reporting date, long-term financial investments account for 52.4% (31 December 2024: 21.3%) of the volume of assets of the Green Fund.

Note 5. Cash and equivalents and term deposits

(in euros)

	31.12.2025	31.12.2024
Funds in deposits of up to 3 months	15,521,879	43,942,967
Term deposits of more than 3 months	30,250,000	38,100,000
Total	45,771,879	82,042,967

As at 31 December 2025, all the funds were denominated in euros. The total interest income earned on funds in 2025 amounted to 1,620,214 euros (2024: 3,536,953 euros).

Available funds of the Green Fund and commitments undertaken on their account:

	31.12.2025	31.12.2024
Initial investment decisions adopted on the account of the Fund and reserve for follow-on investments	2,250,000	10,000,000
Future investment commitments undertaken on the account of the Fund	34,767,547	39,348,860
Available funds for future investments and Fund-related expenses	8,754,332	32,694,107
Total	45,771,879	82,042,967

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

	31.12.2025	31.12.2024
Carrying amount of holdings at the beginning of the reporting period	22,401,696	5,618,522
Total investments in associates at fair value at the beginning of the year	22,401,696	5,618,522
Cost of holdings acquired	35,568,236	16,381,162
Revaluations of fair value of holdings/loans	-4,177,061	402,013
Total investments in associates at fair value at the end of the reporting period	53,792,871	22,401,696

Note 7. Receivables and prepayments

(in euros)

	31.12.2025	31.12.2024
Receivables from management company (Note 10)	370	0
Receivables from sub-funds (Note 10)	2,492,818	0
Accrued interest income	533,382	821,276
Total receivables, prepayments and accrued income	3,026,570	821,276

Receivable from sub-funds consists of equalisation notices issued by sub-funds at the end of 2025, which was collected at the beginning of 2026.

Note 8. Payables and prepayments

(in euros)

	31.12.2025	31.12.2024
Management fee (Note 10)	205,183	210,532
Liability to sub-funds	727,356	0
Total	932,538	210,532

All payables and prepayments are short-term and subject to payment within the first three months of 2026.

The liability to sub-funds reflects the capital call/drawdown notices issued by sub-funds at the end of 2025, which were paid out in January 2026.

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

Year	Net asset value of the Green Fund	Net asset value per unit of the Green Fund
31.12.2025	101,658,781	10124.6414
31.12.2024	105,055,407	10462.9263
31.12.2023	101,952,994	10153.9434
31.12.2022	99,758,752	9935.4093

Note 10. Transactions with related parties

The related parties of the Green Fund are:

- Undertakings who are financial investees and over whom the Green Fund has a significant influence;
- SmartCap and its executive and senior management;
- Close family members of the persons listed above and companies controlled by them or under their significant influence;
- The sole unitholder of the Green Fund, i.e. the Republic of Estonia, and entities under the control or significant influence of the state.

In 2025, the Green Fund has not made any transactions with the companies that are financial investees (2024: no such transactions).

During the reporting period, the management fee calculated to SmartCap amounted to 839,779 euros (2024: 836,552 euros). In addition, SmartCap compensated the Green Fund for expenses in the amount of 370 euros (2024: 58 euros).

As at 31 December 2025, the management fee payable by the Green Fund to SmartCap amounted to 205,183 euros (2024: 210,532 euros). As regards the expenses compensated for by SmartCap, the receivable of the Green Fund from SmartCap amounted to 370 euros (2024: no such receivable).

Note 11. Binding off-balance-sheet commitments

(in euros)

Binding off-balance-sheet commitments include outstanding investment commitments to investees under investment agreements as at the reporting date.

	31.12.2025	31.12.2024
Outstanding investment commitments to investees	34,767,547	39,348,860



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Independent Auditors' Report

(Translation of the Estonian original)

To the shareholders and management company of SmartCap Green Fund

Opinion

We have audited the financial statements of SmartCap Green Fund (the Fund), which comprise the statement of financial position as at 31 December 2025, the income and expense statement, the statement of changes in net asset value of Fund the statements of cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2025, 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.

KPMG Baltics OÜ
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/digitally signed/

Eero Kaup

Certified Public Accountant, Licence No. 459

Tallinn, 27 April 2026

