

upb

2022 | UPB  
ANNUAL  
REPORT

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# INFORMATION ON THE COMPANY

<b>NAME OF THE GROUP PARENT COMPANY</b>	UPB
<b>LEGAL STATUS OF THE GROUP PARENT COMPANY</b>	Joint Stock Company
<b>NUMBER, PLACE AND DATE OF REGISTRATION OF THE GROUP PARENT COMPANY</b>	42103000187, Liepaja, 26 April 1991
<b>PLACE OF OPERATION OF THE EXECUTIVE BODY OF THE GROUP PARENT COMPANY</b>	Dzintaru 17, Liepaja, Latvia, LV-3401
<b>MEMBERS OF THE BOARD OF THE GROUP PARENT COMPANY AND THEIR POSITIONS</b>	Dainis Berzins, Chairman of the Board Ugis Grinbergs, Member of the Board Nora Kalna, Member of the Board
<b>MEMBERS OF THE COUNCIL OF THE GROUP PARENT COMPANY AND THEIR POSITIONS</b>	Uldis Pilens, Chairman of the Council Madara More, Deputy Chairperson of the Council Normunds Horsts, Member of the Council
<b>REPORTING YEAR</b>	01.01.2022 – 31.12.2022
<b>AUDITORS</b>	SIA KPMG Baltics Roberta Hirsā 7, Riga, Latvia, LV-1013 Licence No. 55

# INFORMATION ON SUBSIDIARIES

## **SIA AILE GRUPA**

Pulvera 28, Liepaja,  
Latvia, LV-3405  
AS UPB holding: 100%

## **SIA ALTO 4.0**

Maskavas 246, Riga,  
Latvia, LV-1063  
AS UPB holding: 100%

## **SIA BUVMECHANIZACIJA**

Martina 18, Liepaja,  
Latvia, LV-3401  
AS UPB holding: 100%

## **SIA ENNA**

Rietumkrasta 3-18, Liepaja,  
Latvia, LV-3416  
AS UPB holding: 100%

## **SIA GROTTA**

Maskavas 246, Riga,  
Latvia, LV-1063  
AS UPB Holding: 100%

## **SIA H&L STUDIJA**

Katlakalna 6D, Riga,  
Latvia, LV-1073  
AS UPB holding: 100%  
- before 28.02.2022.

## **SIA STRAKTA GROUP**

(until 04.07.2022 –  
SIA HF Technology)

Piņķurgas iela 46, Valodzes,  
Stopiņu pagasts, Ropazu novads,  
Latvia, LV-2130  
AS UPB Holding: 100%  
- before 01.07.2022

## **SIA INZENIERU BIROJS "BUVE UN FORMA"**

Maskavas 246, Riga,  
Latvia, LV-1063  
AS UPB holding: 100%

## **AS MB BETONS**

Dzintaru 17, Liepaja,  
Latvia, LV-3401  
AS UPB holding: 93,5%

## **SIA RK METALS**

Lauktehnikas 12, Grobina,  
Latvia, LV-3430  
AS UPB holding: 100%

## **SIA UPB ENERGY**

Dzintaru 19, Liepaja,  
Latvia, LV-3401  
AS UPB holding: 100%

## **SIA UPB NAMS**

Dzintaru 19, Liepaja,  
Latvia, LV-3401  
AS UPB holding: 100%

## **SIA UPB PROJEKTI**

Dzintaru 17, Liepaja,  
Latvia, LV-3401  
AS UPB holding: 100%

## **UAB UPB ENGINEERS**

Savanoriu a. 2A, Panevežys,  
Lithuania, LT 35201  
AS UPB holding: 100%

## **AB UPB SWEDEN**

c/o Advokatfirman Delphi, Master  
Samuelsgatan 17, Box 1432,  
111 84 Stockholm, Sweden  
AS UPB holding: 100%

## **GMBH UPB AS**

Schlossgasse 4, Munchenstein,  
CH-4142, Switzerland  
AS UPB holding: 100%

## **LTD UPB AS**

4th floor Imperial house 8  
Kean Street, London,  
WC2B 4AS, Great Britain  
AS UPB holding: 100%

# MANAGEMENT REPORT

The Joint Stock Company UPB and its subsidiaries together form a group of industrial companies whose main business sectors are the design and construction of technologically complex buildings, as well as the design and production of building structures. In exports, UPB Group focuses on the design, manufacturing, delivery and assembly of concrete, steel and glazed structures and mechanical engineering products.

UPB Group includes glazed-aluminium, steel and precast concrete construction plants, a cogeneration module plant, a mechanical engineering plant, ready-mixed concrete plants throughout the territory of Latvia, engineering and construction companies in Latvia and abroad, an IT solutions company and building management company. UPB companies and representative offices are located in seven countries – Latvia, Sweden, Norway, Denmark, Lithuania, United Kingdom and Switzerland.

The consolidated turnover of UPB Group reached 237,66 million euro in 2022, remaining at the same level as a year ago. The reporting year was closed with a loss of 4,68 million euros due to the rapid and unexpected increase in construction and energy costs, which intensified especially in early 2022 following Russia's invasion of Ukraine. The pace of implementation of projects was also overall slower, while in cooperation with contracting parties solutions were sought regarding the principles of reimbursement of the appreciation, so that construction projects could be continued and the planned ones could be started.

In 2022, UPB Group had a total of around 1800 employees and during the reporting period UPB Group companies paid almost 29 million euro in taxes. Moreover, the State Revenue Service has recognised AS UPB as the largest labour tax payer of 2022 in Kurzeme Region in the group of large enterprises.

The largest part of the turnover of UPB Group (60%) in 2022 consisted of exports with a focus on the design, production and assembly of building structures, while the remaining volumes were sold on the domestic market. Denmark featured more prominently on the export project map in 2022, both with the production and delivery of large-scale precast concrete walls for the Svanemølleholm building complex in Copenhagen, and with the contract for the design and production of UPB's largest façade to date for the Mary Elizabeth's Children's Hospital in Copenhagen.

In recent years, a new export direction is also being developed – infrastructure projects – steel bridges, which are distinguished by both complexity and high quality and safety requirements. Two railway bridges and one pedestrian bridge, made of stainless steel, were installed in Sweden in 2022.

A number of projects with a focus on architectural concrete facades were also implemented during the reporting year, showing the high technological complexity that the UPB Group is able to produce at the new precast concrete construction plant in Liepāja. Among the major projects abroad, the white concrete office building Hyllie Terrass in Malmö, Sweden, should be highlighted. It qualifies for the status of the first climate neutral office building (NollCO<sub>2</sub>) in Sweden, demonstrating the high professionalism of our specialists in the development of sustainable concrete and steel structures.

Meanwhile, important projects have been implemented in the local market in 2022, such as Riga Stradins University Pharmaceutical Studies and Science Complex, which has already been recognised as the second best newly built public building in Latvia in the Latvian Construction Award 2022. The Hampton by Hilton Riga Airport Hotel in Riga, which was implemented as a Design & Build project, has also been completed, with UPB carrying out both design and general construction.

By encouraging further growth and increasing production efficiency, almost 2,9 million euro was invested in the UPB Group during the reporting year. The biggest investments were made in MB Grupa companies, upgrading the Valmiera ready-mix concrete plant and renovating the company's fleet. Investments were also made in modernisation of other production plants of the group.

Overall, a lot of resources were devoted to promoting climate neutrality of building structures produced by UPB, as construction is an industry with very high sustainability requirements. Activities undertaken include the development of different strategies to reduce emissions throughout the lifecycle of products, as well as knowledge sharing and closer cooperation in the full supply chain. The knowledge and experience of UPB employees in various building certification schemes such as BREEAM, LEED, Nordic Swan and others is continuously improved, with sustainable projects already forming an important part of the group's export portfolio.

The UPB's long-term objective is to continue development as an industrial, vertically integrated group of companies capable of carrying out technologically complex projects and offering high value-added products. In 2023, it is planned to have a stable portfolio of projects corresponding to the budget and objectives for both the domestic and export markets, and practically all export projects include price indexation principles, while in Latvia several projects are implemented according to the "Open Book" principle. In 2023, we forecast a consolidated turnover equivalent to that in 2022.

The disruption to international supply chains caused by the Russian-Ukrainian war and the increase in construction and energy costs continued in the period since the end of the reporting year until the signing of this report. UPB terminated its contract for the 1st Stage construction of the Preses Nama Kwartāls in late 2022 and filed an action in 2023 to the Arbitration Institute of the Stockholm Chamber of Commerce (SCC Arbitration Institute) seeking recovery of payments and contractual penalty. For more detailed information, see Note 37 of the full financial report.

No other events that could affect the result of the reporting year have occurred.



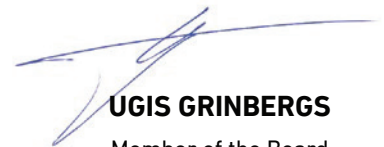
**DAINIS BERZINS**

Chairman of the Board



**NORA KALNA**

Member of the Board



**UGIS GRINBERGS**

Member of the Board

# MAIN PROJECTS OF 2022

## PHARMACY STUDIES AND SCIENCE CENTRE

RIGA STRADINS UNIVERSITY  
Riga, Latvia



## HAMPTON BY HILTON RIGA AIRPORT

HOTEL BUILDING  
Marupe, Latvia



## CHILDREN AND YOUTH MENTAL HEALTH CENTER

PUBLIC BUILDING  
Riga, Latvia



## HYLLIE TERRASS

OFFICE BUILDING  
Malmö, Sweden



## SVANEMØLLEHOLM

OFFICE BUILDING  
Copenhagen, Denmark



## MÄLARSJUKHUSET HOSPITAL

PUBLIC BUILDING  
Eskilstuna, Sweden



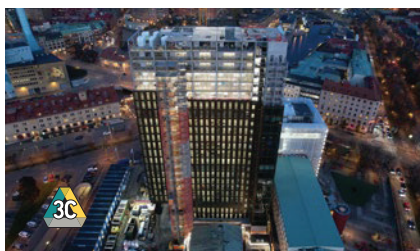
## THE EARNSHAW

OFFICE BUILDING  
London, United Kingdom



## CLARION HOTEL DRAKEN

HOTEL BUILDING  
Gothenburg, Sweden



## FJÄLLSJÖALVEN BRIDGE

INFRASTRUCTURE  
Solleftea, Sweden



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# SUMMARY FINANCIAL STATEMENTS



# PROFIT AND LOSS STATEMENT FOR 2022

	<b>2022</b> (EUR)	<b>2021</b> (EUR)
Net sales	204 279 728	207 673 178
Cost of goods sold, cost of services	(195 168 126)	(197 305 800)
<b>Gross profit</b>	<b>9 111 602</b>	<b>10 367 378</b>
Selling expenses	(1 685 815)	(2 096 608)
Administrative expenses	(4 793 749)	(6 937 516)
Other operating income	2 429 109	260 388
Other operating expenses	(121 836)	(711 850)
Income from investments in related companies	708 812	5 514 286
Interest and similar income	114 916	79 239
Adjustments to impairment of current and non-current financial investments	(547 960)	-
Interest and similar expenses	(742 527)	(383 073)
<b>Profit before corporate income tax</b>	<b>4 472 552</b>	<b>6 092 244</b>
Corporate income tax	(156 206)	(195 011)
<b>Profit for the reporting year</b>	<b>4 316 346</b>	<b>5 897 233</b>

The accompanying notes on page 14 form an integral part of these summary financial statements.

# BALANCE SHEET AS AT 31 DECEMBER 2022

## ASSETS

	2022 (EUR)	2021 (EUR)
<b>LONG-TERM INVESTMENTS</b>		
<b>Intangible assets</b>		
Concessions, patents, licenses, trademarks, and similar rights	305 583	504 872
Intangible assets in development	121 011	54 537
<b>Total intangible assets</b>	<b>426 594</b>	<b>559 409</b>
<b>Fixed assets</b>		
Land, buildings and engineering structures	20 293 883	21 772 956
Leasehold improvements	1 233 579	1 406 953
Equipment and devices	5 300 089	6 356 608
Other fixed assets	4 046 127	5 533 504
Construction in progress	336 667	157 252
Prepayments for fixed assets	-	990
<b>Total fixed assets</b>	<b>31 210 345</b>	<b>35 228 263</b>
<b>Long-term financial investments</b>		
Investments in related companies	2 515 345	2 860 066
Long-term loans to related parties	1 415 837	226 580
Other loans and long term receivables	81 778	7 325
<b>Total long term financial investments</b>	<b>4 012 960</b>	<b>3 093 971</b>
<b>Total long term investments</b>	<b>35 649 899</b>	<b>38 881 643</b>
<b>CURRENT ASSETS</b>		
<b>Stock</b>		
Raw materials	2 904 900	2 734 200
Work in progress and unfinished orders	4 963 042	2 860 826
Finished goods and goods for sale	4 951	20 980
Prepayments for stock	8 540 371	2 960 404
<b>Total stock</b>	<b>16 413 264</b>	<b>8 576 410</b>
<b>Receivables</b>		
Trade receivables	8 727 257	3 949 550
Due from related parties	18 321 090	12 011 317
Other receivables	12 191 404	11 203 964
Prepaid expenses	1 013 506	1 110 711
Accrued income	9 342 103	7 355 421
<b>Total receivables</b>	<b>49 595 360</b>	<b>35 630 963</b>
<b>Cash</b>		
	<b>5 182 657</b>	<b>11 821 223</b>
<b>Total current assets</b>	<b>71 191 281</b>	<b>56 028 596</b>
<b>Total assets</b>	<b>106 841 180</b>	<b>94 910 239</b>

The accompanying notes on page 14 form an integral part of these summary financial statements.

## EQUITY AND LIABILITIES

	2022 (EUR)	2021 (EUR)
<b>Shareholder's equity</b>		
Share capital	15 720 305	15 720 305
Retained earnings brought forward from previous years	19 014 815	16 417 582
Profit of the reporting year	4 316 346	5 897 233
<b>Total shareholder's equity</b>	<b>39 051 466</b>	<b>38 035 120</b>
<b>Provisions</b>		
Other provisions	4 610 838	4 814 281
<b>Total provisions</b>	<b>4 610 838</b>	<b>4 814 281</b>
<b>LIABILITIES</b>		
<b>Long-term liabilities</b>		
Loans from credit institutions	13 218 497	9 437 223
Other loans	139 341	554 710
Due to related parties	290 389	-
<b>Total long-term liabilities</b>	<b>13 648 227</b>	<b>9 991 933</b>
<b>Short-term liabilities</b>		
Loans from credit institutions	3 682 164	857 143
Other loans	416 178	599 985
Customer advances	18 888 038	12 693 701
Accounts payable to suppliers and contractors	5 432 556	5 972 021
Due to related parties	8 741 223	9 419 384
Taxes and compulsory state social security contributions	1 255 763	1 090 255
Other liabilities	1 401 923	901 816
Deferred income	782 825	127
Dividends payable	2 460 000	-
Accrued liabilities	6 469 979	10 534 473
<b>Total current liabilities</b>	<b>49 530 649</b>	<b>42 068 905</b>
<b>Total liabilities</b>	<b>63 178 876</b>	<b>52 060 838</b>
<b>Total equity and liabilities</b>	<b>106 841 180</b>	<b>94 910 239</b>

The accompanying notes on page 14 form an integral part of these summary financial statements.

# STATEMENT OF CASH FLOW FOR 2022

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2022</b> (EUR)	<b>2021</b> (EUR)
<b>1. Profit before tax</b>	<b>4 472 552</b>	<b>6 092 244</b>
Adjustments for:		
Impairment of fixed assets	2 256 342	2 823 352
Impairment of intangible assets	241 335	851 467
Provisions	(203 443)	618 148
Income from investments in related companies	(708 812)	(5 514 286)
Other interest and similar income	(49 322)	(37 176)
Impairment adjustments of long term financial investments	78 960	469 000
Interest and similar expenses	332 369	63 508
<b>2. Profit or loss before adjustments for the effect of changes to current assets and short term liabilities</b>	<b>6 419 981</b>	<b>5 366 257</b>
Adjustments for:		
(Increase)/decrease of receivables	(14 762 840)	1 888 993
(Increase)/decrease of stock	(7 836 854)	(2 997 991)
Increase or (decrease) of accounts payable to suppliers, contractors and other creditors	3 004 808	(8 254 169)
<b>3. Gross cash flows from operating activities</b>	<b>(13 174 905)</b>	<b>(3 996 910)</b>
4. Interest paid	(332 369)	(63 508)
5. Corporate income tax	(367 067)	(330 354)
6. Received overpaid corporate income tax	9 349	14 466
<b>Net cash flows from operating activities</b>	<b>(13 864 992)</b>	<b>(4 376 306)</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Acquisition of shares of related companies	(545 160)	-
Income from disposal of investments in related companies	490 000	-
Acquisition of fixed and intangible assets	(952 549)	(13 637 565)
Income from disposal of fixed and intangible assets	2 605 605	76 276
Loans issued	(1 881 508)	(392 418)
Income from repayment of loans	674 168	981 861
Interest received	49 322	37 176
Dividends received	229 429	5 947 795
<b>Net cash flows from investing activities</b>	<b>669 307</b>	<b>(6 986 875)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loans received	8 463 438	10 298 813
Repayment of loans	(857 143)	(4 447)
Finance lease payments	(599 176)	(706 819)
Dividends paid	(450 000)	(7 900 000)
<b>Net cash flows used in financing activities</b>	<b>6 557 119</b>	<b>1 687 547</b>
<b>Net cash flows for the reporting year</b>	<b>(6 638 566)</b>	<b>(9 675 634)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>11 821 223</b>	<b>21 496 857</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>5 182 657</b>	<b>11 821 223</b>

The accompanying notes on page 14 form an integral part of these summary financial statements.

# STATEMENT OF CHANGES TO THE SHAREHOLDERS' EQUITY FOR 2022

	Share capital (EUR)	Retained earnings brought forward from previous years (EUR)	Profit of the reporting year (EUR)	Total shareholder's equity (EUR)
<b>31.12.2020</b>	<b>15 720 305</b>	<b>14 902 258</b>	<b>7 815 324</b>	<b>38 437 887</b>
Profit for 2020 transferred to retained earnings	-	7 815 324	(7 815 324)	-
Distribution of dividends	-	(6 300 000)	-	(6 300 000)
Profit of the reporting year	-	-	5 897 233	5 897 233
<b>31.12.2021</b>	<b>15 720 305</b>	<b>16 417 582</b>	<b>5 897 233</b>	<b>38 035 120</b>
Profit for 2021 transferred to retained earnings	-	5 897 233	(5 897 233)	-
Distribution of dividends	-	(3 300 000)	-	(3 300 000)
Profit of the reporting year	-	-	4 316 346	4 316 346
<b>31.12.2022</b>	<b>15 720 305</b>	<b>19 014 815</b>	<b>4 316 346</b>	<b>39 051 466</b>

The accompanying notes on page 14 form an integral part of these summary consolidated financial statements.

# NOTES TO THE SUMMARY FINANCIAL STATEMENTS

## BASIS FOR PREPARATION OF SUMMARY FINANCIAL STATEMENTS

The summary financial statements comprise the balance sheet as at 31 December 2022 and the statements of profit and loss, cash flow and changes in equity for the year then ended and notes to the summary financial statements derived from the audited financial statements of AS UPB in accordance with the Law on Annual Statements and Consolidated Annual Statements of the Republic of Latvia.

The audited financial statements of AS UPB and the Auditors' Report thereon is available at Dzintaru 17, Liepaja, Latvia.

Management believes that the content of the summary financial statements is consistent with the objective of the summary financial statements.

## LITIGATION

At the end of 2022, UPB AS terminated the contract with PN Management SIA for the construction of Phase 1 of the Press House Quarter and in 2023 filed a claim against PN Management SIA to the SCC Arbitration Institute of the Stockholm Chamber of Commerce to recover EUR 6 025 712 for work performed and a contract penalty. In the context of this case, PN Management SIA has also made a number of claims against UPB AS which, in the view of UPB's AS management, should be rejected in their entirety, including repayment of the advance payment received in the amount of EUR 2 113 444 and a contract penalty for termination of the contract in the amount of EUR 7 822 806. These proceedings are parallel to proceedings for interim protection and pre-action security.

At the date of full financial statements and summarised financial statements, the outcome of the dispute cannot be predicted with reasonable certainty and the exact amounts of claims to be submitted and assigned or claims to be received, as well as the impact of such claims on the recoverable amounts of assets and the final settlement liabilities shown in the balance sheet as at 31 December 2022, cannot be estimated with reasonable certainty.

More detailed information about litigations are disclosed in the Note 37 of the full financial statements.

# INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AS UPB

## REPORT ON THE SUMMARY FINANCIAL STATEMENTS

### Opinion

The accompanying summary financial statements on pages 9 to 14, which comprise the summary balance sheet as at 31 December 2022 and the summary statements of profit and loss, cash flow and changes in equity for the year then ended, and related notes to the summary financial statements, are derived from the audited financial statements of AS UPB for the year ended 31 December 2022.

In our opinion, the summary financial statements derived from the audited financial statements of AS UPB for the year ended 31 December 2022 are consistent, in all material respects, with the audited financial statements on the basis described in the Note 1 to the summary financial statements.

### Summary Financial Statements

The summary financial statements do not contain all the disclosures required by the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of AS UPB and our report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

### The Audited Financial Statements and our Report Thereon

We expressed an unmodified audit opinion on AS UPB financial statements in our report dated 31 October 2023.

Our report includes Emphasis of Matter paragraph where we draw attention to Note 37 to the full financial statements, which describes that on 14 November 2022 UPB AS terminated the contract with PN Management SIA for the construction of Phase 1 of the Press House Quarter and on 15 June 2023 UPB AS filed a claim against PN Management SIA before the SCC Arbitration Institute of the Stockholm Chamber of Commerce to recover EUR 6 025 712 for work performed and a contract penalty. In addition, in the context of this case, PN Management SIA has also made a number of claims against UPB AS, which include repayment of the advance payment received in the amount of EUR 2 113 444 and a contract penalty for termination of the contract in the amount of EUR 7 822 806. These proceedings are parallel to proceedings for interim protection and pre-action security. Information about litigations is disclosed also in Note 2 to the summary financial statements.

At the date of the financial statements and the summary financial statements, the outcome of the dispute cannot be predicted with reasonable certainty and the exact amounts of claims to be submitted and assigned or claims to be received, as well as the impact of such claims on the recoverable amounts of assets and the final settlement amounts of liabilities shown in the balance sheet as at 31 December 2022 cannot be estimated with reasonable certainty.

Our opinion on summary financial statements is not modified regarding this matter.

### Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements based on audited financial statements on the basis described in the Note 1 to the summary financial statements.

### Auditors' Responsibility

Our responsibility is to express an opinion on the summary financial statements whether based on our procedures, which were conducted in accordance with International Standard on Auditing 810, "Engagements to Report on Summary Financial Statements" summary financial statements are consistent, in all material respects, with the audited financial statements.



**IRĒNA SARMA**  
Member of the Board,  
Latvian Sworn Auditor  
Certificate No. 151,  
Riga, Latvia

KPMG Baltics SIA  
Licence No. 55

# 2022 ANNUAL REPORT

# upb

**AILE**<sup>®</sup>  
GRUPA

**SC**  
STIKLU CENTRS

**RK**  
METĀLS

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MACHINERY

**MBGRUPA**  
DZELZSBETONS

**MBGRUPA**  
TRANSPORTBETONS

**MBGRUPA**  
INERTIE MATERIĀLI

**MBGRUPA**  
BETONAPĒTĪJUMU CENTRS

**ENNA**

**GROTTA**

**upb**  
ENGINEERS

**upbenergy**

**upbnams**

 Büve  
un  
Forma

**BM**

**upb**  
PROJEKTI