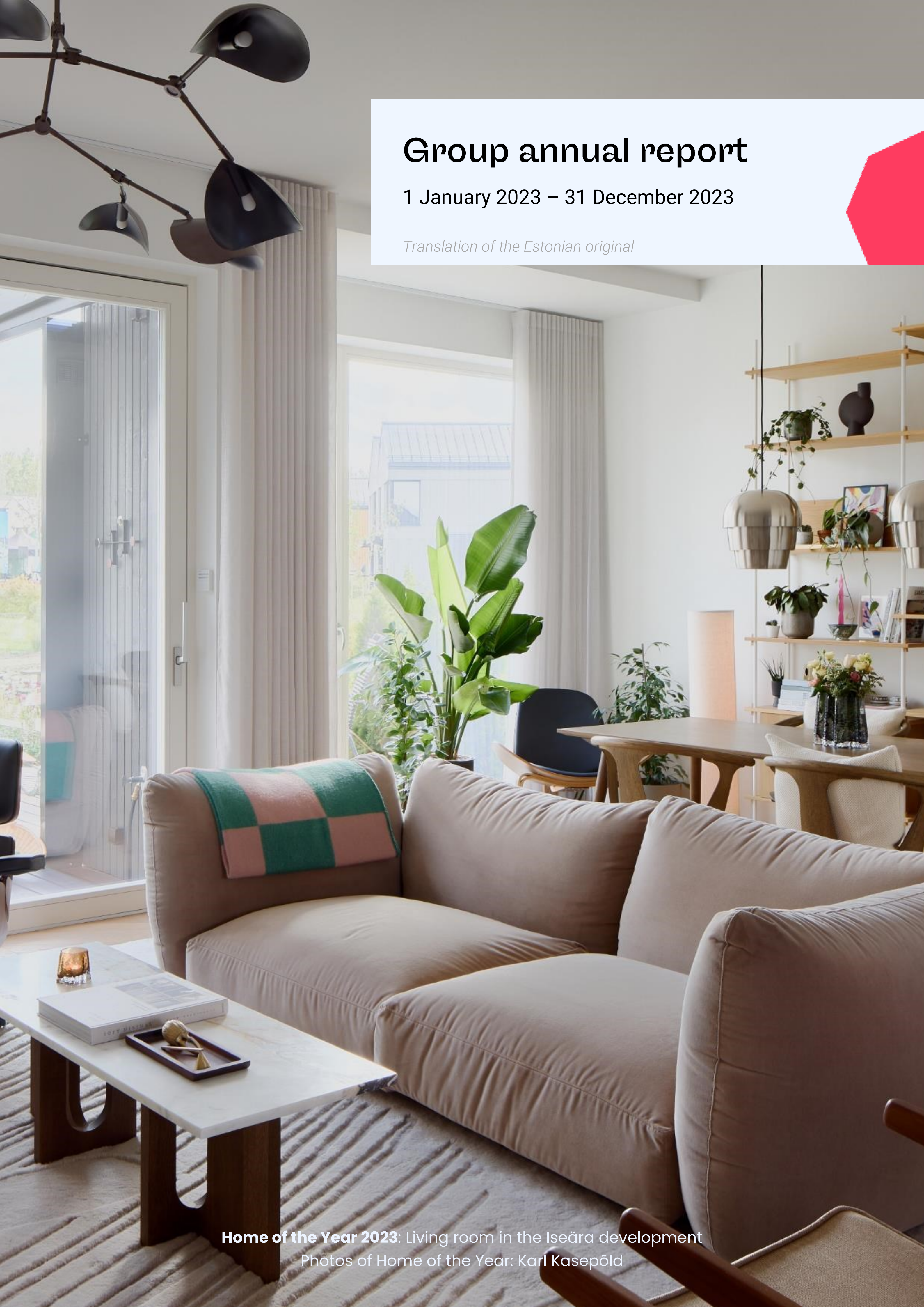
# Group annual report

1 January 2023 – 31 December 2023

*Translation of the Estonian original*



**Home of the Year 2023**: Living room in the Iseära development
Photos of Home of the Year: Karl Kasepõld

# LIVEN AS

## GROUP

| | |
|---|---|
| Business name: | Liven AS |
| Core business: | Development of building projects (EMTAK 41101) |
| Registry number: | 12619609 |
| Address: | Telliskivi 60/5, Tallinn |
| Telephone: | +372 5336 5551 |
| Email: | info@liven.ee |
| Website: | Liven.ee |
| Supervisory board: | Andres Aavik, Peeter Mänd, Krista Tamme |
| Management board: | Andero Laur, Mihkel Simson, Alina Kester |
| Auditor: | KPMG Baltics OÜ |

# Contents

## Letter to current and future shareholders

Dear investor,

In 2023, we faced major external and internal challenges, and the results achieved do not give much cause for satisfaction. High inflation, the fastest interest rate hikes in Europe's history, an economic downturn and falling investment and exports reduced consumer confidence and demand for real estate. Nevertheless, the apartment market in Tallinn remained active, although the number of sales transactions in new developments declined. Due to the low sales volumes, we did not meet our internal presales target and therefore only started the construction of 30 new homes in one project during the year.

Profitability was affected by a sharp rise in construction prices in previous years and by excessively low sales prices before that. This was reflected in particular in the loss incurred on the Magdaleena project, and the modest profitability of the terraced houses completed in the Iseära project. We must continue improving our efficiency and developing our value proposition. Due to a more challenging environment, it is likely that we will not be able to achieve our long-term target for return on equity in 2024 either.

On the other hand, there were also some positive developments. The value of our offering has increased significantly and, despite a lower number of contracts, new sales were slightly higher in monetary terms than a year earlier. A major contributor to this increase was the start of signing contracts for our signature project, Regati, which we started building in early 2024 and which will set the tone for our activities in the coming years. We have made considerable efforts to enhance the image of Tallinn as a seaside capital by making the project site, Pirita tee, an appealing destination for walkers and cyclists that would attract more visitors, restaurants and cafés to the area.

During the year, we completed more than 180 new stylish homes, most of which have already found owners, with the remainder ready to move into. As we strive to create the coolest homes and a highest quality living environments, we are delighted when our customers are happy and satisfied with their homes, and we are really pleased when their new homes win awards.

Given the economic environment, the achievement of the targets for 2023 was generally satisfactory. We bought our first property in Germany, paid our first dividends, continued to develop our home and interior design software and prepared for our IPO. However, capital market conditions are not yet favourable for the latter.

We expect the external environment, as well as our sales and profitability, to improve in 2024. In Liven's tenth year, we have a lot to do: acquire new properties with capital raised through a public bond issue, get our new showroom up and running, start presales in Germany, continue to develop our home and interior design software, restore sales volumes to the level of previous years and sell our completed and planned homes. Homes have been built since the beginning of time, and there will always be demand for homes created with passion and commitment. In Liven's tenth year of operation, the new showroom will allow us to work even more closely with our customers to take the quality of home design to a new level.

Andero Laur
Liven AS

Chairman of the Management Board

## Liven's goal is to create the coolest homes and to deliver the most personal service experience.

***We have the coolest home in Tallinn!***

*Liisi*

# Management report

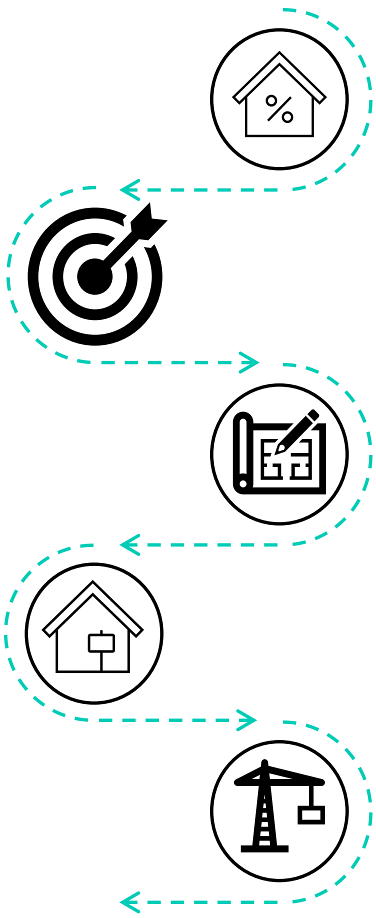
## Liven's business model

Liven AS (Liven, the parent, the company or, together with its subsidiaries, the group) focuses on residential property development and the creation of high-quality living environments. Since its establishment in 2014, the company has built and delivered more than 700 homes, becoming one of the leading property developers in Estonia.

Our operations cover all stages of the residential development value chain: acquisition of suitable land, development, concept planning, marketing, sales, and after-sales service. Construction management is outsourced.

At the heart of Liven's value proposition are well thought-out concepts and floor plans with various interior design alternatives and the opportunity to participate in the design of the new homes. Customer satisfaction – both with the new home and with the whole process, including planning, purchasing and after-sales service – is a priority. We regularly measure customer satisfaction and take their feedback into account when developing our business and rewarding our people.

Given our value proposition, we believe that in order to develop profitably and cost-effectively, we need to operate in advanced economic and financial environments and in growing cities with a critical mass of population. Due to the amount of work that goes into a development project, we need to be able to build more than 25 homes on each plot of land that we acquire. This means that we do not develop detached houses. As the focus is on housing, we make sure when we acquire a property that the proportion of commercial space does not exceed 25%.



Liven manages its value proposition and risks at all stages of development, but the most important things are done first: the purchase of land requires the existence of a comprehensive spatial plan that supports the proposed development project, a detailed risk assessment and competitive advantages. The planned return on equity of the investment must exceed 20%.

As a general rule, we do not start construction until presales have reached 50% (contracts signed under the law of obligations), which helps us keep investment risk low and ensure that customers are genuinely interested in what we have to offer. However, depending on the circumstances, a lower presales rate may be justified.

Liven's development portfolio has so far been concentrated in Tallinn and the surrounding area. In order to diversify risks and expand growth opportunities, we acquired our first development project in Berlin, Germany. At the end of 2023, our development portfolio comprised ten projects with more than 1,500 homes in various stages of development and an estimated sales volume of over 375 million euros. The projects in the current development portfolio will take four to five years to complete, but the volumes are not yet sufficient to achieve the desired annual financial results.

Due to the long duration of the development cycle and the capital-intensive nature of land acquisition and construction, our business model is characterised by high gearing. The long-term strategic objective is for the equity ratio, adjusted for construction loans, to be 40%. However, in the case of good investment opportunities and collateral, a lower ratio may be economically justified.

## Key facts for and at the end of 2023

**€35.8 million**
Revenue

**€0.8 million**
Net profit

**4.6%**
Return on equity

**32.0%**
Adjusted equity ratio

**No. 2**
Real estate developer in Estonia by reputation

**8.0/10**
Customer feedback score

**1,496**
Homes: size of development portfolio (contracts signed under the law of obligations)

**~€375 million**
Estimated revenue from development portfolio

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Development projects added to the portfolio:

**25 homes**
Hüttenroder Weg 11 (Berlin)

**1,110 m$^2$**
Sellable area

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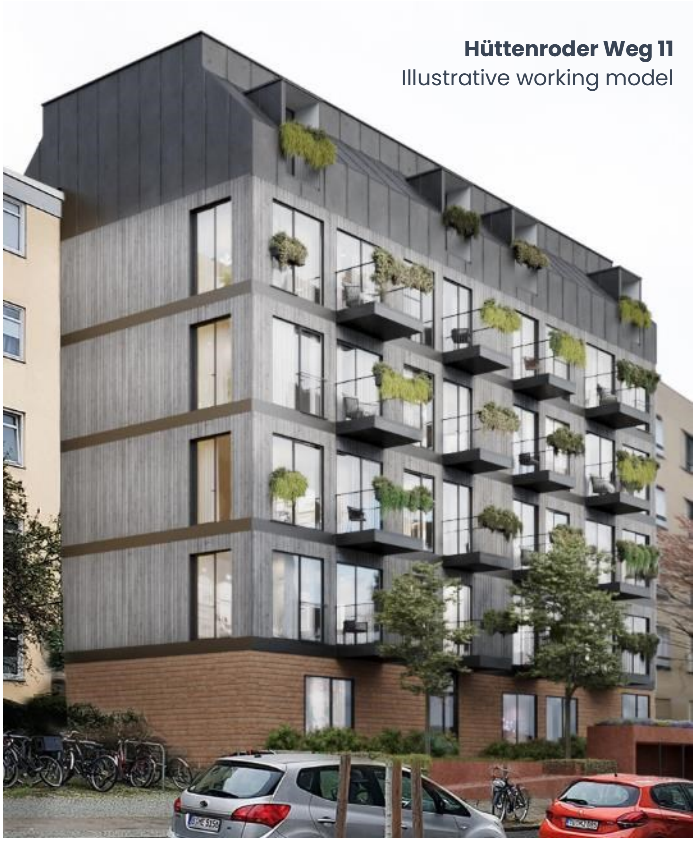
## Review of 2023

### Events and developments during the year

Although 2023 was characterised by a challenging economic environment, it was an eventful year with both positive and less positive developments.




It was disappointing that the completion of phase I of the Magdaleena project was the only project in Liven’s history to make a loss. The main reason for the loss was the failure of the general contractor to meet its contractual obligations in 2022. In summer 2023, we filed a lawsuit with the Harju County Court against Reparo Ehitus OÜ, claiming damages for non-performance of contractual obligations, unjustified cancellation of the contract and subsequent malicious conduct. There have been no significant developments in the litigation up to the reporting date.

Although some progress was made, the processing of planning applications by the City of Tallinn and municipal authorities remained a challenge. This affected four of our projects which are in the planning stage. Due to the slow pace of processing and additional requirements, we had to extend the projects’ timelines and reduce their projected profitability.

At the beginning of the year we continued our preparations for an initial public offering (IPO), but due to unfavourable market conditions we decided to postpone it. We plan to proceed when a suitable opportunity arises.

There were also numerous positive developments:

- We completed more than 180 homes in four development projects.
- We began to build 30 new homes in the Iseära terraced houses project.
- In the Regati project, we launched presale and signing of contracts under the law of obligations and obtained a building permit.
- We continued to develop our home and interior design software and obtained co-financing for this.
- We raised 1.0 million euros of new share capital and acquired the first plot of land in Berlin, Germany.
- We successfully raised additional debt during the year, which included extending several contracts.
- At the end of the year, we moved into a new office with a showroom in Telliskivi Creative City.
- We leased out the unsold commercial space in the Väike-Tallinn project.
- We started to pay dividends.

The most important forward-looking activities in 2023 were related to the development of our signature project Regati, including preparations for the construction of the four buildings in phase I.

The project at Regati pst 3 in Pirita will be completed in several stages and will have seven buildings with 220 homes and 10 commercial spaces. We started public presale and signing of reservation contracts at the beginning of the year. In the last quarter, we signed a contract for financing the construction of the project and refinancing the previous mortgage loan. We launched a tender to find a general contractor and started to sign contracts under the law of obligations. The building permit was issued at the end of the year. By 31 December 2023, we had signed 17 contracts under the law of obligations and, in addition, we had 17 paid reservations. The contracts and reservations covered almost 40% of the area intended for sale in phase I.

After the reporting period, we signed a general contracting agreement with Mitt & Perlebach OÜ and began the construction of phase I. The first homes in the Regati project are scheduled to be completed in the summer of 2025.

**Regati** development, 3D illustration, Valge Mammut OÜ

## Significant external factors affecting the real estate market

Due to inflation, rapidly rising interest rates and low consumer confidence, the situation in the Estonian real estate market continued to be challenging in 2023.

Although the components of construction prices moved divergently during the year, construction prices increased by 6.1% in 2023, while consumer prices increased by 9.2%, according to Statistics Estonia. The average gross salary grew by 11.3% during the year, meaning that the purchasing power of salary increased. Starting from April 2023, prices have remained practically stable in a monthly comparison. In January 2024 prices increased by 1.4% compared to December due to tax changes, but if the recent price trend continues, annual inflation, at least in Estonia, will have ceased by April 2024.

The rate of the six month Euribor, which started to rise in spring 2022, reached its highest level in 15 years in mid-October, when it rose above 4.1%. By the end of the year, however, it had dropped to 3.9% (year-end 2022: 2.7%). The rise was driven by the European Central Bank's base rate hikes. Housing loan campaigns by local banks, conducted since spring to promote the purchase of energy-efficient homes, helped curb fears of interest rate rises and supported demand, particularly for new developments. Although the average gross salary grew faster than inflation and real estate prices in 2023, the affordability of real estate declined due to the increase in interest rates.

Consumer confidence remained very low throughout the year. Consumers continued to put off purchases of durable goods, which is why decisions to buy a home also continued to be postponed and remained on hold. This trend was supported by deflationary expectations, which emerged in autumn 2022 and persisted throughout 2023, strongly influenced by the tone of media coverage. At the beginning of the year, confidence was mainly affected high inflation and rising interest rates, and in the second half of the year by general economic uncertainty and the resulting labour market outlook. The employment situation weakened over the year, including in the technology sector, but according to the latest statistics the changes were not too significant.

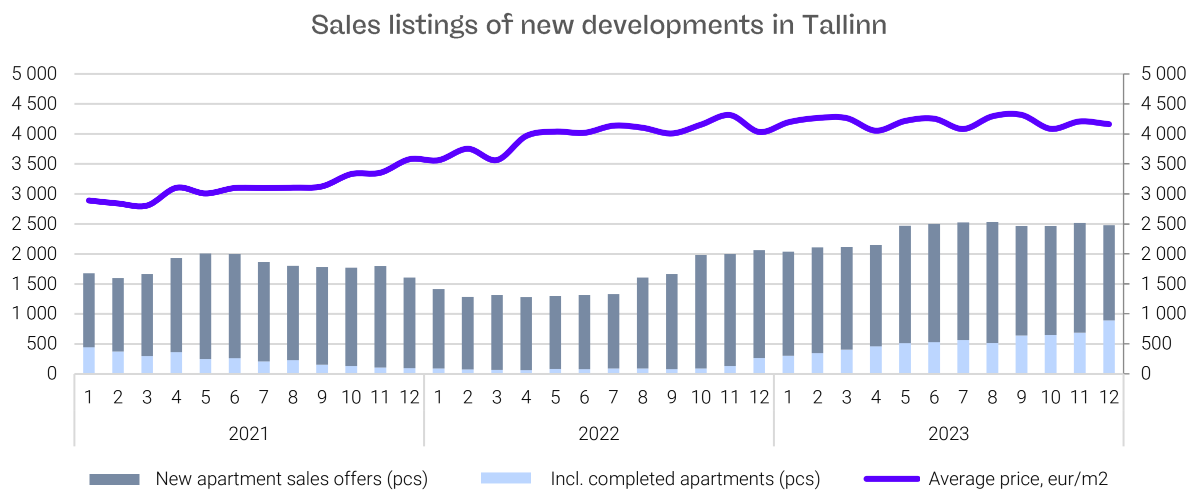
| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Annual change in GDP at constant prices | -3.1% | -0.5% | 7.4% | -0.7% | 3.9% |
| Change in average monthly salary (gross) | 11.3% | 11.6% | 6.9% | 2.9% | 7.4% |
| Unemployment rate | 6.4% | 5.6% | 6.2% | 6.8% | 4.4% |
| Construction price index | 6.1% | 17.8% | 8.1% | 0.4% | 1.9% |

*Source: Statistics Estonia*

### Tallinn real estate market

In 2023, the number of transactions continued to decline due to a weak external environment. According to the Land Board, there were 8,510 transactions with apartments in Tallinn in 2023 (2022: 9,651), 12% less than in the previous year (2022: 11% less). The annual statistics also reflect apartments in new developments that were sold in earlier periods but completed and delivered during the year.

Based on various sources of market information, the group's management estimates that the number of apartments sold in new developments located in Tallinn dropped to approximately 1,200 in 2023 (2022: 1,500). Sales volumes fell sharply in both 2022 and in 2023. Looking at the past two years, the market was at its lowest between autumn 2022 and spring 2023. In the second half of 2023, the market became more active and the number of transactions grew significantly compared with the first half of the year.




*Source: Market information about the supply and prices of new developments in Tallinn, from various sources monitored by the group*

The number of apartments for sale in new developments grew moderately in the first half of 2023, but did not continue to rise notably in the second half. At the end 2023, around 2,500 apartments were for sale, a level comparable to the pre-crises year of 2019 (31 December 2022: 2,200). By the end of 2023, the share of completed apartments in total supply had increased to one third. Due to a difficult market situation, the number of new developments coming to the market was modest, a quarter smaller than in 2022.

The offer prices of new developments have remained relatively stable since spring 2022. According to the Land Board, the average sales price of apartments in Tallinn increased by 7.4% year on year, rising to 3,130 €/m$^2$ in 2023 (2022: 2,920 €/m$^2$). The annual decrease in the transaction prices for apartments on the secondary market results from a high reference base in 2022. By December 2023, however, the year-on-year rise in transaction prices for apartments on the secondary market had reached 4.9%. The overall price statistics are also affected by the share of new developments in the structure of transactions.

Trends also varied by city district. Due to plentiful supply and strong competition, developments in Haabersti were under the greatest pressure. In this district, the price dynamics were weaker and sales periods were longer than the average for Tallinn, and several developers decided to reduce the stock of completed apartments in their developments in this district by aggressive pricing at the end of the year.

### Inputs with a significant effect on the market of new developments

**Construction price** At the beginning of the year, construction prices decreased by 5% compared with the preceding six-month period. Construction management prices remained depressed due to decreasing demand and high competition. The overall downtrend in construction prices ceased in mid-year. The prices for some materials and work decreased, but the prices for more labour-intensive or technically complex inputs remained stable or increased. On an annual basis, construction prices did not decline as anticipated. Instead, the construction price index increased by 6% during the year. We do not expect construction prices to decrease significantly in 2024.

**Financing** The main factor affecting financing in 2023 was the increasing cost of capital due to the rise in the Euribor. Due to a deteriorating economic environment, investors and banks were conservative in choosing the projects to finance and were willing to take risks only in return for a higher premium. High-quality projects could be financed on reasonable terms. We expect financing conditions to improve in 2024 as interest rates are expected to decline and the interest of investors and banks increased slightly at the end of 2023.

**Supply of land for development** Due to limited supply, purchase of land for development was difficult in 2023. Landowners’ price expectations remained high, especially in the first half of the year, and they were not willing to lower prices. Due to long sales periods and slow permitting procedures in Tallinn, some plots acquired for development in earlier years were listed for sale, but with a considerable markup. Prices declined mostly for land outside Tallinn and for land without building rights, but prices for higher quality development land which is in short supply remained high at public auctions, despite a relatively small circle of buyers. We expect the situation to improve in 2024.

Living room in the **Uus-Meremaa** project, photo: Märt Lillesiim

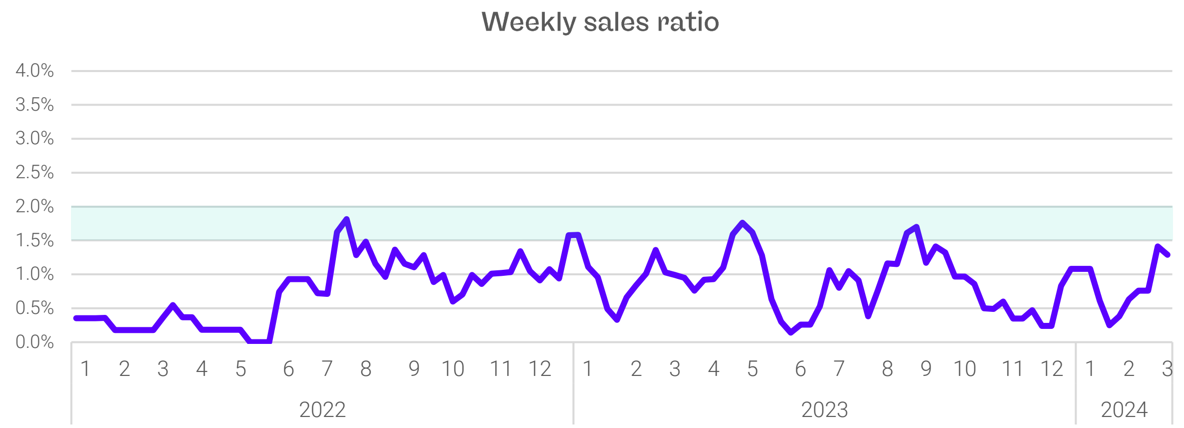
## Financial results for 2023

### New sales contracts

The most relevant indicator of new sales is the number of contracts signed under the law of obligations, which is also accompanied by the first payment by the buyer. Another relevant indicator in the early stage of presale is the number of paid reservation contracts.

In 2023, the average number of homes on offer, both for reservation and for signing a contract under the law of obligations, was 180 (2022: 145). Due to the challenging external environment, we signed only 69 contracts under the law of obligations, 35% fewer than a year earlier (2022: 106 contracts). However, the monetary value of the contracts signed was 1% higher than in 2022. In addition, 24 reservations had been made by the end of the year.

A good indicator of sales is the weekly sales ratio, i.e. the ratio of the number of contracts under the law of obligations or reservation contracts signed per week to the total number of homes for sale (four-week rolling average). A long-term normal level for the ratio would be 1.5% to 2.0%, at which it would take 1 to 1.5 years to sell all homes for sale. Due to the external environment, however, the ratio was low in both 2022 and 2023. A low level of interest in the first half of 2022 reflects the uncertainty following the beginning of the war in Ukraine and the rapid adjustment in selling prices following the rise in input prices. In the second half of 2022, housing demand recovered but remained subdued against the backdrop of low consumer confidence and rising interest rates, which persisted throughout 2023.




*Contracts under the law of obligations or expression-of-interest agreements signed per week / homes for sale (4-week rolling average)*
*Source: Liven*

### Revenue

We recognise revenue from the sale of real estate after the signing of the real right contract and the transfer of the real estate to the buyer. In 2023, we signed 148 real right contracts (2022: 186). At the beginning of the year, homes were delivered to customers in three buildings in Lahepea street, phase I of the Uus-Meremaa development project, which were completed at the end of 2022, and at the end of 2023 two buildings were also completed in phase II of the project. All homes were delivered in phase I of the Iseära terraced houses project and in two residential buildings in phase I of the Magdaleena project that were completed during the year. At the end of the year, homes were also delivered in the reconstructed building that was completed in phase II of the Magdaleena project and in three residential buildings that were completed in phase I of the Luuslangi project.

In 2023, revenue grew by 9.6% to 35.8 million euros (2022: by 420% to 32.6 million euros), the highest result in the group’s history. In property development, construction operations often end at the end of the year, while homes are delivered and revenue is recognised in the period following the completion of construction. As a result, developers’ revenue and financial results can vary significantly from year to year.

Development projects completed and available for sale in 2023 and in earlier periods:

| Subsidiary | Project, phase | Location | Area and no. of units | 31 December 2023<br>Proportion of apartments sold*<br>Contracts under the law of obligations (number/%)[1] | Real right contracts (number/%)[1] |
|---|---|---|---|---|---|
| Liven Kodu 5 OÜ | Uus-Meremaa, phase I | Lahepea street, Tallinn | 9,101 m², 126 homes, 5 commercial spaces | 131 / 100% | 131 / 100% |
| Liven Kodu 5 OÜ | Uus-Meremaa, phase II | Lahepea street, Tallinn | 5,108 m², 58 homes, 2 commercial spaces | 35 / 52% | 30 / 42% |
| Liven Kodu 6 OÜ | Magdaleena, phase I | Asula põik 4, Tallinn | 1,576 m², 20 homes | 20 / 100% | 20 / 100% |
| Liven Kodu 12 OÜ | Luuslangi, phase I | Jalami street, Tallinn | 5,060 m², 80 homes | 44 / 52% | 38 / 44% |
| Liven Kodu 15 OÜ | Väike-Tallinn | Türi 4, Tallinn | 5,453 m², 80 homes, 1 commercial space | 80 / 91% | 80 / 91% |
| Liven Kodu 16 OÜ | Iseära | Harkujärve | 5,935 m², 48 homes | 48 / 100% | 48 / 100% |
| Liven Kodu 19 OÜ | Magdaleena, phase II | Magdaleena 4, Tallinn | 822 m², 11 homes | 5 / 39% | 4 / 33% |

Development projects completed and available for sale in 2022 and in earlier periods:

| Subsidiary | Project, phase | Location | Area and no. of units | 31 December 2022<br>Proportion of apartments sold*<br>Contracts under the law of obligations (number/%)[1] | Real right contracts (number/%)[1] |
|---|---|---|---|---|---|
| Liven Kodu 5 OÜ | Uus-Meremaa, phase I | Lahepea street, Tallinn | 9,101 m², 126 homes, 5 commercial spaces | 129 / 98% | 123 / 94% |
| Liven Kodu 15 OÜ | Väike-Tallinn | Türi 4, Tallinn | 5,453 m², 80 homes, 1 commercial space | 80 / 91% | 80 / 91% |

## Profit and financial position

Despite the large number of real right contracts and homes delivered and high revenue, the group's net profit for 2023 was only a modest 0.8 million euros (2022: 3.3 million euros).

Profit was negatively affected by the loss on the Magdaleena project, the low profitability of phase I of the Iseära project, the preparations for the Regati project, and higher marketing costs of various projects. The impact of the loss from the Magdaleena project on the group's profit for 2023 was 0.8 million euros (2022: 0.4 million euros). The cost base of the homes completed in 2023 was strongly affected by high inflation during the construction and development period. Due to a dividend distribution, the group also incurred income tax expense in 2023. As a result of a modest profit, the group's return on equity was 4.6% in 2023 (2022: 22.4%), which is below the long-term target of 20%.

Active construction and development operations in 2023 increased total assets by 13.7% or 8.3 million euros to 68.5 million euros. At the end of 2023, the balance of cash and cash equivalents was 3.7 million euros (2022: 3.7 million euros), equity amounted to 18.1 million euros (2022: 16.5 million euros) and borrowings amounted to 38.4 million euros (2022: 33.6 million euros). At 31 December 2023, the equity ratio adjusted for construction loans was 32.0% (31 December 2022: 32.6%), which is below the long-term target of maintaining the equity to assets ratio at around 40%.

Current borrowings of 17.1 million euros include financing of 7.5 million euros for the construction of projects completed at the end of the year and loans of 9.0 million euros raised in prior periods for the acquisition of land for the Regati project. The latter were reclassified to current as the construction stage was approaching. Due to the refinancing of loans at the beginning of 2024, current loans with a year-end balance of 14.1 million euros were reclassified to non-current. Loans included in the year-end balance of current borrowings were additionally reduced by 1.1 million euros due to the delivery of homes to customers. At the end of the year, the current ratio and quick ratio were 2.36 and 0.19, respectively, but the same ratios adjusted for the above developments were 5.03 and 0.40, respectively.

[1] *The number of contracts signed by the date; the percentage reflects the proportionate share of square metres.*

### Improving customer experience and increasing personalisation options

To support Liven's value proposition, we continued to use and develop our home and interior design software Kodukujundaja (Home Designer), extending its use to new projects in 2023. The application, which works as a virtual and interactive model home, helps customers choose between interior finishing options and see what their future home will look like. Users can get a quote for their designer home within minutes.

The programme, which links work processes, enabling an efficient flow of information about personalised choices to the construction site, will be implemented for all new projects and integrated into the apartment selection section on our website. Our home and interior design software allows us to bring our value proposition to our customers more efficiently and effectively.

Further development and productising of our home and interior design software is co-financed with 0.2 million euros from the Construction e-Leap funding programme that supports the development of innovative digital solutions in the construction industry (the maximum support is 50% of eligible costs).

To further improve customer experience, we prepared for opening a showroom and office in the Telliskivi Creative City and moved our headquarters to the new premises at the end of the year. The new showroom, created together with interior designer Kätlin Ölluk, is part of our strategy to make home design a comfortable and personal experience. In the showroom, customers can experiment with finishing materials and view interior design, furniture and lighting solutions to better design their own home.

*Screenshot from [liven.ee/Kodukujundaja](liven.ee/Kodukujundaja)*

### Customer feedback and brand recognition

Gathering feedback from home buyers on all projects to improve and manage quality is a key part of Liven's business model. This is done in four stages: after signing the contract under the law of obligations, after the arrival of the deadline for modification works, after the transfer of the home after signing the real right contract and after the completion of warranty work. We regularly update our feedback system to get quick and comprehensive input for our work. Customer satisfaction is measured on a 10-point scale.

At the end of 2023, customers gave us a score of 8.0, which is lower than in 2022 (8.9). The decline is mainly due to delays in the completion of phase I of the Magdaleena and Iseära developments and the delivery of homes, customer communication that needs improvement and issues with the quality of construction management due to several unfortunate circumstances.

Kantar Emor's annual real estate brand recognition and reputation survey reflects that Liven has gained a strong foothold in the Estonian property market, according to home buyers and seekers. Recognition of our brand continued to improve in 2023 and were one of the two most reputable home developers for the fifth year in a row. Liven is appreciated for the most attractive developments on the market and described as a stylish trend setter with modern architectural solutions.

Customers rate us:

**8.0 out of 10**

The most reputable real estate developers in Estonia:

**1. Merko**
**2. Liven**
**3. Invego**

Children’s bedroom in the **Uus-Meremaa** development, interior architect Sandra Leisson, photo: Karl Kasepõld

## Key performance indicators and ratios

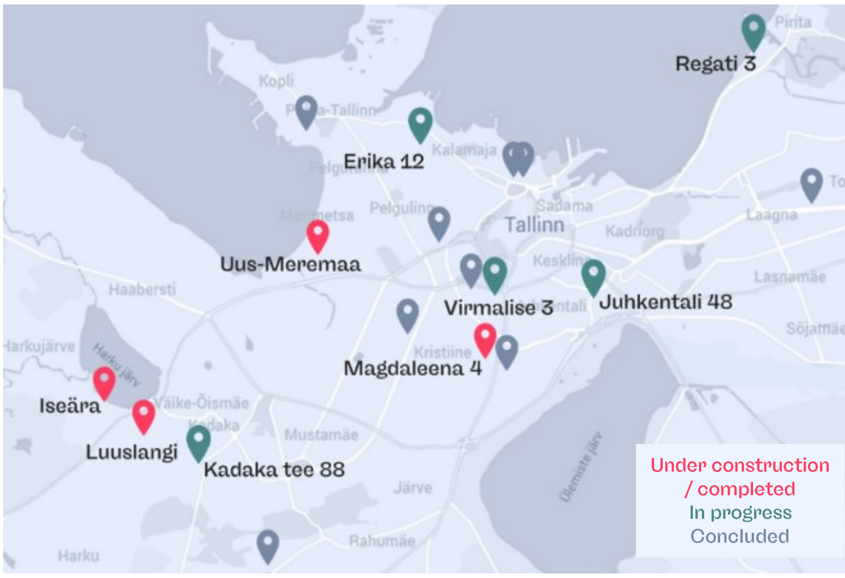
| **(in thousands of euros)** | **2023** | **2022** | **2021** | **2020** | **2019** |
|---|---|---|---|---|---|
| Contracts under the law of obligations (number) | 69 | 106 | 125 | 127 | 43 |
| Real right contracts (number) | 148 | 186 | 35 | 54 | 86 |
| Customer feedback score 12M (10 point scale) | 8.0 | 8.9 | 9.0 | 9.2 | 8.9 |
| Size of development portfolio at end of year (for sale, number of contracts under the law of obligations) | 1,496 | 1,557 | 1,719 | 1,575 | 1,430 |
| | | | | | |
| **Revenue** | **35,765** | **32,618** | **6,278** | **9,000** | **9,082** |
| Earnings before interest, tax, depreciation and amortisation (EBITDA)* | 3,788 | 7,618 | 1,353 | 2,165 | 2,048 |
| EBITDA margin, %* | 10.6% | 23.4% | 21.5% | 24.1% | 22.6% |
| Operating profit | 867 | 3,324 | 656 | 1,436 | 1,162 |
| Operating margin, %* | 2.4% | 10.2% | 10.4% | 16.0% | 12.8% |
| **Net profit** | **775** | **3,324** | **638** | **1,439** | **730** |
| *Attributable to owners of the parent* | *775* | *3,324* | *647* | *1,333* | *200* |
| *Attributable to non-controlling interest* | *0* | *0* | *-9* | *106* | *530* |
| Net margin, %* | 2.2% | 10.2% | 10.3% | 14.8% | 2.2% |
| | | | | | |
| Weighted average number of shares (in thousands) | 11,753 | 11,515 | 10,888 | 10,178 | 8,362 |
| Earnings per share (in euros) | 0.066 | 0.289 | 0.059 | 0.141 | 0.087 |
| *Attributable to owners of the parent (in euros)* | *0.066* | *0.289* | *0.059* | *0.131* | *0.024* |
| | | | | | |
| Assets at end of period | 68,559 | 60,279 | 50,257 | 18,437 | 14,399 |
| Equity at end of period | 18,122 | 16,526 | 12,881 | 6,923 | 5,482 |
| *Attributable to owners of the parent* | *18,122* | *16,526* | *12,807* | *6,840* | *5,403* |
| | | | | | |
| Equity ratio, %* | 26.4% | 27.4% | 25.5% | 37.1% | 37.5% |
| **Equity ratio** (excluding construction loans)**, %*** | **32.0%** | **32.6%** | **28.3%** | **37.1%** | **40.2%** |
| **Return on equity (ROE), %*** | **4.6%** | **22.4%** | **6.6%** | **21.8%** | **5.2%** |
| Return on capital employed (ROCE), %* | 8.6% | 22.3% | 5.9% | 17.9% | 28.4% |
| Return on assets (ROA), %* | 1.3% | 5.8% | 1.9% | 8.7% | 11.6% |
| | | | | | |
| Current ratio (times)* | 2.36 | 3.87 | 2.55 | 4.70 | 2.92 |
| Quick ratio (times)* | 0.19 | 0.37 | 0.26 | 0.75 | 0.46 |
| Average number of employees | 27 | 24 | 16 | 9 | 6 |

* The formulas and input data used in the calculations are provided in the chapter: Alternative performance measures.

## Development portfolio and development activities in 2023

Liven had 10 development projects in different stages of development at 31 December 2023 (31 December 2022: 9). In addition, there was one unsold commercial space in the Väike-Tallinn project, completed in 2022, which was rented out for accommodation purposes during the year.

The development portfolio comprised properties located in and around Tallinn and in Berlin with a total sellable above-ground area of 115,433 m$^2$ at 31 December 2023 (31 December 2022: 128,358 m$^2$), which will allow creating 1,426 homes (31 December 2022: 1,557) and 9,769 m$^2$ of commercial space (31 December 2022: 8,984 m$^2$). Liven's business model focuses on the creation of homes and commercial premises that support the living environment, which is why the share of commercial premises is low: 8.5% at 31 December 2023 (31 December 2022: 7.0%).




The amortised cost of the properties in the development portfolio is 29.0 million euros (31 December 2022: 27.2 million euros) and the group has not subsequently measured them at market value. Development and construction costs are also capitalised and recognised in inventories. Consolidated assets at 31 December 2023 were 68.6 million euros (31 December 2022: 60.3 million euros), of which inventories accounted for 62.1 million euros, i.e. 90.6% (2022: 54.1 million euros, i.e. 89.8%).

The values of properties under development in 2023 and early 2024 determined on the basis of experts' opinions and preliminary valuations exceeded their consolidated carrying amount by 17.8 million euros, i.e. by over 70%. According to management's estimates, the preliminary valuations, which were based on a small sample of comparable transactions and used the comparison approach, underestimated the value of a project in the late preparatory phase by at least 5 million euros.

Taking into account completed apartments, valuations and calculations by experts and management's estimates, the estimated market value of the group's consolidated assets is at least 93–97 million euros. An additional property was added to the portfolio after the reporting date with a cost of 0.4 million euros and a market value of 3.3 million euros, according to an expert's opinion.

| Project | Project stage | Year of acquisition | Total sellable area (m$^2$) | Breakdown of sellable units | | Start of construction (quarter) | End of construction (quarter) | Revenue (€m) |
|---|---|---|---|---|---|---|---|---|
| | | | | Homes (number) | Commercial spaces (m$^2$) | | | |
| **Väike-Tallinn** | Completed | 2019 | 493 | 0 | 493 | 2020.4 | 2022.1 | 1.3 |
| **Uus-Meremaa** | Completed, under construction (UC) | 2017 | 2,957 | 28 | 253 | 2021.1 | 2023.4 | 11.4 |
| **Magdaleena** | Completed, UC | 2018 | 549 | 7 | 0 | 2021.4 | 2024.1 | 2.2 |
| **Iseära** | Completed, UC | 2019 | 32,901 | 336 | 675 | 2022.1 | 2027.3 | 86.7 |
| **Luuslangi** | Completed, UC | 2018 | 11,928 | 186 | 200 | 2022.3 | 2027.3 | 34.7 |
| **Regati** | Building design | 2021 | 20,691 | 220 | 1,670 | 2024.1 | 2026.2 | 90.0 |
| **Hüttenroder Weg** | Building design | 2023 | 1,110 | 25 | 0 | 2024.4 | 2026.1 | 10.0 |
| **Virmalise 3** | Design specifications | 2022 | 2,043 | 28 | 0 | 2025.1 | 2026.1 | 9.2 |
| **Juhkentali 48** | Detailed spatial plan | 2020 | 7,986 | 63 | 4,033 | 2025.2 | 2026.2 | 24.2 |
| **Kadaka tee 88** | Detailed spatial plan | 2017 | 25,903 | 396 | 2,000 | 2025.3 | 2029.2 | 73.1 |
| **Erika 12** | Detailed spatial plan | 2020 | 8,872 | 137 | 444 | 2026.1 | 2027.3 | 32.8 |
| **Total** | | | **115,433** | **1,426** | **9,769** | | | **375.5** |

*The table includes data on units not yet sold under real right contracts as at 31 December 2023.*

### Projects completed in the reporting period

During 2023, construction was completed in four development projects: Iseära phase I, Magdaleena phases I and II, Luuslangi phase I and Uus-Meremaa phase II.

With the completion of phase II of the Uus-Meremaa project, the construction of the whole project was completed. At 31 December 2023, there were still 24 homes and one commercial space for sale in the project. In phase II of the Magdaleena project, a limestone building will be completed in the second quarter of 2024 and there are still six homes for sale in the project.

The next phases of the Iseära and Luuslangi projects will be on sale and in construction in the coming years. In the Iseära project, only the homes in the terraced houses and apartment buildings that will be constructed and planned in phase II are for sale and presale. At the end of 2023, there were still 35 homes for sale in the Luuslangi houses that were completed in phase I.

### Purchase of new properties

In July 2023, we signed our first purchase and sale contract for a property in Berlin, Germany. This is Liven's first investment abroad and the objective of the development project is to test Liven's value proposition in the Berlin market on a smaller scale and with limited risks and to develop the required internal processes and systems.

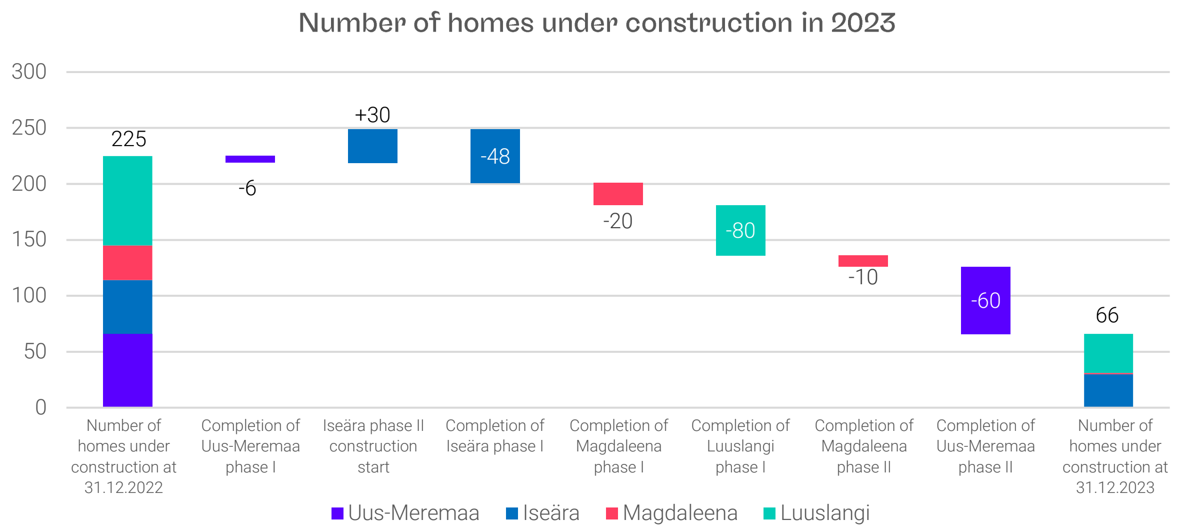
The plot which includes a residential building is located at Hüttenroder Weg 11, on the border of the districts of Neukölln and Kreuzberg. By the end of the year, proceedings for obtaining a building permit had been initiated. We are planning to demolish the existing building and replace it with a six-storey residential building with approximately 25 homes.

No new properties were acquired in Estonia in 2023. Buying new properties in and around Tallinn remained difficult in 2023 due to limited supply and landowners' high price expectations.

### Projects for sale and under construction

In 2023, we started the construction of 30 homes in five terraced houses in phase II of the Iseära project. In other projects, construction activities did not start in 2023. A total of 66 homes were under construction at the year-end, of which 35 homes in the Luuslangi project were completed at the beginning of 2024.

In 2024, Liven plans to start the construction of 112 homes and four commercial spaces in four buildings to be completed in phase I of the Regati project, three apartment buildings with 36 homes in phase II of the Iseära project, and 29 homes in the remaining five terraced houses in phase II of the Iseära project, once the internal presale requirements have been met.



## MAGDALEENA 4

| | |
|---|---|
| Project: | **Magdaleena** |
| | **Liven Kodu 6 OÜ** and **Liven Kodu 19 OÜ** |
| Location | Asula põik 4, Magdaleena 4, Tallinn |
| Stage: | Completed, under construction |
| Architect: | Eek & Mutso |
| Number of homes: | 31 apartments |
| Total sellable area (m²): | 2,396 |
| Energy efficiency class: | B |
| Website: | magdaleena.liven.ee |
| Start of construction: | Q4 2021 |
| Scheduled completion of construction: | Q2 2024 |

In summer 2023, two new apartment buildings with 20 homes at Asula põik 4 in the Kitseküla district in Tallinn were completed in phase I of the project. At the end of 2023, an apartment building with a reconstructed wooden façade and 10 homes was completed at Magdaleena 4.

A limestone building (1 home) is under construction at Magdaleena 4, scheduled for completion in the second quarter of 2024.

The last 6 homes in the Magdaleena project were for sale at the end of 2023.

## UUS-MEREMAA

| | |
|---|---|
| Project: | **Uus-Meremaa** |
| | **Liven Kodu 5 OÜ** |
| Location: | Lahepea 11, 13, 15, 17 & 19, Tallinn |
| Stage: | Under construction |
| Architect: | PIN Arhitektid |
| Number of homes: | 183 apartments |
| Total sellable area (m²): | 14,209 |
| Energy efficiency class: | A |
| Website: | uusmeremaa.liven.ee |
| Start of construction: | Q1 2021 |
| Scheduled completion of construction: | Q4 2023 |

Five apartment buildings with 183 homes and 8 commercial spaces were built in Lahepea street in the Uus-Meremaa project.

The construction of the first three apartment buildings with 125 homes and 6 commercial spaces was completed in 2022.

The construction of the last two apartment buildings of the project with a total of 58 homes and 2 commercial spaces was completed at the end of 2023.

At year-end, there were still 24 homes and 1 commercial space for sale.

## LUUSLANGI

| | |
|---|---|
| Project: | **Luuslangi** |
| | **Liven Kodu 12 OÜ** |
| Location: | Jalami street, Astangu, Tallinn |
| Stage: | Under construction |
| Architect: | Kadarik Tüür Arhitektid |
| Number of homes: | 224 apartments |
| Total sellable area (m²): | 14,163 |
| Energy efficiency class: | A |
| Website: | luuslangi.liven.ee |
| Start of construction: | Q3 2022 |
| Scheduled completion of construction: | Q1 2027 |

The Luuslangi project in Astangu will have 13 apartment buildings with 224 homes in total, built in three phases.

### End of phase I

At the end of 2023 and the beginning of 2024, five apartment buildings with a total of 80 homes were completed in phase I in the Jalami street development project.

At year-end, there were still 35 homes for sale in phase I.

### Next phases

Eight apartment buildings with a total of 144 homes will be built in phases II and III. The construction of phase II is scheduled for 2025 and 2026. Phase III is scheduled for completion at the beginning of 2027.

## ISEÄRA

| | |
|---|---|
| Project: | **Iseära** |
| | **Liven Kodu 16 OÜ** |
| Location: | Harkujärve village, Harku rural municipality |
| Stage: | Under construction |
| Architect: | ARS Projekt |
| Number of homes: | 233 terraced units, 150 apartments |
| Total sellable area (m²): | 38,836 |
| Energy efficiency class: | A |
| Website: | iseara.liven.ee |
| Start of construction: | Q1 2022 |
| Scheduled completion of construction: | Q4 2027 |

The Iseära project in Harkujärve village in Harku rural municipality will have 39 terraced houses and 13 apartment buildings with more than 380 homes in total, built in several phases.

### Construction of phase II

In 2024, the homes in the first five terraced houses will be completed in phase II of the Iseära project. The construction of the next terraced houses and the apartment buildings to be completed in 2025 will start in 2024.

### Launch of the construction of the next phases

The start of the presale and construction of phase III and subsequent phases depends on the progress of sales in the preceding phases. In the coming years, we will continue with the construction of the next phases, and we plan to start phase III in early 2025.

**REGATI**

| | |
|---|---|
| Project: | **Regati Liven Kodu 20 OÜ** |
| Location: | Regati pst 3 |
| Stage: | Building permit |
| Architect: | Salto Arhitektid |
| Number of homes: | 220 apartments |
| Total sellable area ($m^2$): | 20,669 |
| Energy efficiency class: | A; LEED Platinum |
| Website: | regati.liven.ee |
| Start of construction: | Q1 2024 |
| Scheduled completion of construction: | Q2 2026 |

The Regati project in Pirita will have seven apartment buildings with 220 homes and 5 commercial spaces built in two phases.

At the end of 2023, we received a building permit for four buildings in phase I. We are planning to start the construction of 112 homes and 4 commercial spaces in the four houses of phase I in the first quarter of 2024.

### Projects in the stage of detailed spatial planning or building design specification

Detailed spatial planning or building design specification proceedings continued for several projects awaiting the building permit. Progress was made on all projects, but spatial planning proceedings remain very slow. As a result, the schedules for several projects have been extended. We expect the first homes to be completed in the Juhkentali 48, Kadaka tee 88 and Virmalise 3 projects in the second half of 2026, and in the Erika 12 project in 2027. The spatial plan for Juhkentali 48 was approved by the Tallinn City Council after the reporting date.

At the end of 2023, we started the proceedings for obtaining a building permit for the Hüttenroder Weg 11 project in Berlin. We are planning to start the sale of the six-storey building with 25 homes in 2024 and expect the construction work to be completed in 2026.

**Regati** development, 3D illustration

## Liven's environmental objectives

As global environmental concerns increase, so does the importance of the construction sector in improving environmental sustainability. At Liven, we are committed to shaping a sustainable future and contributing to the EU's ambitious 2050 targets for carbon neutrality and environmental protection. Our sustainability action plan is not just a strategy, but it is a true commitment to environmental protection and responsible resource management. Through our activities, we strive to make a positive contribution to global sustainability efforts while ensuring the long-term success of our business.

In the field of construction and real estate development, the most common international green labels are LEED (Leadership in Energy and Environmental Design) and BREEAM (Building Research Establishment Environmental Assessment Method), which include a set of specific requirements and guidelines. The certificates are awarded to buildings that are designed, constructed and operated in compliance with the principles of environmental protection and sustainability. Hence, LEED- and BREEAM-certified buildings contribute to reducing carbon dioxide emissions and enhancing cost savings. These programmes also have a very significant overlap with the UN Sustainable Development Goals.

In Estonia, LEED certification has been awarded to many new office buildings, but only a few apartment buildings which are still under construction. One of Liven's project managers has been awarded the LEED Green Associate credentials, and compliance with LEED requirements allows us to use best practices in designing environmentally sustainable buildings. The start of the design of the Juhkentali project, previously selected as a LEED pilot project, has been significantly delayed due to the protracted detailed spatial planning proceedings. Therefore, we will use the Regati development as our LEED pilot project. In addition to energy efficiency class A buildings with geothermal heating and solar panels, the Regati project contributes to environmental protection and sustainability through the choice of building materials and a sustainably designed rainwater management system.

All other buildings that are currently being designed by Liven also meet class A energy efficiency requirements and most of them have been supplied with solar panels to achieve this energy class. Geothermal heating is used in the Iseära terraced houses project. There is also a growing market expectation for more efficient waste sorting solutions and charging facilities for electric cars and bicycles.

Liven's key environmental focus areas:

1. Green label projects

   We prefer projects with sustainability certifications, such as LEED or BREEAM, which increase transparency and accountability in our construction practices.

2. Energy efficiency

   We aim to design buildings that exceed national standards, to be in the top 10% of developers in our neighbourhoods in terms of energy efficiency, and to exceed the minimum energy efficiency requirements.

3. Integration of sustainable materials

   We are committed to tracking and replacing materials with high $CO_2$ emissions with sustainable alternatives, such as wood, thereby promoting a circular economy model and resource efficiency and reducing our environmental impact.

Liven remains firmly committed to sustainability and environmental protection. By integrating sustainability into our everyday activities and governance structures, we are not only building for today, but also shaping a better tomorrow for future generations.

## Group structure

At 31 December 2023, the group comprised 20 companies (31 December 2022: 20). The core business of all group companies is the development of building projects. Liven AS is the group's holding company, Liven Kodu OÜ holds completed projects, Liven Wohnungsbau GmbH is the holding company of the business in Germany and all other companies have been established for the development of specific housing projects. Liven AS has, directly or indirectly, sole control of all its subsidiaries.

Description of project stages:

**For new developments** Development activities have not yet commenced; a company has been established for carrying out a potential new development project and the acquisition of the associated plot of land.

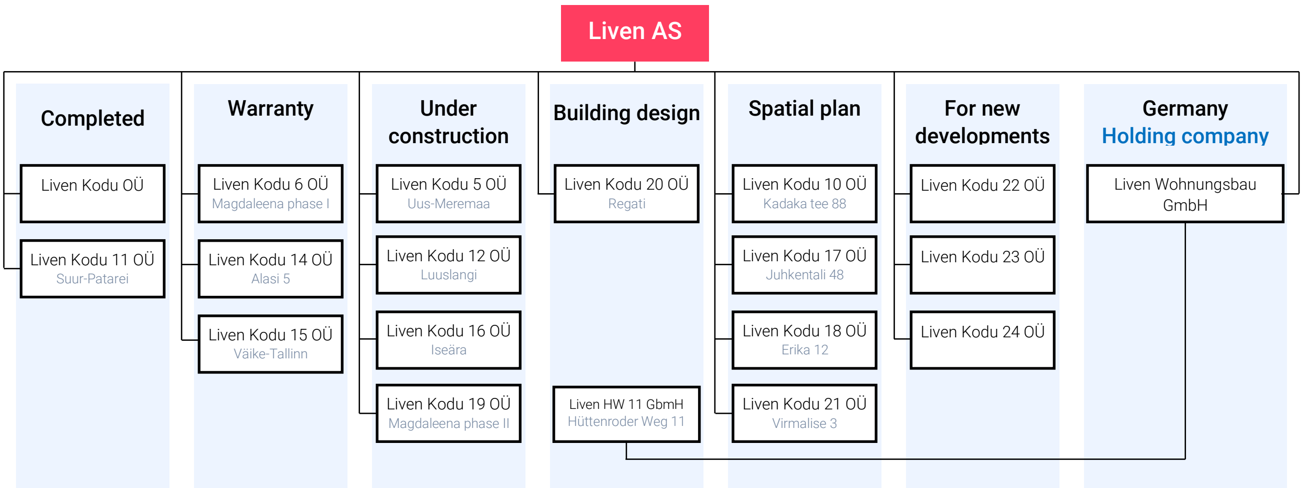
**Spatial plan** A detailed spatial plan or design specification is being prepared to obtain building rights.

**Building design** A preparatory stage before construction. This stage includes the preparation of the building design documentation, obtaining the necessary permits, and finding contractors. In some cases, design specification proceedings may also be necessary.

**Under construction** A building is being constructed. As a rule, by the start of construction works at least 50% of the building under construction has been sold under contracts under the law of obligations.

**Warranty** The warranty period lasts for 2 years.

**Completed** After the warranty period has ended and all apartments have been sold, the companies established for the projects are merged with Liven Kodu OÜ in order to streamline the group's structure.




At 31 December 2023, the shares in Liven Kodu 5 OÜ and Liven Kodu 10 OÜ were pledged to creditors as security.

There were no changes in the group structure during the reporting period.

At the end of 2023, we started the process of merging Liven Kodu 11 OÜ with Liven Kodu OÜ.

Show home in the **Luuslangi** development, interior architect: Anita Karma, photo: Karl Kasepõld

## General meeting

The annual general meeting of Liven AS held on 12 April 2023 approved the group's annual report for 2022 and adopted the group's dividend policy. The shareholders also gave a mandate to the management board to proceed with the preparations for carrying out an initial public offering and having all the shares listed in the Main List of the Nasdaq Tallinn Stock Exchange. For the same purpose, the shareholders decided to waive the shareholders' pre-emptive right to subscribe for new shares during the initial public offering, implement the Corporate Governance Recommendations of the Tallinn Stock Exchange as of the date of listing and make a number of substantive and technical amendments to the articles of association that are required for listing. The most significant of these amendments was providing the supervisory board with the right to increase share capital.

In accordance with a decision on the allocation of profit approved at the meeting, 13,376 euros was transferred to the statutory capital reserve, 2,894,835 euros was transferred to prior period retained earnings and 12.5% of the company's profit before tax for 2022, i.e. 415,888 euros, was distributed as dividends (no dividend was distributed in 2022).

## Dividend policy

To distribute 25% of the prior year's profit before tax as dividends on an annual basis. The distribution and the timing of the dividend will depend on the availability of sufficient monetary resources and will be subject to the assumption that the dividend distribution does not jeopardise the group's ability to continue as a going concern and to make the planned investments.

## Staff

In 2023, the group's average number of employees was 27 (2022: 24), and annual staff costs amounted to 2.1 million euros (2022: 1.8 million euros). The remuneration of the members of the management board amounted to 206 thousand euros (2022: 221 thousand euros). The members of the supervisory board were not remunerated in 2023 and 2022. A member of the management board who is removed from office is entitled to severance pay equal to his or her six months' remuneration (a contingent liability). The maximum possible severance pay liability at 31 December 2023 was 111 thousand euros (31 December 2022: 111 thousand euros).

The increase in remuneration compared to the year before was mainly attributable to an increase in the average number of staff. At the beginning of 2023, the number of staff and positions were reduced, which resulted in one-off expenses. At year-end 2023, the number of employees was 12.9% lower than at the end of 2022. The average number of staff increased in 2023 because the number of employees grew rapidly in the second half of 2022.

### Option programmes

Liven has had an option programme (Liven Employee Ownership Program, LEOP) for its employees and key partners since 2019. The purpose of LEOP is to provide Liven's employees and key partners with an opportunity to contribute to Liven's share capital and thereby benefit from the company's success. The three-year acquisition period of the shares ended at the end of 2022. The share options can be exercised in the period 2023–2025.

At 31 December 2023, Liven had issued up to 122,796 options under LEOP which are effective and exercisable at the strike price of 0.1 euros per share. The weighted average remaining life of the options at 31 December 2023 was 0.8 years (31 December 2022: 1.2 years).

In 2021, the general meeting approved an option programme with a term until the end of 2024. Under this programme, the person who has been granted the options has personal targets, and the programme also differs from the LEOP share options programme in terms of other conditions.

At 31 December 2023, up to 221,850 outstanding options with different exercise prices had been granted under this option programme. The term of the options is four years after signing the contract and their vesting term is a minimum of three years.

Further details of the option programmes are provided in note 15 to the financial statements.

## Shares and shareholders

Liven AS's shares (ISIN: EE3100003112) are registered with Nasdaq CSD Estonia. As at 31 December 2023, Liven AS had issued a total of 11,831,295 shares (31 December 2022: 11,515,116 shares).

In accordance with the group's articles of association, the share capital of Liven AS consists of ordinary shares with a par value of 0.1 euros each. All shares are of the same type and each share carries one vote at the shareholders' general meeting. No preference shares or shares with special rights have been issued. According to the articles of association, shares can be freely transferred, but in line with the shareholder agreement the existing shareholders are entitled to pre-emptive and tag-along rights.

In 2023, Liven AS carried out a direct placement of shares in which 243,777 new shares were issued at a price of 4.292 euros per share, raising a total of 1.0 million euros of new capital. The pre-emptive right to subscribe for shares agreed between the shareholders was exercised by 15 current shareholders and 26 new shareholders were attracted in the issue.

In 2019, 200,001 shares were repurchased to implement the LEOP share and option programme. In subsequent years, 191,527 shares have been transferred to persons participating in LEOP. In 2023, 3,000 shares with a nominal value of 0.10 euros each were sold under LEOP to enable the exercise of the options that had been granted earlier (2022: 42,364 shares were sold for participation in the programme, the average price was 4.55 euros per share).

Due to restrictions arising from the shareholder agreement, Liven's shares have not been actively traded. Based on the share issue in 2023, the company's market capitalisation (market value of the share capital) was 49.4 million euros and the consequent price-to-earnings ratio (market price of the share / earnings per share) for 2023 was 63.8 (2022: 14.9, 2021: 75.6) and the dividend yield was 0.8% (no dividend was paid earlier).

At 31 December 2023, Liven AS had 78 shareholders:

| Shareholder | Number of shareholders | Private individual | Company | Number of shares | % of share capital |
|---|---|---|---|---|---|
| Verdale OÜ | 1 | 0 | 1 | 2,820,000 | 23.8% |
| BKK Holding OÜ | 1 | 0 | 1 | 2,600,000 | 22.0% |
| OÜ LAUR & PARTNERS | 1 | 0 | 1 | 2,600,000 | 22.0% |
| Probus OÜ | 1 | 0 | 1 | 1,392,751 | 11.8% |
| Ivard OÜ | 1 | 0 | 1 | 1,174,813 | 9.9% |
| Shareholders participating in LEOP | 25 | 17 | 8 | 263,930 | 2.2% |
| Liven AS's own (treasury) shares | 0 | 0 | 0 | 8,474 | 0.1% |
| Other shareholders | 48 | 10 | 38 | 971,327 | 8.2% |
| **Total** | **78** | **27** | **51** | **11,831,295** | **100%** |

At 31 December 2023, Liven AS held 8,474 own shares (31 December 2022: 11,474).

### Shareholder agreement

After the share issue in 2019, an agreement was signed between the shareholders regarding the group's overall strategy, governance principles, financing and relations between shareholders. Among other things, the agreement describes the terms and restrictions that apply to the sale of shares, including pre-emptive and tag-along rights. The agreement will automatically expire when the shares of Liven AS have been listed on the stock exchange, which is one of the targets set out in the agreement.

## Governance

### Supervisory board of Liven AS

The supervisory board has three members:


### Andres Aavik *(Chairman of the Supervisory Board)*

Andres Aavik is one of the founders of Liven. He has been involved in real estate development since 1997. Over the years, he has developed nearly 2,000 apartments and been in charge of the adoption of more than ten detailed spatial plans. In 2001–2013, he held various positions at Skanska AS, from project manager to chairman of the management board in the final two years.

Andres is the chairman of the Association of Estonian Real Estate Firms.

### Peeter Mänd

The entrepreneurial experience of Peeter Mänd began in 1990 when he became one of the founders and the forestry director of the forestry group AS Sylvester. As a member of the management board of OÜ Ivard, Peeter has been active in various sectors, including real estate, since 2002. His currently best-known undertaking in the real estate field is Eften Capital AS, where Peeter was a co-founder and has been a member of the supervisory board since 2008.

### Krista Tamme

For the last 20 years, Krista Tamme has held financial and governance positions in companies operating in the ICT sector, including as a member of the management board and supervisory board. Krista Tamme has been a member of the management board of Liven's shareholder Probus OÜ since 2022 and a member of Liven's supervisory board since April 2023.

### Management board of Liven AS

The management board has three members:

**Andero Laur** *(Chairman of the Management Board*)

Andero is one of the founders of Liven. He has been involved in the construction and real estate business since 2007. Over the years, he has designed over 1,000 apartments and more than 100,000 m² of buildings have been completed with his participation. Andero holds a master's degree in construction management and has completed the Advanced Management Development Program in Real Estate at Harvard University. Before founding Liven, Andero worked for Skanska AS for 7 years, holding various positions. At Liven, Andero is responsible for overall management and the group's entry into the German market.

## Mihkel Simson

Mihkel is one of the founders of Liven. He has been involved in construction management since 2006. He has developed over 15 apartment buildings. Since 2016, Mihkel has been in charge of construction contracts, customer support and warranties. He leads four project teams.

## Alina Kester

Alina joined the management board of Liven AS in 2018. She has worked in marketing for over ten years, since 2013. In addition to extensive experience in real estate marketing, she has two master's degrees in marketing. At Liven, she is responsible for marketing, sales, interior architecture and design.

## Overview of business risks

Risk management, a central part of the group's strategic management, is aimed at identifying and minimising economic risks in order to achieve the group's strategic and financial objectives. The main risks include market, operational and financial risks, including those related to capitalisation and financing. A more detailed description of financial risks is provided in note 7 to the consolidated financial statements.

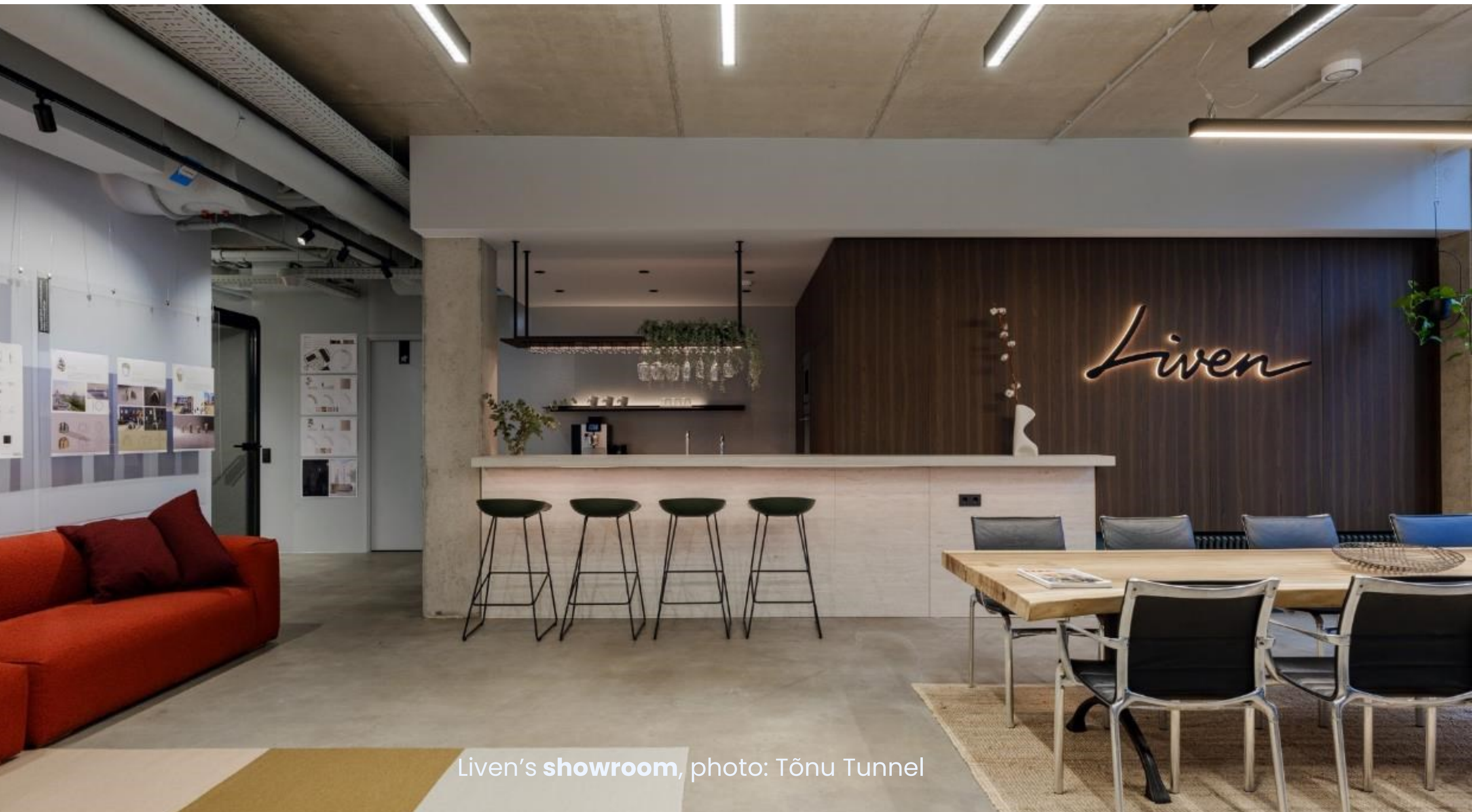
The group's financial performance depends on partners' ability to meet the agreed terms and conditions. The group is exposed to market concentration risk as it develops only residential real estate. The group has currently a strong development portfolio and makes continuous efforts to find new potential projects, but there is no certainty about finding suitable and sufficiently profitable projects in the future. As development activities are capital-intensive, the group's operations and financial performance are dependent on its ability to raise capital on appropriate terms and in appropriate amounts. The group's financial performance is also affected by the general economic and geopolitical environment and the cyclical nature of the real estate market. Additional risks are posed by high levels of competition and changes in regulations.

## Future outlook

2024 will be Liven's tenth year of creating homes with passion. While we expect the environment and external factors affecting the real estate sector to improve, the year ahead, especially its first half, will remain challenging and risky.

Although we have already observed the first signs of recovery in interest and demand in early 2024, uncertainty is fuelled by ongoing and potential new global military conflicts and geopolitical tensions, which threaten to disrupt supply chains and drive up energy prices. The latter have a potential impact on inflation and, as a result, persistently high interest rates. In addition, the expected interest rate cut scenario is unlikely to lead to a surge in demand, as the economic environment in Europe is cooling, which in turn has a dampening effect on consumer confidence.

As has been the case for several years, spatial planning proceedings in Tallinn continue to progress very slowly and remain a clear external risk factor. However, as with the economic environment in general, we hope to see an improvement in this regard and the conclusion of a number of protracted proceedings in 2024. Demand and sales will remain a challenge in 2024. As the environment improves, we expect demand to pick up, especially in the second half of the year, and we will be ready to quickly bring new offering to the market.




Liven's **showroom**, photo: Tõnu Tunnel

Competition continues to be intense in the market for new developments, complemented by a large supply of completed apartments in the first half of the year. The classic textbook principle – the advantage lies with price leaders and with clearly differentiated products – still holds true. Among the projects that Liven has developed, Regati, Uus-Meremaa and Iseära stand out the most in the market. In 2024, Liven's offering will also be distinguished from that of its competitors by the newly opened showroom in the Telliskivi quarter in Tallinn.

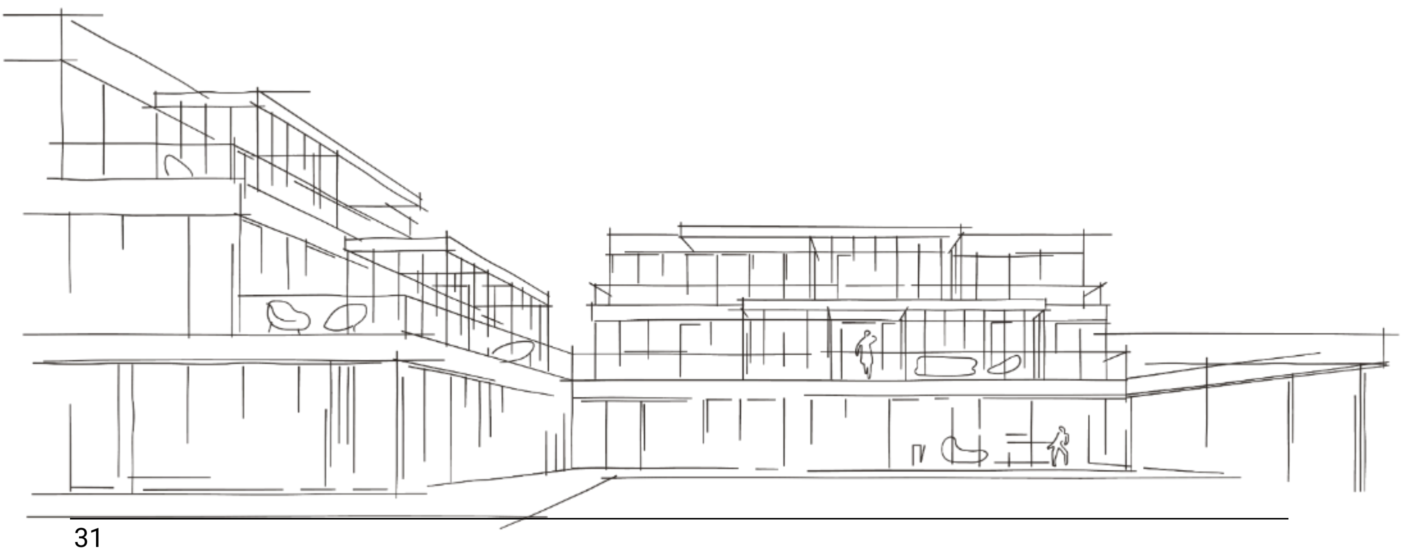
In real estate development, results are achieved with a long time lag. The results for 2024 will reflect the years 2022 and 2023, when construction work started on only a few projects and the cost base was seriously affected by high inflation. Based on the portfolio of developments completed and under construction, we will be able to deliver up to 110 residential and commercial spaces in the coming year. Consequently, our potential revenue in 2024 will be approximately 30 million euros and potential profit will remain between the results for 2022 and 2023. This means that our portfolio is still too small to reach our 20% return on equity target in 2024.

Our activities in 2024 will generate financial results for the years 2025 and 2026. We expect a significant improvement in financial performance in these years, largely as a result of developments in the Regati and Iseära projects. To achieve strong results, we need to avoid unprofitable projects. Other contributing factors would be improvements in the market situation, obtaining pending permits and approvals and internal work on the reduction of construction costs.

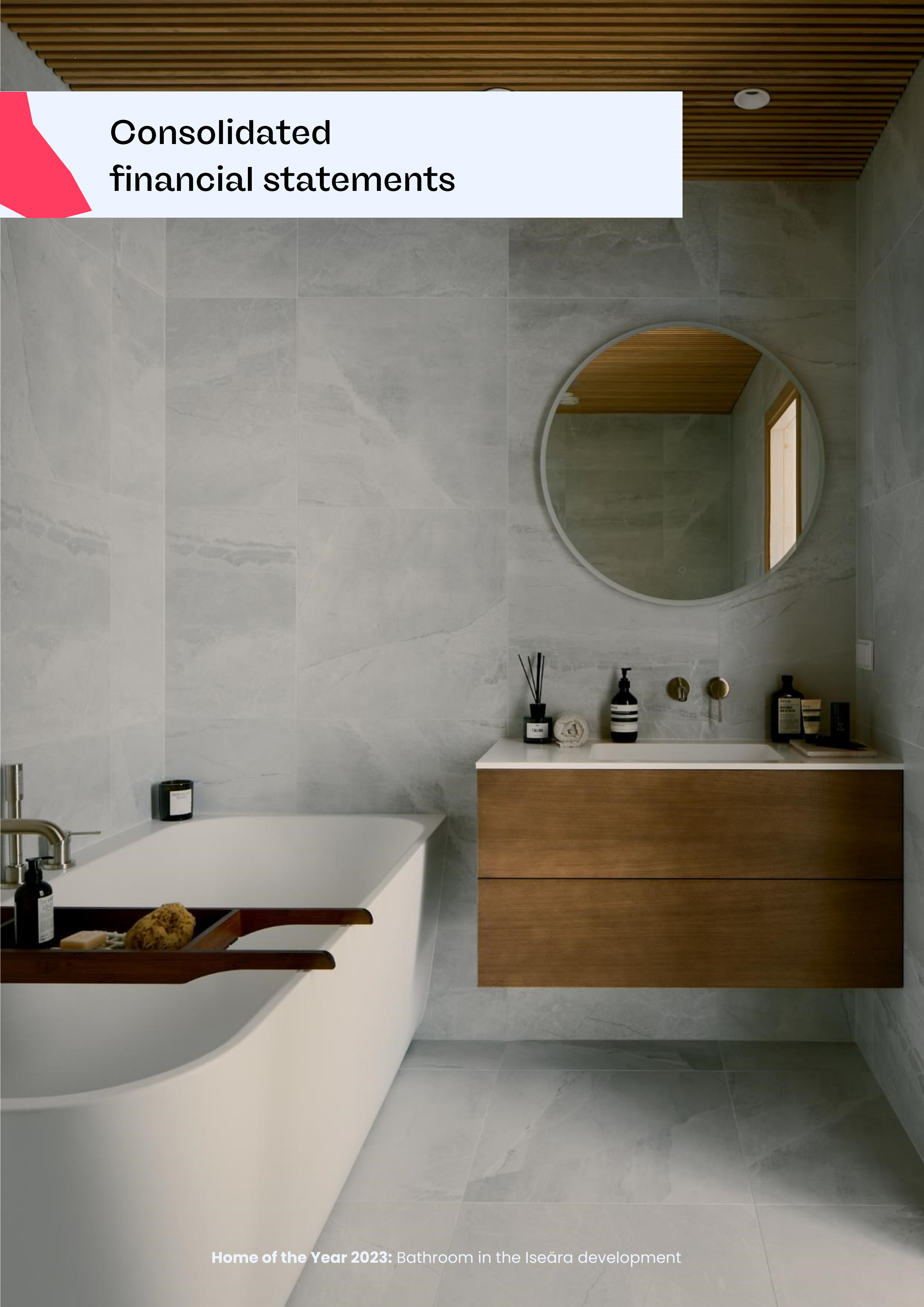
There have not been many good opportunities on the market for the acquisition of new properties in recent years. Although the revenue potential of our portfolio over the next few years is approximately 375 million euros, it has declined in recent years. We also estimate that the portfolio's profitability will be slightly lower than in the past, with a net margin of around 12% (2022: 14%). At the end of 2023, there were some signs of new opportunities emerging in 2024. Although the current environment is not conducive to equity offerings, we are preparing a public bond issue as a preparatory step and to take advantage of opportunities for growing the portfolio.

In 2024, we will generally focus on activities that will help us improve our value proposition and differentiation, increase customer satisfaction, streamline operations and improve profitability. We will continue to develop our home and interior design software and open a new showroom for our customers. In order to improve results in both the short and long term, it will be necessary to restore the sales volume to the pre-2023 level. We will need to sell both completed and planned homes, start presales in the Berlin development project and begin construction of the next terraced houses and the first apartment buildings in the Iseära project. It will also be necessary to add new high-quality properties to the portfolio, financed by capital raised from the public bond market.

While much depends on developments in the external environment, we are optimistic and believe that we will be able to exceed the 2023 results in many respects in 2024.



# Consolidated financial statements



**Home of the Year 2023:** Bathroom in the Iseära development

# Consolidated statement of financial position

| (in euros) | Note | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 7 | 3,720,839 | 3,660,282 |
| Trade and other receivables | 8 | 1,325,917 | 438,976 |
| Prepayments | 9 | 320,910 | 1,554,714 |
| Inventories | 10 | 62,112,333 | 54,139,790 |
| **Total current assets** | | **67,479,999** | **59,793,762** |
| **Non-current assets** | | | |
| Property, plant and equipment | | 388,034 | 266,240 |
| Intangible assets | | 296,160 | 218,777 |
| Right-of-use assets | | 395,214 | 0 |
| **Total non-current assets** | | **1,079,408** | **485,017** |
| **TOTAL ASSETS** | | **68,559,407** | **60,278,779** |
| **Current liabilities** | | | |
| Borrowings | 11 | 17,106,068 | 5,889,919 |
| Trade and other payables | 12 | 9,121,430 | 9,541,018 |
| Provisions | 4, 11 | 2,383,845 | 29,492 |
| **Total current liabilities** | | **28,611,343** | **15,460,429** |
| **Non-current liabilities** | | | |
| Borrowings | 11 | 21,327,686 | 27,676,930 |
| Trade and other payables | 12 | 469,383 | 605,749 |
| Provisions | | 29,280 | 10,000 |
| **Total non-current liabilities** | | **21,826,349** | **28,292,679** |
| **Total liabilities** | | **50,437,692** | **43,753,108** |
| | | | |
| **Equity** | | | |
| Share capital | 14 | 1,183,130 | 1,151,512 |
| Share premium | 14 | 9,339,322 | 8,228,237 |
| Share option reserve | 14, 15 | 362,752 | 273,748 |
| Own (treasury) shares | 14 | -847 | -1,147 |
| Statutory capital reserve | | 115,151 | 101,775 |
| Retained earnings (prior periods) | | 6,347,086 | 3,447,447 |
| Profit for the year | | 775,121 | 3,324,099 |
| **Total equity attributable to owners of the parent** | | **18,121,715** | **16,525,671** |
| **Total equity** | **14** | **18,121,715** | **16,525,671** |
| **TOTAL LIABILITIES AND EQUITY** | | **68,559,407** | **60,278,779** |

The notes on pages 37-66 are an integral part of these consolidated financial statements.

# Consolidated statement of comprehensive income

| (in euros) | Note | 2023 | 2022 |
|---|---|---|---|
| Revenue | 16 | 35,764,896 | 32,617,554 |
| Cost of sales | 17 | -32,681,380 | -27,211,649 |
| **Gross profit** | | **3,083,516** | **5,405,905** |
| Distribution costs | 18 | -1,021,535 | -868,971 |
| Administrative expenses | 19 | -1,199,781 | -1,198,965 |
| Other operating income | | 13,656 | 10,750 |
| Other operating expenses | | -8,428 | -24,279 |
| **Operating profit** | | **867,428** | **3,324,440** |
| Finance income | | 17,226 | 5,378 |
| Finance costs | | -5,562 | -2,715 |
| **Total finance income and finance costs** | | **11,664** | **2,663** |
| **Profit before tax** | | **879,092** | **3,327,103** |
| Income tax expense | | -103,971 | -3,004 |
| **Net profit for the year** | | **775,121** | **3,324,099** |
| Attributable to owners of the parent | | 775,121 | 3,324,099 |
| **Comprehensive income for the year** | | **775,121** | **3,324,099** |
| Attributable to owners of the parent | | 775,121 | 3,324,099 |
| Basic earnings per share | 24 | 0.066 | 0.289 |
| Diluted earnings per share | 24 | 0.064 | 0.280 |

The notes on pages 37-66 are an integral part of these consolidated financial statements.

# Consolidated statement of cash flows

| (in euros) | Note | 2023 | 2022 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Operating profit** | | **867,428** | **3,324,440** |
| Adjustments for: | | | |
| *Depreciation, amortisation and impairment losses* | | *148,132* | *73,560* |
| *Share-based payments expense* | *15* | *89,003* | *168,811* |
| *Other adjustments* | *25* | *3,244,174* | *1,494,841* |
| **Total adjustments** | | **3,481,309** | **1,737,212** |
| Change in receivables and prepayments | 8, 9 | 343,253 | 2,531,464 |
| Change in inventories | 10 | -7,692,483 | -8,719,719 |
| Change in payables and deferred income | 12 | 1,885,795 | 196,918 |
| **NET CASH USED IN OPERATING ACTIVITIES** | | **-1,114,698** | **-929,685** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Paid on acquisition of property, plant and equipment and intangible assets | | -420,940 | -355,023 |
| Proceeds from sale of property, plant and equipment and intangible assets | | 3,557 | 0 |
| Repayments of loans provided | | 5,800 | 0 |
| Interest received | | 15,039 | 958 |
| **NET CASH USED IN INVESTING ACTIVITIES** | | **-396,544** | **-354,065** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from loans received | 11 | 30,147,276 | 20,878,594 |
| Repayments of loans received | 11 | -26,286,297 | -15,417,255 |
| Lease payments made | | -50,813 | -25,019 |
| Interest paid | 11 | -2,772,341 | -4,219,923 |
| Proceeds from issue of shares | 14 | 1,053,527 | 0 |
| Proceeds from sale of own (treasury) shares | 15 | 300 | 170,094 |
| Dividends paid | 14 | -415,882 | -18,449 |
| Corporate income tax paid | | -103,971 | -3,004 |
| **NET CASH FROM FINANCING ACTIVITIES** | | **1,571,799** | **1,365,038** |
| **NET CASH FLOW** | | **60,557** | **81,288** |
| **Cash and cash equivalents at beginning of period** | | **3,660,282** | **3,578,996** |
| Increase in cash and cash equivalents | | 60,557 | 81,288 |
| **Cash and cash equivalents at end of period** | **7** | **3,720,839** | **3,660,282** |

The notes on pages 37-66 are an integral part of these consolidated financial statements.

# Consolidated statement of changes in equity

| (in euros) | Equity attributable to owners of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Share option reserve | Own (treasury) shares | Statutory capital reserve | Retained earnings | Total | Non-controlling interests | Total equity |
| **As at 31 December 2021** | **1,151,512** | **8,061,879** | **104,939** | **-4,884** | **101,775** | **3,392,120** | **12,807,341** | **73,778** | **12,881,119** |
| Profit for the year | 0 | 0 | 0 | 0 | 0 | 3,324,099 | 3,324,099 | 0 | 3,324,099 |
| Share options | 0 | 0 | 168,809 | 0 | 0 | 0 | 168,809 | 0 | 168,809 |
| Sale of own shares | 0 | 166,358 | 0 | 0 | 0 | 0 | 166,358 | 0 | 166,358 |
| Other changes in equity | 0 | 0 | 0 | 3,737 | 0 | 55,327 | 59,064 | -73,778 | -14,714 |
| **As at 31 December 2022** | **1,151,512** | **8,228,237** | **273,748** | **-1,147** | **101,775** | **6,771,546** | **16,525,671** | **0** | **16,525,671** |
| Profit for the year | 0 | 0 | 0 | 0 | 0 | 775,121 | 775,121 | 0 | 775,121 |
| Issue of share capital | 31,618 | 1,021,909 | 0 | 0 | 0 | 0 | 1,053,527 | 0 | 1,053,527 |
| Share options | 0 | 89,176 | 93,804 | 0 | 0 | 0 | 182,980 | 0 | 182,980 |
| Transfer to capital reserve | 0 | 0 | 0 | 0 | 13,376 | -13,376 | 0 | 0 | 0 |
| Sale of own shares | 0 | 0 | 0 | 300 | 0 | 0 | 300 | 0 | 300 |
| Dividends paid | 0 | 0 | 0 | 0 | 0 | -415,884 | -415,884 | 0 | -415,884 |
| Other changes in equity | 0 | 0 | -4,800 | 0 | 0 | 4,800 | 0 | 0 | 0 |
| **As at 31 December 2023** | **1,183,130** | **9,339,322** | **362,752** | **-847** | **115,151** | **7,122,207** | **18,121,715** | **0** | **18,121,715** |

Further information about the components of the group’s equity is provided in note 14.

The notes on pages 37-68 are an integral part of these consolidated financial statements.

# Notes to the consolidated financial statements

## Note 1. General information

Liven AS (the parent, the company) is a company incorporated in Estonia in 2014. The parent's registered address is Telliskivi 60/5, Tallinn, 10111, Estonia. The consolidated financial statements of Liven AS for the year ended 31 December 2023 comprise the financial information of the parent and its subsidiaries (the group). The group's core business is development of building projects.

## Note 2. Basis of preparation

The group's consolidated financial statements for the year ended 31 December 2023 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The accounting and reporting policies described below have been consistently applied to all periods presented in the consolidated financial statements. The subsidiaries prepare their financial statements in accordance with the local financial reporting standard and where the standard differs from IFRS, the necessary adjustments have been made in preparing these consolidated financial statements to present the information in accordance with IFRS.

In 2023, the group adopted the format of the statement of comprehensive income where expenses are classified by function in order to make its financial statements easier to understand and to present its financial results more faithfully. Where appropriate, the proportions of costs by function have been determined using management's estimates. Comparative information for 2022 has been presented in the same way. Due to a potential need to issue a public prospectus, where the group will be required to present comparative information for the past three years, the group has also presented the comparative figures for 2021 in note 17 Cost of sales, note 18 Distribution costs and note 19 Administrative expenses.

The group's management board authorised these consolidated financial statements for issue on 11 March 2024. In accordance with the provisions of the Estonian Commercial Code, the annual report must also be approved by the supervisory board and ultimately by the shareholders' general meeting.

## Note 3. Functional and presentation currency

The group's functional and presentation currency is the euro. These consolidated financial statements are presented in euros.

## Note 4. Significant accounting estimates

In preparing the consolidated financial statements, management uses estimates and judgements, which affect the application of the group's accounting policies and the amounts of reported assets, liabilities, income and expenses. Actual results may prove different from the estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes in estimates are recognised prospectively.

Significant estimates

- *Note 10 Inventories – estimates underlying the reported cost of inventories*
  Management has estimated that a proportionate share of the group's overheads is related to the subsidiaries' development activities and, therefore, relevant costs have been capitalised and added to the cost of inventories (e.g. the remuneration of project and construction managers, management fees, transport and office expenses associated with the above expenses, etc.). Management assesses the share of overheads to be capitalised on a monthly basis, based on the allocation of the working time of the staff involved in the activities that generate the overheads. The capitalised overheads are recognised as an expense within cost of sales as the project or project phase is completed, based on the ratio of the project volume covered with real right contracts to the total project volume.

- *Note 10 Inventories – assessment of the need for an inventory write-down.*
  Inventories are measured on an individual basis. A business plan is prepared for each inventory item (a property or a building) that considers its specific features (purpose of use, building rights status), and the costs related to the item are compared to its estimated revenue (net realisable value, NRV). If its costs exceed NRV, the item is written down by the corresponding amount. Due to volatility of the construction market and the low liquidity of the real estate market, NRV depends largely on management's estimates. In 2023, inventories were not written down and their NRVs were not analysed to determine the need for a write-down. Based on the estimated NRV of the Magdaleena 4 development project, the project's inventories were written down by 350,000 euros in 2022. The sensitivity testing of the NRVs of the inventories of other development projects indicted that if their NRVs were overstated by 10% (i.e. if actual NRVs proved 10% lower than management estimates), the projects would still be profitable and there would be no need for an additional write-down.
- *Note 10 Inventories – includes an estimated provision*
  In line with the investor loan agreement signed by Liven Kodu 5 OÜ, an estimated provision of 2,355,000 euros has been recognised to pay an additional fee linked to the success of the project. Estimation is required due to the uncertainty of the completion time and the sales prices on which the fee depends. For the same project, an additional fee of 730,324 euros has been paid in advance in earlier periods (recognised as a prepayment in 2022). See note 11 for further information.

### Fair value measurement

Several of the group's accounting policies and disclosure requirements assume fair value measurement. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The group must have access to the principal or most advantageous market at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interests. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs that are significant to the entire measurement:

- level 1 — quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 — valuation techniques whose lowest-level input that is significant to the entire measurement is observable, either directly or indirectly;
- level 3 — valuation techniques whose lowest-level input that is significant to the entire measurement is unobservable.

For further information about the assumptions, inputs and estimates used, see:

- Note 15 Share-based payments
- Note 7 Financial instruments

### Estimation uncertainty

Management makes estimates based on its experience and the facts known to it by the date the financial statements are completed. Accordingly, there exists the risk that the assets and liabilities as well as the associated income and expenses reported as at and for the period ended at the reporting date may need to be adjusted in the future.

## Note 5. New standards, amendments to standards and interpretations

The following new standards, interpretations and amendments were not yet effective for the reporting period ended 31 December 2023 and have, therefore, not been applied in preparing these consolidated financial statements. The group plans to adopt these pronouncements when they become effective.

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

The following new and amended standards are effective for reporting periods beginning after 1 January 2023 and early adoption is permitted. The group has not early adopted any of these new and amended standards and does not expect them to have a material impact on the group's consolidated financial statements when they become effective.

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Non-current Liabilities with Covenants (Amendments to IAS 1)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Lack of Exchangeability (Amendments to IAS 21).

## Note 6. Material accounting policies

A summary of material accounting policies applied in the preparation of these consolidated financial statements is set out below. The accounting policies described have been applied consistently unless otherwise stated in the following text.

### Preparation of consolidated financial statements

These consolidated financial statements comprise the financial information of Liven AS and its subsidiaries, consolidated on a line-by-line basis.

### Subsidiaries

Consolidation of a subsidiary begins from the date the group obtains control of the subsidiary and ceases when the group loses control of the subsidiary. All assets, liabilities, income and expenses of subsidiaries acquired or disposed of during the year are recognised in the consolidated financial statements from the date that control commences until the date that control ceases. The financial information of subsidiaries is adjusted, where necessary, to make them conform to the group's accounting policies.

### Transactions eliminated on consolidation

All intragroup assets and liabilities as well as items of equity, income, expenses and cash flows that result from intragroup transactions are fully eliminated on consolidation.

### Cash and cash equivalents

Cash and cash equivalents comprise overnight and demand deposits and other short-term, highly liquid investments with original maturities of three months or less which are subject to an insignificant risk of changes in value.

### Financial assets and liabilities

### Recognition and initial measurement

Trade receivables are recognised at the time they arise. All other financial assets and liabilities are recognised when the group becomes a party to the contractual provisions of the instrument. At initial recognition, the group measures a financial asset or a financial liability at its fair value plus or minus any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Trade receivables that do not contain a significant financing component are measured at initial recognition at the transaction price.

### Classification, subsequent measurement, and gains and losses

#### Financial assets

The group subsequently measures financial assets at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss.

Financial assets are not reclassified after initial recognition unless the group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The group classifies cash and cash equivalents, trade receivables, loans provided and other receivables as financial assets measured at amortised cost.

A financial asset is measured at fair value through other comprehensive income if it meets both of the following conditions and it has not been designated as measured at fair value through profit or loss:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets that are not classified as measured at amortised cost or at fair value through other comprehensive income, as described above, are measured at fair value through profit or loss.

Even if a financial asset meets the requirements to be measured at amortised cost or fair value through other comprehensive income, the group may designate, at initial recognition, the asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

At 1 January 2023 and 31 December 2023 as well as in 2023, all of the group’s financial assets were measured at amortised cost using the effective interest method. Measurement at amortised cost includes the deduction of impairment losses. Any interest income, foreign exchange gains and losses, and impairment losses on the assets are recognised in profit or loss. Gains and losses arising on derecognition are also recognised in profit or loss.

#### Financial liabilities

Financial liabilities are measured either at amortised cost or at fair value through profit or loss. A financial liability is classified as measured at fair value through profit or loss if it is held for trading, it is a derivative instrument or it is designated as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value, and net gains and losses on them, including any interest expense, are recognised in profit or loss.

Other financial liabilities are measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Gains and losses on derecognition are also recognised in profit or loss.

### Derecognition

#### Financial assets

The group derecognises a financial asset when, and only when, the contractual rights to the cash flows from the asset expire, or the group transfers the asset and the transfer qualifies for derecognition.

The group transfers the right to receive contractual cash flows in a transaction in which all risks and rewards of ownership of the financial asset are transferred or, if the group does not transfer the risks and rewards of ownership of the financial asset, the group does not retain control of the financial asset.

If the group transfers a financial asset recognised in its financial statements but retains all or substantially all risks and rewards of ownership of the asset, the group does not derecognise the financial asset.

### Financial liabilities

The group removes a financial liability from its statement of financial position when, and only when, its obligation is extinguished – i.e. when the obligation specified in the contract is discharged, cancelled or expires. The group derecognises a financial liability if the terms of the financial liability are modified so that the cash flows of the liability become substantially different from the original ones. In that case, a new financial liability with the modified terms is recognised at fair value.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### Offsetting

Financial assets and liabilities are offset and recognised in the net amount when, and only when, the group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### Impairment of financial assets

The group applies the expected credit loss model to financial assets measured at amortised cost.

The group measures a loss allowance for expected credit losses on a financial asset at an amount equal to lifetime expected credit losses, except for financial assets for which the loss allowance is measured at an amount equal to 12-month expected credit losses, such as:

- other receivables;
- cash and cash equivalents whose credit risk has not increased significantly since initial recognition.

For all trade receivables, the group applies the simplified approach permitted under IFRS 9 which allows an entity to measure a loss allowance at an amount equal to lifetime expected credit losses.

The group always recognises for trade receivables a loss allowance equal to their lifetime expected credit losses. Expected credit losses on these assets are estimated using a provision matrix, which is based on the group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and, if necessary, the time value of money. Expected credit losses are a probability-weighted estimate of credit losses. A credit loss is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive, discounted at the financial asset's effective interest rate.

At each reporting date, the group assesses whether a financial asset measured at amortised cost might be credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the debtor;
- a breach of contract (such as a default or past due event);
- restructuring of a loan or prepayment on terms that the group would not otherwise have considered;
- it becoming probable that the debtor will encounter financial difficulty.

The carrying amount of a financial asset measured at amortised cost is reduced by the amount of its loss allowance.

### Inventories

The group's inventories include land that has been acquired or is being developed for housing development purposes and other purchase and production costs incurred in connection with the group's development activities. Finished goods and work in progress are initially recognised at cost, which comprises all direct and indirect costs incurred in bringing the inventories to the state necessary for sale. Inventories also include development projects' capitalised borrowing costs.

Inventories comprise both the costs directly related to the products (e.g. development and construction costs) as well as a systematic allocation of staff costs and overheads, which are capitalised and added to the cost of the inventories in accordance with internally established function-based and hourly rates and the allocation of the working time of the staff involved in the activities that generate the costs.

The cost of inventories is assigned using the weighted average cost formula.

Inventories are measured at the lower of cost and net realisable value. Inventory write-downs to net realisable value are recognised as an expense (cost of sales) in the period in which the write-down is made. If the net realisable value of inventories written down in an earlier period subsequently increases, the write-down is reversed.

Revenue from completed developments is recognised when the transferor and the acquirer (the seller and the buyer) have signed a notarised real right contract for the transfer of immovable property ownership. Capitalised costs which are included in inventories are recognised in the statement of comprehensive income within cost of sales in the same period as revenue on a pro rata basis, based on the ratio of the project volume covered with real right contracts ($m^2$) to the total project volume or the budgeted volume of the project phase.

### Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised, i.e. recognised as part of the cost of that asset. Borrowing costs are those costs that would have been avoided if expenditure on the qualifying asset had not been made. If funds are borrowed specifically for the purpose of obtaining a qualifying asset, the group determines the amount of borrowing costs eligible for capitalisation as the actual borrowing costs incurred on the borrowed funds during the period less any investment income on the temporary investment of those funds. Other borrowing costs are recognised in profit or loss in the period in which they are incurred using the effective interest method.

### Impairment of financial assets

Impairment assessment for financial assets is described in the section 'Financial assets and liabilities' in these accounting policies.

### The group as a lessee

When entering into or modifying a contract that contains a lease component, the group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

The group recognises a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises the amount of the initial measurement of the lease liability. The amount of the initial measurement of the lease liability is adjusted for any advance lease payments made, any initial direct costs incurred and any restoration costs (the costs incurred in dismantling and removing the underlying asset and restoring the site on which it was located) to be incurred. Any lease incentives received are deducted from this amount.

Right-of-use assets are depreciated on a straight-line basis from the commencement date to the end of the lease term unless the ownership of the underlying asset will transfer to the group at the end of the lease term or the carrying amount of the right-of-use asset indicates that the group intends to exercise the purchase option.

In that case, the right-of-use asset is depreciated from the commencement date of the lease to the end of the useful life of the underlying asset, which is determined using the same approach that is applied to items of property, plant and equipment owned by the group.

In addition, right-of-use assets are adjusted for impairment losses, if any. Right-of-use assets are also adjusted for certain remeasurements of the lease liability.

At the commencement date, the lease liability is measured at the present value of the lease payments not paid at that date, using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The group generally applies the incremental borrowing rate as the discount rate.

The incremental borrowing rate is determined by reference to different sources of financing. The inputs obtained are adjusted to reflect the terms of the lease and the type of the underlying asset in order to find the incremental borrowing rate appropriate for the asset.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments);
- penalties for terminating the lease (if termination is reasonably certain);
- the exercise price of a purchase option (if the lessee is reasonably certain to exercise that option);
- amounts expected to be payable by the lessee under residual value guarantees;
- lease payments that depend on an index or a rate.

A lease liability is measured at amortised cost. It is remeasured if there is a change in future lease payments resulting from a change in an index or a rate used to determine the payments, if there is a change in the amounts expected to be payable under a residual value guarantee or if the group changes its assessment of whether it intends to exercise the option to purchase the underlying asset or the options to extend or terminate the lease. The lease liability is also remeasured to reflect changes in fixed payments (including in-substance fixed payments).

If the lease liability is remeasured for the above reasons, a corresponding adjustment is made to the carrying amount of the right-of-use asset. The effect of the change in the lease liability is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease of Telliskivi 60/5 and the right to use the leased premises were recognised as a right-of-use asset in 2023. The group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The group recognises lease payments associated with those leases as an expense on a straight-line basis over the lease term.

### The group as a lessor

The group recognises operating lease payments received as income in profit or loss on a straight-line basis over the lease term.

### Share-based payments

For equity-settled share-based payment transactions, the group measures the goods and services received and the corresponding increase in equity at the fair value of the goods or services received. For transactions with employees, the fair value of the equity instruments granted is measured at grant date. The grant of equity instruments may be conditional on satisfying specified vesting conditions such as the completion of a specific period of service or the achievement of specific performance conditions. Vesting conditions, other than market conditions, are taken into account when estimating the number of equity instruments expected to vest. The estimate may be subsequently revised if new information indicates that the number of equity instruments expected to vest differs from the previous estimate. On vesting date, the group revises the estimate to equal the number of equity instruments that ultimately vested.

### Provisions

A provision is recognised when the group has a present legal or constructive obligation as a result of a past event, an outflow of resources will be required to settle the obligation, and the amount of the obligation can be estimated reliably. A provision is measured at the present value of the expenditure expected to be required to settle the obligation by applying an interest rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision arising from the passage of time is recognised as a finance cost.

| | |
|---|---|
| **Warranties** | Group companies recognise provisions for construction-related warranties. The warranty period for construction work is two years from the date of delivery of the home. As a rule, the builder's warranty covers all deficiencies arising during the warranty period. |
| **Additional fee linked to the success of a project** | A provision is recognised for loan agreements linked to the outcome of a project if sales contracts have been signed and inventories have been recognised as an expense for the project after the completion of construction, some but outcome of the project is not known. |

Possible obligations that are not likely to result in an outflow of resources or cannot be measured with sufficient reliability but which may transform into liabilities in certain circumstances are disclosed in the notes to the consolidated financial statements as contingent liabilities.

### Income tax

Under the Estonian Income Tax Act, corporate profit for the year is not subject to tax. Companies pay tax on dividends, fringe benefits, gifts, donations, entertainment expenses, non-business expenses and transfer price adjustments. The standard tax rate for dividends distributed from retained earnings is 20% (the amount of tax payable is calculated as 20/80 of the net distribution). From 2019 until the end of 2024, regular dividend distributions can be taxed at a lower, 14% income tax rate (14/86 of the net distribution). An entity can apply the lower tax rate to the amount of the dividend distribution that does not exceed the average profit distributed by the entity in the past three years on which tax has been paid in Estonia. From 2025, dividend distributions will be taxed only at a 22% tax rate (22/78 of the net distribution).

### Revenue from contracts with customers

Revenue is measured based on the consideration set out in contracts with customers. The group recognises revenue when it transfers control of the goods or services to the customer. The table below provides information about the nature and timing of the satisfaction of performance obligations arising from contracts with customers and the related revenue accounting policies.

| Type of product or service | Nature and timing of the satisfaction of the performance obligation and significant payment terms | Revenue accounting policy |
|---|---|---|
| **Sale of real estate** | Revenue from real estate development and sale is recognised at a point in time as the customer obtains control of the asset and the group satisfies the performance obligation when ownership is transferred. Signing the real right contract is regarded by the group as the point in time when ownership is transferred.<br>Contracts with customers generally contain a significant financing component. If it is known at contract inception that the period between when the group transfers a promised product or service to the customer and when the customer pays for the product or service exceeds one year, the group will adjust the amount of consideration in the contract with the customer for the effects of the time value of money. When adjusting the amount of consideration for the effects of the time value of money, the group uses a discount rate that would be reflected in a separate financing transaction between the group and its customer at contract inception | Revenue from the sale of real estate is recognised at the point in time when ownership of the real estate is transferred to the customer, i.e. when the real right contract is signed between the customer and the group. |
| **Sale of furniture, fixtures and furnishings** | Revenue from the sale of furniture, fixtures and furnishings is recognised at a point in time because the customer obtains control of the assets and the group satisfies the performance obligation when ownership is transferred. According to the group' assessment, the point in time when ownership is transferred is the signature of the real right contract.<br>No discounts or return options are offered on the sale of furniture, fixtures and furnishings. | Revenue from the sale of furniture, fixtures and furnishings is recognised at the point in time when the goods are transferred to the customer under the real right contract. |

### Significant financing component

The group has decided to apply the practical expedient provided in IFRS 15, which permits not to adjust the promised amount of consideration for the effects of a significant financing component if the group expects, at contract inception, that the period between when the group transfers a promised product or service to a customer and when the customer pays for that product or service will be less than one year.

### Related parties

The group considers parties to be related if one has control of the other or can exert significant influence on the operating decisions of the other. The group's related parties include:

- the parent company and its owners;
- other group companies;
- the members of the management board;
- close family members of the above persons and companies related to them.

### Segment reporting

Operating segments are determined based on the reports monitored by the group's management board, who regards the group's business operations as a single segment and assesses the performance of the segment mainly based on its revenue and operating profit, and the growth of these indicators.

### Events after the reporting period

The consolidated financial statements reflect all significant events affecting 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 period or prior periods.

Subsequent events that have not been taken into account in measuring assets and liabilities but which will have a significant effect on the results of the next financial year are disclosed in the notes to the consolidated financial statements.

## Note 7. Financial instruments and financial risk management

The group's activities expose it to several financial risks: credit risk, liquidity risk and market risk (including interest rate risk and currency risk). The group's overall risk management programme focuses on the unpredictability of the financial market and seeks to minimise potential adverse impacts on the group's financial operations. The group's risk management is based on the requirements of laws, regulations and international financial reporting standards and supported by internal regulations. The main objectives of risk management are to ensure and maintain the group's liquidity, equity and continuity of operations. Financial risk management is the responsibility of the group's management board and the CFO.

### Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting its obligations associated with financial liabilities as they fall due or that the group will be unable to realise its assets at market prices during a reasonable period of time. Long-term liquidity risk is the risk that the group will not have sufficient available cash or other sources of liquidity to cover its future liquidity needs in implementing its business plan and meeting its liabilities or that the group will, therefore, have to raise funds unreasonably quickly. The group's liquidity is mainly affected by the following factors:

- the ability of group entities to generate positive net operating cash flows and the volatility of those cash flows;
- maturity matching and flexibility in modifying the maturities of assets and liabilities;
- the financing structure.

Short-term liquidity is managed by monitoring the group's and group entities' cash flow forecasts on an ongoing basis to make sure that the group has sufficient liquid funds at all times. Short-term liquidity needs are primarily covered with intragroup loans.

Long-term liquidity management is based on managing the group's capital structure consistent with the agreed financing principles. In the preparatory phase of a project, where uncertainty about the future cash flows of the project is the highest, limits are set for the maximum leverage ratio. The group determines the marketability of its real estate assets on the basis of the presale rate of that real estate. According to the group's internal rules, construction will not commence before 50% of the planned homes have been reserved. A presale rate that exceeds the required threshold for financing construction with a bank loan allows raising capital on more favourable terms and helps ensure that the financial liabilities assumed can be met with cash inflows from the sale of real estate.

As development costs are capitalised and recognised as inventories, the group has positive working capital consistent with its business model. It is also characteristic of the group’s business model that current liabilities exceed current assets less inventories. This is because bank loans taken to finance construction operations and prepayments received from customers are recognised as current liabilities while the calculation does not reflect most of the expected revenue, which is received only when the real right contracts have been signed and the assets have been transferred, or the inventories to be transferred during the year. The table below shows the key ratios describing the group's capital structure and liquidity:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Current ratio | 2.36 | 3.87 |
| Quick ratio | 0.19 | 0.37 |
| Debt to capital ratio | 68.0% | 55.7% |

Underlying formulas:
*Current ratio = current assets / current liabilities*
*Quick ratio = (current assets – inventories) / current liabilities*
*Debt to capital ratio = borrowings / total liabilities and equity*

According to management’s estimates, the group's capital structure and liquidity are sufficient to raise additional capital and meet existing financial obligations in a timely manner.

### Exposure to liquidity risk

Inventories (which account for the majority of assets and have been financed to a large extent by borrowings) are not exposed to liquidity risk and, therefore, it is characteristic of the group’s business model that the liabilities exposed to liquidity risk (trade payables, payments related to borrowings and other payables) exceed the assets exposed to liquidity risk (cash and cash equivalents, trade receivables, loans provided and interest receivable, other receivables). Liabilities are discharged with proceeds from the sale of inventories, which are received when homes are transferred to customers under real right contracts.

### Credit risk

Credit risk is the risk that a counterparty will cause a financial loss for the group by failing to discharge a contractual obligation. Financial assets exposed to credit risk consist mainly of cash at bank, trade receivables, contract assets, other receivables, loans provided and prepayments to suppliers. The carrying amount of financial and contract assets reflects the maximum credit exposure.

### Cash and cash equivalents

Cash and cash equivalents consist of demand deposits with commercial banks:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Cash and cash equivalents | 3,720,839 | 3,660,282 |
| **Total** | **3,720,839** | **3,660,282** |

The group keeps its available funds at local financial institutions with a sufficient credit history or financial institutions with whom it has signed a loan agreement to finance construction operations. At the end of 2023, the group’s cash and cash equivalents were mostly held at Swedbank AS and Coop Pank AS (at 31 December 2023 55% at Swedbank AS and 43% at Coop Pank AS and at 31 December 2022 68% at Coop Pank AS and 28% at Swedbank AS).

Swedbank Group has been assigned credit ratings by Standard & Poor's, Moody's and Fitch and at 31 December 2023 and 31 December 2022, its ratings were above A1/A+. According to Moody's credit rating agency, the credit rating of Coop Pank AS was Baa2 at 31 December 2023 as well as at 31 December 2022. Based on the credit ratings issued to the financial institutions, the group's management estimates that the group has no significant credit risk from cash and cash equivalents.

### Other financial assets exposed to credit risk

Other financial assets exposed to credit risk are trade receivables, other receivables, loans provided and prepayments to suppliers. The group's credit risk exposure to trade receivables is largely mitigated by the structure of its real estate sales transactions. As a rule, the sale of real estate is financed by partial advances from customers and ownership transfers to the buyer under a notarised real right contract, so there is no significant time difference between the transfer of ownership and the settlement of receivables. Trade receivables at 31 December 2023 consisted of receivables arising from real right contracts signed at the end of the year, which were settled at the beginning of 2024 (31 December 2022: the group did not have significant trade receivables).

### Market risk

Market risk is the risk that changes in market prices, such as the prices of commodities, foreign exchange rates, interest rates and the cost of capital, will affect the group's revenue or the value of its investments in financial instruments. The purpose of market risk management is to manage the group's exposures to market risk and keep the exposures within acceptable limits while optimising returns.

The value of an investment may change due to adverse market developments, such as macroeconomic changes, instability in political and social systems, investor behaviour or other reasons. The above factors may cause changes and volatility in real estate prices. The realisation of market risk may reduce the value of a real estate asset the group is planning to sell or cause buyers to withdraw from contracts to such an extent that the group will be unable to meet its obligations.

### Interest rate risk

Interest rate risk is the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The group's cash flow interest rate risk arises from variable rate borrowings and is the risk that a rise in interest rates will increase the group's finance costs.

The group's exposure to interest rate risk arises from:

- the use of financial instruments with variable interest rates;
- the refinancing of liabilities on the arrival of their maturity dates;
- the raising of new financial instruments from highly volatile financial markets in a turbulent economic environment in order to execute an investment plan.

Some of the group's borrowings have fixed interest rates and are not affected by fluctuations in the money market. Some long-term bank loans are linked to six-month Euribor and thus exposed to interest rate risk. To manage interest rate risk, the group monitors changes in the money market interest rate curve, which reflects market participants' expectations of market interest rates and allows estimating movements in the interest rates of loans denominated in euros. Effect of changes in interest rate risk on finance costs:

| | Note | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| Liabilities with fixed interest rates | | 24,812,846 | 31,817,093 |
| Liabilities with variable interest rates | | 13,620,908 | 1,749,756 |
| **Total interest-bearing liabilities** | **11** | **38,433,754** | **33,566,849** |

The following sensitivity analysis describes the net effect of the group's variable rate financial instruments on its net profit, assuming that interest rates rise or fall by 10 basis points (bp).

| | Change in interest rates | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| Borrowings | -10 bp | 13,621 | 1,750 |
| | +10 bp | -13,621 | -1,750 |

At 31 December 2023, the rate of six-month Euribor was 3.861% (31 December 2022: 2.693%).

According to management's estimates, the interest rates of fixed-rate liabilities correspond to the market interest rates of debt instruments with a similar risk level that are available to the group.

### Currency risk

Currency risk is the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The group has no material liabilities or receivables denominated in currencies other than its functional currency (the euro).

In 2023 and 2022, 100% of all receipts and payments (costs of goods sold, operating expenses, investments, finance costs) were in euros. Since all receipts and payments are in euros and borrowings are denominated in euros, currency risk has no material impact on the group's operations.

### Classification of financial instruments and their fair values

All of the group's financial assets and liabilities are either recognised in the statement of financial position or disclosed as contingent items in the notes to the consolidated financial statements. The carrying amounts of cash and cash equivalents, trade receivables, receivables from related parties, trade payables, payables to related parties, deferred income and other accrued payables approximate their fair values and, therefore, their fair values have not been disclosed.

Trade receivables and trade payables are current items and, therefore, management has concluded that their carrying amounts approximate their fair values. According to management's estimates, the fair values of borrowings equal their carrying amounts because the current interest rates of the contracts correspond to the market interest rates. According to management's estimates, the group's risk margins have not changed significantly compared to the time the loans were obtained and the interest rates of the borrowings correspond to market terms.

### Capital management

The group's capital management objectives are to generate return for shareholders, to maintain an optimum capital structure to reduce the cost of capital and to protect the group's ability to continue as a going concern. The group does this in a manner that ensures its sustainable development and credibility in the eyes of its shareholders, creditors, customers and other stakeholders.

In order to maintain or adjust its capital structure, the group may revise dividend distributions, return capital to shareholders, issue new shares and sell assets in order to reduce liabilities.

The group uses both debt and equity capital to finance its business operations. Debt capital is raised based on the following principles:

- in the preparatory phase of a project, debt capital raised in the form of loans may extend to no more than 50–70% of the cost of the plot, depending on the collateral position of the loan,
- construction work, as a rule, will not commence before the presale rate of the project is at least 50%.

In designing the capital structure and diversifying risks, the group monitors the equity ratio (equity to total assets) and the net debt to capital ratio. The group's long-term target is to achieve an equity ratio of around 40%. As the volume of bank loans used to finance construction depends on the progress of construction operations (the outstanding amount is the highest immediately before the completion of construction and decreases rapidly following the delivery of homes) and such loans are generally highly covered with sales contracts, management believes that the equity ratio adjusted for construction loans is a more appropriate indicator. The tables below reflect the values of the equity ratio, the adjusted equity ratio and the net debt to capital ratio with underlying calculations:

| **(in euros)** | **31 December 2023** | **31 December 2022** |
|---|---|---|
| Total equity attributable to owners of the parent | 18,122,716 | 16,525,671 |
| Total assets | 68,559,408 | 60,278,779 |
| **Equity ratio** | **26.4%** | **27.4%** |

| (in euros) | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Total equity attributable to owners of the parent | 18,122,716 | 16,525,671 |
| Total assets | 68,559,408 | 60,278,779 |
| Less construction loans | -11,983,319 | -9,623,744 |
| Total adjusted assets | 56,576,088 | 50,655,035 |
| **Adjusted equity ratio** | **32.0%** | **32.6%** |

| (in euros) | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Borrowings | 38,433,754 | 33,566,849 |
| Less cash and cash equivalents | -3,720,839 | -3,660,282 |
| Net debt | 34,712,915 | 29,906,567 |
| Total equity attributable to owners of the parent | 18,121,716 | 16,525,671 |
| Net debt and total equity attributable to owners of the parent | 52,834,631 | 46,432,238 |
| **Net debt to capital ratio** | **61.9%** | **64.4%** |

## Note 8. Trade and other receivables

| (in euros) | Note | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| Trade receivables | 16 | 1,272,395 | 382,535 |
| Loans provided | | 14,700 | 20,500 |
| Interest receivable | | 8,688 | 6,499 |
| Other receivables | | 30,134 | 29,442 |
| **Total** | | **1,325,917** | **438,976** |

Trade receivables consisted of receivables arising from real right contracts signed at the end of the reporting period which were settled at the beginning of 2024 in line with the underlying contracts.

### Credit risk, market risk and credit losses due to impairment

For information about the group's credit and market risks and credit losses on receivables, see note 7.

## Note 9. Prepayments

| (in euros) | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Prepayments to suppliers | 145,439 | 272,002 |
| Prepayments to suppliers for inventories | 30,455 | 113,348 |
| Prepaid expenses | 36,350 | 801,442 |
| Prepaid taxes | 108,666 | 367,922 |
| **Total** | **320,910** | **1,554,714** |

Prepaid expenses as at 31 December 2022 included an additional fee of 730,324 euros paid to creditors in advance for the Uus-Meremaa project of Liven Kodu 5 OÜ; the fee is linked to the success of the project. As at 31 December 2022, due to the macroeconomic environment that has created uncertainty about the amount and timing of the additional fee liability, the liability could not be measured reliably. In the reporting period, the additional fee was reclassified for recognition under inventories.

## Note 10. Inventories

The table below shows inventories grouped on the basis of the status of the development projects carried out by the group's subsidiaries and in chronological order. For multi-phase projects where different development phases have different statuses, inventories are presented within the group of the latest status of the development phase. Multi-phase projects where an earlier phase includes completed construction but a later phase is either under construction or its construction has not begun are presented in 'Partly completed and partly under construction'.

| (in euros) | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Construction completed | 10,443,469 | 887,692 |
| Partly completed and partly under construction | 20,986,077 | 5,789,697 |
| Under construction | 0 | 22,829,430 |
| Building design | 18,193,636 | 13,727,460 |
| Development plans and other inventories | 12,489,151 | 10,905,511 |
| **Total** | **62,112,333** | **54,139,790** |

All borrowings costs that are directly attributable to financing the construction of assets are capitalised and included in the cost of inventories. The capitalisation rate for borrowing costs is 100%. Capitalisation begins when a project reaches the development phase and ends when the apartments are ready for sale and are recognised as an expense as described in note 6. For a multi-phase project, capitalisation ceases after the construction of the buildings in the last phase of the project has been completed. The changes in the balance of interest expense included in inventories are described in note 25.

A proportionate share of the parent's staff costs and operating expenses of 1,235,154 euros in total (2022: 1,085,334 euros) was also capitalised and included in the cost of inventories in 2023. The reduction of inventories, which accompanies revenue recognition, was recognised in profit or loss within cost of sales in an amount of 911,853 euros (2022: 797,141 euros). See note 6 for further information about inventory accounting policies.

In 2023, inventories of 31,464,010 euros (2022: 26,003,214 euros) were recognised as an expense in profit and loss within cost of sales (note 17). See note 6 for further information about inventory accounting policies.

Management assesses the business plan for each development project that has been updated for new forecasts (including costs, revenues, progress of sales and provisions for risks) on a regular basis in order to manage cash flows and profitability and to estimate the need for recognising asset write-downs. Management has additionally estimated the need for inventory write-downs by carrying out a stress test for each development project. In the course of the tests, management analysed the effect of a decrease in the sales prices of apartments not yet sold on the profit of the project. The tests were conducted assuming that there would be a proportionate decrease in costs not related to contracts. In 2023, no inventories were written down and no prior period inventory write-downs were reversed (2022: the inventories related to phase I of the Magdaleena development project at Asula põik 4, were written down by 350,000 euros due to significant growth in the costs incurred compared to the costs included in the business plan while no prior period inventory write-downs were reversed).

The total amount of mortgages created on assets classified as inventories in order to secure loans was 54,296,737 euros at 31 December 2023 (31 December 2022: 44,529,975 euros). Further information about assets put up as loan collateral is provided in note 11.

## Note 11. Borrowings

In the preparatory stage of projects, the group uses mortgage loans raised from local commercial banks, bonds as well as junior loans and mezzanine-type investor loans, which are unsecured and subordinated to bank loans.

A characteristic feature of investor loans is that the terms of their principal and interest payments are designed to take into account the cash flows of a development project, they are used throughout the project, and interest payments are usually made either at the end of a project stage or at the end of the loan term together with the repayment of loan principal. Group entities have raised investor loans from various non-institutional investors, including related parties. In addition, the group has issued bonds to investors with a similar profile as well as to AS LHV Varahaldus. The group uses bank loans to co-finance the projects in the construction phase.

| | | | | Repayable | | |
|---|---|---|---|---|---|---|
| **Loan type (in euros)** | **Interest rate** | **Balance at 31 Dec 2023** | ***Incl. from related parties*** | **Within 1 year** | **2–5 years** | **Over 5 years** |
| Bank loans, construction | 4.8-4.9%+6M Euribor | 9,043,422 | *0* | 5,726,530 | 3,316,892 | 0 |
| Bank loans, construction | 4.9-6.99% | 2,939,897 | *0* | 1,766,446 | 1,173,451 | 0 |
| Bank loans, development | 4.9-6.0%+6M Euribor | 4,506,000 | *0* | 0 | 4,506,000 | 0 |
| Bank loans, development | 6.0% | 6,000,000 | *0* | 6,000,000 | 0 | 0 |
| Bonds | 8.5-10.5% | 4,400,000 | *400,000* | 600,000 | 3,800,000 | 0 |
| Investor loans | 8.0-14.0%* | 11,472,949 | *7,080,203* | 3,000,000 | 8,472,949 | 0 |
| **Total** | | **38,362,268** | ***7,480,203*** | **17,092,976** | **21,269,29 2** | **0** |

** The interest on loans received by Liven Kodu 5 OÜ consists of a fixed interest rate of 8% per year and an additional fee which depends on the success of the project; see below for further information.*

| | | | | Repayable | | |
|---|---|---|---|---|---|---|
| **Loan type (in euros)** | **Interest rate** | **Balance at 31 Dec 2022** | ***Incl. from related parties*** | **Within 1 year** | **2–5 years** | **Over 5 years** |
| Bank loans, construction | 2.9-4.9%+6M Euribor | 2,578,000 | *0* | 1,610,000 | 968,000 | 0 |
| Bank loans, construction | 4.9-6.99% | 7,045,744 | *0* | 0 | 7,045,744 | 0 |
| Bank loans, development | 4.9%+6M Euribor | 2,357,346 | *0* | 0 | 2,357,346 | 0 |
| Bank loans, development | 4.9%-6.0% | 7,132,951 | *0* | 0 | 7,132,951 | 0 |
| Bonds | 8.0% | 4,400,000 | *200,000* | 2,600,000 | 1,800,000 | 0 |
| Investor loans | 8.0-12.5%* | 9,913,052 | *6,546,585* | 1,660,000 | 8,253,052 | 0 |
| **Total** | | **33,427,093** | ***6,764,585*** | **5,870,000** | **27,557,093** | **0** |

** The interest on loans received by Liven Kodu 5 OÜ consists of a fixed interest rate of 8% per year and an additional fee which depends on the success of the project; see below for further information.*

In addition to the loans set out in the tables above, borrowings include lease liabilities, which amounted to 71,486 euros at 31 December 2023 (31 December 2022: 139,756 euros). All loans received as at 31 December 2023 and 31 December 2022 are denominated in euros.

In 2023, the group received new loans of 30,147,276 euros (2022: 20,878,594 euros) and made loan repayments of 26,286,297 euros (2022: 15,417,255 euros). Out of total loan repayments, 22,125,250 euros was paid by buyers directly to the bank (2022: 11,402,438 euros). Interest payments made in 2023 amounted to 2,772,341 euros (2022: 4,219,923 euros).

Investor loans and bonds include loans from related parties. Further information about these is given in note 23. The classification of loans into current and non-current is based on their contractual maturity dates.

At 31 December 2023, current borrowings of 17,092,976 euros consisted of bank loans taken to finance construction and loans refinanced after the reporting date. As a result of refinancing at the beginning of 2024, loans of 14,726,530 euros included in current borrowings at 31 December 2023 were reclassified to non-current. In addition, current borrowings as at 31 December 2023 included construction loans from banks of which 1,438,611 euros has been repaid by the date these financial statements are authorised for issue. At 31 December 2023, the current ratio and quick ratio were 2.36 and 0.19, respectively; adjusted for the developments described above, the respective ratios were 5.57 and 0.44. Further information about refinancing activities after the reporting date is provided in note 27.

### Investor loan for Liven Kodu 5 OÜ

Under the loan agreements signed by Liven Kodu 5 OÜ in 2017, interest on the loan consists of a fixed rate of 8% (capitalised until the end of the agreement) and an additional fee which is linked to the success of the project and calculated on the completion of the project. The borrower is also entitled to make advance payments of the additional fee. The amount of the additional fee depends on the terms agreed for measuring success, which take into account the profitability and cash flows of the entire project as well as their timing, including any advance payments of the additional fee, and the surpassing of the agreed minimum success level.

In the fourth quarter of 2022, the amount of the additional fee calculated for the creditors of Liven Kodu 5 OÜ upon the completion of phase I of the Uus-Meremaa project was 3,569,676 euros, including 800,000 euros paid in advance in 2021 and 2,769,676 euros paid in the fourth quarter of 2022. At the end of 2022, the creditors were also made an advance payment of the additional fee related to phase II of the project in an amount of 730,324 euros, which was recognised in 'Prepayments' (note 9) in the consolidated statement of financial position as at 31 December 2022 and reclassified to inventories as at 31 December 2023.

Taking into account that the facts that the last two buildings in the development project were completed at the end of 2023 and the project is expected to end within the next 15 months (24 homes and 1 commercial space were still for sale at 31 December 2023) as well as the significant terms of the loan agreement, management has estimated on the basis of the business plan that, in addition to the 730,324 euros paid in advance, the potential amount of the remaining liability for the additional fee linked to the success of the project is 2,355,000 euros. A provision of this amount was recognised in 2023. The actual outcome of the project is uncertain and therefore the additional fee linked to success of the project may be higher or lower than estimated.

### Collateral and guarantees

The total carrying amount of the group's inventories mortgaged as loan collateral is as follows:

| (in euros) | Note | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| Inventories mortgaged as loan collateral | | 54,296,737 | 44,529,975 |
| **Total** | **10** | **54,296,737** | **44,529,975** |

Liven AS had the following guarantee commitments to creditors at 31 December 2023:

- a guarantee to the settlement of the liabilities arising from the loan agreement of Liven Kodu 12 OÜ in an amount of 1,280,000 euros;
- a guarantee to the settlement of the interest liabilities arising from the loan agreement of Liven Kodu 16 OÜ in an amount of 336,200 euros;
- a guarantee to the settlement of the interest liabilities arising from the loan agreement of Liven Kodu 20 OÜ in an amount of 360,000 euros;
- a guarantee to the settlement of the liabilities arising from the loan agreement of Liven Kodu 21 OÜ in an amount of 806,000 euros.

Liven AS has additionally guaranteed the self-financing required by the loan agreements signed by the subsidiaries by committing to give the subsidiaries loans of the required amounts where necessary.

After the reporting date, the guarantees provided to secure the obligations of Liven Kodu 12 OÜ and Liven Kodu 20 OÜ have expired due to the expiry of the loan agreements.

The shares in Liven Kodu 5 OÜ and Liven Kodu 10 OÜ were pledged to creditors both at 31 December 2023 and 31 December 2022.

## Note 12. Trade and other payables

| (in euros) | Note | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| Trade payables | | 1,525,700 | 3,369,374 |
| Deferred income | | 2,738,888 | 4,348,717 |
| **Other payables** | | | |
| Payables to employees | | 118,169 | 184,647 |
| Taxes payable | 13 | 1,962,608 | 1,233,130 |
| Interest payable | 11, 23 | 1,012,585 | 275,349 |
| Miscellaneous payables | | 1,763,480 | 159,293 |
| **Total other payables** | | **4,856,842** | **1,852,418** |
| **Total current trade and other payables** | | **9,121,430** | **9,570,510** |
| | | | |
| Deferred income | | 27,992 | 37,998 |
| Interest payable | | 96,508 | 567,750 |
| Lease liabilities | | 331,244 | 0 |
| Other payables | | 13,639 | 0 |
| **Total non-current trade and other payables** | | **469,383** | **605,749** |

Deferred income as at 31 December 2023 and 31 December 2022 comprises deferred income received from customers in connection with housing development projects. The balance of current interest payable at 31 December 2023 includes 846,904 euros of interest payable which has been reclassified to non-current after the reporting date. Other payables at 31 December 2023 consist mainly of accrued payables related to buildings completed at the end of the year for amounts not yet invoiced by general contractors and furniture dealers of 1,437,402 euros (31 December 2022: 4,374 euros). The non-current lease liabilities are related to the lease of an office for a term of five years. Further information about deferred income is provided in note 16. Further information about payables to related parties is disclosed in note 23.

## Note 13. Taxes payable

| (in euros) | Note | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| Value added tax | | 1,821,615 | 1,047,700 |
| Personal income tax | | 40,907 | 55,408 |
| Income tax on fringe benefits | | 4,905 | 3,001 |
| Social security tax | | 87,730 | 116,224 |
| Funded pension contributions (2$^{nd}$ pillar) | | 3,036 | 4,675 |
| Unemployment insurance contributions | | 4,415 | 6,121 |
| **Total** | **12** | **1,962,608** | **1,233,130** |

## Note 14. Share capital and reserves

### Share capital and share premium

| (in euros) | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Share capital | 1,183,130 | 1,151,512 |
| Share premium | 9,339,322 | 8,228,237 |
| **Total share capital and share premium** | **10,522,452** | **9,379,748** |
| Number of shares issued | 11,831,295 | 11,515,116 |
| Par value of a share (in euros) | 0.1 | 0.1 |

The Estonian Commercial Code sets the following requirements to the share capital of companies registered in Estonia:

- the minimum share capital of a limited company defined as *aktsiaselts* (AS) under Estonian law must amount to at least 25,000 euros,
- the net assets of a limited company defined as *aktsiaselts* (AS) under Estonian law must amount to at least half of its share capital but not less than 25,000 euros.

The size of share capital or the minimum and maximum amount of share capital are specified in the company's articles of association; the minimum share capital must be at least one fourth of the maximum share capital.

According to the articles of association of Liven AS in force at 31 December 2023 and 31 December 2022, the company's share capital consists of ordinary shares with a par value of 0.1 euros each. The minimum amount of share capital is 1,000,000 euros (31 December 2022: 500,000 euros) and the maximum amount of share capital is 4,000,000 euros (31 December 2022: 2,000,000 euros) and within those limits share capital can be changed without amending the articles of association.

### Transactions with share capital

In March 2023, Liven AS finalised a direct placement, issuing 243,777 new shares and raising 1,046,291 euros of new equity. The direct placement was carried out at a price of 4.292 euros per share (with a par value 0.1 euros and a share premium of 4.192 euros per share) in accordance with the terms and conditions of the shareholder agreement signed in 2019 under which existing shareholders have the pre-emptive right to subscribe for the shares for a period of 30 days. After this, the company may offer the remaining shares on the same terms and conditions to third parties for a period of 60 days. The pre-emptive right to subscribe for the shares was exercised by 15 current shareholders, and 26 new shareholders were attracted.

To enable the persons participating in the share option programme to exercise their options, Liven AS issued 72,403 new shares with a par value of 0.1 euros each in 2023, increasing share capital by 7,240 euros.

### Own (treasury) shares

In 2019, a share option programme (Liven Employee Ownership Program, LEOP) was developed for the group's employees and key partners in connection with which 200,001 shares with a carrying amount of 20,000 euros were repurchased in 2019.

As the investment period under LEOP ended at the end of 2022, no new shares were sold under the programme in 2023 and there was no related increase in share premium (2022: 42,365 shares were sold and share premium increased by 166,358 euros). In 2023, 3,000 shares were sold to enable the exercise of the options under LEOP and, as a result, retained earnings increased by 4,801 euros. The par value of the shares sold during the period was 0.1 euros per share and the weighted average share premium was 0.00 euros per share (2022: 0.1 euros per share and 4.45 euros per share, respectively).

| (in euros) | Number of shares |
|---|---|
| **Number of own shares held at 31 December 2019** | **156,901** |
| Sale of own shares | 42,809 |
| **Number of own shares held at 31 December 2020** | **114,092** |
| Sale of own shares | 60,254 |
| **Number of own shares held at 31 December 2021** | **53,838** |
| Sale of own shares | 42,364 |
| **Number of own shares held at 31 December 2022** | **11,474** |
| Sale of own shares | 3,000 |
| **Number of own shares held at 31 December 2023** | **8,474** |

Further information about share-based payments is provided in note 15.

### Reserves

The following table provides an overview of the reserves reported in equity.

| (in euros) | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Statutory capital reserve | 115,151 | 101,775 |
| Share option reserve | 362,751 | 273,749 |
| **Total** | **477,903** | **375,523** |

### Share option reserve

The group recognises the services received in a share-based payment transaction as the services are rendered. The corresponding increase in equity is recognised in the ‘Share option reserve’.

### Statutory capital reserve

The statutory capital reserve is set up using annual net profit transfers as well as other transfers which are made on the basis of the law or the articles of association. The amount of the capital reserve is set out in the articles of association and it may not be less than one tenth of share capital. Every year, at least one twentieth of net profit must be transferred to the capital reserve. When the capital reserve reaches the level set out in the articles of association, net profit transfers to the capital reserve are discontinued.

Based on the resolution of the general meeting, the capital reserve may be used to cover losses, if losses cannot be covered with the company’s unrestricted equity, and to increase share capital. The capital reserve may not be used to make distributions to shareholders.

At 31 December 2023 and 31 December 2022, the capital reserve was smaller than required by the Estonian Commercial Code.

### Dividend distributions

In 2023, the parent company made a dividend distribution of 415,882 euros (2022: the parent company did not distribute dividends) using the group’s profit for 2022 on the basis of the group’s dividend policy. According to the dividend policy approved by the shareholders, 25% of profit before tax for the previous year is distributed as dividends on an annual basis. The distribution and timing of the dividend depend on the availability of sufficient monetary resources and are subject to the assumption that the dividend distribution does not jeopardise the group’s ability to continue as a going concern and to make the planned investments.

The dividend distribution made in spring 2023 amounted to 12.5% of the profit before tax for 2022. However, the management board was unable to make the planned proposal for an additional dividend distribution of 12.5% of the profit for 2022 in the second half of 2023 as the loss on phase I of the Magdaleena development project was larger than expected and the commercial space at Türi 4 was still unsold.

Information about the group’s retained earnings and contingent income tax liability is provided in note 26.

## Note 15. Share-based payments

### Option programme (equity-settled)

In 2019, a share option programme (Liven Employee Ownership Program, LEOP) was developed for the group’s employees. The purpose of the programme is to provide the group’s employees and key partners with an opportunity to contribute to the group’s share capital and thereby share in the group’s success.

The main conditions of the option programme are as follows:

| Option type | Vesting conditions | Term of options |
|---|---|---|
| **A options** | Three years after the grant date of the option. | Three years and one calendar month after successful satisfaction of vesting conditions. |
| **B options** | Three years after the grant date of the option and the achievement of the financial targets set out in the option contract. | Three years and one calendar month after successful satisfaction of vesting conditions. |

In 2021, the general meeting approved an option programme with a term until the end of 2024. Under this programme, the recipients of options have personal targets and the programme also differs in other respects from LEOP. The term of the options is four years and their vesting term is a minimum of three years after the date of signing the option contract.

### Determination of fair value and the estimates used to measure fair value

The fair value of options was measured using the Black-Scholes-Merton model. In accordance with IFRS 2, service and performance-based vesting conditions were not taken into account in measuring fair value. The weighted average inputs used to measure the fair values of the options granted in 2023 and 2022 were as follows (no LEOP options were granted in 2023):

| | Options with personal targets | | LEOP A and B options |
|---|---|---|---|
| | **2023** | **2022** | **2022** |
| Exercise price (in euros) | 3.04 | 2.80 | 0.10 |
| Term of options (in months) | 48 | 48 | 36 |
| Expected volatility | 24.1% | 25.3% | 25.4% |
| Risk-free interest rate | 2.5% | 0.5% | 1.5% |
| Fair value of the issued share (in euros) | 3.82 | 4.29 | 4.32 |

The exercise price and term of the options were determined based on the underlying option contracts.

Volatility is the unweighted average volatility of the share prices of benchmark companies listed on the Nasdaq Tallinn Stock Exchange in the three years preceding the measurement.

The risk-free interest rate is the yield of the 3-year German government bond, which was in the range of 2.2% to 3.0% in 2023 (2022: -0.6% to 3.0%).

The weighted average share price was found using the discounted cash flow method and it equals the share price recorded in the share sale agreement.

### Table of movements in options

The table shows the options granted under the programmes, the options exercised in 2023, the options which expired in 2023 without being exercised and the weighted average exercise prices.

| Time of granting the options | Number of options granted: | | | |
|---|---|---|---|---|
| | LEOP options | | Options with personal targets | |
| | A options | B options* | Options* | Total |
| **Outstanding at 31 December 2019** | **16,800** | **Up to 36,075** | **-** | **52,875** |
| Granted in 2020 | 11,030 | Up to 28,357 | - | 39,387 |
| **Outstanding at 31 December 2020** | **27,830** | **Up to 64,432** | **-** | **92,262** |
| Granted in 2021 | 23,582 | Up to 48,941 | 120,000 | 192,523 |
| **Outstanding at 31 December 2021** | **51,412** | **Up to 113,372** | **120,000** | **284,784** |
| Granted in 2022 | 15,629 | Up to 28,023 | 30,000 | 73,652 |
| Expired in 2022 | - | - | 20,000 | -20,000 |
| **Outstanding at 31 December 2022** | **67,041** | **Up to 141,395** | **130,000** | **338,436** |
| Granted in 2023 | - | - | 117,500 | 117,500 |
| Expired in 2023 | -3,975 | -6,262 | -25,650 | -35,887 |
| Exercised in 2023 | -22,207 | -53,196 | - | -75,403 |
| **Outstanding at 31 December 2023** | **40,859** | **81,937** | **221,850** | **344,646** |

** The maximum number of share options that may be granted when the financial targets set out in the option contracts are met.*

The exercise price of all options granted under LEOP was 0.1 euros per share. The exercise price of options exercisable as at 31 December 2023 was 0.1 euros (31 December 2022: 0.1 euros) and the weighted average remaining life of the options was 0.8 years (31 December 2022: 1.2 years).

The exercise prices of options with personal targets vary. The weighted average exercise price of the options granted in 2023 was 3.08 euros per share (2022: 2.80 euros per share).

See note 14 for further information about share capital.

### Expenses recognised in profit or loss

Expenses related to the grant of share options have been recognised in staff costs within 'Salary expenses' in an amount of 182,980 euros (2022: 168,809 euros).

## Note 16. Revenue

| (in euros) | 2023 | 2022 |
|---|---|---|
| Sale of real estate | 34,679,008 | 32,089,485 |
| Sale of furniture and furnishings | 846,887 | 317,482 |
| Rental income | 239,001 | 210,587 |
| **Total revenue** | **35,764,896** | **32,617,554** |

In 2023 and 2022, the only geographical area where revenue was generated was Estonia. Furniture and furnishings are sold together with the real estate and both are treated as revenue from contracts with customers.

### Balances of contracts with customers

The table below provides an overview of assets and liabilities from contracts with customers:

| (in euros) | Note | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| Trade receivables | 8 | 1,325,917 | 382,535 |
| Deferred income | 12 | 2,738,888 | 4,348,717 |

Revenue for 2023 resulted from the sale of real estate in four development projects in Tallinn:

- Uus-Meremaa (developer: Liven Kodu 5 OÜ). During the year, the group sold the last 36 homes and 2 commercial spaces in the three buildings completed in Lahepea street at the end of 2022 and 30 homes in the two buildings completed in Lahepea street at the end of 2023 under real right contracts. By 31 December 2023, 5 homes in the project had been sold under contracts under the law of obligations.
- Iseära (developer: Liven Kodu 16 OÜ). All 48 homes in the eight terraced houses completed in 2023 in phase I of the project in the village of Harkujärve were sold under real right contracts. By 31 December 2023, 21 homes in phase II had been sold under contracts under the law of obligations.
- Magdaleena. In phase I of the project (developer: Liven Kodu 6 OÜ) all 20 homes in the two buildings completed at Asula põik 4 in 2023 were sold under real right contracts. In phase II of the project (developer: Liven Kodu 19 OÜ), 4 homes were sold in the residential building completed at Magdaleena 4 at the end of 2023. By 31 December 2023, 1 home had been sold under a contract under the law of obligations.
- Luuslangi (developer: Liven Kodu 12 OÜ). In phase I of the project, a total of 80 homes were completed in three buildings in Jalami street at the end of 2023. By 31 December 2023, 38 homes had been sold and delivered to customers under real right contracts and 7 homes had been sold under contracts under the law of obligations.

Deferred income comprises deferred income received from customers for real estate development activities for which revenue is recognised on the transfer of the real estate to the customer (on the conclusion of the real right contract). According to management's estimates, the deferred income which reflects performance obligations not yet satisfied will be taken to revenue consistent with the budgeted completion schedules of the projects.

## Note 17. Cost of sales

| (in euros) | Note | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Construction, fitout and furnishing expenses | | 25,397,033 | 17,994,371 | 2,473,586 |
| Plot acquisition and preparation costs | | 1,686,543 | 1,978,053 | 461,962 |
| Building design expenses | | 463,154 | 458,947 | 88,560 |
| Connection fees | | 301,933 | 240,486 | 23,137 |
| Staff costs | 20 | 1,399,845 | 1,240,084 | 580,490 |
| Financing charges | | 2,999,200 | 4,914,902 | 121,062 |
| Depreciation and amortisation | | 32,457 | 30,193 | 3,829 |
| Other costs | | 401,214 | 354,614 | 347,205 |
| **Total** | | **32,681,380** | **27,211,649** | **4,099,830** |

See note 2 for the basis of preparation of the financial statements and note 6 for further information about the recognition of inventories in the cost of sales.

## Note 18. Distribution costs

| (in euros) | Note | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Media costs | | 347,000 | 209,606 | 205,341 |
| Staff costs | 20 | 275,836 | 239,611 | 213,336 |
| Depreciation and amortisation | | 81,878 | 20,247 | 1,996 |
| Other costs | | 316,821 | 399,508 | 341,853 |
| **Total** | | **1,021,535** | **868,971** | **762,526** |

Information about the basis of preparation of the financial statements is provided in note 2.

## Note 19. Administrative expenses

| (in euros) | Note | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Staff costs | 20 | 439,900 | 352,336 | 173,322 |
| Training and other staff-related expenses | | 141,503 | 169,803 | 134,650 |
| Business travel and transport expenses | | 129,991 | 135,227 | 74,219 |
| Office expenses | | 128,639 | 154,967 | 94,948 |
| Accounting and audit expenses | | 230,851 | 165,570 | 81,228 |
| Legal fees and consulting expenses | | 64,679 | 125,365 | 122,753 |
| Depreciation and amortisation | | 33,797 | 23,120 | 19,608 |
| Other expenses | | 30,421 | 72,577 | 70,955 |
| **Total** | | **1,199,781** | **1,198,965** | **771,683** |

Information about the basis of preparation of the financial statements is provided in note 2.

## Note 20. Staff costs

| (in euros) | 2023 | 2022 |
|---|---|---|
| Salary expenses | 1,644,317 | 1,430,335 |
| Social security and unemployment insurance charges | 471,264 | 401,695 |
| **Total** | **2,115,581** | **1,832,030** |
| Average number of employees converted to full-time equivalent | 27 | 24 |
| Incl. people working under employment contracts | 24 | 21 |
| Incl. people working under board member’s service contracts | 3 | 3 |

## Note 21. Segment reporting

Management has determined operating segments based on the reports monitored by Liven AS's management board, who regards the group's business operations as a single segment and assesses the performance of the segment mainly based on its revenue and operating profit, and the growth of these indicators. In 2023 and 2022, the only geographical area where revenue was generated was Estonia.

| (in euros) | Note | 2023 | 2022 |
|---|---|---|---|
| Revenue | 16 | 35,764,896 | 32,617,554 |
| Operating profit | | 867,428 | 3,324,440 |

## Note 22. Investments in subsidiaries

The parent company's ownership interests in subsidiaries as at the reporting date:

| Name of subsidiary | Core business | Domicile | Interest, % 31 Dec 2023 | Interest, % 31 Dec 2022 |
|---|---|---|---|---|
| Liven Kodu OÜ | Development of building projects | Estonia | 100 | 100 |
| Liven Kodu 5 OÜ | Development of building projects | Estonia | 100 | 100 |
| Liven Kodu 6 OÜ | Development of building projects | Estonia | 100 | 100 |
| Liven Kodu 10 OÜ | Development of building projects | Estonia | 100 | 100 |
| Liven Kodu 11 OÜ | Development of building projects | Estonia | 100 | 100 |
| Liven Kodu 12 OÜ | Development of building projects | Estonia | 100 | 100 |
| Liven Kodu 14 OÜ | Development of building projects | Estonia | 100 | 100 |
| Liven Kodu 15 OÜ | Development of building projects | Estonia | 100 | 100 |
| Liven Kodu 16 OÜ | Development of building projects | Estonia | 100 | 100 |
| Liven Kodu 17 OÜ | Development of building projects | Estonia | 100 | 100 |
| Liven Kodu 18 OÜ | Development of building projects | Estonia | 100 | 100 |
| Liven Kodu 19 OÜ | Development of building projects | Estonia | 100 | 100 |
| Liven Kodu 20 OÜ | Development of building projects | Estonia | 100 | 100 |
| Liven Kodu 21 OÜ | Development of building projects | Estonia | 100 | 100 |
| Liven Kodu 22 OÜ | Development of building projects | Estonia | 100 | 100 |
| Liven Kodu 23 OÜ | Development of building projects | Estonia | 100 | 100 |
| Liven Kodu 24 OÜ | Development of building projects | Estonia | 100 | 100 |
| Liven Wohnungsbau GmbH | Development of building projects | Germany | 100 | 100 |
| Liven HW11 GmbH | Development of building projects | Germany | 100* | 100* |

** 100% ownership interest through Liven Wohnungsbau GmbH, from January 2024 the business name is Liven HW11 GmbH (previous name Liven Hermsdorf GmbH).*

### Changes in group structure

There were no changes in the group's structure in 2023.

In 2023, we started the process of merging Liven Kodu 11 OÜ with Liven Kodu OÜ, which will be completed during 2024.

## Note 23. Related party disclosures

For the purposes of these consolidated financial statements, related parties include:

- the group's parent Liven AS and shareholders that have significant influence over Liven AS;
- key management personnel (members of the supervisory and management boards), their close family members and companies under their control or significant influence.

The group considers parties to be related when one controls the other or has significant influence over the business decisions of the other. Significant influence is presumed to exist when a person holds more than 10% of voting power.

| Balances with related parties (in euros) | 31 December 2023 | 31 December 2022 |
|---|---|---|
| **Current interest liabilities** | | |
| Legal persons with a significant shareholding | 141,041 | 113,963 |
| Executive and higher management and companies under their significant influence | 705,863 | 70,301 |
| **Total current payables to related parties** | **846,904** | **184,264** |
| **Non-current interest liabilities** | | |
| Legal persons with a significant shareholding | 8,701 | 405,863 |
| Executive and higher management and companies under their significant influence | 46,938 | 81,041 |
| **Total non-current payables to related parties** | **55,639** | **486,904** |

| Transactions with related parties (in euros) | 2023 | 2022 |
|---|---|---|
| **Legal persons with a significant shareholding** | | |
| Revenue | 727,931 | 0 |
| Services purchased | 0 | 15,000 |
| Interest paid* | 87,708 | 2,275,174 |
| **Total** | **815,639** | **2,290,174** |
| **Executive and higher management and companies under their significant influence** | | |
| Services purchased | 19,490 | 10,096 |
| Interest paid* | 262,867 | 689,313 |
| **Total** | **282,357** | **699,409** |

** The companies of the Liven AS group capitalise the borrowing costs associated with the loans taken to finance building development projects and include them in the cost of inventories until the assets are completed and the homes are sold under real right contracts.*

No loss allowances were recognised for receivables from related parties in 2023 or 2022. Revenue for 2023 includes apartments sold and delivered to related parties in development projects completed by the group. In 2022, the group purchased management services from related parties.

| Changes in borrowings from related parties (in euros) | 2023 | 2022 |
|---|---|---|
| **Borrowings from related parties at 1 January** | **6,764,585** | **6,962,507** |
| **Loans received** | | |
| Legal persons with a significant shareholding | 256,000 | 25,000 |
| Executive and higher management and companies under their significant influence | 2,817,000 | 0 |
| **Total loans received** | **3,073,000** | **25,000** |
| **Repayments of loans received** | | |
| Legal persons with a significant shareholding | -325,000 | -423,938 |
| Executive and higher management and companies under their significant influence | -2,250,000 | 0 |
| **Total repayments of loans received** | **-2,575,000** | **-423,938** |
| **Payments offset against accrued (capitalised) interest** | | |
| Legal persons with a significant shareholding | 52,793 | 152,263 |
| Executive and higher management and companies under their significant influence | 164,825 | 48,753 |
| **Total payments offset against accrued (capitalised) interest** | **217,619** | **201,016** |
| **Borrowings from related parties at 31 December** | **7,480,203** | **6,764,585** |

All borrowings from related parties as at 31 December 2023 and 31 December 2022 were denominated in euros. Loans received from related parties have fixed interest rates, which are in the range of 8–14% (31 December 2022: 8–12.5%). Further information about borrowings is provided in note 11.

### Other transactions with related parties

Transactions with share capital are described in note 14 and further information about investments in subsidiaries is provided in note 22.

In 2023, a member of the management board acquired 3,000 shares (new shares issued) at the weighted average price of 0.10 euros per share by exercising options under the company's LEOP options programme (in 2022, the members of the management board were sold 12,000 shares at the weighted average price of 4.59 euros per share under LEOP). Further information about share-based payments is provided in note 15.

In 2023, the remuneration of the members of the management board amounted to 205,972 euros (2022: 220,933 euros). The members of the supervisory board were not remunerated for their work on the board in 2023 and 2022. A member of the management board that is removed from office early or whose contract is not extended is entitled to severance pay equal to six months' remuneration (a contingent liability). The maximum possible severance pay liability at 31 December 2023 was 111,228 euros (31 December 2022: 111,228 euros).

## Note 24. Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to owners of the parent by the weighted average number of ordinary shares. Diluted earnings per share are calculated in the same way, but the weighted average number of ordinary shares is increased by the number of dilutive potential ordinary shares.

| (number of shares) | 2023 | 2022 |
|---|---|---|
| Weighted average number of ordinary shares | 11,753,479 | 11,515,116 |
| Share options at period-end | 344,646 | 338,436 |
| Weighted average number of ordinary shares including the number of dilutive potential ordinary shares | 12,098,125 | 11,853,552 |

| (in euros) | 2023 | 2022 |
|---|---|---|
| Net profit attributable to owners of the parent | 775,121 | 3,324,099 |
| Basic earnings per share | 0.066 | 0.289 |
| Diluted earnings per share | 0.064 | 0.280 |

## Note 25. Other adjustments

| (in euros) | 2023 | 2022 |
|---|---|---|
| Capitalisation of interest expense as part of the cost of inventories | 3,270,853 | 1,467,838 |
| Other adjustments | 26,679 | 27,003 |
| **Total other adjustments** | **3,244,174** | **1,494,841** |

Line item 'Capitalisation of interest expense as part of the cost of inventories' includes accrued non-monetary interest expense capitalised as part of the cost of inventories, which is related to mezzanine-type investor loans. See notes 6 and 10 for further information about the accounting policies for borrowing costs and the capitalisation of borrowing costs as part of the cost of inventories.

## Note 26. Contingent liabilities

### Contingent severance pay liability to the members of the management board

A member of the management board that is removed from office early or whose contract is not extended is entitled to severance pay equal to six months' remuneration (a contingent liability). The maximum possible severance pay liability at 31 December 2023 was 111,228 euros (31 December 2022: 111,228 euros).

### Contingent income tax liability

The group's total retained earnings as at the reporting date amounted to 7,122,207 euros (31 December 2022: 6,771,546 euros). The maximum income tax liability that could arise if all of the retained earnings as at the reporting date were distributed as dividends is 1,424,441 euros (31 December 2022: 1,354,309 euros) and the maximum amount that could be distributed as the net dividend is 5,697,766 euros (31 December 2022: 5,417,237 euros).

The maximum possible income tax liability has been calculated on the assumption that the net dividend distribution and the income tax expense recognised in the consolidated statement of comprehensive income for 2023 may not exceed total retained earnings as at the reporting date.

## Note 27. Events after the reporting period

### Purchase of properties and refinancing of loans by Liven Kodu 12 OÜ

In January 2024, Liven Kodu 12 OÜ acquired under the real right contract the last properties (plots of land) not yet purchased in the Luuslangi development project, where it intends to build homes in development phases II and III. In January, the company also signed a long-term loan agreement of 4,500,000 euros backed by the apartments completed in phase I of the project in order to refinance the loans taken for the construction of earlier buildings and infrastructure and to finance working capital. At 31 December 2023, the refinanced loans were recognised in the statement of financial position within current borrowings in an amount of 5,726,530 euros.

### Extension and refinancing of loans by Liven Kodu 20 OÜ

In January 2024, Liven Kodu 20 OÜ signed an agreement on the extension of a mezzanine loan of 3,000,000 euros in the Regati development project. In January 2024, a long-term loan disbursement of 7,500,000 euros was made under an earlier loan agreement signed with LHV Pank AS and an earlier mortgage loan of 6,000,000 euros was refinanced. At 31 December 2023, the extended and refinanced borrowings were recognised in the statement of financial position within current borrowings in an amount of 9,000,000 euros.

## Note 28. Parent company's primary financial statements

In accordance with the Estonian Accounting Act, the notes to the consolidated financial statements have to include the primary financial statements of the consolidating entity (the parent). The primary financial statements of the parent have been prepared using the same accounting policies that were applied in the preparation of the consolidated financial statements except that in the parent's primary financial statements investments in subsidiaries are measured using the cost method.

## Statement of financial position

| (in euros) | 31 December 2023 | 31 December 2022 |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | 510,896 | 265,635 |
| Trade and other receivables | 4,360,851 | 5,647,136 |
| Prepayments | 23,665 | 60,481 |
| Inventories | 5,275 | 5,275 |
| **Total current assets** | **4,900,687** | **5,978,527** |
| **Non-current assets** | | |
| Investments in subsidiaries | 167,500 | 167,500 |
| Trade and other receivables | 19,650,525 | 14,310,596 |
| Property, plant and equipment | 352,283 | 264,741 |
| Intangible assets | 296,161 | 218,777 |
| Right-of-use assets | 395,214 | 0 |
| **Total non-current assets** | **20,861,683** | **14,961,614** |
| **TOTAL ASSETS** | **25,762,370** | **20,940,141** |
| | | |
| **Current labilities** | | |
| Borrowings | 13,092 | 324,218 |
| Trade and other payables | 500,161 | 1,148,246 |
| **Total current liabilities** | **513,253** | **1,472,464** |
| **Non-current liabilities** | | |
| Borrowings | 381,694 | 591,424 |
| Trade and other payables | 512,272 | 13,640 |
| **Total non-current liabilities** | **893,966** | **605,064** |
| **Total liabilities** | **1,407,219** | **2,077,528** |
| **EQUITY** | | |
| Share capital | 1,183,130 | 1,151,512 |
| Share premium | 9,326,822 | 8,215,737 |
| Own (treasury) shares | -847 | -1,147 |
| Share option reserve | 362,752 | 273,748 |
| Statutory capital reserve | 115,151 | 101,775 |
| Retained earnings (prior periods) | 8,696,528 | 4,691,373 |
| Profit for the year | 4,671,615 | 4,429,615 |
| **Total equity** | **24,355,151** | **18,862,613** |
| **TOTAL LIABILITIES AND EQUITY** | **25,762,370** | **20,940,141** |

## Statement of comprehensive income

| (in euros) | 2023 | 2022 |
|---|---|---|
| Revenue | 5,094,074 | 4,811,757 |
| Cost of sales | -1,403,228 | -1,323,532 |
| **Gross profit** | **3,690,846** | **3,488,255** |
| | | |
| Distribution costs | -410,890 | -366,026 |
| Administrative expenses | -1,038,385 | -971,437 |
| Other operating income | 6,292 | 4,848 |
| Other operating expenses | -30,078 | -196 |
| **Operating profit** | **2,217,785** | **2,155,414** |
| | | |
| Finance income | 2,639,571 | 2,368,086 |
| Finance costs | -81,767 | -93,885 |
| **Total finance income and finance costs** | **2,557,804** | **2,274,201** |
| **Profit before tax** | **4,775,589** | **4,429,615** |
| Income tax expense | -103,971 | 0 |
| **Net profit for the year** | **4,671,618** | **4,429,615** |

## Statement of cash flows

| (in euros) | 2023 | 2022 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Operating profit | **2,217,785** | **2,155,414** |
| Adjustments for: | | |
| *Depreciation, amortisation and impairment losses* | *147,382* | *72,809* |
| *Gains and losses on sale of property, plant and equipment and intangible assets* | *23,986* | *0* |
| *Other adjustments* | *205,421* | *-354,810* |
| **Total adjustments** | **229,407** | **-354,810,** |
| Change in receivables and prepayments | 32,505 | -2,866,256 |
| Change in inventories | 0 | -4,472 |
| Change in payables and deferred income | -641,180 | 609,919 |
| NET CASH FROM (USED IN) OPERATING ACTIVITIES | **1,985,899** | **-387,396** |
| | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Paid on acquisition of property, plant and equipment and intangible assets | -385,939 | -352,774 |
| Proceeds from sale of property, plant and equipment and intangible assets | 3,557 | 0 |
| Loans provided | -4,294,682 | -3,497,849 |
| Repayments of loans provided | 2,880,132 | 2,200,104 |
| Changes in equity not resulting from profit for the year | 4,801 | 139,021 |
| Interest received | 4,894 | 108,052 |
| NET CASH USED IN INVESTING ACTIVITIES | **-1,787,237** | **-1,403,446** |
| | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from loans received | 0 | 1,255,000 |
| Repayments of loans received | -431,000 | 0 |
| Payments of lease principal | -50,813 | -25,019 |
| Interest paid | -5,562 | -2,701 |
| Proceeds from issue of shares | 1,053,527 | 0 |
| Proceeds from sale of own (treasury) shares | 300 | 192,384 |
| Dividends paid | -415,882 | 0 |
| Corporate income tax paid | -103,971 | 0 |
| NET CASH FROM FINANCING ACTIVITIES | **46,599** | **1,419,664** |
| NET CASH FLOW | **245,261** | **-371,178** |
| | | |
| **Cash and cash equivalents at beginning of period** | **265,635** | **636,813** |
| Change in cash and cash equivalents | 245,261 | -371,178 |
| **Cash and cash equivalents at end of period** | **510,896** | **265,635** |

## Statement of changes in equity

| (in euros) | Share capital | Share premium | Share option reserve | Own (treasury) shares | Statutory capital reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|---|
| **As at 31 December 2021** | **1,151,512** | **8,056,879** | **104,939** | **-4,884** | **101,775** | **4,691,373** | **14,101,594** |
| Carrying amount of interests under control and significant influence | 0 | 0 | 0 | 0 | 0 | -62,500 | **-62,500** |
| Value of interests under control and significant influence under the equity method | 0 | 0 | 0 | 0 | 0 | -1,231,753 | **-1,231,753** |
| **Adjusted unconsolidated equity as at 31 December 2021** | **0** | **0** | **0** | **0** | **0** | **3,397,120** | **12,807,341** |
| Profit for the year | 0 | 0 | 0 | 0 | 0 | 4,429,615, | 4,429,615 |
| Issue of share capital | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Share options | 0 | 0 | 168,809 | 0 | 0 | 0 | 168,809 |
| Sale of own shares | 0 | 166,358 | 0 | 3,737 | 0 | 0 | 170,095 |
| Other changes in equity | 0 | -7,500 | 0 | 0 | 0 | 0 | -7,500 |
| **As at 31 December 2022** | **1,151,512** | **8,215,737** | **273,748** | **-1,147** | **101,775** | **9,120,988** | **18,862,613** |
| Carrying amount of interests under control and significant influence | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Value of interests under control and significant influence under the equity method | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| **Adjusted unconsolidated equity as at 31 December 2022** | **1,151,512** | **8,215,737** | **273,748** | **-1,147** | **101,775** | **9,120,988** | **18,862,613** |
| Profit for the year | 0 | 0 | 0 | 0 | 0 | 4,671,615 | 4,671,615 |
| Issue of share capital | 31,618 | 1,021,909 | 0 | 0 | 0 | 0 | 1,053,527 |
| Share options | 0 | 89,176 | 93,804 | 0 | 0 | 0 | 182,980 |
| Transfer to capital reserve | 0 | 0 | 0 | 0 | 13,376 | -13,376 | 0 |
| Sale of own shares | 0 | 0 | 0 | 300 | 0 | 0 | 300 |
| Dividend distribution | 0 | 0 | 0 | 0 | 0 | -415,884 | -415,884 |
| Other changes in equity | 0 | 0 | -4,800 | 0 | 0 | 4,800 | 0 |
| **As at 31 December 2023** | **1,183,130** | **9,326,822** | **362,752** | **-847** | **115,151** | **13,368,143** | **24,355,151** |
| Carrying amount of interests under control and significant influence | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Value of interests under control and significant influence under the equity method | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| **Adjusted unconsolidated equity as at 31 December 2023** | **1,183,130** | **9,326,822** | **362,752** | **-847** | **115,151** | **13,368,143** | **24,355,151** |

# Statement by the management board

The management board completed the preparation of the management report and the consolidated financial statements of Liven AS for 2023 on 11 March 2024.

The group annual report of Liven AS for 31 December 2023 consists of the management report and the consolidated financial statements and the accompanying independent auditors' report.

The report has been digitally signed.

| | | |
|---|---|---|
| Andero Laur<br>Chairman of the<br>Management Board | Mihkel Simson<br>Member of the<br>Management Board | Alina Kester<br>Member of the<br>Management Board |

# Independent auditors' report

**To the Shareholders of Liven AS**

*(Translation of the Estonian original)*

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Liven AS and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements on pages 33 to 66 present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated 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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (Estonia) (including International 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 information included in 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 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 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 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 judgement 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, then 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.

Tallinn, 11. March 2024

/signed digitally/

**Indrek Alliksaar**

Licence No 446

**KPMG Baltics OÜ**
Licence no 17

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# Alternative performance measures

The group presents certain performance measures as the key indicators, which in accordance with the European Securities and Markets Authority (ESMA) Guidelines on Alternative Performance Measures are not measures of historical financial performance, financial position and cash flows defined or explained in IFRS, but are instead non-financial measures and alternative performance measures (APMs).

The non-financial measures and APMs provide management, investors, securities analysts and other parties with significant additional information about the group's results of operations, financial position or cash flows and are often used by analysts, investors and other parties.

The non-financial measures and APMs should not be considered in isolation or as a substitute to the measures under IFRS. The APMs have not been audited.

## Calculation formulas for APMs

Earnings before interest, tax, depreciation and amortisation (EBITDA) = operating profit + interest paid + interest expense capitalised in inventories + depreciation, amortisation and impairment losses

EBITDA margin: EBITDA / revenue

Operating margin: operating profit / revenue

Net margin: net profit attributable to owners of the parent / revenue

Return on assets (ROA): operating profit / average total assets (average for the period)

Return on equity (ROE): net profit attributable to owners of the parent / average equity attributable to shareholders (average for the period)

Return on capital employed (ROCE): (EBITDA – depreciation, amortisation and impairment losses) / (total assets – current liabilities (average for the period))

Equity ratio: equity attributable to owners of the parent / total assets

Adjusted equity ratio: total equity attributable to owners of the parent / (total assets less construction loans)

Current ratio: current assets / current liabilities

Quick ratio: (current assets – inventories) / current liabilities

*In the table below, the indicators for 2019 have been calculated using partly data from the financial statements for 2018, which were not prepared in accordance with IFRS.*

| (in thousands of euros) | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Depreciation, amortisation and impairment losses | 148 | 74 | 25 | 13 | 8 |
| Interest paid | 2,772 | 4,220 | 671 | 716 | 879 |
| Operating profit | 867 | 3,324 | 656 | 1,436 | 1,162 |
| **EBITDA** | **3,788** | **7,618** | **1,353** | **2,165** | **2,048** |
| | | | | | |
| EBITDA | 3,788 | 7,618 | 1,353 | 2,165 | 2,048 |
| Revenue | 35,765 | 32,618 | 6,278 | 9,000 | 9,082 |
| **EBITDA margin** | **10.6%** | **23.4%** | **21.5%** | **24.1%** | **22.6%** |
| | | | | | |
| Operating profit | 867 | 3,324 | 656 | 1,436 | 1,162 |
| Revenue | 35,765 | 32,618 | 6,278 | 9,000 | 9,082 |
| **Operating margin** | **2.4%** | **10.2%** | **10.4%** | **16.0%** | **12.8%** |

| | | | | | |
|---|---|---|---|---|---|
| Net profit attributable to owners of the parent | 775 | 3,324 | 647 | 1,333 | 200 |
| Revenue | 35,765 | 32,618 | 6,278 | 9,000 | 9,082 |
| **Net margin** | **2.2%** | **10.2%** | **10.3%** | **14.8%** | **2.2%** |
| | | | | | |
| Operating profit | 867 | 3,324 | 656 | 1,436 | 1,162 |
| Total assets at end of year | 68,559 | 60,279 | 50,257 | 18,437 | 14,399 |
| Total assets at 30 September | 68,177 | 63,103 | - | - | - |
| Total assets at 30 June | 61,244 | 60,549 | - | - | - |
| Total assets at 31 March | 64,839 | 52,614 | - | - | - |
| Total assets at beginning of year | 60,279 | 50,257 | 18,437 | 14,399 | 5,635 |
| Average total assets | 64,620 | 57,360 | 34,347 | 16,418 | 10,017 |
| **Return on assets (ROA)** | **1.3%** | **5.8%** | **1.9%** | **8.7%** | **11.6%** |
| | | | | | |
| Net profit attributable to owners of the parent | 775 | 3,324 | 647 | 1,333 | 200 |
| Equity attributable to owners of the parent at end of year | 18,122 | 16,526 | 12,807 | 6,840 | 5,403 |
| Total equity attributable to owners of the parent at 30 September | 16,373 | 14,806 | - | - | - |
| Total equity attributable to owners of the parent at 30 June | 17,168 | 14,845 | - | - | - |
| Total equity attributable to owners of the parent at 31 March | 16,526 | 15,194 | - | - | - |
| Equity attributable to owners of the parent at beginning of year | 16,526 | 12,807 | 6,840 | 5,403 | 2,243 |
| Average equity attributable to owners of the parent | 16,943 | 14,836 | 9,824 | 6,121 | 3,823 |
| **Return on equity (ROE)** | **4.6%** | **22.4%** | **6.6%** | **21.8%** | **5.2%** |
| | | | | | |
| EBITDA | 3,788 | 7,618 | 1,353 | 2,165 | 2,048 |
| Depreciation, amortisation and impairment losses | 148 | 74 | 25 | 13 | 8 |
| Total assets at end of year | 68,559 | 60,279 | 50,257 | 18,437 | 14,399 |
| Total assets at 30 September | 68,177 | 63,103 | - | - | - |
| Total assets at 30 June | 61,244 | 60,549 | - | - | - |
| Total assets at 31 March | 64,839 | 52,614 | - | - | - |
| Total assets at beginning of year | 60,279 | 50,257 | 18,437 | 14,399 | 5,635 |
| Current liabilities at end of year | 28,611 | 15,460 | 19,607 | 3,910 | 4,923 |
| Current liabilities at 30 September | 22,171 | 31,749 | - | - | - |
| Current liabilities at 30 June | 11,601 | 27,653 | - | - | - |
| Current liabilities at 31 March | 15,460 | 19,650 | - | - | - |
| Current liabilities at beginning of year | 15,460 | 19,607 | 3,910 | 4,923 | 744 |
| Assets – current liabilities at end of year | 39,948 | 44,818 | 30,650 | 14,527 | 9,476 |
| Assets – current liabilities at 30 September | 46,006 | 31,354 | - | - | - |
| Assets – current liabilities at 30 June | 49,644 | 32,896 | - | - | - |
| Assets – current liabilities at 31 March | 49,379 | 32,964 | - | - | - |
| Assets – current liabilities at beginning of year | 44,818 | 30,650 | 14,527 | 9,476 | 4,891 |
| Average assets – current liabilities | 45,959 | 34,536 | 22,588 | 12,001 | 7,183 |
| **Return on capital employed (ROCE)** | **8.6%** | **22.3%** | **5.9%** | **17.9%** | **28.4%** |

| | | | | | |
|---|---|---|---|---|---|
| Equity attributable to owners of the parent | 18,122 | 16,526 | 12,807 | 6,840 | 5,403 |
| Total assets | 68,559 | 60,279 | 50,257 | 18,437 | 14,399 |
| **Equity ratio** | **26.4%** | **27.4%** | **25.5%** | **37.1%** | **37.5%** |
| | | | | | |
| Equity attributable to owners of the parent | 18,122 | 16,526 | 12,807 | 6,840 | 5,403 |
| Total assets | 68,559 | 60,279 | 50,257 | 18,437 | 14,399 |
| Construction loans | 11,983 | 9,624 | 5,038 | 0 | 953 |
| Total adjusted assets | 57,576 | 50,655 | 45,219 | 18,437 | 13,446 |
| **Adjusted equity ratio** | **32.0%** | **32.6%** | **28.3%** | **37.1%** | **40.2%** |
| | | | | | |
| Current assets | 67,480 | 59,794 | 50,075 | 18,386 | 14,392 |
| Current liabilities | 28,611 | 15,460 | 19,607 | 3,910 | 4,923 |
| **Current ratio** | **2.36** | **3.87** | **2.55** | **4.70** | **2.92** |
| | | | | | |
| Current assets | 67,480 | 59,794 | 50,075 | 18,386 | 14,392 |
| Inventories | 62,112 | 54,140 | 44,976 | 15,439 | 12,138 |
| Current liabilities | 28,611 | 15,460 | 19,607 | 3,910 | 4,923 |
| **Quick ratio** | **0.19** | **0.37** | **0.26** | **0.75** | **0.46** |
| | | | | | |
| Net profit | 775 | 3,324 | 638 | 1,439 | 730 |
| Weighted average number of shares (in thousands) | 11,753 | 11,515 | 10,888 | 10,178 | 8,362 |
| **Earnings per share** | **0.066** | **0.289** | **0.059** | **0.141** | **0.087** |
| | | | | | |
| Net profit attributable to owners of the parent | 18,122 | 3,324 | 647 | 1,333 | 200 |
| Weighted average number of shares (in thousands) | 11,753 | 11,515 | 10,888 | 10,178 | 8,362 |
| **Earnings per share attributable to owners of the parent** | **0.066** | **0.289** | **0.059** | **0.131** | **0.024** |

**Home of the Year 2023**: Kitchen in the Iseära development