

CONSOLIDATED ANNUAL REPORT

beginning of financial year: 01.01.2023

end of the financial year: 31.12.2023

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Activity report

The goal for the Punktid Technologies AS consolidation group (hereinafter: Punktid group) for 2023 was to increase operating profit, which is why major investments were suspended for that time.

In the second half of 2023, Punktid group achieved the previously set goals and reached profit.

One of the goals for 2023 was to stabilize the volume of goods moving through Punktid.com and other domains (hereinafter: Punktid platform or platform) and to increase profits as much as possible in a declining economy. The total volume of goods sold on the Punktid platform (GMV - Gross Merchandise Value) was 1.269 million euros in 2023 (in 2022 it was 1.849 million euros). Although the volume of goods sold decreased compared to 2022, it is pleasing to see the goal being met, as the company earned 0.308 million euros in commission revenue from the Punktid platform, which means it remained stable (in 2022 it was 0.172 million euros). Commission revenue increased by nearly 79% and 0.136 million euros.

To achieve profit in the second half of the year, we limited ourselves to only essential work, reduced costs, and reduced the focus on wholesale sales in order to keep the focus on the platform launched in the first half of the year - with the new platform, we added new options, functions, and made the platform more stable, which altogether brought the desired results.

The volume of goods mediated through the Punktid platform and the commission margin have consistently increased over the last 4 years. While the commission margin was 6% in 2020, by 2022 it had increased to 9%. In 2023, it improved further, to 24%. In our sector, a higher margin is usually also proportional to a decreasing sales volume.

Our adjusted forecast, which we announced as a stock announcement in the fall of 2023, was almost fulfilled as planned. The adjusted target was 2.1 million euros, which includes 1.3 million euros in platform sales and 0.8 million euros in wholesale sales, and the real figures were 1.27 million euros and 0.7 million euros respectively, or a total of 1.97 million euros.

The goal of the Punktid group is to continue to remain profitable and, as the opportunity arises, continue to invest in expanding into new markets.

We thank our investors for their trust and support.

General information

Punktid Technologies AS is a new generation computer game and gift card intermediary service provider, containing valuable content for people interested in digital products throughout the gaming sector.

The company provides all services under the Punktid brand and maintains a leading position in Estonia in the video game and gift card intermediary service market.

Punktid Group owns and develops Estonia's largest online sales environment for video games, Nintendo, PlayStation and Xbox digital codes, where professional support is offered to both beginners and experienced gamers in the national language of the target country of the video game buyer.

The main activity of Gamekeys OÜ is the mediation of the world's best-known video games and video game gift cards in an online environment and the related customer service and marketing both in Estonia and abroad. The online mediation service has been the main focus of Punktid Group for the past few years, and future investments will be aimed at the development of this line of business. Gamekeys OÜ operates all domains and web environments necessary for the operation of the web-based intermediary service.

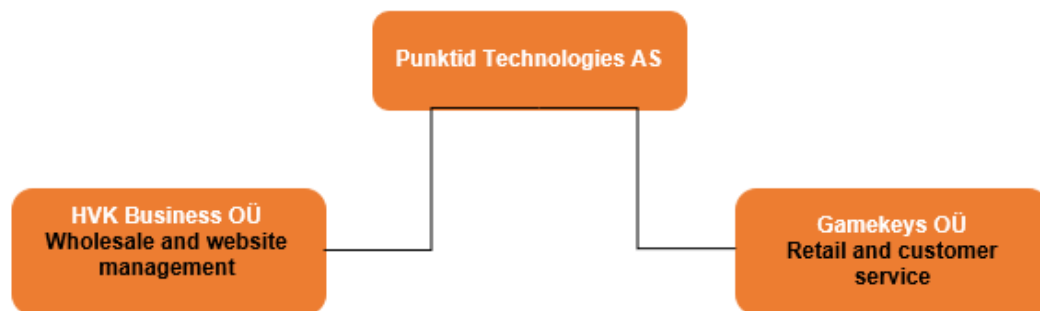
The main activity of HVK Business OÜ is the wholesale of video games and gift cards for business customers, Punktid.com IT project development and sale of the right to use the Punktid.com platform. The company's largest supplier and cooperation partner is Sony Corporation.

Structure

The parent company of the Punktid group is Punktid Technologies AS, it brings together HVK Business OÜ and Gamekeys OÜ.

Wholesale trade is carried out through HVK Business OÜ, and in order to spread risks, HVK Business OÜ also owns the Punktid platform.

The main activity of Gamekeys OÜ is retail sales for the Punktid group through the Punktid platform and related customer support and marketing.



Mission and objectives

The mission of Punktid group is to bring the digital gaming world closer to every person, so it's just a few clicks away.

To achieve this, the company has goals to strive for:

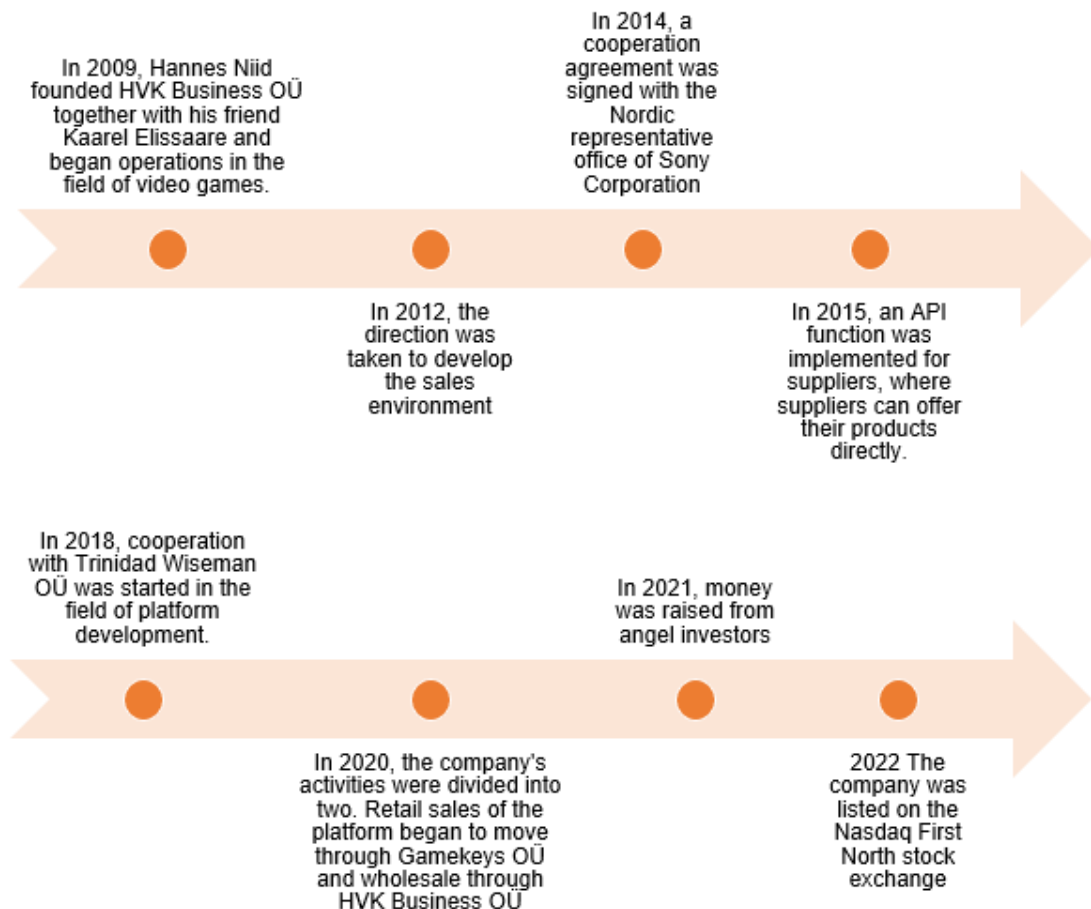
- influence purchasing behavior by bringing customers from global pages to the unique shopping environment of Punktid, where the entire purchasing process and support is in the local national language from start to finish and it is possible to use local payment options
- to improve the image of video games, highlighting also the positive effects of video games such as the development of creativity and strategic thinking
- to offer a high-level service that meets the wishes and expectations of the company's customers and ensures customer satisfaction, while we distinguish ourselves from our competitors primarily in terms of exemplary customer support

Numerical objectives

At the beginning of the year, we increased the platform's retail turnover forecast to 3 million euros by the end of 2023 and the wholesale forecast to 1 million euros, which were 10% higher for retail sales compared to the numbers presented at the IPO (previous forecast 2.7 million euros, new forecast 3 million euros) and wholesale sales 20% higher (earlier estimate 0.8 million euros, new estimate 1 million euros). During the year, however, the economic situation in the Baltic region became worse and worse and in addition, we had to cut costs at the expense of both the team and the marketing budget in order to reach a profit, plus the additional funding involved was less than recommended. In addition, due to the economic situation, it was not possible to organize larger financial investments. For the above reasons, we were forced to change the goals set at the beginning of the year again.

1.3 million euros was set as the real goal of mediation services through the Punktid platform in 2023, and we brought the wholesale forecast back to 0.8 million euros.

History



Economic environment and competition

The economy of 2023 will be remembered by 3 main keywords - war, inflation and recession. Russia's invasion of Ukraine in 2022 and the united response of European and NATO countries to it made Russia look for ways to put pressure on Europe. Putting pressure on Europe through energy carriers was the trigger for the consequences of money printing that had lasted for years - the rapid growth of inflation, which showed signs of decline in 2023, but still remained relatively high in Estonia. The European Central Bank's response to this did not take long, at a record pace, the base interest rate was raised to 3% in less than half a year in 2022 and continued to be raised to 3.8% in 2023, where it stabilized.

From the consumer's point of view, the price of money was high, both food and services became more expensive, and at the end of the year, the increased Euribor level associated with the increase in base interest rates began to have an increasing impact. The various cost components that satisfy the basic needs were thus all more expensive, from which it can be concluded that less money was left for entertainment.

The Estonian market numbers of the Punktid platform clearly showed a decline in consumption. The platform's merchandise volumes fell, as sales in local and nearby countries fell faster than the growth of foreign markets could compensate. Foreign markets helped mitigate the general risk of a change in the business environment. New foreign markets are planned to be added in 2024.

The Punktid platform competes with all platforms that mediate digital game keys on a global level. There are only a few local competitors in today's target markets. At the same time, it can be noticed that a local platform or one from the same region has a certain advantage in terms of platform language and customer support.

The console market size gives an idea of the Punktid platform's market size growth. The game console market is forecast to reach USD 32.99 billion by 2027, with a compound annual growth rate of 11.5% during the period 2020-2027. Notable market players among video games include Sony Corporation, NVIDIA Corporation, Microsoft and Nintendo.

RISK MANAGEMENT

Risk is the possibility that events or circumstances may adversely affect an organization's goals, resulting in financial loss, operational disruption, reputational damage, or other undesirable outcomes. The purpose of risk management is to discover, recognize and mitigate possible scenarios deviating from expectations.

Punktid group uses four main strategies to manage risks.

- Punktid Group implements various measures to mitigate risks, including the involvement of partners. One such example is using insurance or outsourcing professional services. In addition, the company's data is backed up on the partner's servers, ensuring that the company is not harmed if the device is lost or destroyed. Such measures help Punktid Group to ensure the security and continuity of business-critical data.
- Risk avoidance. For example, we try to refrain from entering high-risk markets, the selection of critical partners is based on tried-and-tested solutions. Avoiding risk may limit growth opportunities or raise other issues, but in some cases it is reasonable.
- Risk reduction. Risks are reduced, for example, by building the principle of multiple eyes into processes and developing security protocols. By reducing the probability of occurrence or severity of the risk, the level of risk can become acceptable in certain cases.
- Risk acceptance. In the case of risks with low probability or low impact, it is sometimes more reasonable to accept them than to spend resources on mitigating them.

Main risks

To avoid credit risk, Punktid group does not sell products on its platform without first receiving money for them. This reduces growth opportunities, but the reduced risk means that there is no need to have a credit sales department. Since sales without credit are common in online commerce, the Punktid group does not consider the methods used to avoid this risk too inhibiting growth.

Punktid Group has no exchange rate risk, as income and expenses are in the same currency.

Interest rate risks are hedged, because the loan obligations of the Punktid group are taken at a fixed rate and their size is insignificant. The interest rate on the bank loan taken is linked to Euribor, but its change depending on the continuation or non-continuation of the company is low.

Efforts are made to reduce operational risk by using reliable suppliers, keeping the platform up-to-date and purchasing know-how when necessary.

In order to mitigate procurement risks, Punktid group has a long-term cooperation with Sony Nordic. Almost 10 years of cooperation ensures trust and sustainability.

Punktid purchases services from various experts in their field. Since it is extremely important that all company operations comply with applicable laws, regulations and standards, the services of several advisors are used, such as legal, tax and accounting.

Seasonality of business

Punktid Group's business activity is significantly dependent on the season, when, as a rule, the fourth quarter has significantly better sales figures compared to the summer months (June, July and August).

The seasonality of the Punktid platform, i.e. retail sales, is significantly stronger than in wholesale sales. The third quarter has the lowest turnover, which largely coincides with the summer months. The third quarter result was 81% of the average quarterly result. The strongest numbers of the retail trade were in the first quarter, which accounts for 143% of the annual average quarterly result. Therefore, the strongest quarter is about 62% better than the quarter with the lowest turnover numbers.

Wholesale volumes are stable during the year and do not depend significantly on the season.

Environmental and social impacts

For us, sustainability in e-commerce is not just a buzzword; it is the main pillar of our activity. We recognize the urgent need to address the environmental challenges of the digital landscape and have implemented robust measures to reduce our ecological footprint. Our commitment to green behavior is demonstrated by our investments in energy-efficient infrastructure and technology. By optimizing our data centers, deploying renewable energy sources and promoting responsible resource management, we strive to reduce our carbon emissions and contribute to a greener future.

In addition to our environmental efforts, we are also committed to social responsibility. We understand the importance of customer data privacy and implement strict security measures to protect sensitive information. By complying with data protection regulations and promoting a culture of trust and transparency, we prioritize the well-being and privacy of our customers.

Punktid Group's activities do not have a significant impact on the natural environment, but based on the company's responsible behavior, Punktid Group operates in an energy-efficient manner. Since computers, office spaces and servers are one of the biggest sources of energy consumption, Punktid Group uses only LED lighting in its office, employees have significantly more environmentally friendly laptops instead of large desktop computers, and the servers are located in the Netherlands, where nearly 14% of the country's energy comes from renewable energy sources.¹ All the goods we sell is digital, and the digital delivery method reduces the ecological footprint by over 95% compared to the amount of waste and pollution associated with the production, packaging and delivery of game boards.²

Governance and ethics are paramount to our operations and we have established strict governance practices to ensure ethical behavior throughout our organization. We place a strong emphasis on licensing compliance, working closely with software developers and publishers to ensure that all software keys sold on our platform comply with license agreements and copyright laws. Transparency

is at the heart of our business practices and we communicate openly with our customers, providing accurate and clear information about the software keys we offer. In addition, we maintain strong relationships with our suppliers, ensuring that they share our commitment to sustainability and ethical business practices. Through these efforts, we strive to foster a responsible and honest culture while promoting responsible behavior in the digital software industry.

1. https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Renewable_energy_statistics.
2. <https://www.euronews.com/green/2020/02/17/is-playing-video-games-making-climate-change-worse>.

ECONOMIC INDICATORS

The volume of goods moved through the Punktid platform and wholesale was 1.966 million euros in 2023, of which wholesale made up 0.698 million euros and goods moved through the platform was 1.269 million euros, which represents a 30% decrease compared to the period of the previous annual report (2.817 million euros in 2022).

Revenue

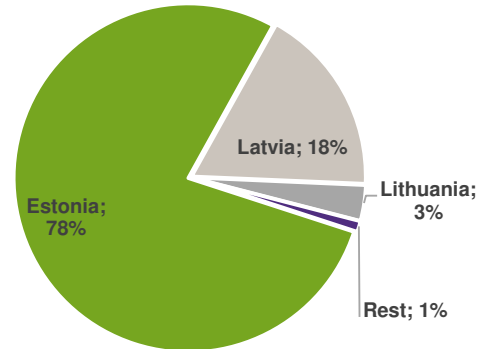
Punktid Group's sales revenue decreased by 22% compared to the previous year, reaching 0.939 million euros in 2023 (2022 it was 1.206 million euros). Of this, 0.308 million euros were commissions for the Punktid platform, and 0.698 million euros were wholesale (In 2022, the commission on the Punktid platform was 0.172 million euros and the wholesale was 0.968 million euros).

Punktid platform sales and gross merchandise volume (GMV) (Gamekeys OÜ)

The sales revenue of the Punktid platform is formed by the commission fee for the goods sold on the platform. In 2023, retail consumers made purchases through the Punktid platform for a total of 1.269 million euros from which the company earned 0.302 million euros as a commission or sales revenue. Compared to 2022, sales revenue increased by nearly 44% and 0.136 million euros.

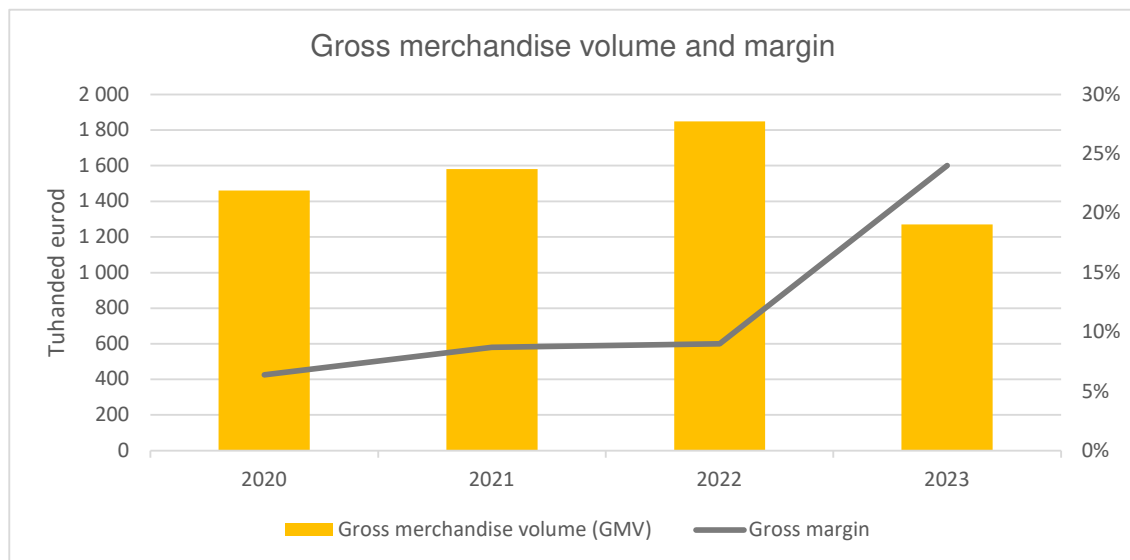
Estonia and the neighboring countries – Latvia and Lithuania – are considered the biggest market of the platform. Their share of the volume of goods passing through the platform is 99%. Latvian share from this increased 2% and Estonian share increased 9%, on the expense of Finland and other markets. The Lithuanian share has remained the same.

Volume of goods sold by destination country



The total volume of goods sold on the Punktid platform (GMV - Gross merchandise value) was 1.269 million euros in 2023. Compared to 2022, the volume of goods sold on the platform decreased by 0.581 million euros and by 31%. One of the important goals of 2023 was to stabilize the volume of goods moving through the platform as much as possible in a declining economy.

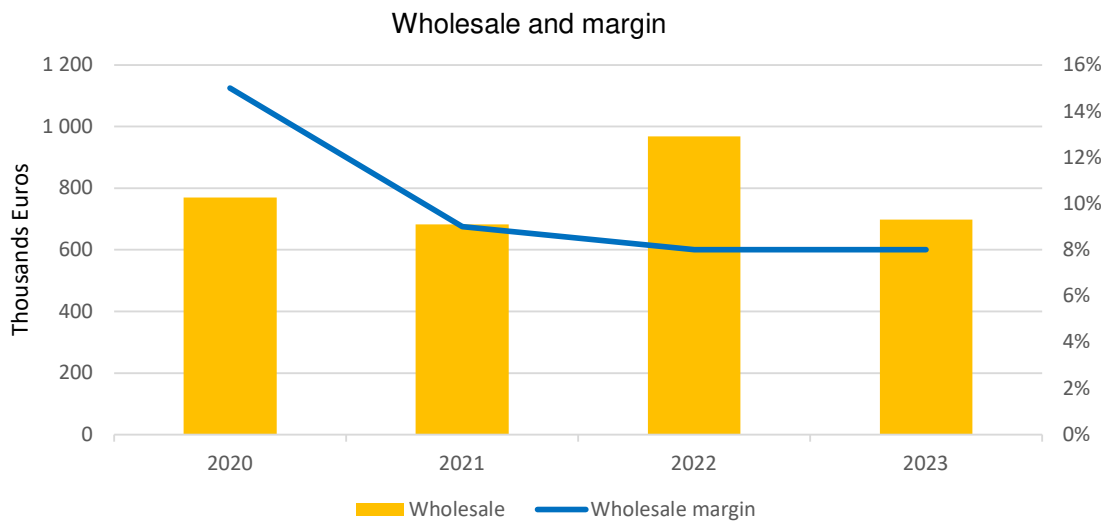
The volume of goods mediated by the Punktid platform and the commission margin have been consistently increasing over the past 4 years. If in 2020 the commission margin was around 6%, by 2022 it had risen to 9%. In 2023, it further improved to 24%.



The increase in profit margin through the platform was the result of focusing energy on marketing profitable products. In addition, we managed to offer several products at the right time when our competitors were out of stock or in limited supply. Such timely offers opened up opportunities for us to increase sales in the high margin product sector.

Punktid wholesale (HVK Business OÜ)

Punktid wholesale consists of the sale of goods purchased to our stock and it's resale to distributors. Wholesale sales totaled 0.698 million euros in 2023. Compared to the previous year, the decrease was 28%, or nearly 0.270 million euros*.



*Compared to 2022 pro forma data

Expenses

Operating expenses (various operating expenses and labor expenses) decreased 50% by 0.323 million euros.

Various operating expenses decreased by 0.221 million euros and 56% to 0.175 million euros. Among them, the costs of marketing, IT and professional services (legal costs, consultations, accounting) decreased by a total of 0.183 million euros.

Punktid Group's expenses for professional services (legal costs, consultations, accounting) as a company listed on the stock exchange amounted to 0.056 million euros, decreasing by 0.013 million euros and 19% over the year.

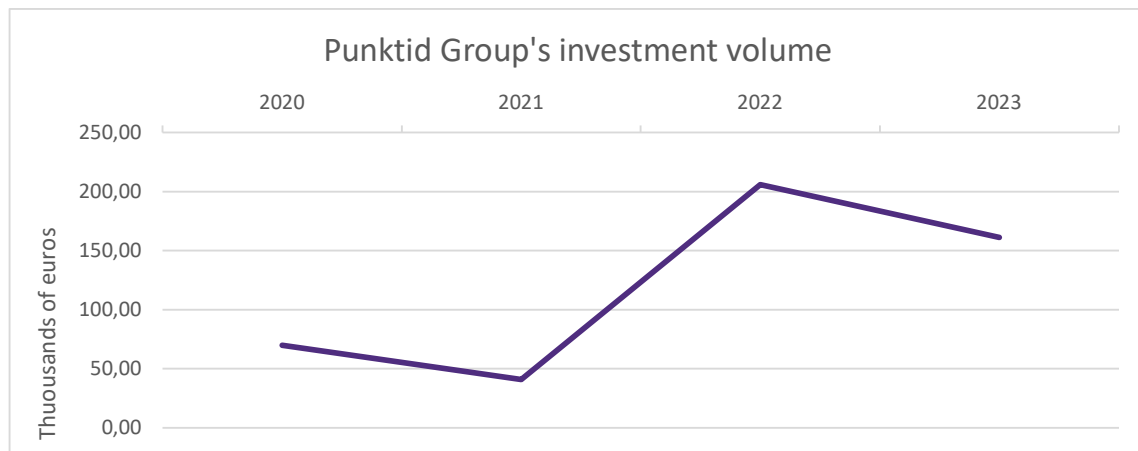
Profit/loss

Punktid Group's result for 2023 was a profit in the amount of 0.046 million euros. This was mainly due to cutting labor, advertising and IT costs. Activities in 2023 were aimed at ensuring the company's long-term growth and success. This phase focused more on strategic moves and resource optimization to lay the foundation for future profitability and robust development.

Punktid investments

In 2023, Punktid Technologies AS had the main goal of using investments to implement a new platform. In 2023, a total of 0.160 million euros were invested in the Punktid platform. Compared to the 2022 proforma report, Punktid group's investments decreased.

In 2023, the development of the Punktid platform included investments in the total amount of 0.161 million euros.



Planned activities for the next financial year

The goal of the planned investments of the Punktid Technologies AS group in 2024 is to keep the Punktid platform stable and up-to-date. The main investments are related to increasing existing organic sales and, if possible, opening new markets. At the same time, the goal is to reduce the overall volume of investments in order to remain more profitable.

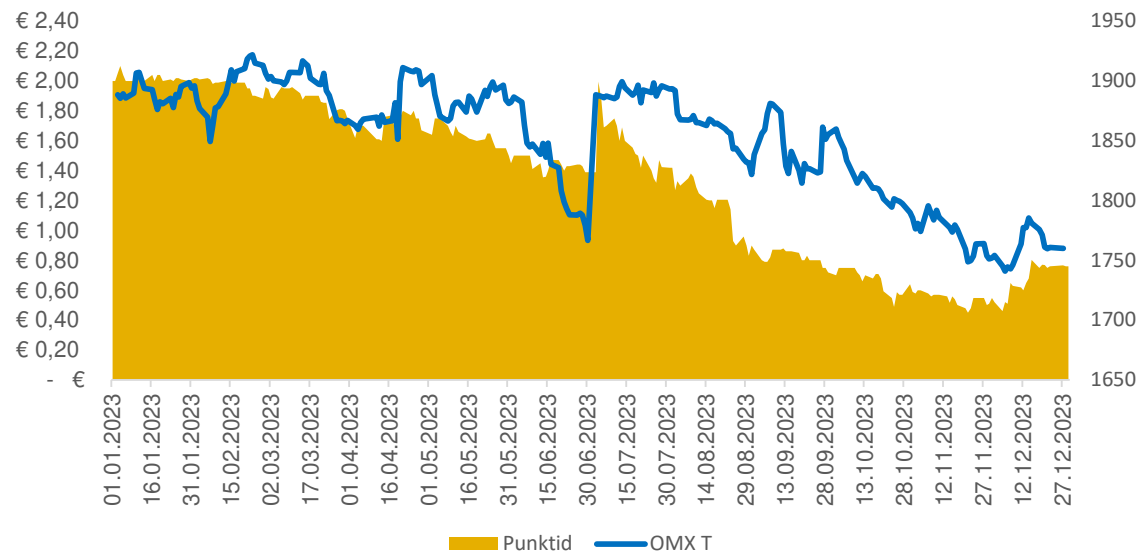
The planned product volumes of the Punktid platform are around the same as they were in 2023. At the same time, we can expect a decrease in the commission fee, since maintaining sales and opening new markets in a difficult economic situation may also mean reducing the margin.

A significant decrease is planned for the Punktid group's wholesale, as we will focus entirely on the Punktid platform instead of wholesale. In addition, we are changing our main wholesale partners and new contracts will take a long time. HVK Business OÜ's wholesale operations will continue as based on demand.

The main income of the Puntid group will remain retail sales of the Puntid platform, which is planned to cover the entire group's activities as needed.

Punktid Group's shares

Share movement from the first day of trading on 19.05.2022 until the end of the year. For comparison, the curve of the OMX Tallinn stock exchange index from the same period is also shown on the chart.



Punktid Group's shareholders

Shareholders of the Punktid group as of 31.12.2023 are divided into three main groups - companies, private individuals and Punktid Technologies AS itself.

Punktid Technologies AS own shares are 7%. This is mainly intended as an option reserve for future employees, but it decreased by 2% and 24,118 due to the sale of option shares.

5 largest shareholders

Name	Shareholding 31.12.2023	Number of shares 31.12.2023	Shareholding 31.12.2022	Number of shares 31.12.2022
Niid Holding OÜ	65,38%	1 405 625	66.24%	1 424 085
Hypotus OÜ	9,20%	197 858	9.27%	199 223
Punktid Technologies AS	7,95%	170 882	9.07%	195 000
Cethegus OÜ	3,83%	82 515	3.94%	84 618
Codemind OÜ	1,09%	23 600	1.10%	23 600

The main indicators of the stock (euros)

Indicator	31.12.2023	19.05-31.12.2022
Average share price	1,34	2.32
Maximum share price	2,10	3.95
Minimum share price	0,45	1.60
Closing price of the share	0,76	2.05
Number of shares	2 149 816	2 149 816
Stock turnover during the period	92 000	130 000
The market value of the company as of the last day of the period (closing share price * number of shares)	1 633 860	4 407 122
Earnings per share (EPS) (net profit / number of shares)	-0,02	-0.25
Price Earnings Ratio (P/E) (market value of the company / net profit)	35.34	-8.05

Key financial ratios for the consolidated statement
(euros)

	31.12.2023	31.12.2022
Sales revenue (wholesale + commission)	1 005 805	1 140 437
Gross profit (sales revenue-cost of goods sold)	365 609	143 086
Operating profit before depreciation (EBITDA) (operating profit+depreciation)	98 337	-519 343
Consumption	46 933	23 371
Operating profit (loss) (EBIT)	51 404	-542 714
Net profit (loss)	46 221	-542 714
Gross profit margin (gross profit/sales revenue)	36%	12.5%
EBITDA margin (EBITDA/sales revenue)	10%	-45.5%
Operating profit margin (operating profit/sales revenue)	5.1%	-47.6%
Net profit margin (net profit/sales revenue)	4.6%	-48%
Short-term debt coverage ratio (current assets / short-term liabilities)	3,02	1.93
Assets to equity ratio (assets / equity)	1,44	1.44
Return on equity (ROE) (net profit/equity)	8%	-111%
Return on Assets (ROA) (net profit/assets)	6%	-77%

Business continuity

The sales revenue of the subsidiaries of the group has decreased significantly since the reporting date, which may raise significant doubts about the continuity of the activities of the subsidiaries of the group.

The management of the subsidiary has been looking for a new cooperation partner for HVK Business OÜ and estimates that the sustainability of the company is ensured even with smaller sales.

The commission fee of the subsidiary Gamekeys OÜ has decreased and remained stable in the second half of 2024. The management of the subsidiary has optimized costs to ensure the correspondence of income and expenses, which has been facilitated by a stable commission fee.

To ensure the continuity of the activities of the entire group, the owners of the parent company are willing to make additional cash contributions or organize an additional public offering of shares.

The annual accounts

Consolidated statement of financial position

(In Euros)

	31.12.2023	31.12.2022	Note
Assets			
Current assets			
Cash and cash equivalents	18 360	129 039	
Receivables and prepayments	31 740	83 483	2
Inventories	375 910	198 731	3
Total current assets	426 010	411 253	
Non-current assets			
Property, plant and equipment	43 342	57 636	6
Intangible assets	360 580	239 676	7
Total non-current assets	403 922	297 312	
Total assets	829 932	708 565	
Liabilities and equity			
Liabilities			
Current liabilities			
Loan liabilities	21 445	3 087	8
Payables and prepayments	119 572	209 494	9
Total current liabilities	141 017	212 581	
Non-current liabilities			
Loan liabilities	113 812	3 279	8
Total non-current liabilities	113 812	3 279	
Total liabilities	254 829	215 860	
Equity			
Equity held by shareholders and partners in parent company			
Issued capital	214 982	214 982	10
Share premium	1 019 437	983 260	
Treasury shares	-1	-1	
Retained earnings (loss)	-705 536	-158 493	
Annual period profit (loss)	46 221	-547 043	
Total equity held by shareholders and partners in parent company	575 103	492 705	
Total equity	575 103	492 705	
Total liabilities and equity	829 932	708 565	

Consolidated income statement

(In Euros)

	2023	2022	Note
Revenue	1 005 805	1 140 437	11
Other income	631	621	
Work performed by entity and capitalised	56 115	0	
Raw materials and consumables used	-640 196	-997 351	12
Other operating expense	-174 945	-396 336	13
Employee expense	-148 489	-265 334	14
Depreciation and impairment loss (reversal)	-46 933	-23 371	6,7
Other expense	-584	-1 380	
Operating profit (loss)	51 404	-542 714	
Interest income	2	0	
Interest expenses	-4 886	-4 206	
Other financial income and expense	-299	-123	
Profit (loss) before tax	46 221	-547 043	
Annual period profit (loss)	46 221	-547 043	
Profit (loss) from shareholders and partners in parent company	46 221	-547 043	

Consolidated statement of cash flows

(In Euros)

	2023	2022	Note
Cash flows from operating activities			
Operating profit (loss)	51 404	-542 714	
Adjustments			
Depreciation and impairment loss (reversal)	46 933	23 371	6,7
Profit (loss) from sale of non-current assets	-348	0	
Other adjustments	414	0	
Total adjustments	46 999	23 371	
Changes in receivables and prepayments related to operating activities	51 743	-64 250	2
Changes in inventories	-177 179	-84 415	3
Changes in payables and prepayments related to operating activities	-94 676	144 708	
Total cash flows from operating activities	-121 709	-523 300	
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	-158 060	-195 953	
Proceeds from sales of property, plant and equipment and intangible assets	7 750	0	6
Other cash receipts from sales of other financial investments	0	241	
Interest received	2	24	
Total cash flows from investing activities	-150 308	-195 688	
Cash flows from financing activities			
Loans received	134 644	0	
Repayments of loans received	-18 360	-25 739	
Proceeds from overdraft	15 000	-14 093	
Repayments of finance lease liabilities	-3 182	-2 600	
Interest paid	-2 641	-4 206	
Proceeds from issuing shares	0	868 701	
Proceeds from sales of treasury shares	36 177	0	
Other cash outflows from financing activities	-300	0	
Total cash flows from financing activities	161 338	822 063	
Total cash flows	-110 679	103 075	
Cash and cash equivalents at beginning of period	129 039	26 154	
Change in cash and cash equivalents	-110 679	103 075	
Effect on exchange rate changes on cash and cash equivalents	0	-190	
Cash and cash equivalents at end of period	18 360	129 039	

Consolidated statement of changes in equity

(In Euros)

					Total
	Equity held by shareholders and partners in parent company				
	Issued capital	Share premium	Treasure shares	Retained earnings (loss)	
31.12.2021	195 390	134 151	-1	-158 493	171 047
Annual period profit (loss)	0	0	0	-547 043	-547 043
Issue of equity	19 592	849 109	0	0	868 701
31.12.2022	214 982	983 260	-1	-705 536	492 705
Restated balance 31.12.2022	214 982	983 260	-1	-705 536	492 705
Annual period profit (loss)	0	0	0	46 221	46 221
Other changes in equity	0	36 177	0		36 177
31.12.2023	214 982	1 019 437	-1	-659 315	575 103

Notes

Note 1 Accounting policies

General information

The unaudited interim report of financial statements of Punktid Technologies AS (hereinafter also referred to as "the Company") for the financial period 01.01-31.12.2023 are prepared in accordance with the Accounting Act and Estonian Financial Reporting Standard. The Estonian Financial Reporting Standard comply with the internationally acknowledged accounting and reporting principles, and which is supplemented by the guidelines issued by the Estonian Accounting Standards Board.

The consolidated annual accounts have been prepared in euros.

The income statement has been prepared pursuant to format 2.

The financial statements have been prepared on the basis of cost model.

Error adjustments

In preparing the annual report for the financial year 2023, management has made retrospective changes to several elements of the financial statements.

- (1) Changes to balance sheet line items related to the reclassification of liabilities and revenue;
- (2) A change in the line item of profit (loss) for prior periods as a result of these changes;
- (3) Change in the line item of profit (loss) for the period as a result of those changes;
- (4) Changes in income statement line items due to changes in sales revenue.

Additional item name	31.12.2022	Muutus	31.12.2022
Annual period profit (loss)	-480 526	-66 517	-547 043
Profit (loss) before tax	-480 526	-66 517	-547 043
Revenue	1 206 954	-66 517	1 140 437
Payables and prepayments	142 977	66 517	209 494
Profit (loss) from shareholders and partners in parent company	-480 526	-66 517	-547 043
Operating profit (loss)	-476 197	-66 517	-542 714
Changes in payables and prepayments related to operating activities	78 191	66 517	144 708

Preparation of consolidated statements

In consolidated accounts, all subsidiaries of the Group have been consolidated on a line-by-line basis. If necessary, the financial statements of subsidiaries have been adjusted in order to comply with the accounting policies of the Group.

All intra-group receivables and payables, transactions between the Group companies and the unrealised profits and losses, which have arisen as a result thereof, have been eliminated.

Financial assets

Financial assets are cash, a contractual right to receive cash or other financial assets (e.g. trade receivables) from another party and to exchange financial assets with another party on potentially favourable terms and conditions.

Financial assets are initially recognised at their acquisition cost, which is the fair value of the consideration payable or receivable for particular financial assets. The initial acquisition cost includes all transaction costs directly attributable to the financial assets. Sales of financial assets under ordinary market terms and conditions are recognised on the date of the transaction.

Cash and cash equivalents

Cash in hand, balances of current accounts, cash in transit and term deposits with a term of up to three months are recognised as cash and cash equivalents in the balance sheet and the cash flow statement.

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

Foreign currency transactions are recorded at the Euro foreign exchange reference rates that are fixed by the European Central Bank. Foreign currency monetary items and those non-monetary items that are carried at fair value, are retranslated according to the Euro foreign exchange reference rates that are fixed by the European Central Bank. Non-monetary items, which are not carried at fair value (i.e. prepayments, inventories, tangible and intangible assets) are not retranslated; instead, in euros according to the Euro foreign exchange reference rates that are fixed by the European Central Bank. Gains and losses from foreign currency transactions are recorded in the income statement on net basis.

Financial investments

Equity investments (except shareholding in a subsidiary or associate), whose fair value can be reliably measured, are recorded on the balance sheet at their fair value.

Equity investments, that's fair value cannot be reliably measured and the related derivatives, are recorded on the balance sheet at cost less any write-down.

Shares of subsidiaries and associates

All entities controlled by the parent company are considered to be subsidiaries. Control is considered to be effective when the parent company has, directly or indirectly through subsidiaries, 50% of voting power in the subsidiary or the parent company is controlling the operating and financial policies of the subsidiary in some other way.

Receivables and prepayments

Trade receivables

Current and non-current trade receivables are recorded at amortized cost, i.e. at their net present value, from which doubtful accounts are deducted.

Trade receivables, which partly or fully are not expected to be collected, are expensed and reported in the income statement as "Miscellaneous expenses". Receivables, collection of which is not feasible nor economically justified, are considered to be non-collectible and written-off from the balance sheet.

Inventories

Goods for resale, equipment held for resale and service providing for which it is not possible to record revenues yet based on the completion method, are recorded at cost, which comprises purchase price, non-refundable taxes as well as other direct acquisition expenditures, less discounts and subsidies received.

Inventories are stated at the lower of cost or net realizable value. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing and making the sale.

Plant, property and equipment and intangible assets

Assets held for use in the production or supply of goods and services, or for administrative purposes in the company's own economic activity, with useful life of over one year and a value of 300 EUR or more are considered to be tangible assets. Assets below the minimum cost level or useful life less than one year shall be expensed at the time they are taken into use and may be accounted for off-balance sheet.

Tangible fixed assets are initially taken into account at their acquisition cost, which consists of the purchase price and other expenses directly related to acquisition, which are necessary to bring the asset to its working condition and location. Tangible fixed assets are recorded in the balance sheet at their acquisition cost, from which accumulated depreciation and possible discounts resulting from a decrease in value have been deducted. Accounting for capital leased tangible fixed assets is done similarly to purchased fixed assets.

Tangible assets are recorded at cost, which comprises purchase price and other directly attributable expenditures that are necessary for bringing the asset to its operating condition and location.

In the balance sheet property, plant and equipment are recorded at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on the straight-line method.

Intangible assets

An asset is an intangible asset when it has useful life of more than one year and is controlled by the Company, the cost of the asset can be measured reliably and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company. Intangible assets are recorded at cost, which comprises purchase price and other directly attributable expenditures that are necessary for bringing the asset to its operating condition and location. Intangible assets shall be carried in the balance sheet at their cost, less accumulated amortisation and any accumulated impairment losses. Amortisation of intangible assets is calculated on the straight-line method.

Minimal acquisition cost 300

Useful life by assets group (years)

Assets group name	Useful life
Means of transport	10
Computers and systems	5
Other machinery and equipment	5-10
Other fixed assets	5
Intangible assets	10

Leases

Finance lease means a lease where all significant risks and rewards of ownership of the asset item in question are transferred to the lessee. Other lease contracts are recognised as operating leases.

Company as a lessee

An asset held under finance lease is recognized as an asset and a liability of the Company at its fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in income statement on accrual basis of accounting.

Assets held under operating lease are not reported on the balance sheet. Rentals payable under operating leases are charged to income statement on a straight-line basis over the term of the relevant lease, irrespectively from disbursements.

Financial liabilities

Financial liabilities comprise trade and other payables, accrued expenses and other short-term and long-term loans and borrowings.

Financial liabilities are initially recognised at cost, which is equal to the fair value of the consideration received for them.

The initial cost of a financial liability comprises all expenses directly related to its acquisition.

Financial liabilities are measured hereinafter at amortised cost. The amortised cost of short-term financial liabilities generally equals their nominal value; therefore short-term financial liabilities are carried in the balance sheet in their redemption amount. For calculating the amortised cost of long-term financial liabilities they are initially recognised at the fair value of the consideration payable, by calculating interest expense on the liabilities in the following periods using the effective interest rate method.

A financial liability is removed from the balance sheet when it is discharged or cancelled or expired.

Revenue recognition

Income is measured at the fair value of the consideration received or receivable, taking into account the amount of any discounts as specified in the contract. Sales of goods are recognised when all significant risks and rewards related to ownership of goods have been transferred to the buyer, collection of related receivables is probable, and income and expenses incurred in respect of the transaction can be measured reliably. Sales of services are recognised in the period when the service was provided, if collection of related receivables is probable,

and income and expenses incurred in respect of the transaction can be measured reliably.

Interest income is accrued on a time basis and dividend income from investments is recognised when the right to receive payment has been established.

Revenue from the sale of brokerage services should be recorded as net sales less direct costs of goods sold. No separate cost of goods is recorded for this type of service.

Expense recognition

Costs associated with income earned during an accounting period are deducted from such income. Expenses, the corresponding income of which is generated in a different period, are recognised as expenses in the period with income generated in relation to the same. If income associated with certain expenses cannot be directly identified, then indirect methods shall be used for the recognition of expenses.

Expenditure not expected to generate income is recognised as an expense at the time when it is incurred.

Taxation

In accordance with the effective Estonian Income Tax Act, dividends are taxed at the rate of 20/80 of the amount distributed as the net dividend.

From 2019, a lower tax rate on dividends of 14/86 were entered into force in Estonia for regular dividend payments. This means that a resident company will be able to both apply a lower tax rate of 14/86 and a standard tax rate of 20/80.

The income tax calculated on dividends is recognized as the income tax expense of the period in which the dividends are declared irrespective of the period for which the dividends are declared or the period in which the dividends are ultimately distributed.

Related parties

Related person is a legal and/or individual person that complies with at least one of the following conditions:

- a) directly or indirectly makes significant impact to the Group;
- b) can make significant impact to the Group;
- c) controls joint operation agreement object;
- d) is a company which can be significantly affected by the same parent company or the same individual person(s);
- e) is a subsidiary or associate;

Note 2 Receivables and prepayments

(In Euros)

	31.12.2023	Within 12 months	Note
Accounts receivable	25 121	25 121	
Accounts receivables	25 121	25 121	
Receivables from related parties	2 700	2 700	15
Tax prepayments and receivables	1 961	1 961	4
Prepayments	1 958	1 958	
Deferred expenses	648	648	
Other paid prepayments	1 310	1 310	
Total receivables and prepayments	31 740	31 740	
	31.12.2022	Within 12 months	Note
Accounts receivable	53 634	53 634	
Accounts receivables	53 634	53 634	
Receivables from related parties	1 907	1 907	15
Tax prepayments and receivables	27 258	27 258	4
Prepayments	684	684	
Deferred expenses	684	684	
Total receivables and prepayments	83 483	83 483	

Note 3 Inventories

(In Euros)

	31.12.2023	31.12.2022
Merchandise	375 311	193 191
Inventory prepayments	599	5 540
Total Inventories	375 910	198 731

Note 4 Tax prepayments and liabilities

(In Euros)

	31.12.2023		31.12.2022	
	Tax prepayments	Tax liabilities	Tax prepayments	Tax liabilities
Corporate income tax	0	0	0	21
Value added tax	0	203	0	0
Personal income tax	0	1 889	0	6 915
Fringe benefit income tax	0	3	0	0
Social tax	0	3 442	0	11 876
Contributions to mandatory funded pension	0	209	0	637
Unemployment insurance tax	0	250	0	819
Interest	0	64	0	0
Other tax prepayments and liabilities	0	0	0	11
Prepayment account balance	1 961		27 258	
Total tax prepayments and liabilities	1 961	6 060	27 258	20 279

Note 5 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
12526262	Gamekeys OÜ	Estonia	Digital mediation of computer games and various gift cards through the Punktid platform	100	100
11638088	HVK Business OÜ	Estonia	Wholesale of games and game codes	100	100

Shares of subsidiaries, detailed information			
Name of subsidiary	31.12.2022	Other changes	31.12.2023
Gamekeys OÜ	154 000	-86 000	68 000
HVK Business OÜ	784 500	139 200	923 700
Total shares of subsidiaries, at end of previous period	938 500	53 200	991 700

Note 6 Property, plant and equipment

(In Euros)

						Total
	Transportation	Computers and computer systems	Other machinery and equipment	Machinery and equipment	Other property, plant and equipment	
31.12.2021						
Carried at cost	24 167	12 595	1 890	38 652	729	39 381
Accumulated depreciation	-7 865	-6 233	-258	-14 356	-104	-14 460
Residual cost	16 302	6 362	1 632	24 296	625	24 921
Acquisitions and additions	35 416	2 470	1 207	39 093	477	39 570
Depreciation	-3 892	-2 495	-282	-6 669	-186	-6 855
31.12.2022						
Carried at cost	59 583	13 584	3 097	76 264	1 206	77 470
Accumulated depreciation	-11 757	-7 247	-540	-19 544	-290	-19 834
Residual cost	47 826	6 337	2 557	56 720	916	57 636
Acquisitions and additions	0	950	840	1 790	0	1 790
Depreciation	-4 931	-2 375	-593	-7 899	-605	-8 504
Impairment loss	0	-333	0	-333	0	-333
Disposals (in residual costs)	-6 809	-593	0	-7 402	0	-7 402
Other changes	0	237	-82	155	0	155
31.12.2023						
Carried at cost	44 167	8 026	3 545	55 738	667	56 405
Accumulated depreciation	-8 081	-3 803	-823	-12 707	-356	-13 063
Residual cost	36 086	4 223	2 722	43 031	311	43 342

Disposed property, plant and equipment at selling price

	2023	2022
Machinery and equipment	7 750	0
Transportation	7 000	0
Computers and computer systems	750	0
Total	7 750	0

Note 7 Intangible assets

(In Euros)

			Total
	Computer software	Concessions, patents, licences, trademarks	
31.12.2021			
Carried at cost	106 252	1 483	107 735
Accumulated depreciation	-9 094	-38	-9 132
Residual cost	97 158	1 445	98 603
Acquisitions and additions	157 589	0	157 589
Depreciation	-16 483	-33	-16 516
31.12.2022			
Carried at cost	263 841	1 483	265 324
Accumulated depreciation	-25 577	-71	-25 648
Residual cost	238 264	1 412	239 676
Acquisitions and additions	159 570		159 570
Depreciation	-38 396	-33	-38 429
Other changes	-237	0	-237
31.12.2023			
Carried at cost	423 011	1 483	424 494
Accumulated depreciation	-63 810	-104	-63 914
Residual cost	359 201	1 379	360 580

Note 8 Loan commitments

(In Euros)

	31.12.2023	Allocation by remaining maturity			Interest rate	Base currencies	Due date	Note
		Within 12 months	1 - 5 years	Over 5 years				
Current loans								
Credit card	15 000	15 000			14%	EUR	2024	
Current loans total	15 000	15 000						
Non-current loans								
Loan from bank	24 840	3 705	21 135	0	10,5% + 6 month Euribo	EUR	20.11.2028	
Loan from related company	16 694	0	16 694	0	4%	EUR	04.08.2027	15
Loan from related party	600	0	600	0	4%	EUR	21.07.2027	15
Loan from owner	74 150	0	74 150	0	4%	EUR	01.05.2028	15
Non-current loans total	116 284	3 705	112 579					
Finance lease obligations total	3 973	2 740	1 233	0				
Loan commitments total	135 257	21 445	113 812	0				

	31.12.2022	Allocation by remaining maturity			Interest rate	Base currencies	Due date	Note
		Within 12 months	1 - 5 years	Over 5 years				
Finance lease obligations total	6 366	3 087	3 279	0				
Loan commitments total	6 366	3 087	3 279	0				

Note 9 Payables and prepayments

(In Euros)

	31.12.2023	Within 12 months	Note
Trade payables	37 043	37 043	
Employee payables	19 539	19 539	
Related parties payables	4 685	4 685	15
Tax payables	6 060	6 060	4
Other payables	52 245	52 245	
Interest payables	2 245	2 245	15
Other accrued expenses	50 000	50 000	
Total payables and prepayments	119 572	119 572	

	31.12.2022	Within 12 months	Note
Trade payables	157 638	157 638	
Employee payables	26 689	26 689	
Related parties payables	4 885	4 885	15
Tax payables	20 279	20 279	4
Prepayments received	3	3	
Other received prepayments	3	3	
Total payables and prepayments	209 494	209 494	

Note 10 Share capital

(In Euros)

	31.12.2023	31.12.2022
Share capital	214 982	214 982
Number of shares (pcs)	2 149 816	2 149 816
Nominal value of shares	0.10	0.10

Note 11 Net sales

(In Euros)

	2023	2022
Net sales by geographical location		
Net sales in European Union		
Total net sales in European Union	362 149	214 099
Net sales outside of European Union		
Total net sales outside of European Union	643 656	926 338
Total net sales	1 005 805	1 140 437
Net sales by operating activities		
Internet sales	697 777	968 042
Commission fee	308 028	172 395
Total net sales	1 005 805	1 140 437

During the reporting year, services were sold to retail consumers through the Punktid platform for 1,268,513 euros, from which the company received a commission of 308,028 euros.

The total retail and wholesale sales volume during the reporting year was 1,966,181 euros. (2,817,335 euros in 2022.)

Note 12 Goods, raw materials and services

(In Euros)

	2023	2022
Inventory write-off	0	-95 551
Goods purchased for resale	-629 780	-890 681
Services purchased for resale	-9 935	-11 119
Other	-481	0
Total goods, raw materials and services	-640 196	-997 351

Note 13 Miscellaneous operating expenses

(In Euros)

	2023	2022
Leases	-12 309	-15 212
Miscellaneous office expenses	-5 950	-8 849
Travel expense	0	-3 686
IT costs	-27 763	-48 623
Legal expense	-24 646	-38 562
Consulting expenses	-7 059	-15 027
Marketing expenses	-39 642	-190 920
Purchased services	-24 424	-15 722
Other	-33 152	-59 735
Total miscellaneous operating expenses	-174 945	-396 336

Note 14 Labor expense

(In Euros)

	2023	2022
Wage and salary expense	-104 426	-204 449
Social security taxes	-44 063	-60 885
Total labor expense	-148 489	-265 334
Average number of employees in full time equivalent units	7	8
Average number of employees by types of employment:		
Person employed under employment contract	4	4
Person providing service under law of obligations, except for self-employed person	1	4
Member of management or controlling body of legal person	2	0

Note 15 Related parties

(In Euros)

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

Related party balances according to groups

SHORT TERM	31.12.2023	31.12.2022	Note
Receivables and prepayments			
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	2 700	1 907	2
Total receivables and prepayments	2 700	1 907	
Payables and prepayments			
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	6 919	4 885	9
Close family members and entities under their prevalent and material influence of management and higher	11	0	9
Total payables and prepayments	6 930	4 885	

LONG TERM	31.12.2023	31.12.2022	Note
Loan commitments			
Parent company	16 694	0	
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	74 150	0	8
Close family members and entities under their prevalent and material influence of management and higher	600	0	8
Total loan commitments	91 444	0	

LOAN COMMITMENTS	31.12.2021	Loans received	Loans received repayments	31.12.2022	Interest accrued for period	Note
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	18 521	0	18 521	0	2 155	
Close family members and entities under their prevalent and material influence of management and higher	2 639	0	2 639	0	87	
Total loan commitments	21 160	0	21 160	0	2 242	

LOAN COMMITMENTS	31.12.2022	Loans received	Loans received repayments	31.12.2023	Interest accrued for period	Note
Parent company		17 444	750	16 694	249	8
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	0	91 600	17 450	74 150	1 985	8
Close family members and entities under their prevalent and material influence of management and higher	0	600	0	600	11	8
Total loan commitments	0	109 644	18 200	91 444	2 245	

SOLD	2023			2022	
	Goods	Services	Non-current assets	Goods	Non-current assets
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	0		7 000	480	0
Total sold	0		7 000	480	0

BOUGHT	2023			2022	
	Goods	Services	Non-current assets	Goods	Non-current assets
Close family members and entities under their prevalent and material influence of management and higher			15 809		
Total bought		15 809	15 809		

Remuneration and other significant benefits calculated for members of management and highest supervisory body		
	2023	2022
Remuneration	25 360	59 300

Note 16 Events after the reporting date

The wholesale activities of the subsidiary HVK Business OÜ have decreased significantly compared to previous years as of the reporting date, as the cooperation with the main supplier ended. The conclusion of the contract with the new supplier took significantly longer and will resume in 2025. As the wholesale activities of HVK Business OÜ have been a side activity for the group, the management board has focused solely on maintaining the stability of the Punktid platform and e-business in foreign markets in 2024. HVK Business OÜ has no major obligations to third parties, which is why this activity will continue to operate separately with minimal trading until new suppliers and partners are found. The commission fee of the subsidiary Gamekeys OÜ has decreased by more than half in 2024, which is due to the fact that various advertising campaigns have been carried out to restore turnover. In 2023, we were also forced to significantly increase the margin of the mediation service to cover the costs of launching the platform. The usual margin is around 10%.

In May-June 2024, Punktid Technologies AS sold its shares. Up to 100,000 shares were publicly offered, and 76,848 shares were subscribed for, for which 38,424 euros were paid as a cash contribution.

Note 17 Non consolidated statement of financial position

(In Euros)

	31.12.2023	31.12.2022
Assets		
Current assets		
Cash and cash equivalents	23	52 588
Receivables and prepayments	750	11 795
Total current assets	773	64 383
Non-current assets		
Investments in subsidiaries and associates	991 700	938 500
Total non-current assets	991 700	938 500
Total assets	992 473	1 002 883
Liabilities and equity		
Liabilities		
Current liabilities		
Payables and prepayments	17 143	9 386
Total current liabilities	17 143	9 386
Total liabilities	17 143	9 386
Equity		
Issued capital	214 982	214 982
Share premium	1 019 437	983 260
Treasury shares	-1	-1
Retained earnings (loss)	-204 744	-64 911
Annual period profit (loss)	-54 344	-139 833
Total equity	975 330	993 497
Total liabilities and equity	992 473	1 002 883

Note 18 Non consolidated income statement

(In Euros)

	2023	2022
Revenue	0	60
Raw materials and consumables used	0	-60
Other operating expense	-48 360	-131 478
Employee expense	-5 985	-8 379
Total operating profit (loss)	-54 345	-139 857
Interest income	1	24
Profit (loss) before tax	-54 344	-139 833
Annual period profit (loss)	-54 344	-139 833

Note 19 Non consolidated statement of cash flows

(In Euros)

	2023	2022
Cash flows from operating activities		
Operating profit (loss)	-54 345	-139 857
Changes in receivables and prepayments related to operating activities	11 045	-7 660
Changes in payables and prepayments related to operating activities	7 757	4 712
Interest received	1	24
Total cash flows from operating activities	-35 542	-142 781
Cash flows from investing activities		
Other cash outflows from investing activities	-150 200	-680 000
Other cash inflows from investing activities	97 000	0
Total cash flows from investing activities	-53 200	-680 000
Cash flows from financing activities		
Proceeds from issuing shares	0	868 701
Proceeds from sales of treasury shares	36 177	0
Total cash flows from financing activities	36 177	868 701
Total cash flows	-52 565	45 920
Cash and cash equivalents at beginning of period	52 588	6 668
Change in cash and cash equivalents	-52 565	45 920
Cash and cash equivalents at end of period	23	52 588

Note 20 Non consolidated statement of changes in equity

(In Euros)

					Total
	Issued capital	Share premium	Treasure shares	Retained earnings (loss)	
31.12.2021	195 390	134 151	-1	-64 911	264 629
Annual period profit (loss)	0	0	0	-139 833	-139 833
Issue of equity	19 592	849 109	0	0	868 701
31.12.2022	214 982	983 260	-1	-204 744	993 497
Governing and material influence ownership interest value of financial position				-938 500	-938 500
Governing and material influence on the value Of holdings under the equity method				437 674	437 674
Restated non consolidated equity 31.12.2022	214 982	983 260	-1	-705 570	492 671
Annual period profit (loss)	0	0	0	-54 344	-54 344
Other changes in equity	0	36 177	0	0	36 177
31.12.2023	214 982	1 019 437	-1	-259 088	975 330
Governing and material influence ownership interest value of financial position				-991 700	-991 700
Governing and material influence on the value Of holdings under the equity method				591 925	591 925
Restated non consolidated equity 31.12.2023	214 982	1 019 437	-1	-658 863	575 555

Note 21 Business continuity

The sales revenue of the subsidiaries belonging to the group has decreased significantly after the reporting date, which may cast significant doubt on the group's ability to continue as a going concern.

The management of the subsidiary has been engaged in the search for a new partner for HVK Business OÜ and believes that the sustainability of the business is ensured even with lower sales.

The brokerage fee of the subsidiary Gamekeys OÜ has decreased and remained stable in the second half of 2024. The management of the subsidiary has optimized costs to ensure that revenues and costs are in line, which has been helped by the stable commission.

In order to ensure the continuity of the group's activities as a whole, the owners of the parent company are willing to make additional cash contributions or to organize an additional public offer of shares.