

upb

2022

UPB GROUP  
ANNUAL  
REPORT

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# INFORMATION ON THE GROUP

<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 BETONA PETIJUMU CENTRS

Maskavas 246, Riga,  
Latvia, LV-1063  
Indirect AS UPB holding through  
AS MB Betons: 93.5%

## SIA BUVMEHANIZACIJA

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

## SIA DAUGAVPILS DZELZSBETONS

Rupniecibas 1a, Daugavpils,  
Latvia, LV-5404  
Indirect AS UPB holding through  
AS MB Betons: 93.5%

## SIA DZELZSBETONS MB

Cukura 34, Liepaja,  
Latvia, LV-3414  
Indirect AS UPB holding through  
AS MB Betons: 93.5%

## 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 INERTO MATERIĻU SERVISS

Dzintaru 19, Liepaja,  
Latvia, LV-3401  
Indirect AS UPB holding through  
AS MB Betons: 93.5%

## SIA INZENIERU BIROJS "BUVE UN FORMA"

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

## SIA JELGAVAS MB

Graudu 4, Jelgava,  
Latvia, LV-3001  
Indirect AS UPB holding through  
AS MB Betons: 93.5%

## AS MB BETONS

Dzintaru 17, Liepaja,  
Latvia, LV-3401  
AS UPB holding: 93.5%

## AS MBD

Rupniecibas 1M, Daugavpils,  
Latvia, LV-5404  
Indirect AS UPB holding through  
AS MB Betons: 93.5%

## SIA RK METALS

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

## SIA STIKLU CENTRS

Pulvera 20, Liepaja,  
Latvia, LV-3405  
Indirect AS UPB holding through  
SIA Aile Grupa: 100%

## SIA TRANSPORTBETONS MB

Graudu 4, Jelgava,  
Latvia, LV-3001  
Indirect AS UPB holding through  
AS MB Betons: 93.5%

## 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%

## OOO UPB ENGINEERING

Gintovta 1, kabinet 603 (БЦ А-100),  
Minsk, 220125, Belarus  
Indirect AS UPB holding through  
SIA HF Technology and SIA UPB  
Projekti: 100% - before 01.07.2022.

# 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 Liepaja. 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 (NollCO2) 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 Kvartals 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 34 of the financial report.

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



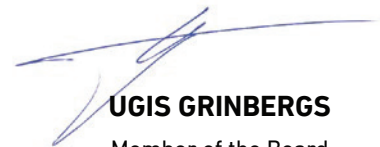
**DAINIS BERZINS**

Chairman of the Board



**NORA KALNA**

Member of the Board



**UGIS GRINBERGS**

Member of the Board

# UPB GROUP IN 2022

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UPB IS ONE OF THE LEADING INDUSTRIAL HOLDINGS IN THE BALTIC STATES.

**30+**

years in business

**237 M**

consolidated turnover  
in 2022 (EUR)

**1800**

employees

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**2.9 M**

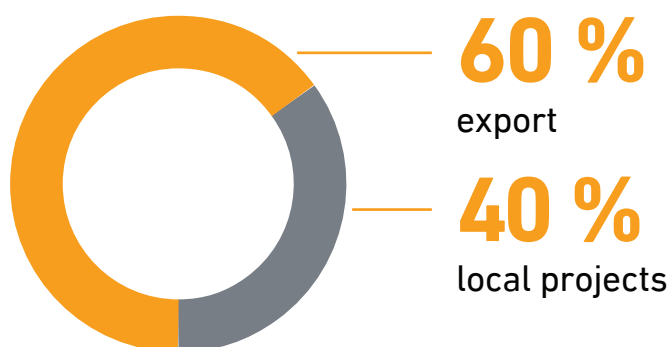
invested internally

**32%**

equity ratio

**29 M**

taxes paid (EUR)





# 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



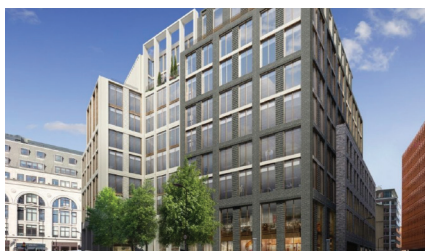
## MÄLARSJUKHUSET HOSPITAL

PUBLIC BUILDING  
Eskilstuna, Sweden



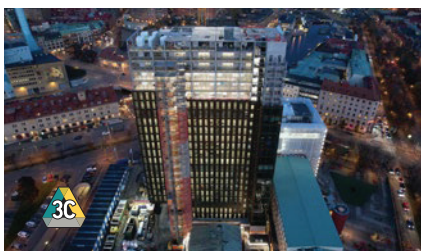
## THE EARNSHAW

OFFICE BUILDING  
London, United Kingdom



## CLARION HOTEL DRAKEN

HOTEL BUILDING  
Gothenburg, Sweden



## FJÄLLSJÖALVEN BRIDGE

INFRASTRUCTURE  
Solleftea, Sweden





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# **SUMMARY CONSOLIDATED FINANCIAL STATEMENTS**

# PROFIT AND LOSS STATEMENT FOR 2022

	<b>2022</b> (EUR)	<b>2021</b> (EUR)
Net sales	237 664 803	238 570 800
Cost of goods sold, cost of services	(233 035 553)	(226 957 967)
<b>Gross profit</b>	<b>4 629 250</b>	<b>11 612 833</b>
Selling expenses	(2 761 749)	(3 272 057)
Administrative expenses	(7 406 910)	(10 389 404)
Other operating income	2 044 509	433 646
Other operating expenses	(233 820)	(443 772)
Income from investments in related companies	168 519	-
Interest and similar income	89 379	70 757
Interest and similar expenses	(888 126)	(464 163)
<b>Loss before corporate income tax</b>	<b>(4 358 948)</b>	<b>(2 452 160)</b>
Corporate income tax	(329 928)	(1 649 652)
<b>Loss for the reporting year</b>	<b>(4 688 876)</b>	<b>(4 101 812)</b>
Share of profit or loss attributed to minority interest	(12 935)	61 916
<b>Losses after minority interest</b>	<b>(4 701 811)</b>	<b>(4 039 896)</b>

The accompanying notes on page 15 form an integral part of these summary consolidated financial statements.

# BALANCE SHEET AS AT 31 DECEMBER 2022

## ASSETS

<b>LONG-TERM INVESTMENTS</b>	<b>2022</b> (EUR)	<b>2021</b> (EUR)
<b>Intangible assets</b>		
Development costs	609 875	700 227
Concessions patents, licenses, trademarks and similar rights	639 921	1 051 663
Intangible assets in development	127 963	54 537
<b>Total intangible assets</b>	<b>1 377 759</b>	<b>1 806 427</b>
<b>Fixed assets</b>		
Land, buildings and engineering structures	22 037 202	23 803 658
Leasehold improvements	1 321 664	1 529 307
Equipment and devices	9 971 740	11 282 753
Other fixed assets	7 074 677	8 739 335
Construction in progress	424 038	326 042
Prepayments for fixed assets	44 550	35 155
<b>Total fixed assets</b>	<b>40 873 871</b>	<b>45 716 250</b>
<b>Long-term financial investments</b>		
Other securities and investments	400	400
Other loans and long term receivables	81 778	7 325
Prepaid expenses	89 255	88 495
<b>Total long term financial investments</b>	<b>171 433</b>	<b>96 220</b>
<b>Total long term investments</b>	<b>42 423 063</b>	<b>47 618 897</b>
<b>CURRENT ASSETS</b>		
<b>Stock</b>		
Raw materials	19 065 212	18 785 533
Work in progress and unfinished orders	7 577 957	4 874 998
Finished goods and goods for sale	1 716 751	1 562 780
Prepayments for goods	2 388 325	3 089 870
<b>Total stock</b>	<b>30 748 245</b>	<b>28 313 181</b>
<b>Receivables</b>		
Trade receivables	11 456 302	6 937 131
Other receivables	13 670 911	11 696 255
Prepaid expenses	1 485 728	1 605 764
Accrued income	23 183 183	15 451 518
<b>Total receivables</b>	<b>49 796 124</b>	<b>35 690 668</b>
<b>Cash</b>	<b>8 002 894</b>	<b>13 184 247</b>
<b>Total current assets</b>	<b>88 547 263</b>	<b>77 188 096</b>
<b>Total assets</b>	<b>130 970 326</b>	<b>124 806 993</b>

The accompanying notes on page 15 form an integral part of these summary consolidated financial statements.

## EQUITY AND LIABILITIES

	<b>2022</b> (EUR)	<b>2021</b> (EUR)
<b>Shareholder's equity</b>		
Share capital	15 720 305	15 720 305
Foreign exchange revaluation reserve	(71 940)	(57 411)
Other reserves	18	683
Retained earnings brought forward from previous years	30 083 954	37 423 850
Loss for the reporting year	(4 701 811)	(4 039 896)
Minority interest	979 701	999 234
<b>Total shareholder's equity</b>	<b>42 010 227</b>	<b>50 046 765</b>
<b>Provisions</b>		
Other provisions	7 448 962	7 507 240
<b>Total provisions</b>	<b>7 448 962</b>	<b>7 507 240</b>
<b>LIABILITIES</b>		
<b>Long-term liabilities</b>		
Loans from credit institutions	13 218 497	9 437 223
Other loans	1 132 991	1 875 376
Other liabilities	370 237	833 305
Deferred income	43 735	65 603
<b>Total long-term liabilities</b>	<b>14 765 460</b>	<b>12 211 507</b>
<b>Short-term liabilities</b>		
Loans from credit institutions	3 682 164	857 143
Other loans	1 214 966	1 360 375
Customer advances	27 501 159	16 452 914
Accounts payable to suppliers and contractors	13 811 268	15 805 638
Taxes and compulsory state social security contributions	2 543 428	3 738 093
Other liabilities	3 040 035	2 025 085
Deferred income	1 103 183	136 648
Dividends payable	2 492 468	35 714
Accrued liabilities	11 357 006	14 629 871
<b>Total current liabilities</b>	<b>66 745 677</b>	<b>55 041 481</b>
<b>Total liabilities</b>	<b>81 511 137</b>	<b>67 252 988</b>
<b>Total equity and liabilities</b>	<b>130 970 326</b>	<b>124 806 993</b>

The accompanying notes on page 15 form an integral part of these summary consolidated financial statements.

# STATEMENT OF CASH FLOW FOR 2022

	<b>2022</b> (EUR)	<b>2021</b> (EUR)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>1. Loss before corporate income tax</b>	(4 358 948)	(2 452 160)
Adjustments for:		
Impairment of fixed assets	6 034 677	5 210 944
Impairment of intangible assets	611 610	1 163 222
Change in provisions (except allowances for doubtful debts)	(58 278)	949 383
Profit or loss from foreign exchange rate fluctuations and changes in other reserves due to disposal of an investment	(15 094)	(1 724)
Other interest and similar income	(8 172)	(9 351)
Interest and similar expenses	374 131	102 615
Income from subsidies and grants	(27 275)	-
<b>2. Profit or loss before adjustments for the effect of changes to current assets and short term liabilities</b>	<b>2 552 551</b>	<b>4 962 929</b>
Adjustments for:		
(Increase)/decrease of receivables	(13 571 461)	(1 283 474)
(Increase)/decrease of stock	(2 435 064)	(11 920 288)
Increase or (decrease) of accounts payable to suppliers, contractors and other creditors	7 031 466	6 900 026
<b>3. Gross cash flows from operating activities</b>	<b>(6 422 508)</b>	<b>(1 340 807)</b>
4. Interest paid	(374 131)	(102 615)
5. Corporate income tax	(1 844 247)	(1 055 817)
6. Received overpaid corporate income tax	9 349	14 466
<b><i>Net cash flows from operating activities</i></b>	<b>(8 631 537)</b>	<b>(2 484 773)</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Purchase of fixed and intangible assets	(3 198 952)	(15 293 338)
Income from disposal of fixed and intangible assets	1 564 682	325 451
Loans issued	(77 778)	(1 330)
Income from repayment of loans	24 968	66 180
Interest received	8 172	9 351
<b><i>Net cash flows from investing activities</i></b>	<b>(1 678 908)</b>	<b>(14 893 686)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loans received	7 638 417	10 294 366
Grants, donations received	27 275	(56 874)
Repayment of loans	(1 032 122)	(4 447)
Finance lease payments	(628 764)	(1 533 460)
Dividends paid	(875 714)	(7 962 122)
<b><i>Net cash flows used in financing activities</i></b>	<b>5 129 092</b>	<b>737 463</b>
<b>Net cash flows for the reporting year</b>	<b>(5 181 353)</b>	<b>(16 640 996)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>13 184 247</b>	<b>29 825 243</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>8 002 894</b>	<b>13 184 247</b>

The accompanying notes on page 15 form an integral part of these summary consolidated financial statements.

# STATEMENT OF CHANGES TO THE SHAREHOLDERS' EQUITY FOR 2022

	Share capital (EUR)	Foreign currency revaluation reserve (EUR)	Other reserves (EUR)	Retained earnings brought forward from previous years (EUR)	Profit or loss for the reporting year (EUR)	Minority interest (EUR)	Total shareholders' equity (EUR)
<b>31.12.2020</b>	<b>15 720 305</b>	<b>(55 687)</b>	<b>379</b>	<b>30 419 940</b>	<b>13 304 214</b>	<b>1 096 864</b>	<b>60 486 015</b>
Profit for 2020 transferred to retained earnings	-	-	304	13 303 910	(13 304 214)	-	-
Distribution of dividends	-	-	-	(6 300 000)	-	(35 714)	(6 335 714)
Foreign exchange revaluation result	-	(1 724)	-	-	-	-	(1 724)
Loss for the reporting year	-	-	-	-	(4 039 896)	(61 916)	(4 101 812)
<b>31.12.2021</b>	<b>15 720 305</b>	<b>(57 411)</b>	<b>683</b>	<b>37 423 850</b>	<b>(4 039 896)</b>	<b>999 234</b>	<b>50 046 765</b>
Loss for 2021 transferred to retained earnings brought forward from previous years	-	-	-	(4 039 896)	4 039 896	-	-
Changes in relation to disposal of subsidiaries	-	-	(665)	(3 300 000)	-	-	(665)
Distribution of dividends	-	-	-	-	-	(32 468)	(3 332 468)
Foreign exchange revaluation result	-	(14 529)	-	-	-	-	(14 529)
Loss for the reporting year	-	-	-	-	(4 701 811)	12 935	(4 688 876)
<b>31.12.2022</b>	<b>15 720 305</b>	<b>(71 940)</b>	<b>18</b>	<b>30 083 954</b>	<b>(4 701 811)</b>	<b>979 701</b>	<b>42 010 227</b>

The accompanying notes on page 15 form an integral part of these summary consolidated financial statements.

# NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

## BASIS FOR PREPARATION OF SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The summary consolidated 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 consolidated financial statements derived from the audited consolidated financial statements of AS UPB in accordance with the Law on Annual Statements and Consolidated Annual Statements of the Republic of Latvia.

The audited consolidated 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 consolidated financial statements is consistent with the objective of the summary consolidated 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 consolidated financial statements and summarised consolidated 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 34 of the full consolidated financial statements.



# INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AS UPB

## REPORT ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

### Opinion

The accompanying summary consolidated financial statements on pages 10 to 15, 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 consolidated financial statements, are derived from the audited consolidated financial statements of AS UPB for the year ended 31 December 2022.

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

### Summary Consolidated Financial Statements

The summary consolidated 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 consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of AS UPB and our report thereon. The summary consolidated financial statements and the audited consolidated financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated financial statements.

### The Audited Consolidated Financial Statements and our Report Thereon

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

Our report includes Emphasis of Matter paragraph where we draw attention to Note 34 to the full consolidated 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 consolidated financial statements.

At the date of the consolidated financial statements and summary consolidated 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 consolidated financial statements is not modified regarding this matter.

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

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

### Auditors' Responsibility

Our responsibility is to express an opinion on the summary consolidated 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

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