

# **Mainor Ülemiste AS**

## **CONSOLIDATED ANNUAL REPORT 2021**

**Beginning of financial year:** 1 January 2021

**End of financial year:** 31 December 2021

**Registry code:** 10348595

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

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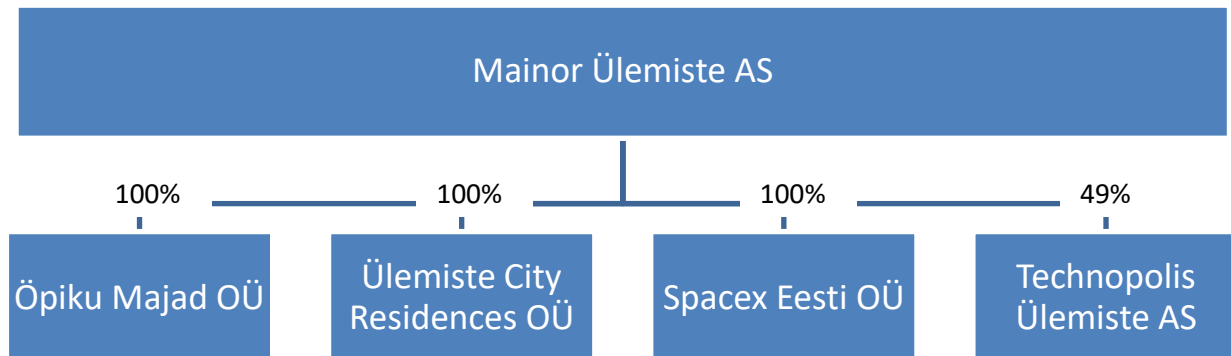
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## MANAGEMENT REPORT

### Structure of the consolidation group



In 2021, 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.

The proceedings of preparing the detailed spatial plan for the Valukoja 7 property ended in 2021. According to the new detailed plan, an educational complex designed by 3+1 Architects will be built in the heart of Ülemiste City. The educational complex will provide new rooms for the International School of Tallinn, which is already operating on the campus, helping them to expand significantly their international education offering desperately needed on the market. The new educational complex is designed keeping in mind that a school should invite children to move and encourage them to study. A procurement for the construction of the educational complex was organized in 2021. Due to the recent increase in construction prices, the construction contract was not concluded in 2021, but there are hopes that a contract will be signed in the first quarter of 2022. The aim is to open the new educational complex in 2024.

Bringing health services to the campus has proved very successful, which is why a decision was made in 2021 to start the design process of the 2<sup>nd</sup> stage of Ülemiste Health Centre in cooperation with Apex Arhitektuuribüroo OÜ with the aim of opening the 2<sup>nd</sup> stage already at the end of 2023, which will add new state-of-the-art health services to Ülemiste City.

In 2021, the design and construction procurement of a new oxide fuel cell production facility for Elcogen AS took place. This technology is at the heart of the European and global energy strategy aimed at limiting the use of fossil fuels and reducing the carbon footprint. In order for the construction to begin, the unfinished building that had been standing on the Suur-Sõjamäe 16 property since Soviet times had to be first demolished. Construction should start in the spring of 2022 and the finished plant should be handed over to Elcogen AS in 2023.

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

Öpiku Majad OÜ is developing the properties known collectively as the Öpik quarter. The quarter has a total of 43,945 m<sup>2</sup> of rental space.

Most of the turnover of the Öpik quarter comes from the Öpik building, which has 29,900 m<sup>2</sup> of rental space, 98% of which was covered by contracts as at the end of 2021.

In addition to the Öpik building, the quarter is also home for the Lurich building at Valukoja 10, which was 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. By the end of 2021, 100% of the office building was already covered by contracts. The residential building has been leased to group company Ülemiste City Residences OÜ. It has 81 fully furnished apartments of different sizes, which are operated by group company Ülemiste City Residences OÜ. The accommodation service launched in 2020 has been well received and the developer is thinking of expanding their accommodation services in Ülemiste City.

In 2020, construction works began on the Sepise 7 property next to the Öpik building for the construction of the 11-story Alma Tomingas office building. The construction works will be carried out by Nordecon AS and Nordecon Betoon OÜ in consortium. The construction is on schedule and the building will be completed in the last quarter of 2022. Almost a year before the completion of the building, 73% of the building is already covered by rental agreements.

All office buildings in the Öpik quarter have been built following the principles of sustainability. The first tower of the Öpik building has a LEED Gold certification, the second tower a LEED Platinum certification and the Alma Tomingas building, currently still under construction, is pursuing the LEED Gold certification. Ülemiste City, including all buildings in the Öpik quarter, switched to green energy in 2020. In 2021, Ülemiste City was connected to the district heating and cooling network of Utilitas AS. The office building of Öpiku Majad OÜ uses the solutions offered by R8 Technologies OÜ to reduce the energy spent on their heating, ventilation and cooling by more than 800 MWh per year. All these activities have been carried out in order to reduce the carbon footprint of Ülemiste City developers (Öpiku Majad OÜ, Mainor Ülemiste AS and Technopolis Ülemiste AS).

In 2021, an environmental strategy for Ülemiste City was developed in the framework of the Green Tiger program, where climate impact assessment is based on the GHG Protocol. The strategy includes activities aimed at reducing environmental impact such as carbon-neutral energy consumption in all offices, environmentally friendly buildings, sustainable mobility management, waste reduction, environmental awareness and increasing the utilization of green areas, improving quality and biodiversity.

Work on developing the European Square concept continued in cooperation with AS Technopolis Ülemiste, AS Tallinna Lennujaam, Ülemiste Center OÜ, OÜ Rail Baltic Estonia and the City of Tallinn, focusing on the network of tunnels running under Rail Baltica to ensure a better connection between Ülemiste and the city. The tunnels planned by the City of Tallinn are crucial for providing people with alternative modes of movement to the car, such as walking, bicycles or personal light electric vehicles. As of 1 September 2021, bus connection between Ülemiste City and the Haabersti district improved thanks to the opening of the new express line No. 64.

Investments in research and development continued in 2021. In addition to Professor Jenni Partanen, three new PhD students joined the City of the Future Professorship team. They are doing research on simulating traffic as a complex adaptive system, (re)discovering the urban viability metrics of cities undergoing digital change, and location-based patterns and decision-making in a smart city. Their aim is to pilot the first environmental development decisions making model in 2022.

In cooperation with the University of Tartu, a health model for Ülemiste City was created, which deals with the effects of the environment, the company and the individual on a person's physical, mental and social health, and defines the role of Ülemiste campus in health management.

A cooperation agreement was signed with the Estonian Academy of Arts, through which Ülemiste City hopes to contribute to the development of an inclusive urban space and an inspiring working, learning and living environment.

In 2021, the new Test City service was created, enabling innovators to test their new technological, green or health solutions in the Ülemiste city lab. Within the framework of Test City, a group of 100 people tested the Activate app, created on the basis of the health model developed in cooperation with the University of Tartu and aimed at supporting people in pursuing a healthier lifestyle.

In the spring of 2021, Mainor Ülemiste AS issued 5 million euros worth of unsecured bonds with a maturity of 5 years and a coupon rate of 4.75%.

A total of 13,056 thousand euros was invested in the construction of buildings and improvement of equipment in 2021. In 2021, loans in the amount of 18,056 thousand euros were received and 9,027 thousand euros repaid.

The fair value of Mainor Ülemiste AS's investment property amounted to 166,960 thousand euros, increasing by 15,260 thousand euros compared to last year. The value of Mainor Ülemiste AS's 49% holding in the associate Technopolis Ülemiste AS was 46,490 thousand euros, increasing by 1,916 thousand euros from the previous year.

Dividends in the amount of 1,500 thousand euros were distributed to the owners.

As at the end of the year, the Group had 19 employees, and 4 members of the supervisory board also received compensation in the reporting year. In total, their remuneration amounted to 857 thousand euros (2020: 781 thousand euros), of which remuneration calculated for the members of the supervisory and management boards amounted to 277 thousand euros (2020: 268 thousand euros). See also notes 26 and 33.

The consolidated turnover of Mainor Ülemiste AS in 2021 amounted to 13,076 thousand euros (2020: 11,257 thousand euros), other operating income was 2,246 thousand euros (2020: 1,039 thousand euros) and net profit 10,267 thousand euros (2020: 9,394 thousand euros). As at 31 December 2021, the company's equity amounted to 126,519 thousand euros, and as at 31 December 2020, to 117,752 thousand euros.

Key financial ratios	31 December 2021	31 December 2020
Return on equity – ROE (%)	8.4%	8.3%
Return on assets – ROA (%)	4.5%	4.5%
Operating margin (%)	101.3%	105.7%
Net profit margin (%)	78.5%	83.5%
Dividend payout ratio (%)	15.9%	11.4%
Revenue growth rate (%)	16.1%	6.6%

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

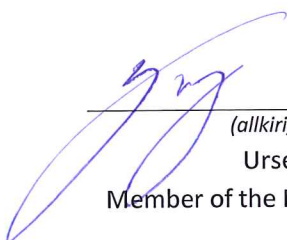
At the time of preparing this report, Mainor Ülemiste AS and its subsidiaries were able to meet all their obligations and the financial statements of Mainor Ülemiste AS therefore continue to be prepared on a going concern basis.


## 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 2021, 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 2021 annual report of Mainor Ülemiste AS is signed by:

 5.04.2022  
(allkiri, kuupäev)  
Ursel Velve  
Member of the Management Board

 05.04.2022  
(allkiri, kuupäev)  
Julius Stokas  
Member of the Management Board



## FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(In thousands of euros)</i>	Notes	31 December 2021	31 December 2020
<b>ASSETS</b>			
<i>Non-current assets</i>			
Investment property	6	166,960	151,700
Tangible assets	7	172	110
Intangible assets	8	92	136
<i>Total non-current assets</i>			
Investment recognized using the equity method	14	46,490	44,574
Prepayments	9	473	76
Trade and other receivables	10	10,647	10,041
Cash and cash equivalents	15	12,927	9,576
<b>TOTAL ASSETS</b>		<b>237,761</b>	<b>216,213</b>
<b>EQUITY</b>			
Share capital at nominal value	16	18,200	18,200
Legal reserve	16	1,920	1,920
Retained earnings		96,132	88,238
Profit for the financial year		10,267	9,394
<b>TOTAL EQUITY</b>		<b>126,519</b>	<b>117,752</b>
<b>LIABILITIES</b>			
Provisions	20	197	262
Borrowings	17	104,070	95,097
Derivatives		345	345
Trade and other payables	18	5,599	1,998
Prepayments received	19	1,031	759
<b>TOTAL LIABILITIES</b>		<b>111,242</b>	<b>98,461</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>237,761</b>	<b>216,213</b>

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

## CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(In thousands of euros)</i>	Notes	2021	2020
Revenue	21	13,076	11,257
Cost of sales	23	- 4,044	- 2,854
<b>Gross profit</b>		<b>9,032</b>	<b>8,403</b>
Marketing expenses	24	-221	-220
Administrative expenses	25	-3,072	-2,947
Income from investments recognized using the equity method	14	5,281	5,644
Other operating income	22	2,246	1,039
Other operating expenses	27	-18	-18
<b>Operating profit</b>		<b>13,248</b>	<b>11,901</b>
<i>Financial income and expenses</i>			
Interest income	28	298	268
Interest expenses	29	-3,009	-2,706
Other financial income and expenses	30	-248	-69
<b>Total financial income and expenses</b>		<b>-2,959</b>	<b>-2,507</b>
<b>Profit before tax</b>		<b>10,289</b>	<b>9,394</b>
Income tax	33	-22	0
<b>Net profit for the financial year</b>		<b>10,267</b>	<b>9,394</b>
<b>Other comprehensive income for the financial year</b>		<b>0</b>	<b>0</b>
<b>Comprehensive income for the financial year</b>		<b>10,267</b>	<b>9,394</b>
Attributable to the owners of the parent company		10,267	9,394

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(In thousands of euros)</i>	Notes	2020	2020
<i>Cash flows from operating activities</i>			
Profit before tax		10,289	9,394
Adjustments:			
Depreciation, amortization and impairment	7, 8	137	115
Profit (loss) from disposal and write-off of non-current assets	7	0	-3
Change in the fair value of investment property	6	-2,204	-986
Profit (loss) from investments recognized using the equity method	14	-5,281	-5,644
Other financial expenses	30	248	69
Interest income	28	-298	-268
Interest expenses	29	3,009	2,706
Income tax paid on dividends	32	-22	0
Change in receivables and prepayments related to operating activities		-961	-235
Change in liabilities and prepayments related to operating activities		234	-1,471
<b>Net cash generated from operating activities</b>		<b>5,151</b>	<b>3,677</b>
<i>Cash flows from investing activities</i>			
		2	0
Acquisition of tangible and intangible assets		-98	-83
Acquisition and improvement of investment property	6	-9,438	-12,810
Interest received		256	185
Dividends received	14, 33	1,405	1,384
Other cash inflows from investing activities	14, 33	1,960	0
<b>Net cash generated from investing activities</b>		<b>-5,913</b>	<b>-11,324</b>
<i>Cash flows from financing activities</i>			
Loans received	17	18,056	51,072
Repayment of loans received	17	-9,027	-42,553
Lease payments		-67	-73
Interest paid		-3,199	-2,707
Other financial expenses		-150	-69
Dividends paid	16	-1,500	-1,384
<b>Net cash generated from financing activities</b>		<b>4,113</b>	<b>4,286</b>
<b>Total cash flows</b>		<b>3,351</b>	<b>-3,361</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>	15	<b>9,576</b>	<b>12,937</b>
Change in cash and cash equivalents		3,351	-3,361
<b>Cash and cash equivalents at the end of the financial year</b>	15	<b>12,927</b>	<b>9,576</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>(In thousands of euros)</i>	Share capital	Legal reserve	Retained earnings	Total
<b>Balance as at 1 January 2020</b>	<b>18,200</b>	<b>1,920</b>	<b>89,622</b>	<b>109,742</b>
Profit for the financial year	0	0	9,394	9,394
Other comprehensive income for the financial year	0	0	0	0
<b>Total comprehensive income for the financial year</b>	<b>0</b>	<b>0</b>	<b>9,394</b>	<b>9,394</b>
Dividends declared	0	0	-1,384	-1,384
<b>Balance as at 31 December 2020</b>	<b>18,200</b>	<b>1,920</b>	<b>97,632</b>	<b>117,752</b>
Profit for the financial year	0	0	10,267	10,267
Other comprehensive income for the financial year	0	0	0	0
<b>Total comprehensive income for the financial year</b>	<b>0</b>	<b>0</b>	<b>107,899</b>	<b>107,899</b>
Dividends declared	0	0	-1,500	-1,500
<b>Balance as at 31 December 2020</b>	<b>18,200</b>	<b>1,920</b>	<b>106,399</b>	<b>126,519</b>

Additional information on changes in equity has been disclosed in Note 16.

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

## 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 2021 – 31 December 2021, the comparative period being 1 January 2020 – 31 December 2020. 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 5 April 2022. 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.

## 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.

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.

## 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%



## 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

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.

### 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 2021 and 2020, 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.

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 17 and 18.

The recognition of derivatives has been discussed in section 2.14.

### 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

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)

##### (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.

*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.

### 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 is 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).

#### *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.

### *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

#### *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 2021. 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 2021:

- Interest Rate Benchmark Reform – 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. 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. While application is retrospective, an entity is not required to restate prior periods. These amendments did not have any impact on the Group's financial statements.
- IFRS 4: Insurance Contracts (Amendments). 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 January 1, 2023. These amendments did not have any impact on the Group's 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.

These amendments did not have any impact on the Group's financial statements.

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 2021:

- 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 Board 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 new standards and amendments on its accounting policies and financial statements.
- IFRS 17: 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 Group has not yet assessed the impact of these new standards and amendments on its accounting policies and financial statements.
- 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 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 recognise 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 new standards and amendments on its accounting policies and financial statements.

- IFRS 16 Leases-Covid 19 Related Rent Concessions beyond 30 June 2021 (Amendment). The Amendment applies to annual reporting periods beginning on or after 1 April 2021, with earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued. In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The Group has not yet assessed the impact of these new 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 – Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments). The amendment is effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted respectively with IFRS 17. For entities that first apply IFRS 17 and IFRS 9 at the same time, the amendment adds a transition option for a “classification overlay”, relating to comparative information of financial assets. An entity applying the classification overlay to a financial asset shall present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset. Also, in applying the classification overlay to a financial asset, an entity is not required to apply the impairment requirements of IFRS 9. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements. These amendments have not yet been endorsed by the EU. Management has estimated that there is no significant impact on the 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 method of accounting. The amendments have not yet been endorsed by the EU. Management has estimated that there is no significant impact on the financial statements.

- IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments). The amendments were initially effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the covid-19 pandemic, the Board 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.

In November 2021, the Board issued an exposure draft (ED), which clarifies how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. In particular, the Board proposes narrow scope amendments to IAS 1 which effectively reverse the 2020 amendments requiring entities to classify as current, liabilities subject to covenants that must only be complied with within the next twelve months after the reporting period, if those covenants are not met at the end of the reporting period. Instead, the proposals would require entities to present separately all non-current liabilities subject to covenants to be complied with only within twelve months after the reporting period. Furthermore, if entities do not comply with such future covenants at the end of the reporting period, additional disclosures will be required. The proposals will become effective for annual reporting periods beginning on or after 1 January 2024 and will need be applied retrospectively in accordance with IAS 8, while early adoption is permitted. The Board has also proposed to delay the effective date of the 2020 amendments accordingly, such that entities will not be required to change current practice before the proposed amendments come into effect. These Amendments, including ED proposals, have not yet been endorsed by the EU. Management has estimated that there is no significant impact on the 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 January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements 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 judgements about accounting policy



disclosures. The Amendments have not yet been endorsed by the EU. Management has estimated that there is no significant impact on the financial statements.

- IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments). The amendments become effective for annual reporting periods beginning on or after January 1, 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. Management has estimated that there is no significant impact on the financial statements.
- IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments). The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12 and specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The Amendments have not yet been endorsed by the EU. Management has estimated that there is no significant impact on the 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.

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 10.

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 2021.

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.

Assessment of the impact of the Russian military invasion of the Republic of Ukraine

As mentioned in Subsequent events (Note 24), the European Union and rest of the world, including global bodies, are taking measures to respond to the military aggression of the Russian Federation against the Republic of Ukraine. The management of the Company has assessed that these restrictive measures will not have a significant impact on the Company's ability to continue as a going concern, since the restrictive measures imposed are currently not having an adverse effect on the Company.

In addition, the management has concluded that these events are non-adjusting subsequent events and therefore their potential impact was not considered when making estimates and assumptions about. However, this matter might have a significant impact on these estimates in the next financial period. At the date of authorisation of these financial statements, the management is not yet able to reasonably quantify the extent of potential changes in accounting estimates in 2022 due to the rapidly changing situation, great level of uncertainty and the possible overall negative economic effect.

## 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:

<i>(In thousands of euros)</i>			31 December 2021	
Class of financial instruments	Notes	Category	Carrying amount	Fair value
<b>FINANCIAL ASSETS</b>				
Trade receivables	11	At amortized cost	1,621	1,621
Other receivables	10	At amortized cost	9,026	9,026
Cash and cash equivalents	15	At amortized cost	12,927	12,927
<b>Total financial assets</b>			<b>23,574</b>	<b>23,574</b>
<b>FINANCIAL LIABILITIES</b>				
Trade payables	18	At amortized cost	4,529	4,529
Borrowings	17	At amortized cost	104,070	104,070
Derivatives		At fair value	345	345
Other payables	18	At amortized cost	412	412
<b>Total financial liabilities</b>			<b>109,356</b>	<b>109,356</b>

<i>(In thousands of euros)</i>			31 December 2020	
Class of financial instruments	Notes	Category	Carrying amount	Fair value
<b>FINANCIAL ASSETS</b>				
Trade receivables	11	At amortized cost	1,078	1,078
Other receivables	10	At amortized cost	8,963	8,963
Cash and cash equivalents	15	At amortized cost	9,576	9,576
<b>Total financial assets</b>			<b>19,617</b>	<b>19,617</b>
<b>FINANCIAL LIABILITIES</b>				
Trade payables	18	At amortized cost	1,166	1,166
Borrowings	17	At amortized cost	95,097	95,097
Derivatives		At fair value	345	345
Other payables	18	At amortized cost	174	174
<b>Total financial liabilities</b>			<b>96,782</b>	<b>96,782</b>

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 2021:

<i>(In thousands of euros)</i>		31 December 2021			
		Level I	Level II	Level III	Total
<b>Financial liabilities for which fair value is disclosed:</b>					
Borrowings		0	104,070	0	<b>104,070</b>
<b>Financial liabilities measured at fair value:</b>					
Derivatives		0	345	0	<b>345</b>

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

### 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.

Maximum credit risk exposure:

<i>(In thousands of euros)</i>	Notes	31 December 2021	31 December 2020
Current accounts	15	12,927	9,576
Trade receivables	11	1,621	1,078
Other receivables	10	9,026	8,963
<b>Total</b>		<b>23,574</b>	<b>19,617</b>

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 2021, the Group has received a total of 1,031 thousand euros in deposits (31 December 2020: 759 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:

<i>(In thousands of euros)</i>	31 December 2021	31 December 2020
Receivables not yet due	861	455
Overdue 1–30 days	206	218
Overdue 31–90 days	180	162
Overdue more than 90 days	374	243
<b>Total</b>	<b>1,621</b>	<b>1,078</b>

By the time of preparing the report, the deadlines of overdue receivables in the total amount of 652 thousand euros had been postponed.

To reduce credit risk, the Group classified receivables in the amount of 130 thousand euros as doubtful in 2021 (2020: 46 thousand euros). No receivables classified as doubtful in previous years were collected in the reporting period and doubtful receivables in the amount of 4 thousand euros were declared uncollectible (2020: 19 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 2021, there was no significant increase in credit risk.

#### Liquidity risk

The Group's liquidity or solvency reflects its ability to meet its financial obligations to creditors in a timely manner. In 2021, the Group's liquidity was most affected by additional loan agreements concluded with LHV Pank AS in the amount of 6,125 thousand eur (refinancing the loan from Luminor Bank AS) and AS SEB Pank in the amount of 6,913 thousand euros and issuing bonds in the amount of 5,000 thousand euros to ensure the payment of the construction costs of the new office building Sepise 7 and the current improvement and reconstruction costs of the existing office and production buildings and the repayment of previously concluded loans in the amount of 9,027 thousand euros (incl. refinancing of the loan of 6,125 thousand Luminor Bank AS).

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 2021, 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 2021 (In thousands of euros)	Notes	Within 1 month	1–3 months	3–12 months	1–5 years	Total
Secured bank loans	17	484	983	32,590	60,934	94,991
Bonds		0	0	788	16,106	16,894
Derivatives		44	0	44	257	345
Lease liabilities	17	3	7	29	44	93
Trade payables	18	2,350	2,179	0	0	4,529
Other payables		549	106	79	161	895
<b>Total</b>		<b>3,430</b>	<b>3,275</b>	<b>33,530</b>	<b>77,502</b>	<b>117,737</b>

31 December 2020 (In thousands of euros)	Notes	Within 1 month	1–3 months	3–12 months	1–5 years	Total
Secured bank loans	17	423	830	10,015	84,033	95,301
Bonds		0	0	550	10,825	11,375
Derivatives		45	0	45	255	345
Lease liabilities	17	6	11	47	78	142
Trade payables	18	849	317	0	0	1,166
Other payables		606	9	41	207	863
<b>Total</b>		<b>1,929</b>	<b>1,167</b>	<b>10,698</b>	<b>95,398</b>	<b>109,192</b>

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 2021, the interest-bearing liabilities of the Company amounted to 104,070 thousand euros (31 December 2020: 95,097 thousand euros), around 89% of which had floating interest rates (tied to 6-month Euribor), see Note 17.

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 18,233 thousand euros, which as at 31 December 2021 had been taken into use fully and loan balance as of 31 December 2021 is 17,627 (2020: 18,233).

As at 31 December 2021, 6-month Euribor was -0.544% (31 December 2020: -0.526%). If the 6-month Euribor were to increase by 1 percentage point, then as at 31 December 2021, the interest of the Group's loan liabilities tied to Euribor would increase by 0.377% (31 December 2020: 0.474%) and interest expense by 392 thousand euros (2020: 294 thousand euros). A decrease in Euribor would not have any impact on these interest expenses.

As at 31 December 2021, interest-bearing financial liabilities and receivables were as follows:

<i>(In thousands of euros)</i>	Notes	31 December 2021	31 December 2020
Fixed interest rate liabilities (12+ months)	16	16,655	10,000
Fixed interest rate liabilities (1–12 months)	16	162	24
Floating interest rate liabilities (1–12 months)	16	31,453	9,064
Floating interest rate liabilities (12+ months)	16	55,800	76,009
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.

### 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 2021	31 December 2020
Equity to total assets	53%	54%
Liabilities to total assets	47%	46%

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 2021, the share capital of Mainor Ülemiste AS was 18,200 thousand euros and net assets amounted to 126,519 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 2021: 53.2% and 31 December 2020: 54.5%).

## 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 2021, their total rental space amounted to 112,1 thousand m<sup>2</sup> (31 December 2020: 111,4 thousand m<sup>2</sup>).

<i>(In thousands of euros)</i>	Notes	Investment property
<b>Balance as at 1 January 2020</b>		<b>137,780</b>
Acquisitions and additions		12,934
Profit from change in fair value	22	986
<b>Balance as at 31 December 2019</b>		<b>151,700</b>
Acquisitions and additions		13,056
Profit from change in fair value	22	2,204
<b>Balance as at 31 December 2020</b>		<b>166,960</b>

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 valuers 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 2021, the total value of investment property in the Ülemiste City business campus owned by Mainor Ülemiste AS amounted to 166,960 thousand euros (31 December 2020: 119,670



thousand euros), of which 138,940 thousand euros (2020: 119,670 thousand euros) is the value of real estate determined with reference to rental cash flows and 28,020 thousand euros (2020: 32,030 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 99,6 thousand m<sup>2</sup>; based on current rental fees of 2.0–32.0 €/m<sup>2</sup>, 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 245,5 thousand m<sup>2</sup> and the relevant development activities are planned to take place between 2022 and 2030. Construction costs vary from 600 €/m<sup>2</sup> for the construction of industrial premises to 1,050 €/m<sup>2</sup> for the construction of office spaces. Rental fees are 5.8 €/m<sup>2</sup> and 13.5 €/m<sup>2</sup> respectively. After the completion of buildings, the vacancy rate is estimated at around 45%, which will gradually decrease over time to a long-term average of 5%-7%. The discount rate used is 9.5%, and the capitalization rate 8% for office buildings and 8.5% for industrial premises.

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/m <sup>2</sup>		Change in capitalization rate	
<i>(In thousands of euros)</i>		5%	-5%	5%	-5%
Valued with reference to rental cash flows	138,940	148,050	129,870	133,820	144,640
Valued with reference to building rights	28,020	38,200	17,860	22,190	34,480
<b>TOTAL</b>	<b>166,960</b>	<b>186,250</b>	<b>147,730</b>	<b>156,010</b>	<b>179,120</b>

Rental income of 9,374 thousand euros was earned from investment property in the reporting period (Note 21), while rental income earned in the previous reporting period amounted to 8,466 thousand euros (Note 21). Expenses directly related to the management of investment property amounted to 4,044 thousand euros in the reporting period (2020: 2,854 euros), see Note 23.

A total of 13,056 thousand euros was invested in investment property during the reporting period (including capitalized loan interests in the amount of 201 thousand euros, which is 6% of interest expenses and a loan fee of 84 thousand euros). In the previous reporting period, these investments amounted to 12,934 thousand euros (including capitalized loan interests in the amount of 104 thousand euros, which was 4% of interest expenses). As at 31 December 2021, construction invoices in the amount of 3,618 thousand euros have been taken into account in the purchase of investment properties. No equipment and furnishings included in investment properties and subleased to tenants were acquired in 2021 (2020: 124 thousand euros).

Information about investment property pledged as collaterals has been disclosed in Note 17.

## Note 7. Tangible assets

<i>(In thousands of euros)</i>	Notes	Machinery and equipment	Inventories and fittings	Pre-payments	Total
1 January 2020 – 31 December 2020					
<b>Balance as at 1 January 2020</b>		<b>18</b>	<b>80</b>	<b>32</b>	<b>130</b>
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
<b>Carrying amount as at 31 December 2020</b>		<b>30</b>	<b>70</b>	<b>10</b>	<b>110</b>
Incl. acquisition cost		41	250	10	301
Incl. accumulated depreciation		-11	-180	0	-191
<i>(In thousands of euros)</i>		Machinery and equipment	Inventories and fittings	Prepayments	Total
1 January 2021 – 31 December 2021					
<b>Balance as at 1 January 2021</b>		<b>30</b>	<b>70</b>	<b>10</b>	<b>110</b>
Acquisitions and additions		37	42	82	161
Reclassifications from prepayments to intangible assets		0	0	-10	-10
Write-offs		0	-13	0	-13
Disposals		-40	-1	0	-41
Depreciation of assets disposed and written off		13	14	0	27
Depreciation for the financial year		-9	-53	0	-62
<b>Carrying amount as at 31 December 2021</b>		<b>31</b>	<b>60</b>	<b>82</b>	<b>172</b>
Incl. acquisition cost		38	278	82	398
Incl. accumulated depreciation		-7	-219	0	-226

Machinery and equipment includes passenger cars acquired under leases, the residual value of which as of 31/12/2021 is 31 thousand euros (31/12/2020: 30 thousand euros).

As at 31 December 2021 and 2020, the carrying amount of the Group's property, plant and equipment calculated using the cost method approximated their fair value.

## Note 8. Intangible assets

<i>(In thousands of euros)</i>	Notes	Computer software	Total
1 January 2020 – 31 December 2020			
<b>Carrying amount as at 1 January 2020</b>		<b>128</b>	<b>128</b>
Acquisition of intangible assets		56	56
Reclassifications from prepayments	7	9	9
Amortization for the financial year		-57	-57
<b>Carrying amount as at 31 December 2020</b>		<b>136</b>	<b>136</b>
Incl. acquisition cost		222	222
Incl. accumulated amortization		-86	-86
1 January 2021 – 31 December 2021			
<b>Carrying amount as at 1 January 2021</b>		<b>136</b>	<b>136</b>
Acquisition of intangible assets		21	21
Reclassifications from prepayments	7	10	10
Amortization for the financial year		-75	-75
<b>Carrying amount as at 31 December 2021</b>		<b>92</b>	<b>92</b>
Incl. acquisition cost		253	253
Incl. accumulated amortization		-161	-161

Intangible assets include computer software and website.

## Note 9. Prepayments

### Non-financial assets

<i>(In thousands of euros)</i>	Notes	31.12.2021	Due within 1 year
Prepaid taxes	12	299	299
Other receivables and prepayments		174	174
<b>Total non-financial assets</b>		<b>473</b>	<b>473</b>

<i>(In thousands of euros)</i>	Notes	31.12.2020	Due within 1 year
Prepaid taxes	12	46	46
Other receivables and prepayments		30	30
<b>Total non-financial assets</b>		<b>76</b>	<b>76</b>

## Note 10. Receivables and other receivables

<i>(In thousands of euros)</i>	Notes	31 December 2021	Due within 1 year
<b>Financial assets</b>			
Trade receivables	11	1,815	1,815
Expected credit losses	11	-194	-194
Receivables from other entities in the Mainor AS consolidation group	33	9,026	9,026
<b>Total financial assets</b>		<b>10,647</b>	<b>10,647</b>

<i>(In thousands of euros)</i>	Notes	31 December 2020	Due within 1 year
<b>Financial assets</b>			
Trade receivables	11	1,146	1,146
Expected credit losses	11	-68	-68
Receivables from other entities in the Mainor AS consolidation group	33	8,963	8,963
<b>Total financial assets</b>		<b>10,041</b>	<b>10,041</b>

Receivables from other entities in the Mainor AS consolidation group include an 8,967 thousand euro receivable (including interest) from the parent company Smart City Group AS (31 December 2020: 8,771 thousand euros). Interest in the amount of 197 thousand euros was calculated on this receivable in 2021 (2020: 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 33.

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

## Note 11. Trade receivables

<i>(In thousands of euros)</i>	Notes	31 December 2021	31 December 2020
Trade receivables	10	1,815	1,146
Expected credit losses	10	-194	-68
<b>Total</b>		<b>1,621</b>	<b>1,078</b>
<b>Doubtful receivables</b>			
Doubtful receivables at the beginning of the period		-68	-41
Received receivables recognized as doubtful		4	0
Increase in doubtful receivables	25	-130	-46
Doubtful receivables classified as uncollectible		0	19
Doubtful receivables at the end of the period	10	-194	-68

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

## Note 12. Prepaid taxes and taxes payable

<i>(In thousands of euros)</i>		31 December 2021		31 December 2020	
	Notes	Prepayment	Payable	Prepayment	Payable
Value added tax		299	0	46	30
Personal income tax		0	29	0	28
Social tax		0	46	0	45
Other taxes		0	6	0	6
<b>Total</b>	<b>9, 18</b>	<b>299</b>	<b>81</b>	<b>46</b>	<b>109</b>

## Note 13. 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 2021 (%)	Ownership interest as at 31 December 2020 (%)
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%

Shares in subsidiaries using the cost method:

*(In thousands of euros)*

Name	31 December 2020	Acquisition	31 December 2021
Öpiku Majad OÜ	10,250	0	10,250
Ülemiste City Residences OÜ	2	0	2
<b>Total</b>	<b>10,252</b>	<b>0</b>	<b>10,252</b>

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 14. Investment recognized using the equity method

### Shares, general information

Registry code	Name	Location	Principal activity	Ownership interest as at 31 December 2021 (%)	Ownership interest as at 31 December 2020 (%)
11978111	AS Technopolis Ülemiste	Estonia	Real estate activities	49%	49%

### Shares, detailed information

<i>(In thousands of euros)</i> Name	31 December 2020	Sale of shares	Dividends	Profit under the equity method	31 December 2021
AS Technopolis Ülemiste	44,574	-1,960	-1,405	5,281	46,490
<b>Total</b>	<b>44,574</b>	<b>1,960</b>	<b>-1,405</b>	<b>5,281</b>	<b>46,490</b>

<i>(In thousands of euros)</i> 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
<b>Total</b>	<b>40,314</b>	<b>0</b>	<b>-1,384</b>	<b>5,644</b>	<b>44,574</b>

As at 31 December 2021, the equity of AS Technopolis Ülemiste amounted to 94,878 thousand euros and the holding of Mainor Ülemiste AS to 46,490 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.

### Key financial indicators of AS Technopolis Ülemiste:

<i>(In thousands of euros)</i>	31 December 2021	31 December 2020
Current assets	6,758	8,014
Non-current assets	195,136	194,091
Current liabilities	5,103	6,193
Non-current liabilities	101,913	104,946
Equity	94,878	90,966

Revenue	20,879	21,419
Operating profit	13,511	14,237
Profit (loss) before tax	11,261	12,071
Comprehensive income	10,779	11,518

## Note 15. Cash and cash equivalents

<i>(In thousands of euros)</i>	31 December 2021	31 December 2020
Current accounts in banks	12,927	9,576
<b>Total</b>	<b>12,927</b>	<b>9,576</b>

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:

<i>(In thousands of euros)</i>	31 December 2021	31 December 2020
Banks with credit rating A	12,827	9,521
Banks with credit rating B	100	55

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

## Note 16. Share capital

	31 December 2021	31 December 2020
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

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 2021, dividends of 1,500 thousand euros (2020: 1,384 thousand euros) were paid to shareholders from 2020 profits, i.e., dividends per share were 4.94 euro cents (2020: 4.56 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 17. Borrowings

(In thousands of euros)	31 December 2021	Allocation by remaining maturity		
		Within 12 months	Within 1–5 years	Over 5 years
Bank loans	88,989	31,577	57,412	0
Bonds	15,000	0	15,000	0
Lease liability	81	37	44	0
<b>Total</b>	<b>104,070</b>	<b>21,614</b>	<b>72,456</b>	<b>0</b>

(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
<b>Total</b>	<b>95,097</b>	<b>9,088</b>	<b>86,009</b>	<b>0</b>

Bank loans include the following borrowings:

- COOP Pank AS - 3,743 thousand euros (2020: 4,037 thousand euros), of which 3,743 thousand euros is short-term (2020: 295 thousand euros)
- AS LHV Pank - 21,650 thousand euros (2020: 15,663 thousand euros), of which 19,982 thousand euros is short-term (2020: 138 thousand euros)
- Estonian branch of OP Bank - 18,174 thousand euros (2020: 19,320 thousand euros), of which 6,529 thousand euros is short-term (2020: 1,146 thousand euros)
- AS SEB Pank - 45,422 thousand euros (2020: 39,815 thousand euros), of which 1,323 thousand euros is short-term (2020: 1,323 thousand euros)



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

Repayment dates for loans are 2022-2025.

In 2021, Mainor Ülemiste AS and its subsidiary Öpiku Majad OÜ received bank loans in the total amount of 18,056 thousand euros (2020: 51,071 thousand euros) and repaid loans in the amount of 9,027 thousand euros (2020: 42,553 thousand euros), lease liabilities in the amount of 37 thousand euros were assumed (2020: 159 thousand euros) and in the amount of 93 thousand euros settled (2020: 91 thousand euros).

In 2021, the loan of Luminor Bank AS was refinanced with a loan of LHV Pank AS in the amount of 6,125 thousand euros. In June 2021, the first stage of an unsecured bond issue of 10,000 thousand euros in the amount of 5,000 thousand euros with a maturity date of 10 June 2026 and an interest rate of 4.75% was performed. Phase II is planned for the second half of 2022.

The issue of unsecured bonds initiated in 2017 and completed in 2018 in amount of 10,000 thousand euros and 5.5% interest maturity date is 5 April 2023.

On 17 March 2022, a loan in the amount of 5,785 thousand euros between the Estonian branch of OP Corporate Bank plc and the group company Öpiku Majad OÜ was extended until 22 March 2027.

Loans have been secured with a majority of the properties belonging to Mainor Ülemiste AS and Öpiku Majad OÜ with a carrying amount of 166,960 thousand euros (31 December 2020: 151,700 thousand euros) and the shares of AS Technopolis Ülemiste with a carrying amount of 46,490 thousand euros as at 31 December 2021 (31 December 2020: 44,574 thousand euros). The total carrying amount of collaterals is 200,717 thousand euros (31 December 2020: 196,274 thousand euros).

## Note 18. Trade and other payables

<i>(In thousands of euros)</i>		Allocation by remaining maturity		
	Notes	31 December 2021	12 months	1–5 years
<b>Financial liabilities</b>				
Trade payables		4,529	4,529	0
Other payables		274	274	0
<i>Incl. interest payables</i>		274	274	0
Liabilities to other entities in the Mainor AS consolidation group		412	409	3
<b>Total financial liabilities</b>		<b>5,215</b>	<b>5,212</b>	<b>3</b>
<b>Non-financial liabilities</b>				
Employee payables		205	205	0
Tax payables	12	81	81	0
Deferred income		98	98	0
<b>Total non-financial liabilities</b>		<b>384</b>	<b>384</b>	<b>0</b>
<b>TOTAL</b>		<b>5,599</b>	<b>5,596</b>	<b>3</b>

<i>(In thousands of euros)</i>		Allocation by remaining maturity		
	Notes	31 December 2020	12 months	1–5 years
<b>Financial liabilities</b>				
Trade payables		1,166	1,166	0
Other payables		262	262	0
<i>Incl. interest payables</i>		262	262	0
Liabilities to other entities in the Mainor AS consolidation group		174	174	0
<b>Total financial liabilities</b>		<b>1,602</b>	<b>1,602</b>	<b>0</b>
<b>Non-financial liabilities</b>				
Employee payables		192	192	0
Tax payables	11	109	109	0
Deferred income		95	95	0
<b>Total non-financial liabilities</b>		<b>396</b>	<b>396</b>	<b>0</b>
<b>TOTAL</b>		<b>1,998</b>	<b>1,998</b>	<b>0</b>

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

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are usually settled within 14-30 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 33.

## Note 19 Prepayments received

<i>(In thousands of euros)</i>		Allocation by remaining maturity		
	Notes	31 December 2021	12 months	1–5 years
Prepayments received		1,031	422	609

<i>(In thousands of euros)</i>		Allocation by remaining maturity		
	Notes	31 December 2020	12 months	1–5 years
Prepayments received		759	197	562

## Note 20. Provisions

<i>(In thousands of euros)</i>	31 December 2020	Recognition/ adjustments	31 December 2021
Compensation for incapacity for work	262	-65	197
Incl. short-term	55	16	39
Incl. long-term	207	-49	158

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 2021, this balance included a current portion in the amount of 39 thousand euros and a non-current portion in the amount of 158 thousand euros (31 December 2020: 55 thousand euros and 207 thousand euros respectively).

## Note 21. Revenue

<i>(In thousands of euros)</i>	Notes	1 January 2021 – 31 December 2021	1 January 2020 – 31 December 2020
<b>Revenue from contracts with customers</b>			
Other revenue		1,675	1,103
Revenue from administrative services		2,591	1,829
<b>Total revenue from contracts with customers</b>		<b>4,266</b>	<b>2,932</b>
<b>Lease income</b>			
Operating lease income	29	8,810	8,325
<b>Total lease income</b>		<b>8,810</b>	<b>8,325</b>
<b>Total revenue</b>		<b>13,076</b>	<b>11,257</b>

<i>(In thousands of euros)</i>	Notes	1 January 2021 – 31 December 2021	1 January 2020 – 31 December 2020
<b>Revenue from contracts with customers</b>			
Fixed accessory expenses		154	182
Accessory expenses		2,436	1,647
Conference room services		171	46
Accommodation services		564	141
Parking		320	351
Illuminated advertisements		31	37
One-time services		590	528
<b>Total revenue from contracts with customers</b>		<b>4,266</b>	<b>2,932</b>
<b>Lease income</b>			
Shared office rent		291	242
Office rent		5,459	5,228
Industrial premises rent		1,599	1,683
Other rent		1,461	1,172
<b>Total lease income</b>		<b>8,810</b>	<b>8,325</b>
<b>Total revenue</b>		<b>13,076</b>	<b>11,257</b>

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 80 thousand euros were made, in the previous reporting period in the amount of 90 thousand euros.

## Note 22. Other operating income

<i>(In thousands of euros)</i>	Notes	1 January 2021 – 31 December 2021	1 January 2020 – 31 December 2020
Profit from revaluation of investment property	6	2,204	986
Government grants		0	39
Government grants to EAS		25	0
Gain on disposal of non-current assets		0	3
Other operating income		17	11
<b>Total</b>		<b>2,246</b>	<b>1,039</b>

## Note 23. Cost of sales

<i>(In thousands of euros)</i>	1 January 2021 – 31 December 2021	1 January 2020 – 31 December 2020
Electricity	-1,405	-823
Heating	-506	-247
Water and sewage	-129	-127
Security	-28	-17
State and local taxes	-72	-72
Property maintenance	-1,035	-849
Other	-869	-719
<b>Total</b>	<b>-4,044</b>	<b>-2,854</b>

## Note 24. Marketing expenses

<i>(In thousands of euros)</i>	Notes	1 January 2021 – 31 December 2021	1 January 2020 – 31 December 2020
Personnel expenses	26	-68	-74
Advertisement, PR		-153	-146
<b>Total</b>		<b>-221</b>	<b>-220</b>

## Note 25. Administrative expenses

<i>(In thousands of euros)</i>	Notes	1 January 2021 – 31 December 2021	1 January 2020 – 31 December 2020
Miscellaneous office expenses		-25	-27
Training expenses		-17	-19
Expected credit losses	11	-130	-46
Personnel expenses	26	-1,099	-1,008
Compensation for incapacity for work		-27	-39
Depreciation and amortization	7, 8	-137	-115
Insurance expenses		-37	-36
Management expenses		-360	-360
Bank fees		-15	-72
IT expenses and software maintenance		-81	-83
Legal, development, consultation and other expenses		- 1,198	- 1,142
<b>Total</b>		<b>-3,072</b>	<b>-2,947</b>

## Note 26 Personnel expenses

<i>(In thousands of euros)</i>	1 January 2021 – 31 December 2021	1 January 2020 – 31 December 2020
Wages and salaries	-857	-781
Social and unemployment insurance taxes	-288	-262
Pension expenses	-13	-17
Social tax on pensions	-4	-5
Sickness benefit	-2	-1
Vacation reserve	-3	-16
<b>Total</b>	<b>-1,167</b>	<b>-1,082</b>
Average number of full-time employees	19	19

Remuneration paid to the members of the management and supervisory boards has been disclosed in Note 33.

## Note 27. Other operating expenses

<i>(In thousands of euros)</i>	1 January 2021 – 31 December 2021	1 January 2020 – 31 December 2020
Other operating expenses	-18	-18
<b>Total</b>	<b>-18</b>	<b>-18</b>

**Note 28. Interest income**

<i>(In thousands of euros)</i>	Notes	1 January 2021 – 31 December 2021	1 January 2020 – 31 December 2020
Interest income from Mainor group receivables	33	293	268
Interest income from other receivables		5	0
<b>Total</b>		<b>298</b>	<b>268</b>

**Note 29. Interest expenses**

<i>(In thousands of euros)</i>	Notes	1 January 2021 – 31 December 2021	1 January 2020 – 31 December 2020
Interest expense from loans		-2,308	-2,088
Capitalized interest expenses	6	159	104
Limit fees		-48	-11
Capitalized limit fees		42	0
Interest expense from lease liabilities		-3	-3
Interest expense from bonds		-669	-551
Interest expenses from derivatives		-182	-157
<b>Total</b>		<b>-3,009</b>	<b>-2,706</b>

A capitalization rate of 2–2.4% has been used for determining capitalized loans (2020: 2-2.4%).

**Note 30. Other financial income and expenses**

<i>(In thousands of euros)</i>	Notes	1 January 2021 – 31 December 2021	1 January 2020 – 31 December 2020
Other financial expenses		-83	-2
Other financial expenses	33	-165	-67
<b>Total</b>		<b>-248</b>	<b>-69</b>

**Note 31. Operating lease**Group as lessor

The Group has rented out office and production premises.

<i>(In thousands of euros)</i>	Notes	2021	2020
Operating lease income	21	9,374	8,466
Future operating lease income from non-cancellable lease agreements:			
Within 12 months		8,203	7,985
Within 1–5 years		14,068	17,849
Over 5 years		1,559	1,902
Carrying amount of leased assets	6	166,960	151,700

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 32. Income tax

<i>(In thousands of euros)</i>	2021	2020
Retained earnings	96,132	88,238
Profit for the financial year	10,267	9,394
<b>Total profit before tax</b>	<b>106,399</b>	<b>97,632</b>
Estimated income tax calculated at 14% tax rate	0	0
Estimated income tax calculated at 20% tax rate	21,280	19,526
<b>Total estimated income tax</b>	<b>21,280</b>	<b>19,526</b>
Dividends declared and distributed in the reporting period	1,500	1,384
Tax-exempt dividends paid	1,405	1,384
Taxable dividends at 20% tax rate	75	0
Taxable dividends at 14% tax rate	20	0
Estimated income tax calculated at 20% tax rate	-19	0
Estimated income tax calculated at 14% tax rate	-3	0
<b>Income tax expense for the financial year</b>	<b>-22</b>	<b>0</b>
<b>Effective income tax rate</b>	<b>0.2%</b>	<b>0%</b>

As at 31 December 2021, the retained earnings of the Group amounted to 106,399 thousand euros (31 December 2020: 97,632 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<sup>1</sup> 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, the company will be able to tax the dividend at a lower tax rate of 14/86 to the extent of the average taxable dividend payment of the previous three years.

The maximum possible income tax liability that could arise upon the payment of retained earnings as dividends is 21,280 thousand euros (31 December 2020: 19,526 thousand euros) and the corresponding maximum net dividend distribution 85,119 thousand euros (31 December 2020: 78,106 thousand euros). Mainor Ülemiste AS paid an additional income tax of 22 thousand euros on dividends paid in 2021, as the amount of dividends to be paid was 95 thousand euros higher than the dividends received from the associated company Technopolis Ülemiste AS.

### Note 33. 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

Balances with related parties (In thousands of euros)	Receivables as at 31 December 2021	Liabilities as at 31 December 2021	Receivables as at 31 December 2020	Liabilities as at 31 December 2020
Parent company	8,967	0	8,771	0
Other entities in the Mainor AS consolidation group	59	412	192	174
Associate	8	77	83	58
Companies associated with executive and senior management and their family members	77	1	18	2

Transactions with related parties in 2021 (In thousands of euros)	Purchases	Disposals	Loans granted	Repayment of loans granted
Associate	687	75	0	0
Other entities in the Mainor AS consolidation group	2,658	919	0	0
Companies associated with executive and senior management and their family members	66	259	0	0



Transactions with related parties in 2020 (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

In 2021, transactions with the following entities in the Mainor AS consolidation group were conducted: Eesti Ettevõtluskõrgkool Mainor AS, Dvigatel-Energeetika AS, Doranova Baltic OÜ, Mairenestal OÜ, Tallinn International School OÜ and Mainor AS.

In 2021, transactions with the following companies associated with executive and senior management and their family members were conducted: Nets OÜ, RVVE Grupp OÜ, Nordic Financial Group OÜ, Spordiklubi Kehra Käsipall, RS Büroo OÜ, Flennert OÜ, Lasteharidus OÜ, Ekast AS, Ülemiste Center OÜ.

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 2021 was AS Technopolis Ülemiste.

Investments that form an integral part of investment property were acquired from group companies in the amount of 130 thousand euros in the reporting period. In the previous reporting period, such investments were acquired from group companies in the amount of 145 thousand euros.

Interest income of 293 thousand euros (2020: 268 thousand euros), interest expense of 15 thousand euros (2020: 23 euros) and other financial expenses of 165 thousand euros (2020: 67 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 1,405 thousand euros in the reporting year (2020: 1,384 thousand euros).

Remuneration calculated for the members of the supervisory and management boards amounted to 277 thousand euros in the reporting year (2020: 268 thousand euros).

### Note 34. Subsequent events

After the balance sheet date, the Management Board has analyzed the risk of the Ukraine-Russia war for the Group's companies. On 24 February 2022, the Russian Federation has launched an invasion of the Republic of Ukraine. Shortly after the invasion, the European Union and rest of the world, including global bodies, imposed wide-ranging set of restrictive measures against Russia, which is updated and expanded on a regular basis. As disclosed in Note 4, this non-adjusting subsequent event was not reflected in the significant estimates and assumptions as at 31 December 2021. Until the date of authorisation of these financial statements, the restrictive measures imposed had no significant impact on the Company's performance, no operations had been suspended and no significant direct

losses related to the restrictive measures had been incurred at the date of the financial statements. No clients have requested to terminate or change their contracts, so the occupancy rate of the buildings has remained at the pre-war level and the management board does not forecast any significant movements in terms of clients. The Group continues to actively communicate with their clients, analyse the situation on an ongoing basis and map the risks. The management board considers the above impact on group companies to be immaterial.

The increase in electricity and gas prices has not resulted in any requests from clients for terminating contracts. Quite the opposite, the Group's portfolio of LEED-certified and energy-saving buildings is in fact strengthening their position in the market. Preparations are underway for connecting the existing buildings to the district heating and cooling network of Utilitas AS, which helps to hedge the gas price risk and reduces the energy spent on heating and cooling the buildings.

On 17 March 2022, the loan granted by OP Corporate Bank plc Eesti filiaal to Öpiku Majad OÜ in the amount of 5,785 thousand euros was extended until 22 March 2027.

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.

### Note 35. 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:

<i>(In thousands of euros)</i>	31 December 2021	31 December 2020
<b>ASSETS</b>		
Investment property	58,020	57,650
Tangible assets	171	109
Intangible assets	77	112
Investments in subsidiaries	10,252	10,252
Investment recognized using the equity method	46,490	44,574
Prepayments	39	101
Trade and other receivables	27,054	25,026
Cash and cash equivalents	11,622	9,531
<b>TOTAL ASSETS</b>	<b>153,725</b>	<b>147,355</b>
<b>EQUITY</b>		
Share capital at nominal value	18,200	18,200
Legal reserve	1,920	1,920
Retained earnings	79,276	74,480
Profit for the financial year	4,027	6,296
<b>Total equity</b>	<b>103,423</b>	<b>100,896</b>
<b>LIABILITIES</b>		
Provisions	197	262
Borrowings	48,589	44,725
Trade and other payables	1,014	1,178
Prepayments received	502	294
<b>TOTAL LIABILITIES</b>	<b>50,302</b>	<b>46,459</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>153,725</b>	<b>147,355</b>

## Income statement and statement of comprehensive income:

<i>(In thousands of euros)</i>	2021	2020
Revenue	5,425	4,814
Cost of sales	-1,867	-1,357
<b>Gross profit</b>	<b>3,558</b>	<b>3,457</b>
Marketing expenses	-191	-197
Administrative expenses	-2,972	-2,891
Income from investments recognized using the equity method	5,281	5,644
Other operating income	28	860
Other operating expenses	-791	-11
<b>Operating profit</b>	<b>4,913</b>	<b>6,862</b>
<i>Financial income and expenses</i>		
Interest income	1,320	1,227
Interest expenses	-1,936	-1,724
Other financial income and expenses	-248	-69
<b>Total financial income and expenses</b>	<b>-864</b>	<b>-566</b>
Profit before tax	4,049	6,296
Income tax	-22	0
<b>Net profit for the financial year</b>	<b>4,027</b>	<b>6,296</b>
<b>Other comprehensive income for the financial year</b>	<b>0</b>	<b>0</b>
<b>Comprehensive income for the financial year</b>	<b>4,027</b>	<b>6,296</b>

## Statement of cash flows:

*(In thousands of euros)*

	2021	2020
<b><i>Cash flows from operating activities</i></b>		
Profit before tax	4,049	6,296
Adjustments:		
Depreciation, amortization and impairment	127	110
Loss from disposal and write-off of non-current assets	0	-3
Change in the fair value of investment property	782	-807
Profit (loss) from investments recognized using the equity method	-5,281	-5,644
Other financial income and expenses	248	69
Interest income	-1,320	-1,226
Interest expenses	1,963	1,723
Income tax on dividends	-22	0
Change in receivables and prepayments related to operating activities	-905	-773
Change in liabilities and prepayments related to operating activities	-212	219
<b><i>Net cash generated from operating activities</i></b>	<b>-598</b>	<b>-36</b>
<b><i>Cash flows from investing activities</i></b>		
Disposal of tangible and intangible assets	2	0
Acquisition of tangible and intangible assets	-97	-55
Acquisition and improvement of investment property	-1,071	-2,731
Loans granted	-0	-2,080
Interest received	257	185
Dividends received	1,405	1,384
Other cash inflows from investing activities	1,960	0
<b><i>Net cash generated from investing activities</i></b>	<b>2,456</b>	<b>-3,297</b>
<b><i>Cash flows from financing activities</i></b>		
Loans received	11,125	4,285
Repayment of loans received	-7,251	-1,027
Lease principal payments	-21	-21
Interest paid	-1,970	-1,720
Other cash outflows from financing activities	-150	-68
Dividends paid	-1,500	-1,384
<b><i>Net cash generated from financing activities</i></b>	<b>233</b>	<b>66</b>
<b>Total cash flows</b>	<b>2,091</b>	<b>-3,267</b>
<i>Cash and cash equivalents at the beginning of the financial year</i>	9,531	12,798
Change in cash and cash equivalents	2,091	-3,267
<i>Cash and cash equivalents at the end of the financial year</i>	11,622	9,531

## Statement of changes in equity:

<i>(In thousands of euros)</i>	Share capital	Legal reserve	Retained earnings	Total
<b>Balance as at 31 January 2020</b>	<b>18,200</b>	<b>1,920</b>	<b>75,864</b>	<b>95,984</b>
Profit for the financial year	0	0	6,296	6,296
Other comprehensive income for the financial year	0	0	0	0
<b>Total other comprehensive income for the financial year</b>	<b>0</b>	<b>0</b>	<b>6,296</b>	<b>6,296</b>
Dividends paid	0	0	-1,384	-1,384
<b>Balance as at 31 December 2020</b>	<b>18,200</b>	<b>1,920</b>	<b>80,776</b>	<b>100,896</b>
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
<b>Adjusted unconsolidated equity as at 31 December 2020</b>	<b>18,200</b>	<b>1,920</b>	<b>97,802</b>	<b>117,922</b>
Profit for the financial year	0	0	4,027	4,027
Other comprehensive income for the financial year	0	0	0	0
<b>Total other comprehensive income for the financial year</b>	<b>0</b>	<b>0</b>	<b>4,027</b>	<b>4,027</b>
Dividends paid	0	0	-1,500	-1,500
<b>Balance as at 31 December 2021</b>	<b>18,200</b>	<b>1,920</b>	<b>83,303</b>	<b>103,423</b>
Value of holdings under dominant or significant influence under the equity method	0	0	33,746	33,746
Carrying amount of holdings under dominant or significant influence	0	0	-10,252	-10,252
<b>Adjusted unconsolidated equity as at 31 December 2021</b>	<b>18,200</b>	<b>1,920</b>	<b>106,797</b>	<b>126,917</b>

The difference between consolidated and unconsolidated equity is related to the loss of Ülemiste City Residences OÜ in 2021 in the amount of 228 thousand euros and the loss in 2020 in the amount of 170 thousand euros.

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 2021, 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 consolidated financial position of the Group as at 31 December 2021, 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 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.

With respect to the Management report, we also performed the procedures required by the Auditors Activities Act of the Republic of Estonia. Those procedures include considering whether the Management report is consistent, in all material respects, with the consolidated financial statements and is prepared in accordance with the requirements of the Accounting Act of the Republic of Estonia.

Based on the work performed during our audit, in our opinion:

- ▶ the Management Report is consistent, in all material respects, with the consolidated financial statements;
- ▶ the Management Report has been prepared in accordance with the applicable requirements of the Accounting Act of the Republic of Estonia.

### *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 and 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 responsible 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, 5 April 2022



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 2021 as follows:

<i>(In thousands of euros)</i>	31 December 2021
Group's retained earnings before profit allocation	96,132
Dividend distribution	1,580
Profit for the financial year to be included in retained earnings	8,687
<b>Group's retained earnings after profit allocation</b>	<b>104,819</b>

## MAINOR ÜLEMISTE REVENUE ACCORDING TO EMTAK 2008

EMTAK	Economic activity	1 January 2021 – 31 December 2021
68201	Renting and operating of own or leased real estate	9,374
68329	Other real estate management or related activities	3,702
	Total revenue	13,076