Mainor Ülemiste AS

CONSOLIDATED ANNUAL REPORT 2023

Beginning of financial year: 1 January 2023

End of financial year: 31 December 2023

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

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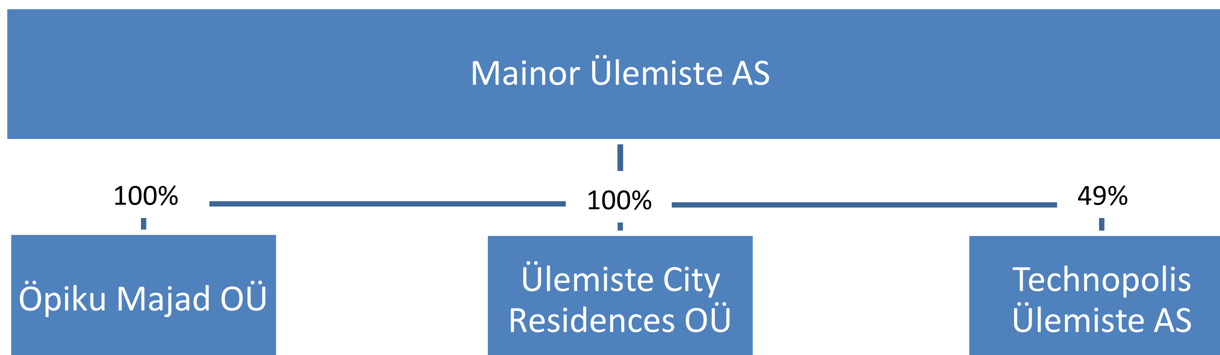
Management report

Structure of the consolidation group



In 2023, the principal activity of Mainor Ülemiste AS continued to be the development of Ülemiste City campus, including the development and construction of new and modernization of already existing buildings, renting premises and providing tenants with necessary services, and developing new real estate projects.

Ülemiste City development

In January 2023, Öpiku Majad OÜ started the construction of the new Baer health centre in Ülemiste City. The new health centre is a 7-story complex, covering a net area of 9,450 m². The total cost of the project is 20.5 million euros, of which 15.4 million euros is financed by a syndicate of SEB and Luminor banks. The building meets the Class A energy label due to the solar panels designed on the roof, as well as the district heating and cooling systems utilized. The exterior of the building is characterized by sustainability and biodiversity, which fully supports Ülemiste City's vision of a green and sustainable urban space.

The second building of the health centre was designed in cooperation with What If OÜ. The architectural solution was provided by Apex Arhitektuuribüroo OÜ, interior design by Studio Argus OÜ and the landscape architectural solution by Tajuruum OÜ. The main contractor for the construction is OÜ Fund Ehitus.

The largest tenant of the health centre, which will be completed in the next year, will be Tartu University Hospital. Other occupants will include Niine kliinik OÜ, SYNLAB Eesti OÜ, BENU Apteek Eesti OÜ, MediPunkt OÜ, Tomson Tervisekeskus OÜ, Perekliinik OÜ, Health Tests OÜ, Linna Grupp OÜ, Reio Vilipuu Rehabilitation Clinic, PSI Laste ja noorukite psühhiaatria keskus OÜ and Ülemiste Psühhiaatriakeskus OÜ.

In June 2023, Mainor Ülemiste AS signed a construction contract with NOBE OÜ for the construction of an educational quarter and a community house. The building will be erected on the Valukoja 7/9 property and will have a net area of approximately 5,400 m². The new building will provide contemporary learning and growth opportunities for International School of Tallinn and the Ülemiste community house. Mainor group company International School of Tallinn offers educational services to the international community from kindergarten to high school. The total cost of the investment is approximately 17.5 million euros, excluding VAT. The project is financed by OP Corporate Bank plc Eesti filiaal.

On June 29, Mainor Ülemiste AS signed a contractual agreement with Ericsson Eesti AS for properties covering 52,500 m^2 with the aim of establishing a new carbon-neutral smart future technology center in Ülemiste City, which will bring 2,500 mobile network technology development specialists to Ülemiste City by 2026.

Öpiku Majad OÜ is developing the properties known collectively as the Öpik Quarter. The quarter has a total of 59 649 m^2 of rental space. Most of the turnover of the Öpik Quarter comes from the Öpik building, which has 29,900 m^2 of rental space, 96% of which was covered by contracts as at the end of 2023.

The second largest building in the Öpik Quarter is the Alma Tomingas building, which has 15,964 m^2 of rental space, 100% of which was covered by contracts as at the end of 2023. In the second half of 2023, CF&S Estonia AS and AS Kaupmees Grupp moved into the Alma Tomingas building.

The residential tower of the Lurich building has been leased to group company Ülemiste City Residences OÜ, who also operates the 81 fully furnished apartments of different sizes in the residential building.

Due to outstanding debts, Öpiku Majad OÜ terminated its cooperation with the catering company Pomo Eesti OÜ at Sepise 8. The former space of Pomo Eesti OÜ was renovated for a long-term client of the campus, the IT company Codeborne OÜ.

In 2023, lease agreements were renewed and signed covering 34,500 m^2. At the end of 2023, the occupancy rate of buildings owned by Mainor Ülemiste AS was 98%. One of the main goals of Mainor Ülemiste AS is to provide services based on customer needs, ensuring high satisfaction for all clients. In 2023, the net promoter score was 73%.

Companies in the campus have found a hybrid work rhythm suitable for their specific needs. Many companies prefer working in the office, which supports company culture and efficiency. This has had a positive impact on the service providers in the campus, including a significant increase in visits to the MyFitness sports club, the use of campus-provided conference services and the revenues of catering companies.

Sustainable Ülemiste City

A sustainable environmental strategy for Ülemiste City is being developed in cooperation with Mainor AS, which includes activities aimed at reducing environmental impact. An important part of the strategy is the use of green energy, the gradual transition of the campus to district heating and cooling, and the certification of buildings. 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. The strategy also includes the use of innovative green technologies such as the artificial intelligence solution Jenni by R8 Technologies OÜ. By doing this, Mainor Ülemiste AS and Öpiku Majad OÜ reduced the energy spent on the building's heating, ventilation and cooling by more than 512 tons of CO_2 in 2013.

In 2023, the Scope 1 footprint of Mainor Ülemiste AS and Öpiku Majad OÜ was 1,274 tons of CO_2. Scope 2 (purchased energy) was 126.17 tons of CO_2, of which 811 kg or 0.811 tons of CO_2 was associated with the office space of Mainor Ülemiste AS.

Environmental conservation goals of Mainor Ülemiste AS:
Reduction of energy consumption per m^2 in office buildings by 2025 (compared to 2019): -7.5%
Green electricity consumption in office buildings: 100%
Water consumption per employee by 2025 target level: no more than 5000 l
Reduction of the amount of waste generated per person, 2026 target level: -12%
Proportion of waste sorted by type in the campus, 2026 target level: 56%
Proportion of travel in the campus other than by car by 2025: at least 50%

A unique Green City service was launched in 2023. This service encourages the companies and employees of Ülemiste City to consider their environmental footprint and facilitates sustainability-related activities. It significantly simplifies the process of accessing data, which is one of the most time-consuming aspects of reporting. Additionally, it provides insights into the consumption of resources by the campus and companies, and offers recommendations for smarter consumption.

In collaboration with Ringo Eco OÜ, Ülemiste City abandoned single-use food packaging in October 2022 to reduce their environmental burden. In Ülemiste City, 87,000 reusable containers of Ringo's reusable packaging service were used, preventing 175 m^3 of waste.

A large part of the environmental impacts in the construction sector are related to spatial planning and mobility. 60% of Mainor Ülemiste AS employees travel to work by public transportation, and the company works closely with the Tallinn Transport Department to ensure convenient and fast public transit connections from all areas of Tallinn and from outside the city. Mainor Ülemiste AS is an active member of the Green Tiger advisory council, and in 2023, Green Tiger was developing its third transportation roadmap aimed at creating a sustainable economic model that helps shape Estonia's long-term perspective on reducing CO_2 emissions in the transport sector.

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 Baltic 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.

Healthy and happy people are the foundation of a sustainable company

Mainor Ülemiste AS has long prioritized employee well-being and health promotion. They consistently measure employee well-being through the Moticheck app. In 2023, it was 84%. 2023 was the Be Active Year in Estonia that encouraged employees to participate in a different health management challenge each month. The company is also involved in raising health awareness in the Ülemiste City community and organizing health management campaigns based on the Ülemiste City health model developed by the University of Tartu. May was the health month in Ülemiste City, and from May to September, the second Ülemiste City Bike2Work campaign took place, during which nearly 3,000 bike commutes were made. The company is developing the Ülemiste City environment to be inviting to move by offering opportunities to hold meetings on the walking meeting trail, encouraging stair use and developing a green environment both inside and outside the buildings. In addition to health management campaigns and challenges, people's awareness was also improved through various trainings and seminars.

Research and innovation

In 2023, the Mainor Ülemiste team participated in the Enterprise Estonia Top Innovators Programme, developing the Ülemiste City innovation strategy during the 8-month program. The innovation

strategy is a consistent theme in the Mainor Ülemiste 2024-2026 strategy and contributes to the development of existing services, leading innovation in the real estate sector and aims at creating new business models that add value to the Estonian economy. An important input for the innovation strategy is the Test City service, launched in 2023, which enables innovators to test their new technological, green or health solutions in the Ülemiste city lab. Test City service clients in 2023 included various companies. Pilot projects and developments were aimed at further development of R8 Technologies solutions based on data from Kone Insights, prototyping and platform development for the Migrevention digital headache clinic concept, development and testing of Activate Health employer health management system, Skeleton ElevatorKERS solutions for storing and reusing electrical energy in elevators, and much more.

Mainor AS and Mainor Ülemiste AS led several different events in the campus, the most international and largest of which was the Future Forum held on 10-11 May.

Goals and activities for 2024

Mainor Ülemiste AS signed a contract for the purchase of all shares of Technopolis Ülemiste AS, becoming once again the sole developer of Ülemiste City. The last time the largest business campus in the Baltics was owned by Estonian companies, predominantly led by Ülo Pärnits, was 15 years ago. In 2010, Mainor Ülemiste AS and the Finnish publicly listed company Technopolis Plc created a joint venture, Technopolis Ülemiste AS, of which Mainor Ülemiste AS owned 49% and Technopolis Baltic Holding OÜ 51%. On 7 March 2024, the Estonian Competition Authority granted the necessary approval to finalize the transaction. Through the purchase of these shares, Mainor Ülemiste AS becomes the largest real estate developer in the Tallinn region with 14.1% of the market. To finance the purchase of Technopolis Ülemiste shares, Mainor Ülemiste AS also brought in a new investor within the framework of the transaction, OÜ Mulligan Capital, who will acquire 28.28% of Mainor Ülemiste AS. In 2024, with the purchase of Technopolis Ülemiste AS, the teams of the two companies will merge, data will be transferred to Mainor Ülemiste's systems and customer experience management will become uniform. The company conducted a cybersecurity audit in 2023 and will start implementing the action plan based on the results of the audit in 2024.

In addition to merging the two companies, the main goal for 2024 is to continue moving towards the strategic goals of Ülemiste City. The primary objectives in real estate development are to complete the construction of the Baer health centre and support the clients as they move in and settle. Throughout 2024, the construction of the educational quarter will continue with the goal of starting to hand over the building to the International School of Tallinn at the end of the year. Preparations are also already underway for to construction of the next office building. The company continues to collaborate with the City of Tallinn, the Ministry of Climate and OÜ Rail Baltic Estonia to build a network of tunnels running under the railway, ensuring a better connected and more human-friendly urban space.

In terms of the services provided in Ülemiste City, the company will continue to develop the Green City and Test City services as well as the B2B and talent platforms to offer companies opportunities to become more aware of their footprint, test new technological and urban solutions, collaborate with other companies and recruit the most suitable talent.

In collaboration with Mainor AS, development of the data-driven dashboard Ülemiste City Radar will continue, bringing together data on Ülemiste City's economy, environment, services, knowledge and community to set key data-based performance indicators for the development of the campus and ensure continuous and systematic data collection to monitor the company's movement towards strategic goals.

Financial results of Mainor Ülemiste AS

A total of 13,788 thousand euros was invested in the construction of buildings and improvement of equipment in 2023 (2022: 16,859 thousand euros).

In 2023, bank loans in the amount of 6,940 thousand euros (2022: 17,068 thousand euros) were received and 3,226 thousand euros (2022: 2,888 thousand euros) repaid. New bonds in the amount of 12,106 thousand euros were issued. 10,000 thousand euros worth of bonds redeemable on 5 April 2023 were redeemed. The holders of 3,622 thousand euros worth of the bonds redeemable on 5 April 2023 decided to continue in the new issue.

As at 31 December 2023, the fair value of Mainor Ülemiste AS's investment property (including investment property held for sale) amounted to 206,452 thousand euros (2022: 196,780 thousand euros). The value of Mainor Ülemiste AS's 49% holding in Technopolis Ülemiste AS was 57,804 thousand euros (2022: 58,855 thousand euros).

Dividends in the amount of 1,539 thousand euros were distributed to owners (2022: 1,580 thousand euros).

As at the end of the year, Mainor Ülemiste AS had 22 employees (2022: 20 employees), who received a total of 1,087 thousand euros (2022: 984 thousand euros) in remuneration, including remuneration calculated for the members of the supervisory and management boards in the amount of 334 thousand euros (2022: 251 thousand euros). As of 1 January 2023, the management board of Mainor Ülemiste AS has again 3 members, after consisting of only 2 members between 1 April and 31 December 2022. Refer to notes 23 and 28.

The consolidated turnover of Mainor Ülemiste AS in 2023 amounted to 18,142 thousand euros (2022: 16,244 thousand euros), other operating income was 4,614 thousand euros (2022: 13,198 thousand euros) and net profit 7,937 thousand euros (2022: 30,400 thousand euros), including revaluation of investment property in the amount of 4,584 thousand euros (2022: 12,961 thousand euros). As at 31 December 2023, the company's equity amounted to 161,737 thousand euros, and as at 31 December 2022, to 155,339 thousand euros.

Key financial ratios	31 December 2023	31 December 2022
Return on equity – ROE (%)	5.0%	21.6%
Return on assets – ROA (%)	2.8%	11.8%
Operating margin (%)	82.4%	204.2%
Net profit margin (%)	43.7%	187.2%
Dividend payout ratio (%)	5.1%	15.4%
Revenue growth rate (%)	11.7%	24.2%

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 2023, 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 2023 annual report of Mainor Ülemiste AS is signed by:

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

(signature, date)
Sten Pärnits
Member of the Management Board

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

Financial statements

Consolidated statement of financial position

(In thousands of euros)	Notes	31 December 2023	31 December 2022
ASSETS			
Investment property	6	204,410	196,780
Tangible assets		118	190
Intangible assets		44	49
Investment property held for sale	7	2,042	0
Inventories	8	8,700	0
Investment accounted for using the equity method	13	57,804	58,855
Prepayments		589	292
Trade and other receivables	9	11,547	11,220
Cash and cash equivalents	14	8,646	10,832
TOTAL ASSETS		**293,900**	**278,218**
EQUITY			
Share capital at nominal value	15	18,200	18,200
Legal reserve	15	1,920	1,920
Retained earnings		133,680	104,819
Profit for the financial year		7,937	30,400
TOTAL EQUITY		**161,737**	**155,339**
LIABILITIES			
Provisions		172	161
Borrowings	16	124,273	118,541
Trade and other payables	17	6,034	3,200
Prepayments received	18	1,684	977
TOTAL LIABILITIES		**132,163**	**122,879**
TOTAL LIABILITIES AND EQUITY		**293,900**	**278,218**

Notes on pages 14–59 are an integral part of this annual report.

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Consolidated income statement and consolidated statement of comprehensive income

(In thousands of euros)	Notes	2023	2022
Revenue	19	18,142	16,244
Cost of sales	21	-6,246	-6,402
Gross profit		**11,896**	**9,842**
Marketing expenses		-195	-285
Administrative expenses	22	-3,792	-3,429
Income from investment accounted for using the equity method	13	2,448	13,860
Other operating income	20	4,614	13,198
Other operating expenses		-20	-16
Operating profit		**14,951**	**33,170**
Financial income and expenses			
Interest income	24	709	613
Interest expenses	25	-7,368	-3,299
Other financial income and expenses		-355	-67
Total financial income and expenses		**-7,014**	**-2,753**
Profit before tax		**7,937**	**30,417**
Income tax		0	-17
Net profit for the financial year		**7,937**	**30,400**
Other comprehensive income for the financial year		**0**	**0**
Comprehensive income for the financial year		**7,937**	**30,400**
Attributable to owners of the parent company		7,937	30,400

Notes on pages 14–59 are an integral part of this annual report.

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Consolidated statement of cash flows

(In thousands of euros)	Notes	2023	2022
Cash flows from operating activities			
Profit before tax		7,937	30,417
Adjustments:			
Depreciation, amortization and impairment		125	155
Change in the fair value of investment property	6	-4,584	-12,961
Profit (loss) from investment accounted for using the equity method	13	-2,448	-13,860
Other financial expenses		355	67
Interest income	24	-709	-613
Interest expenses	25	7,368	3,299
Change in receivables and prepayments related to operating activities		-177	-206
Change in liabilities and prepayments related to operating activities		1,536	-129
Net cash generated from operating activities		**9,403**	**6,169**
Cash flows from investing activities			
Acquisition of tangible and intangible assets		-48	-162
Acquisition and improvement of investment property	6	-11,737	-17,978
Loans granted		-25	0
Repayment of loans granted		1	0
Interest received		285	82
Dividends received	13, 28	1,539	1,495
Other cash inflows from investing activities	13, 28	1,960	0
Net cash generated from investing activities		**-8,025**	**-16,563**
Cash flows from financing activities			
Loans received	16	6,940	17,068
Bond issue	16	8,484	0
Redemption of bonds	16	-6,378	0
Repayment of loans received	16	-3,226	-2,888
Lease payments		-88	-108
Interest paid		-7,402	-4,011
Other financial expenses		-355	-165
Dividends paid	15	-1,539	-1,580
Income tax on dividends		0	-17
Net cash generated from financing activities		**-3,564**	**8,299**
Total cash flows		**-2,186**	**-2,095**
Cash and cash equivalents at the beginning of the financial year	14	**10,832**	**12,927**
Change in cash and cash equivalents		-2,186	-2,095
Cash and cash equivalents at the end of the financial year	14	**8,646**	**10,832**

Notes on pages 14–59 are an integral part of this annual report.

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Consolidated statement of changes in equity

(In thousands of euros)	Share capital	Legal reserve	Retained earnings	Total
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**
Profit for the financial year	0	0	7,937	7,937
Other comprehensive income for the financial year	0	0	0	0
Total comprehensive income for the financial year	**0**	**0**	**7,937**	**7,937**
Dividends declared	0	0	-1,539	-1,539
Balance as at 31 December 2023	**18,200**	**1,920**	**141,617**	**161,737**

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

Notes on pages 14–59 are an integral part of this annual report.

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Notes to the financial statements

Note 1. Reporting entity

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

The consolidated financial statements of Mainor Ülemiste AS have been prepared for the period 1 January 2023 – 31 December 2023, the comparative period being 1 January 2022 – 31 December 2022. 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 26 April 2024. According to the Commercial Code of the Republic of Estonia, the annual report must also be approved by the Supervisory Board and shareholders. Shareholders have the right not to approve the annual report prepared by the Management Board and authorized by the Supervisory Board and request the preparation of a new report.

Note 2. Significant accounting and reporting principles

2.1 Basis of accounting

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

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

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

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

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

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FOR IDENTIFICATION PURPOSES ONLY

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

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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

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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 Investment property held for sale

Investment properties scheduled to be sold within the next 12 months are recognized as investment properties held for sale. Investment properties held for sale are carried at their fair value.

2.6 Inventories

Ongoing real estate development projects developed for sale are recorded as inventories. Upon reclassification, the fair value of investment property was taken to represent the cost of inventories. Development costs necessary to prepare the inventories for sale will be subsequently capitalized. Revenue from completed developments is recognized after a notarized real right contract for transfer of immovable property ownership has been concluded between the transferor and the acquirer. Inventories are expenses under cost of sales in the income statement.

2.7 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

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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.

2.8 Investments

Investments in subsidiaries

Investments in subsidiaries that are not held for sale are recognized in the unconsolidated financial statements of the parent company at cost; in the consolidated financial statements, the financial information of subsidiaries is combined line by line. In the consolidated financial statements, all receivables, liabilities, income, expenses and unrealized gains and losses resulting from transactions between the parent company and its subsidiaries have been eliminated. According to the Accounting Act of the Republic of Estonia, notes to the consolidated financial statements should include information regarding the unconsolidated main statements of the consolidating entity. The main statements of the parent company have been prepared using the same accounting policies and bases of estimations as the consolidated statements, except for investments in subsidiaries, which have been reported at cost in the parent company's main statements. The balance sheet, income statement, cash flows and statement of changes in equity of Mainor Ülemiste AS as the parent company have been presented in the respective notes.

Investments recognized in equity

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.

2.9 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.

2.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party.

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

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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.

2.11 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 as financial assets measured 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 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 2023 and 2022, all the Group's financial assets were classified in the amortized cost measurement category.

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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, loans granted and other receivables. 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.

2.12 Financial liabilities

Initial recognition and measurement

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

Subsequent measurement

Subsequent measurement of financial liabilities is at amortized cost using the effective interest 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 method.

A financial liability is classified as current when it is due within 12 months after the reporting date or the Group does not have an unconditional right to defer settlement of the liability more than 12 months after the reporting date. Borrowings due within 12 months after the reporting date that are refinanced as long-term after the reporting date but before the annual report is authorized for

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issue are classified as short-term. Borrowings that the lender has the right to recall at the reporting date as a consequence of a breach of contractual terms are also recognized as short-term. Details on the current vs non-current classification of financial liabilities can be found in notes 16 and 17.

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.

2.13 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.

2.14 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.

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2.15 Revenue recognition

The main sources of revenue for the Group are:

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

(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

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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.

2.16 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.

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2.17 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.

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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 2.15(a).

2.18 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). 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 2023, 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 27 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.

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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.

2.19 Fair value measurement

The Group measures investment property at fair value at each reporting date.

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

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

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

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

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

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

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

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

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

2.20 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

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- Close family members and companies under the control or significant influence of the above persons

2.21 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 2023. 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 2023:

- **IFRS 17: Insurance Contracts.** The standard is effective for annual periods beginning on or after 1 January 2023. 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 group's financial performance, financial position or cash flows.

- **IFRS 17: Insurance Contracts.** The standard is effective for annual periods beginning on or after 1 January 2023. IFRS 17, with the objective to provide an accounting model for insurance contracts that is more useful and consistent for insurers, establishes principles for the recognition, measurement, presentation and disclosure of all types of insurance contracts, as well as of certain guarantees and financial instruments with discretionary participation features. The accounting model is supplemented by a specific adaptation for contracts with direct participation features (the variable fee approach) and by a simplified approach (the premium allocation approach) mainly for short-duration contracts.

  The main features of the new accounting model include the measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows). Also, the model includes a contractual service margin (CSM) that is

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equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognized in profit or loss based on insurance contract services provided over the coverage period. Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognized in profit or loss over the remaining coverage period. Amounts that are paid to a policyholder in all circumstances, regardless of whether an insured event occurs (non-distinct investment components) are not presented in the income statement but are recognized directly on the statement of financial position.

Furthermore, the presentation of insurance revenue and insurance service expenses in the statement of comprehensive income is based on the concept of services provided during the period. Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense. In the statement of financial position, the carrying amounts of portfolios of insurance contracts issued that are assets and those that are liabilities, with the same requirement applying to portfolios of reinsurance contracts held, are presented separately. Finally, IFRS 17 requires extensive disclosures to provide information on the recognized amounts from insurance contracts and the nature and extent of risks arising from these contracts.

Regarding the transition, the Board decided on a retrospective approach for estimating the CSM on the transition date. However, if full retrospective application, as defined by IAS 8, for a group of insurance contracts, is impracticable, an entity is required to choose either the modified retrospective approach or fair value approach. Both provide transitional reliefs. The Group does not issue contracts in scope of IFRS 17; therefore, its application does not have an impact on the group's financial performance, financial position or cash flows.

Finally, in December 2021, the IASB issued amendments to IFRS 17 to add a transition option for a "classification overlay" to address possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of IFRS 17. An entity applying the classification overlay to a financial asset shall present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset. The Group does not issue contracts in scope of IFRS 17; therefore, its application does not have an impact on the 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. 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 assessed its accounting policies disclosure and concluded that the amendments do not have a material impact on the Group's financial statements.

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- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments).** The amendments become effective for annual reporting periods beginning on or after 1 January 2023 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 from 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 amendments do not have a material impact on the Group's financial statements as they only provide guidance as to whether changes are to be treated as changes in estimates, changes in accounting policies or errors.

- **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. 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 material impact on their financial statements.

- **IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (Amendments).** The amendments are effective immediately upon issuance, but certain disclosure requirements are effective later. The Organisation for Economic Co-operation and Development's (OECD) published the Pillar Two model rules in December 2021 to ensure that large multinational companies would be subject to a minimum 15% tax rate. On 23 May 2023, the IASB issued International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12. The amendments introduce a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules and disclosure requirements for affected entities on the potential exposure to Pillar Two income taxes. The Amendments require, for periods in which Pillar Two legislation is (substantively) enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes. To comply with these requirements, an entity is required to disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. The disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023, but are not required for any interim period ending on or before 31 December 2023. The Group believes the amendment will have no material impact on their financial statements.

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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 2023:

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments).** The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period. The Group expects the amendment to have no material impact on their financial statements.

- **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 Group expects the amendment to have no material impact on their financial statements.

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

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

- **IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosure – Supplier Finance Arrangements (Amendments).** The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. The amendments supplement requirements already in IFRS and require an entity to disclose the terms and

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conditions of supplier finance arrangements. Additionally, entities are required to disclose at the beginning and end of reporting period the carrying amounts of supplier finance arrangement financial liabilities and the line items in which those liabilities are presented as well as the carrying amounts of financial liabilities and line items, for which the finance providers have already settled the corresponding trade payables. Entities should also disclose the type and effect of non-cash changes in the carrying amounts of supplier finance arrangement financial liabilities, which prevent the carrying amounts of the financial liabilities from being comparable. Furthermore, the amendments require an entity to disclose at the beginning and end of the reporting period the range of payment due dates for financial liabilities owed to the finance providers and for comparable trade payables that are not part of those arrangements. The amendments have not yet been endorsed by the EU. The Group expects the amendment to have no material impact on their financial statements.

- **IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (Amendments).** The amendments are effective for annual reporting periods beginning on or after 1 January 2025, with earlier application permitted. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique. The amendments have not yet been endorsed by the EU. The Group believes the amendment will have no material 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.** 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 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 expects the amendment to have no material impact on their financial statements.

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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.

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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 9 and 10.

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 2023.

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 (including interest rate risk and currency risk). 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.

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Financial instruments by category:

(In thousands of euros)			31 December 2023	
Class of financial instruments	Notes	Category	Carrying amount	Fair value
FINANCIAL ASSETS				
Trade receivables	10	At amortized cost	1,870	1,870
Other receivables	9	At amortized cost	9,677	9 677
Cash and cash equivalents	14	At amortized cost	8,646	8,646
Total financial assets			**20,193**	**20,193**
FINANCIAL LIABILITIES				
Trade payables	17	At amortized cost	4,241	4,241
Borrowings	16	At amortized cost	124,273	124,273
Other payables	17	At amortized cost	1,421	1,421
Total financial liabilities			**129,935**	**129,935**

(In thousands of euros)			31 December 2022	
Class of financial instruments	Notes	Category	Carrying amount	Fair value
FINANCIAL ASSETS				
Trade receivables	10	At amortized cost	1,981	1,981
Other receivables	9	At amortized cost	9,239	9,239
Cash and cash equivalents	14	At amortized cost	10,832	10,832
Total financial assets			**22,052**	**22,052**
FINANCIAL LIABILITIES				
Trade payables	17	At amortized cost	2,004	2,004
Borrowings	16	At amortized cost	118,541	118,541
Other payables	17	At amortized cost	776	776
Total financial liabilities			**121,321**	**121,321**

Group's financial instruments in the fair value measurement hierarchy (described in section 2.19) as at 31 December 2023:

(In thousands of euros)	31 December 2023			
	Level I	Level II	Level III	**Total**
Financial liabilities for which fair value is disclosed				
Borrowings	0	124,273	0	**124,273**

(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**

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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 2023	31 December 2022
Current accounts and cash in hand	14	8,646	10,832
Trade receivables	10	1,870	1,981
Other receivables	9	9,677	9,239
Total		**20,193**	**22,052**

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 2023, the Group has received a total of 866 thousand euros in deposits (31 December 2022: 977 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 2023	31 December 2022
Receivables not yet due	972	1,011
Overdue 1–30 days	282	473
Overdue 31–90 days	311	301
Overdue more than 90 days	305	196
Total	**1,870**	**1,981**

By the time of preparing the report, the deadlines of overdue receivables in the total amount of 616 thousand euros had been postponed (2022: 703 thousand euros).

To reduce credit risk, the Group classified receivables in the amount of 243 thousand euros as doubtful in 2023 (2022: 281 thousand euros). 24 thousand euros worth of receivables classified as doubtful in previous years were declared uncollectible (2022: 44 thousand euros). The Group has applied the simplified approach described in IFRS 9 in recognizing expected credit losses for trade receivables, according to which the loss allowance is measured at an amount equal to lifetime expected credit losses. In order to estimate expected credit losses, the Group has analyzed past periods and concluded that the expected monthly credit loss of trade receivables is approximately 1% of lease income.

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For all other financial instruments (including loan receivables), 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. The Group manages liquidity risk by continuously monitoring estimated and actual cash flows, and reconciling the maturities of financial assets and liabilities. Liquidity risk is mitigated by monitoring the liquidity position, analyzing various financing options on an ongoing basis and constantly negotiating with financiers.

In 2023, the Group's liquidity was most affected by the following events:

- 4-year unsecured bonds issue in the total amount of 12,106 thousand euros in February 2023, the funds from which were 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
- Additional syndicated loan agreement concluded with AS SEB Pank and Luminor Bank AS in the amount of 301 thousand euros to cover the cost of construction of the new office building at Sepise 7, and 4,295 thousand euros to cover the cost of construction of the 2nd building of Ülemiste Health Centre at Sepapaja 12
- Extension of the 8,980 thousand euro loan granted by OP Corporate Bank plc Eesti filiaal until August 2028
- Additional loan agreement concluded with OP Corporate Bank plc Eesti filiaal in the amount of 2,344 thousand euros to cover the cost of construction of the educational quarter at Valukoja 9

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 Öpiku 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). With the loan agreement concluded between AS LHV Pank and Mainor Ülemiste AS, the Company has undertaken to ensure that the borrower's debt service coverage ratio (DSCR) is at least 1.1 and, if the conditions are not met, not to pay dividends without the bank's prior consent. As at 31 December 2023, all group companies were in compliance with these financial ratios. According to the agreements concluded with OP Corporate Bank plc Eesti filiaal, the loan-to-value ratio (LTV) may not exceed 70% of the market price of the property pledged as collateral. 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.

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Contractual maturities of financial liabilities:

31 December 2023 *(In thousands of euros)*	Notes	Within 1 month	Within 2–3 months	Within 4–12 months	Within 2–5 years	Total
Secured bank loans	16	877	1,775	27,999	92,089	122,740
Bonds	16	0	515	752	20,035	21,302
Lease liabilities	16	7	15	63	227	312
Trade payables	17	2,404	1,837	0	0	4,241
Other payables	17	977	147	47	304	1,475
Total		**4,265**	**4,289**	**28,861**	**112,655**	**150,070**

31 December 2022 *(In thousands of euros)*	Notes	Within 1 month	Within 2–3 months	Within 4–12 months	Within 2–5 years	Total
Secured bank loans	16	628	1,348	16,327	100,399	118,702
Bonds	16	0	0	10,512	5,594	16,106
Lease liability	16	10	19	73	313	415
Trade payables	17	751	1,253	0	0	2,004
Other payables	17	703	99	84	128	1,014
Total		**2,092**	**2,719**	**26,996**	**106,434**	**138,241**

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 2023, the interest-bearing liabilities of the Company amounted to 124,273 thousand euros (31 December 2022: 118,541 thousand euros), around 85% of which had floating interest rates (tied to 6-month Euribor), see Note 16.

In managing short-term interest rate risks, the Company compares on a regular basis, potential losses arising from changes in interest rates to their hedging expenses.

As at 31 December 2023, 6-month Euribor was 3.861% (31 December 2022: 2.732%). If the 6-month Euribor were to increase by 1 percentage point, then as at 31 December 2023, the interest expense of the Group's borrowings tied to Euribor would increase by 1,057 thousand euros (2022: 1,016 thousand euros). If the 6-month Euribor were to decrease by 1 percentage point, then as at 31 December 2023, the interest expense of the Group's borrowings tied to Euribor would decrease by 1,057 thousand euros (2022: 1,016 thousand euros).

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As at 31 December 2023, interest- bearing financial liabilities and receivables were as follows:

(In thousands of euros)	Notes	31 December 2023	31 December 2022
Fixed interest rate liabilities (1–12 months)	16	1,494	10,162
Fixed interest rate liabilities (12+ months)	16	17,106	6,494
Floating interest rate liabilities (1–12 months)	16	19,472	12,416
Floating interest rate liabilities (12+ months)	16	86,201	89,469
Fixed interest rate receivables (1–12 months)	9	6,204	6,200
Fixed interest rate receivables (12+ months)	9	20	0

Currency risk

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

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

Capital risk management

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

	31 December 2023	31 December 2022
Equity to total assets	55%	56%
Liabilities to total assets	45%	44%

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.

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- 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 2023, the share capital of Mainor Ülemiste AS was 18,200 thousand euros and net assets amounted to 161,737 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 2023: 55.0%, and 31 December 2022: 55.8%).

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 2023, their total rental space amounted to 103.9 thousand m² (31 December 2022: 119.6 thousand m²).

(In thousands of euros)	Notes	Investment property
Balance as at 31 December 2021		**166,960**
Acquisitions and additions		16,859
Profit from change in fair value	20	12,961
Balance as at 31 December 2022		**196,780**
Acquisitions and additions		13,788
Profit from change in fair value	20	4,584
Reclassification to investment property held for sale		-2,042
Reclassification to inventories	8	-8,700
Balance as at 31 December 2023		**204,410**

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. In addition, some investment properties were valued using the sales comparison approach. The Company provides valuators with the following information: type of investment property, development plans, estimated construction costs and expected rental prices. The valuator uses

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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 2023, the total value of investment property (including investment property held for sale) in the Ülemiste City business campus owned by the Group amounted to 206,452 thousand euros (31 December 2022: 196,780 thousand euros), of which 174,650 thousand euros (2022: 166,430 thousand euros) is the value of real estate determined with reference to rental cash flows, 13,010 thousand euros (2022: 30,350 thousand euros) the value of real estate determined with reference to building rights and 18,792 thousand euros (2022: 0 euros) the value of real estate determined using the sales comparison approach.

Real estate valued with reference to rental cash flows is characterized by the following key parameters: rental area 86.4 thousand m² (2022: 92.5 thousand m²); based on current rental fees of 2.0–35.0 €/m² (2022: 3.0–34.0 €/m²), vacancy rate of up to 24% (2022: 10%), discount rate of 8.5–10.5% (2022: 8.8–9.7%), capitalization rate of 7.0–9.0% (2022: 6.8–9%) and length of rental agreements between 1 and 15 years (2022: 1–15 years).

Real estate valued with reference to building rights has a total area of 57.5 thousand m² (2022: 256.8 thousand m²) and the relevant development activities are planned to take place between 2024 and 2030. Construction costs vary from 900 €/m² (2022: 725 €/m²) for the construction of industrial premises to 1,500 €/m² (2022: 1,275 €/m²) for the construction of office spaces. Rental fees are 8.3 €/m² and 16.75 €/m² respectively (2022: 6.75 €/m² and 15.5 €/m²). After the completion of buildings, the vacancy rate is estimated at around 20% (2022: 40%), which will gradually decrease over time to a long-term average of 5–7% (2022: 5–7%). The discount rate used is 9.6% (2022: 9.5%) and the capitalization rate for office buildings 7.35% (2022: 8%).

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	174,650	185,360	163,940	168,480	181,475
Valued with reference to building rights	13,010	17,470	8,550	10,390	15,900
TOTAL	**187,660**	**202,830**	**172,490**	**178,870**	**197,375**

Rental income of 11,394 thousand euros was earned from investment property in the reporting period, while rental income earned in the previous reporting period amounted to 9,504 thousand euros; real estate, accommodation and conference services were provided in the amount of 6,748 thousand euros, in the previous reporting period, in the amount of 6,740 thousand euros (Note 19). Expenses directly related to the management of investment property amounted to 6,246 thousand euros in the reporting period (2022: 6,402 thousand euros), including resold services in the amount of 5,349 thousand euros (2022: 5,615 thousand euros), see Note 21.

A total of 13,788 thousand euros was invested in investment property during the reporting period (including capitalized loan interests and commitment fees in the amount of 276 thousand euros, which is 3.6% of interest expenses, and capitalized loan and project management fees in the amount of

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232 thousand euros). In the previous reporting period, these investments amounted to 16,859 thousand euros (including capitalized loan interests in the amount of 683 thousand euros, which was 17% of interest expenses, and capitalized loan and project management fees in the amount of 209 thousand euros). As at 31 December 2023, unpaid construction invoices in the amount of 3,182 thousand euros have been included in the purchase of investment properties (2022: 1,217 thousand euros). No leases were concluded in 2023 for the acquisition of equipment and fittings that form an integral part of investment property and are subleased to tenants (2022: 399 thousand euros).

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

Acquisition and improvement of investment property in the statement of cash flows	**2023**	**2022**
Acquisition and improvement of investment property	-13,788	-16,859
Capitalized loan interests and commitment fees recognized under interest paid in the cash flows from financing activities	276	683
Unpaid construction invoices as at the reporting date	3,182	1,216
Paid construction invoices of the previous period	-1,216	-3,417
Elimination of a non-monetary transaction	-191	399
Total	**-11,737**	**-17,978**

Note 7. Investment property held for sale

(In thousands of euros)	Notes	Investment property held for sale
Balance as at 31 December 2022		**0**
Reclassification from investment property	6	2,042
Balance as at 31 December 2023		**2,042**

Investment properties scheduled to be sold within the next 12 months are recognized as investment properties held for sale. Investment properties held for sale have been carried at their fair value.

Note 8. Inventories

(In thousands of euros)	Notes	Real estate development projects developed for sale
Balance as at 31 December 2022		**0**
Reclassification from investment property	6	8,700
Balance as at 31 December 2023		**8,700**

Real estate development projects developed for sale are recorded as inventories. Upon reclassification, the fair value of investment property was taken to represent the cost of inventories.

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Note 9. Trade and other receivables

(In thousands of euros)	Notes	31 December 2023	Due within 1 year	Due within 1–5 years
Financial assets				
Trade receivables	10	2,521	2,521	0
Expected credit losses	10	-651	-651	0
Loan receivables		24	4	20
Interest receivables		250	250	0
Receivables from other entities in the Mainor AS consolidation group	28	9,403	9,403	0
Total financial assets		**11,547**	**11,527**	**20**

(In thousands of euros)	Notes	31 December 2022	Due within 1 year	Due within 1–5 years
Financial assets				
Trade receivables	10	2,412	2,412	0
Expected credit losses	10	-431	-431	0
Interest receivables		11	11	0
Receivables from other entities in the Mainor AS consolidation group	28	9,228	9,228	0
Total financial assets		**11,220**	**11,220**	**0**

Receivables from other entities in the Mainor AS consolidation group include a 9,340 thousand euro receivable (including interest) from the parent company AS Smart City Group (31 December 2022: 9,154 thousand euros). Interest in the amount of 186 thousand euros was calculated on this receivable in 2023 (2022: 186 thousand euros). The interest rate is 3%. The receivable from AS Smart City Group was collected in March 2024.

Additional information has been disclosed in Note 28.

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

Note 10. Trade receivables

(In thousands of euros)	Notes	31 December 2023	31 December 2022
Trade receivables	9	2,521	2,412
Expected credit losses	9	-651	-431
Total		**1,870**	**1,981**
Doubtful receivables			
Doubtful receivables at the beginning of the period		-431	-194
Collection of doubtful receivables	22	0	7
Increase in doubtful receivables	22	-244	-281
Doubtful receivables classified as uncollectible		24	44
Doubtful receivables at the end of the period	9	-651	-431

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

Note 11. Prepaid taxes and taxes payable

(In thousands of euros)		31 December 2023		31 December 2022	
	Notes	Prepayment	Payable	Prepayment	Payable
ETCB prepayment account balance		1	0	0	0
Value added tax		276	0	197	0
Personal income tax		0	37	0	36
Social tax		0	61	0	57
Other taxes		0	9	0	8
Total	17	**277**	**107**	**197**	**101**

Note 12. Investments in subsidiaries

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

Registry code	Name	Location	Principal activity	Ownership interest as at 31 December 2023 (%)	Ownership interest as at 31 December 2022 (%)
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 2022	Acquisition	31 December 2023
Öpiku Majad OÜ	10,250	0	10,250
Ülemiste City Residences OÜ	432	100	532
Total	**10,682**	**100**	**10,782**

In the first quarter of 2023, the parent company Mainor Ülemiste AS made a contribution to the voluntary reserve of the subsidiary Ülemiste City Residences OÜ in the amount of 100 thousand euros (2022: 430 thousand euros). In the first quarter of 2024, the parent company Mainor Ülemiste AS made an additional contribution in the amount of 100 thousand euros to bring the 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

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because the company has not had any economic activity since June 2018. Liquidation proceedings were started in 2023 and the company was deleted from the commercial register in February 2024.

Note 13. Investment accounted for using the equity method

Shares, general information

Registry code	Name	Location	Principal activity	Ownership interest (%) as at 31 December 2023	Ownership interest (%) as at 31 December 2022
11978111	AS Technopolis Ülemiste	Estonia	Real estate activities	49%	49%

Shares, detailed information

(In thousands of euros)	31 December 2022	Repurchase of shares	Dividends	Profit under the equity method	31 December 2023
AS Technopolis Ülemiste	58,855	-1,960	-1,539	2,448	57,804
	58,855	**-1,960**	**-1,539**	**2,448**	**57,804**

(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**

As at 31 December 2023, the equity of AS Technopolis Ülemiste amounted to 117,967 thousand euros and the holding of Mainor Ülemiste AS to 57,804 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 2023	31 December 2022
Current assets	5,964	9,626
Non-current assets	213,645	215,248
Current liabilities	5,461	5,845
Non-current liabilities	96,181	98,917
Equity	117,967	120,112

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Revenue	22,020	22,022
Operating profit	10,739	31,462
Profit (loss) before tax	5,527	28,803
Comprehensive income	4,996	28,285

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 14. Cash and cash equivalents

(In thousands of euros)	31 December 2023	31 December 2022
Current accounts in banks	8,645	10,830
Cash in hand	1	2
Total	**8,646**	**10,832**

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 2023	31 December 2022
Banks with credit rating A	7,963	10,614
Banks with credit rating B	682	216

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

Note 15. Share capital

	31 December 2023	31 December 2022
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.

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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 27.

In 2023, dividends in the amount of 1,539 thousand euros (2022: 1,580 thousand euros) were distributed to shareholders, i.e., dividends per share were 5.07 euro cents (2022: 5.21 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 16. Borrowings

(In thousands of euros)	31 December 2023	Allocation by remaining maturity		
		Within 12 months	Within 1–5 years	Over 5 years
Bank loans	106,883	20,895	85,988	0
Bonds	17,106	0	17,106	0
Lease liability	284	71	213	0
Total	**124,273**	**20,966**	**103,307**	**0**

(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**

Bank loans include the following borrowings:

- COOP Pank AS – 3,190 thousand euros (2022: 3,464 thousand euros), of which 280 thousand euros is short-term (2022: 283 thousand euros)
- AS LHV Pank – 21,449 thousand euros (2022: 21,523 thousand euros), of which 73 thousand euros is short-term (2022: 76 thousand euros). In March 2024, Mainor Ülemiste AS made a partial early loan repayment in the amount of 5,000 thousand euros
- Estonian branch of OP Bank – 18,411 thousand euros; due to loan covenants, borrowings from OP Corporate Bank plc Eesti filiaal are recognized as short-term. According to the agreement with the bank, the loans become due in 2024-2028. The short-term portion of the loan of Mainor Ülemiste AS in the amount of 1,494 thousand euros will be extended in the second

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half of 2024. As at 31 December 2023, the borrowing from the Estonian branch of OP Bank amounted to 17,015 thousand euros, of which 10,199 thousand euros was short-term, including the short-term portion of the loan to Öpiku Majad OÜ in the amount of 8,980 thousand euros, which was extended in the second half of 2023

- Syndicate of AS SEB Pank and Luminor Bank AS – 63,833 thousand euros (2022: 61,167 thousand euros), of which 2,131 thousand euros is short-term (2022: 1,931 thousand euros). In January 2023, a syndicated loan agreement for 15.4 million euros was concluded with AS SEB Pank and Luminor Bank AS for the construction of the 2nd building of Ülemiste Health Centre at Sepapaja 12

Interest rates on bank loans range from 1.9% to 4.95% + Euribor (2022: 1.8% to 4.95% + Euribor).

Repayment dates for loans are 2024-2028.

In 2023, bank loans in the total amount of 6,940 thousand euros (2022: 17,068 thousand euros) were received and in the amount of 3,226 thousand euros (2022: 2,888 thousand euros) repaid, no new lease liabilities were assumed (2022: 399 thousand euros) and lease liabilities in the amount of 88 thousand euros settled (2022: 108 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 thousand euros, which was 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 thousand 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 funds from the bond issue were 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. A total of 8,484 thousand euros were received for the bonds issued. The amount paid on the redemption of bonds redeemable on 5 April 2023 was 6,378 thousand euros. The holders of 3,622 thousand euros worth of the bonds redeemable on 5 April 2023 decided to continue in the new issue, there was no monetary settlement.

In June 2021, an 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%.

Loans have been secured with a majority of the properties belonging to Mainor Ülemiste AS and Öpiku Majad OÜ with a carrying amount of 204,410 thousand euros (31 December 2022: 196,780 thousand euros) and the shares of AS Technopolis Ülemiste with a carrying amount of 57,804 thousand euros as at 31 December 2023 (31 December 2022: 58,855 thousand euros). As at 31 December 2023, the total value of these collaterals amounted to 258,373 thousand euros (31 December 2022: 245,907 thousand euros).

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Note 17. Trade and other payables

(In thousands of euros)			Allocation by remaining maturity	
	Notes	31 December 2023	12 months	1–5 years
Financial liabilities				
Trade payables		4,241	4,241	0
Other payables		842	675	167
Incl. interest payables		*490*	*490*	*0*
Liabilities to other entities in the Mainor AS consolidation group	28	579	579	0
Total financial liabilities		**5,662**	**5,495**	**167**
Non-financial liabilities				
Employee payables		265	265	0
Tax payables	11	107	107	0
Total non-financial liabilities		**372**	**372**	**0**
TOTAL		**6,034**	**5,867**	**167**

(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	28	528	528	*0*
Total financial liabilities		**2,780**	**2,780**	**0**
Non-financial liabilities				
Employee payables		224	224	0
Tax payables	11	101	101	0
Deferred income		95	95	0
Total non-financial liabilities		**420**	**420**	**0**
TOTAL		**3,200**	**3,200**	**0**

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 14–60 days
- Other payables are non-interest bearing and are settled within an average of 30 days
- Interest payables are settled within 30–180 days
- Additional information on related parties has been disclosed in Note 28.

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Note 18. Prepayments received

(In thousands of euros)		Allocation by remaining maturity	
	31 December 2023	12 months	1–5 years
Prepayments received	1,684	1,089	595

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

Prepayments received include deposits from tenants in accordance with the concluded rental agreements and advances received for real estate development projects developed for sale.

Note 19. Revenue

(In thousands of euros)	Notes	1 January 2023 – 31 December 2023	1 January 2022 – 31 December 2022
Revenue from contracts with customers			
Other revenue		2,186	1,849
Revenue from administrative services		4,562	4,891
Total revenue from contracts with customers		**6,748**	**6,740**
Lease income			
Operating lease income	26	11,394	9,504
Total lease income		**11,394**	**9,504**
Total revenue		**18,142**	**16,244**

(In thousands of euros)	Notes	1 January 2023 – 31 December 2023	1 January 2022 – 31 December 2022
Revenue from contracts with customers			
Revenue from administrative services		4,562	4,891
Revenue from conference services		117	102
Revenue from accommodation services		842	869
Revenue from parking		598	450
Revenue from illuminated advertisements		33	31
Revenue from one-time services		596	397
Total revenue from contracts with customers		**6,748**	**6,740**
Lease income			
Shared office rent		191	287
Office rent		7,994	6,077
Industrial premises rent		1,364	1,498
Other rent		1,703	1,546
Parking house rent		142	96
Total lease income		**11,394**	**9,504**
Total revenue		**18,142**	**16,244**

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Note 20. Other operating income

(In thousands of euros)	Notes	1 January 2023 – 31 December 2023	1 January 2022 – 31 December 2022
Profit from revaluation of investment property	6	4,584	12,961
Compensations received		9	0
Penalties received		13	232
Other operating income		8	5
Total		**4,614**	**13,198**

Note 21. Cost of sales

(In thousands of euros)	1 January 2023 – 31 December 2023	1 January 2022 – 31 December 2022
Electricity	-1,819	-2,531
Heating	-1,199	-1,283
Water and sewage	-184	-171
Cleaning	-1,208	-965
State and local taxes	-75	-72
Property maintenance	-951	-757
Other expenses	-810	-623
Total	**-6,246**	**-6,402**

Note 22. Administrative expenses

(In thousands of euros)	Notes	1 January 2023 – 31 December 2023	1 January 2022 – 31 December 2022
Miscellaneous office expenses		-19	-21
Training expenses		-18	-17
Expected credit losses	9	-244	-274
Personnel expenses		-1,140	-1,029
Compensation for incapacity for work		-47	-1
Depreciation and amortization		-125	-155
Insurance expenses		-61	-41
Management fees		-360	-360
Bank fees		-23	-63
IT expenses and software maintenance		-114	-92
Legal, development, consultation and other expenses		-1,641	-1,376
Total		**-3,792**	**-3,429**

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Note 23. Personnel expenses

(In thousands of euros)	1 January 2023 – 31 December 2023	1 January 2022 – 31 December 2022
Wages and salaries	-945	-828
Social and unemployment insurance taxes	-314	-277
Sickness benefit	0	-6
Vacation reserve	12	-9
Total	**-1,247**	**-1,120**
Average number of full-time employees	22	20

Personnel expenses have been reduced by capitalized project management fees in the amount of 190 thousand euros (2022: 209 thousand euros), refer to Note 6. Remuneration paid to the members of the management and supervisory boards has been disclosed in Note 28.

Note 24 Interest income

(In thousands of euros)	Notes	1 January 2023 – 31 December 2023	1 January 2022 – 31 December 2022
Other interest income		6	0
Other interest income	28	247	257
Income from derivatives		456	356
Total		**709**	**613**

Note 25. Interest expenses

(In thousands of euros)	Notes	1 January 2023 – 31 December 2023	1 January 2022 – 31 December 2022
Interest expense from loans		-6,091	-2,400
Limit fees		-17	-9
Interest expense from lease liabilities		-17	-2
Interest expense from bonds		-1,218	-788
Interest expense from derivatives		0	-100
Other interest expenses	28	-25	-0
Total		**-7,368**	**-3,299**

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Note 26. Operating lease

Group as lessor

The Group has rented out office and production premises.

(In thousands of euros)	Notes	2023	2022
Operating lease income	19	11,394	9,504
Future operating lease income from non-cancellable lease agreements:			
Within 12 months		10,446	9,910
Within 1–5 years		24,528	20,345
Over 5 years		3,507	3,277
Carrying amount of leased assets	6	206,452	196,780

Mainor Ülemiste AS has rented out office and production premises.

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

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

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

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Note 27. Income tax

(In thousands of euros)	2023	2022
Retained earnings	133,680	104,819
Profit for the financial year	7,937	30,400
Total profit before tax	**141,617**	**135,219**
Estimated income tax calculated at 14% tax rate	0	0
Estimated income tax calculated at 20% tax rate	28,323	27,044
Total estimated income tax	**28,323**	**27,044**
Dividends declared and distributed in the reporting period	1,539	1,580
Tax-exempt dividends paid	1,539	1,495
Dividends taxable at 20%	0	34
Dividends taxable at 14%	0	51
Estimated income tax calculated at 20% tax rate	0	-9
Estimated income tax calculated at 14% tax rate	0	-8
Income tax expense for the financial year	**0**	**-17**
Effective income tax rate	**0%**	**0.06%**

As at 31 December 2023, the retained earnings of the Group amounted to 141,617 thousand euros (31 December 2022: 135,219 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 2023, 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 28,323 thousand euros (31 December 2022: 27,044 thousand euros) and the corresponding maximum net dividend distribution 113,294 thousand euros (31 December 2022: 108,175 thousand euros). Mainor Ülemiste AS paid no additional income tax on the dividends paid out in 2023 (2022: 17 thousand euros), as the amount of the dividends paid was equal to those received from AS Technopolis Ülemiste (2022: 85 thousand euros higher).

Note 28. 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

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- 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 2023	Liabilities as at 31 December 2023	Receivables as at 31 December 2022	Liabilities as at 31 December 2022
Parent company	9,340	0	9,154	0
Other entities in the Mainor AS consolidation group	64	579	74	528
AS Technopolis Ülemiste	19	172	16	103
Companies associated with executive and senior management and their family members	103	1	0	2
Total	9,526	752	9,244	633

Transactions with related parties *(In thousands of euros)*	Services purchased in 2023	Services sold in 2023	Services purchased in 2022	Services sold in 2022
Other entities in the Mainor AS consolidation group	3,224	1,269	3,825	1,177
AS Technopolis Ülemiste	1,039	129	933	155
Companies associated with executive and senior management and their family members	77	91	68	83
Total	4,340	1,489	4,826	1,414

In 2023, transactions with the following entities in the Mainor AS consolidation group were conducted: AS Eesti Ettevõtluskõrgkool Mainor, AS Dvigatel - Energeetika, OÜ Mairenestal, Tallinn International School OÜ and Mainor AS.

In 2023, transactions with the following companies associated with executive and senior management and their family members were conducted: OÜ Nets, OÜ Disain Pluss, OÜ RVVE Grupp, Nordic Financial Partners OÜ, Tooma Energia OÜ, Guide2Industry OÜ, AS Ekast, Ülemiste Center OÜ, Ülemiste Kirurgiakliinik AS.

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

Mainor AS has bought for resale 20,000 bonds of Mainor Ülemiste AS for 2,000 thousand euros.

Mainor AS has issued a guarantee in the amount of 4,050 thousand euros to secure the contractual obligations of Mainor Ülemiste AS.

As at 31 December 2023, 645 thousand euros worth of bonds of Mainor Ülemiste AS are owned by companies associated with executive and senior management and their family members.

Investments that form an integral part of investment property were acquired from group companies in the amount of 701 thousand euros in the reporting period (2022: 223 thousand euros).

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Investments that form an integral part of intangible assets were acquired from group companies in the amount of 25 thousand euros in the reporting period (2022: 0 euros).

Interest income of 247 thousand euros (2022: 257 thousand euros), interest expense of 25 thousand euros (2022: 0 euros) and other financial expenses of 134 thousand euros (2022: 67 thousand euros) was calculated on the receivable from the parent company, the parent company's group account and the use of mortgages provided to secure loans.

AS Technopolis Ülemiste paid dividends of 1,539 thousand euros in the reporting year (2022: 1,495 thousand euros).

Remuneration calculated for the members of the supervisory and management boards amounted to 334 thousand euros in the reporting year (2022: 251 thousand euros), starting from 1 January 2023, the management board of Mainor Ülemiste AS has again 3 members.

Note 29. Subsequent events

On 12 February 2024, Mainor Ülemiste AS submitted a notice of concentration to the Estonian Competition Authority, according to which Technopolis Baltic Holding OÜ, Technopolis Holding Oyj and Mainor Ülemiste AS concluded a share sale agreement on 9 February 2024. According to the agreement, Mainor Ülemiste AS will purchase 51% of the voting rights in AS Technopolis Ülemiste from Technopolis Baltic Holding OÜ. On 7 March 2024, the Competition Authority decided to grant permission for the concentration of Mainor Ülemiste AS and AS Technopolis Ülemiste, and the transaction took place on 21 March 2024.

Based on the decision of the shareholders of Mainor Ülemiste AS, 263,472 shares were acquired to be held as treasury shares from the parent company AS Smart City Group and transferred to a new investor OÜ Mulligan Capital.

In addition, the shareholders of Mainor Ülemiste AS adopted a resolution to increase the share capital of Mainor Ülemiste AS by 6,956,651.4 euros by issuing 11,594,419 new shares with a nominal value of 0.6 euros per share. The new share capital of Mainor Ülemiste AS will amount to 25,156,651.2 euros. Within the framework of the transaction, Mainor Ülemiste AS also brought in a new investor, OÜ Mulligan Capital, who will acquire 28.28% of Mainor Ülemiste AS.

The 9,340 thousand euro receivable of Mainor Ülemiste AS from AS Smart City Group was collected in March 2024.

In March 2024, Mainor Ülemiste AS made a partial early loan repayment to AS LHV Pank in the amount of 5,000 thousand euros

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Note 30. 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 2023	31 December 2022
ASSETS		
Investment property	55,570	60,230
Tangible assets	117	189
Intangible assets	38	38
Investments in subsidiaries	10,782	10,682
Investment property held for sale	2,042	0
Inventories	8,700	0
Investment accounted for using the equity method	57,804	58,855
Prepayments	262	55
Trade and other receivables	28,560	26,552
Cash and cash equivalents	8,449	7,538
TOTAL ASSETS	**172,324**	**164,139**
EQUITY		
Share capital at nominal value	18,200	18,200
Legal reserve	1,920	1,920
Retained earnings	93,447	81,723
Profit for the financial year	1,895	13,263
Total equity	**115,462**	**115,106**
LIABILITIES		
Provisions	172	161
Borrowings	50,962	47,464
Trade and other payables	4,751	995
Prepayments received	973	413
TOTAL LIABILITIES	**56,862**	**49,033**
TOTAL LIABILITIES AND EQUITY	**172,324**	**164,139**

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Income statement and statement of comprehensive income:

(In thousands of euros)	2023	2022
Revenue	6,118	6,433
Cost of sales	-2,423	-2,770
Gross profit	**3,695**	**3,663**
Marketing expenses	-190	-282
Administrative expenses	-3,751	-3,505
Income from investment accounted for using the equity method	2,448	13,860
Other operating income	2,340	555
Other operating expenses	-20	-16
Operating profit	**4,522**	**14,275**
Financial income and expenses		
Interest income	1,276	1,271
Interest expenses	-3,548	-2,199
Other financial income and expenses	-355	-67
Total financial income and expenses	**-2,627**	**-995**
Profit before tax	1,895	13,280
Income tax	0	-17
Net profit for the financial year	**1,895**	**13,263**
Other comprehensive income for the financial year	**0**	**0**
Comprehensive income for the financial year	**1,895**	**13,263**

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Statement of cash flows:

(In thousands of euros)	2023	2022
Cash flows from operating activities		
Profit before tax	1,895	13,280
Adjustments:		
Depreciation, amortization and impairment	117	145
Change in the fair value of investment property	-2,287	-510
Profit (loss) from investment accounted for using the equity method	-2,448	-13,860
Other financial income and expenses	355	67
Interest income	-1,276	-1,271
Interest expenses	3,548	2,199
Change in receivables and prepayments related to operating activities	-1,004	1,487
Change in liabilities and prepayments related to operating activities	981	0
Net cash generated from operating activities	**-119**	**1,537**
Cash flows from investing activities		
Acquisition of tangible and intangible assets	-45	-157
Sale of assets forming an integral part of investment property and establishment of right of superficies	1,968	0
Acquisition and improvement of investment property	-2,502	-1,656
Contribution to the equity of a subsidiary	-100	-430
Repayment of loans granted	0	185
Interest received	66	86
Dividends received	1,539	1,495
Other cash inflows from investing activities	1,960	0
Net cash generated from investing activities	**2,886**	**-477**
Cash flows from financing activities		
Loans received	2,344	0
Bond issue	8,484	0
Redemption of bonds	-6,378	0
Repayment of loans received	-941	-1,109
Lease principal payments	-11	-15
Interest paid	-3,459	-2,258
Other cash outflows from financing activities	-355	-165
Dividends paid	-1,539	-1,580
Income tax on dividends	0	-17
Net cash generated from financing activities	**-1,855**	**-5,144**
Total cash flows	**912**	**-4,084**
Cash and cash equivalents at the beginning of the financial year	7,538	11,622
Change in cash and cash equivalents	912	-4,084
Cash and cash equivalents at the end of the financial year	8,450	7,538

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Statement of changes in equity:

(In thousands of euros)	Share capital	Legal reserve	Retained earnings	Total
Balance as at 1 January 2022	**18,200**	**1,920**	**83,303**	**103,423**
Adjusted unconsolidated equity as at 1 January 2022	**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**
Profit for the financial year	0	0	1,896	1,896
Other comprehensive income for the financial year	0	0	0	0
Total other comprehensive income for the financial year	**0**	**0**	**1,896**	**1,896**
Dividends paid	0	0	-1,539	-1,539
Balance as at 31 December 2023	**18,200**	**1,920**	**95,343**	**115,463**
Value of holdings under dominant or significant influence under the equity method	0	0	55,636	55,636
Carrying amount of holdings under dominant or significant influence	0	0	-10,782	-10,782
Adjusted unconsolidated equity as at 31 December 2023	**18,200**	**1,920**	**135,284**	**160,317**

The difference between consolidated and unconsolidated equity comes from the negative equity of Ülemiste City Residences OÜ in the amount of 49 thousand euros (2022: 65 thousand euros) as well as the transactions related to the right of superficies established by Mainor Ülemiste AS for the benefit of Öpiku Majad OÜ.

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Translation of the Estonian Original

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Mainor Ülemiste AS

Opinion

We have audited the consolidated financial statements of Mainor Ülemiste AS and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information.

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 2023, 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, 26 April 2024

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 2023 in the amount of 7,937 thousand euros as follows:

(In thousands of euros)	31 December 2023
Group's retained earnings before profit allocation	133,680
Profit for the financial year to be included in retained earnings	7,937
Group's retained earnings after profit allocation	**141,617**

Mainor Ülemiste AS revenue according to EMTAK 2008

EMTAK	Economic activity	1 January 2023 – 31 December 2023
68201	Renting and operating of own or leased real estate	3 352
68329	Other real estate management or related activities	1,896
70101	Activities of head offices	870
	Total revenue	6,118