



ANNUAL REPORT



beginning of financial year: 01.01.2018

end of the financial year: 31.12.2018

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Management report

Crowdestate is the leading European real estate crowdfunding marketplace, founded on January 9, 2014. The marketplace connects professional real estate companies with Crowdestate's global investor community, providing its investors with high-quality, pre-vetted real estate investment opportunities and allowing real estate companies to raise funds from this brand new source of capital.

Real estate is one of the four key asset classes next to stocks, bonds, and money market instruments, providing long-term capital growth and good protection against inflation. Unlike the three others, real estate investing has long been the domain of institutional investors and high net worth individuals only.

Crowdestate's mission is to revolutionize real estate investing and make professional grade real estate investments accessible to everyone. Our long-term goal is supported by globally scalable technology, which unites the investments of our tens of thousands of investors into single, large and valuable investment power.

BUSINESS MODEL



A low, just 100 euro minimum investment requirement allows everyone to become a real estate investor and just a few thousands of euros will allow the investor to build a diversified real estate investment portfolio by investing into different geographic regions, different layers of the capital stack and different real estate companies. Fully digital process and thoroughly pre-vetted real estate investment opportunities allow minimizing the investor's time and efforts.

Professional real estate companies have realized the value of Crowdestate as their new funding partner, allowing them to efficiently and quickly raise large amounts and different type of capital from Crowdestate's tens of thousands of international investors.

Geography

Physical presence is an important part of Crowdestate's business model - we are committed to having a local team in every location we operate. All investment opportunities in any specific country are sourced, analyzed, prepared and monitored according to our global standards by our local teams.



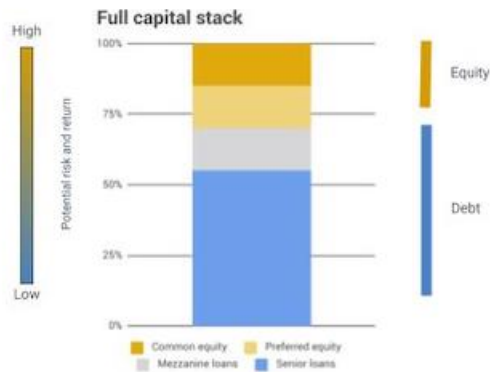
As of 31.12.2018, Crowdstate has local teams present in Estonia, Latvia, and Italy.

We expect to establish a few new teams in 1-2 new countries during 2019.

Investments

Crowdstate started its business by raising predominantly equity capital for real estate development projects. Over the years, we have grown to become a full capital stack provider, crowdfunding traditional real estate equity, hybrid mezzanine as well as senior bridge and construction loans. The availability of different layers of the capital stack allows the entrepreneurs to optimize their financial leverage and return on equity. Investors are enjoying our different investment opportunities as they allow to pick the investments that are properly aligned with their investment goals and risk appetite.

WHAT IS FULL CAPITAL STACK?



Full set of capital contributed to finance a real estate transaction or a company:

- Equity
- Preferred equity
- Mezzanine debt
- Senior debt

Each layer has unique risk and return profile, defining maximum upsides and downsides.

Investment process

All of Crowdestate’s investment opportunities pass and are vetted through a standardized investment process.

INVESTMENT PROCESS



We source our investments by reaching out to and having excellent long-term relationships with leading local real estate companies.

We apply our quick due diligence filter to all investment ideas in order to eliminate principally weak ones and allow us to focus only on the ones with high probability of success.

Quick due diligence results in recognition of original or submitting a modified investment proposal.

Extended due diligence results in deep understanding of the project, its potential financial scenarios, surrounding market and overall economic environment.

Investment committee approved the Investment memorandum, financial models and legal structure before the investment is published for investing.

Our fully digital funding process provides our 25.000+ international investors with all information necessary for making prudent investment decisions.

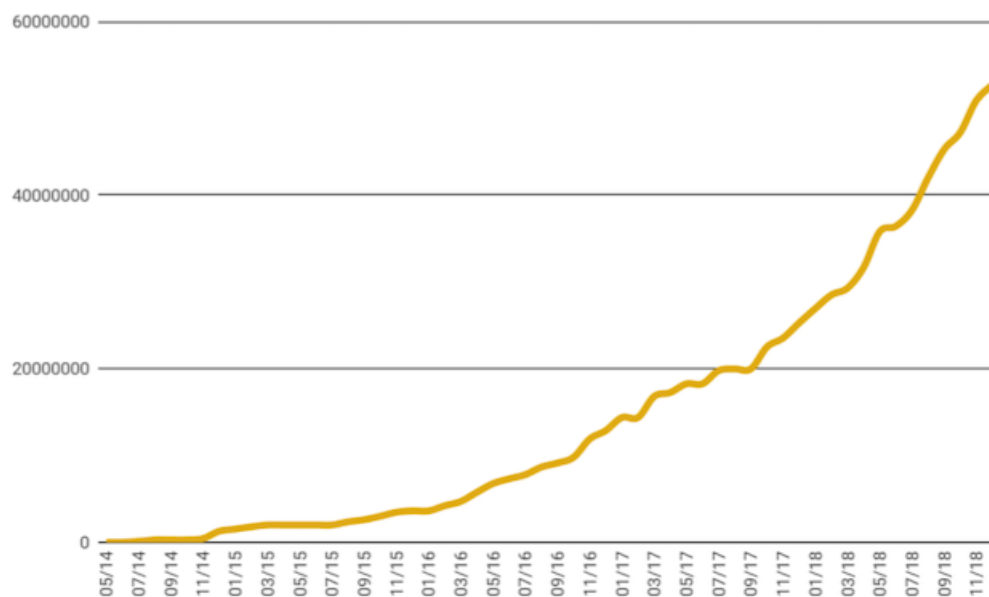
The length of a typical funding period is variable, remaining between few minutes to several weeks.

Continuous monitoring and follow-up allows us to provide our investors with regular updates and ensures smooth track towards exit.

New investments

There were 73 new investment opportunities worth EUR 27,905,600 funded on Crowdestate’s marketplace in 2018.

As of the end of 2018, Crowdestate has successfully funded a total of 122 investment opportunities worth a total of EUR 50,437,800.



All (except for one) investment opportunities published in 2018 were successfully funded. Katolu 9, a low-risk, unleveraged investment opportunity related to funding the acquisition of a residential rental building in Riga City Centre failed to achieve its funding goal due to its lower than average expected return.

Crowdestate continued to raise capital for the selected corporate finance investments in 2018, providing necessary capital for fast-growing Estonian companies.

Active investments and payouts

A total amount of EUR 14,315,312.18 was paid out by 55 different investment opportunities.

EUR 11,348,591.59 was paid out as principal repayments and EUR 2,966,720.59 was paid out as interest.

Exited investments

25 different investment opportunities made successful exits in 2018 and the total number of Crowdestate's successful exits reached to 43 as of the end of 2018.

Exited investments made payouts in the total amount of EUR 13,124,841.65 in 2018, EUR 10,920,600.00 was paid out as principal repayments and EUR 2,203,241.65 was paid out as interest.

The average net return of the exited 43 investment opportunities was 20,42% per annum.

Overdue investments

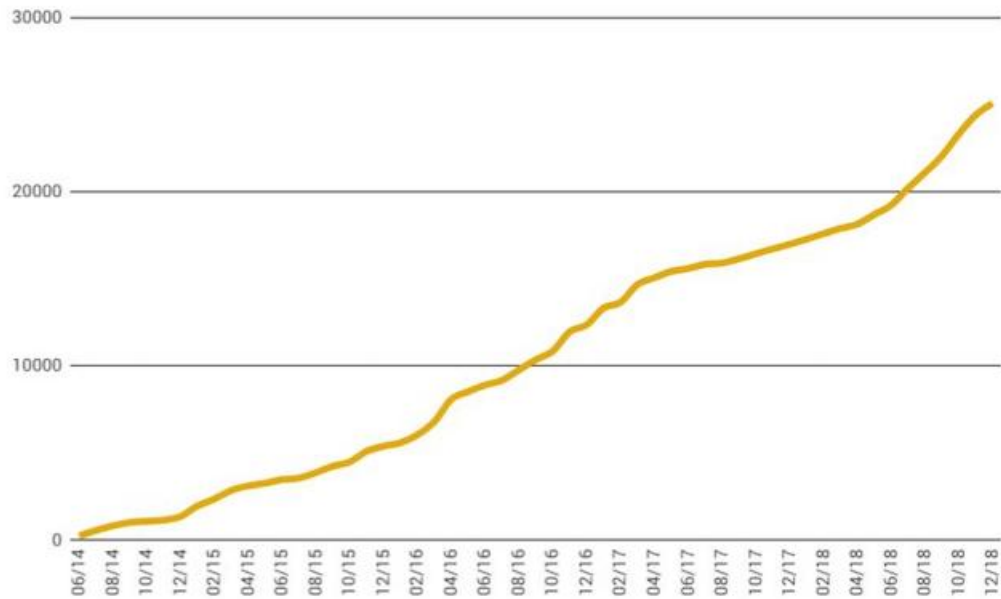
2018 saw two overdue investment opportunities, that required Crowdestate's attention and activities.

Kevade 9, Tallinn is a bridge loan, that was not paid back according to the contractual schedule and Crowdestate took legal action against the Sponsor, initiating the forced liquidation of the collateral. Although the collection is still in process, we believe that all the raised capital, all accrued interest and a large part of penalties will be reclaimable through the forced liquidation process. We expect the process to be finished in the first half of 2019.

Cellin Technologies OÜ is a biotech company, that failed to return the crowdfunded capital according to contractual schedule. As Crowdestate failed to reach an understandable agreement with Cellin Technologies OÜ regarding the return of the raised capital, we were forced to initiate the bankruptcy process in November 2018. The first court hearing is expected to take place in Q1 2019.

Investors

The number of investors continued to grow rapidly, increasing by 8,543 investors over the year, and reaching a total number of 26,672 investors by the end of 2018.



Legal environment and regulation

There were no major changes in the legislative environment in 2018 - crowdfunding remained unregulated in Estonia.

In order to ensure transparency and protect investors interest, self-regulation rules were established by FinanceEstonia, a non-profit cluster organization protecting the interests of Estonian financial industry, in 2016. No changes were made to the valid self-regulation rules in 2018.

Crowdestate was the only Estonian crowdfunding platform awarded with the self-regulation compliance certificate in 2018.

The work on establishing the common pan-European crowdfunding regulation continued in Europe in 2018, resulting in several drafts and final harmonized version of the upcoming legislation. We have noticed a significant shift from supporting the growth of the platforms towards focusing on investor protection elements. Also, the original EUR 1,000,000 maximum limit per single crowdfunding campaign has been increased to EUR 8,000,000.

Another important principle cemented in the legislative drafts is the requirement to obtain and maintain a European payment institution license, additionally to the new crowdfunding license, in case the platform is offering however limited payment services.

Crowdestate is offering limited payment services to its investors, and due to the limited scope of those services, they are currently falling under the exemption clauses of Payment Services Directive.

Anticipating the upcoming legal changes, Crowdestate has started the preparations to obtain the payment institution license from Estonian Financial Supervision Authority and has increased its paid in capital to EUR 125,000. The application for payment institution license will be submitted to EFSA in Q1 2019.

As a part of the upcoming licensing process, Crowdestate will be restructured from a private limited company ("osaühing") to the joint stock company ("aktsiaselts").

Technological updates

Crowdestate continued its investments into its information technology, improving their capacity, performance, and security, adding new functionality and updating the user interfaces.

Since spring 2018, Crowdestate is on the the very few global real estate crowdfunding platforms having a liquid marketplace, providing its investors with liquidity during the investment period. The marketplace allows the investors to sell their investments to other Crowdestate's investors, and new investors can add already ongoing investments to their portfolios. The feature has turned out to be very popular and there is a lot of liquidity on the marketplace.

Due to the the continuous lack of high-quality investment opportunities and the overwhelming supply of investment interest, we updated our Prebooking feature in spring 2018 to include the redistribution mechanism for the oversupply of investment orders. Previously, all investment orders were accepted on a "first come, first served" principle, now the Prebooking period remains open for 24 hours regardless of the number of

investment orders and in the case of oversubscription, and the Prebooking engine redistributes the investment orders proportionally, ensuring every investor is able to participate at least for the minimum of 100 euros per project.

Our Autoinvest feature got an upgrade - we added lots of additional investment criteria to the engine allowing the investors to build even more precise autoinvests.

We added the intrasystem transfer feature, allowing the investors with multiple investment accounts to transfer their investments between their investment accounts.

We added Italian and German languages to our platform in 2018, now the platform is available in 5 different languages.

We upgraded our KYC/AML rules and introduced the digital ID verification feature. Most of our active investors passed the digital verification process in 2018, all new investors are expected to pass through the identification process before they can start investing.

Crowdestate still continues to be the only Estonian crowdfunding platform fully complying with the Estonian tax legislation. As a part of our crowdfunding services, we are offering tax withholding services to our Sponsors, allowing our Sponsors to withhold the income taxes at the moment of the payout, and therefore ensuring their compliance with the tax regulations.

Management board

There were 2 members serving on the management board of Crowdestate in 2018. Their remuneration was EUR 48,000 in 2018.

The annual accounts

Statement of financial position

(In Euros)

	31.12.2018	31.12.2017	Note
Assets			
Current assets			
Cash and cash equivalents	537 465	144 882	
Receivables and prepayments	201 542	64 095	2
Total current assets	739 007	208 977	
Non-current assets			
Receivables and prepayments	5 585	5 625	2
Property, plant and equipment	34 199	45 599	3
Intangible assets	329 521	271 380	4
Total non-current assets	369 305	322 604	
Total assets	1 108 312	531 581	
Liabilities and equity			
Liabilities			
Current liabilities			
Loan liabilities	5 389	5 256	5
Payables and prepayments	101 275	45 312	6
Total current liabilities	106 664	50 568	
Non-current liabilities			
Loan liabilities	29 122	73 678	5
Total non-current liabilities	29 122	73 678	
Total liabilities	135 786	124 246	
Equity			
Issued capital	125 000	53 000	
Retained earnings (loss)	354 334	172 753	
Annual period profit (loss)	493 192	181 582	
Total equity	972 526	407 335	
Total liabilities and equity	1 108 312	531 581	

Income statement

(In Euros)

	2018	2017	Note
Revenue	1 370 525	654 225	7
Other operating expense	-524 862	-300 342	
Employee expense	-168 087	-57 128	8
Depreciation and impairment loss (reversal)	-181 859	-107 701	
Operating profit (loss)	495 717	189 054	
Interest income	50	22	
Interest expenses	-5 950	-7 475	
Other financial income and expense	3 375	-19	
Profit (loss) before tax	493 192	181 582	
Annual period profit (loss)	493 192	181 582	

Notes

Note 1 Accounting policies

General information

Crowdestate OÜ 2018 annual report has been compiled according to the rules of Estonian GAAP, which is based on the internationally accepted accounting and reporting principles. The key requirements of Estonian GAAP have been established by the Accounting Act and are supplemented by the guidelines issued by the Accounting Standards Board.

The income statement of Crowdestate OÜ has been prepared on the basis of Scheme 1 of the Income Statement in Annex 2 to the Accounting Act.

This company has been classified to be the small business and consequently, no cash flow and change in equity statement have been included in the annual report.

The financial statements are presented in euros.

Cash and cash equivalents

Cash and cash equivalents include cash on the company's bank accounts.

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

Foreign currency transactions are recorded on the basis of the exchange rates of the European Central Bank at the date of the transaction. Foreign exchange gains and losses are recognized in the income statement as income and expenses for the period.

Receivables and prepayments

Accounts receivable are recognized on the balance sheet at adjusted cost. Accounts receivables are reflected on the balance sheet on the basis of the likelihood of receipt.

In doing so, each customer's outstanding invoices are evaluated separately, considering the known information about the customer's solvency.

Plant, property and equipment and intangible assets

Tangible and intangible assets are recognized on the balance sheet at cost less accumulated depreciation and any impairment losses. The straight-line method is used to calculate depreciation.

Minimal acquisition cost 640

Revenue recognition

Revenue is recognized at the fair value of the consideration received or receivable, taking into account all discounts and rebates. Revenue from the sale of a service is recognized after the service is rendered or, if the service is provided over a longer period of time, based on the degree of readiness.

Expense recognition

The classification of costs is made according to the entries in Scheme 1 of the selected income statement. Expenses are recognized in the same period as the related income. The costs incurred in doing business are either periodic costs or prepaid expenses.

Related parties

Parties are considered to be related if one party has control over the other party or has a significant influence on the business decisions of the other party. Related parties are management and senior management, and private shareholders with a qualifying holding, and those under their dominant or significant influence.

Note 2 Receivables and prepayments

(In Euros)

	31.12.2018	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Accounts receivable	188 746	188 746	0	0	
Accounts receivables	188 746	188 746	0	0	
Tax prepayments and receivables	28	28	0	0	
Other receivables	14 160	10 075	4 085	0	
Loan receivables	14 160	10 075	4 085	0	9
Prepayments	4 193	2 693	1 500	0	
Other paid prepayments	4 193	2 693	1 500	0	
Total receivables and prepayments	207 127	201 542	5 585	0	
	31.12.2017	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Accounts receivable	62 522	62 522	0	0	
Accounts receivables	62 522	62 522	0	0	
Tax prepayments and receivables	23	23	0	0	
Other receivables	5 675	50	5 625	0	
Loan receivables	5 675	50	5 625	0	9
Prepayments	1 500	1 500	0	0	
Other paid prepayments	1 500	1 500	0	0	
Total receivables and prepayments	69 720	64 095	5 625	0	

Note 3 Property, plant and equipment

(In Euros)

			Total
	Transportation	Machinery and equipment	
31.12.2016			
Carried at cost	56 999	56 999	56 999
Accumulated depreciation	0	0	0
Residual cost	56 999	56 999	56 999
Depreciation	-11 400	-11 400	-11 400
31.12.2017			
Carried at cost	56 999	56 999	56 999
Accumulated depreciation	-11 400	-11 400	-11 400
Residual cost	45 599	45 599	45 599
Depreciation	-11 400	-11 400	-11 400
31.12.2018			
Carried at cost	56 999	56 999	56 999
Accumulated depreciation	-22 800	-22 800	-22 800
Residual cost	34 199	34 199	34 199

Note 4 Intangible assets

(In Euros)

	Total	
	Computer software	
31.12.2016		
Carried at cost	192 900	192 900
Accumulated depreciation	-26 617	-26 617
Residual cost	166 283	166 283
Acquisitions and additions	201 397	201 397
Depreciation	-96 300	-96 300
31.12.2017		
Carried at cost	394 297	394 297
Accumulated depreciation	-122 917	-122 917
Residual cost	271 380	271 380
Acquisitions and additions	228 601	228 601
Depreciation	-170 460	-170 460
31.12.2018		
Carried at cost	622 898	622 898
Accumulated depreciation	-293 377	-293 377
Residual cost	329 521	329 521

Note 5 Loan commitments

(In Euros)

	31.12.2018	Allocation by remaining maturity		
		Within 12 months	1 - 5 years	Over 5 years
Other loan commitments				
Muud laenukohustised	34 511	5 389	29 122	0
Other loan commitments total	34 511	5 389	29 122	0
Loan commitments total	34 511	5 389	29 122	0
	31.12.2017	Allocation by remaining maturity		
		Within 12 months	1 - 5 years	Over 5 years
Current loans				
Lühiajalised laenud	546	546		
Current loans total	546	546		
Non-current loans				
Pikaajalised laenud	40 000	0	40 000	0
Non-current loans total	40 000	0	40 000	0
Other loan commitments				
Muud laenukohustised	38 388	4 710	33 678	0
Other loan commitments total	38 388	4 710	33 678	0
Loan commitments total	78 934	5 256	73 678	0

Note 6 Payables and prepayments

(In Euros)

	31.12.2018	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Trade payables	75 191	75 191	0	0	
Employee payables	7 386	7 386	0	0	
Tax payables	17 894	17 894	0	0	
Other payables	40	40	0	0	
Other accrued expenses	40	40	0	0	
Liability to owner	764	764	0	0	9
Total payables and prepayments	101 275	101 275	0	0	

	31.12.2017	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Trade payables	32 726	32 726	0	0	
Tax payables	5 813	5 813	0	0	
Other payables	6 227	6 227	0	0	
Interest payables	6 227	6 227	0	0	
Liability to owner	546	546	0	0	9
Total payables and prepayments	45 312	45 312	0	0	

Note 7 Net sales

(In Euros)

	2018	2017
Net sales by geographical location		
Net sales in European Union		
Estonia	1 223 841	451 305
Latvia	139 234	202 668
United Kingdom	0	252
Italy	7 450	0
Total net sales in European Union	1 370 525	654 225
Total net sales	1 370 525	654 225
Net sales by operating activities		
Structuring fee	959 047	497 534
Base fee	221 804	124 595
Other sales	189 674	32 096
Total net sales	1 370 525	654 225

Note 8 Labor expense

(In Euros)

	2018	2017
Wage and salary expense	-120 401	-42 953
Social security taxes	-40 300	-14 175
Vacation reserv correction	-7 386	0
Total labor expense	-168 087	-57 128
Average number of employees in full time equivalent units	5	2
Average number of employees by types of employment:		
Person employed under employment contract	4	0
Member of management or controlling body of legal person	1	2

Note 9 Related parties

(In Euros)

Related party balances according to groups

	31.12.2018		31.12.2017	
	Receivables	Liabilities	Receivables	Liabilities
Parent company	0	0	0	46 227
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	10 075	764	50	546

2017	Given loans	Given loans repayments	Loans received	Loans received repayments
Parent company				
Management and higher supervisory body and individuals with material ownership interest				
	0	0	546	0
	0	25	0	0
	0	0	0	0
	0	0	0	0

Remuneration and other significant benefits calculated for members of management and highest supervisory body	2018	2017
Remuneration	48 000	42 954