ANNUAL REPORT

beginning of financial year: 01.01.2022
end of the financial year: 31.12.2022

business name: Bonava Eesti OÜ

register code: 11398856

street, building: Toompuiestee 35
city: Tallinn
county: Harju maakond
postal code: 10149

telephone: +372 6274855
fax: +372 6274851
e-mail address: info@bonava.ee
web address: www.bonava.ee

Table of contents

Management report

Introduction of Bonava

Bonava is a leading residential development company in Northern Europe, creating homes and neighborhoods where people enjoy a high quality of life. The 1,900-employee company develops and sells homes in seven countries: Sweden, Finland, Norway, Germany, Estonia, Latvia and Lithuania, focusing on larger cities where the population is growing and demand for new homes is steady.

In 2022, Bonava's sales revenue was 1.4 billion euros and a total of 2,727 new homes were sold. The company is the first housing developer in Europe to be approved by the Science Based Targets initiative for its climate targets. Bonava's shares and green bond are listed on the Stockholm Stock Exchange.

Bonava received an 'A' grade from the global non-profit organization Carbon Disclosure Project (CDP) for its environmental initiatives. 71 percent of the new buildings started by Bonava were more than 10 percent more energy efficient than the regulations for new buildings require.

Operating from NCC, Bonava has been creating homes and neighborhoods since the 1930s, and during this time we have become experienced experts in creating homes with comfortable and optimal solutions. We have been operating under the Bonava brand since the spring of 2016, when NCC Housing became an independent company.

Bonava mission

Bonava aims to create happy neighborhoods for many people. As a residential developer, we are constantly looking for new ways to shape neighborhoods and create homes that contribute to a happier, more sustainable and healthier society. The basis of the best home is not only architecture or beautiful furnishings, but above all people and life there. That's why we also started the "Happy Neighborhood Survey" in 2017, with the help of which we investigate what people consider important about their home and neighborhood. In this way, we as a company can also constantly improve ourselves.

Bonava values

Values define who we are. We were guided by the following values in our daily activities:

- Committed. We drive business results and customer satisfaction.
- Caring. We want to be the best for each other, our customers and society.
- Curious. We always strive to learn and improve, creating the best for our customers.

Bonava Eesti OÜ

Bonava is one of the largest developers of new homes in Estonia. During our 19 years of operation in Estonia, we have developed and sold nearly 3,000 apartments - in Viimsi center Tammeõue, on the border of Kadriorg and Lasnamäe Vana-Kuuli and Liikuri Kvartal, Mustamäe in Rabaküla and Uus-Mustamäe, in Haabersti Pärnaõue, Järveotsa Kodud and Pikaliiva Kaarmaja, Ketraja Majad and Kolde Rannamaja in Pelguranna and Mõtuse Kodud in the Kristiine district.

We plan to build another 2,000 new homes over the next five years. In the heart of Mustamäe, one of Tallinn's largest new developments, Uus-Mustamäe and in Haabersti, Järveotsa Kodud and Pikaliiva Kaarmaja, are being built.

We create modern homes and well-designed neighborhoods, and as general contractors, we manage the construction of homes through all stages - from design and construction management to sales, marketing and warranty service. In-house design and project management combined with long-term experience ensure high construction quality and carefully thought-out homes where people feel good about living.

Real estate market

The number of real estate transactions in Tallinn and Harju County decreased by 18% in 2022 compared to the previous year. The decrease in transactions, which was significant in the second half of the year, was mainly based on a sharp decrease in consumer confidence resulting from the forecast of winter heating and energy prices. The availability of real estate was also reduced by inflation, which reached more than 20% in the II and III quarters of 2022, and the increase in the cost of loans due to Euribor. Despite the significant decrease in transactions, the prices of apartments in new developments remained stable.

Bonava Estonia’s activities in 2022

In 2022, with 183 sold apartments, Bonava was the largest housing developer in Estonia. In 2022, we continued operations in the Uus-Mustamäe project - phase IV at Aiandi 7 was completed in the middle of the year, and we also continued with the sale of apartments in phases V and VII of Uus-Mustamäe. In 2022, the construction of the last phase of the residential area with over 700 apartments was completed in the long-term development of Pärnaõue, and the entire development project came to an end with the completion of the last Premium Star apartments. At the end of 2022, phase II of the large multi-stage Järveotsa Kodud development in Haabersti was also completed.

Health and safety is one of the most important principles of Bonava's activities. Our greatest assets is our people – our zero-loss vision means that there should be no accidents on any of our work sites. In 2022, Bonava took its health and safety activities to a new level with the group-wide Everyone's Plan, on the basis of which several different trainings, information days and other activities that increase health and safety were carried out.

The international credit information company AS Creditinfo Eesti recognized Bonava Eesti OÜ with the label of Successful Estonian Company and assessed Bonava Eesti OÜ's 2022 credit rating as Very Good (AA).

Employees

An average of 91 employees worked in Bonava Eesti OÜ during the reporting period. Compared to 2021, the number of employees in Bonava Estonia increased by 17 employees, as of 31.12.2022, Bonava Estonia had 97 employees. As of the end of 2022, the company's board consisted of two members.

For Bonava, the ability to bring out the best in every employee is important. Every employee participates in setting their own professional and personal development goals, and Bonava supports their fulfillment by offering opportunities to gather knowledge from professional trainings and conferences and communicating with colleagues from other countries. In addition to offering self-realization and professional development, Bonava considers it very important to ensure high management quality. Thanks to this, each employee has a clear knowledge of the goals and expectations to be achieved, is motivated and can feel proud of working at Bonava.

Risk management

The primary means of managing various operational risks are quality, environmental and occupational safety measures developed in the company. Regular review of the management system and risk assessment is carried out as a regular process in the Bonava group as a whole, during which the local company's activities are evaluated by members of the group's risk committee.

To prevent and solve problems related to construction quality and occupational safety, the company employs an occupational safety specialist whose main task is to monitor the construction quality and occupational safety situation on construction sites and advise project teams with the aim of preventing problems. The occupational safety situation on construction sites is regularly assessed by an external auditor. To mitigate the risks of construction activities, the company has signed total construction risk insurance contracts and a liability insurance framework contract for all objects.

We have considered the impact of Russia's military invasion of Ukraine and its current and potential future effects on the company. Work on the objects continued at a more or less normal pace, there were no significant stoppages due to the lack of workers or delays in deliveries. The main threat to the company may be high inflation and the resulting countermeasures by central banks, which may reduce the number of people who can afford to buy a new home.

Financial risks

The company's loan obligations to Bonava Treasury are in euros, and as a result, the company's financial risk due to currency markets can be assessed as low. The financial risk of the company is moderate in the opinion of the management at the time of preparing the report.

Action plan for 2023

Bonava continues to work with the goal of being one of the leading housing developers in Estonia and offering new homes to as many people as possible. Bonava's financial position is solid, we continue stable operations, being represented in major residential areas: Haabersti and Mustamäe. We are developing our production systems and work processes to achieve even greater efficiency, investing in digitalization and increasing in-house competence.

The most important activities in 2023 are the completion of new projects in the Uus-Mustamäe, Järveotsa Kodud and Pikaliiva Kaarmaja developments, as well as the continuation of sales activities in several new developments.

Key financial ratios:	**2022**	**2021**
Sales revenue (thousand euros)	32 315	36 923
Sales growth (%)	-12%	62%
Net profit (thousand euros)	3 802	3 967
Net profit margin (%)	11,8%	10,7%
Current ratio (times)	1,7	1,6
ROA (%)	8,4%	10,0%
ROE (%)	19,8%	25,7%

Formulas used for calculating ratios:

• Sales growth (%) = (sales revenue 2022 – sales revenue 2021) / sales revenue 2021 * 100

• Net profit margin (%) = net profit / sales revenue * 100

• Current ratio (times) = current assets / current liabilities

• ROA (%) = net profit / total assets * 100

• ROE (%) = net profit / total equity * 100

The annual accounts

Statement of financial position

(In Euros)

	31.12.2022	31.12.2021	Note
Assets			
Current assets			
Cash and cash equivalents	443 299	1 008 106	
Receivables and prepayments	626 940	2 274 242	2
Inventories	44 096 655	35 802 953	3
Total current assets	**45 166 894**	**39 085 301**	
Non-current assets			
Receivables and prepayments	4 226	29 558	2
Property, plant and equipment	311 137	386 880	5
Intangible assets	11 684	10 587	
Total non-current assets	**327 047**	**427 025**	
Total assets	**45 493 941**	**39 512 326**	
Liabilities and equity			
Liabilities			
Current liabilities			
Loan liablities	18 100 072	16 983 464	6,16
Payables and prepayments	6 126 361	5 197 399	7
Provisions	2 022 041	1 881 321	8
Total current liabilities	**26 248 474**	**24 062 184**	
Non-current liabilities			
Provisions	948	1 985	8
Total non-current liabilities	**948**	**1 985**	
Total liabilities	**26 249 422**	**24 064 169**	
Equity			
Issued capital	4 474	4 474	10
Statutory reserve capital	447	447	
Other reserves	2 459 896	2 459 896	
Other equity	1 106	6 515	
Retained earnings (loss)	12 976 825	9 009 648	
Annual period profit (loss)	3 801 771	3 967 177	
Total equity	**19 244 519**	**15 448 157**	
Total liabilities and equity	**45 493 941**	**39 512 326**	

Income statement

(In Euros)

	2022	2021	Note
Revenue	32 314 732	36 922 507	11
Cost of sales	-25 446 839	-30 838 871	12
Gross profit (loss)	**6 867 893**	**6 083 636**	
Distribution costs	-93 453	-107 112	
Administrative expense	-2 409 598	-1 653 336	13
Other income	33	0	
Other expense	-838	-650	
Operating profit (loss)	**4 364 037**	**4 322 538**	
Interest income	0	1 895	
Interest expenses	-562 397	-357 399	15
Other financial income and expense	131	143	
Profit (loss) before tax	**3 801 771**	**3 967 177**	
Annual period profit (loss)	**3 801 771**	**3 967 177**	

Statement of cash flows
(In Euros)

	2022	2021	Note
Cash flows from operating activities			
Operating profit (loss)	4 364 037	4 322 538	
Adjustments			
Depreciation and impairment loss (reversal)	203 476	138 696	5
Other adjustments	-5 409	26 657	
Total adjustments	**198 067**	**165 353**	
Changes in receivables and prepayments related to operating activities	1 672 634	-2 043 702	2
Changes in inventories	-8 293 702	-4 899 611	3
Changes in payables and prepayments related to operating activities	1 073 072	-2 495 391	7,8
Interest received	131	142	
Interest paid	-216	-241	
Total cash flows from operating activities	**-985 977**	**-4 950 912**	
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	-128 830	-228 724	5
Loans given	0	-133 000	16
Repayments of loans given	0	133 000	16
Interest received	0	1 895	
Total cash flows from investing activities	**-128 830**	**-226 829**	
Cash flows from financing activities			
Loans received	14 100 000	17 670 000	6,16
Repayments of loans received	-13 550 000	-12 700 000	6,16
Interest paid	0	-4 311	
Total cash flows from financing activities	**550 000**	**4 965 689**	
Total cash flows	**-564 807**	**-212 052**	
Cash and cash equivalents at beginning of period	1 008 106	1 220 158	
Change in cash and cash equivalents	**-564 807**	**-212 052**	
Cash and cash equivalents at end of period	443 299	1 008 106	

Statement of changes in equity

(In Euros)

						Total
	Issued capital	Statutory reserve capital	Other reserves	Other equity	Retained earnings (loss)	
31.12.2020	4 474	447	2 459 896	0	9 009 648	11 474 465
Annual period profit (loss)	0	0	0	0	3 947 035	3 947 035
Other changes in equity	0	0	0	6 515	20 142	26 657
31.12.2021	4 474	447	2 459 896	6 515	12 976 825	15 448 157
Annual period profit (loss)	0	0	0	0	3 801 771	3 801 771
Other changes in equity	0	0	0	-5 409	0	-5 409
31.12.2022	4 474	447	2 459 896	1 106	16 778 596	19 244 519

Under other equity is shown a long-term incentive plan or LTIP, what is a type of executive compensation granted as matching shares of the company.

More detailed information on share capital and other equity items is provided in Notes 9 and 10.

Notes

Note 1 Accounting policies

General information

The 2022 annual accounts of Bonava Eesti OÜ (hereinafter the Company) have been prepared in accordance with the Estonian financial reporting standard, established in the Accounting Act of the Republic of Estonia, supplemented by the Guidelines of the Accounting Standards Board.

The annual accounts have been prepared on the historical cost basis unless described otherwise in the below accounting policies.

Annual accounts have been prepared in euros.

Financial assets

The Company has the following financial assets: cash and cash equivalents, trade receivables and other receivables.

The purchase and sale of financial assets are recognised on the transaction day, i.e., on the day when the Company assumes an obligation (e.g., enters into a contract) for the purchase or sale of certain financial assets.

Cash and cash equivalents, trade receivables and other receivables (accrued income, loans granted and other short and long-term receivables) shall be carried at amortised cost. Amortised cost of short-term receivables generally equals their nominal value (less repayments and any allowance for impairment). Accordingly, short-term receivables are stated in the balance sheet in the expected amount to be collected from the asset. For determining the amortised cost of long-term receivables, they are initially recognised at the fair value of the consideration receivable, and subsequently interest income is recognised on the receivable using the effective interest rate method.

On each balance sheet date, an assessment is made to determine whether there are circumstances indicating that an asset may be impaired. If such evidence is present, the financial assets shall be written down as follows: financial assets carried at amortised cost (for example, receivables and bonds held-to-maturity) shall be written down to the present value of their estimated future cash inflows (discounted at the financial asset’s original effective interest rate). Impairment losses shall be recognised as an expense in the income statement. In case the recoverable amount of previously written down financial assets, carried at amortised cost, increases in subsequent periods, the previously recognised impairment loss shall be reversed up to the amount that is lower of the following two amounts: (1) the present value of expected future payments arising on financial assets; and (2) the carrying amount at amortised cost method if the impairment had not previously occurred. The reversals of impairment losses shall be recognised in the income statement.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents are cash at hand and balances of current accounts.

Foreign currency transactions and assets and liabilities denominated in a foreign currency

The functional currency of the company is euro.

All currencies other than the functional currency, the euro, are considered foreign currencies.

Foreign currency transactions are recorded based on the official European Central Bank exchange rates effective on the transaction date. On the balance sheet date, all foreign currency monetary assets and liabilities are translated into the functional currency using the exchange rates of the European Central Bank prevailing on the balance sheet date. Profit and loss, arising as a result of the translation shall be recognised in the income statement for the reporting period.

Receivables and prepayments

Trade receivables comprise current receivables that occur in the course of economic activity. Trade receivables are measured at their amortised cost (i.e., nominal value less repayments and any allowance for impairment).

Impairment of receivables is recorded whenever there is objective evidence of the fact that the total amount of receivables will not be collected in accordance with the initial contractual terms and conditions of receivables. The circumstances referring to a possible impairment of receivables are the bankruptcy of a debtor or its significant financial difficulties and failure to stick to deadlines. Impairment (i.e., need for impairment) of individually significant receivables is assessed separately for each buyer, based on the present value of the expected collectible amounts. Other financial assets that are not individually significant and for which there is no direct evidence of their impairment are assessed collectively for impairment, considering the experience of previous years on outstanding receivables. The impairment amount of uncollectible receivables is the difference in the carrying amount of such receivables and the present value of future cash flows using the effective interest rate method.

The carrying amount of the receivables is reduced by the amount of impairment of uncollectible receivables and the loss from the impairment is recorded in the income statement under miscellaneous operating expenses. The receivable and its impairment shall be written off the balance sheet if the receivable is deemed to be irrecoverable. When a doubtful receivable is subsequently collected, the previously recognised impairment loss is reversed by reducing expenses from impairment of receivables.

Inventories

Housing units built for sale, registered immovable under development and capitalised expenses of development projects are recognised as inventories. Inventories shall initially be recognised at cost which comprises costs of purchase, production costs and other costs incurred in bringing the inventories to their present location and condition. The acquisition cost of finished goods and work in progress consists of costs directly attributable to each development project. The Company's inventories can be distinguished by individual development projects and their acquisition cost is determined by collecting the costs made for the acquisition of each object separately. Upon partial sale of a development project, the cost of goods sold shall be determined based on the proportion of the sales revenue of the sold part from the estimated sales revenue of the entire project.

Inventories shall be measured in the balance sheet at the lower of cost or net realisable value.

Net realisable value is the estimated selling price of a product used in the ordinary course of business less the estimated costs of completion and those necessary to make the sale. When measuring inventories at net realisable value, impairment losses are recognised in the income statement row "Changes in inventories of finished goods and work-in-progress".

Plant, property and equipment and intangible assets

Assets used for the company's economic activity with a useful life exceeding one year and with value exceeding EUR 300, are recorded as property, plant and equipment and intangible assets.

Property, plant and equipment shall be carried in the balance sheet at cost, less accumulated amortisation and any accumulated impairment losses.
Assets are depreciated on a straight-line-basis. Useful life for the groups of property, plant and equipment and intangible assets have been presented in the below table.

Land is not depreciated.

On each balance sheet date, an assessment is made about property, plant and equipment and intangible assets to determine whether there are circumstances indicating that an asset may be impaired. In such circumstances the recoverable value of the asset is assessed and compared to its carrying value. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.
Asset impairment losses shall be recognised as expenses of the accounting period. At each balance sheet date, an entity shall assess whether the recoverable amount of assets written down has increased since then to exceed its carrying amount. In this case the carrying amount of the asset is increased to an amount that would have been determined, taking into account regular depreciation during the years since recognition of impairment loss. The reversals of impairment losses shall be recognised as a reduction of the expenses for the reporting period.

Minimal acquisition cost 300

Useful life by assets group (years)

Assets group name	Useful life
PC-s and computer systems	3
Office equipment	5
Production equipment	5
Licenses	3

Leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee.

Other leases are classified as operating leases. Assets leased out under an operating lease shall be recorded in the balance sheet similarly to other assets presented in the balance sheet. Operating lease payments are recognised as expense over the lease period on a straight-line basis.

Financial liabilities

Upon initial recognition, all financial liabilities (trade payables, loans received, accrued expenses, issued bonds and other current and non-current payables) are measured at their cost that includes any directly attributable transaction costs.

After initial recognition, financial liabilities are measured using the amortised cost method (except for financial liabilities acquired or incurred for the purpose of resale and derivatives with negative fair value, which are measured at fair value).

The amortised cost of current financial liabilities is generally equal to their nominal value. Therefore, current financial liabilities are carried in the amount payable. For calculating the amortised cost of non-current financial liabilities, they are initially recognised at the fair value of the consideration payable (less transaction costs) by determining interest expense on the liabilities in the following periods using the effective interest rate method.

A financial liability is classified as current liability when it is due to be settled within 12 months after the balance sheet date or the company does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Loan liabilities, the repayment date of which is within 12 months after the balance sheet date, however which are refinanced into a long-term liability after the balance sheet date but before the approval of the annual report, shall be recorded as current liabilities. Also, the loan liabilities, which the lender had the right to call in at the balance sheet date due to the violation of the conditions set out in the loan agreement, are recognised as current liabilities.

Provisions and contingent liabilities

Provisions are recognised in the balance sheet as probable liabilities that have arisen as a result of past events that occurred before the balance sheet date and the timing or amount of which is uncertain. In recognising provisions in the balance sheet, the opinion of management regarding the amount probably needed for settling provisions or the timing of provisions have been used as the basis. The provisions are recognised in the amount that management estimates is necessary to settle the obligation or to transfer it to a third party as of the balance sheet date.

When it is a probable that the provision is expected to realise later than 12 months after the balance sheet date, it is recorded at discounted value (present value of expected outflows), unless the discounting effect is immaterial.

Other possible or present obligations, the settlement of which is not probable or whose amount of expenses involved cannot be measured with sufficient reliability, have been disclosed in the notes to the annual report as contingent liabilities.

Warranty provisions

Bonava Eesti OÜ provides a 3-year warranty to the housing units handed over. A provision has been set up in the balance sheet in the amount necessary for settling the warranty obligations for the products handed over by the balance sheet date. Past experience is used as the basis for the measurement of provisions.

Equity statutory reserve capital

In accordance with the Commercial Code, during each financial year, at least one-twentieth of the net profit shall be entered in the legal reserve until the legal reserve reaches one-tenth of the share capital. Legal reserve may be used to cover the loss as well as to increase the share capital. Payments may not be made to shareholders from the legal reserve.

Revenue recognition

Revenue from the sale of goods shall be measured at the fair value of the consideration received or receivable, considering all allowances and discounts made. Revenue from the sale of goods is recognised when all significant risks of ownership of the goods have been transferred from the seller to the buyer, the amount of sales proceeds and the transaction costs can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company.

Revenue from rendering services is recognised when the service has been rendered or, if the service is rendered over an extended period, using the stage of completion method. Revenue and profits from rendering services are recognised proportionately in the same periods as the expenses related to the rendering of services. The stage of completion of a service rendered is determined by using the ratio of the actual costs relating to rendering the service compared to total budgeted costs.
When the outcome of a transaction involving the rendering of services or a project cannot be estimated reliably; however, it is probable that

the Company is able to at least recover the costs incurred for the rendering of the service, the revenue shall be recorded only within the extent of actual expenses related to performing the contract. When it is probable that total service costs will exceed total service revenue, the expected loss shall be recognised immediately in full.

Interest income is recognised when it is probable that it will be received and its amount can be measured reliably. Interest income is recognised using the effective interest rate method, unless it is doubtful that the interest can be collected. In such cases, interest income is measured on a cash basis.

Taxation

According to the Income Tax Act, effective in Estonia, the annual profit earned by enterprises is not taxed. Income tax is paid on dividends, fringe benefits, gifts, donations, hospitality, payments not related to the business and adjustments to transfer prices.

Starting from 1 January 2015, the tax rate on the profit distributed as dividends is 20/80 on the net amount to be disbursed.

Under certain conditions, dividends received can be re-distributed without additional income tax expense. The corporate income tax arising from the payment of dividends is accounted for as a liability and in the income statement as income tax expense in the period when dividends are declared, regardless of the period for which the dividends are paid or the actual payment date. The obligation to pay income tax arises on the 10th day of the month following the actual payment of dividends.

Due to the nature of the taxation system, companies registered in Estonia do not have differences between the tax accounting and balance sheet residual values of assets and, consequently, they also have no deferred income tax assets and liabilities. A contingent income tax liability that would arise from retained earnings on the payment of dividends is not recorded in the balance sheet. If the Company has distributable profit, the maximum income tax liability that would result from the distribution of retained earnings as dividends is presented in the notes to the annual report.

From 2019, tax rate of 14/86 can be applied to the distribution of dividends. The more beneficial tax rate can be used for profit distribution in the amount of up to the average dividend payment during the three preceding financial years that were taxed with the 20/80 tax rate. When calculating the average dividend payment of three preceding financial years, 2018 will be the first year to be taken into account.

Related parties

Upon preparing the annual report of the Company, the related parties are:

a. owners (parent company and persons who have control or significant influence over the parent company);
b. other companies in the same consolidation group (incl. other subsidiaries of the parent company);
c. executive management;
d. close family members of the aforementioned persons and companies under their control or significant influence.

Note 2 Receivables and prepayments

(In Euros)

	31.12.2022	Allocation by remaining maturity		Note
		Within 12 months	1 - 5 years	
Accounts receivable	62 945	62 945	0	
Receivables from related parties	29 872	29 872	0	16
Tax prepayments and receivables	2 226	2 226	0	4
Other receivables	227 044	222 818	4 226	
Prepayments	309 079	309 079	0	
Deferred expenses	9 186	9 186	0	
Other paid prepayments	299 893	299 893	0	
Total receivables and prepayments	**631 166**	**626 940**	**4 226**	

	31.12.2021	Allocation by remaining maturity		Note
		Within 12 months	1 - 5 years	
Accounts receivable	1 700 546	1 700 546	0	
Receivables from related parties	18 241	18 241	0	16
Tax prepayments and receivables	278 552	278 552	0	4
Other receivables	34 682	5 124	29 558	
Prepayments	271 779	271 779	0	
Deferred expenses	9 100	9 100	0	
Other paid prepayments	262 679	262 679	0	
Total receivables and prepayments	**2 303 800**	**2 274 242**	**29 558**	

Note 3 Inventories

(In Euros)

	31.12.2022	31.12.2021
Raw materials	**8 433 082**	**11 430 481**
Property for future development	8 433 082	11 430 481
Work in progress	**28 229 564**	**17 839 689**
Capitalized development costs	3 056 618	1 989 432
Ongoing Projects	25 172 946	15 850 257
Finished goods	**2 958 477**	**2 323 801**
Completed units	2 958 477	2 323 801
Inventory prepayments	**4 475 532**	**4 208 982**
Option agreement advance payments	4 475 532	4 208 982
Total Inventories	**44 096 655**	**35 802 953**

There have been no inventory write-downs in 2022 and 2021.

Note 4 Tax prepayments and liabilities

(In Euros)

	31.12.2022		31.12.2021	
	Tax prepayments	Tax liabilities	Tax prepayments	Tax liabilities
Value added tax	0	400 155	0	333 365
Personal income tax	0	113 907	0	96 209
Fringe benefit income tax	0	5 616	0	4 383
Social tax	0	193 142	0	162 945
Contributions to mandatory funded pension	0	9 237	0	7 978
Unemployment insurance tax	0	12 748	0	11 036
Prepayment account balance	2 226		278 552	
Total tax prepayments and liabilities	**2 226**	**734 805**	**278 552**	**615 916**

Prepayments of taxes are included in the balance sheet item "Receivables and prepayments" (see Note 2), tax liabilities in the item "Payables and prepayments" (see Note 7).

Note 5 Property, plant and equipment

(In Euros)

						Total
			Machinery and equipment	Other property, plant and equipment		
	Computers and computer systems	Other machinery and equipment			Prepayments	
31.12.2021						
Carried at cost	157 750	95 078	252 828	715 475	27 806	996 109
Accumulated depreciation	-106 635	-47 236	-153 871	-455 358	0	-609 229
Residual cost	51 115	47 842	98 957	260 117	27 806	386 880
Acquisitions and additions	46 600	44 734	91 334	57 709	0	149 043
Depreciation	-35 853	-20 725	-56 578	-140 617	0	-197 195
Impairment loss	-323	-511	-834	0	0	-834
Reclassifications	4 476	-6 782	-2 306	2 306	-26 224	-26 224
Other changes	-533	0	-533	0	0	-533
31.12.2022						
Carried at cost	184 853	131 907	316 760	775 630	1 582	1 093 972
Accumulated depreciation	-119 371	-67 349	-186 720	-596 115	0	-782 835
Residual cost	65 482	64 558	130 040	179 515	1 582	311 137

See also Note 12 and 13.

Note 6 Loan commitments
(In Euros)

	31.12.2022	Allocation by remaining maturity			Interest rate	Base currencies	Due date
		Within 12 months	1 - 5 years	Over 5 years			
Current loans							
Current interest-bearing liabilities to group companies	18 100 072	18 100 072			4,04%	EUR	05.01.2023
Current loans total	18 100 072	18 100 072					
Loan commitments total	18 100 072	18 100 072					

	31.12.2021	Allocation by remaining maturity			Interest rate	Base currencies	Due date
		Within 12 months	1 - 5 years	Over 5 years			
Current loans							
Current interest-bearing liabilities to group companies	16 983 464	16 983 464			2,25%	EUR	05.01.2022
Current loans total	16 983 464	16 983 464					
Loan commitments total	16 983 464	16 983 464					

In 2022, an additional loan of 14 100 000 EUR (2021: 17 070 000 EUR) was taken from Bonava Treasury AB and 566 608 EUR of the interest-bearing debt incurred was converted into a loan liability (2021: 352 292 euros), a total loan amount of 14 666 608 euros (2021: 17 422 292 EUR). The loan was repaid in the amount of 13 550 000 EUR (2021: 12 100 000 EUR).

Estimated interest for the financial year was 562 181 euros (2021: 352 848 euros).

As of 31.12.2022, the unpaid interest was in the amount of 4 064 euros (2021: 8 492 euros). See Note 7 "Payables and prepayments".

Bonava Treasury AB loan interest rate was 2,25-4,04%

See also Note 16 "Related parties" and Note 15 "Interest expenses".

Note 7 Payables and prepayments

(In Euros)

	31.12.2022	Within 12 months	Note
Trade payables	3 066 947	3 066 947	
Employee payables	352 188	352 188	
Related parties payables	4 064	4 064	6,16
Tax payables	734 805	734 805	4
Other payables	1 197	1 197	
Prepayments received	1 967 160	1 967 160	
Total payables and prepayments	**6 126 361**	**6 126 361**	
	31.12.2021	**Within 12 months**	**Note**
Trade payables	2 154 610	2 154 610	
Employee payables	286 887	286 887	
Related parties payables	8 492	8 492	6,16
Tax payables	615 916	615 916	4
Other payables	1 276	1 276	
Prepayments received	2 130 218	2 130 218	
Total payables and prepayments	**5 197 399**	**5 197 399**	

Note 8 Provisions

(In Euros)

	31.12.2021	Establishing/Adjustments	Provision used	31.12.2022
Bonuses	229 972	296 027	-257 179	268 820
Accrued production expenses	1 061 215	1 931 965	-2 389 142	604 038
Provisions for warranties	567 773	1 019 850	-460 511	1 127 112
Other accrued expenses	24 346	21 034	-22 361	23 019
Total provisions	**1 883 306**	**3 268 876**	**-3 129 193**	**2 022 989**
Including:				
Current	**1 881 321**	**3 269 913**	**-3 129 193**	**2 022 041**
Warranty provision	567 773	1 019 850	-460 511	1 127 112
Other provisions	1 313 548	2 250 063	-2 668 682	894 929
Non-current	**1 985**	**-1 037**	**0**	**948**
Other provisions	1 985	-1 037	0	948

At the end of the year, the company formed bonus reserves for 2022 in accordance with the bonus terms, which will be paid out in 2023.

The company formed additional provisions of construction costs for apartment buildings completed at the end of the year. Liabilities for third parties realized in 2023 are paid at the expense of the provisions.

After the termination of the construction contracts, the company forms guarantee provisions in accordance with the contractual terms. Payment is made at the expense of provisions after the transfer of construction projects to the clients, for the construction defects, deficiencies and other related expenses. Contractual warranty periods for the subcontractors are three years.

Note 9 Contingent liabilities and assets
(In Euros)

	31.12.2022	31.12.2021
Contingent liabilities		
Distributable dividends	13 422 877	10 381 460
Income tax liability on distributable dividends	3 355 719	2 595 365
Total contingent liabilities	**16 778 596**	**12 976 825**

Contingent liabilities arising from tax audits: The tax authority has the right to audit the company's tax accounting for up to 5 years the term for filing the tax return and, if errors are identified, impose an additional amount of tax, interest and a fine. Company management estimates there are no such circumstances, where as a result the tax authority could impose a significant additional amount of tax on the company.

Note 10 Share capital
(In Euros)

	31.12.2022	31.12.2021
Share capital	4 474	4 474
Number of shares (pcs)	1	1

Note 11 Net sales
(In Euros)

	2022	2021	Note
Net sales by geographical location			
Net sales in European Union			
Estonia	31 647 654	36 525 464	
Latvia	12 823	725	
Sweden	650 514	396 318	
Lithuania	3 741	0	
Total net sales in European Union	**32 314 732**	**36 922 507**	
Total net sales	**32 314 732**	**36 922 507**	
Net sales by operating activities			
Housing development	31 644 486	36 516 280	
Management fee	650 514	396 318	16
Other revenue	19 732	9 909	
Total net sales	**32 314 732**	**36 922 507**	

Note 12 Cost of goods sold
(In Euros)

	2022	2021	Note
Raw materials	3 310 311	2 103 850	
Subcontracting work	17 005 873	24 611 340	
Miscellaneous office expenses	41 403	29 380	
Labor expense	3 393 799	2 656 713	14
Depreciation	39 778	31 552	5
Costs related to appartment sales	1 016 110	912 624	
Other	639 565	493 412	
Total cost of goods sold	**25 446 839**	**30 838 871**	

Note 13 Administrative expense
(In Euros)

	2022	2021	Note
Miscellaneous office expenses	265 554	186 293	
Travel expense	28 427	5 574	
Labor expense	851 110	553 053	14
Depreciation	135 818	77 974	5
Other	0	30 268	
Management expenses	1 128 689	800 174	
Total administrative expense	**2 409 598**	**1 653 336**	

Note 14 Labor expense
(In Euros)

	2022	2021
Wage and salary expense	3 456 921	2 699 311
Social security taxes	1 134 583	855 042
Total labor expense	**4 591 504**	**3 554 353**
Average number of employees in full time equivalent units	91	73
Average number of employees by types of employment:		
Person employed under employment contract	89	72
Member of management or controlling body of legal person	2	1

See also Note 12,13.

Note 15 Interest expenses
(In Euros)

	2022	2021
Interest expense from loans	562 181	357 159
Other interest expense	216	240
Total interest expense	**562 397**	**357 399**

More detailed information on interest is provided in Note 6 "Loan commitments" and Note 16 "Related parties".

Note 16 Related parties
(In Euros)

Name of accounting entity's parent company	Bonava AB
Country where accounting entity's parent company is registred	Sweden
Group name where parent company belongs	Bonava AB
Country where group's parent company is registred	Sweden

Related party balances according to groups

SHORT TERM	31.12.2022	31.12.2021	Note
Receivables and prepayments			
Parent company	29 872	18 241	2
Total receivables and prepayments	**29 872**	**18 241**	
Loan commitments			
Other entities belonging into same consolidation group	18 100 072	16 983 464	6
Total loan commitments	**18 100 072**	**16 983 464**	
Payables and prepayments			
Other entities belonging into same consolidation group	4 064	8 492	7
Total payables and prepayments	**4 064**	**8 492**	

GIVEN LOANS	31.12.2020	Given loans	Given loans repayments	31.12.2021	Interest accrued for period	Note
Other entities belonging into same consolidation group	0	133 000	133 000	0	1 895	
Total given loans	**0**	**133 000**	**133 000**	**0**	**1 895**	
GIVEN LOANS	**31.12.2021**	**Given loans**	**Given loans repayments**	**31.12.2022**	**Interest accrued for period**	**Note**
Other entities belonging into same consolidation group	0	0	0	0	0	
Total given loans	**0**	**0**	**0**	**0**	**0**	

LOAN COMMITMENTS	31.12.2020	Loans received	Loans received repayments	31.12.2021	Interest accrued for period	Note
Other entities belonging into same consolidation group	11 661 172	18 022 292	12 700 000	16 983 464	357 159	6
Total loan commitments	**11 661 172**	**18 022 292**	**12 700 000**	**16 983 464**	**357 159**	
LOAN COMMITMENTS	**31.12.2021**	**Loans received**	**Loans received repayments**	**31.12.2022**	**Interest accrued for period**	**Note**
Other entities belonging into same consolidation group	16 983 464	14 666 608	-13 550 000	18 100 072	562 181	6
Total loan commitments	**16 983 464**	**14 666 608**	**-13 550 000**	**18 100 072**	**562 181**	

SOLD	2022		2021
	Goods	Services	Services
Parent company	0	650 514	396 318
Other entities belonging into same consolidation group	0	16 564	725
Total sold	**0**	**667 078**	**397 043**

BOUGHT	2022		2021
	Goods	Services	Services
Parent company	0	949 401	762 494
Other entities belonging into same consolidation group	2 072	25 993	665
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	0	15 154	15 674
Total bought	**2 072**	**990 548**	**778 833**

Remuneration and other significant benefits calculated for members of management and highest supervisory body		
	2022	**2021**
Remuneration	152 444	168 380

Upon termination of the employment contract (s) of the member (s) of the Management Board, severance pay (s) would result in obligation (s) in the amount of 58 505 euros (2021: 29 777 euros).

Loan commitments to related parties include interest debt of 566 608 EUR (2021: 352 292 EUR). See Note 6 "Loan commitments".

In 2022 and 2021, there were no discounts for related parties.

See also Note 2,7,11 and 15.

Independent Auditor's Report

To the Shareholder of Bonava Eesti OÜ

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bonava Eesti OÜ (the "Company") as at 31 December 2022, and the Company's financial performance and cash flows for the year then ended in accordance with the Estonian financial reporting standard.

What we have audited

The Company's financial statements comprise:
- the balance sheet as at 31 December 2022;
- the income statement for the year then ended;
- the cash flow statement for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Reporting on other information including the Management report

The Management Board is responsible for the other information. The other information comprises the Management report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information, including the Management report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Management report, we also performed the procedures required by the Auditors Activities Act. Those procedures include considering whether the Management report is consistent, in all material respects, with the financial statements and is prepared in accordance with the requirements of the Accounting Act.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management report for the financial year for which the financial statements are prepared is consistent, in all material respects, with the financial statements; and
- the Management report has been prepared in accordance with the requirements of the Accounting Act.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management report that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of the Management Board and those charged with governance for the financial statements

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

In preparing the financial statements, the Management Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material

Translation note:

This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

This independent auditor's report (translation of the Estonian original) should only be used with the annual report submitted into electronic Company Registration Portal in Centre of Registers and Information Systems.

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AS PricewaterhouseCoopers

Jüri Koltsov
Auditor's certificate no.623

Signe Sokmann
Auditor's certificate no.719

2 June 2023
Tallinn, Estonia

Translation note:

This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

This independent auditor's report (translation of the Estonian original) should only be used with the annual report submitted into electronic Company Registration Portal in Centre of Registers and Information Systems.