

**INTERIM REPORT FOR SIX-MONTH
PERIOD ENDED 31 DECEMBER 2022**

(UNAUDITED)

reporting period: 01.07.2022- 31.12.2022

financial year: 01.01.2022 - 31.12.2022

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Management report

About company

Bercman Technologies AS (hereinafter "the company") is a technology company established in 2016, and whose core business has been the development and sale of Smart City and mobility-related technologies and products to European markets. Bercman's subsidiary is Krakul OÜ (hereinafter "Krakul"), a developer of Internet of Things and autonomous mobility systems. Krakul and Bercman together form the Bercman Group. Together, they implement the Bercman Group's development objectives to bring cost-effective product solutions to more markets and to reach out with development services to the fast-growing areas of Smart City and Smart Living Environment in general.

Company's equity and holdings in other companies

The company's share capital amounted to 143 903 euros during the reporting period. The Company has issued 1 439 031 shares of one class with a nominal value of 10 cents. In addition to the nominal value of the share capital, the company's equity includes share premium, options and other reserves, and retained earnings/losses totalling 1 324 866 euros. Bercman together with his subsidiary Krakul forms a consolidation group. The company has a 100% stake in Krakul, that is, a share with a nominal value of 2 500 EUR.

Tertiary public offering of company shares

During the period from 4 to 14 October, the company carried out a tertiary public offering of shares. A total of 97 684 shares were subscribed during the offer period by 392 investors for a total value of EUR 293 052.

Economic results

In line with the sales forecast for 2022, the company's unconsolidated unaudited turnover in 2022 was EUR 1 755 741. For the comparable period in 2021, turnover was EUR 76 096. The reporting period ended with a loss of 746 323 euros (12 months of 2021 a loss was EUR 593 252). Loss is due to expenses made for the growth and development of the company, the further development of its own product, and non-recurring expenses related to public offerings and admission to trading of shares.

As of 31.12.2022, the company's balance sheet total was 2 008 262 euros (31.12.2021: EUR 2 144 947). Current assets amounted to 557 671 euros (31.12.2021: EUR 659 578). Fixed assets amounted to 1 450 591 euros (31.12.2021: EUR 1 485 369). The company's equity as of 31.12.2022 was 1 468 769 euros (31.12.2021: EUR 1 644 819). As of 31.12.2022, the company had 73 658 euros in loan liabilities (31.12.2021: EUR 28 472).

In macroeconomic terms, in 2022, the company's operations were impacted by the Russian-Ukrainian war, which created uncertainty and caused delays in customer decisions and project progress. Projects already in progress were not cancelled by customers due to the instability caused by the war but some of them were postponed until 2023. The second half of the year was further impacted by accelerating inflation and rising input prices in the energy market, which were accompanied by some increases in component input prices.

New markets and expansion in existing markets

In the second half of 2022, new generation smart pedestrian crosswalks were delivered to export markets in Greece and the UK. Several smart safety systems were installed in Narva-Jõesuu, Elva and Haapsalu.

In Greece and the United Kingdom, framework agreements for the resale of in-house developed products were signed with local companies. In Greece, a five-year contract was signed with Eur.Elec Ltd, a local transport infrastructure maintenance and installation company. In the United Kingdom, a two-year resale contract was signed with Clearview Intelligence Ltd, an ITS technology company. Cooperation was launched with 1oT, a data service provider for the Internet of Things market, for the use of 1oT eSIM cards in smart transport infrastructure devices.

In a joint bid with Krakul, the Põlva Smart Road re-tender has been won, which will see the construction of a 2.5 km stretch of road in the city of Põlva with 14 smart crosswalks and average speed measurement capability. At the time of reporting, the contract for the works has not yet been signed.

Krakul continued to work with long-term customers and customer projects and companies from both Estonia and foreign markets were added to the client portfolio. IoT and autonomous systems solutions were exported to the UK, Germany, Switzerland, Finland, Latvia, Singapore and the USA.

To increase its network of contacts and export opportunities, the company's team attended the Smart City Expo World Congress in Barcelona in November, together with representatives from Krakul. Smart City Expo is one of the world's leading events on smart city developments and opportunities.

Research and development

In autumn 2022, the development project "SmartWalk", funded by the German Ministry of Transport and Infrastructure, was completed with the participation of Bercman. The project was carried out in cooperation with the University of Hamburg and technology companies NATIX GmbH, HITeC e.V. and Artificial Intelligence Center Hamburg (ARIC). During the project, a smart crosswalk with cameras and radars was installed on Lammi Road in Tartu, testing innovative artificial intelligence technologies to improve traffic safety.

During 2022, several further developments were carried out within the framework of the Estonian-Norwegian cooperation programme "Green ICT", which aims to develop an environmentally friendly demand-driven mobility platform (VEDAS). The platform is integrated into a network of smart bus stops. At the Transport Administration conference, "Where are you going, Estonian public transport? Estonian public transport awards 2022." Tanel Talve, co-founder of Modern Mobility, presented the results of VEDAS. Bercman's development partner Modern Mobility was also awarded with the nomination of the Estonian Public Transport Achievement of 2022 for demand-based transport pilot projects in Saaremaa and Tartumaa.

Team

As of 31.12.2022, there is one member of the Management Board, three of the Supervisory Board in Bercman, and one of the Management Board in Krakul. A total of 20 specialists works in the Bercman Group. The Group's labour costs with labour taxes amounted to EUR 1 336 499 in 2022 (12 months 2021: EUR 384 855).

Management declaration

The company had no pending legal proceedings, tax or other disputes during the financial year or at the time of submitting the report.

According to the Management Board, the results of the additional public offerings of shares in 2022 and the non-positive state of the global economy had a slowing effect on the business processes. As a result, changes were made to the company structure. The development competencies of the company and the subsidiary were consolidated under single management to optimise operating costs, and changes were also made to the Boards of Management of the Group companies.

The company's strategic focus in 2023 will be on providing Internet of Things and autonomous platform development services and growing its customer and product portfolio. The company will continue to offer road safety solutions both in Estonia and in European countries through contractual partners.

The company does not plan to raise money on the stock exchange in the current financial year. The focus will be on sales of proprietary products and development services - servicing existing and new customers and partners. As there are no larger-scale and resource-intensive development projects planned for this year, the company plans to manage with its own financial resources.

Estimation revision

Company's Management Board has decided to lower the consolidated turnover forecast presented on 04.10.2022 for the current year from EUR 3,1 million to EUR 2,1 million, and the turnover forecast for 2024 from EUR 6,53 million to EUR 2,5 million. The company is revising its forecasts published in 2022 based on a pessimistic overall economic outlook, a slowdown in economic growth and uncertainty caused by the Russian-Ukrainian war.

Due to the tight economic situation, there is currently less receptivity to the introduction of new solutions, and local authorities have put the brakes on investments. As a result, the company does not expect a big increase in turnover from the sale of transport infrastructure solutions this year, but it does expect the realisation of the projects prepared last year as planned. In development services, sales are expected to grow steadily through the addition of new customer projects.

The main financial ratios of the consolidating entity during the reporting and reference period are as follows:

Financial ratio	Methodology for calculation	31.12.2022	31.12.2021
Current ratio	current assets/current liabilities	1,04	1,33
Debts to assets ratio	total liabilities/total assets	0,27	0,23

The annual accounts

Consolidated statement of financial position

(In Euros)

	31.12.2022	30.06.2022	31.12.2021	30.06.2021
Assets				
Current assets				
Cash and cash equivalents	260 157	309 473	378 023	825 715
Receivables and prepayments	206 665	239 958	158 412	12 088
Inventories	90 849	84 396	123 143	74 940
Total current assets	557 671	633 827	659 578	912 743
Non-current assets				
Property, plant and equipment	32 175	39 092	37 110	27 866
Intangible assets	1 418 416	1 488 443	1 448 259	145 872
Total non-current assets	1 450 591	1 527 535	1 485 369	173 738
Total assets	2 008 262	2 161 362	2 144 947	1 086 481
Liabilities and equity				
Liabilities				
Current liabilities				
Loan liabilities	73 658	210 797	28 472	42 891
Payables and prepayments	417 715	430 882	462 666	240 704
Provisions	44 295	41 809	4 168	4 168
Total current liabilities	535 668	683 488	495 306	287 763
Non-current liabilities				
Loan liabilities	3 825	7 384	4 822	0
Government grants	0	0	0	23 310
Total non-current liabilities	3 825	7 384	4 822	23 310
Total liabilities	539 493	690 872	500 128	311 073
Equity				
Equity held by shareholders and partners in parent company				
Issued capital	143 903	134 135	129 847	119 847
Unregistered equity	0	0	0	0
Share premium	2 412 758	2 129 474	1 868 788	1 097 788
Other reserves	486 169	474 792	473 922	156
Retained earnings (loss)	-827 738	-827 738	-234 486	-234 486
Annual period profit (loss)	-746 323	-440 173	-593 252	-207 897
Total equity held by shareholders and partners in parent company	1 468 769	1 470 490	1 644 819	775 408
Total equity	1 468 769	1 470 490	1 644 819	775 408
Total liabilities and equity	2 008 262	2 161 362	2 144 947	1 086 481

Consolidated income statement

(In Euros)

	2022	2022 01.07-31.12	2021	2021 01.07-31.12
Revenue	1 755 741	962 306	76 096	72 981
Other income	17450	17 450	51 150	31 282
Work performed by entity and capitalised	157 075	53 949	130 178	85 388
Raw materials and consumables used	-587 847	-348 816	-146 345	-134 037
Other operating expense	-506 627	-217 638	-231 571	-138 001
Employee expense	-1 336 499	-621 792	-384 855	-240 553
Depreciation and impairment loss (reversal)	-224 870	-136 840	-75 938	-55 280
Other expense	-5 705	-4 491	-1 796	-212
Operating profit (loss)	-731 282	-295 872	-583 081	-378 432
Interest expenses	-14 741	-10 293	-8 870	-6 407
Other financial income and expense	-300	15	-1301	-516
Profit (loss) before tax	-746 323	-306 150	-593 252	-385 355
Annual period profit (loss)	-746 323	-306 150	-593 252	-385 355
Profit (loss) from shareholders and partners in parent company	-746 323	-306 150	-593 252	-385 355

Consolidated statement of cash flows

(In Euros)

	2022	2022 01.07-31.12	2021	2021 01.07-31.12
Cash flows from operating activities				
Operating profit (loss)	-731 282	-295 872	-583 081	-378 432
Adjustments				
Depreciation and impairment loss (reversal)	224 870	136 840	75 938	55 280
Profit (loss) from the sale of fixed assets	1 317	0	0	0
Other adjustments	-4 674	-5 496	-39 770	-20 116
Total adjustments	221 513	131 344	36 168	35 164
Changes in receivables and prepayments related to operating activities	-48 253	33 293	-52 517	-40 929
Changes in inventories	32 294	-6 453	-19 994	-13 939
Changes in payables and prepayments related to operating activities	-17 512	-20 070	48 715	5 374
Interest received	34	18	24	24
Proceeds from government grants	16 920	16 920	38 596	7 972
Total cash flows from operating activities	-526 286	-140 820	-532 089	-384 766
Cash flows from investing activities				
Purchase of property, plant and equipment and intangible assets	-187 749	-59 896	-178 807	-119 735
Received from property, plant and equipment and intangible assets	83	0	0	0
Net cash flow from acquisition of subsidiaries and operating activities	0	0	65 095	65 095
Total cash flows from investing activities	-187 666	-59 896	-113 712	-54 640
Cash flows from financing activities				
Loans received	200 000	0	156 100	0
Repayments of loans received	-156 061	-138 796	-114 346	-16 830
Interest paid	-2 387	-955	-3 642	-1 456
Repayments of finance lease liabilities	-3 492	-1 901	0	0
Proceeds from issuing shares	558 026	293 052	975 985	10 000
Total cash flows from financing activities	596 086	151 400	1 014 097	-8 286
Total cash flows	-117 866	-49 316	368 296	-447 692
Cash and cash equivalents at beginning of period	378 023	309 473	9 727	825 715
Change in cash and cash equivalents	-117 866	-49 316	368 296	-447 692
Cash and cash equivalents at end of period	260 157	260 157	378 023	378 023

Consolidated statement of changes in equity

(In Euros)

	Equity held by shareholders and partners in parent company					Total
	Issued capital	Unregistered equity	Share premium	Other reserves	Retained earnings (loss)	
31.12.2021	129 847	0	1 868 788	473 922	-827 738	1 644 819
Annual period profit (loss)					-440 173	-440 173
Issue of equity	4 288		260 686			264 974
Changes in reserves				870		870
30.06.2022	134 135	0	2 129 474	474 792	-1 267 911	1 470 490
Annual period profit (loss)					-306 150	-306 150
Issue of equity	9 768		283 284			293 052
Changes in reserves				11 377		11 377
31.12.2022	143 903	0	2 412 758	486 169	-1 574 061	1 468 769