# Mainor Ülemiste AS

## CONSOLIDATED ANNUAL REPORT 2020

**Beginning of financial year:** 1 January 2020

**End of financial year:** 31 December 2020

**Registry code:** 10348595

**Address:** Valukoja 8, Tallinn 11415, Harju Country

**Phone:** +372 5304 6992

**Principal activity:** renting and operating of own or leased real estate

**Auditor:** Ernst & Young Baltic AS

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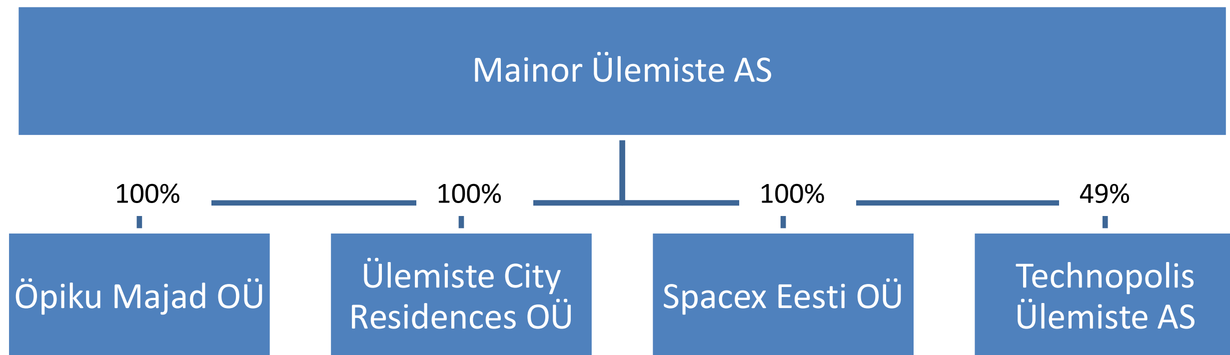
# MANAGEMENT REPORT

**Structure of the consolidation group**




In 2020, the entity was still engaged in developing Ülemiste City office campus, which included the construction of new buildings and renovation of old buildings, renting premises, providing tenants with necessary services and developing these services, preparing new real estate projects.

In 2018, reconstruction of the Valukoja 7 office building started with the aim of adjusting it to meet the needs of Ülemiste Health Centre. In the summer of 2020, the center was opened. The health center has over 5,000 $m^2$ of rental space and their 17 family doctors provide daily health care services to more than 25,000 people. Private medical center Qvalitas is focusing their activities on occupational health. They work in cooperation with Meeletervis to provide psychological counseling, Unimed Dental Clinic to offer dental care and Optikalabor eyewear store where glasses are made with laboratory precision. The Karl Papello Building, named after the inventor of various optical and medical devices, is also the home for Medemis aesthetic dermatology clinic, Ülemiste Eye Centre, Ülemiste Therapy Clinic, Benu Pharmacy, Medipood medical shop and Central Psychiatric Clinic. In addition, the health center has its own flower shop and café. Alongside the private sector, physicians of the Sports Medicine and Rehabilitation Clinic of Tartu University Hospital, the medical committee of the Defence Resources Agency and North Estonia Medical Centre's blood center are also working in the building.

Mainor Ülemiste AS's subsidiary Öpiku Majad OÜ is actively developing the Öpik Quarter.

Construction works of the Lurich Building within the 19th century limestone walls on the Valukoja 10 property were finished in 2020. The building has two towers, one of which is an 8-story office building and the other a 13-story residential building. The residential building has 81 fully furnished apartments of different sizes, which are operated by group company Ülemiste City Residences OÜ. A studio apartment filled with Estonian design in the Lurich Building is an ideal abode for Estonian and foreign talents alike. These smart apartments on this innovative campus are fully automated – from booking and moving in to ordering food, taxis or even an elevator.

In August 2020, the construction of the 2nd stage of the parking house at Sepise 8 was completed in cooperation with the construction company Nordecon Betoon OÜ, creating 473 additional parking spaces in Ülemiste City. The parking house is mainly aimed to serve the people working in and visiting the Öpik Block.

Next to the Öpik Building, on the Sepise 7 property, the proceedings of preparing the detailed spatial plan ended, a construction procurement was organized and preparatory work started for the construction of an 11-story 2,900 m² office building to be named after Alma Tomingas, Estonia's first female professor. The construction works will be carried out by Nordecon and Nordecon Betoon in consortium. The building will be completed in the last quarter of 2022 and the first rental agreement with a global technology company has already been signed.

In order to expand the service portfolio of Ülemiste City, the reconstruction of the former production building on the Valukoja 12 property was started in 2019 to transform this space into the second largest indoor beach volleyball hall in the Baltics. Beach volleyball, tennis, handball, football and other games suitable for a sandy beach can be played in the building. Concerts and special events can also be held on the 1,890 m2 of year-round warm beach sand. Beach House Ülemiste is planning to open their doors in the spring of 2021.

The proceedings of preparing the detailed spatial plan for the Valukoja 7 property continued and the design process of an educational complex was started in cooperation with 3+1 Architects and the educational institutions who will be using the new complex, i.e., International School of Tallinn, Emili School, Estonian Entrepreneurship University of Applied Sciences and Kalli-Kalli International Kindergarten. The complex will accommodate up to 850 children: International School of Tallinn – up to 400 students, Emili School - up to 300 students, Kalli-Kalli International Kindergarten – up to 100 children. In addition, the complex offers daycare for up to 50 children. The new educational complex is designed keeping in mind that a school should invite children to move and encourage them to study. The aim is to open the new educational complex in early 2023.

In 2020, the development plans of Ülemiste City finally crossed Äási Street and a preliminary design for smart production office buildings for the Valukoja 21 property was created in cooperation with KAOS Architects to be able to initiate the preparation of the detailed spatial plan.

Work on developing the European Square concept continued in cooperation with AS Technopolis Ülemiste, AS Tallinna Lennujaam, Ülemiste Center OÜ, Rail Baltic Estonia and the City of Tallinn to connect rail Baltic terminal to Tallinn Airport with a high-quality urban space. The City of Tallinn held an idea contest for the square, which was attended by 5 architectural bureaus, and used these ideas to put together a structural plan for the area to make the construction of the square possible. Working towards a comprehensive solution for the square, Mainor Ülemiste has concluded a contract with Zaha Hadid Architects for designing a multifunctional building for the Suur-Sõjamäe 10 / Keevise 2 property. The functionality of the building is able to provide what the area needs with a versatile service portfolio. The building will include an elegant conference center, business and service areas, a hotel, apartments and offices. The visual solution of the building complements the idea of the Rail Baltic terminal "Light stream": while in the case of the terminal, vertical streams of light move horizontally to the ground, then along the facade of the proposed building the light streams move vertically straight into space. The building will offer spectacular views of Tallinn city center, the sea, Lake Ülemiste and the airport.

The testing of innovative technological solutions in urban environment continued in 2020. In the framework of the Fabulos 2020 pilot project, a self-driving shuttle bus service with the necessary infrastructure was set up in Ülemiste City, serving passengers from June to August. In addition to self-driving buses, this intelligent public transport system included smart bus stops and a software

platform that allowed all parties in the system to communicate with each other (and possibly with regular public transport in the future). The aim of the experiment was to gain experience in real life situations in order to continue developing self-driving vehicles into a natural part of public transport.

In 2020, the City of the Future Professorship became a reality when Professor Jenni Partanen from the Tampere University of Technology and Aalto University was awarded the professorship. In cooperation with TalTech, the City of the Future Professorship Action Plan until 2023 was approved. The City of the Future Professorship will connect knowledge and data to the ever-changing city environment and the new work and behavioral habits and preferences of its inhabitants. This creates practical tools and knowledge to make cities more attractive and their economic environment more viable. In an effort to understand urban development, innovate planning practices and improve the quality of urban life, the professorship focuses on three main topics: functional campus, mobile campus and smart urban economy.

A total of 12,934 thousand euros was invested in the construction of buildings and improvement of equipment in 2020. In 2020, loans in the amount of 51,071 thousand euros were received and 42,553 thousand euros repaid.

The fair value of Mainor Ülemiste AS's investment property amounted to 151,700 thousand euros, increasing by 13,920 thousand euros compared to last year. The value of Mainor Ülemiste AS's 49% holding in the associate Technopolis Ülemiste AS was 44,574 thousand euros, increasing by 4,260 thousand euros from the previous year.

Dividends in the amount of 1,384 thousand euros were distributed to the owners.

As at the end of the year, Mainor Ülemiste AS had 19 employees, who received a total of 781 thousand euros (2019: 710 thousand euros) in remuneration, of which the remuneration calculated for the members of the supervisory and management boards amounted to 268 thousand euros (2019: 256 thousand euros). See also notes 24 and 31.

The consolidated turnover of Mainor Ülemiste AS in 2020 amounted to 11,257 thousand euros (2019: 10,564 thousand euros), other operating income was 1,039 thousand euros (2019: 947 thousand euros) and net profit 9,394 thousand euros (2019: 12,102 thousand euros). As at 31 December 2020, the company's equity amounted to 117,752 thousand euros, and as at 31 December 2019, to 109,742 thousand euros.

| Key financial ratios | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Return on equity – ROE (%) | 8.3% | 11.5% |
| Return on assets – ROA (%) | 4.5% | 6.3% |
| Operating margin (%) | 105.7% | 140.9% |
| Net profit margin (%) | 83.5% | 114.6% |
| Dividend payout ratio (%) | 11.4% | 15.0% |
| Revenue growth rate (%) | 6.6% | 20.1% |

Formulas used for the calculation of financial ratios:

Return on equity – ROE (%) = net profit / average equity for the reporting period x 100
Return on assets – ROA (%) = net profit / average assets for the reporting period x 100
Operating margin (%) = operating profit / revenue x 100
Net profit margin (%) = net profit / revenue x 100
Dividend payout ratio (%) = dividends paid / net profit for the previous year x 100
Revenue growth rate (%) = (revenue for the reporting period / revenue for the previous period – 1) x 100

At the time of preparing this report, Mainor Ülemiste AS and its subsidiaries were able to meet all their obligations and the financial statements of Mainor Ülemiste AS therefore continue to be prepared on a going concern basis.

## Management confirmation and signatures

The Management Board of Mainor Ülemiste AS hereby confirms the correctness and completeness of the information presented in the consolidated financial statements for the year ended 31 December 2020, and also that:

- The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union
- The consolidated financial statements present a true and fair view of the group's financial position, cash flows and financial performance
- All known significant events and circumstances that occurred before these consolidated financial statements were authorized for issue have been properly considered and presented in the financial statements
- Mainor Ülemiste AS and its subsidiaries are going concern.

The 2020 annual report of Mainor Ülemiste AS is signed by:

*(signature, date)*
Ursel Velve
Member of the
Management Board

*(signature, date)*
Rein Suurväli
Member of the
Management Board

*(signature, date)*
Teet Raudsep
Member of the
Management Board

# FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| *(In thousands of euros)* | Notes | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| ASSETS | | | |
| Investment property | 6 | 151,700 | 137,780 |
| Tangible assets | 7 | 110 | 130 |
| Intangible assets | 8 | 136 | 128 |
| Investment recognized using the equity method | 13 | 44,574 | 40,314 |
| Prepayments | | 76 | 294 |
| Trade and other receivables | 9 | 10,041 | 9,507 |
| Cash and cash equivalents | 14 | 9,576 | 12,937 |
| **TOTAL ASSETS** | | **216,213** | **201,090** |
| | | | |
| EQUITY | | | |
| Share capital at nominal value | 15 | 18,200 | 18,200 |
| Legal reserve | 15 | 1,920 | 1,920 |
| Retained earnings | | 88,238 | 77,520 |
| Profit for the financial year | | 9,394 | 12,102 |
| **TOTAL EQUITY** | | **117,752** | **109,742** |
| | | | |
| LIABILITIES | | | |
| Provisions | 18 | 262 | 264 |
| Borrowings | 16 | 95,097 | 86,511 |
| Derivatives | 5 | 345 | 345 |
| Trade and other payables | 17 | 1,998 | 3,413 |
| Prepayments received | | 759 | 815 |
| **TOTAL LIABILITIES** | | **98,461** | **91,348** |
| **TOTAL LIABILITIES AND EQUITY** | | **216,213** | **201,090** |

Notes on pages 12-61 are an integral part of this annual report.

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# CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| *(In thousands of euros)* | Notes | 2020 | 2019 |
|---|---|---|---|
| Revenue | 19 | 11,257 | 10,564 |
| Cost of sales | 21 | - 2,854 | - 3,019 |
| **Gross profit** | | **8,403** | **7,545** |
| | | | |
| Marketing expenses | 22 | -220 | -191 |
| Administrative expenses | 23 | -2,947 | -2,208 |
| Income from investments recognized using the equity method | 13 | 5,644 | 8,807 |
| Other operating income | 20 | 1,039 | 947 |
| Other operating expenses | 25 | -18 | -11 |
| **Operating profit** | | **11,901** | **14,889** |
| | | | |
| *Financial income and expenses* | | | |
| Interest income | 26 | 268 | 266 |
| Interest expenses | 27 | -2,706 | -2,705 |
| Other financial income and expenses | 28 | -69 | -333 |
| **Total financial income and expenses** | | **-2,507** | **-2,772** |
| | | | |
| **Profit before tax** | | **9,394** | **12,117** |
| Income tax | 30 | 0 | -15 |
| **Net profit for the financial year** | | **9,394** | **12,102** |
| **Other comprehensive income for the financial year** | | **0** | **0** |
| **Comprehensive income for the financial year** | | **9,394** | **12,102** |
| Attributable to the owners of the parent company | | 9,394 | 12,102 |

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## CONSOLIDATED STATEMENT OF CASH FLOWS

| *(In thousands of euros)* | Notes | 2020 | 2019 |
|---|---|---|---|
| *Cash flows from operating activities* | | | |
| Profit before tax | | 9,394 | 12,117 |
| Adjustments: | | | |
| Depreciation, amortization and impairment | 7, 8 | 115 | 73 |
| Profit (loss) from disposal and write-off of non-current assets | 7 | -3 | 0 |
| Change in the fair value of investment property | 6 | -986 | -945 |
| Other adjustments | 10 | 0 | 37 |
| Profit (loss) from investments recognized using the equity method | 13 | -5,644 | -8,807 |
| Other financial expenses | 28 | 69 | 333 |
| Interest income | 26 | -268 | -266 |
| Interest expenses | 27 | 2,706 | 2,705 |
| Income tax paid on dividends | 30 | 0 | 15 |
| Change in receivables and prepayments related to operating activities | | -235 | -118 |
| Change in liabilities and prepayments related to operating activities | | -1,471 | 1,501 |
| ***Net cash generated from operating activities*** | | **3,677** | **6,645** |
| *Cash flows from investing activities* | | | |
| Acquisition of tangible and intangible assets | | -83 | -178 |
| Acquisition and improvement of investment property | | -12,810 | -14,205 |
| Interest received | | 185 | 197 |
| Dividends received | 13, 31 | 1,384 | 1,341 |
| Other cash inflows from investing activities | 13, 31 | 0 | 5,640 |
| ***Net cash generated from investing activities*** | | **-11,324** | **-7,205** |
| *Cash flows from financing activities* | | | |
| Loans received | 16 | 51,072 | 47,367 |
| Repayment of loans received | 16 | -42,553 | -38,632 |
| Lease payments | | -73 | -31 |
| Reduction of share capital | | 0 | -1,000 |
| Interest paid | | -2,707 | -2,412 |
| Other financial expenses | | -69 | 0 |
| Dividends paid | 15 | -1,384 | -1,400 |
| Income tax paid on dividends | 30 | 0 | -15 |
| Other cash inflows from financing activities | | 0 | 140 |
| Other cash outflows from financing activities | | 0 | -140 |
| ***Net cash generated from financing activities*** | | **4,286** | **3,877** |
| **Total cash flows** | | **-3,361** | **3,317** |
| ***Cash and cash equivalents at the beginning of the financial year*** | 14 | **12,937** | **9,620** |
| Change in cash and cash equivalents | | -3,361 | 3,317 |
| ***Cash and cash equivalents at the end of the financial year*** | 14 | **9,576** | **12,937** |

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## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| *(In thousands of euros)* | Share capital | Legal reserve | Retained earnings | Total |
|---|---|---|---|---|
| **Balance as at 1 January 2019** | **19,200** | **1,920** | **78,919** | **100,039** |
| Profit for the financial year | 0 | 0 | 12,102 | 12,102 |
| Other comprehensive income for the financial year | 0 | 0 | 0 | 0 |
| **Total comprehensive income for the financial year** | **0** | **0** | **12,102** | **12,102** |
| Reduction of share capital | -1,000 | 0 | 0 | -1,000 |
| Dividends declared | 0 | 0 | -1,400 | -1,400 |
| **Balance as at 31 December 2019** | **18,200** | **1,920** | **89,622** | **109,742** |
| Profit for the financial year | 0 | 0 | 9,394 | 9,394 |
| Other comprehensive income for the financial year | 0 | 0 | 0 | 0 |
| **Total comprehensive income for the financial year** | **0** | **0** | **9,394** | **9,394** |
| Dividends declared | 0 | 0 | -1,384 | -1,384 |
| **Balance as at 31 December 2020** | **18,200** | **1,920** | **97,632** | **117,752** |

Additional information on changes in equity has been disclosed in Note 15.

Notes on pages 12-61 are an integral part of this annual report.

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# NOTES TO THE FINANCIAL STATEMENTS

## Note 1. Reporting entity

Mainor Ülemiste AS (the Group or the Company) is an entity registered in the Republic of Estonia the principal activity of which is the development of the Ülemiste City business campus located next to Tallinn Airport on the territory of the former Dvigatel factory. The shareholders of Mainor Ülemiste AS are AS Smart City Group with an 83.84% holding and Logit Eesti AS with a 16.16% holding.

The consolidated financial statements of Mainor Ülemiste AS have been prepared for the period 1 January 2020 – 31 December 2020, the comparative period being 1 January 2019 – 31 December 2019. The financial statements have been prepared following the principles of consistency and comparability with the content and effects of any changes to methodology explained in the respective notes.

The consolidated annual report was authorized for issue by the Management Board on 14 April 2021. According to the Commercial Code of the Republic of Estonia, the annual report must also be approved by the Supervisory Board and shareholders. Shareholders have the right not to approve the annual report prepared by the Management Board and authorized by the Supervisory Board and request the preparation of a new report.

## Note 2. Significant accounting and reporting principles

*2.1 Basis of accounting*

The consolidated financial statements of the Group have been prepared in accordance with the Accounting Act of the Republic of Estonia and International Financial Reporting Standards (IFRS) as adopted in the European Union.

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including investment property and financial instruments) that have been measured at fair value.

The consolidated financial statements are presented in euros, which is the Group's functional currency. Unless otherwise stated, all amounts are presented in thousands of euros.

The main accounting principles used in the preparation of these consolidated financial statements have been set out below. These accounting principles have been consistently applied to all periods in the report, except when stated otherwise.

International Financial Reporting Standards require the management to make certain judgments and estimates in the process of applying the Group's accounting principles. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements have been disclosed in Note 4.

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*2.2 Basis of consolidation*

(a) Subsidiaries

The consolidated financial statements comprise the financial statements of Mainor Ülemiste AS and its subsidiaries.

Subsidiaries are all entities over which the Group has control. An entity is controlled by the Group if the Group is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Rights to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

The acquisition of subsidiaries is accounted for using the purchase method. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. The acquired identifiable assets and liabilities and contingent liabilities are recognized at their fair value at the date of acquisition.

For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the Group's share of the identifiable net assets acquired and liabilities assumed is recorded as goodwill. If this is lower than the fair value of the net assets of a subsidiary acquired in a bargain purchase, the difference is recognized directly in the statement of comprehensive income.

In the consolidated financial statements, the financial information of all subsidiaries under the control of the parent company has been combined line by line. Subsidiaries are consolidated in the financial statements from the time control arises until it ceases. All receivables, liabilities, income, expenses and unrealized gains and losses resulting from transactions between the parent company and its subsidiaries have been eliminated in the consolidated financial statements. Accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(b) Associates

An associate is an entity over which the Group has significant influence, but not control, generally accompanying a holding of between 20% and 50% of the voting rights.

Investments in associates have been recognized in the consolidated financial statements using the equity method, under which the initial investment is adjusted for the profit/loss and any dividends received from the associate.

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Unrealized gains from transactions with associates are eliminated to the extent of the relevant holding. Unrealized losses are also eliminated, unless the reason for such loss is the impairment of assets.

If the Company's share of the losses of the associate recognized under the equity method equals or exceeds the carrying amount of the associate, the carrying amount of the investment is reduced to zero and subsequent losses recorded off-balance sheet. When the Company has guaranteed or is required to satisfy the obligations of the associate, both the relevant liability and the loss under the equity method is recognized in the balance sheet. Accounting policies of the associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

*2.3 Foreign currencies*

The financial statements of all group companies have been prepared in the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements have been prepared in euros (EUR), which is the functional currency of the group companies and presentation currency of the parent company.

Foreign currency transactions are recorded at the official exchange rates of the European Central Bank at the date of the transaction. Gains and losses from foreign currency transactions are recognized in the statement of comprehensive income as income or expenses for the period. Monetary financial assets and liabilities denominated in foreign currencies are translated into euros using the exchange rates of the European Central Bank prevailing on the balance sheet date. Gains and losses from foreign currency translation are recognized in profit or loss as income or expenses for the period.

*2.4 Investment property*

Investment property is property held to earn rentals and/or for capital appreciation (including property that is being constructed for capital appreciation).

Land and buildings that are planned to be held for a long period of time and have a number of potential uses are also reported as investment property. If the usage of the investment property changes, the asset is reclassified in the statement of financial position and as of the date of this change accounting policies applicable to the asset group to which the investment property was reclassified are applied.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which is based on the market price determined annually by independent appraisers using the discounted cash flow method. Gains or losses arising from changes in the fair values of investment properties are reported in the income statement under other operating income or expenses. No depreciation is calculated on investment properties recognized at fair value.

Investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses arising from the withdrawal or disposal of investment property are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period of the withdrawal or disposal.

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*2.5 Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. Capitalization of borrowing costs begins when the Group:

- Incurs expenditures for the asset,
- Incurs borrowing costs, and
- Undertakes activities that are necessary to prepare the asset for its intended use or sale.

All other borrowing costs are expensed in the period in which they occur.

To the extent that the Group borrows funds for the purpose of developing a specific property, the amount of borrowing costs eligible for capitalization are determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

To the extent that the Group borrows funds generally and uses them, among other purposes, for real estate development, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate that is the weighted average of the borrowing costs, excluding borrowing costs applicable to borrowings made for the purpose of developing specific assets.

*2.6 Tangible assets*

Tangible assets are assets used by the Group in its own business activities with a useful life of over 1 year. Tangible assets is initially recognized at cost, comprising its purchase price and any costs directly attributable to its acquisition. An item of tangible assets is subsequently carried in the statement of financial position at its cost less any accumulated depreciation and impairment.

If an item of tangible assets consists of separately identifiable components with different useful lives, these components are recognized initially as separate items of tangible assets, and their depreciation rates specified separately thereof in accordance with their useful lives. Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The useful lives, residual values and depreciation rates of assets are reviewed at least at the end of each reporting period and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate, i.e., prospectively.

Items of tangible assets are derecognized on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss arising from the derecognition of an item of tangible assets is calculated as the difference between the disposal proceeds and the carrying amount of the asset and recognized in profit or loss.

Annual depreciation rates by groups of tangible assets as follows:

- Machinery and equipment 5–20%
- Other inventory 20–33%

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*2.7 Intangible assets*

Intangible assets include purchased computer software and website development.

Intangible assets with finite useful lives acquired separately are carried at cost less accumulated depreciation and impairment losses. Amortization is calculated on a straight-line basis at an annual rate of 20–33%.

The amortization methods and estimated useful lives of intangible assets are reviewed each reporting period. Changes in estimates are recognized prospectively.

Intangible assets are derecognized on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

*2.8 Impairment of property, plant and equipment and intangible assets*

The Group reviews its property, plant and equipment, and intangible assets at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the Group estimates the recoverable amount of the asset. If recoverable amount cannot be determined for an individual asset, the Group determines the recoverable amount for the cash-generating unit to which the asset belongs. Corporate assets can be allocated either to an individual cash-generating unit or to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of a cash-generating unit's fair value less costs to sell and its value in use. When assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. The impairment loss is recognized immediately as an expense.

If the recoverable amount of a previously impaired asset (or cash-generating unit) has increased, the carrying amount of the asset (or cash-generating unit) is increased to its recoverable amount, but so that the carrying amount of the asset (or cash-generating unit) does not exceed the carrying amount of that asset (or cash-generating unit) that would have been determined had no impairment loss been recognized. Reversals of impairment losses are recognized as a reduction of the impairment loss for the financial year.

*2.9 Investments*

*Investments in subsidiaries*

Investments in subsidiaries that are not held for sale are recognized in the unconsolidated financial statements of the parent company at cost; in the consolidated financial statements, the financial information of subsidiaries is combined line by line. In the consolidated financial statements, all

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receivables, liabilities, income, expenses and unrealized gains and losses resulting from transactions between the parent company and its subsidiaries have been eliminated.

*Investments in associates*

An associate is an entity over which the investor has significant influence, but that is not its subsidiary. In the investor's financial statements, associates are recognized using the equity method.

Under the equity method, the investment is initially recognized at cost and adjusted in subsequent periods for the investor's share of the changes in the investee's equity and possible discounts of goodwill arisen on the acquisition.

*2.10 Cash and cash equivalents*

For the purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents include cash in hand, bank balances and short-term deposits with a term of three months or less from the date of their acquisition. Cash and cash equivalents are measured at amortized cost.

Cash flows from operating activities are reported using the indirect method where the pre-tax profit (loss) for the reporting period is adjusted for the impact of non-monetary business transactions, changes in the balances of assets and liabilities relating to operating activities and the income and expenses (profits and losses) relating to investing and financing activities. Cash flows from investing and financing activities are recognized using the direct method, i.e., as gross receipts and payments for the reporting period.

*2.11 Financial instruments*

Financial assets and liabilities are recognized when a group entity becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are initially recognized at cost, being the fair value of the consideration received/paid. When recognizing financial assets and liabilities, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability (excluding financial assets and liabilities recognized at fair value through profit or loss) are added to or subtracted from their fair value, as appropriate. Transaction costs directly attributable financial assets or liabilities recognized at fair value through profit or loss are recognized immediately in profit or loss as income or expense.

*2.12 Financial assets*

Regular way purchases and sales of financial assets are recognized and derecognized using trade date accounting. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established by regulation or convention in the marketplace concerned. The subsequent measurement of financial assets is at either amortized cost or fair value, depending on the classification of the financial asset.

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Classification

The Group classifies its financial assets in the following measurement categories:

- Financial assets at amortized cost

The classification depends on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Management determines the classification of financial assets at their initial recognition.

Initial recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade date, i.e., the date the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value (unless it is a trade receivable that does not have a significant financing component and is initially measured at transaction price) plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost using the effective interest rate method. Impairment losses are deducted from amortized cost. Foreign exchange gains and losses and impairment losses are presented as separate line items in the consolidated income statement and consolidated statement of comprehensive income. Any gain or loss arising on derecognition is recognized directly in the consolidated income statement and consolidated statement of comprehensive income.

As at 31 December 2020 and 2019, all the Group's financial assets were classified in the amortized cost measurement category.

Equity instruments

The Group has no investments in equity instruments.

Impairment of financial assets

Impairment loss model is used for financial assets measured at amortized cost. Financial assets carried at amortized cost include trade receivables, cash and cash equivalents. Expected credit losses are a probability-weighted estimate of credit losses. A credit loss is the difference between the cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive discounted at the original effective interest rate.

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The measurement of expected credit losses shall take into account: (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, (ii) the time value of the money and (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group measures loss allowances as follows:

- For trade receivables, at an amount equal to lifetime expected credit losses
- For cash and cash equivalents that are determined to have low credit risk at the reporting date (the management considers 'low credit risk' to be an investment grade credit rating with at least one major rating agency), at an amount equal to 12-month expected credit losses
- For all other financial assets, at an amount of 12-month expected credit losses, if the credit risk (i.e., the risk of default occurring over the expected life of the financial asset) has not increased significantly since initial recognition; if the risk has increased significantly, the loss allowance is measured at an amount equal to lifetime expected credit losses.

Effective interest rate is the rate that exactly discounts estimated future cash flows of the financial asset or liability to the carrying amount of the financial asset or liability. The calculation includes all transaction costs, premiums and discounts related to the financial asset or liability.

*2.13 Financial liabilities*

*Initial recognition and measurement*

The Group's financial liabilities include interest-bearing borrowings, bonds, lease liabilities, derivatives, and trade and other payables. All financial liabilities (except derivatives) are recognized initially at fair value net of transaction costs.

*Subsequent measurement*

Subsequent measurement of financial liabilities (except derivatives) is at amortized cost using the effective interest rate method. The amortized cost of current financial liabilities generally equals their nominal value; therefore, current financial liabilities are carried in the statement of financial position in the amount payable. For determining the amortized cost of non-current financial liabilities, they are initially recognized at the fair value of the consideration received (less transaction costs) and interest expense on the liabilities determined in the following periods using the effective interest rate method.

A financial liability is classified as current when it is due within 12 months after the reporting date or the Group does not have an unconditional right to defer settlement of the liability more than 12 months after the reporting date. Borrowings due within 12 months after the reporting date that are refinanced as long-term after the reporting date but before the annual report is authorized for issue are classified as short-term. Borrowings that the lender has the right to recall at the reporting date as a consequence of a breach of contractual terms are also recognized as short-term. Details on the current vs non-current classification of financial liabilities can be found in notes 16 and 17.

The recognition of derivatives has been discussed in section 2.14.

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*Derecognition*

A financial liability is derecognized when the obligation specified in the contract is discharged, canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated income statement and consolidated statement of comprehensive income.

Borrowing costs that are directly attributable to the acquisition and/or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset until substantially all the activities necessary to prepare the asset for its intended use or sale are complete. All other borrowing costs are recognized as an expense in the period in which they are incurred.

*Offsetting of financial instruments*

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on any future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

*2.14 Derivatives*

The Group's risk policy stipulates that the Company may use interest rate swaps to hedge the risks associated with changes in the interest rates on financial liabilities. Such derivatives are initially recognized at fair value at the date of concluding the contract and subsequently remeasured in accordance with the change in the fair value of the instrument at the balance sheet date. Derivatives with a positive fair value are recognized as assets and those with a negative fair value as liabilities. The fair value of an interest rate swap is based on the price quotations of banks at the balance sheet date.

*2.15 Provisions*

Provision is recognized when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties that inevitably surround many events and circumstances. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

*2.16 Contingent liabilities*

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not

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wholly within the control of the entity or a present obligation that arises from past events but is not recognized because it is either not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Guarantees and other commitments that in certain conditions may turn into liabilities in the future are disclosed in the notes to the Group's consolidated financial statements as contingent liabilities.

*2.17 Legal reserve*

Pursuant to the requirements of the Estonian Commercial Code, a legal reserve for the parent company has been formed from annual net profit transfers. Each year, at least 1/20 of the net profit for the reporting period shall be entered in the legal reserve until the reserve reaches 1/10 of the share capital.

*2.18 Government grants*

Government grants are assistance by local, national or international governments, government agencies or other similar organizations in the form of transfers of certain resources, which are received if the Group's business activities meet certain predetermined criteria.

Government grants are not recognized until there is reasonable assurance that:

- The Group will comply with the conditions attaching to them; and
- The grants will be received

Government grants are recognized in the consolidated income statement and consolidated statement of comprehensive income on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Income from government grants is recognized in the consolidated income statement and consolidated statement of comprehensive income under other operating income.

*2.19 Revenue recognition*

The main sources of revenue for the Group are:

- Lease income
- Revenue from contracts with customers (services to tenants)

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*(a) Lease income*

The Group generates income from operating as a lessor in operating lease agreements where the Group does not transfer substantially all the risks and rewards incidental to ownership of the underlying asset. As this income is business-related, lease income arising from operating leases is recognized in the consolidated income statement and consolidated statement of comprehensive income on a straight-line basis over the lease term, except for contingent rents, which are recognized as income of the period. Initial direct costs incurred in negotiating and arranging an operating lease are recognized as expenses over the lease term on the same basis as rental income.

Lease incentives to tenants are deducted from lease payments. Lease incentives are therefore recognized on a straight-line basis over the lease term as a reduction of lease income. Lease term is the non-cancellable period of the lease together with any periods covered by an option to extend the lease if the Group is reasonably certain that the lessee will exercise that option.

The Group's lease income is recognized in the consolidated income statement and consolidated statement of comprehensive income under revenue.

*(b) Revenue from contracts with customers*

For investment property held primarily to earn rentals, the Group as a lessor enters into lease agreements within the scope of IFRS 16. These agreements cover certain services provided to the Group's tenants (i.e., customers), including maintenance of common areas (e.g., maintenance services) and utilities (electricity, water and sewerage, heating, ventilation and cooling). The fee charged for these services includes reimbursement of the costs incurred (accessory expenses). Accessory expenses are divided into two: fixed accessory expenses and costs calculated on the basis of actual consumption. These services have been specified in the lease agreements and are invoiced separately.

The Group has determined that these services constitute separate non-lease components (services are transferred separately from the right-of-use asset) and fall within the scope of IFRS 15. The Group allocates the consideration in the agreement to the lease and non-lease components on the basis of the relative stand-alone selling price.

From the point of view of revenue recognition, these services are services provided individually on a daily basis over time, since tenants receive and consume the benefits offered by the Group at the same time as the service is being provided. The group measures the progress of the provision of the service with reference to time. Payment is made after the service has been provided.

The concluded lease agreements do not allow the client to choose their own providers of utilities and administrative services. The Group has a performance obligation to provide the specified goods and services to its customers and is therefore acting as a principal in these sales transactions. When the performance obligation has been satisfied, the Group recognizes revenue in the gross amount of the consideration that the Group expects to be entitled to in exchange for those goods or services.

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*Other operating income*

Other operating income includes income that is not related to the Group's principal activity, such as profits from the revaluation of investment property, income from government grants, gains from the sale of non-current assets.

*Dividend and interest income*

Dividend income from investments is recognized when the shareholders' right to receive payment has been established (provided that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the income can be measured reliably). Interest income from financial assets is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the income can be measured reliably. Interest income is recognized on an accrual basis taking into account the principal amount outstanding and the effective interest rate applicable.

*2.20 Expenses*

*Cost of sales*

Cost of sales includes expenses related to property rental, development, maintenance and utilities, which are recorded in profit or loss under cost of sales.

*Marketing expenses*

Marketing expenses include advertising and marketing manager's remuneration and other marketing expenses related to the sale of goods and services in the reporting period.

*Administrative expenses*

Administrative expenses include personnel and office management expenses, research, legal and development expenses, commissions, management fees, IT expenses and software maintenance, depreciation and amortization.

*Other operating expenses*

Other operating expenses include expenses that are not related to the Group's principal activity.

*Financial expenses*

Interest expenses directly related to the acquisition of assets constructed over a longer period of time are capitalized until the property is taken into use. Other interest and financial expenses are recognized on an accrual basis as financial expenses of the reporting period.

*2.21 Leases*

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is (or contains) a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group uses the lease definition provided in IFRS 16 to assess whether an agreement conveys the right to control the use of an asset.

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*Group as lessee*

When concluding or amending a contract containing a lease component, the Group allocates the consideration in the contract to each lease component based on its stand-alone price.

The Group recognizes the right-of-use asset and the lease liability at the commencement date of the lease. Right-of-use assets are initially recognized at cost, including the amount of lease liabilities recognized, initial direct costs incurred and lease payments made at or before the commencement date, less any lease incentives received. The initial amount of lease liabilities is adjusted for prepayments made, direct costs incurred and restoration costs (arising from the dismantling and restoration of the property). Any rent concessions received are deducted from this amount.

The depreciation of right-of-use assets is calculated on a straight-line basis from the commencement date of the lease until the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the residual value of the right-of-use asset indicates that the Group intends to exercise the purchase option. In these cases, the right-of-use asset is depreciated over its useful life, determined on the same basis as these of the corresponding property, plant and equipment held by the Group. In addition, the value of the right-of-use asset is reduced by possible impairment losses. The value of the right-of-use asset is also adjusted when the lease liability in remeasured.

Lease liabilities are initially recognized at the present value of the lease payments that are not paid at the commencement date using the interest rate implicit in the lease.

Lease liabilities include the following lease payments:

- Fixed payments (including in-substance fixed lease payments)
- Penalties for terminating the lease (if the termination is reasonably certain)
- Exercise price of a purchase option (if the lessee is reasonably certain to exercise that option)
- Guaranteed residual value (amounts expected to be payable)
- Variable lease payments that depend on an index or a rate

Lease liabilities are measured at amortized cost. Lease liabilities are remeasured if there is a change in future lease payments resulting from a change in an index or a rate, there is a change in the amounts expected to be payable under a residual value guarantee or the Group changes its assessment as to whether the purchase, extension or termination option is to be exercised. Lease liabilities are also remeasured if there is a change in fixed payments (including in-substance fixed lease payments).

If the lease obligation is remeasured for any of the reasons listed above, the carrying amount of the right-of-use asset shall be adjusted accordingly. If the carrying amount of the right-of-use asset is reduced to zero, the effect of the change in lease liabilities is recognized in profit or loss.

The Group has decided not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognizes lease payments of these leases as an expense in profit or loss on a straight-line basis over the lease term under administrative expenses.

*Group as lessor*

The Group's accounting policies for recognizing lease income have been discussed in section 2.19(a).

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*2.22 Taxation and deferred income tax*

According to the Income Tax Act of the Republic of Estonia, annual profits are not subject to corporate income tax if not distributed. Income tax is payable when profits are distributed (i.e., on dividends) and on transactions which can be regarded as indirect profit distribution (compensations, gifts, etc.).

The distribution of retained earnings is generally subject to taxation at the rate of 20/80 on the net amount of distributable dividends (equal to 20% of the gross amount of retained earnings). As of 2019, a lower tax rate of 14/86 can be used for regular dividend payments. Dividend payments are considered regular if the amount of distributed profit does not exceed the average distributed profit of the previous three calendar years from which income tax has been paid in Estonia. Tax rate 14/86 can be applied before 2021 as follows: (i) in 2019, to one third of the profits distributed in 2018, on which income tax has been paid, and (ii) in 2020, to one third of the profits distributed in 2018 and 2019, on which income tax has been paid.

The corporate income tax payable on the distribution of dividends is recognized as a liability and as income tax expense in the income statement in the period in which dividends are declared, regardless of the period for which the dividends are declared or the actual payment date. The obligation to pay income tax arises on the 10th day of the month following the distribution on dividends. The provision for the income tax liability arising from the payment of dividends is not recognized until the dividends have been declared. The maximum possible contingent income tax liability that could result from the distribution of retained earnings in the form of dividends has been set out in Note 30 to the annual report.

Because of the nature of the Estonian taxation system, there are generally no temporary differences between the carrying amounts and tax bases of the assets and liabilities of companies registered in Estonia that could result in deferred income tax assets or liabilities. The Group recognizes a deferred income tax liability for all taxable temporary differences associated with investments in subsidiaries and associates, unless the Group is able to control the timing of the reversal of the taxable temporary difference and the temporary difference is not likely to reverse in the foreseeable future. Examples of reversal of taxable temporary differences include distribution of dividends, disposal or liquidation of investments and other such transactions.

Since the Group controls the dividend policy of its subsidiaries, it is also able to control the timing of the reversal of temporary differences associated with these investments. When the parent company has decided that the profits of a subsidiary will not be distributed in the foreseeable future, the deferred income tax liability is not recognized. If the parent company estimates that dividends will be distributed in the foreseeable future, a deferred income tax liability is recognized in the amount of the planned dividends, provided that there are sufficient funds and equity as at the reporting date to distribute profits in the foreseeable future.

The Group measures deferred income tax liabilities using the tax rates that are expected to apply to deferred income tax liabilities in the period when the liabilities are expected to reverse, based on the tax rates that have been enacted by the end of the reporting period.

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*2.23 Fair value measurement*

The Group measures financial instruments, such as derivatives and investment property, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:
(a) In the principal market for the asset or liability or
(b) In the most advantageous market for the asset or liability (in the absence of a principal market)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in these financial statements have been categorized within the fair value hierarchy described below based on the lowest level input that is significant to the fair value measurement in its entirety:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: significant lowest level inputs that are observable either directly or indirectly

Level 3: significant lowest level inputs that are directly or indirectly unobservable

The Group assesses at the end of each reporting period whether the assets and liabilities recognized in the financial statements on a recurring basis need to be transferred to another level (based on the lowest level input that is significant to the fair value measurement in its entirety.

*2.24 Related parties*

In the preparation of the annual report of Mainor Ülemiste AS, the following were considered as related parties:

- Owners (parent company and persons controlling or having significant influence over the parent company, other persons having significant influence over the Company)
- Other entities in the Mainor AS consolidation group
- Executive and senior management
- Close family members and companies under the control or significant influence of the above persons

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*2.25 Subsequent events*

The consolidated financial statements reflect material circumstances that have an effect on the valuation of assets and liabilities and became evident between the end of the reporting period and the date that the management board of the parent company finished preparing the financial statements, but are related to events that took place in the reporting period or earlier periods.

Subsequent events that do not affect the valuation of assets and liabilities, but have a material effect on the financial result of the following financial years, have been disclosed in the notes to the consolidated financial statements.

## Note 3. Application of International Financial Reporting Standards (IFRS)

New and amended International Financial Reporting Standards (IFRS)

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have issued the following standards, amendments and interpretations effective for annual periods beginning in or after 2020. Application of these standards by the Group implies that they have been also adopted in the European Union if the updates do not comply with previous IFRS requirements.

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group/Company as of 1 January 2020:

- Conceptual Framework in IFRS standards – The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.
- IFRS 3: Business Combinations (Amendments) – The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. Management has assessed that the application of this standard will have no material impact on their financial statements.
- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments). The amendments

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are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The amendments also ensure that the definition of material is consistent across all IFRS Standards. Management has assessed that the application of this standard will have no material impact on their financial statements.

- Interest Rate Benchmark Reform (IBOR) - IFRS 9, IAS 39 and IFRS 7 (Amendments) – In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provide temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Phase two (ED) focuses on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). Management has assessed that the application of this standard will have no material impact on their financial statements.
- IFRS 16 Leases – COVID-19-Related Rent Concessions (Amendment). The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:
  - The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
  - Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
  - There is no substantive change to other terms and conditions of the lease.

In February 2021 the IASB issued a proposal to extend the relief period by another year, i.e., to apply the practical expedient on rent concessions to a change in lease payments originally due on or before 30 June 2022 from 30 June 2021. The amendment is effective for annual

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periods beginning on or after 1 April 2021 with earlier application permitted. The Group has not yet assessed the impact of these standards and amendments on its accounting policies and financial statements.

*Corporate income tax and deferred income tax*

According to a decision of the International Financial Reporting Interpretations Committee, the traditional deferred income tax liability calculation based on a profit-based tax regime was replaced for investments in Estonian subsidiaries and associates, where due to the distribution-based taxation regime corporate income tax is not paid on the profits earned but on the profits distributed as dividends. In accordance with IAS 12.52A and 57A, no current or deferred income tax is recognized for retained earnings in distribution-based tax regimes until a liability to pay dividends is recognized. In line with the prevailing market practice in Estonia, this accounting policy has been consistently applied to the total retained earnings of the Group, regardless of whether such earnings have arisen in the parent company or its subsidiaries or associates.

In June 2020, the International Financial Reporting Interpretations Committee decided that the provisions of IAS 12.52A and 57A apply only to the retained earnings of the parent company and not to the retained earnings of subsidiaries or associates. Instead, the deferred income tax liabilities relating to retained earnings of subsidiaries and associates should be recognised in line with IAS 12.39-40, i.e., a deferred income tax liability should be recognized for these retained earnings unless it is probable that it will not be distributed to the parent company in the foreseeable future.

Amendments and new standards published by the IASB and adopted by the EU which will enter into force in the future

The following new standards, amendments and interpretations issued by the International Accounting Standards Board (IASB) and adopted in the European Union will not apply for the reporting period ended 31 December 2020:

- Interest Rate Benchmark Reform (IBOR)– Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments) In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. Furthermore, the amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 with earlier application permitted.

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While application is retrospective, an entity is not required to restate prior periods. The Group has not yet assessed the impact of these standards and amendments on its accounting policies and financial statements.

New standards and amendments issued by the IASB, not yet adopted by the EU

The IFRS standards adopted by the European Union do not significantly differ from those adopted by the International Accounting Standards Board (IASB), with the exception of the following new standards, amendments to existing standards and a new interpretation that had not been approved in the EU by the date of preparation of this report (the effective date below refers to the full IFRS):

- IFRS 17: Insurance Contracts – The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. In its March 2020 meeting the IASB decided to defer the effective date to 2023. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. The Group has not yet assessed the impact of these standards and amendments on its accounting policies and financial statements.
- IFRS 17: Insurance Contracts (Amendments), IFRS 4: Insurance Contracts (Amendments) – The amendments to IFRS 17 are effective, retrospectively, for annual periods beginning on or after January 1, 2023, with earlier application permitted. The amendments aim at helping companies implement the Standard. In particular, the amendments are designed to reduce costs by simplifying some requirements in the Standard, make financial performance easier to explain and ease transition by deferring the effective date of the Standard to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time.
  The amendments to IFRS 4 change the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023. The Group has not yet assessed the impact of these standards and amendments on its accounting policies and financial statements.
- Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity

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method of accounting. The Group is of the opinion that the initial application of the amendments to IFRS 10 and IAS 28 will have a significant impact on the Group's financial statements, since the Group currently recognizes gains resulting from a loss of control in full, irrespective of whether the transaction involves the transfer of assets constituting a business or not. The quantitative impact of the adoption of these amendments can only be assessed in the year of their initial application and in the event such transactions take place, as the impact depends on the transfers of assets and business to associates or joint ventures which take place during that reporting period.

- IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments) The amendments are effective for annual reporting periods beginning on or after 1 January 2022 with earlier application permitted. However, in response to the COVID-19 pandemic, the IASB has deferred the effective date by one year, i.e., 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. The Group has not yet assessed the impact of these standards and amendments on its accounting policies and financial statements.
- IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments). The amendments are effective for annual periods beginning on or after 1 January 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgments to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgments about accounting policy disclosures. The amendments have not yet been endorsed by the EU. The Group has not yet assessed the impact of these standards and amendments on its accounting policies and financial statements.
- IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments): The amendments are effective for annual periods beginning on or after 1 January 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The amendments have not yet been endorsed by the EU. The Group has not yet assessed the impact of these standards and amendments on its accounting policies and financial statements.

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- IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments). The amendments are effective for annual reporting periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:
  - IFRS 3 Business Combinations (Amendments) update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
  - IAS 16 Property, Plant and Equipment (Amendments) prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.
  - IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments) specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
  - Annual Improvements 2018-2020 make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases

The Group has not yet assessed the impact of these standards and amendments on its accounting policies and financial statements.

## Note 4. Significant management judgments and estimates

According to the Group's accounting principles, which have been described in Note 2, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities information on which is not readily available from other sources. These estimates and judgments are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The following estimates made by the management in the implementation of the Group's accounting principles have the most significant impact on the information in the consolidated financial statements.

*Fair value of investment property*

Investment property is measured at fair value at the end of each reporting period. In determining the fair value of investment property, management estimates are used, which are based on the expert opinion of a certified real estate appraiser. The fair value is determined using the discounted cash flow method. More information about the carrying amount of investment property has been disclosed in Note 6.

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The construction and interest expenses related to investment property have been capitalized during the reporting year. The fair value of unfinished investment property is assessed by reference to the stage of completion, provided that the fair value can be measured reliably. An accurate cost accounting and forecasting model has been introduced to assess the stage of completion, the fair value calculation model is the same as for finished investment property and the amount is recorded under investment property in the financial statements.

When measuring the fair value of assets or liabilities, the Group always uses observable market data to the extent possible. Fair values have been categorized into different levels of the fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: inputs not based on market data are unobservable inputs, the Company uses the best information available in the circumstances, which may include the Company's own data

For assets and liabilities at fair value through profit or loss, the Group determines whether there has been a transfer between levels of the hierarchy by reassessing the classification (based on the lowest level input that is significant in measuring fair value as a whole) at the end of each reporting period.

The significant inputs (future cash flow) underlying the calculation of the fair value of the investment property of Mainor Ülemiste AS are categorized into Level 3.

*Collectability of receivables*

The Group has applied the simplified approach described in IFRS 9 in recognizing lifetime expected credit losses for trade and lease receivables (see Note 5). The Group always recognizes loss allowances for trade and lease receivables at an amount equal to lifetime expected credit losses. The expected credit losses on these assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money, where appropriate. Lifetime expected credit losses represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

For all other financial instruments, the Group recognizes loss allowances at an amount equal to lifetime expected credit losses if there has been a significant increase in credit risk since initial recognition. If the credit risk of the financial instrument has not increased significantly since initial recognition, loss allowance is measured at an amount equal to 12-month expected credit losses.

Even if assets have been written off, the Group may still continue to recover the debt by implementing measures designated in its debt collection procedures and, if necessary, the help of legal advisers.

More information about the carrying amount of receivables has been disclosed in Note 9.

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*Deferred income tax liability for taxable temporary differences associated with investments in subsidiaries and associates*

The subsidiaries of the Group recognize corporate income tax when dividends are paid out. The retained earnings of subsidiaries give rise to temporary differences, i.e., differences between the carrying amounts and tax bases of the investment. Since the parent company is able to control whether and when the retained earnings of subsidiaries are distributed and has decided that the retained earnings of the subsidiary Öpiku Majad OÜ will not be distributed in the foreseeable future, the Group has not recognized the relevant deferred income tax liability. The Group's subsidiary Ülemiste City Residences OÜ had no retained earnings as at 31 December 2020.

The management of the Group has assessed the amount of income tax associated with its investment in the associate Technopolis Ülemiste AS to be immaterial and has therefore not recognized a deferred tax liability in relation to the retained earnings of that associate.

## Note 5. Financial instruments and risk management

The Group's activities are exposed to a variety of financial risks: credit risk, liquidity risk and market risks. The objective of financial risk management is to mitigate financial risks and reduce the volatility of financial results. The Company's risk management is based on the notion that economic success depends on ongoing monitoring, accurate measurement and skillful handling of risks. The key objective of risk management is to prevent losses that could put the equity of Mainor Ülemiste AS and business continuity at risk.

Financial instruments by category:

| *(In thousands of euros)* | | | 31 December 2020 | |
|---|---|---|---|---|
| Class of financial instruments | Notes | Category | Carrying amount | Fair value |
| FINANCIAL ASSETS | | | | |
| Trade receivables | 10 | At amortized cost | 1,078 | 1,078 |
| Other receivables | 9 | At amortized cost | 8,963 | 8,963 |
| Cash and cash equivalents | 14 | At amortized cost | 9,576 | 9,576 |
| **Total financial assets** | | | **19,617** | **19,617** |
| | | | | |
| FINANCIAL LIABILITIES | | | | |
| Trade payables | 17 | At amortized cost | 1,166 | 1,166 |
| Borrowings | 16 | At amortized cost | 95,097 | 95,097 |
| Derivatives | | At fair value | 345 | 345 |
| Other payables | 17 | At amortized cost | 174 | 174 |
| **Total financial liabilities** | | | **96,782** | **96,782** |

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| *(In thousands of euros)* | | | 31 December 2019 | |
|---|---|---|---|---|
| Class of financial instruments | Notes | Category | Carrying amount | Fair value |
| FINANCIAL ASSETS | | | | |
| Trade receivables | 10 | At amortized cost | 626 | 626 |
| Other receivables | 9 | At amortized cost | 8,881 | 8,881 |
| Cash and cash equivalents | 14 | At amortized cost | 12,937 | 12,937 |
| **Total financial assets** | | | **22,444** | **22,444** |
| | | | | |
| FINANCIAL LIABILITIES | | | | |
| Trade payables | 17 | At amortized cost | 2,545 | 2,545 |
| Borrowings | 16 | At amortized cost | 86,511 | 86,511 |
| Derivatives | | At fair value | 345 | 345 |
| Other payables | 17 | At amortized cost | 209 | 209 |
| **Total financial liabilities** | | | **89,610** | **89,610** |

The fair value of borrowings is determined by discounting future contractual cash flows with a market interest rate, which according to the management's estimates is available for the Group upon raising similar financial instruments.

Group's financial instruments in the fair value measurement hierarchy (described in section 3.23) as at 31 December 2020:

| *(In thousands of euros)* | 31 December 2020 | | | |
|---|---|---|---|---|
| | Level I | Level II | Level III | **Total** |
| **Financial liabilities for which fair value is disclosed:** | | | | |
| Borrowings | 0 | 95,097 | 0 | **95,097** |
| **Financial liabilities measured at fair value:** | | | | |
| Derivatives | 0 | 345 | 0 | **345** |

| *(In thousands of euros)* | 31 December 2019 | | | |
|---|---|---|---|---|
| | Level I | Level II | Level III | **Total** |
| **Financial liabilities for which fair value is disclosed:** | | | | |
| Borrowings | 0 | 86,511 | 0 | **86,511** |
| **Financial liabilities measured at fair value:** | | | | |
| Derivatives | 0 | 345 | 0 | **345** |

*Credit risk*

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations to the Company. Credit risk arises mostly in relation to trade receivables. To reduce credit risk, customers' payment profiles are continuously monitored. If due dates for payments have been exceeded, reminders and warnings are sent, and the customer contacted.

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Maximum credit risk exposure:

| *(In thousands of euros)* | Notes | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| Current accounts | 14 | 9,576 | 12,937 |
| Trade receivables | 10 | 1,078 | 626 |
| Other receivables | 9 | 8,963 | 8,881 |
| **Total** | | **19,617** | **22,444** |

Credit risk management is primarily focused on avoiding significant accumulated credit risk concentrations. The Group's credit risk prevention and minimization activities involve monitoring and directing their clients' payment behavior, which allows them to react quickly and take the necessary measures. To minimize credit risk, clients pay a deposit usually equaling two-month rent that is refundable at the end of the contract agreement or netted against their payables, or are required to present a bank guarantee. As at 31 December 2020, the Group has received a total of 762 thousand euros in deposits (31 December 2019: 815 thousand euros). The most significant financial instruments exposed to credit risk are receivables from customers outside the Mainor Ülemiste AS group, the allocation by remaining maturity of which as at the reporting date was as follows:

| *(In thousands of euros)* | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Receivables not yet due | 455 | 414 |
| Overdue 1–30 days | 218 | 168 |
| Overdue 31–90 days | 162 | 44 |
| Overdue more than 90 days | 243 | 0 |
| **Total** | **1,078** | **626** |

By the time of preparing the report, the deadlines of overdue receivables in the total amount of 264 thousand euros had been postponed.

To reduce credit risk, the Group classified receivables in the amount of 46 thousand euros as doubtful in 2020 (2019: 37 thousand euros). No receivables classified as doubtful in previous years were collected in the reporting period and doubtful receivables in the amount of 19 thousand euros were declared uncollectible (2019: 37 thousand euros). The Group has applied the simplified approach described in IFRS 9 in recognizing expected credit losses for trade receivables, according to which the loss allowance is measured at an amount equal to lifetime expected credit losses. In order to estimate expected credit losses, the Group has analyzed past periods and concluded that the expected monthly credit loss of trade receivables is approximately 0.5% of lease income.

For all other financial instruments, the Group recognizes loss allowances at an amount equal to lifetime expected credit losses if there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the loss allowance is measured at an amount equal to lifetime expected credit losses. As at 31 December 2020, there was no significant increase in credit risk.

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*Liquidity risk*

The Group's liquidity or solvency reflects its ability to meet its financial obligations to creditors in a timely manner. In 2020, the Group's liquidity was most affected by additional loan agreements concluded with OP Corporate Bank plc Eesti filiaal in the amount of 6,382 thousand euros, AS LHV Pank in the amount of 1,675 thousand euros and AS SEB Pank in the amount of 43,015 thousand euros to cover the cost of construction of the new office buildings at Sepise 7 and Valukoja 10, improve existing office and industrial buildings and repay previous loans in the amount of 42,553 thousand euros.

Liquidity risk is the risk that the Group will be unable to settle its financial liabilities as they fall due. With the loan agreement concluded with SEB Pank, the group company Öpiku Majad OÜ has committed itself to ensuring that the debt service coverage ratio (DSCR) is at least 1.2 and the loan-to-value ratio (LTV) does not exceed 70% at any time. As at 31 December 2020, all group companies were in compliance with these financial ratios. The Company has secured these loan liabilities by establishing mortgages on most of their properties (Note 6).

The following table presents the Company's current and non-current liabilities by due dates. All presented amounts represent payable contractual undiscounted cash flows. The value of liabilities due within 12 months after the end of the reporting period is equal to their carrying amount (except for interest-bearing liabilities). Bank loans are the usual source of financing and their termination and modification is a part of the business and financing activities.

Contractual maturities of financial liabilities:

| 31 December 2020 *(In thousands of euros)* | Notes | Within 1 month | 1–3 months | 3–12 months | 1–5 years | Total |
|---|---|---|---|---|---|---|
| Secured bank loans | 16 | 423 | 830 | 10,015 | 84,033 | 95,301 |
| Bonds | | 0 | 0 | 550 | 10,825 | 11,375 |
| Derivatives | | 45 | 0 | 45 | 255 | 345 |
| Lease liabilities | 16 | 6 | 11 | 47 | 78 | 142 |
| Trade payables | 17 | 849 | 317 | 0 | 0 | 1,166 |
| Other payables | | 606 | 9 | 41 | 207 | 863 |
| **Total** | | **1,929** | **1,167** | **10,698** | **95,398** | **109,192** |
| 31 December 2019 *(In thousands of euros)* | Notes | Within 1 month | 1–3 months | 3–12 months | 1–5 years | Total |
| Secured bank loans | 16 | 384 | 746 | 3,733 | 99,211 | 104,074 |
| Bonds | | 0 | 0 | 550 | 11,375 | 11,925 |
| Derivatives | | 49 | 0 | 46 | 250 | 345 |
| Lease liability | 16 | 2 | 6 | 24 | 39 | 71 |
| Trade payables | 17 | 1,892 | 862 | 0 | 0 | 2,754 |
| Other payables | | 318 | 9 | 41 | 210 | 578 |
| **Total** | | **2,645** | **1,623** | **4,394** | **111,085** | **119,747** |

In December 2020, loans taken from AS SEB Pank were refinanced with a new syndicated loan from AS SEB Pank and Luminor Bank AS in the amount of 39,815 thousand euros. The syndicated bank

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facility amounted to 64,115 thousand euros, 24,300 thousand euros of which was still unused as at 31 December 2020.

*Interest rate risk*

Interest rate risk arises from changes in interest rates on the money markets, which may result in the need to reevaluate the Company's financial assets and take into account increasing cost of financing in the future. The interest rates of the Company's bank loans and lease liabilities are tied to Euribor. As at 31 December 2020, the interest-bearing liabilities of the Company amounted to 95,097 thousand euros (31 December 2019: 86,511 thousand euros), around 89% of which had floating interest rates (tied to 6-month Euribor), see Note 16.

In managing short-term interest rate risks, the Company compares on a regular basis, potential losses arising from changes in interest rates to their hedging expenses. To hedge interest rate risks, an OTC Interest Rate SWAP contract has been concluded for one of the loans in the amount of 18,003 thousand euros (2019: 19,433 thousand euros), which as at 31 December 2020 had been taken into use fully (2019: in the amount of 19,433 thousand euros).

As at 31 December 2020, 6-month Euribor was -0.526% (31 December 2019: -0.324%). If the 6-month Euribor were to increase by 1 percentage point, then as at 31 December 2020, the interest of the Group's loan liabilities tied to Euribor would increase by 0.474% (31 December 2019: 0.676%) and interest expense by 294 thousand euros (2019: 489 thousand euros). A decrease in Euribor would not have any impact on these interest expenses.

As at 31 December 2020, interest- bearing financial liabilities and receivables were as follows:

| *(In thousands of euros)* | Notes | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| Fixed interest rate liabilities (12+ months) | 16 | 10,000 | 10,024 |
| Fixed interest rate liabilities (1–12 months) | 16 | 24 | 26 |
| Floating interest rate liabilities (1–12 months) | 16 | 9,064 | 2,725 |
| Floating interest rate liabilities (12+ months) | 16 | 76,009 | 73,736 |
| Fixed interest rate receivables (1–12 months) | 9 | 6,200 | 6,200 |

*Currency risk*

Group companies carry out transactions in euros, currency risk arises from transactions conducted in currencies other than the euro. To hedge the currency risk, all important contracts in the Group are concluded in euros. The main currency risk therefore arises from the devaluation of currencies relative to the euro, against which the Group is not protected.

As the Group's liabilities are in euros and all of the Group's revenue is earned in euros, the Company's management estimates the currency risk to be immaterial.

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*Capital risk management*

The purpose of capital risk management is to ensure the sustainability of the Group and secure returns for shareholders through an optimal capital structure. The Group uses both debt and equity instruments for financing business activities and monitors the equity ratio when designing its financial structure and performing risk assessments.

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Equity to total assets | 54% | 55% |
| Liabilities to total assets | 46% | 45% |

Loan financing is planned and taken on project-by-project basis. Before applying for external financing, the Group prepares a budget for the project, carefully considering its impact taking into account the interest rate risk. If there are any special terms or conditions in the financing agreement (rental income, vacancy rate, etc.), the Group pursues to meet them before the actual agreement is concluded.

All external loans have to be approved by the Company's supervisory board before the loan liability is assumed. Short-term loans are used to cushion the seasonality of the Company's business and manage cash flows.

The Commercial Code imposes the following requirements on the share capital of companies registered in Estonia:

- The share capital of a public limited company shall be at least twenty-five thousand (25 thousand) euros.
- The net assets of a public limited company shall form at least one-half of its share capital.

The amount of the share capital or minimum and maximum capital of a public limited company have to be set out in the articles of association of the company in such a way that the minimum capital is at least one-quarter of the maximum capital.

According to the articles of association of Mainor Ülemiste AS, the Company's minimum share capital is 12,800 thousand euros and maximum share capital 51,200 thousand euros. As at 31 December 2020, the share capital of Mainor Ülemiste AS was 18,200 thousand euros and net assets amounted to 117,752 thousand euros, thus meeting the share capital and equity requirements established in the Republic of Estonia.

Capital management is guided by the objective of ensuring the Company's credibility, sustainable development and growth of shareholders' assets throughout the business cycle, making sure that the Company's equity to assets ratio is at least 35% at any given time (31 December 2020: 54.5% and 31 December 2019: 54.6%).

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## Note 6. Investment property

The Company's investment property consists of office and production buildings, which are rented out, and properties with development potential, for which their usage purpose is not yet clear. All investment property is located in Tallinn in the Ülemiste City business campus. As at 31 December 2020, their total rental space amounted to 111,4 thousand m² (31 December 2019: 109,9 thousand m²).

| *(In thousands of euros)* | Notes | Investment property |
|---|---|---|
| **Balance as at 1 January 2019** | | **122,630** |
| Acquisitions and additions | | 14,205 |
| Profit from change in fair value | 20 | 945 |
| **Balance as at 31 December 2019** | | **137,780** |
| Acquisitions and additions | | 12,934 |
| Profit from change in fair value | 20 | 986 |
| **Balance as at 31 December 2020** | | **151,700** |

Under IFRS 13, investment property owned by the Group is classified to Level 3 of the fair value hierarchy. The valuation of such properties is based on unobservable inputs that are significant to the fair value measurement.

Valuation of the Group's investment property is carried out by independent certified experts based on residual value using the discounted cash flow method. There have been no changes in the valuation approach during the financial year, the same principles were applied in the comparative period. The Company provides valuators with the following information: type of investment property, development plans, estimated construction costs and expected rental prices. The valuator uses assumptions and valuation models specific to the market, such as discount rates and exit yields. Valuation reports are reviewed and approved by the management board of the Group.

As at 31 December 2020, the total value of investment property in the Ülemiste City business campus owned by Mainor Ülemiste AS amounted to 151,700 thousand euros (31 December 2019: 137,780 thousand euros), of which 119,670 thousand euros (2019: 109,260 thousand euros) is the value of real estate determined with reference to rental cash flows and 32,030 thousand euros (2019: 28,520 thousand euros) the value of real estate determined with reference to building rights.

Real estate valued with reference to rental cash flows is characterized by the following key parameters: rental area 111,4 thousand m²; based on current rental fees of 1.7–45.0 €/m², vacancy rate of up to 10%, discount rate of 8.5–9.5%, capitalization rate of 7.5–10% and length of rental agreements between 1 and 15 years.

Real estate valued with reference to building rights has a total area of 276 thousand m² and the relevant development activities are planned to take place between 2021 and 2029. Construction costs vary from 560 €/m² for the construction of industrial premises to 950 €/m² for the construction of office spaces. Rental fees are 5.5 €/m² and 12.0 €/m² respectively. After the completion of buildings, the vacancy rate is estimated at around 50%, which will gradually decrease over time to a long-term average of 5%. The discount rate used is 9.5%, capitalization rates are 8% for office buildings and 8.5% for industrial premises.

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The table below shows possible changes in the fair value of investment property (in thousands of euros) if there were changes in the key input data used in Colliers valuation reports:

| | Fair value | Change in rental price/m² | | Change in capitalization rate | |
|---|---|---|---|---|---|
| *(In thousands of euros)* | | 5% | -5% | 5% | -5% |
| Valued with reference to rental cash flows | 119,670 | 126,062 | 113,279 | 115,684 | 124,076 |
| Valued with reference to building rights | 32,030 | 42,111 | 21,906 | 25,894 | 38,768 |
| **TOTAL** | **151,700** | **168,173** | **135,185** | **141,578** | **162,844** |

Rental income of 8,466 thousand euros was earned from investment property in the reporting period (Note 19), while rental income earned in the previous reporting period amounted to 7,678 thousand euros (Note 19). Expenses directly related to the management of investment property amounted to 2,854 thousand euros in the reporting period (2019: 3,019 euros), see Note 21.

A total of 12,934 thousand euros was invested in investment property during the reporting period (including capitalized loan interests in the amount of 104 thousand euros, which is 4% of interest expenses). In the previous reporting period, these investments amounted to 14,205 thousand euros (including capitalized loan interests in the amount of 122 thousand euros, which was 5% of interest expenses). Leases in the total amount of 124 thousand euros were concluded in 2020 for the acquisition of equipment and fittings that form an integral part of investment property and were re-leased to tenants (2019: 0 euros).

Information about investment property pledged as collaterals has been disclosed in Note 16.

## Note 7. Tangible assets

| *(In thousands of euros)* | Machinery and equipment | Inventories and fittings | Prepayments | Total |
|---|---|---|---|---|
| 1 January 2019 – 31 December 2019 | | | | |
| **Balance as at 1 January 2019** | **25** | **75** | **0** | **100** |
| Acquisitions and additions | 0 | 43 | 32 | 75 |
| Write-offs | 0 | -6 | 0 | -6 |
| Depreciation of assets disposed and written off | 0 | 6 | 0 | 6 |
| Depreciation for the financial year | -7 | -38 | 0 | -45 |
| **Carrying amount as at 31 December 2019** | **18** | **80** | **32** | **130** |
| Incl. acquisition cost | 37 | 240 | 32 | 309 |
| Incl. accumulated depreciation | -19 | -160 | 0 | -179 |

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| *(In thousands of euros)* | Notes | Machinery and equipment | Inventories and fittings | Pre-payments | Total |
|---|---|---|---|---|---|
| 1 January 2020 – 31 December 2020 | | | | | |
| **Balance as at 1 January 2020** | | **18** | **80** | **32** | **130** |
| Acquisitions and additions | | 35 | 5 | 22 | 62 |
| Reclassifications from prepayments | | 0 | 35 | -35 | 0 |
| Reclassifications to intangible assets | 8 | 0 | 0 | -9 | -9 |
| Write-offs | | 0 | -30 | 0 | -30 |
| Disposals | | -31 | 0 | 0 | -31 |
| Depreciation of assets disposed and written off | | 16 | 30 | 0 | 46 |
| Depreciation for the financial year | | -8 | -50 | 0 | -58 |
| **Carrying amount as at 31 December 2020** | | **30** | **70** | **10** | **110** |
| Incl. acquisition cost | | 41 | 250 | 10 | 301 |
| Incl. accumulated depreciation | | -11 | -180 | 0 | -191 |

Machinery and equipment includes passenger cars acquired under leases, the residual value of which as of 31/12/2020 is 29 thousand euros (31/12/2019: 16 thousand euros).

As at 31 December 2020 and 2019, the carrying amount of the Group's property, plant and equipment calculated using the cost method approximated their fair value.

## Note 8. Intangible assets

| *(In thousands of euros)* | Notes | Computer software | Total |
|---|---|---|---|
| 1 January 2019 – 31 December 2019 | | | |
| **Carrying amount as at 1 January 2019** | | **53** | **53** |
| Acquisitions and additions | | 103 | 103 |
| Amortization for the financial year | | -28 | -28 |
| **Carrying amount as at 31 December 2019** | | **128** | **128** |
| Incl. acquisition cost | | 157 | 157 |
| Incl. accumulated amortization | | -29 | -29 |
| | | | |
| 1 January 2020 – 31 December 2020 | | | |
| **Carrying amount as at 1 January 2020** | | **128** | **128** |
| Acquisition of intangible assets | | 56 | 56 |
| Reclassifications from prepayments | 7 | 9 | 9 |
| Amortization for the financial year | | -57 | -57 |
| **Carrying amount as at 31 December 2020** | | **136** | **136** |
| Incl. acquisition cost | | 222 | 222 |
| Incl. accumulated amortization | | -86 | -86 |

Intangible assets include computer software and website.

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## Note 9. Receivables and prepayments

| *(In thousands of euros)* | Notes | 31 December 2020 | Due within 1 year |
|---|---|---|---|
| **Financial assets** | | | |
| Trade receivables | 10 | 1,146 | 1,146 |
| Expected credit losses | 10 | -68 | -68 |
| Receivables from other entities in the Mainor AS consolidation group | 31 | 8,963 | 8,963 |
| **Total financial assets** | | **10,041** | **10,041** |
| | | | |
| **Non-financial assets** | | | |
| Prepaid taxes | 11 | 46 | 46 |
| Other receivables and prepayments | | 30 | 30 |
| **Total non-financial assets** | | **76** | **76** |
| **Total receivables and prepayments** | | **10,117** | **10,117** |

| *(In thousands of euros)* | Notes | 31 December 2019 | Due within 1 year |
|---|---|---|---|
| **Financial assets** | | | |
| Trade receivables | 10 | 667 | 667 |
| Expected credit losses | 10 | -41 | -41 |
| Receivables from other entities in the Mainor AS consolidation group | 31 | 8,881 | 8,881 |
| **Total financial assets** | | **9,507** | **9,507** |
| | | | |
| **Non-financial assets** | | | |
| Prepaid taxes | 11 | 216 | 216 |
| Other receivables and prepayments | | 78 | 78 |
| **Total non-financial assets** | | **294** | **294** |
| **Total receivables and prepayments** | | **9,801** | **9,801** |

Receivables from other entities in the Mainor AS consolidation group include an 8,771 thousand euro receivable (including interest) from the parent company Smart City Group AS (31 December 2019: 8,574 thousand euros). Interest in the amount of 197 thousand euros was calculated on this receivable in 2020 (2019: 197 thousand euros). Interest rate is 3%, which approximates the market interest rate. Consequently, the carrying amount of the receivables approximates its fair value. Fair value is determined by discounting the cash flow at the market interest rate.

Additional information has been disclosed in Note 31.
Risks related to financial instruments have been disclosed in Note 5.

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## Note 10. Trade receivables

| *(In thousands of euros)* | Notes | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| Trade receivables | 9 | 1,146 | 667 |
| Expected credit losses | 9 | -68 | -41 |
| **Total** | | **1,078** | **626** |
| Doubtful receivables | | | |
| Doubtful receivables at the beginning of the period | | -41 | -749 |
| Increase in doubtful receivables | 23 | -46 | -37 |
| Doubtful receivables classified as uncollectible | | 19 | 745 |
| Doubtful receivables at the end of the period | 9 | -68 | -41 |

Risks related to financial instruments have been disclosed in Note 5.

## Note 11. Prepaid taxes and taxes payable

| *(In thousands of euros)* | | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|---|
| | Notes | Prepayment | Payable | Prepayment | Payable |
| Value added tax | | 46 | 30 | 216 | 0 |
| Personal income tax | | 0 | 28 | 0 | 25 |
| Social tax | | 0 | 45 | 0 | 42 |
| Other taxes | | 0 | 6 | 0 | 6 |
| **Total** | **9, 17** | **46** | **109** | **216** | **73** |

## Note 12. Investments in subsidiaries

The information about investments in subsidiaries disclosed in this note is relevant only as an addition to the unconsolidated statement of financial position of the parent company disclosed in the notes to the consolidated financial statements of Mainor Ülemiste AS. In the consolidated financial statements, the financial information of all subsidiaries has been combined line by line.

| Registry code | Name | Location | Principal activity | Ownership interest as at 31 December 2020 (%) | Ownership interest as at 31 December 2019 (%) |
|---|---|---|---|---|---|
| 12804904 | Öpiku Majad OÜ | Estonia | Real estate activities | 100% | 100% |
| 14578228 | Ülemiste City Residences OÜ | Estonia | Real estate activities | 100% | 100% |
| 12783421 | Spacex Eesti OÜ | Estonia | Real estate activities | 100% | 100% |

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Shares in subsidiaries using the cost method:

*(In thousands of euros)*

| Name | 31 December 2019 | Acquisition | 31 December 2020 |
|---|---|---|---|
| Öpiku Majad OÜ | 10,250 | 0 | 10,250 |
| Ülemiste City Residences OÜ | 2 | 0 | 2 |
| **Total** | **10,252** | **0** | **10,252** |

The Management Board has decided not to consolidate Spacex Eesti OÜ in the consolidated report because the company has not had any economic activity since June 2018.

## Note 13. Investment recognized using the equity method

Shares, general information

| Registry code | Name | Location | Principal activity | Ownership interest as at 31 December 2020 (%) | Ownership interest as at 31 December 2019 (%) |
|---|---|---|---|---|---|
| 11978111 | AS Technopolis Ülemiste | Estonia | Real estate activities | 49% | 49% |

Shares, detailed information

| *(In thousands of euros)* Name | 31 December 2019 | Sale of shares | Dividends | Profit under the equity method | 31 December 2020 |
|---|---|---|---|---|---|
| AS Technopolis Ülemiste | 40,314 | 0 | -1,384 | 5,644 | 44,574 |
| **Total** | **40,314** | **0** | **-1,384** | **5,644** | **44,574** |

As at 31 December 2020, the equity of AS Technopolis Ülemiste amounted to 90,966 thousand euros and the holding of Mainor Ülemiste AS to 44,574 thousand euros. According to the shareholders' agreement of AS Technopolis Ülemiste, Mainor Ülemiste AS has been granted a put option under which Mainor Ülemiste AS has the right to require Technopolis Holding OYJ to purchase the shares of AS Technopolis Ülemiste held by Mainor Ülemiste AS and to pay for the shares within six months. An annex to the shareholders' agreement stipulates that the selling price of these shares shall be their net asset value, which should not be less than their carrying amount at the end of the previous quarter.

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Key financial indicators of AS Technopolis Ülemiste as at 31 December 2020

| *(In thousands of euros)* | AS Technopolis Ülemiste |
|---|---|
| Current assets | 8,014 |
| Non-current assets | 194,091 |
| Current liabilities | 6,193 |
| Non-current liabilities | 104,946 |
| Equity | 90,966 |
| Revenue | 21,419 |
| Operating profit | 14,237 |
| Profit (loss) before tax | 12,071 |
| Comprehensive income | 11,518 |

## Note 14. Cash and cash equivalents

| *(In thousands of euros)* | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Current accounts in banks | 9,576 | 12,937 |
| **Total** | **9,576** | **12,937** |

The table below provides information on the credit exposure of the Group's cash and short-term deposits according to the classification of the Group's counterparties by Moody's Investors Service credit ratings:

| *(In thousands of euros)* | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Banks with credit rating A | 9,521 | 12,866 |
| Banks with credit rating B | 55 | 71 |

Risks related to financial instruments have been disclosed in Note 5.

## Note 15. Share capital

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Number of shares issued and fully paid for | 30,333,333 | 30,333,333 |
| Nominal value of shares (in euros) | 0.60 | 0.60 |
| Share capital (in thousands of euros) | 18,200 | 18,200 |

The share capital of Mainor Ülemiste AS consists of 30,333,333 ordinary shares with a nominal value of 0.60 euros, divided as follows:

- Smart City Group: 25,430,311 shares
- LOGiT Eesti AS: 4,903,022 shares

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All shares have been paid in full.

Each ordinary share gives the shareholder the right to receive dividends when they are announced and to participate in voting at general shareholders' meetings with one vote per share. The Group has not issued any preference shares.

General meeting decides the amount that will be distributed as dividends on the basis of the Group's approved financial statements. Potential contingent income tax liabilities arising from the distribution of profits have been disclosed in Note 30.

In 2020, dividends of 1,384 thousand euros (2019: 1,400 thousand euros) were paid to shareholders from 2019 profits, i.e., dividends per share were 4.56 euro cents (2019: 4.6 euro cents per share).

According to the articles of association of Mainor Ülemiste AS and the Commercial Code, the legal reserve should amount to 1/10 of the share capital, which is formed from annual net profit transfers. The amount to be transferred to the legal reserve in each financial year is decided by the shareholders in accordance with the law and the articles of association, considering the statutory requirement to transfer at least 1/20 of the net profit for the reporting year to legal reserve until it reaches the limit laid down in the articles of association. The legal reserve may be used to cover losses by a decision of the shareholders. No transfers to the legal reserve were made during the reporting year because the legal reserve has reached the limit laid down in the articles of association.

## Note 16. Borrowings

| *(In thousands of euros)* | 31 December 2020 | Allocation by remaining maturity | | |
|---|---|---|---|---|
| | | Within 12 months | Within 1–5 years | Over 5 years |
| Bank loans | 84,960 | 9,027 | 75,933 | 0 |
| Bonds | 10,000 | 0 | 10,000 | 0 |
| Lease liability | 137 | 61 | 76 | 0 |
| **Total** | **95,097** | **9,088** | **86,009** | **0** |

| *(In thousands of euros)* | 31 December 2019 | Allocation by remaining maturity | | |
|---|---|---|---|---|
| | | Within 12 months | Within 1–5 years | Over 5 years |
| Bank loans | 76,442 | 2,720 | 73,722 | 0 |
| Bonds | 10,000 | 0 | 10,000 | 0 |
| Lease liability | 69 | 31 | 38 | 0 |
| **Total** | **86,511** | **2,751** | **83,760** | **0** |

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Bank loans include the following borrowings:

- Luminor Bank AS - 6,125 thousand euros (2019: 6,125 thousand euros), of which 6,125 thousand euros is short-term (2019: 0 euros)
- COOP Pank AS - 4,037 thousand euros (2019: 4,322 thousand euros), of which 295 thousand euros is short-term (2019: 271 thousand euros)
- AS LHV Pank - 15,663 thousand euros (2019: 14,121 thousand euros), of which 138 thousand euros is short-term (2019: 135 thousand euros)
- Estonian branch of OP Bank - 19,320 thousand euros (2019: 13,805 thousand euros), of which 1,146 thousand euros is short-term (2019: 728 thousand euros)
- AS SEB Pank - 39,815 thousand euros (2019: 38,069 thousand euros), of which 1,323 thousand euros is short-term (2019: 1,586 thousand euros)

Interest rates on bank loans range from 1.8% to 4.5%.

Repayment dates for loans are 2021-2025.

In 2020, Mainor Ülemiste AS and its subsidiary Öpiku Majad OÜ received bank loans in the total amount of 51,071 thousand euros (2019: 47,367 thousand euros) and repaid loans in the amount of 42,553 thousand euros (2019: 34,632 thousand euros), lease liabilities in the amount of 159 thousand euros were assumed (2019: 0 euros) and in the amount of 91 thousand euros settled (2019: 31 thousand euros).

Group company Öpiku Majad OÜ refinanced loans taken from AS SEB Pank in the amount of 39,815 thousand euros with a syndicated loan from AS SEB Pank and Luminor Bank AS in December 2020, 18,003 euros of which are related to an interest rate swap contract. The current portion of the syndicated loan is 1,323 thousand euros and the non-current portion 38,492 thousand euros.

The syndicated bank facility from SEB Pank and Luminor Bank AS amounts to a total of 64,115 thousand euros, the third installment of which in the amount of 24,300 thousand euros had not been paid out as at 31 December 2020.

Loans have been secured with a majority of the properties belonging to Mainor Ülemiste AS and Öpiku Majad OÜ with a carrying amount of 151,700 thousand euros (31 December 2019: 137,780 thousand euros) and the shares of AS Technopolis Ülemiste with a carrying amount of 44,574 thousand euros as at 31 December 2020 (31 December 2019: 40,314 thousand euros). The total carrying amount of collaterals is 196,274 thousand euros (31 December 2019: 178,094 thousand euros).

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## Note 17. Payables and prepayments

| *(In thousands of euros)* | | | Allocation by remaining maturity | |
|---|---|---|---|---|
| | Notes | 31 December 2020 | 12 months | 1–5 years |
| **Financial liabilities** | | | | |
| Trade payables | | 1,166 | 1,166 | 0 |
| Other payables | | 262 | 262 | 0 |
| *Incl. interest payables* | | *262* | *262* | *0* |
| Liabilities to other entities in the Mainor AS consolidation group | | 174 | 174 | 0 |
| **Total financial liabilities** | | **1,602** | **1,602** | **0** |
| | | | | |
| **Non-financial liabilities** | | | | |
| Employee payables | | 192 | 192 | 0 |
| Tax payables | 11 | 109 | 109 | 0 |
| Prepayments received | | 759 | 197 | 562 |
| Deferred income | | 95 | 95 | 0 |
| **Total non-financial liabilities** | | **1,155** | **593** | **562** |
| **Total payables and prepayments** | | **2,757** | **2,195** | **562** |

| *(In thousands of euros)* | | | Allocation by remaining maturity | |
|---|---|---|---|---|
| | Notes | 31 December 2019 | 12 months | 1–5 years |
| **Financial liabilities** | | | | |
| Trade payables | | 2,545 | 2,545 | 0 |
| Other payables | | 253 | 253 | 0 |
| *Incl. interest payables* | | *253* | *253* | *0* |
| Liabilities to other entities in the Mainor AS consolidation group | | 209 | 209 | 0 |
| **Total financial liabilities** | | **3,007** | **3,007** | **0** |
| | | | | |
| **Non-financial liabilities** | | | | |
| Employee payables | | 240 | 240 | 0 |
| Tax payables | 11 | 73 | 73 | 0 |
| Prepayments received | | 815 | 118 | 697 |
| Deferred income | | 93 | 93 | 0 |
| **Total non-financial liabilities** | | **1,221** | **524** | **697** |
| **Total** | | **4,228** | **3,531** | **697** |

Risks related to financial liabilities have been disclosed in Note 5.

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Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are usually settled within 14 days
- Other payables are non-interest bearing and are settled within an average of 30 days
- Interest payables are settled within 30 days
- Additional information on related parties has been disclosed in Note 31.

## Note 18. Provisions

| *(In thousands of euros)* | 31 December 2019 | Recognition/ adjustments | 31 December 2020 |
|---|---|---|---|
| Compensation for incapacity for work | 264 | -2 | 262 |
| Incl. short-term | 54 | 1 | 55 |
| Incl. long-term | 210 | -3 | 207 |

Provisions have been recognized for the obligation to pay compensation for incapacity for work and pension payments to the former employees of AS Dvigatel. As at 31 December 2020, this balance included a current potion in the amount of 55 thousand euros and a non-current portion in the amount of 207 thousand euros (31 December 2019: 54 thousand euros and 210 thousand euros respectively).

## Note 19. Revenue

| *(In thousands of euros)* | Notes | 1 January 2020 – 31 December 2020 | 1 January 2019 – 31 December 2019 |
|---|---|---|---|
| **Revenue from contracts with customers** | | | |
| Other revenue | | 962 | 654 |
| Revenue from administrative services | | 1,829 | 2,232 |
| **Total revenue from contracts with customers** | | **2,791** | **2,886** |
| **Lease income** | | | |
| Operating lease income | 29 | 8,466 | 7,678 |
| **Total lease income** | | **8,466** | **7,678** |
| **Total revenue** | | **11,257** | **10,564** |

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| *(In thousands of euros)* | Notes | 1 January 2020 – 31 December 2020 | 1 January 2019 – 31 December 2019 |
|---|---|---|---|
| **Revenue from contracts with customers** | | | |
| Fixed accessory expenses | | 182 | 146 |
| Accessory expenses | | 1,647 | 2,086 |
| Conference room services | | 46 | 90 |
| Parking | | 351 | 320 |
| Illuminated advertisements | | 37 | 38 |
| One-time services | | 528 | 206 |
| **Total revenue from contracts with customers** | | **2,791** | **2,886** |
| | | | |
| **Lease income** | | | |
| Shared office rent | | 242 | 222 |
| Office rent | | 5,228 | 4,989 |
| Industrial premises rent | | 1,683 | 1,737 |
| Other rent | | 1,313 | 730 |
| **Total lease income** | | **8,466** | **7,678** |
| **Total revenue** | | **11,257** | **10,564** |

The impact of the COVID-19 pandemic on the Company's revenue was manifested in the tenants' requests for rent reductions, deferrals or partial releases. Service providers closed due to the national restrictions imposed were supported: in the reporting period, rent discounts amounting to a total of 90 thousand euros were made.

## Note 20. Other operating income

| *(In thousands of euros)* | Notes | 1 January 2020 – 31 December 2020 | 1 January 2019 – 31 December 2019 |
|---|---|---|---|
| Profit from revaluation of investment property | 6 | 986 | 945 |
| Government grants | | 39 | 0 |
| Gain on disposal of non-current assets | | 3 | 0 |
| Other operating income | | 11 | 2 |
| **Total** | | **1,039** | **947** |

## Note 21. Cost of sales

| *(In thousands of euros)* | 1 January 2020 – 31 December 2020 | 1 January 2019 – 31 December 2019 |
|---|---|---|
| Electricity | -823 | -1,125 |
| Heating | -247 | -293 |
| Water and sewage | -127 | -191 |
| Security | -17 | -76 |
| State and local taxes | -72 | -72 |
| Property maintenance | -849 | -936 |
| Other | -719 | -326 |
| **Total** | **-2,854** | **-3,019** |

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## Note 22. Marketing expenses

| *(In thousands of euros)* | Notes | 1 January 2020 – 31 December 2020 | 1 January 2019 – 31 December 2019 |
|---|---|---|---|
| Personnel expenses | 24 | -74 | -48 |
| Advertisement, PR | | -146 | -143 |
| **Total** | | **-220** | **-191** |

## Note 23. Administrative expenses

| *(In thousands of euros)* | Notes | 1 January 2020 – 31 December 2020 | 1 January 2019 – 31 December 2019 |
|---|---|---|---|
| Miscellaneous office expenses | | -27 | -21 |
| Training expenses | | -19 | -33 |
| Expected credit losses | 10 | -46 | -37 |
| Personnel expenses | 24 | -1,008 | -928 |
| Compensation for incapacity for work | | -39 | -60 |
| Depreciation and amortization | 7, 8 | -115 | -73 |
| Insurance expenses | | -36 | -38 |
| Management expenses | | -360 | -360 |
| Bank fees | | -72 | -53 |
| IT expenses and software maintenance | | -83 | -71 |
| Legal, development, consultation and other expenses | | - 1,142 | -534 |
| **Total** | | **-2,947** | **-2,208** |

## Note 24 Personnel expenses

| *(In thousands of euros)* | 1 January 2020 – 31 December 2020 | 1 January 2019 – 31 December 2019 |
|---|---|---|
| Wages and salaries | -781 | -710 |
| Social and unemployment insurance taxes | -262 | -238 |
| Pension expenses | -17 | -15 |
| Social tax on pensions | -5 | -5 |
| Sickness benefit | -1 | -1 |
| Vacation reserve | -16 | -7 |
| **Total** | **-1,082** | **-976** |
| Average number of full-time employees | 19 | 20 |

Remuneration paid to the members of the management and supervisory boards has been disclosed in Note 31.

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## Note 25. Other operating expenses

| *(In thousands of euros)* | 1 January 2020 – 31 December 2020 | 1 January 2019 – 31 December 2019 |
|---|---|---|
| Other operating expenses | -18 | -11 |
| **Total** | **-18** | **-11** |

## Note 26. Interest income

| *(In thousands of euros)* | Notes | 1 January 2020 – 31 December 2020 | 1 January 2019 – 31 December 2019 |
|---|---|---|---|
| Interest income from Mainor group receivables | 31 | 268 | 260 |
| Interest income from other receivables | | 0 | 6 |
| **Total** | | **268** | **266** |

## Note 27. Interest expenses

| *(In thousands of euros)* | Notes | 1 January 2020 – 31 December 2020 | 1 January 2019 – 31 December 2019 |
|---|---|---|---|
| Interest expense from loans | | -2 088 | -1 945 |
| Capitalized interest expenses | 6 | 104 | 122 |
| Limit fees | | -11 | -33 |
| Interest expense from lease liabilities | | -3 | -1 |
| Interest expense from bonds | | -551 | -550 |
| Interest expenses from derivatives | | -157 | -298 |
| **Total** | | **-2,706** | **-2,705** |

A capitalization rate of 2–2.4% has been used for determining capitalized loans (2019: 1.8%).

## Note 28. Other financial income and expenses

| *(In thousands of euros)* | Notes | 1 January 2020 – 31 December 2020 | 1 January 2019 – 31 December 2019 |
|---|---|---|---|
| Other financial expenses | | -2 | 0 |
| Other financial expenses | | -67 | -321 |
| Risk fee | | 0 | -12 |
| **Total** | 31 | **-69** | **-333** |

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## Note 29. Operating lease

Group as lessor

The Group has rented out office and production premises.

| *(In thousands of euros)* | Notes | 2020 | 2019 |
|---|---|---|---|
| Operating lease income | 19 | 8,466 | 7,678 |
| | | | |
| Future operating lease income from non-cancellable lease agreements: | | | |
| Within 12 months | | 7,985 | 7,790 |
| Within 1–5 years | | 17,849 | 21,257 |
| Over 5 years | | 1,902 | 2,407 |
| Carrying amount of leased assets | 6 | 151,700 | 137,780 |

Mainor Ülemiste AS has rented out office and production premises.

The Group usually concludes rental agreements for a period of 1–5 years. In some exceptional cases, when it comes to large-scale contracts, the lease period is 10–15 years.

Upon expiry of the contract, the contract is not automatically renewed. Upon expiry of the contract, the contract may become open-ended or be renewed by agreeing on new terms for the next rental period.

Every calendar year after the conclusion of the contract, the rental price is increased automatically once per year without any additional agreements by a percentage agreed in the contract or corresponding to the Estonian Consumer Price Index (CPI) published by Statistics Estonia for the previous calendar year, but there are also alternative arrangements and in some cases limitations set for the price increase.

## Note 30. Income tax

| *(In thousands of euros)* | 2020 | 2019 |
|---|---|---|
| Retained earnings | 88,238 | 77,520 |
| Profit for the financial year | 9,394 | 12,102 |
| **Total profit before tax** | **97,632** | **89,622** |
| | | |
| Estimated income tax calculated at 14% tax rate | 0 | 0 |
| Estimated income tax calculated at 20% tax rate | 19,526 | 17,924 |
| **Total estimated income tax** | **19,526** | **17,924** |
| | | |
| Dividends declared and distributed in the reporting period | 1,384 | 1,400 |
| Tax-exempt dividends paid | 1,384 | 1,341 |
| Taxable dividends | 0 | 59 |
| Estimated income tax calculated at 20% tax rate | 0 | -15 |
| **Income tax expense for the financial year** | **0** | **-15** |
| **Effective income tax rate** | **0%** | **0.1%** |

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As at 31 December 2020, the retained earnings of the Group amounted to 97,632 thousand euros (31 December 2019: 89,622 thousand euros). From 1 January 2019, regularly payable dividends are taxed at 14% or 14/86 of the net amount of the dividends according to subsection 4 (5) and § 50[1] of the Income Tax Act. This means that a resident company is able to both apply a lower (reduced) tax rate of 14/86 and a standard tax rate of 20/80. A resident company can apply the reduced tax rate of 14/86 in 2019 to one third of the profits distributed in 2018, and in 2020 to one third of the profits distributed in 2018 and 2019, on which income tax has been paid. Corporate income tax on the payment of dividends to owners is calculated partially as 14/86 and partially as 20/80 of the net distribution.

In 2021, a resident company can apply the reduced tax rate of 14/86 to the profit distributed in the calendar year, which is smaller than or equal to the average dividend distributions of the previous three calendar years on which the resident company has paid income tax.

The maximum possible income tax liability that could arise upon the payment of retained earnings as dividends is 19,526 thousand euros (31 December 2019: 17,924 thousand euros) and the corresponding maximum net dividend distribution 78,106 thousand euros (31 December 2019: 71,698 thousand euros). Mainor Ülemiste AS paid no additional income tax on the 1,384 thousand euros of dividends paid out in 2020, since the amount of the dividends paid was equal to those received from the associate AS Technopolis Ülemiste. Income tax on dividends had already been paid by the associate, so no additional income tax liability arose. Mainor Ülemiste AS paid additional income tax in the amount of 15 thousand euros on the dividends paid out in 2019, since the amount of the dividends paid was 59 thousand euros higher than that received from the associate AS Technopolis Ülemiste.

## Note 31. Related party transactions

The related parties of Mainor Ülemiste AS include:

- The ultimate parent of the Group Mainor AS through the parent company AS Smart City Group
- Owners of the Company: AS Smart City Group AS (83.84%), Logit Eesti AS (16.16%)
- Associate
- Other entities in the Mainor AS consolidation group
- Companies related to members of the management and supervisory boards
- Close family members and companies under the control or significant influence of the above persons

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| Balances with related parties<br>*(In thousands of euros)* | Receivables as at 31 December 2020 | Liabilities as at 31 December 2020 | Receivables as at 31 December 2019 | Liabilities as at 31 December 2019 |
|---|---|---|---|---|
| Parent company | 8,771 | 0 | 8,574 | 0 |
| Other entities in the Mainor AS consolidation group | 192 | 174 | 307 | 209 |
| Associate | 83 | 58 | 22 | 63 |
| Companies associated with executive and senior management and their family members | 18 | 2 | 56 | 2 |

| Transactions with related parties in 2020<br>*(In thousands of euros)* | Purchases | Disposals | Loans granted | Repayment of loans granted |
|---|---|---|---|---|
| Associate | 621 | 176 | 0 | 0 |
| Other entities in the Mainor AS consolidation group | 1,978 | 827 | 0 | 0 |
| Companies associated with executive and senior management and their family members | 82 | 219 | 0 | 0 |

| Transactions with related parties in 2019<br>*(In thousands of euros)* | Purchases | Disposals | Loans granted | Repayment of loans granted |
|---|---|---|---|---|
| Associate | 430 | 171 | 0 | 0 |
| Other entities in the Mainor AS consolidation group | 2,040 | 796 | 0 | 0 |
| Companies associated with executive and senior management and their family members | 77 | 219 | 0 | 0 |

In 2020, transactions with the following entities in the Mainor AS consolidation group were conducted: AS Eesti Ettevõtluskõrgkool Mainor, AS Dvigatel - Energeetika, Doranova Baltic OÜ, OÜ Mairenestal, Rekman OÜ, Tallinn International School OÜ and Mainor AS.

In 2020, transactions with the following companies associated with executive and senior management and their family members were conducted: Nets OÜ, OÜ RVVE Grupp, Nordic Financial Group OÜ, OÜ RS Büroo, OÜ Flennert, Lasteharidus OÜ, AS Ekast, Ülemiste Center OÜ and SK Kehra Käsipall.

Mainor AS is the company controlling the parent company Smart City Group AS with a holding of 83.84%.

The associate with whom transaction were conducted in 2020 was AS Technopolis Ülemiste.

Investments that form an integral part of investment property were acquired from group companies in the amount of 145 thousand euros in the reporting period. In the previous reporting period, such

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investments were acquired from group companies in the amount of 194 thousand euros and from an associate in the amount of 54 thousand euros.

Interest income of 268 thousand euros (2019: 260 thousand euros), interest expense of 23 thousand euros (2019: 0 euros) and other financial expenses of 67 thousand euros (2019: 321 thousand euros) was calculated on the receivable from the parent company, the parent company's group account and the use of mortgages provided to secure loans.

The associate AS Technopolis Ülemiste paid dividends of 1,384 thousand euros in the reporting year (2019: 1,341 thousand euros).

Remuneration calculated for the members of the supervisory and management boards amounted to 268 thousand euros in the reporting year and to 256 thousand euros in 2019.

## Note 32. Subsequent events

On 11 March 2021, the Government of the Republic of Estonia announced strict restrictions to prevent the spread of COVID-19. The Management Board has analyzed the potential impact of these restrictions on the Company’s turnover and future cash flows. The Management Board is working on a daily basis to mitigate the potential negative economic impacts and risks arising from the restrictions, and concludes temporary agreements with its tenants, where necessary. Based on the information available at this time, the Management Board has assessed that the loss of income due to these temporary measures will not affect the Company's ability to continue as a going concern. In addition, the Management Board has reviewed the Company's monthly expenses and minimized the cost base until the restrictions are lifted. The management has estimated the impact of their 2021 income statement to be 110 thousand euros. Considering the above, the Management Board of the Company believes the existing liquidity buffers to be sufficient even if the situation should continue for a longer period of time.

At the time of preparing this report, Mainor Ülemiste AS and its subsidiaries were able to meet all their obligations and the financial statements therefore continue to be prepared on a going concern basis.

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## Note 33. Parent company's financial information

According to the Accounting Act of the Republic of Estonia, notes to the consolidated financial statements should include unconsolidated main statements of the consolidating entity (the parent company). These main statements of the Group's parent company are not the parent's separate financial statements within the meaning of IAS 27 Separate Financial Statements. The main statements of the parent company have been prepared using the same accounting policies that have been used for the preparation of the consolidated financial statements, except for investments in subsidiaries, which have been reported at cost in the parent company’s main statements.

Statement of financial position:

| *(In thousands of euros)* | 31 December 2020 | 31 December 2019 |
|---|---|---|
| ASSETS | | |
| Investment property | 57,650 | 54,070 |
| Tangible assets | 109 | 128 |
| Intangible assets | 112 | 128 |
| Investments in subsidiaries | 10,252 | 10,252 |
| Investment recognized using the equity method | 44,574 | 40,314 |
| Prepayments | 101 | 103 |
| Trade and other receivables | 25,026 | 21,130 |
| Cash and cash equivalents | 9,531 | 12,798 |
| **TOTAL ASSETS** | **147,355** | **138,923** |
| | | |
| EQUITY | | |
| Share capital at nominal value | 18,200 | 18,200 |
| Legal reserve | 1,920 | 1,920 |
| Retained earnings | 74,480 | 68,332 |
| Profit for the financial year | 6,296 | 7,532 |
| ***Total equity*** | **100,896** | **95,984** |
| | | |
| LIABILITIES | | |
| Provisions | 262 | 264 |
| Borrowings | 44,725 | 41,429 |
| Trade and other payables | 1,178 | 833 |
| Prepayments received | 294 | 413 |
| **TOTAL LIABILITIES** | **46,459** | **42,939** |
| **TOTAL LIABILITIES AND EQUITY** | **147,355** | **138,923** |

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Income statement and statement of comprehensive income:

| *(In thousands of euros)* | 2020 | 2019 |
|---|---|---|
| Revenue | 4,814 | 4,579 |
| Cost of sales | -1,357 | -1,468 |
| ***Gross profit*** | **3,457** | **3,111** |
| | | |
| Marketing expenses | -197 | -128 |
| Administrative expenses | -2,891 | -2,270 |
| Income from investments recognized using the equity method | 5,644 | 8,807 |
| Other operating income | 860 | 1 |
| Other operating expenses | -11 | -1,129 |
| **Operating profit** | **6,862** | **8,392** |
| | | |
| *Financial income and expenses* | | |
| Interest income | 1,227 | 1,172 |
| Interest expenses | -1,724 | -1,684 |
| Other financial income and expenses | -69 | -333 |
| ***Total financial income and expenses*** | **-566** | **-845** |
| | | |
| Profit before tax | 6,296 | 7,547 |
| Income tax | 0 | -15 |
| **Net profit for the financial year** | **6,296** | **7,532** |
| **Other comprehensive income for the financial year** | **0** | **0** |
| **Comprehensive income for the financial year** | **6,296** | **7,532** |

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Statement of cash flows:

| *(In thousands of euros)* | 2020 | 2019 |
|---|---|---|
| *Cash flows from operating activities* | | |
| Profit before tax | 6,296 | 7,547 |
| Adjustments: | | |
| Depreciation, amortization and impairment | 110 | 72 |
| Loss from disposal and write-off of non-current assets | -3 | 0 |
| Change in the fair value of investment property | -807 | 1,119 |
| Profit (loss) from investments recognized using the equity method | -5,644 | -8,807 |
| Other financial income and expenses | 69 | 333 |
| Interest income | -1,226 | -1,172 |
| Interest expenses | 1,723 | 1,684 |
| Other adjustments | 0 | 14 |
| Income tax on dividends | 0 | -15 |
| Change in receivables and prepayments related to operating activities | -773 | -425 |
| Change in liabilities and prepayments related to operating activities | 219 | 161 |
| ***Net cash generated from operating activities*** | **-36** | **511** |
| *Cash flows from investing activities* | | |
| Acquisition of tangible and intangible assets | -55 | -178 |
| Acquisition and improvement of investment property | -2,731 | -2,639 |
| Loans granted | -2,080 | -70 |
| Repayment of loans granted | 0 | 3,172 |
| Interest received | 185 | 2,836 |
| Dividends received | 1,384 | 1,341 |
| Other cash inflows from investing activities | 0 | 5,640 |
| ***Net cash generated from investing activities*** | **-3,297** | **10,102** |
| *Cash flows from financing activities* | | |
| Reduction of share capital | 0 | -1,000 |
| Loans received | 4,285 | 1,800 |
| Repayment of loans received | -1,027 | -4,824 |
| Lease principal payments | -21 | -5 |
| Interest paid | -1,720 | -1,689 |
| Other cash outflows from financing activities | -68 | -12 |
| Dividends paid | -1,384 | -1,400 |
| ***Net cash generated from financing activities*** | **66** | **-7,130** |
| **Total cash flows** | **-3,267** | **3,483** |
| *Cash and cash equivalents at the beginning of the financial year* | 12,798 | 9,315 |
| Change in cash and cash equivalents | -3,267 | 3,483 |
| *Cash and cash equivalents at the end of the financial year* | 9,531 | 12,798 |

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Statement of changes in equity:

| *(In thousands of euros)* | Share capital | Legal reserve | Retained earnings | Total |
|---|---|---|---|---|
| **Balance as at 1 January 2019** | **19,200** | **1,920** | **69,732** | **90,852** |
| Profit for the financial year | 0 | 0 | 7,532 | 7,532 |
| Other comprehensive income for the financial year | 0 | 0 | 0 | 0 |
| **Total other comprehensive income for the financial year** | **0** | **0** | **7,532** | **7,532** |
| Dividends paid | 0 | 0 | -1,400 | -1,400 |
| Reduction of share capital | -1,000 | 0 | 0 | -1,000 |
| **Balance as at 31 December 2019** | **18,200** | **1,920** | **75,864** | **95,984** |
| Value of holdings under dominant or significant influence under the equity method | 0 | 0 | 24,010 | 24,010 |
| Carrying amount of holdings under dominant or significant influence | 0 | 0 | -10,252 | -10,252 |
| **Adjusted unconsolidated equity as at 31 December 2019** | **18,200** | **1,920** | **89,622** | **109,742** |
| Profit for the financial year | 0 | 0 | 6,296 | 6,296 |
| Other comprehensive income for the financial year | 0 | 0 | 0 | 0 |
| **Total other comprehensive income for the financial year** | **0** | **0** | **6,296** | **6,296** |
| Dividends paid | 0 | 0 | -1,384 | -1,384 |
| **Balance as at 31 December 2020** | **18,200** | **1,920** | **80,775** | **100,896** |
| Value of holdings under dominant or significant influence under the equity method | 0 | 0 | 27,278 | 27,278 |
| Carrying amount of holdings under dominant or significant influence | 0 | 0 | -10,252 | -10,252 |
| **Adjusted unconsolidated equity as at 31 December 2020** | **18,200** | **1,920** | **97,802** | **117,922** |

The difference between consolidated and unconsolidated equity is caused by the 2020 losses of Ülemiste City Residences OÜ in the amount of 170 thousand euros.

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Translation of the Estonian Original

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Mainor Ülemiste AS

*Opinion*

We have audited the consolidated financial statements of Mainor Ülemiste AS and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated income statement and the consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

*Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (Estonia). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Estonia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code.

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

*Other information*

Management is responsible for the other information. Other information consists of management report, but does not consist of the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of management and those charged with governance for the consolidated financial statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

*Auditor's responsibilities for the audit of the consolidated financial statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (Estonia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
As part of an audit in accordance with International Standards on Auditing (Estonia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions an events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsibl for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Tallinn, 14 April 2021

Erki Usin
Authorised Auditor's number 496
Ernst & Young Baltic AS
Audit Company's Registration number 58

# PROFIT ALLOCATION PROPOSAL

The Management Board of Mainor Ülemiste AS hereby proposes to allocate the Group's net profit for the financial year ended on 31 December 2020 as follows:

| *(In thousands of euros)* | 31 December 2020 |
|---|---|
| Group's retained earnings before profit allocation | 88,238 |
| Dividend distribution | 1,500 |
| Profit for the financial year to be included in retained earnings | 7,894 |
| **Group's retained earnings after profit allocation** | **96,132** |

# MAINOR ÜLEMISTE REVENUE ACCORDING TO EMTAK 2008

| EMTAK | Economic activity | 1 January 2020 – 31 December 2020 |
|---|---|---|
| 68201 | Renting and operating of own or leased real estate | 7,917 |
| 68329 | Other real estate management or related activities | 2,647 |
| | Total revenue | 11,257 |