



## **Pillar Capital, AS**

Group and Company Annual Report  
for the year ended 31 December 2020

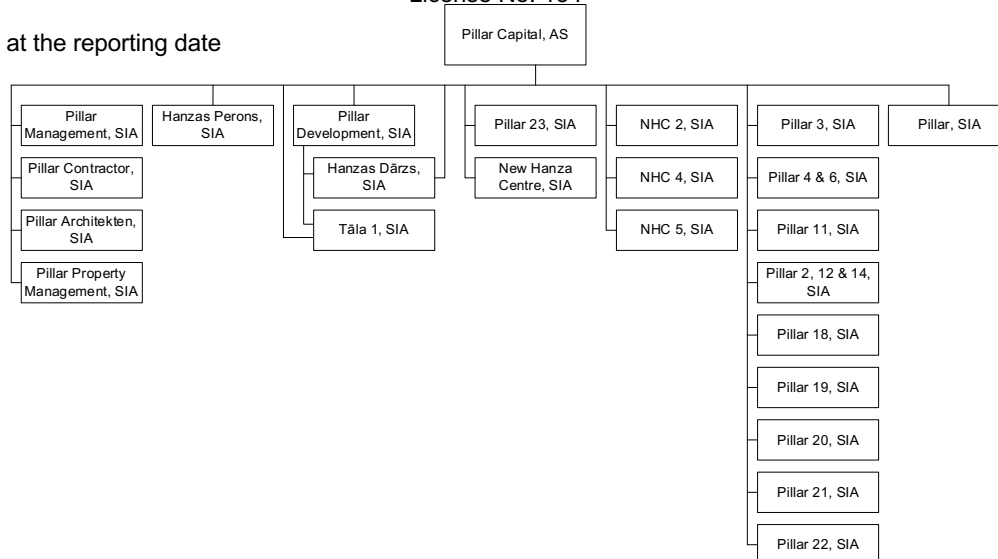
## Disclaimer

The financial statements were prepared in Latvian and English. In the event of any discrepancies between the Latvian and the English reports, the Latvian version shall prevail.

## General information

Name of the parent company of the Group	Pillar Capital, AS
Legal status of the parent company of the Group	Joint stock company
Registration No, place and date	50003831571, Riga, 6 June, 2006
Legal address	Pulkveža Brieža iela 28A, Riga, LV-1045, Latvia
Postal address	Pulkveža Brieža iela 28A, Riga, LV-1045, Latvia
Main types of primary activity (NACE, 2nd edition)	6420 Activities of holding companies 6820 Renting and operating of own or leased real estate 6910 Provision of legal services 6920 Accounting, bookkeeping and auditing activities; tax consultancy 7112 Engineering activities and related technical consultancy
Members of the Board and their positions	<u>From 2 November 2020</u> (Changes in Register of Enterprises were registered 24 November 2020): Edgars Mijūns, Chairman of the Board Arnolds Romeiko, Member of the Board Inga Vēvere, Member of the Board Pēteris Guļāns, Member of the Board <u>From 11 December 2019 to 1 November 2020</u> Edgars Mijūns, Chairman of the Board Aija Hermāne-Sabule, Member of the Board Arnolds Romeiko, Member of the Board Inga Vēvere, Member of the Board Pēteris Guļāns, Member of the Board
Members of the Council and their positions	Ernests Bernis, Chairman of the Council Edgars Pavlovičs, Deputy Chairperson of the Council Kaspars Bajārs, Member of the Council Ivans Marjasovs, Member of the Council
Reporting period	1 January 2020 – 31 December 2020
Auditors	Marija Jansone – Sworn Auditor of the Republic of Latvia Certificate No. 25 Nexia Audit Advice, SIA Registration No. 40003858822 Baznīcas iela 31 - 14, Riga, LV - 1010 License No. 134

## Group structure at the reporting date



## Group Management Report

Pillar Capital, AS (hereinafter — the Company or the PCA) is a company incorporated in 2006, which, since late 2015, invests its own funds and the funds of the third parties in commercial properties and residential projects. Beginning with the end of 2019, in implementing the PCA merger with the companies of the Pillar Group, the Group is able to ensure the full real estate development cycle starting from the generation of the idea, development of the business plan and attraction of funding, concluding with the development of the design, management of the construction cycle, property management and maintenance, attraction of tenants and selling of properties.

The mission of the Company is to create a high-quality and safe environment where everyone would be satisfied to live, work and rest. The purpose of the Company's activity is to invest its own funds and the funds of the third parties in commercial properties and residential projects, to constantly increase revenue from lease of premises and to promote increase in the value of property in the long-term.

The Group specialises in purchasing and developing such immovable properties as office buildings, logistics centres and apartment buildings. Investments are made in both already built and operated commercial properties and development projects of commercial property and residential buildings. The investment strategy entails direct acquisition of real estate, as well as purchase of equity interest in companies holding the respective properties.

## Group key financial and property performance indicators

The Group turnover for the reporting period amount to EUR 27 960 825, Company – EUR 1 337 271. The Company closed the financial year 2020 with a pre-tax profit of EUR 1 420 500, the Group – with a pre-tax loss of EUR 1 837 624. The Company profit for the reporting period is in line with management expectations. Although the Group's operating segments are different, the Group's management primarily analyzes its consolidated results, taking into account industry practices. The table below summarizes the Group's performance indicators, which the Group's management considers to be more relevant given industry standards.

Group profit indicators	Unit	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
Income	EUR	27 960 825	4 858 351	3 841 838
Adjusted EBITDA	EUR	784 403	1 110 552	1 556 469
Profit before tax	EUR	(1 837 624)	2 974 976	1 667 174
Cash flows from operating activities	EUR	3 213 301	987 039	(11 158 056)
Group balance sheet indicators	Unit	31.12.2020	31.12.2019	31.12.2018
Gross asset value (GAV)	EUR	180 089 976	196 866 451	56 079 789
incl. Investment property	EUR	77 470 676	88 603 703	39 108 000
incl. construction in progress	EUR	19 601 891	937 597	279 146
incl. current assets	EUR	62 362 841	64 738 213	16 308 182
Liabilities	EUR	36 719 033	51 858 203	21 458 834
incl. current liabilities	EUR	22 971 619	18 308 893	2 459 407
Net asset value (NAV)	EUR	143 370 943	145 008 248	34 620 955
Group financial ratios	Unit	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
Adjusted EBITDA margin	%	2.81%	22.86%	40.51%
Net profit margin	%	-5.86%	96.75%	43.38%
Equity ratio	coef.	0.77	0.71	0.62
Return on equity	%	-1.14%	5.23%	4.93%
Return on assets	%	-0.87%	3.72%	3.07%
Group investment property indicators	Unit	31.12.2020	31.12.2019	31.12.2018
Number of investment properties	pcs.	45	30	9
Investment property market value	EUR	77 470 676	88 603 703	39 108 000
Leasable area	m2	52 809	79 827	72 992
Annual contractual rent fee	EUR	1 027 716	3 211 519	2 890 062
Return on investment properties at market value	%	1.3%	3.6%	7.4%
WALE	years	4.09	3.38	2.33
Average rent	EUR/m2 p.m.	2.20	4.44	4.31
Occupancy	% of leasable area	75%	77%	77%

### Explanation of indicators and ratios

**Adjusted EBITDA** = earnings before interest, tax, depreciation and amortization, gains and losses from investment property revaluation

**Adjusted EBITDA margin** = adjusted EBITDA (in a 12 month period) / revenue (in a 12 month period) \* 100%

**Net profit margin** = net profit (in a 12 month period) / revenue (in a 12 month period) \* 100%

**Equity ratio** = (1/2 \* value of equity at the beginning of the 12 month period + 1/2 \* value of equity at the end of the 12 month period) / (1/2 \* value of assets at the beginning of the 12 month period + 1/2 \* value of assets at the end of the 12 month period) \* 100%

**Return on equity (ROE)** = net income (in a 12 month period) / (1/2 \* value of equity at the beginning of the 12 month period + 1/2 \* value of equity at the end of the 12 month period) \* 100%

**Return on assets (ROA)** = net income (in a 12 month period) / (1/2 \* value of assets at the beginning of the 12 month period + 1/2 \* value of assets at the end of the 12 month period) \* 100%

**Total liquidity ratio** = current assets at the reporting date / current liabilities at the reporting date

**Return on investment properties at market value** = annual rent defined in the agreements / market value of investment properties

**WALE** = area (m2) weighted average unexpired lease term at the given date

**Weighted average rental rate** = area (m2) weighted average rental rate at the given date, EUR/m2 p.m.

**Occupancy** = occupied area (m2) of the investment properties at the given date expressed as a percentage of the total property leasable area

## Key events in 2020

### *Sale of Company's subsidiaries NHC 1, SIA, and NHC 3, SIA, and real estate objects owned by them*

On 10 January 2020 the Company concluded agreements with EfTEN Real Estate Fund III, AS (reg. No. in the Republic of Estonia: 12864036) of about selling 100% of shares of NHC 1, SIA and office buildings belonging to it at Tehnikas iela 3, Riga Airport, Mārupes District, and 100% of shares of NHC 3, SIA, and warehouse building owned by it at "Piepilsētas", Krustkalni, Ķekavas District. The total amount of the transaction constituted roughly EUR 15,800,000. Under these share sale transactions there were also the loans issued by the Company to NHC 1, SIA and NHC 3, SIA returned.

As soon as all the terms and conditions of the share sale agreements were met, on 11 March 2020 the amendments in the register of the participants of NHC 1, SIA and NHC 3, SIA were registered in the Register of Enterprises.

On 11 March 2020, members of the Board of NHC 1, SIA and NHC 3, SIA, Arnolds Romeiko and Pēteris Guļāns resigned from the positions of the members of the board in the said companies.

### *Ensuring Company's support functions for all the companies of the Group*

In accordance with the plan of the Group of Companies, starting from 1 March 2020, the Company shall ensure all the basic functions previously ensured by the subsidiary Pillar Management, SIA, i.e., the support services (accounting, legal and project management services) to the companies of the Group, which essentially means starting a new type of operation for the Company. In order to execute this plan, the Company carried out personnel rotation from its subsidiary Pillar Management, SIA, to the Company.

### *The Company bought its bonds on the secondary market*

In March 2020, the board of the Company made a decision by 30 April 2020 to buy from the bondholders on the secondary market the own issued bonds (issue series: NHC FXD EUR 161022, ISIN: LV0000802312), which are listed in Nasdaq Baltic Bond List. In accordance with the decision made, by 30 April 2020, the Company bought the bonds for EUR 2 490 000 at face value from the bondholders on the secondary market, concluding separate agreements with the bondholders, willing to sell the bonds owned by them in accordance with the current offers in Nasdaq Riga trading system.

### *Implementation of a new investment project*

In April 2020, the Board and the Council of the Company made a decision about implementation of a new investment project – development of A-class warehouse and logistics park worth EUR 18 300 000 on the territory owned by NHC 4, SIA, a subsidiary of the Company, located in Riga, Maskavas iela 462.

It is estimated that the construction works will be completed by 31 July 2021. The new buildings are aiming to obtain BREEAM certificate that will confirm their high quality, energy efficiency and compliance with the world standards, as well as it is going to be the first warehouse in Latvia having BREEAM certificate.

### *Potential Covid-19 impact*

In April 2020, the Company announced the potential impact of Covid-19 on the economic activity, financial situation and economic performance of the Company. Taking into account that on 11 March 2020 the World Health Organization informed that the spread of the Covid-19 disease caused by the coronavirus has reached the scope of a global pandemic, on 12 March 2020, the government of Latvia adopted a decision to declare an emergency situation in the country that affected the business environment and national economy in general. The management of Company and its Group companies on a daily basis managed the negative economic risks caused by restrictions imposed to reduce the spread of Covid-19 and mitigated their impact on the Company and its subsidiaries.

### *Changes in the Group of Pillar Capital, AS*

In the course of optimization of the structure of the group provided in the restructuring plan of Pillar Capital, AS, in June 2020 there has been liquidation of limited partnership company Pillar Holding Company, KS (hereinafter – PHC) owned by Pillar Capital, AS, carried out in accordance with Section 103 of the Commercial Law. The entry about suspension of PHC and exclusion of it from the Commercial Register was made in the Commercial Register of the Register of Enterprises of the Republic of Latvia on 3 July 2020.

At the end of June 2020, a member of PHC, the general partner Pillar, SIA informed the other member, limited partner Pillar Capital, AS about its plan to leave PHC in accordance with Paragraph One of Section 99 of the Commercial Law.

And on 25 June 2020, in the result of transfer of PHC company, PHC transferred to it 100% of shares owned by it in subsidiaries Pillar 2, 12 & 14, SIA, Pillar 3, SIA, Pillar 4 & 6, SIA, Pillar 11, SIA, Pillar 18, SIA, Pillar 19, SIA, Pillar 20, SIA, Pillar 21, SIA and Pillar 22, SIA, as well as investment owned by it – 0.95% shares of Pillar 23, SIA, to the member of PHC – Pillar Capital, AS.

In the result of transfer of PHC company, Pillar Capital, AS also took over other assets and liabilities of PHC.

#### *Change of company's firm (name) to Pillar Capital, AS*

On 3 July 2020, the Company's shareholders adopted a decision to change the Company's firm (name) from New Hanza Capital, AS to Pillar Capital, AS. Change of the name of the Company can be explained by necessity to promote recognition and positioning of the Company's group and their projects on the market, as well as to grant the Company the affiliation of a larger group, at the same time keeping emphasis on the specific nature of the Company's activity.

#### *Increase of the share capital of the Company*

On 3 July 2020, the Company increased its share capital by EUR 19 869 766 by issuing new 19 869 766 ordinary registered shares with voting rights with the nominal value of one share in the amount of EUR 1. Based on Section 250, Paragraph one of the Commercial Law, new shares have been issued, fully including the positive difference between equity and the amount formed by the share capital and the premium of the previous share issue. New shares have been distributed to the existing shareholders proportionally to the nominal value of shares owned by them. After the increase in share capital, the total share capital of the Company is EUR 135 186 885. Changes in share capital in the Register of Enterprises were registered on 9 July 2020.

#### *Attraction of loan from Signet Bank, AS*

On 28 July 2020, the Company's subsidiary Pillar 22, SIA, in order to partially refinance the loan granted by the Company, attracted a loan from Signet Bank, AS in the amount of EUR 1 000 000. Maturity date of the loan is 28 July 2025.

#### *Attraction of loan from ABLV Bank, AS in Liquidation*

On 2 October 2020, the Company entered into a loan agreement with ABLV Bank, AS in Liquidation and attracted the necessary funding in the amount of EUR 14 000 000 for the construction of A class warehouse and logistics park in the property owned by the Company's subsidiary NHC 4, SIA in Riga, Maskavas iela 462.

#### *Changes in the composition of the Council of the Company*

Due to the death of the Member of the Council of the Company Māris Kannenieks on 30 September 2020, the Council of the Company shall continue to act in the composition of 4 (four) members of the Council.

#### *Changes in the composition of the Board of the Company*

On 1 November 2020, Aija Hermane-Sabule left the position of the Member of the Board and the Financial Director in the Company. Hence, the Board of Directors of the Company shall act as of 2 November 2020 in the following composition: Edgars Mijūns - Chairman of the Board, Executive Director (CEO); Arnolds Romeiko - Member of the Board, Financial Director (CFO); Pēteris Guļāns - Member of the Board, Development Director (CDO); Inga Vēvere - Member of the Board, Legal Director (CLO).

In addition, on 30 October 2020, the extraordinary shareholders' meeting of the Company adopted a decision on amendments to the Articles of Association of the Company, which, according to the decision adopted by the Council of the Company, provided for reducing the composition of the Board of the Company up to four (4) members of the Board without changing the principles of representation rights of the Company.

#### *Extinguishing of obligations of the Company and its Group Companies*

On 19 November 2020, the Company adopted a decision to extinguish the remaining obligations arising from the Loan Agreement of 15 January 2019 towards ABLV Bank, AS in Liquidation, applying a unilateral set-off in the amount of these obligations from the claim of the creditors of the Company against ABLV Bank, AS in Liquidation (reducing the claim of the creditors of the Company by the balance of the principal amount of the loan and calculated interest as at 1 December 2020). On 11 December 2020, ABLV Bank, AS in Liquidation recognised the set-off notified by the Company's unilateral will as having taken place on 1 December 2020 and partial payment of the creditor's claim in the amount of EUR 5 818 745.

On 19 November 2020, the Company's subsidiary New Hanza Centre, SIA made a decision to extinguish the remaining obligations arising from the Loan agreement of 20 December 2018 towards ABLV Bank, AS in Liquidation, applying a unilateral set-off from the claim of the creditors of New Hanza Centre, SIA against ABLV Bank, AS in Liquidation (reducing the claim of the creditors of New Hanza Centre, SIA by the balance of the principal amount of the loan and calculated interest as at 1

December 2020). On 11 December 2020, ABLV Bank, AS in Liquidation recognised the set-off notified by New Hanza Centre, SIA unilateral will as having taken place on 1 December 2020 and partial payment of the creditor's claim in the amount of EUR 4 049 810.

## Statement of Corporate Governance

Statement of Corporate Governance is available on the Company homepage [www.pillar.lv](http://www.pillar.lv)

## Group management proposition on profit distribution or loss coverage.

The Board of the Company recommends to leave the profit of the reporting year undistributed and to invest in the development of investments of the Company and its Group.

## Going concern

Despite of the fact the largest Company shareholder ABLV Bank, AS in Liquidation has started a process of self-liquidation, as well as the financial plans for the financial year 2021 approved within the liquidation process the Group and Company continue operations.

The Company and the Group prepared these financial reports in a going concern basis.

However, there still exists a material uncertainty regarding the Group and Company going concern related to decisions that will be taken within the ABLV Bank, AS in Liquidation self-liquidation process.

On 15 June 2021 Group cash and cash equivalents amounted to EUR 5 280 354.

The Group companies continue to receive lease payments from the Group's investment properties tenants and proceeds from the sale of real estate owned by Group. The majority of the Group's lessees are companies unrelated to the Group and the ABLV Bank, AS Group in liquidation. The payment discipline of tenants has not deteriorated compared to previous periods.

The Group continues to operate in accordance with its business objective to invest funds in commercial and residential properties, sustainably increase rental income and promote long-term property value and capital growth. The Group management continues to work on existing investment property improvements as well as additional investment property development. Given the Group capital structure the Group has the possibility to attract third party financing for its development projects. Company shareholders are also able to provide additional financing.

## Subsequent events

### *Extinguishing of obligations of the Company and its Group Companies*

On 18 December 2020, the Company adopted a decision, as of 4 January 2021, to extinguish the obligations arising from the Agreement on the procedure of payment of dividends of 3 December, 2019 towards ABLV Bank, AS in Liquidation, applying a unilateral set-off in the amount of these obligations against the claim of the creditors of the Company towards ABLV Bank, AS in Liquidation (reducing the claim of the creditors of the Company by the balance of the principal amount of the loan and calculated interest as of 4 January 2021).

In addition, the Company adopted a decision, as of 4 January 2021, to extinguish the obligations arising from the Agreement on the procedure of payment of dividends of 3 December, 2019 towards the Company's shareholder Cassandra Holding Company, SIA, in the amount of these obligations (balance of the principal amount of the loan and calculated interest as at 4 January 2021), by transferring them to the current account of Cassandra Holding Company SIA.

On 23 December 2020, ABLV Bank, AS in Liquidation recognised the set-off notified by the Company's unilateral will as having taken place on 4 January 2021 and partial payment of the creditor's claim in the amount of EUR 3 996 073.97.

On 18 December 2020, the Concern's company New Hanza Centre, SIA made a decision to extinguish the obligations arising from the agreement on the procedure of payment of the reduced fixed capital, concluded between ABLV Bank, AS in Liquidation and New Hanza Centre, SIA on 3 December 2019 as follows:

- liabilities towards ABLV Bank, AS in Liquidation by applying set-off against the creditor's claim of New Hanza Centre, SIA towards ABLV Bank, AS in Liquidation (by reducing the creditor's claim of New Hanza Centre, SIA against ABLV Bank, AS in Liquidation by the investment share to be paid out of EUR 9 871 875);
- liabilities towards the Company by making a payment in the amount of the investment shares to be paid out of EUR 28 125 by transfer to the Company's current account.

On 23 December 2020, ABLV Bank, AS in Liquidation recognised the set-off notified by New Hanza Centre, SIA unilateral will as having taken place on 4 January 2021 and partial payment of the creditor's claim in the amount of EUR 9 871 875.

#### *Potential Covid-19 impact*

Taking into account that on 11 March 2020 the World Health Organization informed that the spread of the Covid-19 disease caused by the coronavirus has reached the scope of a global pandemic, on 12 March 2020, the government of Latvia adopted a decision to declare an emergency situation in the country that affected the business environment and national economy in general. Despite the fact that as of 9 June 2020, the emergency situation in the country was cancelled starting from October 2020, the government of Latvia, in order to restrict the rapid increase of the number of persons infected with the Covid-19, has repeatedly adopted a number of different new restrictions that have an impact on the business environment in the country; therefore, the situation is still unstable and unclear at the moment of preparation of the report, and the exact amount of impact on the Concern and the Company cannot be determined. The management of Company on a daily basis manages the negative economic risks caused by restrictions imposed to reduce the spread of Covid-19 and mitigates their impact on the Concern and the Company.

On behalf of the Board

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Edgars Mijūns  
*Chairman of the board*

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Arnolds Romeiko  
*Member of the board*

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Inga Vēvere  
*Member of the board*

Riga, 30 April 2021



## Statement of the Management's responsibility

The Board of Pillar Capital, AS is responsible for the preparation of the Company annual financial statements, as well as for the preparation of the annual consolidated financial statements of the Company and its subsidiaries.

The annual financial statements and the notes thereto set out on pages 16 through 67 are prepared in accordance with the source documents and present truly and fairly the financial position of the Company and the Group as at 31 December 2020 and 31 December 2019, and the results of their operations, changes in the share capital and reserves and cash flows for the twelve months of year 2020 and the twelve months of year 2019. Group management report presents truly an overview of Group and Company operating results.

The aforementioned annual condensed financial statements are prepared on a going concern basis in conformity with International Accounting Standards as adopted by the European Union. The Company management has been prudent and reasonable in its judgments and estimates in preparation of these annual financial statements.

The Board of the Company is responsible for the maintenance of proper accounting records, the safeguarding of the Group's assets, and the prevention and detection of fraud and other irregularities in the Group.

On behalf of the Board

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Edgars Mijūns  
*Chairman of the board*

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Arnolds Romeiko  
*Member of the board*

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Inga Vēvere  
*Member of the board*

Riga, 30 April 2021



## Group and Company Financial Statements

### Statements of Profit and Loss and Other Comprehensive Income for year ended 31 December 2020

	Notes	Group 01.01.2020 - 31.12.2020 EUR	Group 01.01.2019 - 31.12.2019 (adjusted) EUR	Company 01.01.2020 - 31.12.2020 EUR	Company 01.01.2019 - 31.12.2019 EUR
<b>Continuing operations</b>					
Income	10	27 960 825	4 858 351	1 337 271	314 003
Operating expenses	11	(26 981 811)	(3 660 473)	(663 270)	(188 464)
<b>Gross profit</b>		<b>979 014</b>	<b>1 197 878</b>	<b>674 001</b>	<b>125 539</b>
Sale expenses	12	(212 354)	(36 180)	(57 573)	(5 392)
Administrative expenses	13	(2 059 091)	(677 066)	(1 136 030)	(430 026)
Other operating income	14	1 016 384	528 028	3 589 251	-
Other operating expenses		(202 245)	(79 490)	(362 830)	(22 625)
Other interest and similar income		-	-	997 906	1 127 128
Other interest and similar expenses	15	(942 076)	(752 741)	(751 098)	(670 051)
Dividend payments from subsidiaries		-	-	1 469 566	-
Investment property revaluation		(417 256)	2 794 547	-	11 000
Revaluation correction form long and short term investments	21	-	-	(3 002 693)	-
<b>Profit / (loss) before taxes from continuing operations</b>		<b>(1 837 624)</b>	<b>2 974 976</b>	<b>1 420 500</b>	<b>135 573</b>
Corporate income tax for the reporting period		(3 084)	(52 365)	(1)	(48 988)
<b>Profit / (loss) for the reporting period from continuing operations</b>		<b>(1 840 708)</b>	<b>2 922 611</b>	<b>1 420 499</b>	<b>86 585</b>
<b>Discontinued Operations</b>					
Profit / (loss) from discontinued operations for the reporting period	16	203 403	1 777 797	-	-
<b>Profit / (loss) for the reporting period</b>		<b>203 403</b>	<b>1 777 797</b>	<b>-</b>	<b>-</b>
<b>Total amount of comprehensive income</b>		<b>(1 637 305)</b>	<b>4 700 408</b>	<b>1 420 499</b>	<b>86 585</b>

The accompanying notes on pages 16 to 67 form an integral part of these financial statements.

On behalf of the Board

Edgars Mijūns  
Chairman of the board

Arnolds Romeiko  
Member of the board

Inga Vēvere  
Member of the board

Ilonija Vāverova  
Head Accountant

Riga, 30 April 2021

## Statements of Financial Position as at 31 December 2020

	Notes	Group 31.12.2020 EUR	Group 31.12.2019 EUR	Company 31.12.2020 EUR	Company 31.12.2019 EUR
<b>Assets</b>					
<b>Non-current assets</b>					
Intangible assets	17	62 426	43 869	47 058	2 014
Goodwill	18	3 135 502	3 285 936	-	-
Fixed assets	19	17 759 888	17 100 162	112 565	66 697
Investment properties	20	96 685 958	88 603 703	700 000	700 000
Costs of unfinished construction objects		48 048	-	-	-
Participation in the capital of related companies	21	-	-	98 725 535	122 871 930
Loans to related companies	22	-	-	10 937 133	-
Financial assets at fair value through profit and loss	23	35 313	6 831 497	-	-
<b>Total non - current assets</b>		<b>117 727 135</b>	<b>115 865 167</b>	<b>110 522 291</b>	<b>123 640 641</b>
<b>Current assets</b>					
Real estate held for sale	24	15 601 806	20 336 187	-	-
Trade receivables and contract assets	25	2 480 282	960 191	109 500	-
Debts of related companies	26	36 573 539	38 800 767	23 233 071	13 385 048
Loans to related companies	22	-	-	18 968 000	18 445 000
Other assets	27	1 452 695	1 902 244	63 237	62 782
Cash and cash equivalents	28	6 254 519	2 738 824	4 562 020	403 227
<b>Total current assets</b>		<b>62 362 841</b>	<b>64 738 213</b>	<b>46 935 828</b>	<b>32 296 057</b>
Long - term investments held for sale	29	-	16 263 071	-	1 200 000
<b>Total assets</b>		<b>180 089 976</b>	<b>196 866 451</b>	<b>157 458 119</b>	<b>157 136 698</b>

	Notes	Group 31.12.2020 EUR	Group 31.12.2019 EUR	Company 31.12.2020 EUR	Company 31.12.2019 EUR
<b>Liabilities</b>					
<b>Equity</b>					
Share capital	30	135 186 885	115 317 119	135 186 885	115 317 119
Share issue premium		-	19 869 766	-	19 869 766
Retained earnings / unpaid (loss) of previous years		9 821 363	5 120 955	203 560	116 975
Profit for the reporting year		(1 637 305)	4 700 408	1 420 499	86 585
<b>Total equity</b>		<b>143 370 943</b>	<b>145 008 248</b>	<b>136 810 944</b>	<b>135 390 445</b>
<b>Long-term liabilities</b>					
Loans from credit institutions	31	3 433 320	2 734 785	-	-
Borrowings against bonds	31	6 500 579	8 956 052	6 500 579	8 956 052
Other loans	31	-	540 000	-	540 000
Other loans of related companies	31	3 615 133	13 750 000	3 615 133	9 750 000
Debts to suppliers		198 382	-	-	-
Other liabilities	33	-	93 943	-	-
<b>Total long - term liabilities</b>		<b>13 747 414</b>	<b>26 074 780</b>	<b>10 115 712</b>	<b>19 246 052</b>
<b>Short-term liabilities</b>					
Loans from credit institutions	31	397 970	315 257	-	-
Borrowings against bonds	31	1 120 118	1 145 373	1 120 118	1 145 373
Other loans of related companies	31	3 960 000	-	3 960 000	1 150 000
Other loans	31	540 000	-	540 000	-
Debts to suppliers		2 063 739	1 584 042	2 453	1 867
Debts to related companies	32	13 371 875	13 371 875	4 753 105	34 509
Taxes		80 540	192 504	28 672	49 585
Other liabilities	33	467 435	1 282 065	13 865	14 766
Accrued liabilities		969 942	417 777	113 250	104 101
<b>Total short-term liabilities</b>		<b>22 971 619</b>	<b>18 308 893</b>	<b>10 531 463</b>	<b>2 500 201</b>
Liabilities directly related to sales, long-term investments	29	-	7 474 530	-	-
<b>Total liabilities</b>		<b>36 719 033</b>	<b>51 858 203</b>	<b>20 647 175</b>	<b>21 746 253</b>
<b>Total liabilities and equity</b>		<b>180 089 976</b>	<b>196 866 451</b>	<b>157 458 119</b>	<b>157 136 698</b>

The accompanying notes on pages 16 to 67 form an integral part of these financial statements.

On behalf of the Board

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Edgars Miļūns  
*Chairman of the board*

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Arnolds Romeiko  
*Member of the board*

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Inga Vēvere  
*Member of the board*

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Ilonija Vāverova  
*Head Accountant*

Riga, 30 April 2021

## Statements of Cash Flows for the year ended 31 December 2020

Notes	Group 01.01.2020 - 31.12.2020 EUR	Group 01.01.2019 - 31.12.2019 (adjusted) EUR	Company 01.01.2020 - 31.12.2020 EUR	Company 01.01.2019 - 31.12.2019 EUR
<b>Cash flows from operating activities</b>				
(Loss) / profit of the reporting period before tax from continuing operations	(1 687 190)	2 974 976	1 420 500	135 573
(Loss) / profit of the reporting period from discontinuing operations	203 403	1 777 797	-	-
Adjustments for:				
Depreciation of property, plant and equipment	1 262 695	177 382	26 079	11 072
Intangible assets sale expenses	(138 667)	-	-	-
Interest income	-	-	(997 906)	(1 127 128)
Interest expenses	969 840	911 962	751 098	670 051
Dividend income	-	-	(1 469 566)	-
Changes in accrued liabilities of loan and interest payment	25 255	-	25 255	-
Other items, that do not affect balance sheet	726 281	-	275 353	-
Changes in the value of long-term and short-term financial assets	(802 816)	(5 450)	3 002 693	-
(Gain) / loss on revaluation of investment property	417 256	(3 855 988)	-	(11 000)
Retraining of the participation part	53 095	-	(3 585 643)	-
<b>Profit before changes in working capital</b>	<b>1 029 152</b>	<b>1 980 679</b>	<b>(552 137)</b>	<b>(321 432)</b>
(Increase)/ decrease in trade receivables	2 937 840	(279 374)	(429 400)	(48 805)
Increase/ (decrease) in payables	262 747	126 326	386 213	81 377
Interest received	-	-	512 587	406 046
Interest expense	(959 369)	(840 417)	(760 088)	(613 313)
Corporate income tax paid	(57 069)	(175)	(52 150)	(35)
<b>Cash flows from/ (used in) operating activities</b>	<b>3 213 301</b>	<b>987 039</b>	<b>(894 975)</b>	<b>(496 162)</b>
<b>Cash flows from investing activities</b>				
Acquisition of investment property/ investment in construction	(9 512 202)	(1 803 110)	-	-
Purchase of property, plant and equipment	(480 124)	(398 375)	(115 762)	(17 670)
Sale of property, plant and equipment	138 667	-	-	-
Acquisition of shares in related companies/ net cash paid	-	(8 128 967)	(2 043 000)	(8 287 170)
Share capital increase of related companies	-	-	(1 767 000)	-
Share capital decrease of related companies	-	-	14 269 500	-
Cash balance of new companies acquired	-	2 515 115	-	-
Sale of other related companies	4 495 478	-	4 690 937	-
Dividends received	-	-	1 469 566	-
Loans issued	-	-	(18 676 133)	(448 000)
Income from loan repayment	3 780 000	-	7 216 000	445 000
<b>Net cash flows generated from/ (used in) investing activities</b>	<b>(1 578 181)</b>	<b>(7 815 337)</b>	<b>5 044 108</b>	<b>(8 307 840)</b>
<b>Cash flows from financing activities</b>				
Purchase of self-issued bonds	(2 455 473)	-	(2 455 473)	-
Loans received	4 724 013	6 490 000	3 615 133	6 940 000
Expenses related to loan repayment	(387 965)	(577 223)	(1 150 000)	-
<b>Net cash flows from financing activities</b>	<b>1 880 575</b>	<b>5 912 777</b>	<b>9 660</b>	<b>6 940 000</b>
<b>Increase/(decrease) in net cash during the reporting period</b>	<b>3 515 695</b>	<b>(915 521)</b>	<b>4 158 793</b>	<b>(1 864 002)</b>
Cash at the beginning of the reporting period	2 738 824	3 788 641	403 227	2 267 229
<b>Cash at the end of the reporting period</b>	<b>6 254 519</b>	<b>2 873 120</b>	<b>4 562 020</b>	<b>403 227</b>

The accompanying notes on pages 16 to 67 form an integral part of these financial statements.

On behalf of the Board

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Edgars Mijūns  
*Chairman of the board*

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Arnolds Romeiko  
*Member of the board*

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Inga Vēvere  
*Member of the board*

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Ilonija Vāverova  
*Head Accountant*

Riga, 30 April 2021

## Group Statement of Changes to the Shareholders Equity for the year ended 31 December 2020

	Notes	Paid-in share capital EUR	Share issue premium EUR	Retained earnings/ (uncovered loss) of previous periods EUR	Profit / (loss) of the reporting period EUR)	Total share capital EUR
<b>At 1 January 2019</b>		<b>25 000 000</b>	-	<b>9 620 955</b>	-	<b>34 620 955</b>
Share issue		90 317 119	-	-	-	<b>90 317 119</b>
Share issue premium		-	19 869 766	-	-	<b>19 869 766</b>
Profit distribution		-	-	(4 500 000)	-	<b>(4 500 000)</b>
<b>Total comprehensive income</b>						
Total comprehensive income for the reporting period		-	-	-	4 700 408	<b>4 700 408</b>
<b>At 31 December 2019</b>	30	<b>115 317 119</b>	<b>19 869 766</b>	<b>5 120 955</b>	<b>4 700 408</b>	<b>145 008 248</b>
<b>At 1 January 2020</b>		<b>115 317 119</b>	<b>19 869 766</b>	<b>9 821 363</b>	-	<b>145 008 248</b>
Share issue		19 869 766	-	-	-	<b>19 869 766</b>
Share issue premium		-	(19 869 766)	-	-	<b>(19 869 766)</b>
<b>Total comprehensive income</b>						
Total comprehensive income for the reporting period		-	-	-	(1 637 305)	<b>(1 637 305)</b>
<b>At 31 December 2020</b>	30	<b>135 186 885</b>	-	<b>9 821 363</b>	<b>(1 637 305)</b>	<b>143 370 943</b>

## Company Statement of Changes to the Shareholders Equity for the year ended 31 December 2020

	Notes	Paid-in share capital EUR	Share issue premium EUR	Retained earnings/ (uncovered loss) of previous periods EUR	Profit / (loss) of the reporting period EUR)	Total share capital EUR
<b>At 1 January 2019</b>		<b>25 000 000</b>	-	<b>4 616 975</b>	-	<b>29 616 975</b>
Share issue		90 317 119	-	-	-	<b>90 317 119</b>
Share issue premium		-	19 869 766	-	-	<b>19 869 766</b>
Profit distribution		-	-	(4 500 000)	-	<b>(4 500 000)</b>
<b>Total comprehensive income</b>						
Total comprehensive income for the reporting period		-	-	-	86 585	<b>86 585</b>
<b>At 31 December 2019</b>	30	<b>115 317 119</b>	<b>19 869 766</b>	<b>116 975</b>	<b>86 585</b>	<b>135 390 445</b>
<b>At 1 January 2020</b>		<b>115 317 119</b>	<b>19 869 766</b>	<b>203 560</b>	-	<b>135 390 445</b>
Share issue		19 869 766	-	-	-	<b>19 869 766</b>
Share issue premium		-	(19 869 766)	-	-	<b>(19 869 766)</b>
<b>Total comprehensive income</b>						
Total comprehensive income for the reporting period		-	-	-	1 420 499	<b>1 420 499</b>
<b>At 31 December 2020</b>	30	<b>135 186 885</b>	-	<b>203 560</b>	<b>1 420 499</b>	<b>136 810 944</b>

The accompanying notes on pages 16 to 67 form an integral part of these financial statements.

On behalf of the Board

Edgars Mijūns  
Chairman of the board

Arnolds Romeiko  
Member of the board

Inga Vēvere  
Member of the board

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Ilonija Vāverova  
*Head Accountant*

Riga, 30 April 2021

THIS REPORT IS SIGNED WITH A SAFE DIGITAL SIGNATURE AND CONTAINS TIMESTAMP



## Notes to the financial statements

### 1. The reporting entity and the group

The company preparing the consolidated financial statements of the Group and the individual financial statements of the Company is Pillar Capital, AS (hereinafter — the Company or PCA), registered in the Register of Enterprises of the Republic of Latvia on 6 June 2006. The registered address of the Company is Pulkveža Brieža iela 28A, Riga, LV-1045. Information about the Company structure is available on page 3 of the report. The largest shareholder of the Company - ABLV Bank, AS in Liquidation - prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) approved by the European Union, to the extent that, by applying them, the information provided in the financial statement is most precisely evaluated in accordance with the basic principle of non-continuation of activity. Information on the Company's largest shareholder and its financial statements is available on its website [www.ablv.com](http://www.ablv.com).

These consolidated financial statements of the Concern and the individual financial statements of the Company for the year that ended on 31 December 2020 show financial information about the Company and its subsidiaries (hereinafter — the "Group"). In accordance with the imposed requirements, the individual financial statements of the Company are included in these consolidated financial statements for the year that ended on 31 December 2020. The Company is a parent company of Group.

*The Group consists of the following companies:*

In accordance with the specification and objectives of the Company and its subsidiaries, the Company is dividing its operation in several separate segments:

**Segment 1** – service providing companies. The objective of the companies in this segment is to gain profit by providing real estate management, construction, design and real estate operator services to the companies of the Group and external clients. This segment includes the following companies:

**Pillar Capital, AS** – as of 1 March 2020, the Company provides all its group companies with basic functions necessary for economic activity, i.e. provision of support services (accounting, legal, record keeping and project management services). The Company owns two commercial premises at Elizabetes iela 21A, Riga, which are leased to long-term tenants. The Company is a parent company of Group.

**Hanzas Perons, SIA** has been registered in the Register of Enterprises of the Republic of Latvia on 15 November 2016. The registered address of the company is Hanzas iela 16A, Riga, LV-1045. Principal activity of Hanzas Perons, SIA is inter alia entertainment and recreation activities. PCA owns 100% of Hanzas Perons, SIA capital shares, and Hanzas Perons, SIA is included in the Group. During the financial reporting period Hanzas Perons, SIA provided operator services to the cultural and entertainment building "Hanzas Perons" owned by the company Pillar Development, SIA included in the Group, address: Riga, Hanzas iela 16A.

**Pillar Architekten, SIA** has been registered in the Register of Enterprises of the Republic of Latvia on 14 July 2011. The registered address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. The principal activity of Pillar Architekten, SIA is provision of architecture services. PCA owns 100% of Pillar Architekten, SIA capital shares, and Pillar Architekten, SIA is included in the Group. During the financial reporting period Pillar Architekten, SIA provided design services to Group companies.

**Pillar Contractor, SIA** has been registered in the Register of Enterprises of the Republic of Latvia on 10 September 2015. The registered address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. The principal activity of Pillar Contractor, SIA is the construction of residential and non-residential buildings. PCA owns 100% of Pillar Contractor, SIA capital shares, and Pillar Contractor, SIA is included in the Group. During the financial reporting period Pillar Contractor, SIA provided construction and its project management services to Group companies and external customers.

**Pillar Property Management SIA** has been registered in the Register of Enterprises of the Republic of Latvia on 14 November 2013. The registered address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. The principal activity of Pillar Property Management, SIA is real estate management for remuneration or on the basis of a contract. PCA owns 100% of Pillar Property Management, SIA capital shares and Pillar Property Management, SIA is included in the Group. During the financial reporting period, Pillar Property Management, SIA provided, inter alia, services related to the administration, management, lease and selling of properties to the companies of Group and external customers.

**Pillar Management, SIA** has been registered in the Enterprise Register of the Republic of Latvia on 26 September 2008. The registered address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. The principal activity of Pillar Management, SIA is operation of headquarters. PCA owns 100% of Pillar Management, SIA capital shares, and Pillar Management, SIA is included in the Group. Till 29 February 2020, Pillar Management SIA provided all basic functions necessary for economic activity of the Group companies, i.e. provision of support services (accounting, legal, record keeping and project management services).

**Segment 2** – companies owning real estate objects held for development. This segment includes the following companies:

**Pillar Development, SIA** has been registered in the Enterprise Register of the Republic of Latvia on 31 March 2009. The registered address of the company is Pulkveža Brieža iela 28A, Rīga, LV-1045. The principal activity of Pillar Development, SIA is rental and management of own or leased real estate. PCA owns 100% of the capital shares of Pillar Development, SIA and Pillar Development, SIA is included in the Group. During the financial reporting period, Pillar Development, SIA owned an office building at Pulkveža Brieža iela 28A, Rīga, culture and entertainment Centre "Hanzas Perons", located at Hanzas iela 16A, Rīga, as well as several land plots intended for development in Rīga, New Hanza territory.

**Hanzas Dārzs, SIA** has been registered in the Register of Enterprises of the Republic of Latvia on 28 June 2017. The registered address of the company is Pulkveža Brieža iela 28A, Rīga, LV-1045. The principal activity of Hanzas Dārzs, SIA is rental and management of own or leased real estate. PCA owns 69.70% of Hanzas Dārzs, SIA capital shares (30.30% of Hanzas Dārzs, SIA capital shares belong to the Company's subsidiary Pillar Development, SIA), and Hanzas Dārzs, SIA is included in the composition of the Group. During the financial reporting period Hanzas Dārzs, SIA owned a land plot intended for the development in Rīga, in the New Hanza territory.

**Pillar 23, SIA** has been registered in the Register of Enterprises of the Republic of Latvia on 24 November 2017. The registered address of the company is Pulkveža Brieža iela 28A, Rīga, LV-1045. The principal activity of Pillar 23, SIA is rental and management of own or leased real estate. PCA owns 100% of Pillar 23, SIA capital shares, and Pillar 23, SIA is included in the Group. During the financial reporting period Pillar 23, SIA owned several land plots intended for development in Rīga, in the New Hanza territory.

**New Hanza Centre, SIA** has been registered in the Register of Enterprises of the Republic of Latvia on 9 December 2016. The registered address of the Company is Pulkveža Brieža iela 28A, Rīga, LV-1045. The principal activity of New Hanza Centre, SIA is purchase and sale of own real estate. PCA owns 100% of New Hanza Centre, SIA capital shares, and New Hanza Centre, SIA is included in the Group. During the financial reporting period, New Hanza Centre, SIA owned a land plot intended for development in the New Hanza territory in Rīga, Mihaila Tāla iela 3.

**Pillar, SIA** has been registered in the Register of Enterprises of the Republic of Latvia on 12 June 2012. The registered address of the company is Pulkveža Brieža iela 28A, Rīga, LV-1045. The principal activity of Pillar, SIA is operation of holding companies. PCA owns 100% of Pillar, SIA capital shares, and Pillar, SIA is included in the Group. By 1 July 2020 Pillar, SIA acts as a member in the Concern's limited partnership Pillar Holding Company, KS.

**Tāla 1, SIA** has been registered in the Register of Enterprises of the Republic of Latvia on 10 March 2021. The registered address of the company is Pulkveža Brieža iela 28A, Rīga, LV-1045. The principal activity of Tāla 1, SIA is rental and management of own or leased real estate. PCA owns 39.45% of Tāla 1, SIA capital shares (60.55% Tāla 1, SIA capital shares belong to the Company's subsidiary Pillar Development, SIA), and Tāla 1, SIA is included in the Group.

**Segment 3** – companies owning rent income generating commercial properties. The objective of the companies of this segment is to ensure sustainable increase in income from renting the premises and enlarging of the value of properties in long-term perspective. This segment includes the following companies:

**NHC 2, SIA** has been registered in the Register of Enterprises of the Republic of Latvia on 25 January 2016. The registered address of the company is Pulkveža Brieža iela 28A, Rīga, LV-1045. The principal activity of NHC 2, SIA is rental and management of own or leased real estate. PCA owns 100% of NHC 2, SIA capital shares and NHC 2, SIA is included in the Group. During the financial reporting period NHC 2, SIA owns office buildings in Rīga, in the territory of the former State Electric Equipment Factory (hereinafter referred to as – VEF) – at Brīvības gatve 214B, Brīvības gatve 214M, Bērzaunes iela 1 and Bērzaunes iela 7. Office buildings are leased to short-term and long-term tenants.

**NHC 4, SIA** has been registered in the Register of Enterprises of the Republic of Latvia on 15 November 2016. The registered address of the company is Pulkveža Brieža iela 28A, Rīga, LV-1045. The principal activity of NHC 4, SIA is rental and management of own or leased real estate. PCA owns 100% of NHC 4, SIA capital shares and NHC 4, SIA is included in the Group. NHC 4, SIA owns a warehouse complex in Rīga, Maskavas iela 462 and Maskavas iela 464A. Complex is leased to long-term tenants.

**NHC 5, SIA** has been registered in the Register of Enterprises of the Republic of Latvia on 15 November 2016. The registered address of the company is Pulkveža Brieža iela 28A, Rīga, LV-1045. The principal activity of NHC 5, SIA is rental and management of own or leased real estate. PCA owns 100% of NHC 5, SIA capital shares and NHC 5, SIA is included in the Group. NHC 5, SIA owns office building in Rīga, Elizabetes iela 23 and office premises in Rīga, Elizabetes iela 21A-102. Office building and office premises are rented out to short-term and long-term tenants.

**Pillar 22, SIA** has been registered in the Register of Enterprises of the Republic of Latvia on 3 February 2016. The registered address of the company is Pulkveža Brieža iela 28A, Rīga, LV-1045. The principal activity of Pillar 22, SIA is rental and management of own or leased real estate. PCA owns 100% of Pillar 22, SIA capital shares, and Pillar 22, SIA is included in the Group. During the financial reporting period Pillar 22, SIA owned an office building in Rīga, Brīvības gatve 275. The office building is leased to a long-term tenant.

**Segment 4** – companies owning real estate objects held for sale, which were obtained in the course of restructuring of loans of clients of ABLV Bank, AS in Liquidation. The objective of the companies is to sell the properties in the set time periods. This segment includes the following companies:

**Pillar 3, SIA** has been registered in the Register of Enterprises of the Republic of Latvia on 26 September 2008. The registered address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. The principal activity of Pillar 3, SIA is purchase and sale of own real estate. PCA owns 100% of Pillar 3, SIA capital shares, and Pillar 3, SIA is included in the Group. During the financial reporting period Pillar 3, SIA owned several real estates intended for sale – apartments, buildings, as well as plots of land in Riga and its region.

**Pillar 4 & 6, SIA** has been registered in the Register of Enterprises of the Republic of Latvia on 19 January 2009. The registered address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. The principal activity of Pillar 4 & 6, SIA is purchase and sale of own real estate. PCA owns 100% of Pillar 4 & 6, SIA capital shares, and Pillar 4 & 6, SIA is included in the Group. During the financial reporting period Pillar 4 & 6, SIA owned a building intended for sale, as well as several plots of land in Riga and Jūrmala.

**Pillar 11, SIA** has been registered in the Register of Enterprises of the Republic of Latvia on 11 November 2009. The registered address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. The principal activity of Pillar 11, SIA is purchase and sale of own real estate. PCA owns 100% of Pillar 11, SIA capital shares, and Pillar 11, SIA is included in the Group. During the financial reporting period Pillar 11, the SIA owned a land plot intended for sale in Riga, Čiekurkalna 3. Šķērslīnija 1A.

**Pillar 2, 12 & 14, SIA** has been registered in the Register of Enterprises of the Republic of Latvia on 16 August 2010. The registered address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. The principal activity of Pillar 2, 12 & 14, SIA is purchase and sale of own real estate. PCA owns 100% of Pillar 2, 12 & 14, SIA capital shares, and Pillar 2, 12 & 14, SIA is included in the Group. During the financial reporting period Pillar 2, 12 & 14, SIA owned several apartments intended for sale in apartment buildings in Riga, Lielzemes iela 10 and Riga, Miera iela 57A.

**Pillar 18, SIA** has been registered in the Register of Enterprises of the Republic of Latvia on 15 December 2011. The registered address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. The principal activity of Pillar 18, SIA is purchase and sale of own real estate. PCA owns 100% of Pillar 18, SIA capital shares, and Pillar 18, SIA is included in the Group. During the financial reporting period, Pillar 18, SIA owned private house intended for sale in Riga, Priedaines iela 42.

**Pillar 19, SIA** has been registered in the Register of Enterprises of the Republic of Latvia on 07 March 2014. The registered address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. The principal activity of Pillar 19, SIA is rental and management of own or leased real estate. PCA owns 100% of Pillar 19, SIA capital shares, and Pillar 19, SIA is included in the Group. During the financial reporting period, Pillar 19, owned a real estate intended for the development in Jūrmala, Jūras iela 41/45.

**Pillar 20, SIA** has been registered in the Register of Enterprises of the Republic of Latvia on 28 May 2015. The registered address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. The principal activity of Pillar 20, SIA is purchase and sale of own real estate. PCA owns 100% of Pillar 20, SIA capital shares, and Pillar 20, SIA is included in the Group. During the financial reporting period Pillar 20, SIA owned private house intended for sale in Riga, Visbijas prospekts 5.

**Pillar 21, SIA** has been registered in the Register of Enterprises of the Republic of Latvia on 10 September 2015. The registered address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. The principal activity of Pillar 21, SIA is purchase and sale of own real estate. PCA owns 100% of Pillar 21, SIA capital shares, and Pillar 21, SIA is included in the Group. During the financial reporting period, Pillar 21, SIA owned a commercial object intended for sale — a tile factory in Brocēni region, Ciecere district, Strīķi.

## **2. Basic principles of preparing financial reports and other significant accounting principles**

These Group consolidated and Company's separate financial statements were prepared in accordance with the International Financial Reporting Standards as adopted by the EU (IFRS) on a going concern basis. These financial statements were approved by the Board for release on 30 April 2021, and have to be approved by the Company's shareholders. The Company's shareholders have the right to reject the financial statements prepared and handed in by the Board and request the preparation of new financial statements. Group and Company's financial statement's comparable figures for the financial year 2019 are classified according to the financial year 2020 principles, and are fully comparable.

These financial statements cover the 12 months from 1 January 2020 to 31 December 2020.

The Company accounting methods are consistently applied by all companies within the Group.

## **3. Estimates and judgments**

The preparation of financial statements requires management to make judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The actual results may differ from

these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The key judgments and estimates are:

**a) Valuation of investment property**

Land and buildings held to earn rental income or increase of value of investment capital or both of these objectives together, yet these properties are not being held for sale, production or delivery of goods or rendering services, or for administrative purposes in the course of regular economic activity, are classified as investment property and are measured at fair value, with any changes in fair value recognized as profit or loss in the comprehensive income. Investment property is valued by an external certified appraiser at least once a year (see Note 20 – “Investment property”). In cases, where specific assumptions of the external appraiser are not deemed to be acceptable, there may be internal value corrections.

Investment property under development, where completely new buildings are under construction, and where the fair value of such investment property is not reliably measurable but the management expects the fair value of such property to be reliably measurable once construction is complete, is measured at cost according to IAS 40 §53. As soon as its fair value becomes reliably measurable or construction is completed, the buildings shall be measured at fair value. Investment property under development, where existing buildings are undergoing reconstruction, is measured at fair value.

**b) Recognition of investment property**

The Group recognizes Investment property after the title to the property has been registered in the Land Register or acceptance and transfer of the property certificate has been approved.

**c) Classification of real estate as property used by the owner or investment property**

The Group considers criteria in order to assess, whether the long-term investments should be recognised as fixed assets or investment properties. The Group owns land and building, which are partially used as investment properties, and partially used by the owner. The management of the Group has decided that the part of property used by the owner should be recognised as fixed asset.

**d) Business combination vs acquisition of assets**

The Group acquires investment property with effective rent agreements. In order to establish whether the acquired investment property qualifies as a business, the Group carries out a legal agreement review in accordance with the criteria laid down in IFRS 3 Business Combinations before acquisition. The Group has determined that investment properties acquired during the reporting do not qualify as businesses as these properties had been acquired with rent agreements but without any agreements that involve processes such as real estate management.

**e) Determining fair value of financial instruments**

The fair value of financial assets is determined based on external documents such as investment portfolio overviews issued by credit institutions and information available on international stock exchange websites regarding the market value of financial assets.

**f) Intangibles and fixed assets**

The Group and the Company review the depreciation period, as well as depreciation methods applicable to the intangibles with a limited useful life.

The Group and the Company review the liquidation value of the fixed assets, their useful life and depreciation convention.

**g) Depreciation of accounting value of long-term investments**

The Group and the Company review accounting value of long-term investments and assesses, whether there are any signs indicating that the recoverable value of the assets is lower than the accounting value.

**h) Valuation of reserves and determining net sale value**

Reserves (real estate objects held for sale) are measured at their lowest of cost price and net sale value. The management should prepare estimates of the value of reserves in cases when it is detected that the recoverable value of the reserves is lower than their acquisition value. Net sale value of real estate objects held for sale is being determined taking into account market conditions and prices, which exist on the reporting day, and it is determined by the Group, based on comparable transactions in the same geographical market for the same real estate segment.

**i) Valuation of receivables**

The Group and the Company review recoverability of receivables as on each financial report date.



The Group and the Company make provisions for expected credit losses for the debts of buyers and clients, and the assets of the contracts. The Group and the Company use provisions matrix in order to calculate expected credit losses for the debts of buyers and clients, and the assets of the contracts, which is based on default indicators historically observed by the Group and Company, and is being amended in order to adjust the historical experience of credit loss with the future information. The assessment of correlation between the historically observed default indicators, estimated economic conditions and expected credit losses is a significant estimate.

#### **j) Determining rent period**

The Group and the Company determine a rent period as an irrevocable period, in which the tenant is entitled to use the underlying asset together with the periods, to which an option to extend the rent applies, if there is reasonable confidence in that the tenant will use this option; and periods to which an option to terminate the lease applies, if there is reasonable confidence that the tenant will not use this option.

The Group and the Company as the Lessor conclude lease agreements, which contain an option to terminate or extend the lease. On the date the lease starts, the Group and the Company determine, whether it can be reasonably assumed that the tenant will use an option to extend the lease agreement or will not use the option to extend the agreement. In order to carry out this assessment, the Group and the Company take into account all the respective facts and circumstances, which create an economic stimulus for the tenant to use or not use the option, including the estimated changes in the facts and circumstances from the start date till the date of using the option, including the terms and conditions of the agreement for the additional periods in comparison to the market rates, all the significant tenant's improvements in the rented property, costs related to the termination of the lease agreement, importance of the underlying asset in the tenant's operation.

#### **k) Determining the performance duty**

The Group and the Company determine the performance obligations regarding services provided to customers. At the time of concluding the agreements, the Group and the Company evaluate the promised goods or services in the agreement with the customer and determine as an obligation fulfilment of each promise to deliver a different good or service to the customer; or series of different goods or services that are essentially the same and have the same transfer characteristics to the customer.

In order to assess the progress of the performance obligation, the Group and the Company conclude that the goods or services provided to customers consist of a series of day-to-day goods or services that are separately received over time by customers receiving and consuming the goods and services provided by the Group and the Company.

#### **l) Assessment of progress regarding full execution of performance duty, when the revenue is recognized over time**

Regarding each performance duty that is carried out over time (for example, construction services), the Group recognizes revenue in the course of time, assessing the progress in complete execution of performance duty using resource method. In accordance with this method, the Group recognizes revenue based on the Group's invested resources with the purpose to execute performance duty (for example, the funds used, work hours spent, costs incurred, time or machine hours spent) in comparison to total estimated resources in order to execute performance duty. With the change of circumstances over time, the company updates its progress assessment in order to disclose all the changes in the final outcome of the performance duty.

#### **m) Consideration of functions of principal company or principal agent**

The Group and the Company consider functions of a principal company or principal agent. The Group and the Company organize services which are rendered to it by third parties and which in accordance with the appropriate agreements, which the Group and the Company conclude as a Lessor, are rendered to the tenants of the investment properties. The Group and the Company determine that the Group and the Company control the services till the moment they are submitted to the tenant, because the Group and the Company can manage use of these services and benefit from them. Upon carrying out this assessment, the Group and the Company assume that the Group and the Company is responsible for the pledge to provide certain services, because the Group and the Company are directly engaging in review of complaints of tenants, and are responsible for the quality and suitability of the provided services. Moreover, the Group and the Company are free in determining the price they ask from the tenants for the services, therefore it is deemed that the Group and the Company is the principal company in these agreements.

The Group also assumes the functions of the principal company or principal agent also in agreements of execution of construction projects, in which the Group's company is the principal construction agent and project manager. The Group assumes that the respective company of it is the principal company in these agreements, because the services rendered by third parties are organized and controlled by the company of the Group until they are submitted to the client, and therefore is responsible for the quality and suitability of the services provided.

### **4. Consolidation**

These consolidated financial statements include Pillar Capital, AS and all subsidiaries and associated companies controlled by Pillar Capital, AS (the Group's parent company). Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of

subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Detailed information on Company subsidiaries is disclosed in Note 21 and Note 36. The financial reports of the Group's parent company and its subsidiaries are consolidated in the Group's consolidated financial report, merging the appropriate positions of assets and liabilities, as well as income and expense. Intra-group balances and transactions, and any unrealized gains arising from intra-group transactions, are eliminated upon consolidation. Unrealized losses are eliminated in the same way as unrealized gains except that they are only eliminated to the extent that there is no evidence of impairment.

Assets and liabilities of the subsidiaries, about which a decision to sell is made, after carrying out all the consolidation procedures, shall be disclosed in the Group's financial report as long-term investments held for sale in accordance with the requirements of IFRS 5.

#### *Business combination accounting*

Business combination is accounted using acquisition method. The acquisition costs are the fair value of the remuneration given on the acquisition day. The acquired identifiable assets and liabilities and the probable liabilities in the course of business combination are being initially measured at their fair value on the acquisition date. The Group recognises non-controlling participation in the acquired company, based on the proportional share of non-controlling participation in the identifiable net assets of the acquired company. Acquisition-related costs are being included in the administrative costs in the comprehensive income at the moment they occur.

When the Group acquires any company, it assesses the acquired financial assets and undertaken liabilities in order to properly classify and recognise them. Classification and recognition is carried out by the buyer based on the terms of the agreements, economic circumstances and other applicable conditions at the moment of acquisition. If business combination takes place gradually, fair value of the previously acquired participation in the company's equity on the acquisition date is being remeasured in accordance with the fair value on the acquisition through disclosure in comprehensive income.

If the initial accounting of the business combination is not completed by the end of the reporting period, in which the combination takes place, in the financial report the Group indicates estimated amounts regarding those positions, where the accounting data are incomplete. During the assessment period, the Group retrospectively corrects the estimated amounts recognised at the acquisition date in order they reflected the new information obtained about the facts and circumstances, which were in effect on the acquisition date, and had they been known, they would have affected the measurement of the amounts recognised on that date. In the assessment period, the Group recognises also the additional assets or liabilities, if there is information received about the facts and circumstances that were in effect on the acquisition date, and had they been known, they would have caused recognition of such assets and liabilities on that date. The assessment period ends as soon as the Group receives the information it was looking for about the facts and circumstances that were in effect on the acquisition day, or finds out that additional information is not available. Yet the assessment period should not exceed one year since the acquisition day.

Any possible remuneration, which the buyer has to pay for the acquired company, is recognised at fair value on the acquisition day. Hereinafter the amendments in the fair value of the probable remuneration, if such remuneration is classified as asset or liability, is recognised in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", recognising gains or losses either in the comprehensive income or in other income that are not being reflected in the comprehensive income. If the probable remuneration is classified as equity, it shall not be remeasured, until it is fully settled, accounting the payment in equity.

#### *Changes in participation share in subsidiary without loss of control*

Changes in the participation share of a parent company in the subsidiary, in the result of which control is lost, are accounted as equity transactions (i.e., transactions with owners, who act as owners). The accounting value of controlling and non-controlling participation are corrected in order to reflect their comparative participation changes in the subsidiary. The difference between the amount, by which the non-controlling participation is corrected, and the fair value of the paid or received remuneration is recognized directly in equity and referred to the owners of the parent company.

#### *Loss of control of a subsidiary*

In case the Group parent company loses control of a subsidiary, it:

- stops recognizing associate asset (including intangible assets) and liability carrying amounts at the date of loss of control over a subsidiary;
- stops recognizing the non-controlling participation in the former subsidiary in its carrying amount at the date of loss of a control over a subsidiary (incl. income not reflected in the profit and loss statement);
- recognizes payments and other compensation received in the result of transactions, events or circumstances resulting in the loss of control over the subsidiary at fair value;
- recognises remaining investments in an associate over which it lost control at fair value at the date of loss of control over the subsidiary.

And if the gain or loss has been previously recognised in other income, which are not reflected in profit and loss statement, and after the alienation of these assets or liabilities they should have been reclassified as profit or loss, the parent company shall reclassify gain or loss from equity to profit or loss (as reclassification correction), when it loses control of a subsidiary.

## **5. Basis of measurement**

The financial statements are prepared on the historical cost basis except for investment property and financial assets which are measured at fair value. The profit and loss statement is prepared according to the function cost method. The statement of cash flows was prepared according to the indirect method.

## **6. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### **a) Foreign currencies**

All amounts in these financial statements are expressed in the Latvian national currency – euro (EUR). The Euro is the Group's accounting and functional currency.

Transactions in foreign currencies were not made during the reporting period.

### **b) Financial instruments**

Financial instrument is an agreement that simultaneously results in financial assets of one party and financial liabilities or equity assets of the other party.

The key assets held by the Group/Company are investments in shares of companies quoted on the exchange, trade receivables, and receivables from related parties, other assets, loans to related parties and cash and cash equivalents, and financial liabilities – bonds, loans from credit institutions, other loans, accounts payable to suppliers, related companies and other creditors arising directly from its business activities.

None of the Group companies are a party to transactions with derivatives.

Financial assets and liabilities are recognized in the statement of financial position when a company of the Group becomes a party to the contractual provisions of the instrument. All regular purchases of financial assets are accounted for at the settlement date.

### **Financial instruments**

#### **(i) Initial recognition**

Financial assets are initially recognized at amortized cost, fair value through other comprehensive income or fair value through profit and loss. Initial recognition is dependent on:

- a) financial asset management business model and
- b) the contractual terms of the financial asset.

Excluding trade receivables – financial assets that do not carry a materially significant financing component, financial assets are initially recognized at fair value, to which, if financial assets are not at fair value through profit and loss, transaction costs directly attributable to the acquisition or issue of the financial asset are added.

#### **(ii) Subsequent measurement**

Financial assets are subsequently measured at:

- a) amortised cost;
- b) fair value through other comprehensive income (FVTOCI); or
- c) fair value through profit or loss (FVTPL).

Amortized cost is applied in case where the following requirements are met:

- a) financial asset is held with the purpose of collecting the respective financial asset contractual cash flows;
- b) financial asset contractual cash flows arise from principal payments and interest payments on principal remaining.

Financial assets are measured at FVTOCI given the following conditions are met:

- a) financial asset is held with the purpose of collecting the respective financial asset contractual cash flows as well as for sale potentially resulting in profit;
- b) financial asset contractual cash flows arise from principal payments and interest payments on principal remaining.

Financial assets are measured at FVTPL except if they are measured through amortised cost or FVTOCI. Yet in specific cases where financial assets would be measured at FVTPL the Group management can make an irreversible decision at initial recognition to recognize the specific financial assets through FVTOCI and subsequently recognize changes in fair value in other comprehensive income.



### **(iii) De-recognition**

A financial asset is derecognized when

- a) the contractual rights to the cash flows from the financial asset expire, or
- b) when the Company transfers the particular financial asset and the transfer qualifies for de-recognition.

The Company transfers the financial asset only if the Company has:

- a) transferred contractual rights to receive cash flows from the respective financial assets, or
- b) has retained contractual rights to receive cash flows from the respective financial assets but has undertaken contractual obligations to disburse the appropriate cash flows to one or several receivers.

### **(iv) Impairment allowances**

The Group/Company recognizes losses on impairment allowances from expected credit losses on financial assets measured at amortized cost or at FVTOCI. The goal of this model is to recognize impairment allowances for all exposures from the time a financial asset is originated, based on the deterioration of credit risk since initial recognition. A conclusion on changes in credit risk has to take into account fair and evidence based information, including information on possible future events.

In case the credit risk of a financial instrument has significantly increased since its initial recognition, the Company recognizes losses on impairment allowances that is equal to the lifetime expected losses on the respective financial asset. If the credit risk has not increased significantly, the standard requires allowances based on 12 month expected losses.

For trade receivables, contractual assets and amounts due from lessees, the Companies apply the simplified approach – estimate impairment allowances that are equal to the lifetime of expected losses on the respective financial asset:

- a) for trade receivables or contractual assets recognized and measured according to IFRS 15 and that:
  - i. do not contain a significant financing component (or the company applies practical approach to the agreements shorter than 12 months) in accordance with IFRS 15; or
  - ii. contain a significant financing component according to IFRS 15 but the Company accounting policy states that impairment allowances will be equal to the lifetime expected credit losses on the respective financial assets.
- b) for amounts due from lessees that are recognized and measured according to IFRS 16 if the Company accounting policy states that impairment allowances will be equal to the lifetime expected credit losses on the respective financial assets.

The Group / Company has developed an allowances matrix that is based on historical experience of credit losses that is adjusted to future factors characteristic to the debtors and economic environment.

The Group / Company assumes that a financial asset is defaulted if the contractual obligations are defaulted for 90 days. Yet in certain cases the Group / Company may also assume that the financial asset is defaulted if the internal or external information suggests that the Group / Company most likely will not receive the amounts provided in the defaulted contract, before taking into account any credit enhancement of the assets held by the Group / Company. The financial asset is written-off, when there are no reasonable hopes to recover the contractual amounts.

#### ***Provisions for expected credit losses on trade receivables and lease receivables***

The Group / Company uses provisions matrix in order to account the expected credit losses on trade receivables and lease receivables. The provisions rates are based on the number of defaulted days for various groups of client segments with similar loss models.

The provisions matrix is initially based on the Group / Company's historically observed defaults. The Group / Company is changing the matrix in order to adjust the historical credit loss experience to the future information. For example, if it is expected that next year the estimated economic conditions (i.e., the gross domestic product), which may increase the number of default cases, the historical defaults are being corrected. On each reporting date the historically observed defaults are updated and the changes in the future predictions are analyzed.

The Group's / Company's management, in estimating the expected credit losses, also assessed the historical default in transactions between the Group's companies. However, taking into account the historical credit loss experience of the respective parties' transactions, the management of the Group / Company has recognized that no provision for credit losses is required for these transactions.

Correlation assessment between the historically observed defaults, expected economic conditions and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to the changes in circumstances and the expected economic conditions. The Group / Company's historical credit loss experience and estimates of economic conditions may be not representative regarding the actual default of the clients in future. The information about the expected credit losses regarding Group / Company's trade receivables and lease receivables is disclosed in Note 25.

## **Financial liabilities**

### **(i) Initial recognition**

The Company initially recognizes financial liabilities at fair value. In case where financial liabilities are not recognized at FVTPL the Group / Company also takes into account the directly attributable transaction costs related to acquisition or issue of the financial liability.

### **(ii) Subsequent measurement**

The Company subsequently measures financial liabilities at amortized cost, unless the respective financial liabilities have been initially recognized at FVTPL. Financial assets recognized at FVTPL, including non-derivative instruments, are subsequently measured at fair value.

### **(iii) De-recognition**

The Company de-recognizes financial liabilities (or part of the financial liabilities) only once it has fulfilled all of the obligations arising from the respective financial liabilities, i.e., the duty provided by the contract is fulfilled or cancelled or expired.

## **Offsetting**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

## **c) Investment property**

Investment property is property held either to earn rental income or for capital appreciation or for both, rather than for sale, use in the production or supply of goods or services or for administrative purposes in the ordinary course of business. Investment property is initially recognized at cost and subsequently re-measured to fair value at each reporting date with changes in its fair value recognised in the profit or loss statement. Properties at the stage of development and planned to be used as investment properties are classified as investment properties as well. Self-created investment properties in reports are recognised according to the cost method until their fair value becomes reliably determinable or their construction will be completed.

Cost includes expenses that are directly attributable to the acquisition of investment property. The cost of self-constructed investment property includes the cost of materials and direct labor and any other costs directly attributable to bringing the investment property to its working condition for the intended use, and capitalized borrowing costs.

An investment property is de-recognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property (are determined as the difference between the net disposal proceeds and the carrying amount) are recognized in profit or loss in the year of the retirement or disposal.

Transfers to investment property are made only when there is a change in use evidenced by end of owner-occupation, commencement of an operating lease to another party or commencement of development with a view to create investment property. Transfers from investment property are made only when there is a change in use evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Property or part of it which the Group company uses for administrative purposes is classified and accounted as fixed asset.

## **d) Intangible investments**

### *Intangible value*

Intangible value occurs upon acquiring subsidiaries, and initially measured as positive difference between the compensation paid and the net amount of identifiable assets and liabilities acquired by the Group. If the said compensation is smaller than the net assets of the acquired subsidiary, then the difference is recognised in comprehensive income.

After initial recognition, the intangible value is measured at its initial value, deducting the accrued depreciation losses. In order to carry out review of depreciation, the intangible value obtained through business combination, starting from the acquisition date, is attributed to each cash generating unit of the Group, which as expected will gain from the combination of businesses regardless of whether other assets or liabilities of the acquired company will be attributable to these units.

Each cash generating unit to which an intangible value is attributed represents the lowest level in the company in which the intangible value is monitored for the purposes of internal management. The intangible value is monitored on subsidiary level.

At the end of each reporting year, for the purposes of preparation of consolidated reports, the parent company of the Group assesses, whether the balance sheet value of the amount indicated in the "Intangible value" position of the consolidated financial report has not decreased. The reviews of intangible value decrease are carried out each year or more often if there is an

indication that the intangible value may have decreased. The formerly recognised losses of the intangible value shall not be reversed.

#### *Intangible assets*

Separately acquired intangible assets are initially recognized in the amount of intangible asset acquisition cost. Asset acquisition cost amounts to its purchase price, including customs taxes and non-refundable transaction taxes paid by the buyer, deducting net discounts and rebates and other directly attributable transaction costs.

Separately acquired intangible assets are subsequently measured at initial recognized acquisition cost, deducting net amortization and accumulated revaluation results. Amortization is recognized on a linear basis given the intangible asset useful life.

#### *Intangible assets of limited useful life*

Intangible assets of limited useful life are depreciated over their useful life, and their depreciation is estimated if there is an indication that the value of the intangible asset might have decreased. The depreciation period and depreciation method of the intangible assets of limited useful life is reviewed at least at the end of each financial year. The amendments in the expected useful life or the expected model of future economic benefits embodied in an asset are accounted changing the depreciation period or method upon necessity, or are considered changed in the accounting estimates.

Depreciation is accounted on the straight line basis, taking into account the useful life of the intangible asset, using the following rates laid down by the management:

<b>Intangible assets</b>	<b>Method</b>	<b>% p.a.</b>
Licenses	Straight line	20%-33.33%

Profit or loss incurred due to derecognition are disclosed as difference between the revenue from alienation of net assets and accounting value, and they are recognized through profit or loss at the moment of derecognition.

#### **e) Fixed assets**

Fixed assets are initially recognized at cost, net accumulated depreciation and revaluation results. Asset cost is equal to the acquisition price and directly attributable transaction costs.

The Group / Company measures expenses associated with fixed asset purchase at the purchase date. Acquisition costs include expenses associated with asset purchase or creation, completion, partial replacement or maintenance, including professional services.

Expenses associated with fixed asset creation listed above are capitalized to the fixed asset value until the fixed asset is completed and transferred to use. Further expenses, associated with fixed asset use or further transfer are not capitalized to asset value. Fixed asset value does not include regular maintenance expenses. These expenses are recognized in comprehensive income at the occurrence date.

Depreciation is calculated on a straight line basis taking into account fixed asset useful life with the purpose to depreciate the asset to its estimated residual value at the end of the fixed asset useful life (disposal value).

<b>Fixed Assets</b>	<b>Method</b>	<b>% p.a.</b>
Temporary use buildings	Straight line	10%
Infrastructure objects and engineering structures	Straight line	3.33% – 20%
Other fixed assets	Straight line	20% – 50%
Computing equipment	Straight line	33.33%
Used cars	Straight line	20%
New cars	Straight line	14.29%

Depreciation is calculated starting from the month following the transfer of the fixed asset to use or inclusion in economic activity. Depreciation is not being calculated and accounted for those fixed assets, whose properties do not change in the course of their use and have unlimited useful life. Such fixed assets are pieces of art. Land is not depreciated.

Fixed asset disposal value, useful life and depreciation methodology is reviewed by the Group management at the end of every financial year, and in case new estimated differ from the previous estimates, changes are reflected in the profit and loss statements as results of accounting policy changes.

Net profit or loss arising from fixed asset de-recognition equals to the difference between net disposal income and fixed asset carrying amount.

#### **f) Inventories**

Real estate property is transferred to inventories if it is planned to sell this property in the ordinary course of business.

Inventories (real estate properties held for sale) are measured at the lower of cost and net realizable value. Net realizable value of inventory is estimated by the management upon identifying that the recoverable amount of inventory is lower than cost. Where the recoverable amount of inventories (real estate properties held for sale) is lower than cost inventories are written down to a value reflecting maintenance related costs expected to be incurred to the date of sale and the cost to make the sale.

#### **g) Non-financial asset impairment**

Asset impairment tests are carried out at the end of every financial year. In case the management has identified signs of a decrease in asset value, asset recoverable amount is estimated. The recoverable amount of an asset is the greater of its 'fair value less costs to sell' and its 'value in use'. Recoverable amount is estimated for each asset separately, unless asset and their cash flows are interdependent. In cases where carrying amount exceeds the recoverable amount, asset carrying amount is decreased to amount to the estimated recoverable amount.

Present value is estimated using a discount rate before taxes that reflects the market rate for the specific cash flows and risks attributable to the asset. When determining the value less costs to sell an appropriate measurement method is used. These calculations are confirmed using measurement coefficients, exchange quoted share prices or other available fair value indicators.

Losses from asset impairment are recognized through profit and loss as non-financial asset impairment. On each reporting date the Group / Company reviews, whether there are any indicators of depreciation losses which for an asset, except the intangible value, recognised in previous years, might not exist anymore or might have decreased. If such indicators are present, the Group / Company estimates the recoverable value of the asset or the cash generating unit since the last time its impairment was recognised. Previous period impairment reversal cannot exceed the amount that would lead to carrying value that is greater than carrying value given no impairment net accumulated depreciation. Losses from impairment cannot be reversed in the next periods.

#### **h) Investments in subsidiaries**

Investments in subsidiaries are initially recognized at cost according to IAS 27 Consolidated and Separate Financial Statements. After initial recognition investments in subsidiaries are measured at initially recognized cost net losses from the decrease in value. The Group management tests for decrease in value at the end of every financial year. The decrease in value amounts to the difference between net recoverable investment amount and the carrying amount. Losses are recognized through the profit and loss statement. Dividend received from subsidiaries are recognized in the period in which the right to receive dividends arose.

#### **i) Contract balances**

##### *Contract assets*

A contractual asset is the Group's right to receive consideration in exchange for goods or services that the Group has transferred to a customer. If the Group's company delivers goods or services to the customer before the customer pays the consideration or before the due date, the contract asset is recognized as a contingent consideration.

##### *Trade receivables*

Receivables are the unconditional right of the Group / Company to compensation (i.e. only the period of time must elapse before the payment of that compensation is due).

##### *Contractual obligations*

Contractual obligations are the obligation to deliver to the customer goods or services for which the Group's company has received compensation from the customer (or for which compensation is due from the customer). If the customer pays a consideration before the Group's company delivers the good or service to the customer, the contractual obligation is recognized when the payment is made or the payment is due (whichever occurs first). Contractual liabilities are recognized as revenue when the Group's company fulfils the terms of the contract.

#### **j) Cash and cash equivalents**

Cash and cash equivalents in the consolidated financial report include cash balances in banks and cash positions.

#### **k) Long-term investments held for sale**

In the Company's separate financial report the participation in the fixed capital of the subsidiaries, which it plans to sell, in accordance with IFRS 5 are accounted as long-term investments held for sale and are measured by the lowest of their accounting value or fair value, deducting sale transaction costs.

## **l) Provisions**

### *General provisions*

Provisions are recognized once the Group has a current duty (legal or practical) caused by some past event and there is a probability that the fulfilment of the duty will require outflow of economic gain generating resources from the Group, and it is possible to measure the volume of the duties reliably.

If the Group assumes that the costs necessary for accrual of provisions will be repaid partially or in full, for example, under an insurance agreement, then the repayment of these costs is recognized as a separate asset and only when it is practically known that these costs will actually be recovered. Costs related to any provisions in the consolidated comprehensive income are reflected having deducted the amounts recognized for repayment of costs.

In case time value of money has significant impact, provisions are accounted by discounting estimated future cash flow using pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability if such would exist. If discounting takes place, increase of provisions over time is recognized as financial costs.

## **m) Accrued revenue**

Accrued revenue is recognised if the Group has legal or other type of revenue occurred in the result of past events and there is a possibility that the Group will have revenue, and such revenue can be reliably estimated and measured.

## **n) Accrued liabilities**

Accrued liabilities are recognised if the Group has legal or other type of liabilities occurred in the result of past events and there is a possibility that there will be funds required for fulfilment of the liabilities, and such liabilities can be reliably estimated and measured.

## **o) Contingent assets and potential liabilities**

This consolidated financial report does not recognise the potential liabilities. They are recognised as liabilities only if a probability that these funds will be paid, becomes justified enough. The contingent assets are not recognised in the consolidated financial report, and they are recognised only if a probability that the economic gains related to the transactions will be received by the Group company are justified enough.

## **p) Lease**

On the lease start day, the Group / Company determines, whether the agreement implies lease, i.e., whether the agreement or part of the agreement grants the rights to use the asset for a certain period of time against remuneration.

### *Group company is a lessor*

If the Company leases assets where all risks and rewards incidental to such asset ownership are not transferred to the lessee, the agreement is classified as an operating lease. The Group company accounts operating lease amendments as a new lease from the date it enters into effects, taking into account the lease payments made or accrued previously under initial lease as a part of lease payments for the new lease.

### *Real estate lease agreement terms*

The Group companies have concluded numerous short term and long term real estate lease agreements of various maturities. The provisions of the agreements, including irrevocable period, deposit amount, procedure of using or paying the deposit or bank guarantee, procedure of paying the rent, compensation of losses, are set out for each tenant individually. Deposits provided in the lease agreements do not exceed 2 months rent in most cases. The Group / Company issues invoices for services rendered on the 15<sup>th</sup> date of the next month after rendering services.

Deposits that are to be returned to the tenants, the Group may withhold partially or in full, if the debtor's debt has not been paid or there are any other violations of the agreement. Lease agreements imply an extension option. Upon calculating current annual rent, the rent indexation is applied in accordance with the inflation rate in the country.

The minimum amount of claims under non-cancellable property lease transactions at the year-end is disclosed in Note 20.

### *Group company is tenant*

Group / Company is applying unified recognition and measurement approach to all lease agreements, except short-term rent and rent of low value assets. The Group recognizes lease liabilities to carry out rent payments and use rights assets confirming the right to use the underlying assets.

## **q) Recognition of revenue**

The principal sources of the Group / Company's revenue are as follows:

*i) Lease income*

Regarding the investment properties, which are mainly held for gaining income from lease, the Group and the Company as a lessor concludes lease agreements, to which IFRS 16 "Leases" are applicable. The Group / Company as a lessor gains income from the operative lease of real estate, where all risks and rewards incidental to such asset ownership are not transferred to the lessee.

The rent payments for the operative lease are recognised as revenue on the straight line basis during the lease period. Initial direct costs incurred by obtaining operative lease are added to the accounting value of underlying asset, and such costs are recognised as expenses in the lease period by the same method as rent income.

*ii) Revenue from contracts with customers*

Revenues from contracts with customers are recognized once the Group / Company has transferred the control over goods or services to the client in the amount the Group / Company expects to receive from the client. Depending on the criteria met, revenue is recognized:

- a) over time in the Group / Company financial statements; or
- b) once the control over goods / services has been transferred to the client.

*Provision of services to tenants*

In the lease agreements, which are subject to IFRS 16 "Leases", include services, which the Group / Company offers to its tenants, including management, maintenance, security services. These services are listed in the lease agreements and the charges are indicated separately in the invoice.

The Group / Company has determined that these services constitute separate non-lease (given separately from the right to use the underlying asset) elements and are subject to IFRS 15 "Revenue from contracts with customers". Revenue from the services (like maintenance and management) is recognized when the services are provided. The Group / Company attributes the remuneration provided in the contract to separate elements of the rent and services (non-lease) based on the appropriate separate service sale prices.

*Revenue from construction projects*

The Group concludes contracts about implementation of construction project, which implies construction works and construction project management services. In accordance with the concluded agreements, the Group company is the principal party performing the construction works and the manager of the project.

Regarding each performance duty that is carried out over time (for example, construction services), the Group recognizes revenue in the course of time, assessing the progress in complete execution of performance duty using resource method. In accordance with this method, the Group recognizes revenue based on the Group's invested resources with the purpose to execute performance duty (for example, the funds used, work hours spent, costs incurred, time or machine hours spent) in comparison to total estimated resources in order to execute performance duty.

*iii) Income from disposal of real estate property*

The Group concludes contracts with the clients about disposal of real estate. The disposal of real estate is one fulfilment duty, and the Group has determined that it is fulfilled at the moment the client is given control over the asset.

Income from the disposal of real estate property is recognized when the Group / Company has transferred all the significant risks and rewards incidental to ownership of the asset and the amount of revenue may be reasonably estimated.

**r) Corporate income tax**

Current tax is the expected tax payable on the taxable income for the reporting year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

In accordance with the Enterprise Income Tax Law, there is a 20% tax from gross amount applied to distributed and conditionally distributed profit, i.e., 20/80 of net disbursements. In the profit and loss calculation EIT is recognised as expenses in the reporting period when the said dividends were calculated, while for other objects of conditionally distributed profit – at the moment when the expenses occurred within the reporting period.

The taxable base will include:

- distributed profit (dividends calculated, payments equalled to dividends, conditional dividends) and
- conditionally distributed profit (non-operating expenses, doubtful debts; excessive interest payments, loans to related parties, decrease of income or excessive expenses, which are incurred by entering transactions at prices other than those on the market that should be calculated using the methodology determined by the Cabinet of Ministers; benefits bestowed by the non-resident upon its staff or board (council members) regardless of whether the receiving party is a resident or a non-resident, if they relate to the operation of a permanent establishment in Latvia, liquidation quota).



The use of tax losses carried forward from previous periods is limited: it will be possible to utilize these losses to decrease the amount of tax calculated on dividends in the reporting period by not more than 50%. It will be possible to carry forward unused tax losses and utilise them in the previously described manner only until 2022.

#### **s) Long and short-term classification**

Amounts whose terms of receipt, payment or write off are due more than one year after the balance sheet date are classified as long term. Amounts to be received, paid or written off within one year are classified as short-term.

#### **t) Loans**

The fair value of loans is estimated as the present value of future cash flows discounted at the market rate of interest at the valuation date. The approximate fair value of shorter-term loans and debts with undefined interest rates is assumed to equal their value at initial recognition and their subsequent carrying amount as the effect of discounting is considered to be insignificant. Fair value is measured at initial recognition and for the purpose of financial statements – at each reporting date.

#### **u) Employee benefits**

Short term employee benefits including remuneration, social contributions, bonuses and benefits, and life insurance premiums, are charged to comprehensive income under production or administrative expenses as provided. Provisions for employee vacation pay are calculated for the Company's personnel based on the total number of vacation days earned but not used, multiplied by the average daily remuneration expense pursuant to the Latvian Labour Law, and adding the related statutory social insurance contributions payable by the employer.

#### **v) Related parties**

Related party is a company or person that is related to the Company or the Group preparing its financial statements (IAS 24 Related party disclosures).

Related parties are:

1. Person or the person's family member is related to the entity preparing financial statements if:
  - This person controls or shares control over the entity preparing financial reports; or
  - The person has significant control over entity preparing financial statements; or
  - The person is chairman of the board in the company submitting the report or in the group parent company.
2. The company is a related party to the entity preparing financial statements if:
  - The company is part of the group of the entity preparing financial reports (i.e. every parent and subsidiary are related parties to each other);
  - One company is an associate or a joint venture of the other company (or associate or joint venture of the other group company) ;
  - Companies share shareholders;
  - One company is a joint venture of a third company, the other company is an associate to the third company;
  - One company is part of the benefit plan to employees of entity preparing financial statements; if the entity preparing financial statements itself is the benefit plan to another entity, it is related party to this entity;
  - The companies are controlled by a person described in clause 1;
  - Person described in subclause 1 of clause 1 has significant control over the entity preparing financial statements or its parent company or is the chairman of the board;
  - The company or any group company provides personnel management services to the entity preparing financial statements or a parent company of the entity preparing financial statements.

#### **w) Subsequent events**

These financial statements reflect subsequent events that provide evidence of circumstances that existed at the end of the reporting period (adjusting events). Where the nature of subsequent events is other than adjusting they are disclosed in the notes to the financial statements only if they are significant.

## **7. Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group / Company has access at that date. The fair value of liabilities represents the risk of default.

The Group/Company's accounting policy and disclosures require the determination of fair value for both financial and non-financial assets and liabilities.

In determining the fair value of assets or liabilities the Company/Group uses observable market data to the extent possible. Fair value is classified into various levels of the fair value hierarchy, based on data used in the measurement methods:



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

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: inputs for the asset or liability that are based on unobservable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability can be categorized in different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Transfers between the levels of the fair value hierarchy are recognised by the Group/Company at the end of the reporting period during which the transfer occurred.

Fair values have been determined for measurement and / or disclosure purposes based on the following methods:

- Income approach;
- Market approach.

Detailed information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

#### **a) Investment property**

The Group's/Company's portfolio of investment property is valued on an annual basis by an external, independent valuation company using the discounted cash flow approach and/or the market approach, having appropriate recognized professional qualifications and recent experience in the location and category of property being valued. Fair value is measured using the discounted cash flow approach with a terminal value component at the end of the cash forecast period, the income approach and/or the market approach.

The gross value of investment property is derived by applying market yields to the estimated value of lease. Where the actual lease payment is significantly different from the estimated payment adjustments are made to reflect the actual lease payment.

The market approach is based on market values, and is the estimated amount for which property could be exchanged on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

Investment property under development, where completely new property are under construction, and where the fair value of such investment property is not reliably measurable using the discounted cash flow approach with a terminal value component at the end of the cash forecast period, the income approach and/or the market approach but where the management expects the fair value of such property to be reliably measurable once construction is complete, is measured at cost according to IAS 40 §53. As soon as either such property fair value becomes reliably measurable or construction is completed, the respective property is measured at fair value following the procedure used for other Group/Company investment properties described in paragraphs above. Investment property under development, where an existing property are undergoing reconstruction, is measured at fair value following the procedure used for other Group/Company investment properties described in paragraphs above.

#### **b) Financial assets**

The fair value of loans is estimated as the present value of future cash flows discounted at the market rate of interest at the valuation date.

The approximate fair value of performing short-term financial assets with undefined interest rates is assumed to equal their value at initial recognition and their subsequent carrying amount as the effect of discounting is considered to be insignificant.

Fair value is measured at initial recognition and for the purpose of financial statements – at each reporting date.

#### **c) Financial liabilities**

Non-derivative financial liabilities are measured at fair value at initial recognition and for reporting purposes - at each reporting date. For disclosure purposes, the fair value of financial liabilities with maturities exceeding 12 months is calculated based on the present value of future cash flows from payment of principal and interest discounted at the market rate of interest as at the reporting date.

The approximate fair value of short-term financial assets with undefined interest rates is assumed to equal their value at initial recognition and their subsequent carrying amount as the effect of discounting is considered to be insignificant.

#### **d) Long-term investments held for sale**

Fair value of long-term assets held for sale is measured based on the estimated market price of the particular asset.

## 8. Financial risk and capital management

The Company and the Group has exposure to the following risks from its use of financial assets:

- credit risk;
- liquidity risk;
- interest rate risk.

This note presents information about the Group's/Company's exposure to each of the above risks, the Group's/Company's objectives, policies and processes for measuring and managing risk, and the Group's/Company's financial risk and capital management principles. Further quantitative disclosures are included throughout these financial statements.

### *Risk management framework*

Group management has overall responsibility for the establishment and oversight of the Group/Company's risk management framework. To achieve risk management objectives, risk management is embedded in the Group/Company's operational and management structure. Risk management is a process for identification, assessment and management of business risks that may prevent or threaten the achievement of business goals.

The Group/Company's risk management policies are established to identify and analyze the risks faced by the Group/Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are updated on a regular basis to reflect changes in market conditions and activities of the Group/Company. Through training and management standards and procedures, the Group/Company seeks to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group/Company does not use derivatives to hedge financial risks and consequently does not use hedge accounting.

### *Credit risk*

Credit risk is the risk of financial loss to the Group/Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group/Company's purchased financial assets and receivables.

The Group / Company evaluates trade receivables and makes allowances for bad debt at the end of each month according to the internally approved policy "*Darbs ar problemātiskiem Pillar Capital, AS un tās meitas sabiedrību juridisko un fizisko personu parādiem*". Allowances for bad debt are recognized in the amount that is equal to the lifetime expected credit losses on the respective trade receivables, based on all the reasonably available and justifiable information, including future-oriented information.

The Group/Company has procedures in place which stipulate that goods are sold and services are provided to customers with appropriate credit history. The Group/Company's management has established a procedure that sales of goods or services against payments on delivery or completion are made based on client evaluation procedures and certain limits are set on the amount of such goods or services. The most important factor is the customer's ability to make payments for goods and services in due time. The receivables disclosed in the statement of financial position are not secured except for trade receivables that are secured by security deposits or bank guarantees (the standard security deposit is equal to the rent fee for two months).

The Group / Company does not have significant credit exposures in relation to a single counterparty or a group of counterparties with similar characteristics.

Regardless of the fact that the recoverability of finance lease and other receivables may be impacted by economic factors management believes that the Group/Company is not exposed to a significant risk of loss.

On each reporting date impairment analysis is carried out using provisions matrix in order to measure expected credit losses. Provisions rates are based on the number of defaulted days for various groups of client segments with similar models of losses. The calculation reflects the probability weighted outcome, time value of money and reasonable and justifiable information available on the reporting day about the past events, current conditions and future estimates about the further economic situation. Usually trade receivables are written off if upon termination of debt collection process they are impossible to recover and they are not subject to enforcement.

Information on the credit risk applicable to the Group's trade receivables using provisions matrix is provided below:

On 31 December 2019	TOTAL	No default	Default period:			
			< 30 days	31-60 days	61-90 days	> 90 days
Rates of expected credit losses		0.1437%	0.5712%	5.1874%	26.5298%	59.2259%
Gross accounting value	343 252	113 614	107 838	3 569	9 528	108 703
Expected credit losses	67 872	174	616	185	2 517	64 380

On 31 December 2020	TOTAL	No default	Default period:			
			< 30 days	31-60 days	61-90 days	> 90 days
Rates of expected credit losses		0.0835%	0.3729%	7.8462%	16.8561%	86.8786%
Gross accounting value	<b>2 360 682</b>	2 150 717	63 313	12 606	1 283	132 763
Expected credit losses	<b>118 581</b>	1 797	236	989	216	115 343

### Liquidity risk

Liquidity risk is the risk that the Group / Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group/Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group/Company's reputation.

The Group / Company manages liquidity risk in line with the principle of prudence, ensuring that appropriate credit resources are available to cover liabilities in due time.

### Interest rate risk

Interest rate risk – the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk arises in connection with loans, borrowings and deposits. Interest rate risk is impacted also by economic conditions and changes in average interest rates by banks. The Group/Company is exposed to cash flow risk caused by changes in interest rates as certain loans are carried at floating rates.

### Currency risk

The Group and Company operate using EUR only. As a result, currency risk is not considered to apply.

### Capital management

In order to achieve the financial goals of the Group/Company, the economic activity of the Group/Company is primarily financed by own funds and loans attracted from credit institutions. When planning the capital structure, the Group/Company assesses various types of capital, including their price, loan against the pledge value and the indicators of equity and borrowed capital relations. The goal is to achieve a balanced and low-cost capital base by assessing the risks of the selected strategy.

Loan agreements with credit institutions of Group's companies stipulate that borrowers shall calculate indicators of the interest payment coverage and pledge values against loan balance once a period (quarter or six months). Group's companies fall within the thresholds of set indicators and comply with the requirements of credit conditions.

The equity capital of the Group as of 31 December 2020 amounts to EUR 143 370 943, as of 31 December 2019 — EUR 145 008 248, the total amount of assets as of 31 December 2020 constitutes EUR 180 089 976, as of 31 December 2019 — EUR 196 866 451. The equity ratio is 0.79 on 31 December 2020, on 31 December 2019 – 0.73.

Taking into account the proportion of equity in the structure of the Group's capital, there are no obstacles preventing attraction of external financing for the development projects of Group.

## 9. Changes in accounting policies and disclosure of information

Other than the changes described below, the Group / Company have consistently applied the accounting policies set out in Notes 2 – 8 to all periods presented in these financial statements.

### Application of the new and amended standards and interpretations adopted by the EU

The Group / Company have adopted the following new standards and amendments to standards, and interpretations, including any consequential amendments to other standards, with a date of initial application of 1 January 2020.

#### a) Amendments to 3. IFRS “Merger of business”

Amendments have been issued on 22 October 2018; applicable to financial periods that start on 1 January 2020 or later.

#### b) Amendments to 9. IFRS “Financial Instruments”, 39. IAS “Financial Instruments: recognition and evaluation” and 7. IFRS “Financial Instruments: disclosure of information”

Amendments have been issued on 26 September 2019; applicable to financial periods that start on 1 January 2020 or later.

#### c) Amendments to 1. IAS “Financial Statements” and 8. IAS “Changes in accounting policy, changes in estimates and corrections of errors”: “Definition of materiality”

Amendments have been issued on 31 October 2018; applicable to financial periods that start on 1 January 2020 or later.

**d) Amendments in references to the Concept guidelines in IFRS standards**

Amendments have been issued on 29 March 2018; applicable to financial periods that start on 1 January 2020 or later.

These amendments will help companies to develop accounting policies in cases where none of IFRS directly applies to a particular transaction, a new section on estimates/assessments has been created, guidance on providing information on the results of financial operations, as well as definitions and other explanations applicable in preparing the financial statements.

**e) Amendments to 16. IFRS "Lease": Lease concessions related to Covid-19**

Amendments have been issued on 28 May 2020; applicable to financial periods that start on 1 June 2020 or later.

Amendments provide an optional norm for the tenants for accounting of changes in rent rates, if such changes are related to Covid-19. Tenants are given the opportunity to account such changes as variable lease payments and not to account for modification of the lease agreement. The exemption may only be applied if all three specific conditions are met.

**Standards, amendments and interpretation that have been issued and adopted in EU, but not yet in force**

Standards that have been issued but have not yet entered in force until the date of issue of the Financial statements of the Concern/Company are presented below. The Concern/Company intends to introduce these standards (if applicable) when they enter in force.

**a) 17. IFRS "Insurance contracts", including amendments 17. IFRS**

The standard has been issued on 18 May 2017 (amendments have been issued on 25 June 2020); applicable to financial periods starting on 1 January 2023 or later.

New 17. IFRS "Insurance contracts" shall fully replace the currently valid 4. IFRS "Insurance contracts."

The essence of the new standard is introduction of a single accounting approach to all companies entering into insurance contracts, contrary to interpretations possible within the framework of 4. IFRS. The new standard will apply to all insurance and reinsurance agreements, as well as investment contracts with the features of the estimate participation, if the issuer thereof also signs insurance contracts at the same time. The Concern/Company has not yet assessed the effect of implementation of 17. IFRS, but considers that these changes will not have significant effect on the financial statements of the Concern/Company.

**b) Amendments to 3. IFRS "Merger of business", 16. IAS "Fixed assets", 37. IAS "Provisions, contingent liabilities and contingent assets" as well as Annual improvements**

Amendments have been issued on 14 May 2020; applicable to financial periods that start on 01 January 2022 or later.

**c) Amendments to 1. IAS "Provision of financial statements": Classification of liabilities as short-term or long-term and liability classification as short-term or long-term - postponing of the effective date**

Amendments have been issued on 23 January 2020 and on 15 July 2020; applicable to financial periods that start on 01 January 2023 or later.

These amendments include the classification of short-term and long-term liabilities. Further, it will be necessary to disclose the classification criteria of liabilities in the financial statements.

**d) Amendments to 1. IAS: Submission of Financial Statements and SFPS practice Report 2: Disclosure of accounting policy**

Amendments have been issued on 12 February 2021; applicable to financial periods that start on 01 January 2023 or later.

**e) Amendments to 8. IAS: Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates**

Amendments have been issued on 12 February 2021; applicable to financial periods that start on 01 January 2023 or later.

**f) Proposed amendments to 16. IFRS Leases: Lease concessions related to Covid-19 after 30 June 2021**

Amendments have been issued on 31 March 2021; applicable to financial periods that start on 01 April 2021 or later.

## 10. Revenue

	Group 01.01.2020- 31.12.2020	Group 01.01.2019- 31.12.2019 (adjusted)	Company 01.01.2020- 31.12.2020	Company 01.01.2019- 31.12.2019
	EUR	EUR	EUR	EUR
Operating income *	24 557 342	1 911 027	201 924	-
Income from management of premises	960 563	556 647	-	-
Revenue lease of premises	2 036 864	2 076 628	65 786	81 367
Revenue from utilities	260 842	278 793	-	-
Revenue from professional services	65 534	3 410	1 070 114	232 565
Discounts	(5 443)	(15 143)	(864)	-
Other revenue	85 123	46 989	311	71
<b>Total</b>	<b>27 960 825</b>	<b>4 858 351</b>	<b>1 337 271</b>	<b>314 003</b>

\* Revenues from operating activities include revenues from real estate sales, project management and sales, construction, consulting services.

### Revenue from construction services in excess of remaining obligations

	Amount of unfinished work as of 31.12.2020 EUR	Planned performance			
		1Q 2021 EUR	2Q 2021 EUR	3Q 2021 EUR	4Q 2021 EUR
Construction services *	6 644 260	2 400 235	2 328 398	1 915 627	-

\* The table includes revenues arising from concluded contracts but construction services not performed at the end of the reporting period. The Group plans to perform the relevant construction services in accordance with the concluded agreements and recognize them in revenue during 2021.

## 11. Operating expenses

	Group 01.01.2020- 31.12.2020	Group 01.01.2019- 31.12.2019 (adjusted)	Company 01.01.2020- 31.12.2020	Company 01.01.2019- 31.12.2019
	EUR	EUR	EUR	EUR
Expenses for building maintenance, utilities	1 144 049	1 067 117	22 112	13 074
Amortization of equipment and intangible assets	1 262 695	177 382	26 079	11 072
Other operating expenses	1 899 746	911 284	71 060	9 729
Construction - related expenses	15 988 345	817 225	-	-
Value of acquisition costs of real estate sold	3 790 489	95 042	-	-
Transaction due diligence expenses	1 720	-	-	-
Personnel expenses	2 894 767	592 423	544 019	154 589
<b>Total</b>	<b>26 981 811</b>	<b>3 660 473</b>	<b>663 270</b>	<b>188 464</b>

Costs included in operating expenses	Group 01.01.2020- 31.12.2020 EUR	Group 01.01.2019- 31.12.2019 EUR	Company 01.01.2020- 31.12.2020 EUR	Company 01.01.2019- 31.12.2019 EUR
Direct operating expenses (including repair and maintenance), what arise from rent income generating investment property	892 143	1 250 265	4 742	3 734
Direct operating expenses (including repair and maintenance), what arise from non-rent income generating investment property	1 170 089	500 094	757	-

## 12. Sale expenses

	Group 01.01.2020- 31.12.2020 EUR	Group 01.01.2019- 31.12.2019 EUR	Company 01.01.2020- 31.12.2020 EUR	Company 01.01.2019- 31.12.2019 EUR
Brokerage costs	87 166	11 244	-	-
Advertising costs	125 188	24 936	57 573	5 392
<b>Total</b>	<b>212 354</b>	<b>36 180</b>	<b>57 573</b>	<b>5 392</b>

## 13. Administrative expenses

	Group 01.01.2020- 31.12.2020 EUR	Group 01.01.2019- 31.12.2019 (adjusted) EUR	Company 01.01.2020- 31.12.2020 EUR	Company 01.01.2019- 31.12.2019 EUR
Personnel expenses	1 220 198	301 677	736 783	267 368
Professional services *	339 075	316 644	183 792	139 622
Impairment of goodwill **	150 434	-	-	-
Other administrative expenses	349 384	58 745	215 455	23 036
<b>Total</b>	<b>2 059 091</b>	<b>677 066</b>	<b>1 136 030</b>	<b>430 026</b>

\* The item "Professional services" includes expenses for the audit of the Company's separate and Group's consolidated financial statements in the amount of EUR 26 300 (2019: EUR 17 400).

\*\* Impairment of goodwill information is disclosed in Note 18.

## 14. Other income from economic activity

	Group 01.01.2019- 31.12.2019 EUR	Group 01.01.2018- 31.12.2018 EUR	NHC 01.01.2019- 31.12.2019 EUR	NHC 01.01.2018- 31.12.2018 EUR
Negative material value for added companies	473 553	-	-	-
Other operating income	70 689	67 475	-	54 905
<b>Total</b>	<b>544 242</b>	<b>67 475</b>	<b>-</b>	<b>54 905</b>

	Group 01.01.2020- 31.12.2020 EUR	Group 01.01.2019- 31.12.2019 (adjusted) EUR	Company 01.01.2020- 31.12.2020 EUR	Company 01.01.2019- 31.12.2019 EUR
Negative material value for added companies	-	473 553	-	-
Income from sale shares (net result)	-	-	3 585 643	-
Revaluation of securities	802 816	-	-	-
Co - financing received, grants, etc.	64 792	-	-	-
Other operating income	148 776	54 475	3 608	-
<b>Total</b>	<b>1 016 384</b>	<b>528 028</b>	<b>3 589 251</b>	<b>-</b>

## 15. Interest and similar expenses

	Group 01.01.2020- 31.12.2020 EUR	Group 01.01.2019- 31.12.2019 (adjusted) EUR	Company 01.01.2020- 31.12.2020 EUR	Company 01.01.2019- 31.12.2019 EUR
Coupon payments for issued bonds	403 740	490 001	403 741	490 001
Interest expenses on loans	538 336	262 740	347 357	180 050
<b>Total</b>	<b>942 076</b>	<b>752 741</b>	<b>751 098</b>	<b>670 051</b>

## 16. Discontinued operations

On 10 January 2020, the Company concluded capital share sale contracts with EfTEN Real Estate Fund III, AS (registration No. in the Republic of Estonia 12864036) regarding the sale of 100% capital shares of the Company's subsidiary NHC 1, SIA together with the real estate owned by it - an office building located at: Tehnikas iela 3, Riga International Airport, Mārupe Municipality and 100% capital shares of NHC 3, SIA together with the real estate owned by it - a warehouse building, located at the address "Piepilsētas", Krustkalni, Ķekava Municipality. Profit or loss from discontinued operations is disclosed in Statements of Profit and Loss and Other Comprehensive Income and retrospective adjustments are made in year 2019 results.

### In Statements of Profit and Loss and Other Comprehensive Income recognised discontinued operations

	Group 01.01.2020- 31.12.2020 EUR	Group 01.01.2019- 31.12.2019 EUR
Income	251 097	1 031 540
Operating expenses	(16 680)	(146 740)
<b>Gros profit</b>	<b>234 417</b>	<b>884 800</b>
Administrative expenses	(1 145)	(10 196)
Other operating income	-	16 214
Other operating expenses	(2 093)	(15 141)
Other interest and similar expenses	(27 764)	(159 221)
Investment property revaluation		1 061 441
<b>Profit / (loss) before taxes from discontinuing operations</b>	<b>203 415</b>	<b>1 777 897</b>
Corporate income tax for the reporting period	(12)	(100)
<b>Profit / (loss) for the reporting period from discontinuing operations</b>	<b>203 403</b>	<b>1 777 797</b>

Information of revenue and expenses from discontinued operations is not disclosed in Note 35. Operating segments.

### Discontinued operation cash flow

	Group 01.01.2020 - 31.12.2020 EUR	Group 01.01.2019 - 31.12.2019 EUR
<b>Cash flows from/ operating activities</b>	<b>143 097</b>	<b>253 054</b>
<b>Net cash flows generated from/ (used in) investing activities</b>	<b>-</b>	<b>(258 559)</b>
<b>Net cash flows from / (used in) financing activities</b>	<b>(81 934)</b>	<b>(153 297)</b>

## 17. Intangible assets

	Group EUR	Company EUR
<b>Initial value as of 31 December 2018</b>	<b>4 634</b>	<b>4 634</b>
Changes during the reporting period	4 354	-
Acquisition of subsidiaries	73 254	-
<b>Initial value as of 31 December 2019</b>	<b>82 242</b>	<b>4 634</b>
<b>Depreciation accumulated as of 31 December 2018</b>	<b>1 653</b>	<b>1 653</b>
Acquisition of subsidiaries	34 293	-
Depreciation calculated during the reporting period	2 427	967
<b>Depreciation accumulated as of 31 December 2019</b>	<b>38 373</b>	<b>2 620</b>
<b>Residual value as of 31 December 2018</b>	<b>2 981</b>	<b>2 981</b>
<b>Residual value as of 31 December 2019</b>	<b>43 869</b>	<b>2 014</b>
<b>Initial value as of 31 December 2019</b>	<b>82 242</b>	<b>4 634</b>
Changes during the reporting period	(9 206)	50 289
<b>Initial value as of 31 December 2020</b>	<b>73 036</b>	<b>54 923</b>
<b>Depreciation accumulated as of 31 December 2019</b>	<b>38 373</b>	<b>2 620</b>
Changes during the reporting period	(43 620)	-
Depreciation calculated during the reporting period	15 857	5 245
<b>Depreciation accumulated as of 31 December 2020</b>	<b>10 610</b>	<b>7 865</b>



<b>Residual value as of 31 December 2019</b>	<b>43 869</b>	<b>2 014</b>
<b>Residual value as of 31 December 2020</b>	<b>62 426</b>	<b>47 058</b>

## 18. Goodwill

Goodwill was recognised, as on 11 February 2019 the Group took over control over the subsidiary NHC 5, SIA and on 3 December 2019 — Pillar Management, SIA (consisting of Pillar Property Management, SIA (previous name Pillar RE Services, SIA), Pillar Contractor, SIA and Pillar Architekten, SIA as of the moment of take-over), Pillar 23, SIA, Pillar Development, SIA, Hanzas Dārzs, SIA, New Hanza Centre, SIA, Pillar, SIA un Pillar Holding Company, KS (consisting of Pillar 3, SIA, Pillar 4 & 6, SIA, Pillar 11, SIA, Pillar 2, 12 & 14, SIA, Pillar 18, SIA (previous name Pillar Technologies, SIA), Pillar 19, SIA, Pillar 20, SIA, Pillar 21, SIA, Pillar 22, SIA as of the moment of take-over) (see Note 34 “Business merger”). These dates are the date of takeover of the Group control over the subsidiaries. The main purpose of purchasing subsidiary undertakings was to ensure effective administration of the companies of the Pillar Group, including the real estate owned by them, to continue their development, to increase their value in the medium - and long-term, as well as to implement their maximum financial

Goodwill is allocated to the Group's cash-generating units, which are subsidiaries of the Group.

<b>Group</b>	<b>Goodwill EUR</b>
<b>31 December 2019</b>	<b>3 285 936</b>
Impairment of goodwill	(150 434)
<b>31 December 2020</b>	<b>3 135 502</b>

As of 31 December 2020 the Group carried out an annual impairment test of goodwill (in 2019, it was not applicable). The total recoverable value of EUR 66 856 551 was determined as the highest of the value in use or fair value of each subsidiary of the Group. The total decrease in goodwill as of 31 December 2020 amounts to EUR 150 434.

The process of determining the fair value of assets and liabilities of subsidiary undertakings of the Group has been organised so as to ensure the determination of the value of assets and liabilities according to the market value as far as possible. In order to comply with the aforementioned principle, the Group/the Company organizes the assessment of assets and liabilities by attracting a certified external valuer/consultant or by carrying out the assessment of assets and liabilities itself. If the Group/Company does not involve a certified external valuer/consultant for the determination of the value of assets and liabilities, the value of assets and liabilities shall be determined by similar methods as would have been used by an independent valuator. In case of valuation the value of assets and liabilities is based on the publicly available information on comparative transactions, offers on the market and results of the price surveys. Fair value in the assessment of the Group/Company is categorised as level 3 in the hierarchy of fair value. The value in use of companies of the Group has been determined by calculating the net asset value of the subsidiary undertakings of the Group, from which the selling costs are deducted.

### Key assumptions in determining the fair and value in uses of subsidiaries

#### *New Hanza Centre, SIA*

The value attributable to the subsidiary of the Group - New Hanza Centre, SIA is EUR 112 752. As a result of goodwill impairment test, the recoverable amount has been determined as the value in use of New Hanza Centre, SIA - at EUR 15 029 894. The decrease in goodwill determined as a result of goodwill impairment test, attributable to New Hanza Centre, SIA is EUR 54 734. New Hanza Centre, SIA owns a land plot intended for development in Riga, Mihaila Tāla iela 3. The area of the land plot is 1.8 ha and it is planned to develop an office building with the area of 64 000 m<sup>2</sup> on it. At the moment, the zero cycle and basic pile construction works of the perspective building have been completed. Within the framework of the New Hanza territory, the construction of office building “Verde” (customer is a company not related to the Group) was commenced during the reporting year, as well as development of technical designs for the office building at Mihaila Tāla iela 1 and apartment building complex at Gustava Kluča iela 10. Taking into account the development of the New Hanza territory, in determining the value in use of New Hanza Centre SIA, it has been assumed that there is an increase in the value of the investment property of New Hanza Centre, SIA by 10% in 2021, the capital share sales costs of New Hanza Centre, SIA have been calculated in the amount of 0.5% of the capital shares value, the period of sale of capital shares — 1 year, the net income discount factor 1.00.

Estimated decrease in goodwill would increase/(decrease) if:

- Value of investment property would reduce/(increase);
- The cost of selling capital shares would increase/(decrease);
- The share sale period would exceed 1 year.

#### *NHC 5, SIA*

The goodwill attributable to subsidiary of the Group - NHC 5, SIA is EUR 131 916. As a result of goodwill impairment test, the recoverable amount has been determined as the value in use calculated of NHC 5, SIA - EUR 8 848 478. No decrease in goodwill attributable to NHC 5, SIA has been determined as a result of goodwill impairment test.

NHC 5, SIA owns an office building in Riga, Elizabetes iela 23 and office premises in Riga, Elizabetes iela 21A. In determining the value in use of NHC 5, SIA, according to forecasts for 2021 and provisions of the concluded lease agreements, it is assumed that revenue from the lease of premises will exceed the revenue level of 2020. Taking into account the forecasted increase in income, the increase in the value of investment properties of NHC 5, SIA amounts to 5%, the capital share sales costs of NHC 5, SIA have been calculated in the amount of 0.5% from the calculated sales costs of capital shares of NHC 5, SIA, the period of sale of capital shares for 1 year, the net income discount factor 1.00.

The goodwill attributable to of NHC 5, SIA would decrease if:

- Revenue from lease of investment property would not exceed the level of 2020;
- The value of the investment property would not increase;
- The cost of capital shares sales would increase;
- The share sale period would exceed 1 year.

#### *Pillar Property Management, SIA (previous name Pillar RE Services, SIA)*

The goodwill attributable to subsidiary of the Group - Pillar Property Management, SIA is EUR 49 080. As a result of goodwill impairment test, the recoverable amount has been determined as the fair value of Pillar Property Management, SIA - EUR 151 083. No decrease in the goodwill attributable to Pillar Property Management, SIA has been determined as a result of goodwill impairment test.

Pillar Property Management, SIA manages, maintains and provides sales and leasing services to the companies of the Group and third parties, who own real estates, including commercial objects, apartment buildings, as well as real estate properties in the New Hanza territory. In determining the value in use of Pillar Property Management, SIA, sales costs of capital shares of Pillar Property Management, SIA amount to 0.5% of the value of capital shares of Pillar Property Management, SIA, sales period of capital shares 1 year, net income discount factor 1.00.

The goodwill attributable to Pillar Property Management, SIA would decrease if:

- Revenue from economic activities would decrease;
- Debtor payment discipline would deteriorate.

#### *Pillar Contractor, SIA*

The goodwill attributable to subsidiary of the Group - Pillar Contractor, SIA is EUR 484 037. As a result of goodwill impairment test, the recoverable amount has been determined as the value in use of capital shares of Pillar Contractor, SIA - EUR 2 376 074. As a result of goodwill impairment test, no decrease of the goodwill attributable to Pillar Contractor, SIA has been determined.

Pillar Contractor, SIA provides general contractor and construction services both to Group companies and external customers. In determining the value in use of Pillar Contractor, SIA according to the revenue forecast of 2021 and the already concluded contracts for the provision of construction services, the estimated amount of revenue is EUR 22 800 000, EBITDA margin 3%, sales costs of capital shares of Pillar Contractor, SIA amount to 0.5% of the value of capital shares of Pillar Contractor, SIA, sales period of capital shares is 1 year, net income discount factor 1.

The goodwill attributable to Pillar Contractor, SIA would decrease if:

- Revenues from construction and general contractor's services fail to reach the planned level.
- EBITDA margin would decrease;
- The cost of capital shares sales would increase;
- The share sale period would exceed 1 year.

#### *Pillar Architekten, SIA*

The goodwill attributable to subsidiary of the Group - Pillar Architekten, SIA is EUR 46 369. As a result of goodwill impairment test, the recoverable amount has been determined as the fair value of Pillar Architekten, SIA - EUR 85 434. The decrease in goodwill determined as a result of goodwill impairment test, attributable to Pillar Architekten, SIA is EUR 46 369.

The aim of activity of Pillar Architekten, SIA is provision of construction design, architecture, interior design services and design management services. In determining the value in use of Pillar Architekten, the sales costs of capital shares of Pillar Architekten, SIA amount to 0.5% of the value of capital shares of Pillar Architekten, SIA, sales period of capital shares 1 year, net income discount factor 1.00.

Estimated decrease in goodwill would increase/(decrease) if:

- Revenue from economic activities would decrease;
- Debtor payment discipline would deteriorate.

#### *Pillar 3, SIA*

The goodwill attributable to subsidiary of the Group - Pillar 3, SIA is EUR 17 111. As a result of goodwill impairment test, the recoverable has been determined as fair value of Pillar 3, SIA - EUR 643 872. As a result of goodwill impairment test, no decrease in the goodwill attributable to Pillar 3, SIA has been determined.

Pillar 3, SIA owns several real estate intended for sale — apartments, buildings, as well as plots of land in Riga and its region, which the company plans to sell in future periods. In determining the value in use of Pillar 3, SIA, sales costs of the capital shares of Pillar 3, SIA amount to 0.5% of the value of capital shares of Pillar 3, SIA, sales period of capital shares 1 year, net income discount factor 1.00.

The goodwill attributable to Pillar 3, SIA would decrease if:

- Market value of inventories (real estate held for sale) would decrease;
- Revenue from sale of inventories (real estate held for sale) would decrease.

#### *Pillar 4 & 6, SIA*

The goodwill attributable to subsidiary of the Group - Pillar 4 & 6, SIA is EUR 207 999. As a result of goodwill impairment test, the recoverable amount has been determined as the value in use of Pillar 4 & 6, SIA - EUR 4 137 382. No decrease in the goodwill as a result of goodwill impairment test attributable Pillar 4 & 6, SIA has been determined.

Pillar 4 & 6, SIA owns an exclusive land plot with two private houses in Jūrmala and several plots of mixed construction purpose in Riga and Jūrmala, which the company plans to sell in the future periods. In determining the value in use of Pillar 4 & 6, SIA, it has been assumed that by dividing the private house land owned by Pillar 4 & 6, SIA, it is possible to sell each house separately, thus increasing the liquidity of the property and obtaining a 10% higher revenue, sales costs of capital shares of Pillar 4 & 6, SIA amount to 0.5% of the calculated value of the capital shares of Pillar 4 & 6, SIA, sales period of shares 1 year, net income discount factor 1.00.

The goodwill attributable to Pillar 4 & 6, SIA would decrease if:

- Market value of inventories (real estate held for sale) would decrease;
- Revenue from sale of inventories (real estate held for sale) would decrease.
- The sales costs of capital shares would increase,
- The share sale period would exceed 1 year.

#### *Pillar 11, SIA*

The goodwill attributable to subsidiary of the Group - Pillar 11, SIA is EUR 677. As a result of goodwill impairment test, the recoverable amount has been determined as fair value of Pillar 11, SIA - EUR 90 033. As a result of goodwill impairment test, the decrease in the goodwill attributable to Pillar 11, SIA is EUR 677.

Pillar 11, SIA owns a land plot intended for commercial construction in Riga, Čiekurkalna 3. šķērslīnija 1A and inventories (warehouse) which the company plans to sell in future periods. In determining the value in use of Pillar 11, SIA, sales costs of the capital shares of Pillar 11, SIA amount to 0.5% of the value of capital shares of Pillar 11, SIA, sales period of capital shares 1 year, net income discount factor 1.00.

The goodwill attributable to Pillar 11, SIA would not decrease if:

- Revenue from sale of inventories (real estate held for sale) would increase;
- Revenue from sale of inventories (warehouse) would increase.

#### *Pillar 2, 12 & 14, SIA*

The goodwill attributable to the subsidiary of Group - Pillar 2, 12 & 14 is EUR 24 537. As a result of goodwill impairment test, the recoverable amount has been determined as the fair value of Pillar 2, 12 & 14 - SIA EUR 911 910. No decrease in the goodwill attributable to Pillar 2, 12 & 14, SIA as a result of goodwill impairment test has been determined.

Pillar 2, 12 & 14, SIA owns several apartments in the newly-built apartment building in Riga, Lielzemes iela 10, which the company plans to sell in future periods. In determining the value in use of Pillar 2, 12 & 14, SIA, the sales costs of capital shares of Pillar 2, 12 & 14, SIA amount to 0.5% of the value of capital shares of Pillar 2, 12 & 14, SIA, the sales period of capital shares 1 year, net income discount factor 1.00.

The goodwill attributable to Pillar 2, 12 & 14, SIA would decrease if:

- Market value of inventories would decrease;
- Revenue from sale of inventories would decrease.

#### *Pillar 19, SIA*

The goodwill attributable to subsidiary of the Group - Pillar 19, SIA is EUR 294 559. As a result of goodwill impairment test, the recoverable amount has been determined as the value in use of Pillar 19, SIA - EUR 8 578 074. No decrease in the goodwill attributable to Pillar 19, SIA has been determined.

Pillar 19, SIA owns real estate property intended for development in Jūrmala, Jūras iela 41/45, which the company plans to sell or develop in the future periods. During the reporting period, Pillar 19, SIA has initiated the development of a detailed plan for its real estate, according to which the dismantling of the current building will be approved, and the architecture, type of use, volumes and floor numbers of the perspective buildings will be defined and approved. The detailed plan is due to be approved at the end of 2021 and its approval significantly increases the value of the property. In determining the value in use of Pillar 19, SIA, it has been assumed that the value of the property will increase by 10%, the sale costs of capital shares amount to 0.5% of the value of capital shares of Pillar 19, SIA, the sales period of capital shares — 1 year, net income discount factor 1.00.

The goodwill attributable to Pillar 19, SIA would decrease if:

- Market value of inventories (real estate held for sale) would decrease;
- Revenue from the sale of inventories would decrease;
- The sales costs of capital shares would increase,
- The share sale period would exceed 1 year.

#### *Pillar 20, SIA*

The goodwill value attributable to subsidiary of the Group - Pillar 20, SIA is EUR 29 621. As a result of goodwill impairment test, the recoverable amount has been determined as fair value of Pillar 20, SIA - EUR 426 974. As a result of goodwill impairment test, the decrease in the goodwill attributable to Pillar 20, SIA is EUR 29 621.

Pillar 20, SIA owns private house (adapted for office needs) in Riga, Visbijas prospekts 5, which the company plans to sell in the future periods. In determining the value in use of Pillar 20, SIA, sales costs of the capital shares of Pillar 20, SIA amount to 0.5% of the value of capital shares of Pillar 20, SIA, sales period of capital shares 1 year, net income discount factor 1.00.

The goodwill attributable to Pillar 20, SIA would not decrease if:

- Market value of inventories (real estate held for sale) would increase;
- Revenue from selling inventories would increase;

#### *Pillar 21, SIA*

The goodwill attributable to the subsidiary of Group - Pillar 21, SIA is EUR 18 777. As a result of goodwill impairment test, the recoverable amount has been determined as fair value of Pillar 21, SIA - EUR 426 974. As a result of goodwill impairment test, the decrease in the goodwill attributable to Pillar 21, SIA is EUR 18 777.

Pillar 21, SIA owns commercial property — a tile factory in Brocēni region, Ciecere district, Strīķi and inventories (warehouse), which the company plans to sell in the future periods. In determining the value in use of Pillar 21, SIA, sales costs of the capital shares of Pillar 21, SIA amount to 0.5% of the value of capital shares of Pillar 21, SIA, sales period of capital shares 1 year, net income discount factor 1.00.

The goodwill attributable to Pillar 21, SIA would not decrease if:

- Revenue from sale of inventories (real estate held for sale) would increase;
- Revenue from sale of inventories (warehouse) would increase.

#### *Pillar 18, SIA (former name Pillar Technologies, SIA)*

The goodwill attributable to subsidiary of the Group - Pillar 18, SIA is EUR 256. As a result of goodwill impairment test, the value to recoverable amount has been determined as fair value of Pillar 18, SIA - EUR 1 939. As a result of goodwill impairment test, the decrease in the goodwill attributable to Pillar 18, SIA is EUR 256.

During the reporting period, Pillar 18, SIA owned real estate - a private house in Riga, Priedaines iela 42, which was sold by Pillar 18, SIA. After selling the real estate, Pillar 18, SIA is not performing active economic activity at the moment. In determining the value in use of Pillar 18, SIA, sales costs of the capital shares of Pillar 18, SIA amount to 0.5% of the value of capital shares of Pillar 18, SIA, sales period of capital shares 1 year, net income discount factor 1.00.

The intangible value attributable to Pillar 18, SIA would not decrease if:

- Pillar 18, SIA would get revenue from new types of economic activity after the reporting year.

#### *Pillar 22, SIA*

The goodwill attributable to subsidiary of the Group - Pillar 22, SIA is EUR 12 554. As a result of goodwill impairment test, the recoverable amount has been determined as the value in use of Pillar 22, SIA - EUR 474 865. As a result of goodwill impairment test, no decrease in the goodwill attributable to Pillar 22, SIA has been determined.

Pillar 22, SIA owns an office building in Riga, Brīvības gatve 275, which is leased in the long-term to Bonava Latvija, SIA, which is the leading residential building development company in Northern Europe. In determining the value in use of Pillar 22, SIA according to forecasts for 2021 and conditions of the concluded lease agreements, it has been assumed that revenue from the lease of premises will exceed the revenue level of 2020. Taking into account the forecast increase in income in Pillar 22, SIA, increase in the value of investment properties amounts to 5%, sales costs of capital shares of Pillar 22, SIA amount to 0.5% of the calculated value of the capital shares by Pillar 22, SIA, sales period of capital shares: 1 year, net income discount factor 1.00.

The goodwill attributable to Pillar 22, SIA would decrease if:

- Revenue from lease of investment property would not exceed the forecast of 2021;
- The value of the investment property would not increase;
- The cost of capital shares sales would increase;
- The share sale period would exceed 1 year.

#### *Pillar 23, SIA*

The goodwill attributable to subsidiary of the Group - Pillar 23, SIA is EUR 1 824 319. As a result of goodwill impairment test, the recoverable amount has been determined as the value in use of Pillar 23, SIA - EUR 25 076 933. As a result of goodwill impairment test, no decrease in the goodwill attributable to Pillar 23, SIA has been determined.

Pillar 23, SIA owns several plots of land intended for construction and intermediate plots in Riga, New Hanza territory, which the company plans to develop in future periods. Total area of land plots exceeds 11 ha. Within the framework of the New Hanza

territory, the construction of office building "Verde" (customer is a company not related to the Group) was commenced during the reporting year, as well as development of technical designs for the office building at Mihaila Tāla iela 1 and apartment building complex at Gustava Kluča iela 10. Taking into account the development of the New Hanza territory, when determining the value in use of Pillar 23, SIA, it is assumed that there is an increase in the value of the property of Pillar 23, SIA by 10% in 2021, sales costs of capital shares of Pillar 23, SIA amount to 0.5% of the calculated value of capital shares, sales period of capital shares — 1 year, net income discount factor 1.00.

The goodwill attributable to Pillar 23, SIA would decrease if:

- The value of the investment property would not increase;
- The cost of capital shares sales would increase;
- The share sale period would exceed 1 year.

## 19. Fixed assets and costs of unfinished construction objects

Company	Other fixed assets EUR	Fixed assets total (without advance payments) EUR
<b>Initial value as of 31 December 2018</b>	<b>69 350</b>	<b>69 350</b>
Purchased	17 670	17 670
<b>Initial value as of 31 December 2019</b>	<b>87 020</b>	<b>87 020</b>
<b>Accumulated depreciation as of 31 December 2018</b>	<b>10 218</b>	<b>10 218</b>
Calculated depreciation	10 105	10 105
<b>Accumulated depreciation as of 31 December 2019</b>	<b>20 323</b>	<b>20 323</b>
<b>Residual value as of 31 December 2018</b>	<b>59 132</b>	<b>59 132</b>
<b>Residual value as of 31 December 2019</b>	<b>66 697</b>	<b>66 697</b>
<b>Initial value as of 31 December 2019</b>	<b>87 020</b>	<b>87 020</b>
Purchased	66 702	66 702
<b>Initial value as of 31 December 2020</b>	<b>153 722</b>	<b>153 722</b>
<b>Accumulated depreciation as of 31 December 2019</b>	<b>20 323</b>	<b>20 323</b>
Calculated depreciation	20 834	20 834
<b>Accumulated depreciation as of 31 December 2020</b>	<b>41 157</b>	<b>41 157</b>
<b>Residual value as of 31 December 2019</b>	<b>66 697</b>	<b>66 697</b>
<b>Residual value as of 31 December 2020</b>	<b>112 565</b>	<b>112 565</b>

Group	Buildings and structures EUR	Land EUR	Creation of fixed assets and costs of unfinished construction objects EUR	Infrastructure engineering structures EUR	Other fixed assets EUR	Total fixed assets (excluding advance payments) EUR
<b>Initial value as of 31 December 2019</b>	-	-	<b>279 146</b>	-	<b>69 350</b>	<b>348 496</b>
Purchased	-	-	658 451	-	419 665	1 078 116
Fixed assets from acquisition of subsidiaries	848 293	11 712 018	-	7 568 676	3 673 874	23 802 861
Reclassification to investment property	-	(6 762 900)	-	-	-	(6 762 900)
<b>Initial value as of 31 December 2019</b>	<b>848 293</b>	<b>4 949 118</b>	<b>937 597</b>	<b>7 568 676</b>	<b>4 162 889</b>	<b>18 466 573</b>
<b>Accumulated depreciation as of 31 December 2019</b>	-	-	-	-	<b>10 218</b>	<b>10 218</b>
Calculated depreciation	4 588	-	-	43 917	126 450	174 955
Fixed assets from acquisition of subsidiaries	105 445	-	-	223 327	855 138	1 183 910
<b>Accumulated depreciation as of 31 December 2019</b>	<b>110 033</b>	-	-	<b>267 244</b>	<b>991 806</b>	<b>1 369 083</b>
<b>Residual value as of 31 December 2018</b>	-	-	<b>279 146</b>	-	<b>59 132</b>	<b>338 278</b>
<b>Residual value as of 31 December 2019</b>	<b>738 260</b>	<b>4 949 118</b>	<b>937 597</b>	<b>7 301 432</b>	<b>3 171 083</b>	<b>17 097 490</b>
<b>Initial value as of 31 December 2019</b>	<b>848 293</b>	<b>4 949 118</b>	<b>937 597</b>	<b>7 568 676</b>	<b>4 162 889</b>	<b>18 466 573</b>
Purchased	-	86 900	798 144	2 105	367 920	1 255 069
Terminated	-	-	-	-	(184 361)	(184 361)
Reclassification to investment property	-	-	(937 597)	2 103 064	-	1 165 467
Reclassification to fixed assets	-	-	(2 103 064)	-	-	(2 103 064)
Reclassification to investment property	-	-	1 691 529	-	-	1 691 529
<b>Initial value as of 31 December 2020</b>	<b>848 293</b>	<b>5 036 018</b>	<b>386 609</b>	<b>9 673 845</b>	<b>4 346 448</b>	<b>20 291 213</b>
<b>Accumulated depreciation as of 31 December 2019</b>	<b>110 033</b>	-	-	267 244	<b>991 806</b>	<b>1 369 083</b>
Calculated depreciation	84 865	-	-	550 483	611 490	1 246 838
Depreciation of terminated fixed assets	-	-	-	-	(84 596)	(84 596)
<b>Accumulated depreciation as of 31 December 2020</b>	<b>194 898</b>	-	-	<b>817 727</b>	<b>1 518 700</b>	<b>2 531 325</b>
<b>Residual value as of 31 December 2019</b>	<b>738 260</b>	<b>4 949 118</b>	<b>937 597</b>	<b>7 301 432</b>	<b>3 171 083</b>	<b>17 097 490</b>
<b>Residual value as of 31 December 2020</b>	<b>653 395</b>	<b>5 036 018</b>	<b>386 609</b>	<b>8 856 118</b>	<b>2 827 748</b>	<b>17 759 888</b>

#### Pledged assets

In accordance with the loan agreements of 21 August 2019 and the pledge agreements of 21 August 2019, 26 September 2019 and 15 October 2019, concluded between the Group's company Pillar Contractor, SIA, registration no. 40103929498, and Reģionālā investīciju banka, AS, registration no. 40003563375, Pillar Contractor, SIA fixed assets, for the acquisition of which



the loan of Reģionālā investīciju banka, AS was used, are pledged in favor of the bank. The maximum amount of the security is EUR 749 170. See also Note 31 "Loans and Bonds".

In accordance with the loan agreements of 16 November 2020 concluded between the Group's company Pillar Contractor, SIA and Reģionālā investīciju banka, AS, registration No. 40003563375, the fixed assets of Pillar Contractor, SIA, for the purchase of which a loan issued by Reģionālā investīciju banka, AS was used, serve as security for the loan. Maximum amount of the security is EUR 150 000. See also Note 31 "Loans and Bonds".

## 20. Investment properties

Group	Construction of self-created investment properties EUR	Investment properties EUR	Investment properties EUR
<b>As at 31 December 2018</b>	-	<b>39 108 000</b>	<b>39 108 000</b>
Acquisition	-	964 344	964 344
Undertaken through acquisition of a new subsidiary	-	52 379 677	52 379 677
Reclassification from real estate held for sale	-	1 516 294	1 516 294
Reclassification to inventories	-	(183 500)	(183 500)
Reclassification from fixed assets	-	6 762 900	6 762 900
Reclassification to long-term investments held for sale	-	(15 800 000)	(15 800 000)
Revaluation result recognised in profit or loss as a gain on revaluation of investment property	-	3 855 988	3 855 988
<b>As at 31 December 2019</b>	-	<b>88 603 703</b>	<b>88 603 703</b>
Acquisition	8 393 250	4 100	8 397 350
Reclassification from investment properties	11 689 585	(11 689 585)	-
Reclassification to investment properties	(57 907)	57 907	-
Reclassification from creation of fixed assets and costs of unfinished construction objects	937 597	-	937 597
Reclassification to creation of fixed assets and costs of unfinished construction objects	(1 691 529)	-	(1 691 529)
Terminated	-	(13 300)	(13 300)
Expensed	(55 714)	-	(55 714)
Revaluation result recognised in profit or loss as a gain on revaluation of investment property	-	507 851	507 851
<b>As at 31 December 2020</b>	<b>19 215 282</b>	<b>77 470 676</b>	<b>96 685 958</b>

### Pledged assets

In accordance with the loan and pledge (mortgage) agreements of February 7, 2018 concluded between the Group company NHC 4, SIA and the credit institution SEB banka, AS, NHC 4, SIA real estate - office and warehouse complex in Riga, Maskavas iela 462/464A, Riga serves as collateral for the loan. See also Note 31 "Loans and Bonds".

In accordance with the loan and pledge agreements of 28 July 2020 concluded between the Group company Pillar 22, SIA and Signet Bank, AS, registration No. 40003076407, real estate of Pillar 22, SIA – office building in Riga, Brīvības gatve 275 serves as security for the loan. See also Note 31 "Loans and Bonds".

Company	Investment property EUR
<b>As at 31 December 2018</b>	<b>689 000</b>
Revaluation result recognised in profit or loss as a gain on revaluation of investment property	11 000
<b>As at 31 December 2019</b>	<b>700 000</b>
Revaluation result recognised in profit or loss as a gain on revaluation of investment property	-
<b>As at 31 December 2020</b>	<b>700 000</b>

The Group and Company has no restrictions regarding sale of its investment property and has no contractual obligations to buy, construct or develop investment properties or carry out renovation, maintenance and improvements.



The fair value of the Company's investment property in Riga, Elizabetes iela 21A-101 and Riga, Elizabetes iela 21A-103 on the basis of an opinion of an external independent valuator is set at EUR 700 000. The investment property owned by the Company has been fully leased out.

The fair value of the office buildings owned by NHC 2, SIA in Riga, former VEF territory, on the basis of an opinion of an independent valuator, has been evaluated in the amount of EUR 14 334 000. The office buildings of NHC 2, SIA are leased out for long-term and short-term tenants. At the end of the reporting period, the occupancy in the office buildings of VEF territory was 55.66% (excluding the building located at Brīvības gatve 214M, which has been vacated from tenants at the end of the reporting period so that reconstruction works could be commenced there).

The fair value of the warehouse complex owned by the Group's company NHC 4, SIA in Riga, Maskavas iela 462 and Maskavas iela 464A on the basis of an opinion of an external independent valuator has been evaluated in the amount of EUR 10 930 000. In addition, NHC 4, SIA is developing a new class A warehouse and logistics park on the free land plot owned by it at Maskavas iela 462. The value of this development project as of 31 December 2020 is EUR 8 723 000 and is recognised according to the cost method. The development project will be recognised according to the cost approach according to the accounting policy of the Group's companies until the fair value of this development project is determined. The current warehouse complex is leased to one tenant, while the lease areas of the modern buildings in the construction process exceed 30,000 m<sup>2</sup>.

The fair value of the investment property of the Group's company NHC 5, SIA – office buildings in Riga, Elizabetes iela 23 and office premises in Riga, Elizabetes iela 21A-102, on the basis of an opinion of an external independent valuator, has been evaluated in the amount of EUR 8 286 000. Office building and office premises are rented out to short-term and long-term tenants.

The fair value of the office building owned by the Group's company Pillar 22, SIA in Riga, Brīvības gatve 275, on the basis of an opinion of an independent valuator has been evaluated in the amount of EUR 1 563 000. The office building is leased to one long-term tenant.

The fair value of the property of the Group's company Pillar Development, SIA, address: Riga, Hanzas iela 16A, on which the cultural and entertainment building "Hanzas Perons" is located, the office building in Riga, Pulkveža Brieža iela 28A, a land plot intended for commercial building with the area of 3.2 ha, on the part of which a paid parking lot for the visitors of the territory has been built, on the basis of an opinion of an external independent valuator, has been assessed in the amount of EUR 15 991 998. Part of the investment property owned by Pillar Development, SIA (office building in Riga, Pulkveža Brieža iela 28A and the land plot adjacent thereto) is used by the Group for administrative purposes, therefore at the Group's level the part of the relevant investment property is classified as fixed assets.

The fair value of the investment property of the company Pillar 23, SIA - land plots and intermediate plots intended for construction in Riga, in the New Hanza territory, on the basis of an opinion of an external independent valuator has been estimated at EUR 23 313 500. Total area of land plots exceeds 11 ha.

The fair value of the investment property of the company New Hanza Centre, SIA - land plot intended for development in Riga, Mihaila Tāla iela 3 on the basis of an opinion of an independent valuator has been estimated at EUR 4 625 000. The area of the land plot is 1.8 ha and it is planned to develop an office building with the area of 64 000 m<sup>2</sup> on it. At the moment, the zero cycle and basic pile construction works of the planned building have been completed.

The determination of the fair value of the property of the group of companies is carried out in the fourth quarter of each year or more often, if information regarding significant changes in the quality of any long-term investment and a loss event is at the disposal of the Group. Previously prepared evaluations not exceeding 12 months from the date of determination of value may be used for determination of fair value of investment properties. Fair value of the Group's investment properties is categorised as level 3 in the hierarchy of fair value.

The table shows the valuation methods used by appraisers to determine the fair value of investment property, as well as the most significant unobservable data:

Investment property	Valuation approach	Significant non-observable data (significant observable and non-observable data of 2019)	Relation between significant non-observable data and assessment of fair value
<b>Investment property</b> <b>EUR 482 000</b> (In 2019: EUR 480 000) located at Elizabetes iela 21A, No 103, Riga, Total area: 154.90 m <sup>2</sup> .	in 2020 and in 2019: Discounted cash flow model with terminal value component at the end of cash flow estimates period: The model is based on discounted cash flow of the provided lease services.	Monthly lease income during the cash flow estimates — EUR 32.88/m <sup>2</sup> for the first year (2019: 32.14 EUR/m <sup>2</sup> ), hereinafter 20.00 EUR/m <sup>2</sup> with 2% increase annually, based on the effective lease contract for the first year, in subsequent periods - estimate of the valuator; Discount rate during the cash flow estimate period — 7.3% (in 2019: 7.3%); Cash flow estimates period — 5 years; (2019: 5 years); Capitalisation rate — 7% (in 2019: 7%).	Estimated fair value would increase (decrease) if: - The increase in revenue rate would be higher (lower); - Discount rate/capitalisation rate should be lower (higher); - Cash flow forecast period would be longer (shorter); - The estimated sales price at the end of the estimation period would be higher (lower).

	in 2020 and in 2019: Approach to comparable transactions: Market value is calculated using comparison of similar real estate market transactions.	Comparable objects: Average adjusted sales price of the total area of premises 1 m <sup>2</sup> is rounded off, EUR 3 170 (in 2019: EUR 3 170).	Estimated fair value would increase (decrease) if: - There would be increase (decrease) of sales prices for similar properties in the market; - Technical condition of the property would improve (deteriorated).
		50% weight coefficient is applied to each calculation approach, discounted cash flow approach and comparison approach.	
<b>Investment property</b> <b>EUR 218 000</b> (In 2019: In the value of EUR 220 000 located at Elizabetes iela 21A, No 101, Riga, Total area: 75.70 m <sup>2</sup> ).	in 2020 and in 2019: Discounted cash flow model with terminal value component at the end of cash flow estimates period: The model is based on discounted cash flow of the provided lease services.	Monthly lease income during the cash flow estimate period — 15.00 EUR/m <sup>2</sup> for the first year (in 2019: 19.00 EUR/m <sup>2</sup> ), based on the effective lease contract for the first year, in subsequent periods — estimate of the valuator; Increase in annual revenues — 3% – 5% (in 2019: 2%), based on the current lease agreement; Discount rate during the cash flow estimate period — 7.3% (in 2019: 7.3%); Cash flow estimates period — 5 years (in 2019: 5 years); Capitalisation rate — 7% (in 2019: 7%).	Estimated fair value would increase (decrease) if: - The increase in revenue rate would be higher (lower); - Discount rate/capitalisation rate should be lower (higher); - Cash flow forecast period would be longer (shorter); - The estimated sales price at the end of the estimation period would be higher (lower).
	in 2020 and in 2019: Approach to comparable transactions: Market value is calculated using comparison of similar real estate market transactions.	Comparable objects: Average adjusted sales price of the total area of premises 1 m <sup>2</sup> is rounded off, EUR 2 900 (in 2019: 2 966).	Estimated fair value would increase (decrease) if: - There would be increase (decrease) of sales prices for similar properties in the market; - Technical condition of the property would improve (deteriorated).
		50% weight coefficient is applied to each calculation approach, discounted cash flow approach and comparison approach.	
<b>Investment property</b> <b>EUR 14 334 000</b> (in 2019: EUR 14 083 000, with the building located at Brīvības gatve 214N, Riga), located at Brīvības gatve 214M, Riga; Bērzaunes iela 1, Riga; Brīvības gatve 214B, 214R Riga; Bērzaunes iela 7, Riga. Total area: 30 722.3 m <sup>2</sup> ).	in 2020 and in 2019: Discounted cash flow model with terminal value component at the end of cash flow estimates period: The model is based on discounted cash flow of the provided lease services.	Buildings at Bērzaunes iela 1, Riga; Brīvības gatve 214B, 214R Riga and Bērzaunes iela 7, Riga: Monthly average lease income of all buildings — 5.70 EUR/m <sup>2</sup> (in 2019: 5.13 EUR/m <sup>2</sup> ), based on the conditions of the current lease agreements and the accepted lease rates for unleased premises. Increase in annual revenue — 2% (in 2019: 2% - 3%); Discount rate — 8-8.50% (in 2019: 8.50%); Occupancy — 62 – 76% in 1 <sup>st</sup> year (in 2019: 75 - 99% in 1 <sup>st</sup> year); Cash flow estimates period — 3-5 years (in 2019: – 3 years); Capitalisation rate — 7.5-8% (in 2019: 8.50%).  Buildings in Brīvības gatve 214M, Riga: Leased area after reconstruction — 13 831 m <sup>2</sup> (in 2019: 14 674 m <sup>2</sup> ); Total reconstruction time — 3 years (in 2019: 3 years); Average reconstruction costs — 845 EUR/m <sup>2</sup> (in 2019: 800 EUR/m <sup>2</sup> ); Average monthly lease payment 12.00 EUR/m <sup>2</sup> (in 2019: 11 EUR/m <sup>2</sup> ); Discount rate — 8% (in 2019: 8.50%); Occupancy of the last period — 95% (in 2019: occupancy of the last period — 95%); Cash flow estimates period — 4 years (in 2019: 4 years); Capitalisation rate — 7.50% (in 2019: 7.90%).	Estimated fair value would increase (decrease) if: - The increase in revenue rate would be higher (lower); - Discount rate/capitalisation rate should be lower (higher); - The occupancy assumption would be higher (lower); - The reconstruction costs would be higher (lower); - The reconstruction time would be shorter (longer).

<b>Investment property in the amount of EUR 10 930 000</b> (EUR 11 065 000 in 2019) located at Maskavas iela 462, 464A, Riga. Total area: 27 874.90 m <sup>2</sup> .	in 2020 and in 2019: Discounted cash flow model with terminal value component at the end of cash flow estimates period: The model is based on discounted cash flow of the provided lease services.	Monthly lease income – 3.23 EUR/m <sup>2</sup> (in 2019: 3.24 EUR/m <sup>2</sup> ) is based on the current lease agreement and accepted lease rates for unleased premises. Discount rate – 9% (in 2019: 9.25%); Occupancy – 99% (in 2019: 99%); Increase in annual revenues – 0.6-2.5% (in 2019: 2.5%); Cash flow estimates period – 6 years (in 2019: 5 years); Capitalisation rate – 8% (in 2019: 8.5%); Within the framework of the cash flow calculation it is assumed that the part of the territory to be developed (~ 7.5 ha) is offered for sale. The sale price is determined by market data comparison method. The accepted price per square metre – 17.00 EUR/m <sup>2</sup> (in 2019: 16.90 EUR/m <sup>2</sup> ).	Estimated fair value would increase (decrease) if: - The increase in revenue rate would be higher (lower); - Discount rate/capitalisation rate should be lower (higher); - The occupancy assumption would be higher (lower); - The sales price of the part of the plot of land (~ 7.5 ha) would be higher (lower).
<b>Investment property EUR 8 286 000</b> (EUR 8 382 000 in 2019) located at Elizabetes iela 23, Riga and Elizabetes iela 21A, No 102. Total area: 5 013.00 m <sup>2</sup> .	in 2020 and in 2019: Discounted cash flow model with terminal value component at the end of cash flow estimates period: The model is based on discounted cash flow of the provided lease services.	Monthly lease income – 12.45 EUR/m <sup>2</sup> (in 2019: 12.32 EUR/m <sup>2</sup> ) is based on the current lease agreement and accepted lease rates for unleased premises. Discount rate – 7.75% (in 2019: 7.5%); Occupancy – 97% (in 2019: 97%); Annual revenue increase – 0.5-2% (in 2019: 2.5%); Cash flow estimates period – 5 years (in 2019: 5 years); Capitalisation rate – 6.5% (in 2019: 6.5%).	Estimated fair value would increase (decrease) if: - The increase in revenue rate would be higher (lower); - Discount rate/capitalisation rate should be lower (higher); - The occupancy assumption would be higher (lower).
<b>Investment property EUR 1 563 000</b> (EUR 1 561 000 in 2019) located at Brīvības gatve 275, Riga. Total area: 1 417.90 m <sup>2</sup> .	in 2020 and in 2019: Discounted cash flow model with terminal value component at the end of cash flow estimates period: The model is based on discounted cash flow of the provided lease services.	Monthly lease income – 9.21 EUR/m <sup>2</sup> (2019: 9 EUR/m <sup>2</sup> ) for office premises, 3.22 EUR/m <sup>2</sup> (in 2019: 3.15 EUR/m <sup>2</sup> ) for the terrace area, based on the current lease agreement. Discount rate – 7.65% (in 2019: 7.65%); Occupancy – 98% (in 2019: 98%); Increase in annual revenue – 2% (in 2019: 2.5%); Cash flow estimates period – 8 years (in 2019: 7 years); Capitalisation rate – 7.65% (in 2019: 7.65%).	Estimated fair value would increase (decrease) if: - The increase in revenue rate would be higher (lower); - Discount rate/capitalisation rate should be lower (higher); - The occupancy assumption would be higher (lower).
<b>Investment property in the amount of EUR 7 301 000</b> (2019: EUR 7 060 700) located at Hanzas iela 16A, Riga (Hanzas Perons). Total area: 4 406 m <sup>2</sup> .	In 2020: The calculation method of renovation cost approach, based on the amount of all costs necessary to create a property equivalent to the property to be evaluated as of the time of evaluation. Comparative transaction approach, based on market value being calculated using comparison of similar real estate market transactions.	Replacement costs of construction of the building – EUR 2,628/m <sup>2</sup> ; Market value of the land plot 142 EUR/m <sup>2</sup> ; Improvement costs of the land plot 152 EUR/m <sup>2</sup> ; Construction costs of external engineering networks 40 EUR/m <sup>2</sup> ; External (economic depreciation) of the real estate – 50%.	Estimated fair value would increase (decrease) if: - market costs of building construction would be higher (lower); - market costs of improvement would be higher (lower); - market costs of construction of external engineering networks would be higher (lower); - the economic depreciation of the property would be lower (higher); - the market value of the land plot would be higher (lower).
<b>Investment property in the amount of EUR 1 995 081</b> located at Hanzas iela 16A, Riga. Total area 6 648 m <sup>2</sup> .	In 2020: The calculation method of renovation cost approach, based on the amount of all costs necessary to create a property equivalent to the property to be evaluated as of the time of evaluation. Comparative transaction approach, based on market value being calculated using	Market value of the land plot 253 EUR/m <sup>2</sup> ; Construction costs of external engineering networks 40 EUR/m <sup>2</sup> ; Monthly parking lease revenue – EUR 53.70 EUR/pcs; Occupancy – 75%; Discount rate – 7.8%; Cash flow estimate period – 1 year.	Estimated fair value would increase (decrease) if: - market costs of construction of external engineering networks would be higher (lower); - the market value of the land plot would be higher (lower); - lease income would be higher (lower); - the occupancy assumption would be higher (lower);

	comparison of similar real estate market transactions. Discounted cash flow model. The model is based on discounted cash flow of the provided lease services.		<ul style="list-style-type: none"> <li>- the discount rate would be lower (higher);</li> <li>- the development potential of the property would be better (worse).</li> </ul>
<b>Investment properties in the value of EUR 861 917</b> , at Hanzas iela 16A, Riga Total area 4 572 m <sup>2</sup> .	In 2020: The calculation method of renovation cost approach, based on the amount of all costs necessary to create a property equivalent to the property to be evaluated as of the time of evaluation. Comparative transaction approach, based on market value being calculated using comparison of similar real estate market transactions.	Market value of the land plot 118 EUR/m <sup>2</sup> ; Construction costs of external engineering networks 40 EUR/m <sup>2</sup> ; Improvement costs of the land plot 152 EUR/m <sup>2</sup> ; External (economic depreciation) of the real estate — 80%.	Estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> <li>- market costs of construction of external engineering networks would be higher (lower);</li> <li>- the market value of the land plot would be higher (lower);</li> <li>- the development potential of the property would be better (worse);</li> <li>- market costs of improvement would be higher (lower);</li> <li>- the economic depreciation of the property would be lower (higher);</li> <li>- location of the land plot in the district would be better (worse).</li> </ul>
<b>Investment properties in the value of EUR 4 994 000</b> , at Hanzas iela 16A, Riga Total area 14 825 m <sup>2</sup> .	In 2020: The calculation method of renovation cost approach, based on the amount of all costs necessary to create a property equivalent to the property to be evaluated as of the time of evaluation. Comparative transaction approach, based on market value being calculated using comparison of similar real estate market transactions. Discounted cash flow model. The model is based on discounted cash flow of the provided lease services.	Market value of the land plot 257 EUR/m <sup>2</sup> ; Construction costs of external engineering networks 40 EUR/m <sup>2</sup> ; Monthly parking lease revenue — EUR 53.70 EUR/pes; Monthly office lease income — 10 EUR/m <sup>2</sup> Occupancy – 90% for offices, parking spaces – 85%; Discount rate — 7.8%; Cash flow estimate period — 5 years.	Estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> <li>- market costs of construction of external engineering networks would be higher (lower);</li> <li>- the market value of the land plot would be higher (lower);</li> <li>- lease income would be higher (lower);</li> <li>- the occupancy assumption would be higher (lower);</li> <li>- the discount rate would be lower (higher);</li> <li>- the development potential of the property would be better (worse).</li> </ul>
<b>Investment property in the amount of EUR 351 800</b> located at Sporta iela 19, Riga and plots of land in the New Hanza territory without address. Total area 0.37 ha	In 2020: Comparative transaction approach, based on market value being calculated using comparison of similar real estate market transactions.	Market value of land plots ranges from 71 EUR/m <sup>2</sup> to 150 EUR/m <sup>2</sup> .	Estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> <li>- location of the land plot in the district would be better (worse);</li> <li>- access possibilities would be better (worse);</li> <li>- the provision/proximity of communications would be better (worse);</li> <li>- the development potential of the property would be better (worse).</li> </ul>
<b>Investment properties in the value of EUR 21 653 000</b> , located in Riga, Mihaila Tāla iela 2, Mihaila Tāla iela 5, Mihaila Tāla iela 7, Mihaila Tāla iela 12, Sporta iela 14, Sporta iela 16, Gustava Kluča iela 6, Gustava Kluča iela 10, Aleksandra Laimis	in 2020 and in 2019: Comparative transaction approach, based on market value being calculated using comparison of similar real estate market transactions.	Market value of land plots ranges from 148 EUR/m <sup>2</sup> to 234 EUR/m <sup>2</sup> .	Estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> <li>- location of the land plot in the district would be better (worse);</li> <li>- access possibilities would be better (worse);</li> <li>- the provision/proximity of communications would be better (worse);</li> </ul>

iela 1, Aleksandra Laimes iela 2, Aleksandra Laimes iela 3, Aleksandra Laimes iela 4, Aleksandra Laimes iela 5, Hanzas iela 14C. Total area 10.88 ha			- the development potential of the property would be better (worse).
<b>Investment property in the amount of EUR 1 308 700</b> (EUR 1 291 000 in 2019) located at Mihaila Tāla iela 4, Riga. Total area 0.63 ha	in 2020 and in 2019: Comparative transaction approach, based on market value being calculated using comparison of similar real estate market transactions.	Market value of the land plot is 206 EUR/m <sup>2</sup> (in 2019: 204 EUR/m <sup>2</sup> );	Estimated fair value would increase (decrease) if: - location of the land plot in the district would be better (worse); - access possibilities would be better (worse); - the provision/proximity of communications would be better (worse); - the development potential of the property would be better (worse).
<b>Investment property in the amount of EUR 4 625 000</b> (EUR 4 612 000 in 2019) located at Mihaila Tāla iela 3, Riga. Total area 1.80 ha	in 2020 and in 2019: Comparative transaction approach, based on market value being calculated using comparison of similar real estate market transactions.	Market value of the land plot is 257 EUR/m <sup>2</sup> (in 2019: 256 EUR/m <sup>2</sup> );	Estimated fair value would increase (decrease) if: - location of the land plot in the district would be better (worse); - access possibilities would be better (worse); - the provision/proximity of communications would be better (worse); - the development potential of the property would be better (worse).

*Operating lease revenues under non-cancellable lease agreements in Group properties*

**31.12.2020**

Period	Up to 1 year	1 to 5 years	5 years to lease agreement maturity
Lease revenue	906 795	1 202 176	-

**31.12.2019**

Period	Up to 1 year	1 to 5 years	5 years to lease agreement maturity
Lease revenue	2 627 953	4 495 293	585 595

*Operating lease revenues under non-cancellable lease agreements in Company properties*

**31.12.2020**

Period	Up to 1 year	1 to 5 years	5 years to lease agreement maturity
Lease revenue	17 982	-	-

**31.12.2019**

Period	Up to 1 year	1 to 5 years	5 years to lease agreement maturity
Lease revenue	20 060	-	-

The average rent of the Group's investment properties at the end of the reporting period amounted to EUR 2.20, which was mainly due to the lower rent of warehouse space compared to other asset classes in the Group's investment property portfolio. The weighted average remaining lease term, calculated on the basis of the leased area (WALE) during 2020, has increased to 4.10 years compared to the same period a year earlier. At the end of the reporting period, the occupancy of the Group's investment properties reached 75% of the leasable area.

## 21. Participation in the capital of affiliated companies

Group composition (PCA direct and indirect participation in companies):

Company name	Country of registration	Registration number	Number of shares owned 31.12.2020 %	Investment balance sheet value 31.12.2020 EUR	Equity value of the related company 31.12.2020 EUR	Profit / (loss) of the related company during the reporting period EUR
<b>Segment 1 - Service companies</b>						
Pillar Management, SIA	Latvia	40103193211	100	510 939	512 152	212 150
Pillar Property Management, SIA	Latvia	40103731804	100	85 000	150 803	57 188
Pillar Contractor, SIA	Latvia	40103929498	100	1 850 000	2 025 506	277 380
Pillar Architekten, SIA	Latvia	40103437217	100	85 434	94 533	(9 699)
Hanzas Perons, SIA	Latvia	40203032439	100	46 487	46 157	(71 233)
<b>Segment 2 - Companies owning real estate objects held for development</b>						
Pillar Development, SIA	Latvia	40103222826	100	30 232 467	30 231 387	(569 703)
Hanzas Dārzs, SIA	Latvia	40203078059	100*	544 000	938 934	(19 298)
Pillar 23, SIA	Latvia	40203107574	100	22 760 000	22 871 596	(24 622)
New Hanza Centre, SIA	Latvia	40203037667	100	14 642 921	14 642 879	(196 761)
Pillar, SIA	Latvia	40103554468	100	712 143	712 143	(8 597)
<b>Segment 3 – Companies owning lease revenue generating real estate objects</b>						
NHC 2, SIA	Latvia	40103963977	100	3 000 000	3 561 595	43 734
NHC 4, SIA	Latvia	40203032424	100	2 600 000	5 362 453	(7 604)
NHC 5, SIA	Latvia	50203032411	100	8 393 170	8 498 985	(25 155)
Pillar 22, SIA	Latvia	50103966301	100	396 366	398 409	9 066
<b>Segment 4 – Companies owning real estate objects held for sale</b>						
Pillar 2, 12 & 14, SIA	Latvia	50103313991	100	109 299	177 312	252 682
Pillar 3, SIA	Latvia	40103193067	100	570 000	636 215	(383 768)
Pillar 4 & 6, SIA	Latvia	40103210494	100	3 810 877	3 811 588	(241 676)
Pillar 11, SIA	Latvia	40103258310	100	90 033	90 033	(63 456)
Pillar 18 SIA	Latvia	40103492079	100	1 939	1 939	(47 848)
Pillar 19, SIA	Latvia	40103766952	100	7 833 880	7 833 906	(185 541)
Pillar 20, SIA	Latvia	40103903056	100	23 606	23 606	(33 824)
Pillar 21, SIA	Latvia	40103929286	100	426 974	426 871	(78 533)
<b>Total</b>				<b>98 725 535</b>	<b>103 049 002</b>	<b>(1 115 118)</b>

Company name	Country of registration	Registration number	Number of shares	Investment balance	Equity value of the related	Profit / (loss) of the related company
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			owned 31.12.2019.	sheet value 31.12.2019.	company 31.12.2019.	during the reporting period EUR
			%	EUR	EUR	
<b>Segment 1 - Service companies</b>						
Pillar Management, SIA	Latvia	40103193211	100	2 840 000	1 085 230	(36 752)
Pillar RE Services, SIA	Latvia	40103731804	100 *		94 434	25 891
Pillar Contractor, SIA	Latvia	40103929498	100 *		1 738 800	486 875
Pillar Architekten, SIA	Latvia	40103437217	100 *		104 233	135 050
Hanzas Perons SIA	Latvia	40203032439	100	20 000	7 390	(1 901)
<b>Segment 2 - Companies owning real estate objects held for development</b>						
Pillar Development, SIA	Latvia	40103222826	100	30 740 000	30 801 090	336 026
Hanzas Dārzs, SIA	Latvia	40203078059	100	544 000	958 232	(12 313)
Pillar 23, SIA	Latvia	40203107574	100	22 560 000	22 896 218	1 993 842
New Hanza Centre, SIA	Latvia	40203037667	100	15 271 875	15 139 640	(2 245 867)
Pillar, SIA	Latvia	40103554468	100	2 885	740	(3 460)
<b>Segment 3 – Companies owning lease revenue generating real estate objects</b>						
NHC 1, SIA	Latvia	50103247681	100 **		1 287 989	354 650
NHC 2, SIA	Latvia	40103963977	100	3 000 000	3 517 862	(34 639)
NHC 3, SIA	Latvia	50103994841	100 **		3 442 808	926 373
NHC 4, SIA	Latvia	40203032424	100	1 100 000	3 870 057	557 643
NHC 5, SIA	Latvia	50203032411	100	8 393 170	8 524 140	241 984
Pillar 22, SIA	Latvia	50103966301	100 *		389 344	89 313
<b>Segment 4 – Companies owning real estate objects held for sale</b>						
Pillar 2, 12 & 14, SIA	Latvia	50103313991	100 *		624 758	(676 027)
Pillar 3, SIA	Latvia	40103193067	100 *		450 007	(238 460)
Pillar 4 & 6, SIA	Latvia	40103210494	100 *		5 659 495	(253 924)
Pillar 11, SIA	Latvia	40103258310	100 *		93 489	(117 422)
Pillar 18 SIA	Latvia	40103492079	100 *		42 787	(14 859)
Pillar 19, SIA	Latvia	40103766952	100 *		8 019 447	(63 845)
Pillar 20, SIA	Latvia	40103903056	100 *		807 406	(180 329)
Pillar 21, SIA	Latvia	40103929286	100 *		505 457	27 278
Pillar Holding Company, KS	Latvia	40103260921	100	38 400 000	38 387 728	178 844
<b>Total</b>				<b>122 871 930</b>	<b>148 448 781</b>	<b>1 473 971</b>

\* Public participation in companies takes place through 100% control of the parent company.

\*\* NHC 1, SIA and NHC 3, SIA have been disposed of as of the reporting date. Participation as of 31 December 2019 has been reclassified to non-current assets held for sale (see also Note 29). All other subsidiaries of the Company are included in these consolidated financial statements on a going concern basis.

#### The Company's investments in subsidiaries:

Company	EUR
<b>Balance sheet value 31.12.2018</b>	<b>5 320 000</b>
Reduction of investment	(28 125)
Reclassification of investments	306 000
Reclassification of investments to available for sale long - term investments	(1 200 000)
Increase of investment	118 474 055
<b>Balance sheet value 31.12.2019</b>	<b>122 871 930</b>
Exclusion of investment	(11 603 702)
Reduction of investment	(14 550 000)
Increase of investment	5 010 000
Investment value adjustment	(3 002 693)
<b>Balance sheet value 31.12.2020</b>	<b>98 725 535</b>

#### Reclassification and increase of investments in reporting period

In implementing optimisation of group structure provided for in the Pillar Capital, AS restructuring plan, in June 2020, liquidation of the limited partnership Pillar Holding Company, KS (hereinafter referred to as - PHC) owned by Pillar Capital, AS was carried out in accordance with Section 103 of the Commercial Law. Thus, on 25 June 2020, as a result of the transfer of the company, PHC transferred 100% of the shares owned by it in subsidiaries Pillar 2, 12 & 14, SIA, Pillar 3, SIA, Pillar 4 & 6, SIA, Pillar 11, SIA, Pillar 18, SIA, Pillar 19, SIA, Pillar 20, SIA, Pillar 21, SIA and Pillar 22, SIA, as well as the investment owned by it - 0.95%



shares of Pillar 23, SIA, to the Company as its stakeholder. As a result of the transfer of PHC company, the Company took over also other assets and liabilities of PHC.

#### Reclassification and increase of investments in 2019

On 15 January 2019, the Company concluded a purchase agreement with ABLV Bank, AS in Liquidation, under which the Company acquired 98.71% of shares of NHC 5, SIA for EUR 8 287 170 and gained control over it. At the moment of signing the agreement, the Company owned: 1.29% of NHC 5, SIA shares. The transaction was registered with the Register of Enterprises on 11 February 2019.

Business line of NHC 5, SIA is rent and management of own and rented property. NHC 5, SIA owns investment properties – office building at Elizabetes iela 23, Riga, and office premises at Elizabetes iela 21A-102, Riga of total space of 4324.9 m<sup>2</sup> and 689.4 m<sup>2</sup> accordingly. The company was acquired with the purpose to add strategically important real estate objects to the Group's investment real estate portfolio and increase lease revenue gained by the Group.

On 3 December 2019 at the shareholders' meeting of the Company there was a decision made on increase of fixed capital of the Company and pay for the new issue of shares by a material contribution. ABLV Bank, AS, in liquidation, the existing shareholder of the Company, paid up the new issue of shares by investing the shares of the following companies owned by it:

- 1 000 000 shares of Pillar Management, SIA, which constitute 100% of the fixed capital;
- 20 875 100 shares of Pillar 23, SIA, which constitute 99.05101% of the fixed capital;
- 10 000 shares of Pillar, SIA, which constitute 100% of the fixed capital;
- 39 450 000 shares of Pillar Development, SIA, which constitute 99.75% of the fixed capital;
- 690 000 shares of Hanzas Dārzs, SIA, which constitute 69.697% of the fixed capital;
- 25 228 125 shares of New Hanza Centre, SIA, which constitute 99.72% of the fixed capital;
- An investment belonging to limited partnership Pillar Holding Company, KS, which constitutes 100% of the fixed capital.

Following the increase of the fixed capital, the participation of the Company in Pillar Development, SIA and New Hanza Centre, SIA increased to 100%.

300 000 shares of Hanzas Dārzs, SIA, which constitute 30.303%, are owned by Pillar Development, SIA. Taking into account that after the material contribution, the Company owns 100% of Pillar Development, SIA, direct and indirect holding of the Company in Hanzas Dārzs, SIA, constitutes 100%.

200 000 shares of Pillar 23, SIA, which constitute 0.94899%, are owned by limited partnership Pillar Holding Company, KS. Taking into account that after the material contribution, the Company owns 100% of the limited partnership Pillar Holding Company, KS, direct and indirect holding of the Company in Pillar 23, SIA constitutes 100%.

As of 31 December 2019 Pillar Management, SIA, the subsidiary of the Company, owns shares of the following companies of the Group:

- 100% of Pillar Contractor, SIA shares;
- 100% of Pillar Architekten, SIA shares;
- 100% of Pillar Property Management, SIA (previous name Pillar RE Services, SIA) shares.

As of 31 December 2019 Pillar Holding Company, KS, a limited partnership subsidiary of the Company, owns shares of the following companies of the Group:

- 100% of Pillar 3, SIA shares;
- 100% of Pillar 4 & 6, SIA shares;
- 100% of Pillar 11, SIA shares;
- 100% of Pillar 2,12 & 14, SIA shares;
- 100% of Pillar 18, SIA shares;
- 100% of Pillar 19, SIA shares;
- 100% of Pillar 20, SIA shares;
- 100% of Pillar 21, SIA shares;
- 100% of Pillar 22, SIA shares.

## 22. Loans to related companies

Company      Company

	Interest rate	Maturity date	31.12.2020 EUR	31.12.2019 EUR
<b>Long-term part</b>				
<b>Loans to related companies till 5 years term</b>			<b>10 937 133</b>	<b>-</b>
NHC 4, SIA	3.90%	30.06.2022	10 937 133	-
<b>Short-term part</b>				
<b>Loans to related companies</b>			<b>18 968 000</b>	<b>18 445 000</b>
NHC 1, SIA	9.00%	17.03.2020	-	2 030 000
NHC 2, SIA	3.90%	30.06.2021	10 363 000	10 123 000
NHC 3, SIA	9.00%	16.03.2020.	-	1 750 000
NHC 4, SIA	3.90%	-	-	4 542 000
Hanzas Dārzs, SIA	3.90%	30.06.2021	208 000	-
Pillar Development, SIA	3.90%	30.06.2021	6 674 000	-
Pillar 11, SIA	3.90%	30.06.2021	297 000	-
Pillar 19, SIA	3.90%	30.06.2021	190 000	-
Pillar 20, SIA	3.90%	30.06.2021	61 000	-
Pillar 21, SIA	3.90%	30.06.2021	181 000	-
Pillar 22, SIA	3.90%	30.06.2021	149 000	-
Pillar 23, SIA	3.90%	30.06.2021	845 000	-
<b>Total</b>			<b>18 968 000</b>	<b>18 445 000</b>

Loans to related companies include loans to subsidiaries in the form of a credit line. The interest rate on the loans is determined in accordance with the Group's regulations. Loans are unsecured.

## 23. Financial instruments measured at fair value with representation in profit or loss statement

	Group 31.12.2020. EUR	Group 31.12.2019. EUR
Investments in fixed income debt securities *	-	6 809 699
Investments in shares	35 313	21 798
<b>Total</b>	<b>35 313</b>	<b>6 831 497</b>

Financial instruments measured at fair value with representation in profit or loss statement include investments in listed shares. The fair value of these capital shares is determined on the basis of published price quotes on an active market.

\* Investments in fixed income debt securities include bond issue series purchased by the Company's subsidiary Pillar Holding Company, KS: ABLV FXD EUR 110718, ISIN code: LV0000802080, issue series: ABLV FXD EUR 030719, ISIN code: LV0000802288, issue series: ABLV FXD EUR 271019, ISIN code: LV0000802338, issue series: ABLV FXD EUR 270219, ISIN code: LV0000802338. Pillar Holding Company, KS has applied for the recovery of funds for the bonds of ABLV Bank, AS in Liquidation held by it, which will be satisfied during the liquidation process of ABLV Bank, AS in Liquidation, in accordance with the procedure specified in the Law on Credit Institutions of the Republic of Latvia.

On 19 June 2020, ABLV Bank, AS in Liquidation submitted to Nasdaq Riga, AS a request to exclude all bonds issued by ABLV Bank, AS in Liquidation from the regulated market. The request was based on the self-liquidation proceedings initiated in 2018, since, taking into account Section 127 of the Credit Institution Law, there is no longer any interest of investors or basis for protecting normal market activities to continue quoting bonds in the List of Debt Securities of the stock exchange.

On 25 June 2020, the Board of Exchange Nasdaq Riga, AS decided to exclude all bonds issued by ABLV Bank, AS in Liquidation from the regulated market determining 30 June 2020 as the last day of bond listing. Along with the exclusion of bonds from the Debt List of the stock exchange, the accounting of bonds on Nasdaq CSD, SE has been ceased and the bonds expressed in cash claims in the accounts of ABLV Bank, AS in Liquidation are accounted only as the claims of the creditors of ABLV Bank, AS in Liquidation for the payment of funds. The exclusion of bonds from the Debt List of the stock exchange and expression in cash claims will not affect the claims applied for and recognised by creditors-bond holders, the amounts of these claims, the order of satisfaction and the payment terms of the claims amount.

On 1 July 2020, Company reclassified ABLV Bank, AS in Liquidation bonds to balance sheet item "Debts of the related companies". The management of the Group / Company believes that the funds for the bonds of ABLV Bank, AS in Liquidation are fully recoverable.

## 24. Real estate held for sale

The Group consists of companies that develop real estate, which they sell in the ordinary course of business, and have entered into agreements for the sale of certain of these properties.

	Group 31.12.2020 EUR	Group 31.12.2019 EUR	Company 31.12.2020 EUR	Company 31.12.2019 EUR
Real estate objects held for sale	15 601 806	20 336 187	-	-
<b>Total</b>	<b>15 601 806</b>	<b>20 336 187</b>	<b>-</b>	<b>-</b>

The movement of real estate objects, intended for sale, during the reporting period is given below:

Group	Real estate objects, intended for sale EUR
<b>31 December 2018</b>	-
Acquisition of subsidiaries	21 764 023
Reclassified to investment property	(1 516 294)
Reclassified from investment property	183 500
Sales (recognized in Statements of Profit and Loss item "Operating expenses")	(95 042)
<b>31 December 2019</b>	<b>20 336 187</b>
Acquired	59 055
Revaluated	(1 002 948)
Sales (recognized in Statements of Profit and Loss item "Operating expenses")	(3 790 488)
<b>31 December 2020</b>	<b>15 601 806</b>

## 25. Trade receivables and contract assets

	Group 31.12.2020 EUR	Group 31.12.2019 EUR	Company 31.12.2020 EUR	Company 31.12.2019 EUR
Trade receivables at book value	345 575	343 252	109 500	-
Trade receivables from real estate lease	49 655	82 099	-	-
Trade receivables from other contracts	295 920	261 153	109 500	-
Provisions for expected credit losses	(118 581)	(67 872)	-	-
Reclassification of trade receivables to non - current investments held for sale	-	(85 176)	-	-
Advance payments	244 770	296 487	-	-
Guarantee deposit	2 008 518	473 500	-	-
<b>Total</b>	<b>2 480 282</b>	<b>960 191</b>	<b>109 500</b>	<b>-</b>

### Changes in provisions for expected credit losses

	Group 31.12.2020 EUR	Group 31.12.2019 EUR
<b>Provisions for expected credit losses at the beginning of the reporting year</b>	<b>67 872</b>	<b>-</b>
Increase / (decrease) in provisions for expected credit losses	50 709	67 872
<b>Provisions for expected credit losses at the end of the reporting year</b>	<b>118 581</b>	<b>67 872</b>

Trade receivables are stated and presented in the statement of financial position according to the original invoice amount, less provisions for expected credit losses. The carrying amount of trade receivables corresponds to their fair value. Information on buyer and customer credit risk management is provided in Note 8, which sets out how the Group and the Company manages the credit quality of their trade receivables.

## 26. Debts of related companies

Group	Group	Company	Company
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	31.12.2020 EUR	31.12.2019 EUR	31.12.2020 EUR	31.12.2019 EUR
Trade receivables at book value	-	-	1 827 207	1 300 019
Outstanding share capital	-	-	3 990 985	28 125
Other claims to ABLV Bank , AS in Liquidation	7 610 580	-	7 602 966	-
Balances in bank accounts: ABLV Bank , AS in Liquidation *	28 962 959	38 800 767	9 811 913	12 056 904
<b>Total</b>	<b>36 573 539</b>	<b>38 800 767</b>	<b>23 233 071</b>	<b>13 385 048</b>

Receivables from related companies are accounted for and presented in the statement of financial position at the original invoice amount, less provisions for expected credit losses. The carrying amount of receivables from related companies corresponds to their fair value.

\* In respect of the funds of the Group's companies, which are held in the accounts of ABLV Bank in Liquidation, AS, the Group companies have submitted creditors' claims. The submitted creditors' claims will be satisfied during the liquidation process of ABLV Bank, AS in Liquidation, in accordance with the procedure specified in the Law on Credit Institutions of the Republic of Latvia. The management of the Group / Company believes that the funds in the accounts of ABLV Bank, AS in Liquidation are fully recoverable.

On 19 November 2020, the Company adopted a decision to extinguish the remaining obligations arising from the Loan Agreement of 15 January 2019 towards ABLV Bank, AS in Liquidation, applying a unilateral set-off in the amount of these obligations from the claim of the creditors of the Company against ABLV Bank, AS in Liquidation (reducing the claim of the creditors of the Company by the balance of the principal amount of the loan and calculated interest as at 1 December 2020). On 11 December 2020, ABLV Bank, AS in Liquidation recognised the set-off notified by the Company's unilateral will as having taken place on 1 December 2020 and partial payment of the creditor's claim in the amount of EUR 5 818 745.

On 19 November 2020, the Company's subsidiary New Hanza Centre, SIA made a decision to extinguish the remaining obligations arising from the Loan agreement of 20 December 2018 towards ABLV Bank, AS in Liquidation, applying a unilateral set-off from the claim of the creditors of New Hanza Centre, SIA against ABLV Bank, AS in Liquidation (reducing the claim of the creditors of New Hanza Centre, SIA regarding the balance of the principal amount of the loan and calculated interest as at 1 December 2020). On 11 December 2020, ABLV Bank, AS in Liquidation recognised the set-off notified by New Hanza Centre, SIA unilateral will as having taken place on 1 December 2020 and partial payment of the creditor's claim in the amount of EUR 4 049 810.

## 27. Other assets

	Group 31.12.2020 EUR	Group 31.12.2019 EUR	Company 31.12.2020 EUR	Company 31.12.2019 EUR
Accrued income	154 737	605 501	6 440	-
Future period expenses	178 127	175 788	39 680	36 105
Overpaid taxes	275 188	153 571	16 847	26 677
Other assets	844 643	967 384	270	-
<b>Total</b>	<b>1 452 695</b>	<b>1 902 244</b>	<b>63 237</b>	<b>62 782</b>

## 28. Cash and cash equivalents

	Group 31.12.2020 EUR	Group 31.12.2019 EUR	Company 31.12.2020 EUR	Company 31.12.2019 EUR
Balances in bank accounts	6 248 521	2 736 794	4 562 020	403 227
Cash	5 998	2 030	-	-
<b>Total</b>	<b>6 254 519</b>	<b>2 738 824</b>	<b>4 562 020</b>	<b>403 227</b>

For the purposes of the cash flow statement, cash and cash equivalents as at 31 December 2019 include:

Group	Group	Company	Company
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	31.12.2020 EUR	31.12.2019 EUR	31.12.2020 EUR	31.12.2019 EUR
Balances in bank accounts	-	2 736 794	-	403 227
Cash	-	2 030	-	-
Balances of long - term investments held for sale in bank accounts	-	134 296	-	-
<b>Total</b>	-	<b>2 873 120</b>	-	<b>403 227</b>

## 29. Long-term investments held for sale / Liabilities directly related to long-term assets held for sale

The long-term assets that the Group / Company is not planning to use in long-term perspective anymore and about which there is a decision made to sell them are classified by the Group / Company as long-term investments held for sale.

In 2019, the Company made decision to sell 100% of investments in subsidiaries NHC 1, SIA and NHC 3, SIA, owned by it. In accordance with the decision made, the separate financial statement of the Company recognises these investments as long-term investments held for sale. In the Group's consolidated financial statement these assets of subsidiaries are classified as long-term investments held for sale, while the liabilities – as liabilities directly related to the long-term investments held for sale.

In 2019 the Company concluded a memorandum of understanding with a potential buyer about sale of shares of NHC 1, SIA, and NHC 3, SIA and real estate objects owned by them. On 10 January 2020, the Company concluded Share Sale Agreements.

The principal groups of assets and liabilities of NHC 1, SIA, and NHC 3, SIA, which on 31 December 2019 were classified as held for sale are as follows:

	Group 31.12.2020 EUR	Group 31.12.2019 EUR	Company 31.12.2020 EUR	Company 31.12.2019 EUR
Investment properties	-	15 800 000	-	-
Share in capital	-	-	-	1 200 000
Cash	-	134 296	-	-
Other assets	-	328 775	-	-
<b>Total assets</b>	-	<b>16 263 071</b>	-	<b>1 200 000</b>
Loans from credit institutions	-	7 249 624	-	-
Other liabilities	-	224 906	-	-
<b>Total liabilities</b>	-	<b>7 474 530</b>	-	-

On 2 August 2016, NHC 1, SIA received loans in the amount of EUR 4 300 000 from ABLV Bank, AS in Liquidation for partial refinancing of the loans issued by Company for acquisition of real estate. The collateral of the loan was a real estate object at Tehnikas iela 3, at "Rīga" airport in Mārupes District. After the reporting period NHC 1, SIA in the course of sale of its shares returned the received loan to ABLV Bank, AS in Liquidation.

On 3 March 2017, NHC 3, SIA received a loan in the amount of EUR 4 000 000 from Swedbank, AS for partial refinancing of the loans issued by Company for acquisition of real estate. The collateral of the loan was a real estate object – office and warehouse complex "Piepilsētas" at Ķekavas District, Krustkalni. After the reporting period, in the course of sale of shares of NHC 3, SIA, buyer refinanced the loan issued to NHC 3, SIA, in Swedbank, AS.

## 30. Share capital

### *Increase of share capital of the Company*

In December 2019, the Company increased share capital by EUR 90 317 119 by issuing registered shares paid up by material contribution through investing in the fixed capital of the Company the shares owned by ABLV Bank, AS in Liquidation as current shareholder of the Company in the following limited liability companies: Pillar 23, SIA, Pillar Management, SIA, Pillar, SIA, Pillar Development, SIA, Hanzas Dārzs, SIA, New Hanza Centre, SIA, as well as investment in the limited partnership Pillar Holding Company, KS owned by ABLV Bank, AS in Liquidation as a partner.

Taking into account that the price of one share of the Company before the new share issue was higher than its nominal value of EUR 1, a share issue premium of EUR 19 869 766 is formed as the difference between the value of the property investment and the nominal value of the new shares.

On 31 December 2019, the share capital of the Company is EUR 115 317 119, which consists of 115 317 119 ordinary registered shares with voting rights, face value of each share amounting to EUR 1; all share capital is paid up in full.

On 3 July 2020, the Company increased its share capital by EUR 19 869 766 by issuing new 19 869 766 ordinary registered shares with voting rights with the nominal value of one share in the amount of EUR 1. New shares have been distributed to the existing shareholders proportionally to the nominal value of shares owned by them.

On 31 December 2020 the total share capital of the Company is EUR 135 186 885, which consists of 135 186 885 ordinary registered shares with voting rights, face value of each share amounting to EUR 1; all share capital is paid up in full.

Registered shares with voting rights provide equal rights to receiving dividends and voting rights at the shareholders' meeting.

		Group 31.12.2020			Group 31.12.2019			Company 31.12.2020			Company 31.12.2019	
	%	EUR	%		EUR	%		EUR	%		EUR	
ABLV Bank, AS in Liquidation	97.4%	131 669 969	97.4%	112 317 119	97.4%		131 669 969	97.4%		112 317 119		
Cassandra Holding Company, SIA	2.6%	3 516 916	2.6%	3 000 000	2.6%		3 516 916	2.6%		3 000 000		
<b>Total</b>	<b>100.0%</b>	<b>135 186 885</b>	<b>100.0%</b>	<b>115 317 119</b>	<b>100.0%</b>		<b>135 186 885</b>	<b>100.0%</b>		<b>115 317 119</b>		

### 31. Loans and bonds

	Group 31.12.2020 EUR	Group 31.12.2019 EUR	Company 31.12.2020 EUR	Company 31.12.2019 EUR
Long term loans from credit institutions	3 433 320	2 734 785	-	-
Other long-term loans	-	540 000	-	540 000
Other long-term loans of related companies	3 615 133	13 750 000	3 615 133	9 750 000
Issued debt securities (bonds)*	6 500 579	8 956 052	6 500 579	8 956 052
<b>Total long-term loans</b>	<b>13 549 032</b>	<b>25 980 837</b>	<b>10 115 712</b>	<b>19 246 052</b>
Short-term part of long-term loans from credit institutions	397 970	315 257	-	-
Short term part of issued debt securities (bonds)	1 043 948	1 043 948	1 043 948	1 043 948
Accrued liabilities for coupon interest payments on issued debt securities (bonds)	76 170	101 425	76 170	101 425
Other short-term loans	540 000	-	540 000	-
Other loans of related companies	3 960 000	-	3 960 000	1 150 000
<b>Total short-term loans</b>	<b>6 018 088</b>	<b>1 460 630</b>	<b>5 620 118</b>	<b>2 295 373</b>
<b>Total long- and short-term loans</b>	<b>19 567 120</b>	<b>27 441 467</b>	<b>15 735 830</b>	<b>21 541 425</b>

	Group 31.12.2020 EUR	Group 31.12.2019 EUR	Company 31.12.2020 EUR	Company 31.12.2019 EUR
<b>Changes in loans</b>				
<b>At the beginning of the reporting period</b>	<b>27 441 467</b>	<b>20 638 196</b>	<b>21 541 425</b>	<b>10 101 424</b>
Loans received	4 724 013	10 290 000	3 615 133	11 440 000
Loans repaid	(12 598 360)	(589 281)	(9 420 728)	-
Taken over upon acquisition of a new subsidiary	-	4 352 175	-	-
Reclassify to Assets held for sale/Liabilities directly related to long-term investments held for sale	-	(7 249 624)	-	-
Changes in accrued loan and coupon interest liabilities	-	1	-	1
<b>At the end of the reporting period</b>	<b>19 567 120</b>	<b>27 441 467</b>	<b>15 735 830</b>	<b>21 541 425</b>

	Group 31.12.2020 EUR	Group 31.12.2019 EUR	Company 31.12.2020 EUR	Company 31.12.2019 EUR
<b>Loans by category of lender</b>				
Related credit institutions	-	13 750 000	-	9 750 000
Other credit institutions	3 831 290	3 050 042	-	-
Other related borrowers	7 575 133	-	7 575 133	1 150 000
Other borrowers	540 000	540 000	540 000	540 000
Debt securities (bonds) issued	7 620 697	10 101 425	7 620 697	10 101 425
<b>Total loans</b>	<b>19 567 120</b>	<b>27 441 467</b>	<b>15 735 830</b>	<b>21 541 425</b>



<b>Loans by maturity</b>	<b>Group 31.12.2020 EUR</b>	<b>Group 31.12.2019 EUR</b>	<b>Company 31.12.2020 EUR</b>	<b>Company 31.12.2019 EUR</b>
< 1 year (short-term part of long-term loan)	6 018 088	1 460 630	5 620 118	2 295 373
1 - 5 years	13 549 032	25 980 837	10 115 712	19 246 052
<b>Total loans</b>	<b>19 567 120</b>	<b>27 441 467</b>	<b>15 735 830</b>	<b>21 541 425</b>

On 7 February 2018, NHC 4, SIA received a loan in the amount of EUR 3 000 000 from SEB banka, AS, interest rate – 2.6% + 3M EURIBOR. Loan maturity date is 7 February 2023. The collateral of the loan was a real estate object – office and warehouse complex at Maskavas iela 462 and Maskavas iela 464A in Riga. The loan agreement provides that the borrowers once in six months calculate indicator of interest payment coverage and collateral values against loan. NHC 4, SIA complies with the provided thresholds of indicators and fulfils the requirements of conditions of the loan. The maximum amount of the security is EUR 4 500 000.

On 21 August 2019 the Group's company Pillar Contractor, SIA received a loan in amount of EUR 374 585 from Reģionālā investīciju banka, AS, registration no. 40003563375, for acquisition of fixed assets equipment necessary for the performance of construction works) necessary for the performance of economic activity of Pillar Contractor, SIA. Maturity date of the loan is 20 February 2023. Annual interest rate - 4.5% + 6 months EURIBOR. Pledge that serves as security — purchased construction machinery. Maximum security amount is EUR 749 170.

On 27 July 2020, the Concern's company Pillar 22, SIA entered into a credit agreement with Signet Bank, AS, registration No. 40003076407, for a loan of EUR 1 000 000 to partially refinance the loan issued by the Company to Pillar 22, SIA. Maturity date of the loan is 28 July 2025. Annual interest rate – 3.9% + 6 months LIBOR. Pledge that serves as security — real estate office building in Riga, Brīvības gatve 275, property owned by Pillar 22, SIA as aggregation of things and 400 000 capital shares of Pillar 22, SIA. Maximum security amount is EUR 1 939 000.

On 16 November 2020, Pillar Contractor, SIA entered into a loan agreement with Regional Investment Bank, AS, registration No. 40003563375, for a loan of EUR 75 000 to refinance the purchase of fixed assets (equipment necessary for the performance of construction works) necessary for the performance of economic activity of Pillar Contractor, SIA. Maturity date of the loan is 15 March 2024. Annual interest rate - 4.5% + 6 months EURIBOR. Pledge that serves as security — purchased construction machinery. Maximum security amount is EUR 150 000.

#### *Other loans and receivables from related companies*

On 20 December 2018, the company New Hanza Centre, SIA received a loan of EUR 4 000 000 from ABLV Bank, AS in Liquidation, registration No. 50003149401 to pay the suppliers for the performed works on the land plot, owned by New Hanza Centre, SIA in Riga, Mihaila Tāla iela 3. Annual interest rate – 2.93%. On 1 December 2020, New Hanza Centre, SIA extinguished the remaining obligations arising from the loan agreement towards ABLV Bank, AS in Liquidation, applying a unilateral set-off from the claim of the creditors of New Hanza Centre, SIA against ABLV Bank, AS in Liquidation (reducing the claim of the creditors of New Hanza Centre, SIA regarding the balance of the principal amount of the loan and calculated interest as at 1 December 2020).

On 15 January 2019, the Company concluded a loan agreement with ABLV Bank, AS in Liquidation, registration No. 50003149401, for the amount of EUR 5 790 000. The Company used this loan for the purchase of capital shares of NHC 5, SIA. Annual interest rate – 2.93%. On 1 December 2020, the Company extinguished the remaining obligations arising from the Loan Agreement of 15 January 2019 towards ABLV Bank, AS in Liquidation, applying a unilateral set-off in the amount of these obligations from the claim of the creditors of the Company against ABLV Bank, AS in Liquidation (reducing the claim of the creditors of the Company by the balance of the principal amount of the loan and calculated interest as at 1 December 2020).

On 3 December 2019, the Company received a loan from its shareholders - ABLV Bank, AS in Liquidation and Cassandra Holding Company, SIA in the amount of 2018 profit distributed to the Company and retained. Loan amount EUR 4 500 000. Maturity date of the loan - 31 July 2022 or as soon as the Company's creditor's claim against ABLV Bank, AS in Liquidation is satisfied in full. Annual interest rate — 3.5%. On 4 January 2021, the Company extinguished the remaining obligations arising from the loan agreement towards ABLV Bank, AS in Liquidation (reducing the creditor's claim of the Company by the balance of the principal amount of the loan and the calculated interest as of 4 January 2021) and Cassandra Holding Company, SIA (by repaying the balance of the principal amount and calculated interest as of 4 January 2021). (See Note 39 "Subsequent events").

On 2 October 2020, the Company concluded a loan agreement with ABLV Bank, AS in Liquidation, registration No. 50003149401, for loan in the amount of EUR 14 000 000. The Company uses the said loan to provide the necessary funding for the construction of the Logistics Park A6, owned by the Group's subsidiary NHC 4, SIA. Maturity date of the loan is 1 December 2022. Annual interest rate — 3.5% + 6 months EURIBOR. Pledge that serves as a security – 2 600 000 capital shares of NHC 4, SIA. Maximum security amount is EUR 18 200 000.



### Debt securities issued (bonds)

\* The currency of the bond issue is EUR (euro), the total nominal value of the issue is EUR 10,000,000 and the nominal value of the bond is EUR 1,000. The annual interest rate is fixed at 4.9%, with interest income paid twice a year. Their initial placement price is 100% of the face value. The issue date is 16 October 2017, the redemption date is 16 October 2022. As of 16 October 2019, the Company, as the issuer, has the right to redeem the bonds before maturity. The bonds were included in the regulated market of the Baltic debt securities list of the Nasdaq Riga stock exchange on 19 October 2017 (issue series: NHC FXD EUR 161022, ISIN LV0000802312). At the date of the bond issue, the financial liabilities were measured at fair value less directly attributable transaction costs.

In March 2020, the Board of the Company made a decision to purchase its issued bonds from bond holders in the secondary market by 30 April 2020 (issue series: NHC FXD EUR 161022, ISIN code: LV0000802312), included in the Baltic List of Debt Securities. According to the adopted decision, by 30 April 2020 the Company purchased bonds from the bond holders on the secondary market for the amount of EUR 2 490 000 according to their nominal value by concluding separate transactions with bond holders who wanted to sell their bonds according to current offers in the trading system of Nasdaq Riga.

## 32. Debts to related companies

	Group 31.12.2020 EUR	Group 31.12.2019 EUR	Company 31.12.2020 EUR	Company 31.12.2019 EUR
Outstanding share capital	13 371 875	13 371 875	3 500 000	-
Unpaid share capita	-	-	1 200 000	-
Debts to suppliers	-	-	53 105	34 509
<b>Total</b>	<b>13 371 875</b>	<b>13 371 875</b>	<b>4 753 105</b>	<b>34 509</b>

On 4 January 2021, the Group's company New Hanza Centre, SIA extinguished the remaining obligations arising from the agreement on the procedure of payment of the reduced fixed capital, concluded between ABLV Bank, AS in Liquidation, Company and New Hanza Centre, SIA on 3 December 2019 as follows:

- liabilities towards ABLV Bank, AS in Liquidation by applying set-off against the creditor's claim of New Hanza Centre, SIA towards ABLV Bank, AS in Liquidation (by reducing the creditor's claim of New Hanza Centre, SIA against ABLV Bank, AS in Liquidation by the investment share to be paid out of EUR 9 871 875);
- liabilities towards the Company by making a payment in the amount of the investment shares to be paid out of EUR 28 125 by transfer to the Company's current account.

On 23 December 2020, ABLV Bank, AS in Liquidation recognised the set-off notified by New Hanza Centre, SIA unilateral will as having taken place on 4 January, 2021. (See Note 39 "Subsequent events").

## 33. Other liabilities and contract liabilities

	Group 31.12.2020 EUR	Group 31.12.2019 EUR	Company 31.12.2020 EUR	Company 31.12.2019 EUR
<b>Long - term part</b>				
Contractual obligations - security received from tenants	-	93 943	-	-
<b>Short - term part</b>				
Contractual obligations - security received from tenants	350 185	282 978	13 800	14 200
Contractual obligations - advances received	111 856	960 216	-	-
Deferred income	4 504	32 400	-	-
Other creditors	890	6 471	65	566
<b>Total</b>	<b>467 435</b>	<b>1 376 008</b>	<b>13 865</b>	<b>14 766</b>

## 34. Lease

Operating lease liabilities mainly consist of lease payments for land, equipment and other low-value assets. If operating lease agreements are concluded for a long period, they include the right for the parties to terminate the agreements before the term. Certain lease agreements provide the Group / Company with a pre-emptive right to renew the agreement in the maturity date.

Expenses recognized in the Statement of profit or loss

	Group 31.12.2020 EUR	Group 31.12.2019 EUR	Company 31.12.2020 EUR	Company 31.12.2019 EUR
Expenses related to short-term lease (included in "Operating expenses")	14 085	9 252	-	-
Expenses related to low-value asset lease (included in "Operating expenses")	33 132	6 778	30 437	3 845
Expenses related to low-value asset lease (included in "Administrative expenses")	42 798	7 509	42 798	7 509
<b>Total</b>	<b>90 015</b>	<b>23 539</b>	<b>73 235</b>	<b>11 354</b>

Company's total cash outflow for lease payments in 2020 EUR 88 614 (in 2019: EUR 13 738).

Group's total cash outflow for lease payments in 2020 EUR 107 283 (in 2019: EUR 26 604).

### 35. Operating segments

Statement of profit or loss for the period from 01.01.2020 - 31.12.2020	Segment 1 - Service companies EUR	Segment 2 - Companies owning real estate objects held for development EUR	3 Segment 3 - Companies owning lease revenue generating real estate EUR	Segment 4 - Companies owning real estate objects held for sale EUR	Eliminated upon consolidation EUR	Total EUR
1. Net Sales	21 188 318	1 430 228	3 859 554	4 846 548	(3 363 823)	27 960 825
2. Operating expenses	(20 096 320)	(1 824 037)	(2 031 811)	(4 201 239)	1 171 596	(26 981 811)
<b>3. Gross profit</b>	<b>1 091 998</b>	<b>(393 809)</b>	<b>1 827 743</b>	<b>645 309</b>	<b>(2 192 227)</b>	<b>979 014</b>
4. Sales expenses	(26 067)	(26 408)	(72 518)	(335 223)	247 862	(212 354)
5. Administrative expenses	(930 020)	(413 841)	(1 495 487)	(258 097)	1 188 788	(1 908 657)
6. Other operating income	2 150 023	2 823	6 281 519	888 302	(8 306 283)	1 016 384
7. Other operating expenses	(414 976)	(13 154)	(1 513 343)	(19 211)	1 758 439	(202 245)
8. Other interest received and similar income	3 272	3 696	997 906	144 286	(1 149 160)	-
9. Interest paid and similar expenses	(23 564)	(356 890)	(1 666 796)	(43 986)	1 149 160	(942 076)
10. Investment property revaluation	-	378 812	(9 820)	(890 748)	104 500	(417 256)
11. Long-term and short-term investment value adjustment	-	-	(3 002 693)	(1 141 664)	4 144 357	-
<b>12. Profit/(loss) before taxes</b>	<b>1 850 666</b>	<b>(818 771)</b>	<b>1 346 511</b>	<b>(1 011 032)</b>	<b>(3 054 564)</b>	<b>(1 687 190)</b>
13. CIT	(507)	(210)	(1 434)	(400)	(533)	(3 084)
14. Extraordinary dividends	(1 384 373)	-	-	-	1 384 373	-
<b>15. Profit/(loss) of the reporting period</b>	<b>465 786</b>	<b>(818 981)</b>	<b>1 345 077</b>	<b>(1 011 432)</b>	<b>(1 670 724)</b>	<b>(1 690 274)</b>
<b>Total segment assets as of 31.12.2020</b>	<b>7 212 932</b>	<b>87 590 926</b>	<b>203 557 806</b>	<b>17 750 507</b>	<b>(135 871 761)</b>	<b>180 240 410</b>
<b>Total segment liabilities as of 31.12.2020</b>	<b>4 383 781</b>	<b>18 193 987</b>	<b>48 925 420</b>	<b>4 749 037</b>	<b>(39 533 192)</b>	<b>36 719 033</b>

Statement of profit or loss for the period from 01.01.2019 - 31.12.2019 (adjusted)	Segment 1 - Service companies EUR	Segment 2 - Companies owning real estate objects held for development EUR	3 Segment 3 - Companies owning lease revenue generating real estate EUR	Segment 4 - Companies owning real estate objects held for sale EUR	Eliminated upon consolidation EUR	Total EUR
1. Net Sales	2 312 836	131 913	3 036 239	140 355	(762 992)	4 858 351
2. Operating expenses	(1 779 163)	(323 159)	(1 822 530)	(136 792)	401 171	(3 660 473)
<b>3. Gross profit</b>	<b>533 673</b>	<b>(191 246)</b>	<b>1 213 709</b>	<b>3 563</b>	<b>(361 821)</b>	<b>1 197 878</b>
4. Sales expenses	(17 773)	(1 959)	(5 877)	(60 605)	50 034	(36 180)
5. Administrative expenses	(121 086)	(23 181)	(791 077)	(29 713)	287 991	(677 066)
6. Other operating income	4 345	-	48 876	1 254	473 553	528 028
7. Other operating expenses	(13 625)	(4 251)	(56 893)	(4 757)	36	(79 490)
8. Other interest received and similar income	3 007	550	1 127 128	24 277	(1 154 962)	-
9. Interest paid and similar expenses	(5 147)	(25 935)	(1 874 269)	(2 352)	1 154 962	(752 741)
10. Investment property revaluation	-	1 983 250	811 297	-	-	2 794 547
<b>11. Profit/(loss) before taxes</b>	<b>383 394</b>	<b>1 737 228</b>	<b>472 894</b>	<b>(68 333)</b>	<b>449 793</b>	<b>2 974 976</b>
12. CIT	(1 315)	(200)	(49 872)	(978)	-	(52 365)
<b>13. Profit/(loss) of the reporting period</b>	<b>382 079</b>	<b>1 737 028</b>	<b>423 022</b>	<b>(69 311)</b>	<b>449 793</b>	<b>2 922 611</b>
<b>Total segment assets as of 31.12.2019</b>	<b>5 986 140</b>	<b>90 100 012</b>	<b>210 124 246</b>	<b>64 508 952</b>	<b>(173 852 899)</b>	<b>196 866 451</b>
<b>Total segment liabilities as of 31.12.2019</b>	<b>2 956 053</b>	<b>20 304 092</b>	<b>53 701 601</b>	<b>9 918 378</b>	<b>(35 021 921)</b>	<b>51 858 203</b>

## 36. Business combination

### Information about subsidiaries in previous reporting period

On 15 January 2019 the Company signed a purchase agreement with ABLV Bank, AS in Liquidation regarding the purchase of 98.71% of NHC 5, SIA shares for the amount of EUR 8 287 170. The Company owned the remaining 1.29% of NHC 5, SIA shares on the date of the sales agreement signing. This transaction has been registered in the Company Register on 11 February 2019.

NHC 5, SIA line of business is renting and operating of own or leased real estate. NHC 5, SIA has two investment properties in ownership – office building on Elizabetes iela 23 and office spaces on Elizabetes iela 21A-102 with a total area of 4,324.9 m<sup>2</sup> and 689.4 m<sup>2</sup> respectively. The Company has been acquired with the purpose to increase the Group investment property portfolio, as well as increase the Group rent income.

On 3 December 2019, the Company increased share capital. The new issue shares were paid for by a material investment. The Company's existing shareholder - ABLV Bank, AS in Liquidation - invested its shareholdings in the Company's equity of the following limited liability companies:

- 1) Pillar 23, SIA;
- 2) Pillar Management, SIA;
- 3) Pillar, SIA;
- 4) Pillar Development, SIA;
- 5) Hanzas Dārzs, SIA;
- 6) New Hanza Centre, SIA;
- 7) as a limited partner's investment in a limited partnership Pillar Holding Company.

As a result, on December 3, 2019, the Company acquired control over these companies.

As a result of the business combination, the Company acquired control over the subsidiaries of Pillar Management, SIA:

- 1) Pillar Contractor, SIA;
- 2) Pillar Architekten, SIA;
- 3) Pillar Property Management, SIA (previous name Pillar RE Services, SIA),

as well as over the subsidiaries of the limited partnership Pillar Holding Company, KS:

- 1) Pillar 3, SIA;
- 2) Pillar 4 & 6, SIA;
- 3) Pillar 11, SIA;
- 4) Pillar 2, 12 & 14, SIA;
- 5) Pillar 18, SIA;
- 6) Pillar 19, SIA;
- 7) Pillar 20, SIA;
- 8) Pillar 21, SIA;
- 9) Pillar 22, SIA.

The Company's direct and indirect participation in subsidiaries is 100% (see also Note 21 "Participation in the capital of related companies").

The business combination was aimed at ensuring efficient management of Pillar Group companies, hereinafter - Pillar Group companies, including their real estate, further development, increasing their value in the medium and long term, as well as realizing their maximum financial potential.

As a result of the addition of the Pillar Group, the Group:

- forms a group of companies having four lines of business and common management structure;
- ensures management of disposal of real estate objects held for sale;
- carries out real estate development, creating products that comply with the demand of the market participants and are competitive among the existing and upcoming projects on the market;
- carries out management and maintenance of the properties, including infrastructure objects, owned by companies of the Group and external clients, as well as lease of these properties with the aim to increase their lease revenue;
- provides management, accounting, legal, marketing and other services necessary for ensuring functioning of the abovementioned companies.

The table summarizes the fair values of the identifiable assets and liabilities recognized, net assets acquired, goodwill, claims and net cash and cash equivalents at the date of acquisition of the subsidiaries:

	NHC 5, SIA 11.02.2019	New Hanza Centre, SIA 03.12.2019	Pillar Development, SIA 03.12.2019	Pillar, SIA 03.12.2019	Pillar Management, SIA 03.12.2019	Pillar 23, SIA 03.12.2019	Hanzas Dārzs, SIA 03.12.2019	Pillar Holding Company, KS 03.12.2019
<b>Recognized fair value of identifiable assets and liabilities</b>								
<b>Assets</b>								
Intangible assets	-	-	1 169	-	35 674	-	-	-
Fixed assets	-	-	18 676 513	-	72 599	-	1 010 570	-
Participation in subsidiary companies	-	-	205 067	-	378 203	-	-	17 318 471
Receivables	52 521	125	73 492	-	358 657	-	-	3 174
Investment properties	8 094 000	14 229 734	10 211 586	-	-	21 086 150	-	-
Debts of associated companies	9 884	14 129 552	7 162 632	-	-	97 148	132 929	23 692 454
Other assets	64 505	486 050	296 510	1	-	22 909	3 297	52 032
Cash and cash equivalents	158 203	317 194	69 169	1 515	415 327	13 868	683	808 139
<b>Total assets</b>	<b>8 379 113</b>	<b>29 162 655</b>	<b>36 696 138</b>	<b>1 516</b>	<b>1 260 460</b>	<b>21 220 075</b>	<b>1 147 479</b>	<b>41 874 270</b>
<b>Creditors</b>								
Debts to suppliers	19 905	68 348	158 031	39	105 136	2 871	302	4 232
Debts to associated companies	12 370	13 900 000	4 850 000	-	-	275 000	185 000	3 500 000
Other creditors	85 584	35 184	684 995	-	-	6 523	2 669	-
<b>Total creditors</b>	<b>117 859</b>	<b>14 003 532</b>	<b>5 693 026</b>	<b>39</b>	<b>105 136</b>	<b>284 394</b>	<b>187 971</b>	<b>3 504 232</b>
<b>Total identifiable net assets</b>	<b>8 261 254</b>	<b>15 159 123</b>	<b>31 003 112</b>	<b>1 477</b>	<b>1 155 324</b>	<b>20 935 681</b>	<b>959 508</b>	<b>38 370 038</b>
	100%	100%	100%	100%	100%	99.05101%	69.69697%	100%
	<b>8 261 254</b>	<b>15 159 123</b>	<b>31 003 112</b>	<b>1 477</b>	<b>1 155 324</b>	<b>20 737 003</b>	<b>668 748</b>	<b>38 370 038</b>
<b>Investment in subsidiaries by the acquired subsidiary</b>			<b>(205 067)</b>		<b>(378 203)</b>			<b>(17 318 471)</b>
<b>Identifiable net assets of subsidiaries owned by the acquired subsidiary</b>			<b>290 760</b>		<b>1 483 392</b>			<b>16 711 058</b>
Remuneration	8 287 170	15 171 875	30 640 000	2 885	2 840 000	22 560 000	544 000	38 400 000
Existing participation	106 000	100 000	100 000	-	-	-	-	-
	<b>8 393 170</b>	<b>15 271 875</b>	<b>30 740 000</b>	<b>2 885</b>	<b>2 840 000</b>	<b>22 560 000</b>	<b>544 000</b>	<b>38 400 000</b>
<b>Goodwill</b>	<b>131 916</b>	<b>112 752</b>	<b>(348 805)</b>	<b>1 408</b>	<b>579 487</b>	<b>1 822 997</b>	<b>(124 748)</b>	<b>637 375</b>
<b>Cash and cash equivalents of the acquired subsidiary</b>	<b>158 203</b>	<b>317 194</b>	<b>69 169</b>	<b>1 515</b>	<b>670 543</b>	<b>13 868</b>	<b>683</b>	<b>1 442 299</b>
<b>Net cash and cash equivalents</b>	<b>8 128 967</b>	<b>317 194</b>	<b>69 169</b>	<b>1 515</b>	<b>670 543</b>	<b>13 868</b>	<b>683</b>	<b>1 442 299</b>



The goodwill of Pillar Development, SIA as of the date of acquisition on 3 December 2019 was negative and amounted to EUR 348 805. This amount is included in the statement of comprehensive income under "Other operating income". The subsidiary Pillar Development, SIA and its subsidiaries were acquired at a price lower than the fair value of its net assets, taking into account changes in the value of their net assets at the time of their valuation and conclusion of the transaction.

The goodwill of Hanzas Dārzs, SIA as of the date of acquisition on 3 December 2019 was negative and amounted to EUR 124 748. This amount is included in the statement of comprehensive income under "Other operating income". The subsidiary Hanzas Dārzs, SIA was acquired at a price lower than the fair value of its net assets, taking into account changes in the value of its net assets at the time of their valuation and conclusion of the transaction.

Goodwill is primarily related to the benefits expected from the ability of the Group's companies under a single brand and the expected synergies and other benefits that could result from the combination of acquired subsidiaries and the Group's assets and operations, to ensure real estate management, to continue their development, to increase their value in the medium and long term, as well as realize their maximum financial potential.

### 37. Personnel costs and number of employees

	Group 31.12.2020	Group 31.12.2019	Company 31.12.2020	Company 31.12.2019
Average number of employees	105	100	26	9
including:				
Board of the companies	12	7	5	2
<i>Remuneration of key management personnel</i>				
	Group EUR		Company EUR	
Remuneration of the Board	797 939		330 866	
Mandatory state social insurance contributions of the board	191 234		79 217	

Members of the Company's Council perform their duties without remuneration.

### 38. Related party transactions

#### *Parent company and beneficial owner*

The Company is controlled by the following company:

	Registration number	Legal address	Registration country	Participation
ABLV Bank, AS in Liquidation	50003149401	Skanstes iela 7 k-1, Riga, LV-1013	Latvia	97.4%

The Company's statement of profit or loss and other comprehensive income for the financial years 2020 and 2019, as well as the statement of financial position as at 31 December 2020 and 31 December 2019, includes transactions and balances with related parties. Transactions between the Group / Company and its related parties take place at market prices and their justification is reflected in the Group's / Company's transfer pricing policy.

Transactions and amounts are the following:

Group related party	Transaction	31.12.2020	31.12.2019
ABLV Bank, AS in Liquidation	<b>Assets</b>	<b>EUR</b>	<b>EUR</b>
	Debt instruments	-	6 809 699
	Deferred expenses	25 450	35 290
	Accrued income	207	302
	Fixed assets	16 003	554 105
	Debts of related companies	36 574 133	38 835 482
	<b>Liabilities</b>		
	Loans to other related companies	7 575 133	-
	Loans to related companies	13 371 875	17 732 224
	Settlements with suppliers	34 804	55 370
	Other creditors and contractual liabilities	2 686	13 371 875
	Accrued liabilities	15 914	93 852
	<b>Statement of profit or loss</b>	<b>2020</b>	<b>2019</b>
		<b>EUR</b>	<b>EUR</b>
	Services rendered	54 004	88 708
	Services received	105 354	24 483
	Purchase of low-value inventory	3 514	43 418
	Coupon payments	14 014	14 014
	Interest expense	420 810	263 922
	Interest income	-	-

Group related party	Transaction	31.12.2020	31.12.2019
Parties related to shareholders	<b>Assets</b>	<b>EUR</b>	<b>EUR</b>
	Trade receivables	694 591	11 899
	Accrued income	11 287	2 741
	<b>Liabilities</b>		
	Other loans	540 000	540 000
	Debts to suppliers	5 201	8 501
	Other creditors and contractual liabilities	30 149	186 351
	Accrued liabilities	7 268	7 332
	<b>Statement of profit or loss</b>	<b>2020</b>	<b>01.12.2019- 31.12.2019*</b>
		<b>EUR</b>	<b>EUR</b>
	Services received	366 043	5 018
	Services rendered	2 001 293	21 809
	Coupon payments	87 955	-
	Interest expense	18 952	1 450
			<b>01.01.2019- 30.11.2019**</b>
			<b>EUR</b>
			530 104
			224 621
			111 475
			4 708

\* Includes services received / provided from related parties after the expansion of the Group.

\*\* Includes services received / provided from related parties prior to Group expansion.

Company related party	Transaction	31.12.2020	31.12.2019
ABLV Bank, AS in Liquidation	<b>Assets</b>	<b>EUR</b>	<b>EUR</b>
	Debts of related parties	17 414 879	12 056 903
	Deferred expenses	-	28 016
	Fixed assets	-	19 055
	<b>Liabilities</b>		
	Loans to other related companies	7 575 133	9 750 000
	Loans to related companies	3 534 935	-
	Settlements with suppliers	-	5 947
	Accrued liabilities	15 914	55 188
	<b>Statement of profit or loss</b>	<b>2020</b>	<b>2019</b>
	Services received	64 987	17 418

Coupon payments	14 014	14 014
Interest expense	311 423	182 597

Company related party	Transaction	31.12.2020	31.12.2019
Parties related to shareholders	<b>Assets</b>	<b>EUR</b>	<b>EUR</b>
	Trade receivables	14 520	-
	Accrued income	-	-
	<b>Saistības</b>		
	Other loans	540 000	540 000
	Debts to suppliers	230	-
	Other creditors and contractual liabilities	-	-
	Accrued liabilities	-	1 450
	<b>Statement of profit or loss</b>	<b>2020</b>	<b>2019</b>
		<b>EUR</b>	<b>EUR</b>
	Services received	121 892	-
	Services rendered	12 000	-
	Coupon payments	87 955	111 475
	Interest expense	18 952	1 450

Company related party	Transaction	31.12.2020	31.12.2019
Intra Group transactions	<b>Assets</b>	<b>EUR</b>	<b>EUR</b>
	Loans	29 905 133	18 445 000
	Fixed assets acquired	90 971	-
	Debts of related parties	5 818 192	1 328 145
	Contributions to share capital	2 967 000	122 871 930
	Accrued income	6 080	-
	<b>Liabilities</b>		
	Other loans	-	1 150 000
	Accrued liabilities	300	-
	Debts to related parties	1 218 170	33 138
	<b>Statement of profit or loss</b>	<b>2020</b>	<b>2019</b>
		<b>EUR</b>	<b>EUR</b>
	Interest income	997 906	1 127 128
	Dividends received	1 469 566	-
	Service rendered	1 221 752	232 565
	Service received	177 677	73 417
	Interest income	16 982	6 895

### 39. Subsequent events

On 18 December 2020, the Company adopted a decision, as of 4 January 2021, to extinguish the obligations arising from the Agreement on the procedure of payment of dividends of 3 December, 2019 towards ABLV Bank, AS in Liquidation, applying a unilateral set-off in the amount of these obligations against the claim of the creditors of the Company towards ABLV Bank, AS in Liquidation (reducing the claim of the creditors of the Company by the balance of the principal amount of the loan and calculated interest as of 4 January 2021).

In addition, the Company adopted a decision, as of 4 January 2021, to extinguish the obligations arising from the Agreement on the procedure of payment of dividends of 3 December, 2019 towards the Company's shareholder Cassandra Holding Company, SIA, in the amount of these obligations (balance of the principal amount of the loan and calculated interest as at 4 January 2021), by transferring them to the current account of Cassandra Holding Company SIA.

On 23 December 2020, ABLV Bank, AS in Liquidation recognised the set-off notified by the Company's unilateral will as having taken place on 4 January 2021 and partial payment of the creditor's claim in the amount of EUR 3 996 073.97.

On 18 December 2020, the Concern's company New Hanza Centre, SIA made a decision to extinguish the obligations arising from the agreement on the procedure of payment of the reduced fixed capital, concluded between ABLV Bank, AS in Liquidation, Company and New Hanza Centre, SIA on 3 December 2019 as follows:

- liabilities towards ABLV Bank, AS in Liquidation by applying set-off against the creditor's claim of New Hanza Centre, SIA towards ABLV Bank, AS in Liquidation (by reducing the creditor's claim of New Hanza Centre, SIA against ABLV Bank, AS in Liquidation by the investment share to be paid out of EUR 9 871 875);
- liabilities towards the Company by making a payment in the amount of the investment shares to be paid out of EUR 28 125 by transfer to the Company's current account.

On 23 December 2020, ABLV Bank, AS in Liquidation recognised the set-off notified by New Hanza Centre, SIA unilateral will as having taken place on 4 January, 2021 and partial payment of the creditor's claim in the amount of EUR 9 871 875.

#### *Potential Covid-19 impact*

Taking into account that on 11 March 2020 the World Health Organization informed that the spread of the Covid-19 disease caused by the coronavirus has reached the scope of a global pandemic, on 12 March 2020, the government of Latvia adopted a decision to declare an emergency situation in the country that affected the business environment and national economy in general. Despite the fact that as of 9 June 2020, the emergency situation in the country was cancelled starting from October 2020, the government of Latvia, in order to restrict the rapid increase of the number of persons infected with the Covid-19, has repeatedly adopted a number of different new restrictions that have an impact on the business environment in the country; therefore, the situation is still unstable and unclear at the moment of preparation of the report, and the exact amount of impact on the Concern and the Company cannot be determined. The management of Company on a daily basis manages the negative economic risks caused by restrictions imposed to reduce the spread of Covid-19 and mitigates their impact on the Concern and the Company.

From the last day of the reporting year till the day of signing these Group's consolidated and Company's separate financial report there were no other events which would result in the need to introduce corrections in these financial statements.

## **40. Going concern**

Despite of the fact the largest Company shareholder ABLV Bank, AS in Liquidation has started a process of self-liquidation, as well as the financial plans for the financial year 2021 approved within the liquidation process the Group and Company continue operations.

The Company and the Group prepared these financial reports in a going concern basis.

However, there still exists a material uncertainty regarding the Group and Company going concern related to decisions that will be taken within the ABLV Bank, AS in Liquidation self-liquidation process.

On 15 June 2021 Group cash and cash equivalents amounted to EUR 5 280 354.

The Group companies continue to receive lease payments from the Group's investment properties tenants and proceeds from the sale of real estate owned by Group. The majority of the Group's lessees are companies unrelated to the Group and the ABLV Bank, AS Group in liquidation. The payment discipline of tenants has not deteriorated compared to previous periods.

The Group continues to operate in accordance with its business objective to invest funds in commercial and residential properties, sustainably increase rental income and promote long-term property value and capital growth. The Group management continues to work on existing investment property improvements as well as additional investment property development. Given the Group capital structure the Group has the possibility to attract third party financing for its development projects. Company shareholders are also able to provide additional financing.

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Edgars Mijūns  
*Chairman of the Board*

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Arnolds Romeiko  
*Member of the Board*

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Inga Vēvere  
*Member of the Board*

Riga, 30 April 2021