

ANNUAL REPORT

beginning of financial year: 01.01.2023

end of the financial year: 31.12.2023

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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 1500 employee company develops and sells homes in six countries: Sweden, Finland, Germany, Estonia, Latvia and Lithuania, focusing on larger cities where the population is growing and demand for new homes is steady.

In 2023, Bonava's sales revenue was 1.3 billion euros and a total of 1493 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.

Originating 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.
- Know the business context and achieve results.

Caring

- We want to be the best for each other, our customers and society.
- Know yourself, involve your team, cooperate and share information.

Curious

- We always strive to learn and improve, creating the best for our customers.
- Lead development, find solutions in complex situations.

Bonava Eesti OÜ

Bonava is one of the largest developers of new homes in Estonia. During our 20 years of operation in Estonia, we have developed and sold nearly 3000 apartments - in Viimsi center Tammeõue, on the border of Kadrioru and Lasnamäe Vana-Kuuli and Liikuri Kvartal, Mustamäe in Rabaküla and Uus-Mustamäe, in Haabersti Pärnaõue, Järveotsa Kodud and Pikaliiva Kaarmaja, Ketrja Majad and Kolde Rannamaja in Pelguranna and Mõtuse Kodud in the Kristiine district.

We plan to build another 2000 new homes over the next five years. In the heart of Mustamäe, one of Tallinn's largest new developments, Uus-Mustamäe and in Haabersti, 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

Compared to 2022, the number of real estate purchase and sales transactions decreased by 16% in 2023. The price level of real estate did not fall significantly against the background of reduced demand. The total value of transactions decreased by 17% compared to 2022.

Bonava Estonia's activities in 2023

In 2023, with 77 sold apartments, Bonava was the 4th largest housing developer. In 2023, we continued operations in the Uus-Mustamäe project - phase V at Aiandi 9 was completed in the beginning of the year, and we also continued with the sale of apartments in phase VII at Aiandi 16 and started construction and sale of phase VIII at Aiandi 14. In 2023, 99 rental apartments were completed in Uus-Mustamäe phase VI at Aiandi 11. By the end of 2023, last apartments in long-lasting investment Pärnõue at Haabersti district were sold, along with Mõtuse investment in Kristiine district. Also last, III phase was completed in the large Järveosa Kodud investment in Haabersti district.

During 2023, subsidiary Aiandi 11 OÜ was established, with the purpose of managing the Aiandi 11 rental buildings.

In 2023, Bonava Estonia was recognized for the second time in a row with the gold level of the responsible business index, which is an acknowledgment of a clear sustainable concept. Bonava Estonia is still the only company in the field of construction in Estonia that has received such recognition. At the business competition with the longest history in Estonia, organized by the joint institution of EAS and KredEx and the Central Union of Estonian Employers, in 2023 we were among the TOP10 companies in the sustainability category.

Employees

An average of 71 employees worked in Bonava Eesti OÜ during the reporting period. Compared to 2022, the number of employees in Bonava Estonia decreased by 42 employees, as of 31.12.2023, Bonava Estonia had 55 employees. As of the end of 2023, 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. All employees decided to respond to the commitment survey questionnaire conducted in 2023. The results of the survey showed that Bonava Estonia's employees are satisfied and committed workers who appreciate both their managers and the everyday work environment. In order to draw comprehensive conclusions, the view of each team was analyzed and discussions took place in the circle of managers and agreements were made with the further aim of securing an attractive workplace where one feels motivated.

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.

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 2024

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 2024 are the completion of new projects in the Uus-Mustamäe and Pikaliiva Kaarmaja developments, as well as the continuation of sales activities in several new developments.

During 2024, the parent company of Bonava Eesti OÜ will change, instead of the previous Bonava AB, the new parent company will be Bonava East Holding AB.

Key financial ratios:	2023	2022
Sales revenue (thousand euros)	28 101	32 315
Sales growth (%)	-13%	-12%
Net profit (thousand euros)	1 387	3 802
Net profit margin (%)	4,9%	11,8%
Current ratio (times)	1,2	1,7
ROA (%)	2,5%	8,4%
ROE (%)	6,7%	19,8%

Formulas used for calculating ratios:

- Sales growth (%) = (sales revenue 2023 – sales revenue 2022) / sales revenue 2022 * 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)

	31.12.2023	31.12.2022	Note
Assets			
Current assets			
Cash and cash equivalents	2 030 199	443 299	
Receivables and prepayments	1 355 680	626 940	2
Inventories	39 792 028	44 096 655	3
Total current assets	43 177 907	45 166 894	
Non-current assets			
Investments in subsidiaries and associates	120 000	0	5,6
Receivables and prepayments	0	4 226	2
Investment property	13 060 562	0	7
Property, plant and equipment	127 497	311 137	8
Intangible assets	5 873	11 684	
Total non-current assets	13 313 932	327 047	
Total assets	56 491 839	45 493 941	
Liabilities and equity			
Liabilities			
Current liabilities			
Loan liabilities	29 964 700	18 100 072	9,19
Payables and prepayments	3 878 823	6 126 361	10
Provisions	2 015 971	2 022 041	11
Total current liabilities	35 859 494	26 248 474	
Non-current liabilities			
Provisions	672	948	11
Total non-current liabilities	672	948	
Total liabilities	35 860 166	26 249 422	
Equity			
Issued capital	4 474	4 474	13
Statutory reserve capital	447	447	
Other reserves	2 459 896	2 459 896	
Other equity	1 400	1 106	
Retained earnings (loss)	16 778 596	12 976 825	
Annual period profit (loss)	1 386 860	3 801 771	
Total equity	20 631 673	19 244 519	
Total liabilities and equity	56 491 839	45 493 941	

Income statement

(In Euros)

	2023	2022	Note
Revenue	28 100 514	32 314 732	14
Cost of sales	-22 615 306	-25 446 839	15
Gross profit (loss)	5 485 208	6 867 893	
Distribution costs	-84 509	-93 453	
Administrative expense	-2 336 718	-2 409 598	16
Other income	4 018	33	
Other expense	-29 083	-838	
Operating profit (loss)	3 038 916	4 364 037	
Interest expenses	-1 652 164	-562 397	18
Other financial income and expense	108	131	
Profit (loss) before tax	1 386 860	3 801 771	
Annual period profit (loss)	1 386 860	3 801 771	

Statement of cash flows

(In Euros)

	2023	2022	Note
Cash flows from operating activities			
Operating profit (loss)	3 038 916	4 364 037	
Adjustments			
Depreciation and impairment loss (reversal)	164 596	203 476	8
Profit (loss) from sale of non-current assets	23 522	0	8
Other adjustments	296	-5 409	
Total adjustments	188 414	198 067	
Changes in receivables and prepayments related to operating activities	-724 514	1 672 634	2
Changes in inventories	-8 755 936	-8 293 702	3,7
Changes in payables and prepayments related to operating activities	-2 266 106	1 073 072	9,10
Interest received	108	131	
Interest paid	-315	-216	
Total cash flows from operating activities	-8 519 433	-985 977	
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	-4 652	-128 830	8
Proceeds from sales of property, plant and equipment and intangible assets	5 985	0	8
Other cash payments to acquire subsidiaries	-120 000	0	5,6
Total cash flows from investing activities	-118 667	-128 830	
Cash flows from financing activities			
Loans received	20 175 000	14 100 000	9,19
Repayments of loans received	-9 950 000	-13 550 000	9,19
Total cash flows from financing activities	10 225 000	550 000	
Total cash flows	1 586 900	-564 807	
Cash and cash equivalents at beginning of period	443 299	1 008 106	
Change in cash and cash equivalents	1 586 900	-564 807	
Cash and cash equivalents at end of period	2 030 199	443 299	

Statement of changes in equity

(In Euros)

						Total
	Issued capital	Statutory reserve capital	Other reserves	Other equity	Retained earnings (loss)	
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
Annual period profit (loss)	0	0	0	0	1 386 860	1 386 860
Other changes in equity	0	0	0	294	0	294
31.12.2023	4 474	447	2 459 896	1 400	18 165 456	20 631 673

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 2023 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 report of Bonava Eesti OÜ is not consolidated, as the parent company registered in the European Union, Bonava AB, is the 100% owner, and prepares and publishes audited annual report of the consolidation group.

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.

Shares of subsidiaries and associates

Consolidation

A subsidiary company is exempted from the obligation to prepare the consolidated group's annual report, whose all shares or parts belong to a consolidation group, whose consolidating entity is registered in the contracting state and is required to prepare and publish an audited annual report of the consolidation group. Those shares or parts belonging to the executive management and members of the senior management

body of the relevant subsidiary are not taken into account when determining the stake. Based on this, Bonava Eesti OÜ does not prepare a consolidated report, the report is submitted by the parent company Bonava AB registered in Sweden.

Business associations:

Subsidiaries and associated companies are reported in the unconsolidated reports of parent companies

either:

- a) by the acquisition cost method;
- b) by the equity method; or
- (c) at fair value.

Bonava Eesti OÜ has chosen the acquisition cost method for reporting subsidiaries.

When applying the acquisition cost, the investment is initially reflected in the subject at acquisition cost, which is:

- a) in the case of transactions between independent parties, the acquisition cost;
- (b) in the case of transactions between undertakings under common control either the acquisition cost or the book value of the net assets acquired.

Later, the acquisition cost is adjusted according to the value of the investment with discounts resulting from the decline. At each reporting date, it must be assessed whether indications that the recoverable amount of the investment may have fallen below its book value. If the indication is present, then an asset value test must be carried out. The determination of the recoverable amount of investments is based on the asset value test described in RTJ 5 "Tangible and intangible fixed assets". (SME IFRS 9.26, 14.5)

When applying the acquisition cost, dividends payable by the subsidiary and associate are reflected as income in the parent company's report, at the moment the parent company has the right to those dividends, regardless of whether the distributable profits were earned before or after the acquisition of that subsidiary or associate by the parent company. (SME IFRS 14.6)

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".

Investment property

Real estate objects (land, building) that the company holds (either as owner or under capital lease conditions) for the purpose of earning rental revenue or increasing the market value and which are not used in one's own economic activities, are classified as investment properties. Investment property is initially booked at the acquisition cost, which also includes transaction fees directly related to the acquisition. Fair value method is applied in the further evaluation of the investment property. Investment property is evaluated to fair value at each balance sheet date. Gains/losses from the change in value are recognized in the income statement of the reporting period. Depreciation is not taken into account for investment properties reflecting the fair value method.

If the fair value of the investment property cannot be estimated, the investment objects must be booked using acquisition method, deducting accumulated depreciation and possible discounts from the decline in value.

The investment property is reclassified in the balance sheet if there is a change in the purpose of its use (for example, from the investment property becomes the fixed assets used by the company or vice versa). From the date of the change, its assets are applied to the object accounting rules of the group to which it is reclassified.

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)

	31.12.2023	Allocation by remaining maturity		Note
		Within 12 months	1 - 5 years	
Accounts receivable	992 197	992 197	0	
Receivables from related parties	118 089	118 089	0	19
Tax prepayments and receivables	1 745	1 745	0	4
Other receivables	223 076	223 076	0	
Prepayments	20 573	20 573	0	
Deferred expenses	9 075	9 075	0	
Other paid prepayments	11 498	11 498	0	
Total receivables and prepayments	1 355 680	1 355 680	0	

	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	19
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	

Note 3 Inventories

(In Euros)

	31.12.2023	31.12.2022
Raw materials	9 615 590	8 433 082
Property for future development	9 615 590	8 433 082
Work in progress	20 562 434	28 229 564
Capitalized development costs	4 854 483	3 056 618
Ongoing Projects	15 707 951	25 172 946
Finished goods	5 347 169	2 958 477
Completed units	5 347 169	2 958 477
Inventory prepayments	4 266 835	4 475 532
Option agreement advance payments	4 266 835	4 475 532
Total Inventories	39 792 028	44 096 655

There have been no inventory write-downs in 2023 and 2022. The costs of the Aiandi 11 project, originally recorded as inventories, have been reclassified as investment property, see Note 7.

Note 4 Tax prepayments and liabilities

(In Euros)

	31.12.2023		31.12.2022	
	Tax prepayments	Tax liabilities	Tax prepayments	Tax liabilities
Value added tax	0	986 174	0	400 155
Personal income tax	0	89 730	0	113 907
Fringe benefit income tax	0	3 943	0	5 616
Social tax	0	153 150	0	193 142
Contributions to mandatory funded pension	0	7 588	0	9 237
Unemployment insurance tax	0	9 683	0	12 748
Prepayment account balance	1 745		2 226	
Total tax prepayments and liabilities	1 745	1 250 268	2 226	734 805

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 10).

Note 5 Investments in subsidiaries and associates

(In Euros)

	31.12.2023	31.12.2022	Note
Shares of subsidiaries	120 000	0	6
Total investments in subsidiaries and associates	120 000	0	

Note 6 Shares of subsidiaries

(In Euros)

Shares of subsidiaries, general information					
Subsidiary's registry code	Name of subsidiary	Country of incorporation	Principal activity	Ownership interest (%)	
				31.12.2022	31.12.2023
16772650	Aiandi 11 OÜ	Estonia	real estate activity	0	100

Aiandi 11 OÜ was founded on 06.07.2023, share capital contribution 100 EUR. On 07.11.2023, a decision was made to increase the share capital by 119 900 euro. The nominal value of the sole shareholder's share after the share capital increase is 120 000 EUR, see Note 5.

Aiandi 11 OÜ's field of activity is the leasing and management of leased real estate, the rental objects are Aiandi 11/1, 11/2 and 11/3 apartment buildings.

Note 7 Investment property

(In Euros)

Fair value method	
31.12.2022	0
Reclassifications	13 060 562
31.12.2023	13 060 562

The objects of investment property are the apartment buildings on street Aiandi 11/1, 11/2 and 11/3, which are leased to the established subsidiary, Aiandi 11 OÜ. Apartment buildings were completed in December 2023. The company has not received rental income this year.

The investment property is booked at the acquisition cost, which according to the management board is also the fair value as of the balance sheet date. See also Note 3.

Note 8 Property, plant and equipment

(In Euros)

						Total
	Computers and computer systems	Other machinery and equipment	Machinery and equipment	Other property, plant and equipment	Prepayments	
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
Acquisitions and additions	1 414	1 165	2 579	2 073	0	4 652
Depreciation	-32 189	-20 062	-52 251	-106 533	0	-158 784
Impairment loss	-287	-762	-1 049	-23 448	0	-24 497
Disposals (in residual costs)	-1 202	0	-1 202	-3 809	0	-5 011
Reclassifications	0	1 628	1 628	-46	-1 582	0
31.12.2023						
Carried at cost	136 656	127 781	264 437	625 655	0	890 092
Accumulated depreciation	-103 438	-81 254	-184 692	-577 903	0	-762 595
Residual cost	33 218	46 527	79 745	47 752	0	127 497

Disposed property, plant and equipment at selling price

	2023
Machinery and equipment	3 882
Computers and computer systems	3 882
Other property, plant and equipment	2 103
Total	5 985

See also Note 15 and 16.

Note 9 Loan commitments

(In Euros)

	31.12.2023	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	29 964 700	29 964 700			6,52%	EUR	04.01.2024
Current loans total	29 964 700	29 964 700					
Loan commitments total	29 964 700	29 964 700					
	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					

In 2023, an additional loan of 20 175 000 EUR (2022: 14 100 000 EUR) was taken from Bonava Treasury AB and 1 639 628 EUR of the interest-bearing debt incurred was converted into a loan liability (2022: 566 608 euros), a total loan amount of 21 814 628 euros (2022: 14 666 608 EUR). The loan was repaid in the amount of 9 950 000 EUR (2022: 13 550 000 EUR).

Estimated interest for the financial year was 1 651 849 euros (2022: 562 181 euros).

As of 31.12.2023, the unpaid interest was in the amount of 16 286 euros (2022: 4 064 euros). See Note 10 "Payables and prepayments".

Bonava Treasury AB loan interest rate was 4,04-6,54%

See also Note 19 "Related parties" and Note 18 "Interest expenses".

Note 10 Payables and prepayments

(In Euros)

	31.12.2023	Within 12 months	Note
Trade payables	2 047 281	2 047 281	
Employee payables	234 654	234 654	
Related parties payables	16 286	16 286	9,19
Tax payables	1 250 268	1 250 268	4
Other payables	948	948	
Prepayments received	329 386	329 386	
Total payables and prepayments	3 878 823	3 878 823	
	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	9,19
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	

Note 11 Provisions

(In Euros)

	31.12.2022	Establishing/Adjustments	Provision used	31.12.2023
Bonuses	268 820	251 643	-330 541	189 922
Accrued production expenses	604 038	1 506 455	-1 175 115	935 378
Provisions for warranties	1 127 112	444 597	-696 168	875 541
Other accrued expenses	23 019	14 854	-22 071	15 802
Total provisions	2 022 989	2 217 549	-2 223 895	2 016 643
Including:				
Current	2 022 041	2 217 825	-2 223 895	2 015 971
Warranty provision	1 127 112	444 597	-696 168	875 541
Other provisions	894 929	1 773 228	-1 527 727	1 140 430
Non-current	948	-276	0	672
Other provisions	948	-276	0	672

At the end of the year, the company formed bonus reserves for 2023 in accordance with the bonus terms, which will be paid out in 2024.

The company formed additional provisions of construction costs for apartment buildings completed at the end of the year. Liabilities for third parties realized in 2024 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 12 Contingent liabilities and assets

(In Euros)

	31.12.2023	31.12.2022
Contingent liabilities		
Distributable dividends	14 532 365	13 422 877
Income tax liability on distributable dividends	3 633 091	3 355 719
Total contingent liabilities	18 165 456	16 778 596

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 13 Share capital

(In Euros)

	31.12.2023	31.12.2022
Share capital	4 474	4 474
Number of shares (pcs)	1	1

Note 14 Net sales

(In Euros)

	2023	2022	Note
Net sales by geographical location			
Net sales in European Union			
Estonia	27 376 400	31 647 654	
Latvia	3 390	12 823	
Sweden	718 690	650 514	
Lithuania	2 034	3 741	
Total net sales in European Union	28 100 514	32 314 732	
Total net sales	28 100 514	32 314 732	
Net sales by operating activities			
Housing development	27 374 282	31 644 486	
Management fee	724 115	650 514	19
Other revenue	2 117	19 732	
Total net sales	28 100 514	32 314 732	

Note 15 Cost of goods sold

(In Euros)

	2023	2022	Note
Raw materials	2 189 609	3 310 311	
Subcontracting work	15 678 980	17 005 873	
Miscellaneous office expenses	29 692	41 403	
Labor expense	3 146 077	3 393 799	17
Depreciation	34 219	39 778	8
Costs related to apartment sales	913 676	1 016 110	
Other	623 053	639 565	
Total cost of goods sold	22 615 306	25 446 839	

Note 16 Administrative expense

(In Euros)

	2023	2022	Note
Miscellaneous office expenses	238 275	265 554	
Travel expense	28 479	28 427	
Labor expense	910 392	851 110	17
Depreciation	113 214	135 818	8
Management expenses	1 046 358	1 128 689	
Total administrative expense	2 336 718	2 409 598	

Note 17 Labor expense

(In Euros)

	2023	2022
Wage and salary expense	3 237 482	3 456 921
Social security taxes	1 129 420	1 134 583
Total labor expense	4 366 902	4 591 504
Average number of employees in full time equivalent units	73	91
Average number of employees by types of employment:		
Person employed under employment contract	71	89
Member of management or controlling body of legal person	2	2

See also Note 15,16.

Note 18 Interest expenses

(In Euros)

	2023	2022
Interest expense from loans	1 651 849	562 181
Other interest expense	315	216
Total interest expense	1 652 164	562 397

More detailed information on interest is provided in Note 9 "Loan commitments" and Note 19 "Related parties".

Note 19 Related parties

(In Euros)

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

Related party balances according to groups

SHORT TERM	31.12.2023	31.12.2022
Receivables and prepayments		
Parent company	118 089	29 872
Total receivables and prepayments	118 089	29 872
Loan commitments		
Other entities belonging into same consolidation group	29 964 700	18 100 072
Total loan commitments	29 964 700	18 100 072
Payables and prepayments		
Other entities belonging into same consolidation group	16 286	4 064
Total payables and prepayments	16 286	4 064

LOAN COMMITMENTS	31.12.2021	Loans received	Loans received repayments	31.12.2022	Interest accrued for period
Other entities belonging into same consolidation group	16 983 464	14 666 608	-13 550 000	18 100 072	562 181
Total loan commitments	16 983 464	14 666 608	-13 550 000	18 100 072	562 181
LOAN COMMITMENTS	31.12.2022	Loans received	Loans received repayments	31.12.2023	Interest accrued for period
Other entities belonging into same consolidation group	18 100 072	21 814 628	-9 950 000	29 964 700	1 651 849
Total loan commitments	18 100 072	21 814 628	-9 950 000	29 964 700	1 651 849

SOLD	2023		2022	
	Goods	Services	Goods	Services
Parent company	0	718 690	0	650 514
Other entities belonging into same consolidation group	0	5 425	0	16 564
Total sold	0	724 115	0	667 078

BOUGHT	2023		2022	
	Goods	Services	Goods	Services
Parent company	0	1 003 938	0	949 401
Other entities belonging into same consolidation group	0	5 356	2 072	25 993
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	0	16 758	0	15 154
Total bought	0	1 026 052	2 072	990 548

Remuneration and other significant benefits calculated for members of management and highest supervisory body		
	2023	2022
Remuneration	217 153	152 444

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 61 697 euros (2022: 58 505 euros).

Loan commitments to related parties include interest debt of 1 639 628 EUR (2022: 566 608 EUR). See Note 9 "Loan commitments".

In 2023 and 2022, there were no discounts for related parties.

See also Note 2,9,14 and 18.



Independent Auditor's Report

To the Shareholder of Bonava Eesti OÜ

Our opinion

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Bonava Eesti OÜ (the "Company") as at 31 December 2023, and the Company's separate financial performance and separate cash flows for the year then ended in accordance with the Estonian financial reporting standard.

What we have audited

The Company's separate financial statements comprise:

- the separate balance sheet as at 31 December 2023;
- the separate income statement for the year then ended;
- the separate cash flow statement for the year then ended;
- the separate statement of changes in equity for the year then ended; and
- the notes to the separate 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 separate 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 separate financial statements and our auditor's report thereon).

AS PricewaterhouseCoopers
Tatari 1, 10116 Tallinn, Estonia; License No. 6; Registry code: 10142876
T: +372 614 1800, www.pwc.ee

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.

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

In connection with our audit of the separate 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 separate 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 separate 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 separate financial statements are prepared is consistent, in all material respects, with the separate 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 separate financial statements

The Management Board is responsible for the preparation and fair presentation of the separate 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 separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate 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 separate financial statements

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

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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 separate 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 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 separate 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 separate financial statements, including the disclosures, and whether the separate 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

Oksana Popova
Auditor's certificate no. 633

Signe Sokmann
Auditor's certificate no. 719

31 May 2024
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.

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