Fortaco Finance Oy

Fortaco Finance Oy Annual Report 2023

Translation of the Estonian original

Table of contents

CEO's letter	3
Loan Origination	4
Risk Management	5
Capital Markets	6
Retail Investors	7
Fortaco Finance Oy Annual Report	8
Management report	9
Consolidated annual financial statements	11
Consolidated balance sheet	11
Consolidated income statement	12
Consolidated statement of cash flows	13
Consolidated statement of changes in equity	14
Notes to the consolidated annual financial statements	15
Note 1 Accounting policies	15
Note 2 Cash and cash equivalent	20
Note 3 Investments in subsidiaries	20
Note 4 Long-term financial investments	21
Note 5 Loan receivables	22
Note 6 Property, plant and equipment	23
Note 7 Intangible assets	24
Note 8 Finance leases	25
Note 9 Borrowings	26
Note 10 Payables and prepayments	27
Note 11 Share capital	28
Note 12 Revenue	29
Note 13 Goods, raw materials and services	29
Note 14 Miscellaneous operating expenses	30
Note 15 Staff costs	30
Note 16 Interest income	30
Note 17 Interest expense	31
Note 18 Related party disclosures	31
Note 19 Events after the reporting period	32
Note 20 Parent company's balance sheet	33
Note 21 Parent company's income statement	33
Note 22 Parent company's statement of cash flows	34
Note 23 Parent company's statement of changes in equity	34
Signatures	35
Independent auditors' report	36

CEO’s letter

Dear investor,

In 2023, Fortaco Finance set about adapting its business model to account for changing market conditions, shifting the focus from expansion to efficiency. I’m pleased to say that we demonstrated great flexibility in making the required changes, and I feel we are well positioned for further success. The corporate goals and focus for 2024 remain on resolving the German and Finnish legacy portfolio, while maximising investor returns, and sustainably growing our origination strategy and investment in the Baltics.

As I said in my last update, 2023 was a tumultuous year, with many challenges and volatile macroeconomic conditions to contend with. Once again, as it did during the pandemic, our business model proved flexible and robust in the face of difficult conditions, and I am happy with the manner in which we have refined our methods and our approach.

Sincerely,
Mihkel

Loan Origination

Mihhail Onohhov
Head of Global Sales

Due to a number of macro-economical factors and increased political risk, 2022 was a complicated year for Fortaco Finance loan origination and lending business. Difficult but timely decisions were made to make the business more sustainable.

Due to the worsening of market conditions in Europe, Fortaco Finance stopped publishing new loans from Germany and Spain in the second half of 2023 focusing instead on the 4 core regions: Estonia, Latvia, Lithuania, and Finland.

€183M worth of loans was funded on the platform in 2023, constituting a 10% decrease in relation to 2021.

Highlights

The oldest Fortaco Finance markets in Estonia and Latvia have continued to demonstrate steady growth in 2023, increasing their funded volume by 30% and 20% year over year respectively.

Lithuania and Finland have recorded virtually identical funded volumes as they did during the record-breaking year 2022: 34,5M in Lithuania and 22,5M in Finland.

Plans for 2023

Fortaco Finance will concentrate on loan origination in Estonia, Latvia, Lithuania, and Finland. Due to our strong market fit in these regions and streamlined processes, we are confident we can offer strong-performing loans for retail and institutional investors alike.

New Leadership has been appointed in Germany to work on the underperforming portion of the portfolio. When underwriting and recovery practices are sufficiently improved loan origination in Germany will be resumed.

On a personal note

In this challenging time, we continue to serve the communities by financing a large number of housing projects. We have retained the trust of our borrowers and our investors, and we plan to leverage this trust into solving the housing crisis, one project at a time.

Risk Management

Andres Luts
Chief Risk Officer

Due to the war in Ukraine, and the global economic downturn in 2023, the risk department needed to institute significant changes in our approach and processes. As a consequence of the factors mentioned above, we saw increased risk in the Spanish market, and all lending operations were concluded in Spain at the end of 2023. All German lending operations were also discontinued, and remain so, as we focus on recovery of the defaulted loans. This process has been delayed by local legal requirements, but we are confident of success.

Due to increased default rates and legal disputes with the borrowers, our risk department was restructured to include the legal capacity required to successfully expedite the recoveries. Additional default lawyers were assigned to the risk department and several new external legal partners were found to support the legal actions and enforcement procedures.

Our new credit rating system from Moody's was successfully integrated and tested by our institutional investors. It will be made available to our retail investors by mid-2023.

The new KYC/AML onboarding system was developed in collaboration with our partner, Onfido. The new system allows us to automate the onboarding process for clients while ensuring that our risk appetite is met, and not exceeded.

In 2023 external auditors audited Fortaco Finance invoice system, loan documentation management, payments approval process and IT systems, which led to improved workflows.

Fortaco Finance is keeping the development of all our business critical functions in-house and overseen by our dedicated technology team, while outsourcing supporting functions via APIs and automated systems to our partners, all of whom are top market data & software providers.

For risk management, we rely on the following market-leading partners:

- Payments and AML/KYC: Lemonway, Veriff and Onfido;
- Credit rating and reporting: Moody's;
- Borrower and financial data: Creditsafe, Suomen Asiakasteito and Creditinfo;
- Property data and automatic valuations: Skenariolabs.

Fortaco Finance continues to invest in new technology, people and processes to improve portfolio performance and expedite optimal recoveries for our investors.

Capital Markets

Judith Tan
Head of Capital Markets

Fortaco Finance capital market activities in 2022 reflect the organisation's operations in a challenging economic environment, characterised by a rapid rise in interest rates within the private debt markets. This year proved pivotal for Fortaco Finance as it witnessed a notable surge in institutional investor contacts and consequent due diligence on the organisation's processes and operations. The company successfully adapted to the evolving external economic conditions and elevated its institutional client due diligence and service level expectations.

To cater to the needs of institutional investors and enhance the confidence of existing crowd investors, Fortaco Finance embarked on a series of initiatives. Notably, the organisation revised and improved its underwriting standards to better accommodate institutional investors and provide additional assurance to crowd investors. Moreover, against the backdrop of the changing geopolitical situation fueled by Russian aggression in Ukraine, Fortaco Finance experienced an increase in perceived risks within its home region, the Baltics. In response, the company strategically intensified its focus on engaging Baltic regional investors, funds, and lenders to secure finances and effectively support its borrower clients.

Highlights

Despite the testing environment, Fortaco Finance remained unwavering in its commitment to delivering exceptional service to clients and investors alike. The 2023 Annual Report highlights the organisation's unwavering dedication to improving underwriting standards, adeptly adapting to changing external economic conditions, and concentrating efforts on engaging regional investors, funds, and lenders.

In addition to the challenges encountered in its capital market endeavours, Fortaco Finance embarked on the launch of the Fortaco Finance Senior Secured Credit Fund SCS SICSV-RAIF, domiciled in Luxembourg. Regrettably, the project had to be discontinued due to difficulties in raising adequate funds amid the persistently negative market conditions. However, Fortaco Finance demonstrated its resilience and maintained its singular focus on delivering exceptional service to clients and investors.

The situation described above was offset by closing a managed account with J&T Banka. The bank provided funding in June 2023 for new loan origination in the Baltics and Finland and maximising existing funded managed accounts. While Fortaco Finance is working out legacy assets, increasing transparency in reporting to investors, and enhancing underwriting controls, existing institutional accounts will increase their current allocations and new investors will be onboarded. At present, there is a growing pipeline of interested investors that are reviewing their ability to invest in Fortaco Finance loan origination.

Retail Investors

Daniil Aal
Head of Retail Investors

It was a year that presented many significant challenges, but also one in which much was achieved. Despite a volatile global environment, we performed robustly, particularly within our investor community.

In 2023, we successfully onboarded 51,500 new investors, maintaining our strong growth trajectory. Most notable was the influx of investors from Germany, Spain, Lithuania, Italy, and Estonia, which saw German investors usurping Estonian investors in total cumulative investments for the first time since our platform's inception.

Highlights

For the first time in Fortaco Finance history, over 50% of the total investment volume was automated through the Auto-Invest function, with a reduction in manual investments. With this trend expected to continue, we project that over 70% of all investments in 2024 will be handled through Auto-Invest.

In 2023, a total of €183 million was invested on our platform, 84% of which was attributed to retail investors, 11% to premium investors, and 5% to institutional investors. We anticipate continual growth in the share from institutional capital in 2024. In August, we recorded an investment volume of €20.5 million, which was the highest single month volume ever.

Our commitment to our investors was demonstrated through the full repayment of €104m in principal, along with €18.8m in interest, penalties, indemnities, and bonuses during 2023.

Yet, the year was not without its difficulties. The post-Covid recovery period coupled with geopolitical tensions, specifically Russia's invasion of Ukraine, resulted in supply-chain delays for real estate developers, interest rate hikes, high inflation across Europe, and a subsequent recession. These events impacted our operations and investor behaviours.

We experienced a slowdown in investment volumes towards the end of the year, which necessitated a restructuring of our operations. Despite a low in December (€12.5m), the yearly average remained steady at €15.7m.

Unfortunately, the global events had a direct effect on our borrowers, resulting in construction delays and cash flow issues, which consequently led to defaults. Despite the challenges, our commitment to transparency with our community of 155,000+ retail investors remains unwavering. We are striving hard to deliver recoveries of these loans in the upcoming year. The crowdlending industry has not previously encountered an economic downturn of this scale, making 2023 a critical year for both Fortaco Finance and the broader market.

Plans for 2024

Looking forward to 2024, we are confident that our nine-year market presence, proven track record, and default recovery strategy will help us to meet these challenges. We are fully prepared and eager to succeed and thrive, and are grateful to our loyal investors for their support.

Finally, I am delighted to announce my appointment as Head of the Retail Investor Department. With seven years of experience in Lending Operations at Fortaco Finance, I am confident that I can use my in-depth knowledge of borrower operations to contribute to the success of our retail investors.

Fortaco Finance Oy Group Annual Report

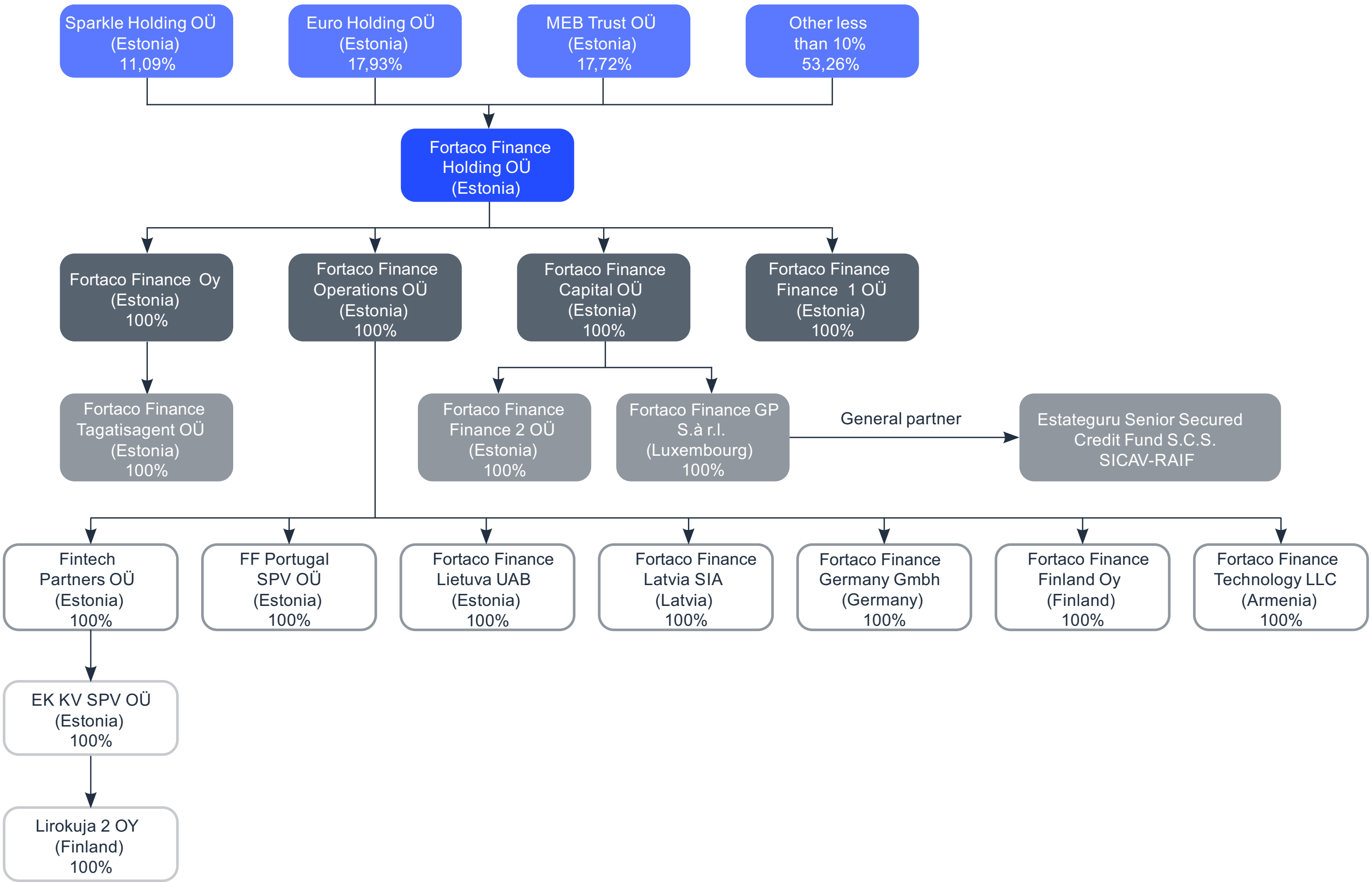
Beginning of financial year:	1 January 2023
End of financial year:	31 December 2023

Business name:	Fortaco Finance Oy
Registry number:	2819039-5

Street name:	Äyritie
Building number:	24
City:	Vantaa
County:	Finland
Postcode:	01510

Email:	info@fortacofinoy.com

Management report



Estateguru is a leading pan-European platform offering short-term loans to SMEs with real estate guarantees and carefully selected investment opportunities to the international investor community. Founded in 2013, Estateguru is already active in seven markets and has financed loans in nine countries.

2022 turned out to be an incredibly turbulent year because of rising inflation, market disruption, increased geopolitical risk and soaring interest rates. All these factors had a direct impact on investor behavior, the real estate market in general, and the capacity of some borrowers to return their loans in accordance with initial plans.

Nevertheless, we entered the year with optimism and made several major investments. These included the opening of an office in Berlin,Manchester and the opening of an IT development center in Yerevan (Armenia). Additional resources were also directed throughout the year towards IT development in general, and to prepare for subsequent new markets. We made significant investments in the development of the institutional investor route, among them the launch of a cooperation with the European Investment Fund (EIF).

The average monthly volume of loans financed in 2022 was €15.2 million. In 2022, Estateguru financed €183 million worth of loans, which was below the results of 2021 (EUR 202.8 million). Considering the investments made and the lower volume of loans, we ended 2022 with a larger loss than expected.

Throughout 2022, Estateguru showed flexibility and shifted its current growth and expansion-oriented approach to a new efficiency-focused business model. As the market changed and volumes fell short of the desired growth forecasts, we made and implemented several important changes. We decided to suspend our activities in the UK and Spain and halt expansion into new countries, and we also reviewed our cost base and significantly reduced fixed costs.

Significant changes in the structure of the Group were brought about by the decision to close the Luxembourg business at the end of 2022 and, on the recommendation of the Financial Supervision Authority, Estateguru Tagatisagent OÜ, became a group company in 2023.

Starting in 2023, we will focus on our core markets. We will continue to operate in the Baltic States, Finland, and Germany, with possible expansion to be analyzed and reassessed in the second half of 2023. An important focus in 2023 will be on resolving the problematic portfolio in Germany and Finland, in order to ensure the best possible returns for investors.

At the same time, we will be actively engaged in the implementation of our strategy of sustainably growing lending and investing in the Baltic States. To achieve this, we raised additional capital in early 2024 to strengthen reserves, and as a result of these activities, we plan to become profitable in 2024.

Financial ratios	2022	2021
Debt to equity ratio (total debt / equity):	-89,49	1,51
Current ratio (current assets / current liabilities):	1,29	1,22
Return on equity (ROE) (profit or loss for the period / equity):	100,63	-0,39
Net margin (profit or loss for the period / revenue):	0,74	-0,31

Consolidated annual financial statements

Consolidated balance sheet (In euros)

As at 31 December	2023	2022	Note
Assets			
Current assets			
Cash and cash equivalents	1 405 113	9 632 216	2
Investments in financial assets	94 870	59 764	
Receivables and prepayments	202 651	275 940	
Total current assets	1 702 634	9 967 920	
Non-current assets			
Investments in financial assets	1 194 244	2 535 038	4
Receivables and prepayments	0	189 685	
Property, plant and equipment	465 918	451 799	6
Intangible assets	1 811 768	959 421	7
Total non-current assets	3 471 930	4 135 943	
Total assets	5 174 564	14 103 863	
Liabilities and equity			
Liabilities			
Current liabilities			
Borrowings	115 430	6 926 344	9
Payables and advances received	1 206 972	1 110 003	10
Provisions	0	111 970	
Total current liabilities	1 322 402	8 148 317	
Non-current liabilities			
Loan liablities	3 910 640	339 947	9
Total non-current liabilities	3 910 640	339 947	
Total liabilities	5 233 042	8 488 264	
Equity			
Equity attributable to owners of the parent			
Share capital at par value	15 205	15 205	11
Share premium	8 401 419	8 401 419	
Own (treasury) shares	-1 422	-1 430	
Other reserves	582 762	372 377	
Accumulated losses (prior periods)	-3 171 972	-984 060	
Loss for the period	-5 884 470	-2 187 912	
Total equity attributable to owners of the parent	-58 478	5 615 599	
Total equity	-58 478	5 615 599	
Total liabilities and equity	5 174 564	14 103 863	

Consolidated income statement (In euros)

	2023	2022	Note
Revenue	8 000 366	7 129 970	12
Other income	25 129	7 787	
Goods, materials, consumables and services used	-3 240 825	-2 574 205	13
Other operating expenses	-4 945 561	-3 434 070	14
Staff costs	-5 606 126	-2 932 705	15
Depreciation, amortisation and impairment losses	182 768	-302 250	6,7
Other expenses	-84 992	-189 557	
Operating loss	-5 669 241	-2 295 030	
Interest income	92 918	371 370	16
Interest expense	-141 722	-323 048	17
Other finance income and costs	-145 701	61 357	
Loss before income tax	-5 863 746	-2 185 351	
Income tax	-20 724	-2 561	
Loss for the period	-5 884 470	-2 187 912	
Of which attributable to owners of the parent	-5 884 470	-2 187 912	

Consolidated statement of cash flows (In euros)

	2022	2021
Cash flows from operating activities		
Cash receipts for sale of goods and provision of services	8 000 366	7 129 970
Other cash receipts from operating activities	25 129	7 787
Payments to suppliers for goods and services	-8 283 355	-6 008 275
Payments to employees	-5 606 126	-2 932 705
Other cash flows from operating activities	0	105 902
Net cash used in / from operating activities	-5 863 986	-1 697 321
Cash flows from investing activities		
Paid for acquisition of property, plant and equipment and intangible assets	-1 462 080	-691 995
Other receipts from investing activities	0	3 065 394
Net cash from investing activities	-1 462 080	2 373 399
Cash flows from financing activities		
Repayments of loans received	-4 603 886	0
Other cash inflows from financing activities	3 702 769	5 827 786
Other receipts from financing activities	80	0
Net cash from financing activities	-901 037	5 827 786
Net cash flow	-8 227 103	6 503 864
Cash and cash equivalents at beginning of period	9 632 216	3 128 352
Increase in cash and cash equivalents	-8 227 103	6 503 864
Cash and cash equivalents at end of period	1 405 113	9 632 216

Consolidated statement of changes in equity (In euros)

	Equity attributable to owners of the parent					
	Share capital at par value	Share premium	Own (treasury) shares	Other reserves	Retained earnings/ accumu-lated losses	Total
At 31 December 2021	12 790	2 576 099	-681	199 748	-986 560	1 801 396
Adjusted balance at 31 December 2021	12 790	2 576 099	-681	199 748	-986 560	1 801 396
Loss for the period					-2 187 912	-2 187 912
Issue of share capital	2 415	5 825 320				5 827 735
Changes in reserves				172 629		172 629
Other changes in equity			-749		2 500	1 751
At 31 December 2022	15 205	8 401 419	-1 430	372 377	-3 171 972	5 615 599
Loss for the period					-5 884 470	-5 884 470
Changes in reserves				210 385		210 385
Other changes in equity			8			8
At 31 December 2023	15 205	8 401 419	-1 422	582 762	-9 056 442	-58 478

Other reserves comprise the share option reserve. Further information is provided in note 11.

Notes to the consolidated financial statements

Note 1 Accounting policies

GENERAL INFORMATION

The Fortaco Finance Annual Accounts 2022 have been prepared in accordance with Estonian Financial Reporting Standards.

The basic requirements of the Estonian Financial Reporting Standard are established by the Accounting Act of the Republic of Estonia, supplemented by the following requirements

The basic accounting principles are based on the Estonian GAAP, supplemented by guidance issued by the Accounting Standards Board.

The financial statements have been prepared under the historical cost convention, except in the cases described below.

Accounting policies set out below.

The financial statements are presented in euro.

Income statement schedule 1 is used.

EXCHANGE RATE FOR THE PERIOD.CONSOLIDATION

In preparing consolidated financial statements, the financial statements of the parent and its subsidiaries are combined line by line so that the financial statements present information about the group as that of a single entity.

The consolidated financial statements comprise the consolidated balance sheet, income statement, statement of cash flows, statement of changes in equity and notes, which also include the parent company's separate primary financial statements: balance sheet, income statement, statement of cash flows and statement of changes in equity.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from the equity of the owners of the parent, and in the consolidated income statement, separately from the profit or loss of the owners of the parent.

Subsidiaries are consolidated from the date the group gains control to the date the group loses control of them.

A subsidiary is an entity that is controlled by the parent. Control is presumed to exist, when the parent owns, directly or indirectly, more than half of the voting power of an entity or has power to govern the financial and operating policies of an entity by some other means.

(a) all assets and liabilities are translated at the closing exchange rate of the European Central Bank quoted at the reporting date;

(b) income and expenses, other changes in equity and cash flows are translated using the period's average exchange rate.

All resulting exchange differences are recognised in other comprehensive income or expense in the statement of comprehensive income.

FINANCIAL ASSETS

Financial assets comprise cash and cash equivalents, short-term investments in financial assets, trade receivables and other current and non-current receivables.

When a financial asset is recognised initially, it is measured at its cost, which is the fair value of the consideration given for it. The initial measurement includes all transaction costs that are directly attributable to the acquisition of the financial asset.

Financial assets (excluding current and non-current investments in shares, other equity instruments and listed debt securities and derivative financial instruments with a positive fair value) are subsequently measured at their amortised cost. Current and non-current investments in shares, other equity instruments and listed debt securities and derivative financial instruments with a positive fair value are subsequently measured at fair value through profit or loss.

At each reporting date the group assesses whether there is any indication that a financial asset or group of financial assets measured at amortised cost or cost may be impaired. If such indication exists, a financial asset measured at amortised cost is written down to the present value of its expected future cash flows (discounted at the asset's original effective interest rate) and a financial asset measured at cost is written down to the amount that could reasonably be expected to be obtained if the asset were sold at the reporting date. The write-down (impairment loss) is recognised as an expense in profit or loss.

Purchases and sales of financial assets are consistently recognised at the settlement date, i.e. at the date the assets are transferred to or by the group.

A financial asset is derecognised when the group's rights to the cash flows from the financial asset expire or the group transfers the rights to receive the cash flows of the financial asset and substantially all the risks and rewards of ownership of the financial asset.

Derivative financial instruments

Derivative financial instruments (e.g. futures and forward, swap and option contracts) are measured at fair value through profit or loss.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of financial position consist of money in a bank account and short-term deposits with a maximum length of three months and for which there is no risk of a change in value.

Estateguru also holds customers' and investors' money that has been credited to the account but has not yet been invested or returned to investors. Customers' and Investors' money is recorded off-balance sheet because the company cannot use the money of customers and investors to finance its operations and therefore does not bear the potential risks and rewards of these amounts.

FOREIGN CURRENCY TRANSACTIONS AND FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

Transactions are recognized using the exchange rates of the European Central Bank (ECB) at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the balance sheet date considering ECB exchange rate . Gains and losses on translation are recognized in the income statement as income and expenses for the period.

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

In the parent's balance sheet, investments in subsidiaries and associates are measured using the cost method, whereby an investment is initially recognised at its cost, which is the fair value of the consideration given for it at acquisition, and thereafter its cost is adjusted to reflect any impairment losses. An investment is tested for impairment whenever events or changes in circumstances indicate that its recoverable amount may have fallen below its carrying amount. In that case the asset's recoverable amount is estimated and if the asset's estimated recoverable amount is less than its carrying amount, the asset is written down to its recoverable amount (the higher of fair value less costs to sell and value in use). The impairment loss is recognised as a finance cost in profit or loss for the period.

RECEIVABLES AND PREPAYMENTS

At each reporting date the group assesses whether there is any indication that a financial asset of this class may be impaired. If such indication exists, a financial asset measured at amortised cost is written down to the present value of its expected future cash flows. The write-down (impairment loss) is recognised as an expense in profit or loss.

TRADE RECEIVABLES

Trade receivables are recognised initially at cost and measured thereafter at amortised cost.

Trade receivables are measured at amounts that are expected to be collectable. The collectability of receivables is assessed separately for each customer, taking into account the information available on the debtor's solvency. Doubtful receivables are recognised as an expense either in part or in full, depending on the reason for their doubtful nature. Trade receivables that are more than 180 days past due are recognised as an expense in full. Uncollectable receivables are written off the balance sheet.

OTHER RECEIVABLES

All other receivables (accrued income, loan receivables and other current and non-current receivables) excluding receivables acquired for resale are measured at amortised cost. As a rule, the amortised cost of a current receivable is equal to its nominal value (less any impairment losses). Therefore, current receivables are carried in the balance sheet in the amount that is expected to be collectable. Non-current receivables are initially recognised at the fair value of the consideration receivable and subsequently measured at their amortised cost using the effective interest method.

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment are assets with a cost of more than 1,000 euros and a useful life of more than one year. Assets that have a useful life more than 1 year, but the acquisition cost of which is less than 1000 euros, is recorded as low- value asset and are recognized as an expense.

Depreciation is calculated using the straight-line method. The depreciation rate is determined for each item of property, plant and equipment separately depending on its useful life.

Improvements made for property, plant and equipment that increase its ability to contribute to future economic benefits, then these costs are added to the cost of the item of property, plant and equipment. Other expenditures that tend to maintain the ability of fixed assets to generate economic benefits are recognized as an expense in the period in which they are incurred.

The group recognises expenditures on platform development services purchased from third parties as intangible assets. Expenditure on a development project is recognised as an intangible asset if the group can demonstrate:

- the feasibility of completing the development so that it will be available for use or sale;
- its intention to complete the development and use or sell it;
- how the asset will generate future economic benefits;
- the availability of resources to complete the development;
- its ability to measure reliably the expenditure attributable to the development activity.

When the development expenditure has been recognised as an intangible asset, it will be amortised and written down to reflect any impairment. Amortisation begins when the development activity has been completed and the development is available for use.

An intangible assets is amortised on a straight-line basis over its estimated useful life, which is five years. Depreciation is recognised in other operating expenses. If the expected useful life of an intangible asset changes, the amortisation rate is changed accordingly.

THRESHOLD FOR RECOGNISING ASSETS AS ITEMS OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

€1,000

LEASES

Lease contracts

At inception of a contract, the group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for an agreed period of time in exchange for consideration.

Lessees have to recognise an asset and a liability for all leases with a term exceeding 12 months unless the leased asset is of low value. The group recognises for a lease under which it is a lessee a lease liability and a right-of-use-asset (an asset that represents the group's right to use an underlying asset for the lease term).

Right-of-use assets

The group recognises a right-of-use asset at the commencement date, which is the date on which the underlying asset is available for use by the group. The asset is measured at cost less any depreciation and any impairment losses and adjusted for any remeasurement of the lease liability. The cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability, any lease payments made before the commencement date, less any lease incentives received, and any initial direct costs incurred.

Right-of-use assets are depreciated using the straight-line method over the following periods:

- Items of plant and equipment: 3 to 5 years
- Vehicles and other equipment, fixtures and fittings 3 to 5 years

If the lease transfers ownership of the underlying asset to the group by the end of the lease term or if the cost of the right-of use asset reflects that the group will exercise the purchase option, the group will depreciate the asset from the commencement date to the end of the useful life of the asset.

The group assesses right-of-use assets for impairment and accounts for any impairment loss identified.

Lease liabilities

At the commencement date, the group measures the lease liability at the present value of the lease payments that are not paid at that date.

FINANCIAL LIABILITIES

All financial liabilities (trade payables, borrowings, accrued expenses and other current and non-current payables) are recognised initially at cost, which includes all directly attributable transaction charges. After initial recognition, financial liabilities are measured at their amortised cost.

The amortised cost of current financial liabilities is generally equal to their nominal value. Therefore, current financial liabilities are measured in the balance sheet at the amount payable. Non-current financial liabilities are measured at their amortised cost using the effective interest method.

A financial liability is classified as current when it is due to be settled within 12 months after the reporting date or the company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Loan liabilities are classified as current when they are due to be settled within 12 months after the reporting date even if an agreement to refinance or reschedule payments on a long-term basis is completed after the reporting date but before the financial statements are authorised for issue.

REVENUE

Interest income is recognised using the asset's effective interest rate.

TAXATION

Under the Estonian Income Tax Act, corporate earnings are not subject to income tax. Instead, income tax is levied on profit distributions (dividends). Until 31 December 2018, the income tax rate was 20%. In accordance with the amendments to the Income Tax Act, effective from 1 January 2018, regular dividend distributions are taxable at a more favourable, 14% rate. The lower 14% tax rate can be applied to the portion of a dividend distribution which amounts to one third of the past three years' average dividend distribution and the rest of the dividend distribution is taxable at 20%.

As income tax is levied on profit distributions (dividends), not earnings (profit earned), there are no temporary differences between the tax bases and carrying amounts of assets and liabilities that could give rise to deferred tax assets or liabilities. The contingent income tax liability reflecting the amount of tax that would have to be paid if all of the unrestricted equity were distributed as dividends is not recognised in the balance sheet. The income tax payable on the distribution of dividends is recognised as income tax expense at the date the dividend is declared.

RELATED PARTIES

The group considers parties to be related when one has control of, or significant influence over the operating decisions of, the other. For the purposes of these financial statements, related parties include:

- the members of the company's management and supervisory boards and individuals with a significant shareholding in the company, excluding persons who do not have significant influence over the company's operating decisions. Related parties also include close family members of and companies related to the above persons.

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

At initial recognition of an instrument, the group assesses whether the instrument is a financial liability or an equity instrument. A financial liability is a contractual obligation to deliver cash or another financial asset to another party. An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities (an interest in the net assets). An equity instrument is recognised initially at cost and it is not subsequently remeasured.

OTHER RESERVES

Other reserves comprise short-term convertible instruments, which can be converted into equity interests and share premium.

SHARE PREMIUM

Equity instruments are recognised at the fair value of consideration received or receivable less any issue costs of the instruments. If the fair value of the consideration receivable differs from the nominal value of the equity instruments issued, a positive difference is recognised as share premium and a negative difference is recognised as a reduction of share premium if the share premium account has a positive balance or, if the share premium account does not have a positive balance, in retained earnings.

SHARE-BASED PAYMENTS

The group's employees (including the top management) receive remuneration in the form of share-based payments: the employees provide services in exchange for equity instruments (equity-settled share-based payment transactions).

The cost of equity-settled share-based payment transactions is measured by reference to the fair value of the equity instruments granted at the grant date using a suitable pricing model. The group measures the fair value of share options using the Black-Scholes model. Further information is provided in note 11.

The group recognises the cost of services received within employee benefits expenses and a corresponding increase in equity (share-based payments reserve) over the period in which the services are provided and the performance conditions (if applicable) are satisfied (the vesting period). The cumulative expense, which is recognised for equity-settled share-based payment transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the group's best estimate of the number of equity instruments that are expected to vest. The expense or income recognised in profit or loss for the period is the difference in the cumulative expense at the beginning and end of the period.

Events after the reporting period

The consolidated annual financial statements reflect all significant events which affect the valuation of assets and liabilities that occurred between the reporting date and the date on which the financial statements were authorised for issue but are related to transactions of the reporting or prior periods. Subsequent events that are indicative of conditions that arose after the reporting date but which will have a significant effect on the results of the next financial year are disclosed in the notes to the consolidated annual financial statements.

Note 2 Cash and cash equivalents (In euros)

	31.12.2022	31.12.2021
Bank account	1 405 113	9 632 216
Total cash and cash equivalents Current ratio (current assets / current liabilities):	1 405 113	9 632 216

The client account of the Estateguru investment platform is an off-balance sheet account that reflects the money transferred to the client platform that is awaiting investment.

Note 3 Investments in subsidiaries (In euros)

Investments in subsidiaries, general information

Subsidiary's registry number	Name of subsidiary	Domicile	Core business	Ownership interest (%)	
				31 Dec 2021	31 Dec 2022
12558919	Estateguru OÜ	Estonia	Other financial service activities, except insurance and pension funding, not elsewhere classified	100	100
14574041	Estateguru Operations OÜ	Estonia	Other financial service activities, except insurance and pension funding, not elsewhere classified	100	100
12621307	Estateguru Finance 1 OÜ	Estonia	Other financial service activities, except insurance and pension funding, not elsewhere classified	100	100
16125910	Estateguru Capital OÜ	Estonia	Other financial service activities, except insurance and pension funding, not elsewhere classified	100	100

Note 4 Long-term financial investments (In euros)

	Other	Total
31.12.2020	5 554 772	5 554 772
Other	-3 019 734	-3 019 734
31.12.2021	2 535 038	2 535 038

	Other	Total
31.12.2021	2 535 03	2 535 03
Other	-768 793	-768 793
31.12.2022	1 766 245	1 766 245

Note 5 Loan receivables (In euros)

	31 Dec 2022	Breakdown by remaining maturity		Interest rate	Base currency	Maturity date
		12 months	1 - 5 years			
Loan 1	27 840	0	27 840	10%	EUR	2 Jan 2023
Loan 2	1 620 464	0	1 620 464	10%	EUR	1 Oct 2025
Loan receivables	1 648 304	0	1 648 304			

	31 Dec 2021	Breakdown by remaining maturity		Interest rate	Base currency	Maturity date
		12 months	1 - 5 years			
Loan 1	27 840	0	27 840	10%	EUR	2 Jan 2023
Loan 2	92 464	0	92 464	10%	EUR	1 Oct 2025
Loan receivables	120 304	0	120 304			

Note 6 Property, plant and equipment (In euros)

	Computers and computer systems	Other items of property, plant and equipment	Total
At 31 December 2020			
Cost	0	145 991	145 991
Accumulated depreciation	0	-76 838	-76 838
Carrying amount	0	69 153	69 153
Additions	14 915	430 007	444 922
Depreciation of the period	-724	-61 552	-62 276
At 31 December 2021			
Cost	14 915	575 998	590 913
Accumulated depreciation	-724	-138 390	-139 114
Carrying amount	14 191	437 608	451 799
Acquisitions and additions	200 788	0	200 788
Other acquistions and additions	200 788	0	200 788
Depreciation	-96 079	-90 590	-186 669
Reclassifications	22 832	-22 832	0
Other reclassifications	22 832	-22 832	0
At 31 December 2022			
Cost	238 535	553 166	791 701
Accumulated depreciation	-96 803	-228 980	-325 783
Carrying amount	141 732	324 186	465 918

Note 7 Intangible assets (In euros)

	Development expenditures	Total
At 31 December 2020		
Cost	858 802	858 802
Accumulated depreciation	-309 912	-309 912
Carrying amount	548 890	548 890
Additions	618 762	618 762
Depreciation of the period	-208 231	-208 231
At 31 December 2021		
Cost	1 477 564	1 477 564
Accumulated depreciation	-518 143	-518 143
Carrying amount	959 421	959 421
Acquisitions and additions	1 262 080	1 262 080
Depreciation	-409 733	-409 733
31.12.2022		
Carried at cost	2 739 644	2 739 644
Accumulated depreciation	-927 876	-927 876
Residual cost	1 811 768	1 811 768

Further information 31.12.2022:

As at 31.12.2022, the company has estimated the recoverable amount of the residual development costs at EUR 1.8 million. Covered value is based on the value in use, which is based on forecasted future cash flows over 5 years in accordance with the approved business plan and budgets.

Average sales growth from 2023 to 2027 is assumed to be 29%. The forecasted growth in turnover is based on long-term sales experience, and developments in the financial sector. The discount rate used is 8.63%. No impairment of assets was identified as a result of the impairment test.

Note 8 Finance leases (In euros)

Reporting entity as a lessee

	31 Dec 2022	Breakdown by remaining maturity		Interest rate	Base currency	Maturity date
		12 months	1 - 5 years			
Finance lease contract	323 301	115 430	207 871	2.63%	EUR	2026
Total finance lease liabilities	323 301	115 430	207 871			

	31 Dec 2021	Breakdown by remaining maturity		Interest rate	Base currency	Maturity date
		12 months	1 - 5 years			
Finance lease contract	416 291	76 344	339 947	2.63%	EUR	2026
Total finance lease liabilities	416 291	76 344	339 947			

Note 9 Borrowings (In euros)

	31 Dec 2022	Breakdown by remaining maturity			Maturity date
		12 months	1 - 5 years	Over 5 years	
Long-term loans					
Loan 1	64 200		64 200		14.06.2024
Loan 2	500 000		500 000		16.06.2024
Loan 3	1 338 569		1 338 569		20.07.2024
Loan 4	1 500 000		1 500 000		27.07.2024
Loan 5	150 000		150 000		13.10.2024
Loan 6	150 000		150 000		14.10.2024
Total long-term loans	3 702 769		3 702 769		
Total finance lease liabilities	323 301	115 430	207 871		
Total borrowings	4 026 070	115 430	3 910 640		

	31 Dec 2021	Breakdown by remaining maturity		Interest rate	Base currency	Maturity date	Note
		12 months	1 - 5 years				
Short-term loans							
Loan related to credit line agreement	6 850 000	6 850 000	0	7.4%	EUR	31 Dec 2022	
Total short-term loans	6 850 000	6 850 000	0				
Total finance lease liabilities	416 291	76 344	339 947				6
Total borrowings	7 266 291	6 926 344	339 947				

Convertible loan agreements amounting to EUR 3,702,769 (2021: EUR 0) and capital lease obligations amounting to EUR 323,301 (2021: EUR 416,291) have been recognised as long-term loan commitments for the year ended 31 December 2022.

Note 10 Payables and prepayments (In euros)

	31.12.2022	Allocation by remaining maturity	
		Within 12 months	1 - 5 years
Trade payables	605 617	605 617	0
Employee payables	368 809	368 809	0
Tax payables	232 546	232 546	0
Total payables and prepayments	1 206 972	1 206 972	0

	31.12.2021	Allocation by remaining maturity	
		Within 12 months	1 - 5 years
Trade payables	530 692	530 692	0
Employee payables	221 506	221 506	0
Tax payables	219 557	219 557	0
Other liabilities	138 248	138 248	0
Total payables and prepayments	1 110 003	1 110 003	0

Note 11 Share capital (In euros)

	31.12.2022	31.12.2021
Share capital	15 205	15 205
Number of shares (pcs)	15 205	15 205

Key personnel and employees of the group are granted stock options in the parent company. This is a shareholding

where the exercise of the option is generally subject to a time condition and which, if the conditions are met, provide for the exercise of options on the following terms the optionee has the right to acquire a share in Estateguru Holding OÜ corresponding to the agreed nominal value. Option contracts include type of contract, which, in addition to the grant of the option and the procedure for its exercise, also regulate the early termination of the option contract. Stock options are settled in equity and cannot be settled in cash. The group has not settled options for cash in the past.

The weighted average fair value of options granted in the financial year ended 31 December 2022 was EUR 617 (2021: EUR 3 607).

The fair value of the options has been determined using the Black-Scholes model. The valuation depends on, among other things, the market price of the share at the reporting date, the exercise price of the option and the fair value of the option. purchase price of the option, the volatility of capital, the term of the contract and other factors. The sensitivity of the fair value was tested using various capital fluctuation rates and risk-free interest rates.

The duration of the options is based on the actual option contract lengths. The expected volatility is based on the assumption that the sector's share of the historical volatility of the sectoral part is indicative of future trends, but is not necessarily the actual outcome. Weighted average fair value of a share. The weighted average fair value of a portion is based on the values of the closest actual capital contributions at the time of the grant of the options. The valuation used independent the value of the portion of the independent party involvement.

In the financial year ended 31 December 2022, the Group recognised a share-based payment charge of EUR 209 385 (2021: EUR 172 629) in the income statement.

Share option reserve at 31 December 2019	77 525
Expenses from equity-settled share-based payment transactions	122 223
Share option reserve at 31 December 2020	199 748
Expenses from equity-settled share-based payment transactions	172 629
Share option reserve at 31 December 2021	372 377
Expenses from equity-settled share-based payment transactions:	209 385
Share option reserve at 31 December 2022:	581 762

Note 12 Revenue (In euros)

	2022	2021
Revenue by geographical area		
Sales to countries of the European Union		
Estonia	4 523 083	2 254 820
Latvia	728 185	706 777
Lithuania	708 923	1 149 055
Finland	1 085 255	739 244
Germany	954 920	2 280 074
Total sales to countries of the European Union	8 000 366	7 129 970
Total revenue	8 000 366	7 129 970
Revenue by activity		
Loan mediation fee	5 172 163	6 494 162
Administration fee	117 235	357 537
Penalty	294 884	0
Prolonging Fee	550 551	0
Secondary Market Fee	132 068	0
Debt Management Fee	462 229	0
Debt Realization Fee	532 180	0
Other	739 056	278 271
Total net sales	8 000 366	7 129 970

Note 13 Goods, raw materials and services (In euros)

	2022	2021
Direct cost of sales	368 915	329 234
Broker fees	108 215	201 242
Other costs related to loans and portal	1 602 909	1 012 616
Insurance of loan object	5 240	7 618
Marketing and advertising costs	1 155 546	1 023 495
Total goods, raw materials and services	3 240 825	2 574 205

Note 14 Miscellaneous operating expenses (In euros)

	2022	2021
Leases	165 457	71 321
Travel expense	220 160	111 168
Training expense	55 430	0
State and local taxes	38 487	253 367
IT costs	996 291	480 427
Purchased services	2 346 014	2 293 134
Administrative costs	670 221	131 485
Other	453 501	93 168
Total miscellaneous operating expenses	4 945 561	3 434 070

Note 15 Staff costs (In euros)

	2022	2021	Note
Salary expenses	-4 546 559	-2 382 801	
Social security charges	-939 209	-549 904	
Share Options	-120 358	0	11
Total staff costs	-5 606 126	-2 932 705	
Average number of employees converted to full-time equivalent	95	85	

Note 16 Interest income (In euros)

	2022	2021
Interest income on loans	92 918	371 370
Total interest income	92 918	371 370

Note 17 Interest expense (In euros)

	2022	2021
Interest expense on loans	-141 722	-323 048
Total interest expense	-141 722	-323 048

Note 18 Related parties (In euros)

Name of accounting entity's parent company	Estateguru Holding OÜ
Country where accounting entity's parent company is registered	Estonia

BALANCES WITH RELATED PARTIES

NON-CURRENT ITEMS at 31 December	2022	2021
Receivables and prepayments		
Executive and higher management, individuals with a significant shareholding and companies under their control or significant influence	1 648 304	120 304
Total receivables and prepayments	1 648 304	120 304

GIVEN LOANS	31.12.2020	Given loans	31.12.2021	Interest accrued for period
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	69 804	50 500	120 304	7 595
Total given loans	69 804	50 500	120 304	7 595

GIVEN LOANS	31.12.2021	Given loans	31.12.2022	Interest accrued for period
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	120 304	1 528 000	1 648 304	90 093
Total given loans	120 304	1 528 000	1 648 304	90 093

Note 19 Parent company's balance sheet (In euros)

At 31 December	2022	2021
Assets		
Current assets		
Cash and cash equivalents	512 403	3 804 648
Total current assets	512 403	3 804 648
Non-current assets		
Investments in subsidiaries and associates	4 366 418	4 024 486
Receivables and prepayments	2 493 207	661 478
Total non-current assets	6 859 625	4 685 964
Total assets	7 372 028	8 490 612
Liabilities and equity		
Liabilities		
Current liabilities		
Borrowings	2,500	2,500
Payables and advances received	0	12,889
Total current liabilities	2,500	15,389
Non-current liables		
Loan Liabilities	3 702 770	0
Total non-current liabilities	3 702 770	0
Total liabilities	3 702 770	15 389
Equity		
Share capital at par value	15 205	15 205
Share premium	8 471 529	8 401 419
Own (treasury) shares	-1 422	-1 430
Other reserves	511 724	372 377
Accumulated losses (prior periods)	-312 348	-285 680
Annual period profit (loss)	-5 017 930	-26 668
Total equity	3 666 758	8 475 223
Total liabilities and equity	7 372 028	8 490 612

Note 20 Parent company’s income statement (In euros)

	2022	2021
Other income	0	32
Other operating expenses	-37 915	-59 786
Staff costs	-120 358	-52 312
Other expenses	-1	-65 100
Operating loss	-158 274	-177 166
Interest income	410 251	156 769
Interest expense	0	-5 909
Other finance income and costs	-5 269 907	-362
Loss before income tax	-5 017 930	-26 668
Loss for the period	-5 017 930	-26 668

Note 21 Parent company’s statement of cash flows (In euros)

	2022	2021
Cash flows from operating activities		
Payments to suppliers for goods and services	59 504	-106 150
Interest received	1 128	442
Other cash flows from operating activities	-8 518	-6 855
Net cash used in operating activities	-66 894	-112 563
Cash flows from investing activities		
Paid for acquisition of subsidiaries	0	0
Loans provided	-7 057 200	-2 217 300
Repayments of loans provided	129 000	0
Net cash used in investing activities	-6 928 200	-2 217 300
Cash flows from financing activities		
Repayments of loans received	0	-144 799
Interest paid	0	-5 909
Proceeds from issue of shares	3 702 769	5 826 986
Proceeds from sales of treasury shares	80	0
Net cash from financing activities	3 702 849	5 676 278
Net cash flow	-3 292 245	3 346 415
Cash and cash equivalents at beginning of period	3 804 648	458 233
Increase in cash and cash equivalents	-3 292 245	3 346 415
Cash and cash equivalents at end of period	512 403	3 804 648

Note 22 Parent company’s statement of cash flows (In euros)

	Equity attributable to owners of the parent					
	Share capital at par value	Share premium	Own (treasury) shares	Other reserves	Retained earnings/ accumu-lated losses	Total
Adjusted unconsolidated equity at 31 December 2020	12 790	2 576 099	-681	199 748	-285 680	2 502 276
Adjusted balance at 31 December 2020	12 790	2 576 099	-681	199 748	-285 680	2 502 276
Loss for the period					-26 668	-26 668
Issue of share capital	2 415	5 825 320				5 827 735
Changes in reserves				172 629		172 629
Other changes in equity			-749			-749
At 31 December 2021	15 205	8 401 419	-1 430	372 377	-312 348	8 475 223
Adjusted unconsolidated equity at 31 December 2021	15 205	8 401 419	-1 430	372 377	-312 348	8 475 223
Annual period profit (loss)					-5 017 930	-5 017 930
Changes in reserves		70 110		139 347		209 457
Other changes in equity			8			8
31.12.2022	15 205	8 471 529	-1 422	511 724	-5 330 278	3 666 758

Note 23 Business Continuity

Starting in 2023, we will focus on our core markets. We will continue to operate in the Baltics, Finland and Germany.

Possible expansion we will analyse and re-assess in the second half of 2023.

An important focus in 2023 will be on resolving the problem portfolio in Germany and Finland, in order to ensure the best possible returns for investors. At the same time, we will actively pursue our strategy of growing our lending activities and investments in the Baltic countries. To achieve this, we raised an additional EUR 1m of capital in early 2023 to increase the reserves. Since the end of 2022, the company has significantly reduced its fixed costs and restructured its business.

We plan to become profitable over the next 18 months. We also plan to build up a voluntary reserve from loans given by shareholders. In the light of the above, the continuation of the activities of the Estateguru Group is ensured.

Signatures of the management board to the annual report

Management has approved the 2023 annual report on 02 January 2024.

/digitally signed/ Marko Arro

/digitally signed/ Mihkel Stamm

KPMG Baltics OÜ
Narva mnt 5
Tallinn 10117
Estonia

Telephone +372 6 268 700
Fax +372 6 268 777
Internet www.kpmg.ee

Independent Auditors' Report

(Translation of the Estonian original)

To the Shareholders of Estateguru Holding OÜ

Opinion

We have audited the consolidated financial statements of Estateguru Holding OÜ (the Group), which comprise the consolidated balance sheet as at 31 December 2022, the consolidated income statement, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements presented on pages 11 to 34, present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Estonian financial reporting standard.

Basis for Opinion

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

Other Information

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

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, our responsibility is to state whether the information presented in the management report has been prepared in accordance with the applicable legal and regulatory requirements.

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 and we state that the information presented in the management report is materially consistent with the consolidated financial statements and in accordance with the applicable legal and regulatory requirements.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

As part of an audit in accordance with International 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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
Licence No 17

/signed digitally/

Helen Veetamm

Certified Public Accountant, Licence No 606

Tallinn, 30 June 2023