Mainor Ülemiste AS

CONSOLIDATED ANNUAL REPORT 2022

Beginning of financial year: 1 January 2022

End of financial year: 31 December 2022

Registry code: 10348595

Address: Sepise 7, Tallinn 11415 Harju County

Phone: +372 5304 6992

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

Auditor: Ernst & Young Baltic AS

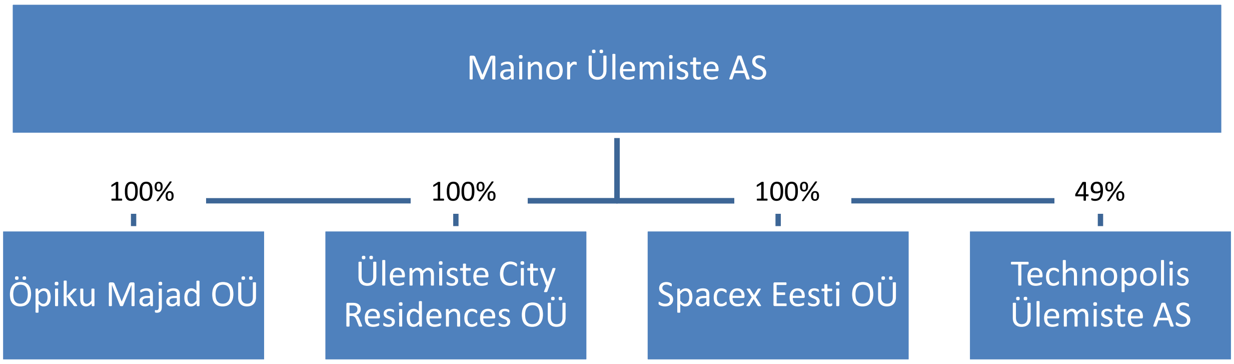
Email: info@mainorulemiste.ee

Website: www.mainorulemiste.ee

Table of contents

Management report

Structure of the consolidation group



In 2022, the entity continued to develop Ülemiste City office campus, including the construction of new and modernization of already existing buildings, renting premises, providing tenants with necessary services and developing these services, preparing new real estate projects.

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 7-story 2nd stage of Ülemiste Health Centre in cooperation with Apex Arhitektuuribüroo OÜ. The 2nd stage of the Ülemiste Health Centre makes it possible to expand the range of health care services provided, bring new industry expertise and state-of-the-art technologies to the campus and offer a new and innovative environment for our service providers. In 2022, the design process of the building continued and an application for a building permit was filed. The building permit for Sepapaja 12 was issued at the end of December. The construction of the 2nd stage started at the beginning of 2023.

In the spring of 2022, Mainor Ülemiste AS signed a design and construction contract with Nordecon AS for the construction of an educational complex with a plan to start construction in the fall of 2022. Unfortunately, Russia's aggression against Ukraine has led to a significant increase in construction costs, forcing us to make changes in the educational complex project. Construction is now expected to begin 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.

Most of the turnover of the Öpik Quarter comes from the Öpik building, which has 29,900 m^2 of rental space, 93% of which was covered by contracts as at the end of 2022.

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 2022, 78% 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 in thinking of expanding their accommodation services in Ülemiste City.

In 2020, construction of the Alma Tomingas building began, which was completed in the fourth quarter of 2022. The primary designer for the more than 20,000 m^2 building was OÜ Arhitektuuribüroo Pluss, and the construction works were carried out by Nordecon AS and Nordecon Betoon OÜ in consortium. A total of 30 million euros were invested in the building, making it the largest office building project investment in the Ülemiste City campus. The 11-story Alma Tomingas office building was built with maximum sustainability in mind. The building has been awarded the Leadership in Energy and Environmental Design (LEED) Gold certification, and features solar panels and a green roof. It utilizes green energy and is connected to the district heating and cooling system set up by Utilitas in 2021. By the end of 2022, 88% of the Alma Tomingas building was covered by contracts. Large international corporations such as AS Fujitsu Estonia and Breakwater Technology OÜ, as well as Estonian innovation and development leaders OÜ Skeleton Technologies Group and the joint organization of KredEx and Enterprise Estonia (Estonian Business and Innovation Agency) have now moved into the Alma Tomingas building.

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 a LEED Gold certification. Ülemiste City, including the buildings of Öpiku Majad OÜ, switched to green energy in 2020. In 2021, Ülemiste City was connected to the district heating and cooling network of Utilitas AS. The office buildings of Öpiku Majad OÜ use the solutions offered by R8 Technologies OÜ, reducing their CO_2 emissions by 318 tons. 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, a sustainable environmental strategy was developed for Ülemiste City, which includes activities aimed at reducing environmental impact. Over 200,000 single-use packages were used in the campus annually. In collaboration with Ringo Eco OÜ, Ülemiste City abandoned single-use food packaging in October 2022 to reduce their environmental burden.

In 2022, Mainor Ülemiste AS participated in the development of a construction roadmap in the framework of the Green Tiger program. The goal of the construction roadmap is to reduce the footprint of the entire property development and construction sector. It also helps to carry out a preliminary life cycle assessment (LCA) of the building during the design process and make environmentally friendly decisions based on the results of the assessment.

In the summer of 2022, an environmental intervention project took place in Ülemiste City, where Lõõtsa and Valukoja streets became partially one-way for cars to make room for a two-way bike lane. The pilot project was extremely important for the campus, as it allowed feedback to be collected from people regarding this change in their environment, as well as to use this data to evaluate the achievement of environmental objectives. Based on the feedback and data collected, Ülemiste City is now planning its next steps to make the environment more comfortable and quieter for pedestrians and cyclists alike.

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.

Investments in research and development continued in 2022. In addition to Professor Jenni Partanen and three existing PhD students, a new PhD student 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, location-based patterns and decision-making in a smart city, and establishing and implementing data strategies in smart city ecosystems. A mobility model was completed in 2022, which the campus plans to pilot in 2023 in making decisions about the campus environment.

In the fourth quarter of 2022, a cooperation agreement was signed with Tallinn University, enabling collaboration on shaping the future of education.

The validation of Test City service continued, enabling innovators to test their new technological, green or health solutions in the Ülemiste city lab. Test City pilot projects included self-driving delivery robots, piloted in collaboration between DPD and Clevon, the Kone Insight application, Silen Outdoor and MindSpa service, and much more.

A total of 16,859 thousand euros was invested in the construction of buildings and improvement of equipment in 2022. In 2022, bank loans in the amount of 17,068 thousand euros were received and 2,888 thousand euros repaid.

As at 31 December 2022, the fair value of Mainor Ülemiste AS's investment property amounted to 196,780 thousand euros, increasing by 29,820 thousand euros compared to last financial year. The value of Mainor Ülemiste AS's 49% holding in Technopolis Ülemiste AS was 58,855 thousand euros, increasing by 12,365 thousand euros from the previous year.

Dividends in the amount of 1,580 thousand euros were distributed to owners.

As at the end of the year, Mainor Ülemiste AS had 20 employees, who received a total of 984 thousand euros (2021: 857 thousand euros) in remuneration, including remuneration calculated for the members of the supervisory and management boards in the amount of 251 thousand euros (2021: 277 thousand euros). Refer to notes 26 and 33.

The consolidated turnover of Mainor Ülemiste AS in 2022 amounted to 16,244 thousand euros (2021: 13,076 thousand euros), other operating income was 13,198 thousand euros (2021: 2,246 thousand euros) and net profit 30,400 thousand euros (2021: 10,267 thousand euros), including revaluation of investment property in the amount of 12,961 thousand euros (2021: 2,204 thousand euros). As at 31 December 2022, the company's equity amounted to 155,339 thousand euros, and as at 31 December 2021, to 126,519 thousand euros.

Key financial ratios	31 December 2022	31 December 2021
Return on equity – ROE (%)	21.6%	8.4%
Return on assets – ROA (%)	11.8%	4.5%
Operating margin (%)	204.2%	101.3%
Net profit margin (%)	187.2%	78.5%
Dividend payout ratio (%)	15.4%	15.9%
Revenue growth rate (%)	24.2%	16.1%

Formulas used for the calculation of financial ratios:

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

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

Management confirmation and signatures

The Management Board of Mainor Ülemiste AS hereby confirms the correctness and completeness of the information presented in the consolidated financial statements for the year ended 31 December 2022, 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 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 2022 annual report of Mainor Ülemiste AS is signed by:

6.04.2023

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

06.04.2023

(signature, date)
Julius Stokas
Member of the Management Board

6.04.2023

(signature, date)
Rauno Mätas
Member of the Management Board

Financial statements

Consolidated statement of financial position

(In thousands of euros)	Notes	31 December 2022	31 December 2021
ASSETS			
Investment property	6	196,780	166,960
Tangible assets	7	190	172
Intangible assets	8	49	92
Investment accounted for using the equity method	14	58,855	46,490
Prepayments	9	292	473
Trade and other receivables	10	11,220	10,647
Cash and cash equivalents	15	10,832	12,927
TOTAL ASSETS		**278,218**	**237,761**
EQUITY			
Share capital at nominal value	16	18,200	18,200
Legal reserve	16	1,920	1,920
Retained earnings		104,819	96,132
Profit for the financial year		30,400	10,267
TOTAL EQUITY		**155,339**	**126,519**
LIABILITIES			
Provisions	20	161	197
Borrowings	17	118,541	104,070
Derivatives		0	345
Trade and other payables	18	3,200	5,599
Prepayments received	19	977	1,031
TOTAL LIABILITIES		**122,879**	**111,242**
TOTAL LIABILITIES AND EQUITY		**278,218**	**237,761**

Notes on pages 12–58 are an integral part of this annual report.

Consolidated income statement and consolidated statement of comprehensive income

(In thousands of euros)	Notes	2022	2021
Revenue	21	16,244	13,076
Cost of sales	23	- 6,402	- 4,044
Gross profit		**9,842**	**9,032**
Marketing expenses	24	-285	-221
Administrative expenses	25	-3,429	-3,072
Income from investment accounted for using the equity method	14	13,860	5,281
Other operating income	22	13,198	2,246
Other operating expenses	27	-16	-18
Operating profit		**33,170**	**13,248**
Financial income and expenses			
Interest income	28	613	298
Interest expenses	29	-3,299	-3,009
Other financial income and expenses	30	-67	-248
Total financial income and expenses		**-2,753**	**-2,959**
Profit before tax		**30,417**	**10,289**
Income tax	32	-17	-22
Net profit for the financial year		**30,400**	**10,267**
Other comprehensive income for the financial year		**0**	**0**
Comprehensive income for the financial year		**30,400**	**10,267**
Attributable to owners of the parent company		30,400	10,267

Notes on pages 12–58 are an integral part of this annual report.

EY FOR IDENTIFICATION PURPOSES ONLY 06. 04. 2023 IK

Consolidated statement of cash flows

(In thousands of euros)	Notes	2022	2021
Cash flows from operating activities			
Profit before tax		30,417	10,289
Adjustments:			
Depreciation, amortization and impairment	7, 8	155	137
Change in the fair value of investment property	6	-12,961	-2,204
Profit (loss) from investment accounted for using the equity method	14	-13,860	-5,281
Other financial expenses	30	67	248
Interest income	28	-613	-298
Interest expenses	29	3,299	3,009
Change in receivables and prepayments related to operating activities		-206	-961
Change in liabilities and prepayments related to operating activities		-129	234
Net cash generated from operating activities		**6,169**	**5,173**
Cash flows from investing activities			
Sale of tangible and intangible assets		0	2
Acquisition of tangible and intangible assets		-162	-98
Acquisition and improvement of investment property	6	-17,978	-9,438
Interest received		82	256
Dividends received	14, 33	1,495	1,405
Other cash inflows from investing activities	14, 33	0	1,960
Net cash generated from investing activities		**-16,563**	**-5,913**
Cash flows from financing activities			
Loans received	17	17,068	13,056
Bond issue		0	5,000
Repayment of loans received	17	-2,888	-9,027
Lease payments		-108	-67
Interest paid		-4,011	-3,199
Other financial expenses		-165	-150
Dividends paid	16	-1,580	-1,500
Income tax on dividends	32	-17	-22
Net cash generated from financing activities		**8,299**	**4,091**
Total cash flows		**-2,095**	**3,351**
Cash and cash equivalents at the beginning of the financial year	15	**12,927**	**9,576**
Change in cash and cash equivalents		-2,095	3,351
Cash and cash equivalents at the end of the financial year	15	**10,832**	**12,927**

Notes on pages 12–58 are an integral part of this annual report.

Consolidated statement of changes in equity

(In thousands of euros)	Share capital	Legal reserve	Retained earnings	Total
Balance as at 1 January 2021	**18,200**	**1,920**	**97,632**	**117,752**
Profit for the financial year	0	0	10,267	**10,267**
Other comprehensive income for the financial year	0	0	0	0
Total comprehensive income for the financial year	**0**	**0**	**10,267**	**10,267**
Dividends declared	0	0	-1,500	-1,500
Balance as at 31 December 2021	**18,200**	**1,920**	**106,399**	**126,519**
Profit for the financial year	0	0	30,400	30,400
Other comprehensive income for the financial year	0	0	0	0
Total comprehensive income for the financial year	**0**	**0**	**30,400**	**30,400**
Dividends declared	0	0	-1,580	-1,580
Balance as at 31 December 2022	**18,200**	**1,920**	**135,219**	**155,339**

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

Notes on pages 12–58 are an integral part of this annual report.

FOR IDENTIFICATION PURPOSES ONLY

06.04.2023

IK

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 2022 – 31 December 2022, the comparative period being 1 January 2021 – 31 December 2021. 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 statement of financial position has been prepared in order of liquidity. The consolidated annual report was authorized for issue by the Management Board on 6 April 2023. 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.

EY
FOR IDENTIFICATION PURPOSES ONLY
06.04.2023
IK

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 net identifiable 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 is obtained until the control is lost. 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) Recognizing AS Technopolis Ülemiste in the consolidated balance sheet of Mainor Ülemiste AS

Considering the following:

a) The activities of AS Technopolis Ülemiste are integrated with the Group's real estate development strategy and the Group considers the operations of AS Technopolis Ülemiste to be related to its important business segment

b) In the income statement, gains and losses on the shares in AS Technopolis Ülemiste are included in other operating income or other operating expenses respectively

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.

Investment in the shares of AS Technopolis Ülemiste has 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 company.

Unrealized gains from transactions with the company 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 investee recognized under the equity method equals or exceeds the carrying amount of the investee, 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 liabilities of the investee, both the relevant liability and the loss under the equity method are recognized in the balance sheet. Accounting policies of the investee recognized under the equity method 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 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 official exchange rates of the European Central Bank at 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 benefits are 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 is 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 are initially recognized at cost, comprising their purchase price and any costs directly attributable to their acquisition. Tangible assets are subsequently carried in the statement of financial position at their cost less any accumulated depreciation and impairment.

If tangible assets consist of separately identifiable components with different useful lives, these components are recognized initially as separate 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 accounting estimate, i.e., prospectively.

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 tangible assets is determined as the difference between the disposal proceeds and the carrying amount of the asset and recognized in profit or loss.

Annual depreciation rates by tangible asset groups are 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 tangible and intangible assets

The Group reviews its tangible 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. In 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

<u>Investments in subsidiaries</u>

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.

<u>Investments recognized in equity</u>

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 impairment 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 effects of transactions of a non-cash nature, 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 reported 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 category:

- 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 2022 and 2021, all the Group's financial assets were classified in the amortized cost measurement category.

Equity instruments

The Group has no investments in equity instruments.

EY FOR IDENTIFICATION PURPOSES ONLY 06.04.2023 IK

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

EY
FOR IDENTIFICATION PURPOSES ONLY
06.04.2023
IK

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. Changes in fair value are recognized in profit or loss.

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

EY FOR IDENTIFICATION PURPOSES ONLY 06.04.2023 IK

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 within revenue 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, marketing department'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, legal, research and development expenses, commissions, management fees, IT expenses and software maintenance expenses, 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 tangible assets held by the Group. In addition, the value of the right-of-use asset is reduced by possible impairment losses. The value of the right-of-use asset is also adjusted when the lease liability in remeasured.

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

Lease liabilities include the following lease payments:

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

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

If the lease liabilities are 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. In 2022, 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 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 32 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 investment accounted for using the equity method, 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.

EY
FOR IDENTIFICATION PURPOSES ONLY
06.04.2023
IK

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 2022. 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 as of 1 January 2022:

- **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 previous version of the IASB's Conceptual Framework for Financial Reporting to the current version issued in 2018 without significantly 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 any proceeds from the sale of items produced while bringing the asset to the location and condition necessary for it be capable of operating in the manner intended by management. Instead, a company recognizes 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. The amendments clarify, the costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to the contract activities.
  - **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 amendments had no impact on the financial statements of the Group.

- **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 amendment had no impact on the financial statements of the Group.

Standards issued but not yet effective and not early adopted

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 2022:

- **IFRS 17: Insurance Contracts**
  The standard is effective for annual periods beginning on or after 1 January 2023 with earlier application permitted, provided the entity also applies IFRS 9 Financial Instruments on or before the date it first applies IFRS 17. This is a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts issued, as well as to certain guarantees and financial instruments with discretional participation contracts. The Group does not issue contracts in scope of IFRS 17; therefore, its application does not have an impact on the company's/group's financial performance, financial position or cash flows.

- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)**
  The amendments are effective for annual periods beginning on or after 1 January 2023 with earlier application permitted. The amendments provide guidance on the application of materiality 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 Group believes the amendment will have no impact on their financial statements.

- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)**
  The amendments become effective for annual periods beginning on or after 1 January 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty, if they do not result to a correction of prior period error. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The Group believes the amendment will have no impact on their 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 1 January 2023 with earlier application permitted. The amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability or to the related asset component. 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 Group believes the amendment will have no impact on their financial statements.

<u>New standards and amendments issued by the IASB, not yet adopted by the EU</u>

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 16 Leases: Lease Liability in a Sale and Leaseback (amendments)**
  The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognizing, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16. The amendments have not yet been endorsed by the EU. The Group believes the amendment will have no impact on their 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. The Group believes the amendment will have no impact on their 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 carried at fair value, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The significant inputs (future cash flows) 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 notes 10 and 11.

Deferred income tax liability for taxable temporary differences associated with investments in subsidiaries and investments accounted for using the equity method

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 2022.

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

Note 5. Financial instruments and risk management

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

Financial instruments by category:

(In thousands of euros)			31 December 2022	
Class of financial instruments	Notes	Category	Carrying amount	Fair value
FINANCIAL ASSETS				
Trade receivables	11	At amortized cost	1,981	1,981
Other receivables	10	At amortized cost	9,239	9,239
Cash and cash equivalents	15	At amortized cost	10,832	10,832
Total financial assets			**22,052**	**22,052**
FINANCIAL LIABILITIES				
Trade payables	18	At amortized cost	2,004	2,004
Borrowings	17	At amortized cost	118,541	118,541
Other payables	18	At amortized cost	776	776
Total financial liabilities			**121,321**	**121,321**

(In thousands of euros)			31 December 2021	
Class of financial instruments	Notes	Category	Carrying amount	Fair value
FINANCIAL ASSETS				
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
Total financial assets			**23,574**	**23,574**
FINANCIAL LIABILITIES				
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	686	686
Total financial liabilities			**109,630**	**109,630**

Group's financial instruments in the fair value measurement hierarchy (described in section 2.23) as at 31 December 2022:

(In thousands of euros)	31 December 2022			
	Level I	Level II	Level III	**Total**
Financial liabilities for which fair value is disclosed:				
Borrowings	0	118,541	0	**118,541**

EY FOR IDENTIFICATION PURPOSES ONLY 06.04.2023 IK

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

Credit risk

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

Maximum credit risk exposure:

(In thousands of euros)	Notes	31 December 2022	31 December 2021
Current accounts and cash in hand	15	10,832	12,927
Trade receivables	11	1,981	1,621
Other receivables	10	9,239	9,026
Total		**22,052**	**23,574**

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 2022, the Group has received a total of 977 thousand euros in deposits (31 December 2021: 1,031 thousand euros). The most significant financial instruments exposed to credit risk are receivables from customers outside the Mainor Ülemiste AS group, the allocation by remaining maturity of which as at the reporting date was as follows:

(In thousands of euros)	31 December 2022	31 December 2021
Receivables not yet due	1,011	861
Overdue 1–30 days	473	206
Overdue 31–90 days	301	180
Overdue more than 90 days	196	374
Total	**1,981**	**1,621**

By the time of preparing the report, the deadlines of overdue receivables in the total amount of 703 thousand euros had been postponed (2021: 652 thousand euros).

To reduce credit risk, the Group classified receivables in the amount of 281 thousand euros as doubtful in 2022 (2021: 130 thousand euros). 7 thousand euros worth of receivables classified as doubtful in previous years were collected in the reporting period and doubtful receivables in the amount of 44 thousand euros were declared uncollectible (2021: 0 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 1% of lease income.

For all other financial instruments, the Group recognizes loss allowances at an amount equal to 12-month expected credit losses, unless 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.

Liquidity risk

The Group's liquidity or solvency reflects its ability to meet its financial obligations to creditors in a timely manner. In 2022, the Group's liquidity was most affected by the additional syndicated loan agreement concluded with AS SEB Pank and Luminor Bank AS in the amount of 17,068 thousand euros to cover the cost of construction of the new office building at Sepise 7.

Liquidity risk is the risk that the Group will be unable to settle its financial liabilities as they fall due. With the syndicated loan agreements concluded with AS SEB Pank and Luminor Bank AS, the group company Õpiku Majad OÜ has committed itself to ensuring that the debt service coverage ratio (DSCR) is at least 1.2 (for measurement periods ending on 31 March 2023 and 30 June 2023, 1.0) and the loan-to-value ratio (LTV) of other loan agreements does not exceed 70% at any time. With the loan agreement concluded between AS LHV Pank and Mainor Ülemiste AS, the Company has agreed not to pay dividends without the bank's prior consent, unless the borrower's debt service coverage ratio (DSCR) is at least 1.1 after making the relevant dividend payments. As at 31 December 2022, 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 2022 *(In thousands of euros)*	Notes	Within 1 month	1–3 months	3–12 months	1–5 years	Total
Secured bank loans	17	628	1,348	16,327	100,399	118,702
Bonds		0	0	10,512	5,594	16,106
Lease liabilities	17	10	19	73	313	415
Trade payables	18	751	1,253	0	0	2,004
Other payables		703	99	84	128	1,014
Total		**2,092**	**2,719**	**26,996**	**106,434**	**138,241**

EY FOR IDENTIFICATION PURPOSES ONLY 06.04.2023 IK

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 liability	17	3	7	29	44	83
Trade payables	18	2,350	2,179	0	0	4,529
Other payables		549	106	79	161	895
Total		**3,430**	**3,275**	**33,530**	**77,502**	**117,737**

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 2022, the interest-bearing liabilities of the Company amounted to 118,541 thousand euros (31 December 2021: 104,070 thousand euros), around 86% 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 a portion of the loan from AS SEB Pank in the amount of 18,233 thousand euros, which has been taken into full use and the loan balance of which as at 31 December 2022 amounted to 17,021 thousand euros (2021: 17,627 thousand euros).

As at 31 December 2022, 6-month Euribor was 2.732% (31 December 2021: -0.544%). If the 6-month Euribor were to increase by 1 percentage point, then as at 31 December 2022, the interest expense of the Group's borrowings tied to Euribor would increase by 1,016 thousand euros (2021: 392 thousand euros). If the 6-month Euribor were to decrease by 1 percentage point, then as at 31 December 2022, the interest expense of the Group's borrowings tied to Euribor would decrease by 1,016 thousand euros (31 December 2021: 0 euros).

As at 31 December 2022, interest- bearing financial liabilities and receivables were as follows:

(In thousands of euros)	Notes	31 December 2022	31 December 2021
Fixed interest rate liabilities (1–12 months)	16	10,162	162
Fixed interest rate liabilities (12+ months)	16	6,494	16,655
Floating interest rate liabilities (1–12 months)	16	12,416	31,453
Floating interest rate liabilities (12+ months)	16	89,469	55,800
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

EY FOR IDENTIFICATION PURPOSES ONLY 06.04.2023 IK

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 2022	31 December 2021
Equity to total assets	56%	53%
Liabilities to total assets	44%	47%

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 (25,000) 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 2022, the share capital of Mainor Ülemiste AS was 18,200 thousand euros and net assets amounted to 155,339 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

Group's equity to assets ratio is at least 35% at any given time (31 December 2022: 55.8%, and 31 December 2021: 53.2%).

Note 6. Investment property

The Group'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 2022, their total rental space amounted to 119.6 thousand m² (31 December 2021: 112.1 thousand m²).

(In thousands of euros)	Notes	Investment property
Balance as at 1 January 2021		**151,700**
Acquisitions and additions		13,056
Profit from change in fair value	22	2,204
Balance as at 31 December 2021		**166,960**
Acquisitions and additions		16,859
Profit from change in fair value	22	12,961
Balance as at 31 December 2022		**196,780**

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

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

As at 31 December 2022, the total value of investment property in the Ülemiste City business campus owned by the Group amounted to 196,780 thousand euros (31 December 2021: 166,960 thousand euros), of which 166,430 thousand euros (2021: 138,940 thousand euros) is the value of real estate determined with reference to rental cash flows and 30,350 thousand euros (2021: 28,020 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 92.5 thousand m² (2021: 99.6 thousand m²); based on current rental fees of 3.0–34.0 €/m² (2021: 2.0–32.0 €/m²), vacancy rate of up to 10% (2021: 10%), discount rate of 8.8–9.7% (2021: 8.5–9.5%), capitalization rate of 6.8–9% (2021: 7.5–10%) and length of rental agreements between 1 and 15 years (2021: 1–15 years).

Real estate valued with reference to building rights has a total area of 256.8 thousand m² (2021: 245.5 thousand m²) and the relevant development activities are planned to take place between 2023 and 2030. Construction costs vary from 725 €/m² (2021: 600 €/m²) for the construction of industrial premises to 1,275 €/m² (2021: 1,050 €/m²) for the construction of office spaces. Rental fees are 6.75 €/m² and 15.5 €/m² respectively (2021: 5.8 €/m² and 13.5 €/m²). After the completion of buildings, the vacancy rate is estimated at around 40% (2021: 45%), which will gradually decrease over time to a long-term average of 5–7% (2021: 5–7%). The discount rate used is 9.5% (2021: 9.5%), capitalization rates are 8% (2021: 8%) for office buildings and 8.25% (2021: 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/m²		Change in capitalization rate	
(In thousands of euros)		5%	-5%	5%	-5%
Valued with reference to rental cash flows	166,430	173,960	156,545	160,745	172,705
Valued with reference to building rights	30,350	42,830	17,820	23,150	38,255
TOTAL	**196,780**	**216,790**	**174,365**	**183,895**	**210,960**

Rental income of 9,504 thousand euros was earned from investment property in the reporting period, while rental income earned in the previous reporting period amounted to 8,925 thousand euros; real estate, accommodation and conference services were provided in the amount of 6,740 thousand euros, in the previous reporting period, in the amount of 4,151 thousand euros (Note 21). Expenses directly related to the management of investment property amounted to 6,402 thousand euros in the reporting period (2021: 4,044 thousand euros), including resold services in the amount of 5,615 thousand euros (2021: 3,401 thousand euros), see Note 23.

A total of 16,859 thousand euros was invested in investment property during the reporting period (including capitalized loan interests in the amount of 683 thousand euros, which is 17% of interest expenses, and capitalized project management fees in the amount of 209 thousand euros). In the previous reporting period, these investments amounted to 13,056 thousand euros (including capitalized loan interests in the amount of 201 thousand euros, which was 6% of interest expenses, and loan fees in the amount of 84 thousand euros). As at 31 December 2022, unpaid construction invoices in the amount of 1,217 thousand euros have been included in the purchase of investment properties (2021: 3,417 thousand euros). Leases in the total amount of 399 thousand euros were concluded for the acquisition of equipment and fittings that form an integral part of investment property and were subleased to tenants (2021: 0 euros).

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

Note 7. Tangible assets

(In thousands of euros)	Notes	Machinery and equipment	Inventories and fittings	Prepayments	Total
1 January 2021 – 31 December 2021					
Balance as at 1 January 2021		**30**	**70**	**10**	**110**
Acquisitions and additions		37	42	82	161
Reclassifications to intangible assets	8	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
Carrying amount as at 31 December 2021		**31**	**59**	**82**	**172**
Incl. acquisition cost		38	278	82	398
Incl. accumulated depreciation		-7	-219	0	-226

(In thousands of euros)	Notes	Machinery and equipment	Inventories and fittings	Prepayments	Total
1 January 2022 – 31 December 2022					
Balance as at 1 January 2022		**31**	**59**	**82**	**172**
Acquisitions and additions		0	65	46	111
Reclassification from prepayments to tangible assets		0	128	-128	0
Write-offs		0	-71	0	-71
Depreciation of assets disposed and written off		0	71	0	71
Depreciation for the financial year		-9	-84	0	-93
Carrying amount as at 31 December 2022		**22**	**168**	**0**	**190**
Incl. acquisition cost		38	400	0	438
Incl. accumulated depreciation		-16	-232	0	-248

Machinery and equipment includes a passenger car acquired under a finance lease, the carrying amount of which amounted to 23 thousand euros as at 31 December 2022 (31 December 2021: 31 thousand euros).

As at 31 December 2022 and 2021, the carrying amount of the Group's tangible assets calculated using the cost method approximated their fair value.

Note 8. Intangible assets

(In thousands of euros)	Notes	Computer software and licenses	Total
1 January 2021 – 31 December 2021			
Carrying amount as at 1 January 2021		**136**	**136**
Acquisition of intangible assets		21	21
Reclassifications from prepayments	7	10	10
Amortization for the financial year		-75	-75
Carrying amount as at 31 December 2021		**92**	**92**
Incl. acquisition cost		253	253
Incl. accumulated amortization		-161	-161
1 January 2022 – 31 December 2022			
Carrying amount as at 1 January 2022		**92**	**92**
Acquisition of intangible assets		19	19
Amortization for the financial year		-62	-62
Write-off of intangible assets		-157	-157
Amortization of intangible assets written off		157	157
Carrying amount as at 31 December 2022		**49**	**49**
Incl. acquisition cost		115	115
Incl. accumulated amortization		-66	-66

Intangible assets include computer software, website development and licenses.

Note 9. Prepayments

Non-financial assets

(In thousands of euros)	Notes	31 December 2022	Due within 1 year
Prepaid taxes	12	197	197
Other receivables and prepayments		95	95
Total non-financial assets		**292**	**292**

(In thousands of euros)	Notes	31 December 2021	Due within 1 year
Prepaid taxes	12	299	299
Other receivables and prepayments		174	174
Total non-financial assets		**473**	**473**

EY FOR IDENTIFICATION PURPOSES ONLY 06.04.2023 IK

Note 10. Trade and other receivables

(In thousands of euros)	Notes	31 December 2022	Due within 1 year
Financial assets			
Trade receivables	11	2,412	2,412
Expected credit losses	11	-431	-431
Interest receivable		11	11
Receivables from other entities in the Mainor AS consolidation group	33	9,228	9,228
Total financial assets		**11,220**	**11,220**

(In thousands of euros)	Notes	31 December 2021	Due within 1 year
Financial assets			
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
Total financial assets		**10,647**	**10,647**

Receivables from other entities in the Mainor AS consolidation group include a 9,154 thousand euro receivable (including interest) from the parent company AS Smart City Group (31 December 2021: 8,967 thousand euros). Interest in the amount of 186 thousand euros was calculated on this receivable in 2022 (2021: 197 thousand euros). Interest rate is 3%, which approximates the market interest rate on the Group's loans. 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

(In thousands of euros)	Notes	31 December 2022	31 December 2021
Trade receivables	10	2,412	1,815
Expected credit losses	10	-431	-194
Total		**1,981**	**1,621**
Doubtful receivables			
Doubtful receivables at the beginning of the period		-194	-68
Collection of doubtful receivables	25	7	4
Increase in doubtful receivables	25	-281	-130
Doubtful receivables classified as uncollectible		44	0
Doubtful receivables at the end of the period	10	-431	-194

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

EY
FOR IDENTIFICATION PURPOSES ONLY
06.04.2023
IK

Note 12. Prepaid taxes and taxes payable

(In thousands of euros)		31 December 2022		31 December 2021	
	Notes	Prepayment	Payable	Prepayment	Payable
Value added tax		197	0	299	0
Personal income tax		0	36	0	29
Social tax		0	57	0	46
Other taxes		0	8	0	6
Total	**9, 18**	**197**	**101**	**299**	**81**

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 2022 (%)	Ownership interest as at 31 December 2021 (%)
12804904	Öpiku Majad OÜ	Estonia	Real estate activities	100%	100%
14578228	Ülemiste City Residences OÜ	Estonia	Provision of accommodation service	100%	100%
12783421	Spacex Eesti OÜ	Estonia	Real estate activities	100%	100%

Shares in subsidiaries using the cost method:

(In thousands of euros)	31 December 2021	Acquisition	31 December 2022
Öpiku Majad OÜ	10,250	0	10,250
Ülemiste City Residences OÜ	2	430	432
Total	**10,252**	**430**	**10,682**

In the first quarter of 2022, the parent company Mainor Ülemiste AS made a contribution to the voluntary reserve of the subsidiary Ülemiste City Residences OÜ in the amount of 430 thousand euros, and in the first quarter of 2023, in the amount of 100 thousand euros, to bring its equity into compliance with the requirements of the Commercial Code of the Republic of Estonia. 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 accounted for using the equity method

Shares, general information

Registry code	Name	Location	Principal activity	Ownership interest (%) as at 31 December 2022	Ownership interest (%) as at 31 December 2021
11978111	AS Technopolis Ülemiste	Estonia	Real estate activities	49%	49%

Shares, detailed information

(In thousands of euros)	31 December 2021	Repurchase of shares	Dividends	Profit under the equity method	31 December 2022
AS Technopolis Ülemiste	46,490	0	-1,495	13,860	58,855
	46,490	**0**	**-1,495**	**13,860**	**58,855**

(In thousands of euros)	31 December 2020	Repurchase of shares	Dividends	Profit under the equity method	31 December 2021
AS Technopolis Ülemiste	44,574	-1,960	-1,405	5,281	46,490
	44,574	**-1,960**	**-1,405**	**5,281**	**46,490**

As at 31 December 2022, the equity of AS Technopolis Ülemiste amounted to 120,112 thousand euros and the holding of Mainor Ülemiste AS to 58,855 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:

(In thousands of euros)	31 December 2022	31 December 2021
Current assets	9,626	6,758
Non-current assets	215,248	195,136
Current liabilities	5,845	5,103
Non-current liabilities	98,917	101,913
Equity	120,112	94,878
Revenue	22,022	20,879
Operating profit	31,462	13,511
Profit (loss) before tax	28,803	11,261
Comprehensive income	28,285	10,779

In February 2023, AS Technopolis Ülemiste purchased shares in the amount of 4,000 thousand euros to be held as treasury shares, of which 1,960 thousand euros was paid to Mainor Ülemiste AS.

Note 15. Cash and cash equivalents

(In thousands of euros)	31 December 2022	31 December 2021
Current accounts in banks	10,830	12,927
Cash in hand	2	0
Total	**10,832**	**12,927**

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

(In thousands of euros)	31 December 2022	31 December 2021
Banks with credit rating A	10,614	12,827
Banks with credit rating B	216	100

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

Note 16. Share capital

	31 December 2022	31 December 2021
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 32.

In 2022, dividends in the amount of 1,580 thousand euros (2021: 1,500 thousand euros) were distributed to shareholders, i.e., dividends per share were 5.21 euro cents (2021: 4.94 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. The legal reserve of Mainor Ülemiste AS exceeds the requirements established in the articles of association by 100 thousand euros.

Note 17. Borrowings

(In thousands of euros)	31 December 2022	Allocation by remaining maturity		
		Within 12 months	Within 1–5 years	Over 5 years
Bank loans	103,169	12,489	90,680	0
Bonds	15,000	10,000	5,000	0
Lease liability	372	88	284	0
Total	**118,541**	**22,577**	**95,964**	**0**

(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
Total	**104,070**	**31,614**	**72,456**	**0**

Bank loans include the following borrowings:

- COOP Pank AS – 3,464 thousand euros (2021: 3,743 thousand euros), of which 283 thousand euros is short-term (2021: 3,743 thousand euros)
- AS LHV Pank – 21,523 thousand euros (2021: 21,650 thousand euros), of which 76 thousand euros is short-term (2021: 19,982 thousand euros)
- Estonian branch of OP Bank – 17,015 thousand euros (2021: 18,174 thousand euros), of which 10,199 thousand euros is short-term (2021: 6,529 thousand euros); the short-term portion of the loan to Öpiku Majad OÜ in the amount of 9,563 thousand euros will be extended in the second half of 2023
- AS SEB Pank AS – 61,167 thousand euros (2021: 45,422 thousand euros), of which 1,931 thousand euros is short-term (2021: 1,323 thousand euros)

Interest rates on bank loans range from 1.8% to 4.95% + Euribor.

Repayment dates for loans are 2023–2028.

In 2022, Mainor Ülemiste AS's subsidiary Öpiku Majad OÜ received bank loans in the total amount of 17,068 thousand euros (2021: 13,056 thousand euros) and repaid loans in the amount of 2,888 thousand euros (2021: 9,027 thousand euros), lease liabilities in the amount of 399 thousand euros were assumed (2021: 37 thousand euros) and in the amount of 108 thousand euros settled (2021: 93 thousand euros).

In February 2023, Mainor Ülemiste AS conducted a private placement of 4-year unsecured bonds in the total amount of 10 million euros (with the right to increase to 15 million euros). Investors subscribed for bonds worth a total of 12,106,000 euros, which is 1.2 times more than the planned volume. The Management Board of Mainor Ülemiste decided to satisfy all subscriptions and increase the issue to 12,106,000 euros. The offer price of the bonds was equal to their nominal value, and the bonds have a fixed interest rate of 8.5% per annum. The completed placement was the first part of the Company's unsecured bond program with a maximum total volume of 20 million euros, the funds from which are planned to be used for the development of new projects in the Ülemiste City campus and for refinancing bonds issued by Mainor Ülemiste in April 2018 redeemable on 5 April 2023.

In June 2021, the first stage of a 10,000 thousand euro unsecured bond issue was conducted in the amount of 5,000 thousand euros with a maturity date of 10 June 2026 and an interest rate of 4.75%.

In January 2023, a syndicated loan agreement for 15.4 million euros was concluded with AS SEB Pank and Luminor Bank AS.

Loans have been secured with a majority of the properties belonging to Mainor Ülemiste AS and Öpiku Majad OÜ with a carrying amount of 196,780 thousand euros (31 December 2021: 166,960 thousand euros) and the shares of AS Technopolis Ülemiste with a carrying amount of 58,855 thousand euros as at 31 December 2022 (31 December 2021: 46,490 thousand euros). As at 31 December 2022, the total value of these collaterals amounted to 245,907 thousand euros (31 December 2021: 200,717 thousand euros).

Note 18. Trade and other payables

(In thousands of euros)			Allocation by remaining maturity	
	Notes	31 December 2022	12 months	1–5 years
Financial liabilities				
Trade payables		2,004	2,004	0
Other payables		248	248	0
Incl. interest payables		*248*	*248*	*0*
Liabilities to other entities in the Mainor AS consolidation group		528	528	0
Total financial liabilities		**2,780**	**2,780**	**0**

EY FOR IDENTIFICATION PURPOSES ONLY 06.04.2023 IK

Non-financial liabilities				
Employee payables		224	224	0
Tax payables	12	101	101	0
Deferred income		95	95	0
Total non-financial liabilities		**420**	**420**	**0**
TOTAL		**3,200**	**3,200**	**0**

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

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

(In thousands of euros)			Allocation by remaining maturity	
	Notes	31 December 2022	12 months	1–5 years
Prepayments received		977	567	410

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

Prepayments received include deposits from tenants in accordance with the concluded rental agreements.

Note 20. Provisions

(In thousands of euros)	31 December 2021	Recognition/ adjustments	31 December 2022
Compensation for incapacity for work	197	-36	161
Incl. short-term	39	-6	33
Incl. long-term	158	-30	128

Provisions have been recognized for the obligation to pay compensation for incapacity for work to the former employees of AS Dvigatel.

Note 21. Revenue

(In thousands of euros)	Notes	1 January 2022 – 31 December 2022	1 January 2021 – 31 December 2021
Revenue from contracts with customers			
Other revenue		1,849	1,240
Revenue from administrative services		4,891	2,911
Total revenue from contracts with customers		**6,740**	**4,151**
Lease income			
Operating lease income	31	9,504	8,925
Total lease income		**9,504**	**8,925**
Total revenue		**16,244**	**13,076**

(In thousands of euros)	Notes	1 January 2022 – 31 December 2022	1 January 2021 – 31 December 2021
Revenue from contracts with customers			
Revenue from administrative services		4,891	2,911
Revenue from conference services		102	54
Revenue from accommodation services		869	564
Revenue from parking		450	325
Revenue from illuminated advertisements		31	31
Revenue from one-time services		397	266
Total revenue from contracts with customers		**6,740**	**4,151**
Lease income			
Shared office rent		287	291
Office rent		6,077	5,575
Industrial premises rent		1,498	1,599
Other rent		1,546	1,373
Parking house rent		96	87
Total lease income		**9,504**	**8,925**
Total revenue		**16,244**	**13,076**

Note 22. Other operating income

(In thousands of euros)	Notes	1 January 2022 – 31 December 2022	1 January 2021 – 31 December 2021
Profit from revaluation of investment property	6	12,961	2,204
Government grants from Enterprise Estonia		0	25
Penalties received		232	0
Other operating income		5	17
Total		**13,198**	**2,246**

Note 23. Cost of sales

(In thousands of euros)	1 January 2022 – 31 December 2022	1 January 2021 – 31 December 2021
Electricity	-2,531	-1,405
Heating	-1,283	-506
Water and sewage	-171	-129
Cleaning	-965	-828
State and local taxes	-72	-72
Property maintenance	-757	-649
Other	-623	-455
Total	**-6,402**	**-4,044**

Note 24 Marketing expenses

(In thousands of euros)	Notes	1 January 2022 – 31 December 2022	1 January 2021 – 31 December 2021
Personnel expenses	26	-91	-68
Advertisement, PR		-194	-153
Total		**-285**	**-221**

Note 25. Administrative expenses

(In thousands of euros)	Notes	1 January 2022 – 31 December 2022	1 January 2021 – 31 December 2021
Miscellaneous office expenses		-21	-25
Training expenses		-17	-17
Expected credit losses	11	-274	-130
Personnel expenses	26	-1,029	-1,099
Compensation for incapacity for work		-1	27
Depreciation and amortization	7, 8	-155	-137
Insurance expenses		-41	-37
Management fees		-360	-360
Bank fees		-63	-15
IT expenses and software maintenance		-92	-81
Legal, development, consultation and other expenses		-1,376	-1,198
Total		**-3,429**	**-3,072**

EY FOR IDENTIFICATION PURPOSES ONLY 06.04.2023 IK

Note 26. Personnel expenses

(In thousands of euros)	1 January 2022 – 31 December 2022	1 January 2021 – 31 December 2021
Wages and salaries	-828	-857
Social and unemployment insurance taxes	-277	-288
Pension expenses	0	-13
Social tax on pensions	0	-4
Sickness benefit	-6	-2
Vacation reserve	-9	-3
Total	**-1,120**	**-1,167**
Average number of full-time employees	20	19

Personnel expenses have been reduced by capitalized project management fees in the amount of 209 thousand euros (2021: 0 euros), refer to Note 6. Remuneration paid to the members of the management and supervisory boards has been disclosed in Note 33.

Note 27. Other operating expenses

(In thousands of euros)	1 January 2022 – 31 December 2022	1 January 2021 – 31 December 2021
Other operating expenses	-16	-18
Total	**-16**	**-18**

Note 28. Interest income

(In thousands of euros)	Notes	1 January 2022 – 31 December 2022	1 January 2021 – 31 December 2021
Other interest income	33	257	293
Interest income from other receivables		0	5
Income from derivatives		356	0
Total		**613**	**298**

Note 29. Interest expenses

(In thousands of euros)	Notes	1 January 2022 – 31 December 2022	1 January 2021 – 31 December 2021
Interest expense from loans		-2,400	-2,149
Limit fees		-9	-6
Interest expense from lease liabilities		-2	-3
Interest expense from bonds		-788	-669
Interest expenses from derivatives		-100	-182
Total		**-3,299**	**-3,009**

Note 30. Other financial income and expenses

(In thousands of euros)	Notes	1 January 2022 – 31 December 2022	1 January 2021 – 31 December 2021
Other financial expenses		-0	-83
Other financial expenses related to Mainor group	33	-67	-165
Total		**-67**	**-248**

Note 31. Operating lease

Group as lessor

The Group has rented out office and production premises.

(In thousands of euros)	Notes	2022	2021
Operating lease income	21	9,504	8,925
Future operating lease income from non-cancellable lease agreements:			
Within 12 months		9,910	8,203
Within 1–5 years		20,345	14,068
Over 5 years		3,277	1,559
Carrying amount of leased assets	6	196,780	166,960

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

(In thousands of euros)	2022	2021
Retained earnings	104,819	96,132
Profit for the financial year	30,400	10,267
Total profit before tax	**135,219**	**106,399**
Estimated income tax calculated at 14% tax rate	0	0
Estimated income tax calculated at 20% tax rate	27,044	21,280
Total estimated income tax	**27,044**	**21,280**
Dividends declared and distributed in the reporting period	1,580	1,500
Tax-exempt dividends paid	1,495	1,405
Dividends taxable at 20%	34	75
Dividends taxable at 14%	51	20
Estimated income tax calculated at 20% tax rate	-9	-19
Estimated income tax calculated at 14% tax rate	-8	-3
Income tax expense for the financial year	**-17**	**-22**
Effective income tax rate	**0.06%**	**0.2%**

As at 31 December 2022, the retained earnings of the Group amounted to 135,219 thousand euros (31 December 2021: 106,399 thousand euros). From 1 January 2019, regularly payable dividends are taxed at 14% or 14/86 of the net amount of the dividends according to subsection 4 (5) and § 50^{1} of the Income Tax Act. This means that a resident company is able to both apply a lower (reduced) tax rate of 14/86 and a standard tax rate of 20/80. 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 2022, 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 27,044 thousand euros (31 December 2021: 21,280 thousand euros) and the corresponding maximum net dividend distribution 108,175 thousand euros (31 December 2021: 85,119 thousand euros). Mainor Ülemiste AS paid additional income tax in the amount of 17 thousand euros on the dividends paid out in 2022 (2021: 22 thousand euros), as the amount of the dividends paid was 85 thousand euros (2021: 95 thousand euros) higher than the dividends received from AS Technopolis Ülemiste.

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%)
- AS Technopolis Ülemiste

- 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 2022	Liabilities as at 31 December 2022	Receivables as at 31 December 2021	Liabilities as at 31 December 2021
Parent company	9,154	0	8,967	0
Other entities in the Mainor AS consolidation group	74	528	59	412
AS Technopolis Ülemiste	16	103	8	77
Companies associated with executive and senior management and their family members	0	2	77	1

Transactions with related parties in 2022 *(In thousands of euros)*	Purchases	Disposals	Loans granted	Repayment of loans granted
AS Technopolis Ülemiste	933	155	0	0
Other entities in the Mainor AS consolidation group	3,825	1,177	0	0
Companies associated with executive and senior management and their family members	68	83	0	0

Transactions with related parties in 2021 *(In thousands of euros)*	Purchases	Disposals	Loans granted	Repayment of loans granted
AS Technopolis Ülemiste	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

In 2022, transactions with the following entities in the Mainor AS consolidation group were conducted: AS Eesti Ettevõtluskõrgkool Mainor, AS Dvigatel - Energeetika, Doranova Baltic OÜ, OÜ Mairenestal, Tallinn International School OÜ and Mainor AS.

In 2022, transactions with the following companies associated with executive and senior management and their family members were conducted: OÜ Nets, OÜ Kristosten, OÜ Disain Pluss, OÜ RVVE Grupp,

EY FOR IDENTIFICATION PURPOSES ONLY 06.04.2023 IK

Nordic Financial Services OÜ, Tooma Energia OÜ, Guide2Industry OÜ, AS Ekast, Ülemiste Center OÜ, OÜ RS Büroo, OÜ Flennert, SA Emili Kool.

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

Investments that form an integral part of investment property were acquired from group companies in the amount of 223 thousand euros in the reporting period (2021: 130 thousand euros).

Interest income of 257 thousand euros (2021: 293 thousand euros), interest expense of 0 thousand euros (2021: 15 thousand euros) and other financial expenses of 67 thousand euros (2021: 165 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.

AS Technopolis Ülemiste paid dividends of 1,495 thousand euros in the reporting year (2021: 1,405 thousand euros).

Remuneration calculated for the members of the supervisory and management boards amounted to 251 thousand euros in the reporting year (2021: 277 thousand euros).

Note 34. Subsequent events

Construction of the 7-story 2nd building of Ülemiste Health Centre at Sepapaja 12 began in January 2023. The building should be ready by July 2024. The total cost of the project is 20.5 million euros, of which 15.4 million euros is financed by a syndicate of AS SEB Pank and Luminor Bank AS; the relevant loan agreement was concluded in January 2023.

In February 2023, AS Technopolis Ülemiste purchased shares in the amount of 4,000 thousand euros to be held as treasury shares, of which 1,960 thousand euros was paid to Mainor Ülemiste AS.

In February 2023, Mainor Ülemiste AS conducted a private placement of 4-year unsecured bonds in the total amount of 10 million euros (with the right to increase to 15 million euros). Investors subscribed for bonds worth a total of 12,106,000 euros, which is 1.2 times more than the planned volume. The Management Board of Mainor Ülemiste decided to satisfy all subscriptions and increase the issue to 12,106,000 euros. The offer price of the bonds was equal to their nominal value, and the bonds have a fixed interest rate of 8.5% per annum. The completed placement was the first part of the Company's unsecured bond program with a maximum total volume of 20 million euros, the funds from which are planned to be used for the development of new projects in the Ülemiste City campus and for refinancing bonds issued by Mainor Ülemiste in April 2018 redeemable on 5 April 2023. The completed placement was successful in all three Baltic states with a total of 100 investors participating.

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:

(In thousands of euros)	31 December 2022	31 December 2021
ASSETS		
Investment property	60,230	58,020
Tangible assets	189	171
Intangible assets	38	77
Investments in subsidiaries	10,682	10,252
Investment accounted for using the equity method	58,855	46,490
Prepayments	55	39
Trade and other receivables	26,552	27,054
Cash and cash equivalents	7,538	11,622
TOTAL ASSETS	**164,139**	**153,725**
EQUITY		
Share capital at nominal value	18,200	18,200
Legal reserve	1,920	1,920
Retained earnings	81,723	79,276
Profit for the financial year	13,263	4,027
Total equity	**115,106**	**103,423**
LIABILITIES		
Provisions	161	197
Borrowings	47,464	48,589
Trade and other payables	995	1,014
Prepayments received	413	502
TOTAL LIABILITIES	**49,033**	**50,302**
TOTAL LIABILITIES AND EQUITY	**164,139**	**153,725**

Income statement and statement of comprehensive income:

(In thousands of euros)	2022	2021
Revenue	6,433	5,425
Cost of sales	-2,770	-1,867
Gross profit	**3,663**	**3,558**
Marketing expenses	-282	-191
Administrative expenses	-3,505	-2,972
Income from investment accounted for using the equity method	13,860	5,281
Other operating income	555	28
Other operating expenses	-16	-791
Operating profit	**14,275**	**4,913**
Financial income and expenses		
Interest income	1,271	1,320
Interest expenses	-2,199	-1,936
Other financial income and expenses	-67	-248
Total financial income and expenses	**-995**	**-864**
Profit before tax	13,280	4,049
Income tax	-17	-22
Net profit for the financial year	**13,263**	**4,027**
Other comprehensive income for the financial year	**0**	**0**
Comprehensive income for the financial year	**13,263**	**4,027**

Statement of cash flows:

(In thousands of euros)	2022	2021
Cash flows from operating activities		
Profit before tax	13,280	4,049
Adjustments:		
Depreciation, amortization and impairment	145	127
Change in the fair value of investment property	-510	782
Profit (loss) from investment accounted for using the equity method	-13,860	-5,281
Other financial income and expenses	67	248
Interest income	-1,271	-1,320
Interest expenses	2,199	1,936
Change in receivables and prepayments related to operating activities	1,487	-905
Change in liabilities and prepayments related to operating activities	0	-212
Net cash generated from operating activities	**1,537**	**-576**
Cash flows from investing activities		
Sale of tangible and intangible assets	0	2
Acquisition of tangible and intangible assets	-157	-97
Acquisition and improvement of investment property	-1,656	-1,071
Contribution to the equity of a subsidiary	-430	0
Repayment of loans granted	185	0
Interest received	86	257
Dividends received	1,495	1,405
Other cash inflows from investing activities	0	1,960
Net cash generated from investing activities	**-477**	**2,456**
Cash flows from financing activities		
Loans received	0	6,125
Bond issue	0	5,000
Repayment of loans received	-1,109	-7,251
Lease principal payments	-15	-21
Interest paid	-2,258	-1,970
Other cash outflows from financing activities	-165	-150
Dividends paid	-1,580	-1,500
Income tax on dividends	-17	-22
Net cash generated from financing activities	**-5,144**	**211**
Total cash flows	**-4,084**	**2,091**
Cash and cash equivalents at the beginning of the financial year	11,622	9,531
Change in cash and cash equivalents	-4,084	2,091
Cash and cash equivalents at the end of the financial year	7,538	11,622

Statement of changes in equity:

(In thousands of euros)	Share capital	Legal reserve	Retained earnings	Total
Balance as at 1 January 2021	**18,200**	**1,920**	**97,802**	**117,922**
Profit for the financial year	0	0	4,027	4,027
Other comprehensive income for the financial year	0	0	0	0
Total other comprehensive income for the financial year	**0**	**0**	**4,027**	**4,027**
Dividends paid	0	0	-1,500	-1,500
Balance as at 31 December 2021	**18,200**	**1,920**	**83,303**	**103,423**
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
Adjusted unconsolidated equity as at 31 December 2021	**18,200**	**1,920**	**106,797**	**126,917**
Profit for the financial year	0	0	13,263	13,263
Other comprehensive income for the financial year	0	0	0	0
Total other comprehensive income for the financial year	**0**	**0**	**13,263**	**13,263**
Dividends paid	0	0	-1,580	-1,580
Balance as at 31 December 2022	**18,200**	**1,920**	**94,986**	**115,106**
Value of holdings under dominant or significant influence under the equity method	0	0	50,980	50,980
Carrying amount of holdings under dominant or significant influence	0	0	-10,682	-10,682
Adjusted unconsolidated equity as at 31 December 2022	**18,200**	**1,920**	**135,284**	**155,404**

The difference between consolidated and unconsolidated equity comes from the losses of Ülemiste City Residences OÜ.

Building a better working world

Ernst & Young Baltic AS
Rävala 4
10143 Tallinn
Eesti
Tel.: +372 611 4610
Faks.: +372 611 4611
Tallinn@ee.ey.com
www.ey.com/et_ee

Äriregistri kood 10877299
KMKR: EE 100770654

Ernst & Young Baltic AS
Rävala 4
10143 Tallinn
Estonia
Phone.: +372 611 4610
Fax.: +372 611 4611
Tallinn@ee.ey.com
www.ey.com/en_ee

Code of legal entity 10877299
VAT payer code EE 100770654

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 of consolidated statement of financial position as at 31 December 2022, and the consolidated income statement and 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 2022, 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, 6 April 2023

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 2022 as follows:

(In thousands of euros)	31 December 2022
Group's retained earnings before profit allocation	104,819
Dividend distribution	1,500
Profit for the financial year to be included in retained earnings	28,900
Group's retained earnings after profit allocation	**133,719**

Mainor Ülemiste AS revenue according to EMTAK 2008

EMTAK	Economic activity	1 January 2022 – 31 December 2022
68201	Renting and operating of own or leased real estate	9,504
68329	Other real estate management or related activities	6,740
	Total revenue	16,244