

**LIMITED LIABILITY COMPANY**

**"Marijas 2"**

**UNIFIED REGISTRATION NUMBER 50203281461**

**ANNUAL REPORT FOR THE YEAR 2021**

PREPARED IN ACCORDANCE WITH THE LAW OF THE REPUBLIC OF LATVIA  
ON ANNUAL REPORTS AND CONSOLIDATED ANNUAL REPORTS  
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

**TABLE OF CONTENTS**

	PAGE
INFORMATION OF THE COMPANY	3
MANAGEMENT REPORT	4-5
FINANCIAL STATEMENT:	
PROFIT OR LOSS ACCOUNT	6
BALANCE SHEET	7-8
NOTES	9-15
INDEPENDENT AUDITOR'S REPORT	16

**INFORMATION OF THE COMPANY**

COMPANY NAME	SIA "Marijas 2"
COMPANY LEGAL STATUS	Limited liability company
REGISTRATION NUMBER, PLACE AND DATE	50203281461 Riga, 21.12.2020
TYPE OF OPERATIONS (NACE CLASSIFICATION CODE)	68.20 (renting and managing own or leased real estate)
COMPANY LEGAL ADDRESS	Rīga, Krisjana Valdemara street 33 - 18, LV-1010
SHAREHOLDERS	65.38% - Evernord Real Estate Fund III Closed-end fund intended for informed investors (Lithuania) 34.62% - Novira SIA (Latvia)
MEMBERS OF THE BOARD	Nikolay Kryzhanovskiy - member of the Board (from 25.03.2022) Jolanta Jurga - member of the Board (from 13.04.2021) Andres Liinsoo - member of the Board (till 25.03.2022) Arle Molder - member of the Board (till 13.04.2021) Aleksandr Savčenko - member of the Board (till 03.03.2021)
ACCOUNTING YEAR	01.01.2021 - 31.12.2021
RESPONSIBLE ACCOUNTANT	Edgars Sniegs SIA Cipari Baltic Kr. Valdemara Street 33-19, Riga, LV-1010 Phone: (371) 67212468   www.cipari.com
NAME AND ADDRESS OF AUDITOR AND RESPONSIBLE AUDITOR	PricewaterhouseCoopers SIA Certified Auditors' Company, Licence Nr. 5 Kr. Valdemāra iela 21-21, Riga LV-1010 Responsible Certified Auditor: Ilandra Lejiņa, Certificate Nr. 168

## MANAGEMENT REPORT

### Type of operations

According to the Statistical Classification of Economic Activities, the main activity of Marijas 2 SIA (hereinafter referred to as the Company) is renting and managing own or leased property (NACE code 68.20).

### Information on Company's share capital

The Company's registered and fully paid share capital is EUR 14,502,800, it consists of 145,028 ordinary shares with EUR 100 nominal value per share.

### Performance of the Company during the year

The Company purchased real estate located at Marijas street 2A and presumed parts of real estate located at Marijas street 2. Since establishment, all activities have been focused on development of a modern 7-floor A-class office building. The real estate was purchased with an approved project and building permits issued in accordance with the building project. The total leasable area of the building is 23 700 m<sup>2</sup> is developed, of which 3,300 m<sup>2</sup> will be ground floor retail area and 20,400 m<sup>2</sup> – A-class offices. There are planned two underground floors with 240 parking spaces in the building. The construction works have started in 2020, underground works were completed in February 2022. The aboveground construction agreement was signed in December 2021. Construction works will be completed in Q2 2023 with building commissioning scheduled in Q3 2023.

Despite the COVID-19 pandemic and high commercial premises supply over the past couple of years, the demand for office in Riga centre remains high. Latvian real estate market has once again set a new high in the value of transactions at 665 million EUR, nearly doubling the transaction volume of 2021 investment. Preliminary analysis suggests that 2021 office take-up exceeds 52,000 m<sup>2</sup>, a nearly 50% increase over the 2020 numbers. Lack of completed high-class developments has not only compressed the prime office yield by 10 percentage points, but also increased the pre-lease proportion. Around 40% of the signed leases in 2021 were pre-leases. Rents for new projects are higher than for existing ones but that does not deter the tenants. New technologies and solutions not only provide more comfort but also decrease the additional costs minimizing the difference between A-class and lower-class buildings for the tenant, especially with rising energy costs. Based on these trends, it is forecasted that the demand for A-class offices will remain high for both the tenants and the investors. Average range of rent rates for A-class offices in Riga is 14 - 17 EUR/m<sup>2</sup> and prime yield for offices is 5.5%, with a tendency for decreasing.

In 2021 the Company did not have any employees and no remuneration was paid to the Management Board.

### Risk management

The Company's most significant financial instruments are borrowings from banks, other borrowings, cash and bank deposits. The main task of these financial instruments is to provide financing for the Company's business operations. The Company also has a number of other financial assets and liabilities, such as trade receivables and payables to suppliers and contractors, arising directly from its operations.

Market risk is the risk that changes of current market factors will significantly influence the Company's business and ability to attract funding. Company sees that the main factor is the rent rate of offices that influences both the value of the assets and covenants to secure the bank financing. To mitigate the risk the Company is in constant contact with real estate agents who help assess the market situation and provide consultations about planned pre-lease contracts.

**Management report (continued)**

**Risk management (continued)**

Interest risk is the risk of increasing financial costs due to changes in interest rates for the Company due to rising EURIBOR value. The company has mitigated this risk by issuing long-term bonds with fixed EURIBOR interest rate to finance the development. The company will continue to manage the interest risk by keeping a close eye on the interest rates on the market and look for more favorable financing options.

The Company adheres to prudent liquidity and cash flow risk management, ensuring that adequate credit resources are available to settle liabilities in a timely manner. The Company's management manages liquidity and cash flow risk by maintaining adequate cash reserves and providing sufficient funding through loans, credit lines, financial leases, etc., as well as by constantly monitoring expected and actual cash flows and harmonizing the maturity structure of financial assets and liabilities.

The company is not subject to a currency risk since business is conducted in euros. Describe other risks.

**Future prospects**

In 2022, the Company management will focus on completing the construction project and adapting the premises to the needs of the tenants, as well as finding tenants for the vacant premises.

**Post balance sheet events**

The company has issued bonds (ISIN LV0000802551) to finance its business operations until the completion of the construction works and commissioning the building. The company expects to attract 45 million euro over 18 months. The first tranche has been completed in March 2022 with total raised amount of 4,5 million euro. The company plans to continue with quarterly issues of bonds.

Except for above, from the end of the reporting year until today no other significant subsequent events have occurred that would materially impact the presentation of financial statements or which should be described in these financial statements.

**Current year loss**

Current year loss EUR 54,467 will be offset with future years' profits.

29 April, 2022

This management report is signed electronically.

Nikolay Kryzhanovskiy, Member of the Board

Jolanta Jurga, Member of the Board

**PROFIT OR LOSS ACCOUNT FOR THE YEAR 2021**

	Note	01.01.2021- 31.12.2021	21.12.2020- 31.12.2020
		EUR	EUR
Selling expenses	2	(30 689)	-
Administrative expenses	3	(23 656)	(10)
Other operating expenses		(122)	-
<b>(Loss) before corporate income tax</b>		<b>(54 467)</b>	<b>(10)</b>
Corporate income tax		-	-
<b>Current year's (loss)</b>		<b>(54 467)</b>	<b>(10)</b>

The notes on pages 9 to 15 is an integral part of these financial statements.

**Financial statements are signed electronically.**

29 April, 2022

Statements signed by:

Nikolay Kryzhanovskiy, Member of the Board

Jolanta Jurga, Member of the Board

Statements prepared by:

Edgars Sniegs, accountant

SIA Cipari Baltic

## BALANCE AS AT 31 DECEMBER 2021

ASSETS	Note	31.12.2021 EUR	31.12.2020 EUR
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Other intangible assets	4	15 019	-
<b>Total intangible assets</b>		<b>15 019</b>	<b>-</b>
<b>Fixed assets</b>			
Land and buildings	5	14 500 000	14 500 000
(a) land and buildings		14 500 000	14 500 000
Construction in progress	5	7 577 772	-
<b>Total fixed assets</b>		<b>22 077 772</b>	<b>14 500 000</b>
<b>Total non-current investments</b>		<b>22 092 791</b>	<b>14 500 000</b>
<b>Current assets</b>			
<b>Debtors</b>			
Other debtors	6	26 857	2 790
<b>Total debtors</b>		<b>26 857</b>	<b>2 790</b>
<b>Cash</b>	7	<b>139 972</b>	<b>-</b>
<b>Total current assets</b>		<b>166 829</b>	<b>2 790</b>
<b>Total assets</b>		<b>22 259 620</b>	<b>14 502 790</b>

**BALANCE AS AT 31 DECEMBER 2021**

<b>LIABILITIES AND EQUITY</b>	<b>Note</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
		EUR	EUR
<b>Equity</b>			
Share capital	8	14 502 800	14 502 800
Accumulated losses			
Prior year accumulated (loss)		(10)	-
Current year's (loss)		(54 467)	(10)
<b>Total equity</b>		<b>14 448 323</b>	<b>14 502 790</b>
<b>Creditors</b>			
<b>Long-term creditors</b>			
Amounts due to related company	9	7 556 166	-
<b>Long-term creditors total</b>		<b>7 556 166</b>	-
<b>Short-term creditors</b>			
Trade payables		40 562	-
Amounts due to related company	10	205 936	-
Taxes and social security contributions		50	-
Accrued liabilities		8 583	-
<b>Total short-term creditors</b>		<b>255 131</b>	-
<b>Total creditors</b>		<b>7 811 297</b>	-
<b>Total liabilities and equity</b>		<b>22 259 620</b>	<b>14 502 790</b>

The notes on pages 9 to 15 is an integral part of these financial statements.

**Financial statements are signed electronically.**

29 April, 2022

Statements signed by:

Nikolay Kryzhanovskiy, Member of the Board

Jolanta Jurga, Member of the Board

Statements prepared by:

Edgars Sniegs, accountant

SIA Cipari Baltic



## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting policies

#### General principles

Legal address of Marijas 2 is Krisjana Valdemara street 33 - 18, Riga, LV-1010. The Company is registered in the Commercial register of the Republic of Latvia under number 50203281461. The Company's shareholders are Evernord Real Estate Fund III Closed-end fund intended for informed investors (Lithuania), which owns 65.38% of the Company's share capital and Novira SIA, which owns 34.62% of the Company's share capital. Company's members of the Board are Nikolay Kryzhanovskiy and Jolanta Jurga. The Company's auditor is PricewaterhouseCoopers SIA, and responsible auditor is Ilandra Lejiņa.

#### General principles

Annual accounts are prepared in accordance with the laws of the Republic of Latvia "On Accounting" and "Annual financial statements and consolidated statements" and Regulations of the Cabinet of Ministers Nr. 775 "Rules for Application of the law on annual financial statements and consolidated financial statements." The profit and loss account is prepared in accordance with the turnover module. According to the law on "Annual financial statements and consolidated financial statements" Article 5, Section 2 the company is classified as micro company. Compared to the previous reporting year, the accounting and valuation methods used by the company have not changed.

#### Going concern

Growing inflation in Latvia and particularly in the construction sector may negatively affect volume of funds the Company intends to raise in order to finance the ongoing development. During the financial year the Company was preparing documentation for Nasdaq registered Bond issue in order to secure financing of its business in amount of 40 - 45 million euro, which is planned to be finished in the first half of 2022.

For that purposes an analysis of the several finance raising options was carried out. Two big investment companies in the Baltics were contracted, which will be responsible for the preparation of the bond issue documentation and underlying fund raising process. Financing of development projects through a bond issue has increasingly become popular not only in Latvia, but in the Baltics as well.

The Company plans to attract up to 45 million euros in up to 10 tranches to complete the development of the real estate. The financing plan envisages quarterly bond issues over the next 18 months. The first issue, which took place in Q1 2022, has provided enough liquidity for operations for the first quarter 2022.

To further mitigate the financing risks, the Company plans to list its bond issue. This will allow the Company to reach more potential investors and obtain financing at shorter time notices.

Additionally, the Company co-operates with major Latvian banks to negotiate alternative financing sources. The Company considers bank financing as a viable source of funds in late 2022 or beginning of 2023.

The Company's management believes that the going concern assumption is appropriate for the preparation of these financial statements.

#### Currency

The figures presented in these financial statements are expressed in the official currency of Latvia - the euro (EUR). Cash and cash equivalents consist of cash current bank account balances.

**Notes to the financial statements (continued)**  
**Accounting policies (continued)****Intangible and tangible fixed assets**

All intangibles and fixed assets are recorded at cost net of depreciation. Depreciation or amortization is calculated on a straight-line basis to write down each asset to its estimated residual value over its estimated useful life as follows:

	% per annum
Intangible assets	20%
Buildings	5%
Technological equipment	20%
Other assets	20%

Land is not subject to depreciation.

Interest costs on borrowing to finance the fixed assets under construction and other direct charges related to the particular fixed asset under construction are capitalized. This is during the period of time that is required to complete and prepare the asset for its intended use, as part of the cost of the asset. Capitalization of the borrowing costs is suspended during extended periods in which active developments are interrupted. Leasehold improvements are written down on a straight-line basis over the shorter of the estimated useful life of the leasehold improvement and the term of the lease. Current repairs and maintenance costs are charged to the profit and loss account in the period when the respective costs are incurred.

Where the carrying amount of an intangible asset or property, plant and equipment exceeds its recoverable amount, the intangible asset or property, plant and equipment is written down immediately to its recoverable amount. Recoverable amount is the higher of an intangible asset's or property, plant and equipment's fair value less costs to sell and value in use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Such costs are depreciated over the remaining useful life of the asset. When capitalizing the cost of an installed spare part, the residual value of the replaced part is written off in the income statement.

The costs of repairs and maintenance of property, plant and equipment are charged to the income statement in the period in which they are incurred.

**Accounts receivable**

Receivables are carried in the balance sheet at amortized cost less any allowance for impairment. Impairment losses are recognized when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount of the receivable and its recoverable amount. The amount of the provision is included in the income statement.

**Taxation**

Corporate income tax for the reporting period is included in the financial statements based on management's calculations which are prepared in accordance with Latvian Republic tax legislation.

Corporate income tax is calculated on distributed profits (20/80 of the net distributed amount). The corporate income tax on distributed profits is recognized when the Company's shareholders decide on profit distribution.

**Notes to the financial statements (continued)**  
**Accounting policies (continued)**

The Company also calculates and pays corporate income tax on conditionally distributed profits (20/80 of the calculated taxable base), including statutory taxable items such as non-operating expenses, accrued doubtful debts and loans to related parties, if they meet the certain criteria, as well as other costs that exceed the statutory deductible thresholds. Corporate income tax is recognized in the income statement in the year in which it arises. Corporate income tax on distributed profit and corporate income tax on conditionally distributed profit are presented in the income statement line "Corporate income tax for the reporting year", and tax calculation details are provided in the notes to the financial statements.

**Loans received**

Borrowings are recognized initially at the proceeds received net of transaction costs incurred. In subsequent periods, borrowings are stated at the amortized cost using the effective yield method. Any difference between proceeds net of any transaction costs and the redemption value is gradually recognized in the profit and loss account or capitalized to fixed assets under construction, according to the fixed assets accounting policy over the period of borrowings or capitalize as part of construction in progress, in accordance with the accounting policy for property, plant and equipment.

**Related parties**

Related parties are defined as shareholders of the Company, members of the board, their close relatives, and companies in which they have a significant influence or control.

**Use of estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense, and disclosure of contingencies. Future events occur which cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

**Subsequent events**

Post-period-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-period-end events, that are not adjusting events, are disclosed in the notes when material.

## Notes to the financial statements (continued)

2	Selling expenses	2021	2020
		EUR	EUR
	Marketing and public relations	30 689	-
		<u>30 689</u>	<u>-</u>
		<u><u>30 689</u></u>	<u><u>-</u></u>
3	Administrative expenses	2021	2020
		EUR	EUR
	Professional services	18 160	-
	Bank commissions	4 315	10
	Office rent	779	-
	Other	402	-
		<u>23 656</u>	<u>10</u>
		<u><u>23 656</u></u>	<u><u>10</u></u>
4	Intangible assets		
		Other Intangible assets	Total
		EUR	EUR
	<b>Historical cost</b>		
	<b>31.12.2020.</b>	-	-
	Additions	<u>15 019</u>	<u>15 019</u>
	<b>31.12.2021.</b>	<u>15 019</u>	<u>15 019</u>
		<u><u>15 019</u></u>	<u><u>15 019</u></u>
	<b>Amortisation</b>		
	<b>31.12.2020.</b>	-	-
	Current year depreciation in 2021	<u>-</u>	<u>-</u>
	<b>31.12.2021.</b>	<u>-</u>	<u>-</u>
		<u><u>-</u></u>	<u><u>-</u></u>
	<b>Net book value</b>		
	<b>31.12.2020.</b>	-	-
	<b>31.12.2021.</b>	<u>15 019</u>	<u>15 019</u>
		<u><u>15 019</u></u>	<u><u>15 019</u></u>

Intangible assets include costs of creating the Company's website.

## Notes to the financial statements (continued)

## 5 Fixed assets

	Land and buildings	Construction in progress	Total
	EUR	EUR	EUR
<b>Historical cost</b>			
<b>31.12.2020.</b>	<b>14 500 000</b>	-	<b>14 500 000</b>
Additions	-	7 577 772	7 577 772
<b>31.12.2021.</b>	<b>14 500 000</b>	<b>7 577 772</b>	<b>22 077 772</b>
<b>Accumulated depreciation</b>			
<b>31.12.2020.</b>	-	-	-
Additions in 2021	-	-	-
<b>31.12.2021.</b>	-	-	-
<b>Net book value</b>			
<b>31.12.2020.</b>	<b>14 500 000</b>	-	<b>14 500 000</b>
<b>31.12.2021.</b>	<b>14 500 000</b>	<b>7 577 772</b>	<b>22 077 772</b>

Fixed assets include land and an unfinished construction site, both located in Riga, at Marijas Street 2 / 2A, where a modern seven-story Class-A office complex is being developed. In 2020 the land and construction costs were valued by an independent licensed valuator SIA "OberHaus Vērtēšanas serviss". The valuation determined the market value of the real estate by combining valuation methods of projected future income and market prices of comparable projects.

The total planned investment in the object, excluding the value of the land, is EUR 51.7 million. During the reporting period, investments were made in the amount of 7.6 million EUR, or 14.7% of the total planned investments. The share of the financial investment made corresponds to the actual stage of completion of the project. In 2022 it is planned to invest an additional 29.7 million EUR in construction works, but in 2023 - the remaining 14.4 million EUR.

During the reporting year interest in amount of EUR 270,061 (2020: EUR 0) was added to the project cost.

Due to the EUR 4,500,000 bond issue, registered on Nasdaq in March 2022, a mortgage of EUR 58,000,000 was registered in favor of the collateral agent for both land plots. The mortgage secures the payment of the bond coupon and principal, considering an increase in the amount of bonds issued in the future.

6 Other debtors	31.12.2021	31.12.2020
	EUR	EUR
Value added tax	26 856	-
Risk duty	1	-
	<b>26 857</b>	<b>-</b>

## Notes to the financial statements (continued)

7 Cash	31.12.2021	31.12.2020
	EUR	EUR
BlueOrange bank account balance	139 252	-
LHV bank account balance	720	-
	<u>139 972</u>	<u>-</u>

## 8 Share capital

As at 31 December 2021 and 2020, the Company's registered and fully paid-up share capital consisted of 14,502,800 ordinary shares with a nominal value of EUR 100 each. The capital consists of a cash investment of EUR 2,800 and a property investment of EUR 14,500,000.

9 Due to related companies	31.12.2021	31.12.2020
	EUR	EUR
<b>Loan from Evernord Real Estate Fund III</b>		
<i>Years interest rate 9%, repayment date 31.12.2027</i>		
At the beginning of the reporting year	-	-
Loans received during the reporting year	4 767 660	-
Interest calculated during the reporting year	173 778	-
<b>At the end of the reporting year</b>	<u>4 941 438</u>	<u>-</u>

**Loan from SIA Novira**

*Years interest rate 9%, repayment date 31.12.2027*

At the beginning of the reporting year	-	-
Loans received during the reporting year	2 522 340	-
Interest calculated during the reporting year	92 388	-
<b>At the end of the reporting year</b>	<u>2 614 728</u>	<u>-</u>

**Aizņēmums no Novira Finance OU**

*Procentu likme 12% gadā, atmaksājams uz pieprasījumu*

At the beginning of the reporting year	-	-
Loans received during the reporting year	439 000	-
Loans paid during the reporting year	(439 000)	-
Interest calculated during the reporting year	3 894	-
Interest paid during the reporting year	(3 894)	-
<b>At the end of the reporting year</b>	<u>-</u>	<u>-</u>

**In total, the loans are repayable in more than 5 years**

<u>7 556 166</u>	<u>-</u>
------------------	----------

Loans are unsecured. Repayment of the loan principal and interest is planned to start in 2023/2024, after the building has been put into operation and Company will start earning income from renting premises.

**Notes to the financial statements (continued)**

<b>10</b>	<b>Amounts due to related company</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
		EUR	EUR
	Due to Novira Capital SIA	205 936	-
		<u>205 936</u>	<u>-</u>

**11 Capital commitments**

In accordance with the construction agreement signed by the Company and the contractor, the Company is committed to pay for the construction works EUR 38 million, plus the value added tax applicable in the Republic of Latvia. The payments should be made in accordance with the contract terms. The completion of the construction under this contract is planned for May 2023.

**12 Post balance sheet events**

With the exception of the bond issue, described in the paragraph "Going Concern" of the Note 1, no other significant events have occurred between the end of the reporting year and the signing of these financial statements that could significantly affect the assessment of the financial statements or that should be explained in these financial statements.

**Financial statements are signed electronically.**

29 April, 2022

Statements signed by:

Nikolay Kryzhanovskiy, Member of the Board  
 Jolanta Jurga, Member of the Board

Statements prepared by:

Edgars Sniegs, Outsourced accountant  
 SIA Cipari Baltic