

upb

2023

UPB
ANNUAL
REPORT

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INFORMATION ON THE COMPANY

NAME OF THE GROUP PARENT COMPANY	UPB
LEGAL STATUS OF THE GROUP PARENT COMPANY	Joint Stock Company
NUMBER, PLACE AND DATE OF REGISTRATION OF THE GROUP PARENT COMPANY	42103000187, Liepaja, 26 April 1991
PLACE OF OPERATION OF THE EXECUTIVE BODY OF THE GROUP PARENT COMPANY	Dzintaru 17, Liepaja, Latvia, LV-3401
MEMBERS OF THE BOARD OF THE GROUP PARENT COMPANY AND THEIR POSITIONS	Dainis Berzins, Chairman of the Board Ugis Grinbergs, Member of the Board Nora Kalna, Member of the Board
MEMBERS OF THE COUNCIL OF THE GROUP PARENT COMPANY AND THEIR POSITIONS	Uldis Pilens, Chairman of the Council Madara More, Deputy Chairperson of the Council Normunds Horsts, Member of the Council
REPORTING YEAR	01.01.2023 – 31.12.2023
AUDITORS	SIA KPMG Baltics Roberta Hirsā 1, Riga, Latvia, LV-1045 Licence No. 55

INFORMATION ON SUBSIDIARIES

SIA AILE GRUPA

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

SIA ALTO 4.0

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

SIA BUVMEHANIZACIJA

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

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

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

Latgales 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 METĀLS

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. 1B-3, Panevezys,
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

6th Floor, Manfield House,
1 Southampton Street, London,
WC2R 0LR, 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 production plants, a mechanical engineering plant, ready-mixed concrete plants throughout the territory of Latvia, full-service design and construction companies in Latvia and abroad, an IT solutions and building maintenance company. UPB companies and representations are located in seven countries – Latvia, Sweden, Norway, Denmark, Lithuania, United Kingdom and Switzerland.

UPB Group's consolidated turnover has risen to 248 million euros in 2023, marking a 5% increase from 2022. The reporting year was closed with a profit of 3.9 million euros. In 2023, UPB Group had a total of around 1700 employees and during the reporting period UPB Group companies paid almost 27.5 million euros in taxes.

The management of the UPB Group regards 2023 as relatively more stable and predictable, and company managed to adapt to changes in the demand and increases of raw material prices, and also market fluctuations were no longer as sharp as they were in previous years. In these market conditions, UPB's diversified range of products and services has served as an advantage. This made it possible to respond more promptly to the market slowdown in Scandinavia, which is the main export region for the company. It was also possible to ensure more steady load levels in production plants of the UPB Group.

In general, during the reporting year, export activities accounted for more than a half of the total turnover of the UPB Group, retaining the main focus on the Scandinavian countries. Several projects have made it possible to highlight UPB's competences in engineering and production of high added value products by exporting complex large-sized façade units. A new concrete product line – glass fibre reinforced concrete (GRC) façades – was also further developed during the reporting year.

One of the projects abroad to be highlighted is Mary Elizabeth's Children's Hospital in Copenhagen, Denmark – UPB delivered and installed the largest façade in the company's history, which was highly complex due to both its size and strict technical requirements. A prestigious façade project for an 11-storey office building in the centre of London has also been completed. By this project, UPB continues strengthening its position on the British market, which is one of the company's long-term goals. The implemented façade also highlights the internal synergy of the UPB Group, as it combines several products manufactured by UPB.

Stable growth has also continued in the machinery division, reaching a 22% increase in turnover compared to the year before. This has been driven by the successful execution of major and complex projects, including significantly expanding export to countries such as the USA and Great Britain.

In 2023, important construction objects such as the Daugava Stadium Athletics Arena in Riga, built according to the "Design and Build" principle, and the Children and Youth Mental Health Centre of the Children's Clinical University Hospital in Riga were completed in the domestic market. In general, the design, engineering and construction areas have been active, and several new industrial and office projects have been started for manufacturing companies of various industries such as Knauf's new office, production facilities for Rettenmeier Baltic Timber and Latvijas Finieris. The energy project sector was also active, with the construction of wood chip boiler houses in several cities in Latvia.

The cooperation started within the project "Magdelenas kvartals" has also been noteworthy for the Group, where UPB ensured the production and assembly of the frame structures and the façade. The project was implemented according to the "off-site construction" principle allowing reducing the amount of work to be done on site. According to the company management, this approach is one of the tendencies that should be developed more widely also on the Latvian market, looking for ways to make the construction sector more efficient.

There was also a strong focus on promoting sustainability in both construction and manufacturing areas. The targeted work on reducing the CO2 footprint of products manufactured by the UPB Group has resulted in a significant improvement in environmental performance, with new environmental product declarations (EPD) for concrete products received in early 2024, including the first in the Baltic States to be received for ready-mixed concrete.

In 2024, the turnover of the UPB Group is expected to be stable, remaining at a similar level as in 2023. It is planned to continue long-term development as an industrial, vertically integrated group of companies capable of carrying out technologically complex projects and offering high value added products. The project portfolio for 2024 has been completed in accordance with the company's budget and goals, expecting that greater market activity will resume in the 2nd half of the year. Therefore, greater growth is expected in 2025. Also, the year 2024 is planned to be dynamic in the Latvian construction industry, focusing on complex industrial projects, as well as on improving processes and qualifications allowing to be even more competitive in the future.

A decision by the Arbitration Institute of the Stockholm Chamber of Commerce (SCC Arbitration Institute) on the construction of Phase 1 of the Preses Nama Kvartals has been received between the end of the reporting year and the signing of this report. See note 37 to the financial statement for details.

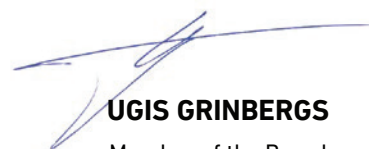
No other events that could affect the result of the reporting year have occurred.

**DAINIS BERZINS**

Chairman of the Board

**NORA KALNA**

Member of the Board

**UGIS GRINBERGS**

Member of the Board

MAIN PROJECTS OF 2023

CHILDREN AND YOUTH MENTAL HEALTH CENTER

PUBLIC BUILDING

 Riga, Latvia


MAGDELĒNAS KVARTĀLS

OFFICE BUILDING

 Riga, Latvia



DAUGAVA STADIUM ATHLETICS ARENA

PUBLIC BUILDING

 Riga, Latvia


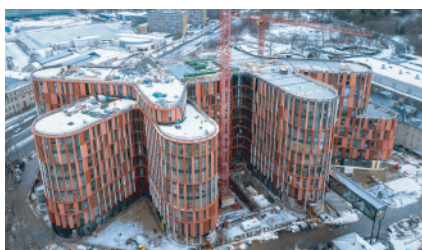

VAXELN KOBRA

RESIDENTIAL BUILDING

 Stockholm, Sweden


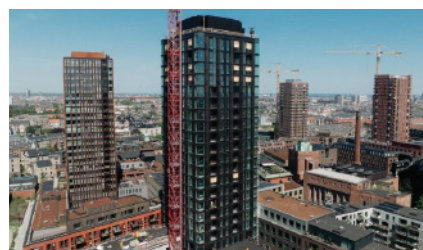

MARY ELIZABETH'S HOSPITAL

PUBLIC BUILDING

 Copenhagen, Denmark



CARL'S TÅRN

RESIDENTIAL BUILDING

 Copenhagen, Denmark



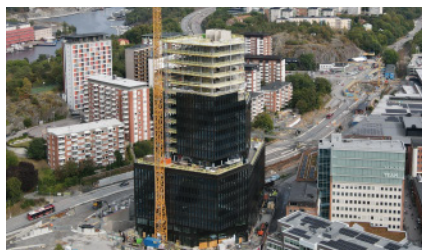
THE EARNSHAW

OFFICE BUILDING

 London, United Kingdom


SICKLA CENTRAL

OFFICE BUILDING

 Stockholm, Sweden


ESPREN BRU BRIDGE

INFRASTRUCTURE

 Hamar, Norway


SUMMARY FINANCIAL STATEMENTS

PROFIT AND LOSS STATEMENT FOR 2023

	2023 (EUR)	2022 (EUR)
Net sales	214 799 178	204 279 728
Cost of goods sold, cost of services	(205 197 403)	(195 168 126)
Gross profit	9 601 775	9 111 602
Selling expenses	(1 811 369)	(1 685 815)
Administrative expenses	(6 123 776)	(4 793 749)
Other operating income	234 807	2 429 109
Other operating expenses	(113 493)	(121 836)
Income from investments in related companies	951 508	708 812
Interest and similar income	418 057	114 916
Adjustments to impairment of current and non-current financial investments	-	(547 960)
Interest and similar expenses	(843 743)	(742 527)
Profit before corporate income tax	2 313 766	4 472 552
Corporate income tax	(149 032)	(156 206)
Profit for the reporting year	2 164 734	4 316 346

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

BALANCE SHEET AS AT 31 DECEMBER 2023

ASSETS

	2023 (EUR)	2022 (EUR)
LONG-TERM INVESTMENTS		
Intangible assets		
Concessions, patents, licenses, trademarks, and similar rights	125 033	305 583
Intangible assets in development	15 862	121 011
Total intangible assets	140 895	426 594
Fixed assets		
Land, buildings and engineering structures	19 857 257	20 293 883
Leasehold improvements	1 060 204	1 233 579
Equipment and devices	4 236 139	5 300 089
Other fixed assets	3 061 572	4 046 127
Construction in progress	334 059	336 667
Prepayments for fixed assets	15 648	-
Total fixed assets	28 564 879	31 210 345
Long-term financial investments		
Investments in related companies	2 515 345	2 515 345
Long-term loans to related parties	2 769 907	1 415 837
Other loans and long term receivables	37 334	81 778
Total long term financial investments	5 322 586	4 012 960
Total long term investments	34 028 360	35 649 899

CURRENT ASSETS

Stock		
Raw materials	1 932 964	2 904 900
Work in progress and unfinished orders	3 488 238	4 963 042
Finished goods and goods for sale	-	4 951
Prepayments for stock	786 843	8 540 371
Total stock	6 208 045	16 413 264
Receivables		
Trade receivables	10 891 652	8 727 257
Due from related parties	15 181 593	18 321 090
Other receivables	20 176 729	12 191 404
Prepaid expenses	1 611 795	1 013 506
Accrued income	12 025 275	9 342 103
Total receivables	59 887 044	49 595 360
Cash	18 924 704	5 182 657
Total current assets	85 019 793	71 191 281
Total assets	119 048 153	106 841 180

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

EQUITY AND LIABILITIES

	2023 (EUR)	2022 (EUR)
Shareholder's equity		
Share capital	15 720 305	15 720 305
Retained earnings brought forward from previous years	23 331 161	19 014 815
Profit of the reporting year	2 164 734	4 316 346
Total shareholder's equity	41 216 200	39 051 466
Provisions		
Other provisions	5 307 860	4 610 838
Total provisions	5 307 860	4 610 838
LIABILITIES		
Long-term liabilities		
Loans from credit institutions	7 333 449	13 218 497
Other loans	-	139 341
Due to related parties	292 772	290 389
Total long-term liabilities	7 626 221	13 648 227
Short-term liabilities		
Loans from credit institutions	857 143	3 682 164
Other loans	141 654	416 178
Customer advances	13 215 599	18 888 038
Accounts payable to suppliers and contractors	4 701 580	5 432 556
Due to related parties	13 692 545	8 741 223
Taxes and social contributions	1 210 689	1 255 763
Other liabilities	12 129 675	1 401 923
Deferred income	1 480 260	782 825
Dividends payable	2 097 430	2 460 000
Accrued liabilities	15 371 297	6 469 979
Total current liabilities	64 897 872	49 530 649
Total liabilities	72 524 093	63 178 876
Total equity and liabilities	119 048 153	106 841 180

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

STATEMENT OF CASH FLOW FOR 2023

CASH FLOWS FROM OPERATING ACTIVITIES	2023 (EUR)	2022 (EUR)
1. Profit before tax	2 313 766	4 472 552
Adjustments for:		
Impairment of fixed assets	3 245 823	2 256 342
Impairment of intangible assets	296 363	241 335
Provisions	697 022	(203 443)
Income from investments in related companies	(951 508)	(708 812)
Other interest and similar income	(285 407)	(49 322)
Impairment adjustments of long term financial investments	-	78 960
Interest and similar expenses	780 073	332 369
2. Profit before adjustments for the effect of changes to current assets and short term liabilities	6 096 132	6 419 981
Adjustments for:		
(Increase)/decrease of receivables	(9 677 152)	(14 762 840)
(Increase)/decrease of stock	10 205 220	(7 836 854)
Increase or (decrease) of accounts payable to suppliers, contractors and other creditors	22 907 407	3 004 808
3. Gross cash flows from operating activities	29 531 607	(13 174 905)
4. Interest paid	(780 073)	(332 369)
5. Corporate income tax	(200 937)	(367 067)
6. Received overpaid corporate income tax	-	9 349
Net cash flows from operating activities	28 550 597	(13 864 992)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisition of shares of related companies	-	(545 160)
Income from disposal of investments in related companies	-	490 000
Purchase of property, equipment, and intangible assets	(787 653)	(952 549)
Income from disposal of fixed and intangible assets	176 632	2 605 605
Loans issued	(5 310 261)	(1 881 508)
Revenue from repaid loans	183 829	674 168
Interest received	285 407	49 322
Dividends received	130 000	229 429
Net cash flows from investing activities	(5 322 046)	669 307
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans received	-	8 463 438
Repayment of loans	(8 710 069)	(857 143)
Finance lease payments	(413 865)	(599 176)
Dividends paid	(362 570)	(450 000)
Net cash flows used in financing activities	(9 486 504)	6 557 119
Net cash flows for the reporting year	13 742 047	(6 638 566)
Cash and cash equivalents at the beginning of the year	5 182 657	11 821 223
Cash and cash equivalents at the end of the year	18 924 704	5 182 657

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

STATEMENT OF CHANGES TO THE SHAREHOLDERS' EQUITY FOR 2023

	Share capital (EUR)	Retained earnings brought forward from previous years (EUR)	Profit of the reporting year (EUR)	Total shareholder's equity (EUR)
31.12.2021	15 720 305	16 417 582	5 897 233	38 035 120
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
31.12.2022	15 720 305	19 014 815	4 316 346	39 051 466
Profit for 2022 transferred to retained earnings	-	4 316 346	(4 316 346)	-
Profit of the reporting year	-	-	2 164 734	2 164 734
31.12.2023	15 720 305	23 331 161	2 164 734	41 216 200

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

NOTES TO THE FINANCIAL STATEMENTS

BASIS FOR PREPARATION OF SUMMARY FINANCIAL STATEMENTS

The summary financial statements comprise the balance sheet as at 31 December 2023 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

In 2022, Construction contract on the construction of Phase 1 of Preses Nama Kvartals concluded with PN Management was terminated.

On 15 June 2023, UPB filed a claim against PN Management before the SCC Arbitration Institute of the Stockholm Chamber of Commerce that included the amount of the claim recognised in the balance sheet as at 31 December 2022 for the work performed in the amount of EUR 3 072 024 and contract penalty.

In the context of this case, PN Management had also made a number of claims against UPB which, in the view of UPB's management, had to 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.

On 17 June 2024, a judgement of the SCC Arbitration Institute of the Stockholm Chamber of Commerce was received satisfying almost all of UPB's claims, while satisfying the claims of PN Management only to the extent that UPB had previously accepted them and reflected them in its accounting. The total amount of the satisfied claims in favour of UPB is EUR 14 417 495.67 and the judgement of the SCC Arbitration Institute sets off the claims of PN Management in the amount of EUR 2 113 444 against the paid advance. The use of guarantees issued by SEB banka by PN Management was also recognised as unjustified.

As at 31 December 2023, the balance sheet of UPB reflects the following amounts that are subject to a court ruling after the end of the reporting year: advance received in the amount of EUR 2 113 444, accrued income and trade receivables in the amount of EUR 3 530 774, claims to debtors for withheld bank guarantees in the amount of EUR 9 798 695 and settlements with creditors for withheld bank guarantees in the amount of EUR 9 798 695. These amounts have been partially written off at the time of signing of these financial statements and some are being recovered pursuant to the laws and regulations.

In accordance with the Construction contract, UPB intends to file a claim to the arbitration court against PN Management in regard to payment for the ordered and delivered materials or for damages incurred by UPB in this respect. No adjustments have been made in the financial statements in regard to these amounts. The outcome of this claim cannot be predicted with sufficient certainty and exact amounts of claims to be submitted and assigned or claims to be received cannot be accurately estimated at this stage.

More detailed information about litigations are disclosed in the Note 37 of full the 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 2023 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 2023.

In our opinion, the summary financial statements derived from the audited financial statements of AS UPB for the year ended 31 December 2023 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 1 August 2024.

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 for work performed EUR 3 072 024 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.

On 17 June 2024, a judgement of the SCC Arbitration Institute of the Stockholm Chamber of Commerce was received satisfying almost all of UPB's claims, while satisfying the claims of PN

Management only to the extent that UPB had previously accepted them and reflected them in its accounting. The total amount of the satisfied claims in favour of UPB is EUR 14 417 495.67 and the judgement of the SCC Arbitration Institute sets off the claims of PN Management in the amount of EUR 2 113 444 against the paid advance. The use of guarantees issued by SEB banka by PN Management was also recognised as unjustified.

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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.

KPMG Baltics SIA
Licence No. 55



IRĒNA SARMA

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

2023

ANNUAL REPORT

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INERTIE MATERIĀLI

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Forma

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