

JOINT STOCK COMPANY PN PROJECT
(UNIFIED REGISTRATION NUMBER 40203063602)

ANNUAL REPORT FOR 2024

(8th financial year)

PREPARED IN ACCORDANCE WITH
THE ANNUAL REPORTS AND CONSOLIDATED ANNUAL
REPORTS LAW EFFECTIVE IN THE REPUBLIC OF LATVIA

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

Riga, 2025

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General information

Name of the company	PN PROJECT
Legal status of the company	JOINT STOCK COMPANY
Unified registration number, place and date of registration	40203063602 Riga, 18 April 2017
Registered office	Republikas laukums 2A Riga, Latvia, LV - 1010
Shareholder	Lords LB Special Fund V, managed by LORDS LB ASSET MANAGEMENT UAB - 100% Reg. No. I052 Jogailos g. 4, Vilnius 01116 Republic of Lithuania
Members of the Board	Giedrius Bernotas, Chairman of the Board (from 14.08.2023. till 16.09.2024.) Kirilas Kundušas, Member of the Board (from 08.09.2022. till 16.09.2024.) Povilas Urbonavičius, Member of the Board (from 17.09.2024.) Igorš Daņilovs, Member of the Board (from 17.09.2024.)
Members of the Council	Aivaras Abromavičius, Chairperson of the Council (from 23.05.2018. till 15.08.2024.) Tomas Kučinskas, Deputy chairperson of the Council (from 23.05.2018. till 15.08.2024.) Adomas Kacevkas, Member of the Council (from 26.10.2022. till 15.08.2024.) Mindaugas Marcinkevičius, Member of the Council (from 15.08.2024.) Edvinas Ruzgas, Member of the Council (from 20.03.2019. till 15.08.2024.) Tomas Krakauskas, Member of the Council (from 23.05.2018. till 03.04.2024.) Marius Žemaitis, Member of the Council (from 15.08.2024.) Andrius Stonkus, Member of the Council (from 15.08.2024.)
Financial year	1 January 2024 - 31 December 2024
Name and address of the outsourced accounting services provider	Ernst & Young Baltic SIA Reg. no. 40003593454 Licence No AGL0000476 Muitas iela 1a, Riga Latvia, LV - 1010
Name and address of the certified audit company and certified auditor in charge	PricewaterhouseCoopers SIA Commercial Company of Certified Auditors License No. 5 Marijas street 2A, Riga Latvia, LV - 1050 Certified auditor in charge: Jegors Podosinņikovs Certificate No. 238

Management report

PN Project AS (hereinafter - the Company) was registered on 18 April 2017. The primary activities of the Company are development and maintenance of real estate. On 24 May 2018 the Company changed its legal form to Joint Stock Company.

During the reporting year the Company managed building in Riga, Balasta dambis 2 and the Company held shares in PN Management SIA, which develops the project - building in Riga, Balasta dambis 2. During 2024 PN Project AS ended the previous general contractor agreement, as it intends to finish the construction with the newly established general contractor company, a sister company inside Lords LB Special Fund V group of companies.

Net sales of the Company during the reporting year amounted to EUR 74 967. The financial result for the reporting year is a loss of EUR 19 756 894.

FINANCIAL RISK MANAGEMENT

The Company is exposed to various financial risks, including credit risk, liquidity risk and interest rate risk.

Credit risk

Credit risk is a risk that customers do not meet their payment obligations to the Company. The Company is minimizing the risk by performing appropriate analysis of the customer creditworthiness prior to entering into the rent agreement and receiving a guarantee deposit if needed, as well as monitoring repayment of the debts.

Liquidity risk

The Company pursues a prudent liquidity risk management maintaining sufficient credit resources that allow settling liabilities when they fall due. To minimize the liquidity risk the term analysis of assets and liabilities is performed and, if necessary, resources from affiliated companies are attracted. As at 31 December 2024, the Company's short-term liabilities (40 783 605 EUR) exceeded current assets (907 021 EUR) by 39 876 584 EUR. The majority of short-term liabilities consisted of short-term loans received from related parties (see note No. 11) and trade payables to contractors for the project in development, as well as to related parties. In May 2024 the Company received additional loan from Preses Nams UAB, which amounted to 23 750 462 EUR and which was used to partially repay the loan and accrued interest to the related party Matuda UAB in the amount 18 765 550 EUR and to pay for certain invoices received for the investment property under development by the Company. Respectively, the Company's liquidity in 2025 will be ensured by additional credit resources in order to ensure the successful continued development of the project. Thus, the management of the Company believes that the Company is not exposed to significant liquidity risk.

Interest rate risk

The loans of the Company carry a fixed interest rate. The management of the Company does not perform any specific measures for mitigating this risk.

Going concern

The Company is a special purpose development vehicle ("SPV") which does not earn income independently during the building development and construction period. The Company is developing a multifunctional real estate center on its controlled land plot in Balasta Dambis 2. The Company highlights that after the planned completion of the 1st stage development in 2026, the Company is expected to start independently generating rental income and positive net cash flows from operations supporting its going concern going forward.

The activities of the Company are financed by the funds received from the shareholder and/or its controlled entities considering the course of the project and the need of working capital to finance the construction activities. The Company's shareholder Lords LB Special Fund V, managed by LORDS LB ASSET MANAGEMENT UAB, has long-term plans for the Company and intends to support its liquidity by raising additional external financing itself or via its other controlled SPVs.

As at 31 December 2024 the Company had a working capital deficit equal to EUR 39 876 584. The successful attraction of a new loan from Preses Nams UAB ensured partial refinancing of the loan received from Matuda UAB and cover some of the Company's liabilities to the new general contractor. The remaining majority of the amounts payable are to the Company's suppliers for the construction works performed in the 1st stage development, which remain outstanding as at the date of these financial statements sign-off.

Settlement of the outstanding and contingent liabilities and further development and finalization of the construction successfully and within the planned timeframe is highly dependent on the attraction of additional external financing by the Company's shareholder. While at the date of these financial statements sign-off, the Company, its shareholder and its other controlled SPVs do not have a written confirmed commitment from the potential investors, the Company's shareholder has prepared a forecast regarding the needs of additional cash inflows to settle the outstanding liabilities and proceed with the construction and development and a corresponding plan when additional funds would be attracted. Based on the recent experience in raising additional funds via Preses Nams UAB during April-May 2024, the management is optimistic in its ability to obtain additional financing as and when necessary to complete the construction project.

Taking into account the information currently available and the actions taken by the management, the Company expects to continue operations as a going concern. As such, these financial statements have been prepared on the basis that the Company will continue as a going concern, and do not include any adjustments to carrying amounts of assets and liabilities that might be necessary if the going concern assumption would not be applicable. However, there exists a material uncertainty related to the Company's ability to attract additional financing that would enable the Company to settle its outstanding and contingent liabilities and to continue further development and finalization of the 1st stage of the construction, this in turn may cast significant doubt on the Company's ability to continue as a going concern.

Management cannot rule out the possibility that the geopolitical situation or a negative impact on the business environment in which the Company operates could adversely affect the Company, its financial position and performance in the short and medium term, including the estimated fair value of its investment property (please see Note 8, which describes the significant unobservable inputs used in estimating the fair value). This conclusion is, however, based on the information available as at the date of these financial statements and future developments in the business environment may have a different impact on the future operations of the Company. The management continues to monitor the situation closely and take the necessary steps to mitigate, to the extent possible, the effects of new events and circumstances.

Events after balance sheet date

On 25 March 2025 the Company and general contractor YIT Lithuania UAB entered into the Agreement on out-of-court settlement of a dispute. Under the Settlement agreement the PN Project AS undertook to pay certain amounts. On 6 May 2025 the PN Project completed the payment of all amounts due (EUR 6 327 817,79) to the contractor under the Settlement agreement. On 12 May 2025 the Parties submitted a joint request for termination of the arbitration case (SCC Case No.V2024/112).

As of 25 March 2025 a third party disputed the Company's rights under a contract. It is attempting to invalidate the pledge agreement, delete the existing mortgage and the prohibition mark from the Land Register registered on the property owned by the Company. The Company's position is that it does not recognize and actively contests the claim. There are no claims for fund recovery against the Company and these proceedings do not affect the construction process.

On 12 May 2025 the Company managed to successfully launch an issuance process for a first EUR 30 million tranche of a EUR 75 million public bond programme. The issuance period is expected to end on 30 May 2025 with bond issue date set at 4 June 2025. The results of the issuance are hard to predict, but its success significantly impacts the Company's plans, project development and going concern.

30 May 2025

Povilas Urbonavičius, Member of the Board

Igors Daņilovs, Member of the Board

This Management Report has been signed with a secure electronic signature and contains a timestamp.

Financial statements

Profit and loss statement

	Note	2024	2023
		EUR	(Restated) EUR
Net sales		74 967	62 431
Cost of services	3	(90 850)	(87 331)
Gross loss		(15 883)	(24 900)
Administrative expenses	4	(644 055)	(358 580) *
Other operating expenses	5	(15 792 340)	(6 419 866) *
Interest receivable and similar income			
a) from related parties	6	167 750	228 305
Interest payable and similar expenses			
a) to related parties	7	(3 118 486)	(2 720 661)
b) other parties		(353 819)	(508 302)
Loss before tax		(19 756 833)	(9 804 004) *
Corporate income tax for the reporting year		(61)	(33)
Loss after tax for the reporting year		(19 756 894)	(9 804 037) *
Loss for the reporting year		(19 756 894)	(9 804 037) *

*Restatements are explained in Note 2.

The accompanying notes on pages from 11 to 20 form an integral part of these financial statements.

30 May 2025

In the name of the Board:
Povilas Urbonavičius, Member of the Board
Igoris Daņilovs, Member of the Board

Zane Caune, Partner, Representing Ernst & Young Baltic SIA

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Balance sheet

ASSETS

	Note	31/12/2024	31/12/2023 (Restated)
		EUR	EUR
LONG-TERM INVESTMENTS			
Fixed assets, investment property			
Real estate			
a) Investment property	8	62 962 491	72 610 000 *
Advance payments for fixed assets	9	495 000	3 053 754
Long term financial investments			
Investments in subsidiaries	10	2 800	2 800
Loans to related parties	11 b)	1 100 000	1 100 000
TOTAL LONG-TERM INVESTMENTS		64 560 291	76 766 554 *
CURRENT ASSETS			
Inventories			
Raw materials, basic materials and consumables		169 999	169 999
TOTAL INVENTORIES		169 999	169 999
Receivables			
Trade receivables		66 939	66 696
Due from related parties		471 455	332 751
Other receivables		190 737	10 523
TOTAL RECEIVABLES		729 131	409 970
Cash		7 891	-
TOTAL CURRENT ASSETS		907 021	579 969
TOTAL ASSETS		65 467 312	77 346 523 *

*Restatements are explained in Note 2.

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30 May 2025

In the name of the Board:

Povilas Urbonavičius, Member of the Board

Igors Daniilovs, Member of the Board

Zane Caune, Partner, Representing Ernst & Young Baltic SIA

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Balance sheet

EQUITY AND LIABILITIES

	Note	31/12/2024	31/12/2023 (Restated)
		EUR	EUR
SHAREHOLDER'S EQUITY			
Share capital	14	51 507 800	33 222 800
Accumulated loss brought forward from the previous years		(14 326 462)	(4 522 425)
Loss for the reporting year		(19 756 894)	(9 804 037) *
TOTAL SHAREHOLDERS' EQUITY		17 424 444	18 896 338 *
LONG - TERM LIABILITIES			
Other loans	11 c)	227 000	18 315 384
Due to related parties		7 032 263	7 059 116
TOTAL LONG - TERM LIABILITIES		7 259 263	25 374 500
SHORT - TERM LIABILITIES			
Other loans	11 c)	26 995 536	19 730 016
Accounts payable to suppliers and contractors		5 456 208	7 404 548
Due to related parties	11 d)	8 139 645	5 123 730 *
Taxes and compulsory state social insurance contributions		83 725	1 801
Other liabilities	16	55 744	49 920
Accrued liabilities	17	52 747	765 670
TOTAL SHORT - TERM LIABILITIES		40 783 605	33 075 685
TOTAL LIABILITIES		48 042 868	58 450 185
TOTAL LIABILITIES		65 467 312	77 346 523 *

*Restatements are explained in Note 2.

The accompanying notes on pages from 11 to 20 form an integral part of these financial statements.

30 May 2025

In the name of the Board:

Povilas Urbonavičius, Member of the Board

Igors Daņilovs, Member of the Board

Zane Caune, Partner, Representing Ernst & Young Baltic SIA

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Statement of changes in shareholder's equity

	Share capital EUR	Accumulated loss EUR	Loss for the reporting year EUR	Total equity EUR
Balance as at 31 December 2022	16 222 800	994 695	(5 517 118)	11 700 377
Loss of 2022 transferred to retained earnings of previous years	-	(5 517 118)	5 517 118	-
Issue of share capital	17 000 000	-	-	17 000 000
Loss for the reporting year (restated)	-	-	(9 804 037) *	(9 804 037)
Balance as at 31 December 2023 (restated)	33 222 800	(4 522 425)	(9 804 037)	18 896 338
Loss of 2023 transferred to retained earnings of previous years	-	(9 804 037)	9 804 037	-
Issue of share capital**	18 285 000	-	-	18 285 000
Loss for the reporting year	-	-	(19 756 894)	(19 756 894)
Balance as at 31 December 2024	51 507 800	(14 326 462)	(19 756 894)	17 424 444

*Restatements are explained in Note 2.

** See Note 14.

The accompanying notes on pages from 11 to 20 form an integral part of these financial statements.

30 May 2025

In the name of the Board:

Povilas Urbonavičius, Member of the Board

Igors Daniļovs, Member of the Board

Zane Caune, Partner, Representing Ernst & Young Baltic SIA

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Statement of cash flows

	2024	2023
	EUR	(Restated) EUR
I. CASH FLOWS FROM OPERATING ACTIVITIES		
1. Loss before taxes	(19 756 833)	(9 804 004) *
Adjustments for:		
decrease / (increase) in value of investment property	9 647 509	(9 280 000) *
interest and similar income	(167 750)	(228 305)
interest and similar expenses	3 118 486	2 720 661
2. Loss before adjustments for the effect of changes to current assets and short term liabilities	(7 158 588)	(16 591 648) *
Adjustments for:		
(increase) or decrease of receivables	(180 457)	16 503
increase in inventories	-	(169 999)
(decrease) or increase of accounts payable to suppliers, contractors and other creditors	(427 747)	4 304 545 *
3. GROSS CASH FLOWS USED IN OPERATING ACTIVITIES	(7 766 792)	(12 440 599)
4. Interest payment expenses	(34 272)	(1 401 337)
5. Corporate income tax payment expenses	(61)	(33)
6. NET CASH FLOWS USED IN OPERATING ACTIVITIES	(7 801 125)	(13 841 969)
II. NET CASH FLOWS GENERATED FROM INVESTING ACTIVITIES		
1. Purchase of property, plant and equipment and intangible assets	2 558 754	(3 053 754)
2. Income from repayment of loans	-	4 100 000
3. Interest received	29 046	180 000
4. NET CASH FLOWS GENERATED FROM INVESTING ACTIVITIES	2 587 800	1 226 246
III. CASH FLOWS FROM FINANCING ACTIVITIES		
1. Loans received	5 995 726	12 627 000
2. Loans paid	(774 510)	(88 107)
3. NET CASH FLOWS FROM FINANCING ACTIVITIES	5 221 216	12 538 893
IV. Net cash flow of the reporting period	7 891	(76 830)
V. Cash and cash equivalents at the beginning of the period	-	76 830
VI. Cash and cash equivalents at the end of the period	7 891	-

*Restatements are explained in Note 2.

The accompanying notes on pages from 11 to 20 form an integral part of these financial statements.

30 May 2025

In the name of the Board:

Povilas Urbonavičius, Member of the Board

Igors Daņilovs, Member of the Board

Zane Caune, Partner, Representing Ernst & Young Baltic SIA

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Notes to the financial statements

1. Corporate information

PN Project AS (hereinafter – the Company) was registered with the Commercial Register of the Republic of Latvia on 18 April 2017 as a Limited Liability Company. On 24 May 2018 Company changed legal form to Joint Stock Company. The registered address of the Company is Republikas street 2A, Riga, LV - 1010, Latvia. The registration number of the Company is 40203063602. The parent company of the Company - Lords LB Special Fund V, managed by LORDS LB ASSET MANAGEMENT, legal address is Jogalios g.4, Vilnius, LT - 01116, Lithuania. The Board of the Company consists of Povilas Urbonavičius (Member of the Board from 17.09.2024.) and Igors Daņilovs (Member of the Board from 17.09.2024.). The Company's auditor is the certified audit company PricewaterhouseCoopers SIA and certified auditor in charge Jegors Podosiņņikovs.

2. Summary of significant accounting policies

Basis of preparation

The financial statements of the Company were prepared in accordance with the law "Accounting Law" and the "Annual Reports and Consolidated Annual Reports Law". The amounts disclosed in the financial statements are based on accounting records of the Company made in accordance with Latvian laws.

The Company is a subsidiary of a Group where the Group's parent company prepares its financial statements according to the IFRS Accounting Standards as adopted by the European Union (EU) and, accordingly, in the preparation of these financial statements the management used the exemption under Section 13 of the "Annual Reports and Consolidated Annual Reports Law" and recognizes, measures and discloses investment property according to the IFRS Accounting Standards and provides appropriate disclosures on this position.

For the effect of this exemption on the profit and loss statement please refer to Note 8.

The financial statements are prepared on a historical cost basis, except for investment properties carried at fair value. The profit and loss statement has been prepared according to the turnover costing method.

The cash flow statement has been prepared in accordance with the indirect method by making relevant adjustments to reconcile operating profit with cash flows from operating activities.

The Company meets the definition of a small company.

Accounting principles

The financial statements were prepared in accordance with the following policies:

- a) Going concern assumption that the Company will continue as a going concern;
- b) The management believes that the accounting policies used in the preparation of these financial statements are largely consistent with those used last year.
- c) Items have been valued in accordance with the principle of prudence:
 - the financial statements reflect only the profit generated to the balance sheet date;
 - all liabilities and losses incurred during current or prior year have been taken into consideration even if discovered within the period after the date of the balance sheet and preparation of the financial statements; and,
 - all amounts of impairment and depreciation have been taken into consideration irrespective of whether the financial result was a loss or profit;
- d) Income and expenses incurred during the reporting year have been taken into consideration irrespective of the payment date or date when the invoice was issued or received; Expenses have been matched with income in the respective reporting periods;
- e) All material items, which would influence the decision-making process of users of the financial statements, have been recognized and insignificant items have been combined and their details disclosed in the notes;
- f) Business transactions have been recorded and disclosed taking into account their economic content and substance rather than just their legal form.
- g) Assets and liabilities have been valued separately.
- h) The opening balances agrees with the prior year's closing balances, except for the adjustments to the previous year's balances that are disclosed in Note 8.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation

Related parties

Related parties represent both legal entities and private individuals related to the company in accordance with the following rules.

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - i) has control or joint control over the reporting entity;
 - ii) has a significant influence over the reporting entity; or
 - iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - iii) Both entities are joint ventures of the same third party;
 - iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - vi) The entity is controlled, or jointly controlled by a person identified in (a).
 - vii) A person identified in a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
 - viii) The entity or any member of the group to which the entity belongs provides management personnel services to the entity or the parent of company of the entity.

Related party transaction - a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

2. Summary of significant accounting policies (continued)

Investments

Investments in subsidiary

Investments in subsidiary are initially recognized at cost. If the value of such investments at the balance sheet date is lower than the acquisition cost or valuation in the previous year's balance sheet, and such decrease is expected to be permanent, investments are recognized at the lower value.

Release from consolidation

According to Article 65 of the Annual Report Law, the criteria of a small concern are not met. The total amount of the consolidated balance sheet is 64 021 816 EUR, the total amount of net turnover is 84 979 EUR and the average number of employees in the reporting year is 5.

Financial instruments and financial risks

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

The key financial instruments held by the Company are financial assets such as trade receivables from related parties, other receivables and issued loans and financial liabilities such as received loans, accounts payable to suppliers and contractors, payables to related parties and other creditors arising directly from its business activities.

Financial risks and financial risk management related to financial instruments of the Company

The main financial risks related to the financial instruments of the Company are:

- Credit risk is the risk that the Company may incur financial losses if parties to transactions fail to fulfil their contractual liabilities; credit risk is primarily related to trade receivables;
- Currency risk – potential losses of the Company as a result of fluctuations in foreign exchange rates;
- Interest rate risk – risk that the Company may incur losses due to fluctuations in interest rates;
- Liquidity risk – risk that the Company will not be able to meet its financial liabilities in due time.

The management has implemented the following measures for management of key (or significant) risks.

Credit risk

Credit risk is the risk that clients may not meet their payment liabilities towards to the Company. This risk is mitigated by the Company by due evaluation of the credit ability of the counterparty prior to entering into rent agreements and, if necessary, by obtaining guarantee deposits from lessees, and by monitoring debt repayments.

Currency risk

The Company is not exposed to currency risk, as all transactions of the Company are carried out in EUR.

Interest rate risk

The loans of the Company carry a fixed and variable interest rate. The management of the Company does not perform any specific measures for mitigating this risk.

Liquidity risk

The Company manages liquidity risk in line with the principle of prudence, ensuring that it has appropriate credit resources to cover liabilities in due time. To reduce liquidity risk, the Company performs a maturity analysis of assets and liabilities and, if necessary, attracts funding from related parties. Therefore, the management believes that the Company is not exposed to significant liquidity risk, see also note No. 18.

Reporting period

The reporting period is the period from 1 January 2024 to 31 December 2024.

Estimates and judgments

The preparation of financial statements requires management to make judgements, estimates and assumptions 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 the accounting estimates are recognised in the period when those estimates are reviewed and in the future periods.

Key sources of estimation uncertainty are the following:

(a) Investment property

The Company's management chose to apply Article 13, Paragraph five, Clause 2 of the Annual Reports and Consolidated Annual Reports Law regarding its real estate accounting to be accounted for in accordance with IAS 40 'Investment property' and valued at fair value.

Investment property is land, building or a part of it that the Company holds (as an owner or a lessee under finance lease) in order to collect rental fees or wait for price appreciation (increase in value) rather than use the property for production, providing services, administrative purposes or sale within the course of ordinary business operations. Investment property is carried at fair value. After the initial recognition at cost it is permitted to recognize the investment property at fair value, if there are constantly available prices in an active market for similar investment property objects located in the same place or condition, or subject to similar rent or other agreements (if there are such), or if a certified real estate evaluator has estimated the value of each land plot or building. If investment properties are valued based on fair value, they are not subject to depreciation. Changes in fair value are recognized in the profit or loss statement.

Fair value should reflect the actual market state and circumstances as of the balance sheet date. The best evidence of fair value is normally given by current prices on an active market for similar property in the same location and condition and subject to similar lease and other contracts. In the absence of such information, the Company may consider current prices for properties of a different nature or subject to different conditions, recent prices on less active markets with adjustments to reflect changes in economic conditions, and discounted cash flow projections based on reliable estimates of future cash flows.

Investment property development expenses are capitalized and includes expenditure that is directly attributable to the acquisition of the investment property. Development expenses of investment property comprise of the cost for materials, direct labour and other costs directly attributable to bringing the investment property to working condition for its intended use.

2. Summary of significant accounting policies (continued)

(b) Impairment

At each reporting date, assets are assessed for indications of significant impairment. Where such indications exist, the carrying amounts of assets are compared to their recoverable amounts. The recoverable amount of an asset is the greater of its value in use and its fair value less cost to sell. If the recoverable amount of an asset is lower than its carrying amount, the value of the asset is written down to its recoverable amount. Impairment losses are recognized in profit or loss.

(c) Receivables

Receivables are disclosed at net cost less allowances for doubtful loans and trade receivables. Impairment allowances for doubtful debts are recognized when objective evidence exists that the Company will not be able to recover the full amount of receivables according to the previously agreed repayment terms. Impairment allowances for doubtful debts are calculated based on an individual assessment of each receivable.

Accrued income

Accrued income comprise income from services in the reporting period, for which invoices will be issued in the next reporting period.

Cash and cash equivalents

Cash and cash equivalents include cash on current accounts.

Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Income and expenses

Income is recognized in the period to which it relates regardless of the date of receipt of cash.

Income from services are recognized net of value added tax and discounts related to the relevant transaction.

Expenses are recognized on accrual basis. Expenses are recognized in the period to which they relate regardless of the date of the invoice or payment.

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.

Loans

Loans are initially disclosed at cost which is calculated as the principal of the loan less costs connected with issuing the loan. Subsequent to initial recognition, loans are carried at amortized cost. The difference between the amount received and the value of the loan at maturity is gradually charged to the profit and loss statement over the term of the loan.

Corporate income tax

There is a "Corporate Income Tax law" in the Republic of Latvia that establishes the regime for paying tax. The tax rate is 20%, the taxation period is one month and the taxable base includes:

- distributed profit (dividends calculated, payments equivalent to dividends, conditional dividends) and
- conditionally or theoretically 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 into 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).

2. Summary of significant accounting policies (continued)

Adjustments

Certain balances for 2023 have been restated to reflect the revaluation of investment properties, resulting in adjustments to their carrying amounts. Additionally, errors in cost recognition have been identified and corrected, impacting the reported expenses of 2023. These changes aim to provide a more accurate representation of the company's financial position and performance.

Following adjustments were made to the comparative balances as at 31.12.2023:

- a) Administrative costs and other operating expenses in the profit and loss statement decreased due to adjustments to intercompany debts;
- b) Increased balance sheet amounts in the items Investment properties, due to the adjustment of the fair value of investment property. The adjustment accordingly affects the profit and loss statement;
- c) Increased balance sheet amounts in the Short-term liabilities (Due to related parties) based on intercompany reconciliation results;

PROFIT AND LOSS STATEMENT

For period 01/01/2023-31/12/2023

	2023 before restatement, EUR	Restatement, EUR	2023 after restatement, EUR
Administrative expenses	(350 119)	(8 461)	(358 580)
Other operating expenses	(13 368 363)	6 948 497	(6 419 866)
Loss for the reporting year	(16 744 073)	6 940 036	(9 804 037)

BALANCE SHEET

31/12/2023

	Before restatement, EUR	Restatement, EUR	After restatement, EUR
ASSETS			
LONG-TERM INVESTMENTS			
Investment property	65 450 000	7 160 000	72 610 000
TOTAL ASSETS	70 186 523	7 160 000	77 346 523
EQUITY AND LIABILITIES			
SHAREHOLDER'S EQUITY			
Loss for the reporting year	(16 744 073)	6 940 036	(9 804 037)
SHORT - TERM LIABILITIES			
Due to related parties	4 903 766	219 964	5 123 730
TOTAL EQUITY AND LIABILITIES	70 186 523	7 160 000	77 346 523

CASH FLOW

31/12/2023

	Before restatement, EUR	Restatement, EUR	After restatement, EUR
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxes	(16 744 040)	6 940 036	(9 804 004)
decrease / (increase) in value of investment	(2 120 000)	(7 160 000)	(9 280 000)
Loss before adjustments for the effect of changes to current assets and short term (decrease) or increase of accounts payable to suppliers, contactors and other creditors	(16 371 684)	(219 964)	(16 591 648)
	4 084 582	219 963	4 304 545

3. Cost of services provided

	2024 EUR	2023 EUR
Public utilities	82 252	69 932
Other property operating costs	8 598	16 724
Property insurance costs	-	675
TOTAL:	90 850	87 331

4. Administrative expenses

	2024	2023 (Restated)
	EUR	EUR
Expenses of bond issue **	230 935	12 915
Legal services	203 948	64 459
Management and advisory services	95 088	192 486 *
Professional services	56 486	39 419
Salaries	48 272	48 295
Bank charges	5 397	313
Other administrative expenses	3 929	693
TOTAL:	644 055	358 580 *

*Restatements are explained in Note 2.

**According to Intercompany loan agreement dated 07.11.2023.

In 2024 the Company had one chairman of the board, one member of the board, one chairman of the council, one deputy chairman of the board and five members of the council.

5. Other operating expenses

	2024	2023 (Restated)
	EUR	EUR
Loss from investment property fair value adjustment	15 649 738	6 207 586 *
Real estate tax	141 075	198 578
Other expenses	1 527	13 702
TOTAL:	15 792 340	6 419 866 *

*Restatements are explained in Note 2.

6. Interest and similar income

	2024	2023
	EUR	EUR
Loan interest	167 750	228 305
TOTAL:	167 750	228 305

7. Interest and similar expenses

	2024	2023
	EUR	EUR
Interest expenses on loans from related parties	3 118 486	2 720 661
Fines	222 222	663
Commitment fee for future loan from a credit institution	131 597	507 639
TOTAL:	3 472 305	3 228 963

8. Investment property

The investment property is measured at fair value. Company holds one investment property - land and buildings under development in Riga, Balasta dambis 2.

	2024	2023 (Restated)
	EUR	EUR
Balance as at 1 January	72 484 617	63 330 000
Capitalized investments into development of the investment property	5 876 846	15 487 586 *
Loss from fair value adjustments	(15 649 738)	(6 332 969) *
Balance as at 31 December	62 711 726	72 484 617 *

*Restatements are explained in Note 2.

Based on Newsec valuation report carried out as at 30 September 2024 the fair value of the investment property was EUR 62 610 000. Between the Newsec valuation date and at the end of the reporting year the Company incurred costs of EUR 352 491 directly related to construction work (e.g., contractor invoices, construction team salaries, security, etc.), which, in the management's opinion, increase the fair value of the investment property.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the date of valuation. Investment property was appraised by an independent qualified valuer who used the income approach, which is accepted by the company management.

The result of valuation is very sensitive for changes in incomerate, capitalization rate, economic situation and discount rates.

8. Investment property (continued)

The table below represents Company's investment property fair value valuation methodology and major unobservable inputs as at 31 December 2024.

Type	Valuation method	Major unobservable input	Carrying amount, EUR
Land plot and building			
Rīga, Balasta dambis 2. Before the realization of the project, total area of Land amounts to 58,287 m ² and Buildings area - 50,337 m ² . After the realization to the project total area of buildings is planned to be expanded to 187,307 m ² . The Company foresees that 1st stage development premises will be available for rent starting from year 2026.	Discounted cash flow method: the model is based on the discounted net expected cash flows that are based on total leasable area and expected costs and revenues.	Monthly rental income from offices' rent - 15,84 EUR/m ² (based on RE) Monthly rental income from the rent of parking places - 75 EUR/m ² Income growth rate - 2,3% - 2,5% (for years 2024-2025) and 2% (for years 2026 - 2029) Capitalization rate - 5,75-7,25% (based on RE) Cash flow calculation period - 6 years Annual discount rate - 17%	62 610 000
TOTAL:			62 610 000

The table below represents Company's investment property fair value valuation methodology and major unobservable inputs as at 31 December 2023.

Type	Valuation method	Major unobservable input	Carrying amount, EUR
Land plot and building			
Rīga, Balasta dambis 2. Before the realization of the project, total area of Land amounts to 58,287 m ² and Buildings area - 50,337 m ² . After the realization to the project total area of buildings is planned to be expanded to 187,307 m ² . The Company foresees that 1st stage development premises will be available for rent starting from year 2026.	Discounted cash flow method: The model is based on the discounted net expected cash flows that are based on total leasable area and expected costs and revenues.	Monthly rental income from offices' rent - 15,84 EUR/m ² (based on RE) Monthly rental income from the rent of parking places - 75 EUR/m ² Income growth rate - 2,3% - 2,5% (for years 2024 - 2025) and 2% (for years 2026 - 2029) Capitalization rate - 5,75-7,25% (based on RE) Cash flow calculation period - 6 years Annual discount rate - 16% - 18%	72 484 617
TOTAL:			72 484 617

Sensitivity on estimates

	Capitalization rate	Value, EUR	Change in capitalization (cap) rate	
			+0.25 cap rate	-0.25 cap rate
Stage 2-4 Office, parking	5.75%	31 130 000	25 670 000 -24.00%	38 460 000 17.24%
			<i>Change in cap rate</i>	
			+ 0.25 cap rate	-0.25 cap rate
Stage 1 Hotel	7.25%	2 350 000	1 690 000 -40.24%	3 120 000 24.04%
			<i>Change in cap rate</i>	
			+ 0.25 cap rate	-0.25 cap rate
Stage 1 Office, Retail, Parking	5,75% - 7.00%	29 130 000	28 070 000 -11.33%	34 670 000 9.86%
TOTAL:		62 610 000	55 430 000 -12.95%	76 250 000 17.89%
			2024 EUR	2023 EUR
Rental income from investment property			74 967	62 431
Direct operating expense			(90 850)	(87 331)
TOTAL:			(15 883)	(24 900)

8. Investment property (continued)

The revenue presented reflects the rental income received by the Company in 2024 and 2023 from the initial lease of the object. Revenue is not related to the lease of an object under construction.

The fair value measurement for investment property has been categorized as a Level 3 in the fair value hierarchy.

The successful refinancing of the loan received from Matuda UAB by a new loan received from "Preses Nams" UAB (both of the companies are ultimately controlled by the Company's parent Lords LB Special Fund V, managed by "Lords LB Asset Management" UAB) in May 2024 ensures the continuity of the current 1st stage of development with increased development pace planned to resume to full scale in June 2025. With the expected continued success of additional funds to be raised externally by Preses Nams UAB and provided as a loan to the Company, the Company plans to finalize the 1st stage of the construction project until November 2026. Macroeconomic and geopolitical situation requires more input from the management regarding the clarity of project development path prior to initiating specific additional construction activities. Currently, it is planned that the 2nd stage construction of 31.000 sqm of buildable area for the office and school complex, for which the building permit was received in June 2023, will start when anchor tenants will be found. The work on the 3rd stage development of 65.000 sqm of buildable area is currently in the concept stage, looking for the most appropriate development scheme, which would complement other already designed stages. The construction of the hotel building, for which the building permit was received in 2020, is still on hold amidst the currently decreased appetite of financial institutions for hospitality object financing. The Company's management is actively looking to attract possible tenants and long-term financing to the further stages of the development. The fair value estimate of the investment property reflects the management's and the independent qualified valuer's best estimate regarding the timing when the above uncertainties are expected to be resolved.

9. Advance payments for fixed assets

Advances paid to general contractor and other subcontractors for construction works to be performed on site at Riga, Balasta dambis 2. Advances are planned to be realized in 2025.

10. Investments in subsidiaries

Company: PN Management SIA (Address: Republikas laukums 2A, Riga, Latvia)	Percentage of equity interest	Initial investment EUR	Accumulated loss EUR	Loss for the period EUR	Equity as of year end EUR	
	31/12/2023	100%	2 800	1 085 407	(570 652)	517 555
	31/12/2024	100%	2 800	514 755	(1 760 507)	(1 242 952)

11. Related party transactions

11 a) Due from related parties

	31/12/2024 EUR	31/12/2023 EUR
Long term receivables from related parties (interest)	471 455	332 751
TOTAL:	471 455	332 751

11 b) Loans to related parties

	31/12/2024 EUR	31/12/2023 EUR
Long term loans to related companies, repayable in 2-6 years	1 100 000	1 100 000
TOTAL:	1 100 000	1 100 000

11 c) Other loans

Long - term liabilities

<i>Lender</i>	<i>Maturity</i>	31/12/2024 EUR	31/12/2023 EUR
Preses nams UAB (related company)	26/04/2024	-	1 700 000
Shareholder	13/05/2026	227 000	16 615 384
TOTAL:		227 000	18 315 384

Short - term liabilities

<i>Lender</i>	<i>Maturity</i>	31/12/2024 EUR	31/12/2023 EUR
Matuda UAB	26/04/2024	-	19 730 016
Preses nams UAB (related company)	13/11/2025	26 995 536	-
TOTAL:		26 995 536	19 730 016

The Company has one loan from shareholder Lords LB Special Fund V. Loan from 31.01.2022 on 31.12.2024 amounts to 227 000 EUR (31.12.2023: 9 440 500 EUR), interest rate is fixed - 0%. Both loans mature on 13 May 2026.

The Company had a loan from Matuda UAB. The maturity date of the loan was 26 April 2024. The loan was repaid. The Company has a loan from Preses Nams UAB. The loan matures on 13 November 2025. Interest rate is variable according to market conditions, for year 2024 it was 0%. For significant events after the end of the reporting year, see note No. 19.

11 c) Other loans (continued)

The table below shows the movement (both cash and non-cash via set off agreements) of loans during year 2024 and their balance as at 31 December 2024:

	Balance at the beginning of the year:	Reclassification	Loans received	Loans repaid	Accrued interest expenses	Interest paid	Balance at the end of the year
Non-current loans							
Lords LB Special Fund V	23 651 188	-	366 500	(16 754 884)	-	(3 541)	7 259 263
Preses Nams UAB	1 723 312	(1 723 312)	-	-	-	-	-
Current loans							
Matuda UAB	20 094 463	-	139 000	(19 904 365)	632 971	(962 069)	-
Preses Nams UAB	-	1 723 312	25 295 536	-	2 484 582	(1 273 300)	28 230 130
Provestum UAB	-	-	200 000	(200 000)	933	(933)	-
Total liabilities	45 468 963	-	26 001 036	(36 859 249)	3 118 486	(2 239 843)	35 489 393

In the tables above, the amounts of loans repaid include settlements for the share capital increase.

11 d) Due to related companies

Long - term liabilities

	31/12/2024 EUR	31/12/2023 EUR
Payables to related companies (interest)	7 032 263	7 059 116
TOTAL:	7 032 263	7 059 116

Short - term liabilities

	31/12/2024 EUR	31/12/2023 (Restated) EUR
Payables to related companies	8 139 645	5 123 730 *
TOTAL:	8 139 645	5 123 730

*Restatements are explained in Note 2.

12. Other receivables

	31/12/2024 EUR	31/12/2023 EUR
Overpaid taxes (Note 15)	190 737	10 523
TOTAL:	190 737	10 523

13. Cash

	31/12/2024 EUR	31/12/2023 EUR
Cash at bank EUR	7 891	-
TOTAL:	7 891	-

14. Share capital

As of 31 December 2024 the paid share capital of the Company was 51 507 800 EUR and consisted of 51 507 800 shares with a nominal value of EUR 1 per share.

As of 31 December 2023 the paid share capital of the Company was 33 222 800 EUR and consisted of 33 222 800 shares with a nominal value of EUR 1 per share.

On 18 December 2024 it was decided that the debt subject to capitalization in the amount of EUR 18 285 000 existing between the Company as a debtor and the parent Company Lords LB Special Fund V as a lender, increases the Company's share capital and capitalizes the debt obligations to the lender based on the loan agreement signed on 15 November 2018.

15. Taxes and social insurance contributions

	31/12/2024 EUR	31/12/2023 EUR
Real estate tax	83 725	-
Compulsory state social insurance contributions	-	1 117
Personal income tax	-	684
Corporate income tax	-	(83)
Value added tax (Note 12)	(190 737)	(10 440)
TOTAL:	(107 012)	(8 722)
TOTAL PAYABLE:	83 725	1 801
TOTAL RECEIVABLE:	(190 737)	(10 523)

16. Other liabilities

	31/12/2024 EUR	31/12/2023 EUR
Received cash deposits	55 744	47 674
Remuneration	-	2 246
TOTAL:	55 744	49 920

17. Accrued liabilities

	31/12/2024 EUR	31/12/2023 EUR
Accrued professional expenses	39 410	4 550
Accrued public utilities	3 477	20 003
Accrued investment property construction expenses	-	681 637
Other accrued service costs	9 860	59 480
TOTAL:	52 747	765 670

18. Going concern

The Company is a special purpose development vehicle ("SPV") which does not earn income independently during the building development and construction period. The Company is developing a multifunctional real estate center on its controlled land plot in Balasta Dambis 2. The Company highlights that after the planned completion of the 1st stage development in 2026, the Company is expected to start independently generating rental income and positive net cash flows from operations supporting its going concern going forward.

The activities of the Company are financed by the funds received from the shareholder and/or its controlled entities considering the course of the project and the need of working capital to finance the construction activities. The Company's shareholder Lords LB Special Fund V, managed by "LORDS LB ASSET MANAGEMENT" UAB, has long-term plans for the Company and intends to support its liquidity by raising additional external financing itself or via its other controlled SPVs.

As at 31 December 2024 the Company had a working capital deficit equal to EUR 39 876 584. The successful attraction of a new loan from Preses Nams UAB ensured partial refinancing of the loan received from Matuda UAB and cover some of the Company's liabilities to the new general contractor. The remaining majority of the amounts payable are to the Company's suppliers for the construction works performed in the 1st stage development, which remain outstanding as at the date of these financial statements sign-off.

Settlement of the outstanding and contingent liabilities and further development and finalization of the construction successfully and within the planned timeframe is highly dependent on the attraction of additional external financing by the Company's shareholder. While at the date of these financial statements sign-off, the Company, its shareholder and its other controlled SPVs do not have a written confirmed commitment from the potential investors, the Company's shareholder has prepared a forecast regarding the needs of additional cash inflows to settle the outstanding liabilities and proceed with the construction and development and a corresponding plan when additional funds would be attracted. Based on the recent experience in raising additional funds via Preses Nams UAB during April-May 2024, the management is optimistic in its ability to obtain additional financing as and when necessary to complete the construction project.

Taking into account the information currently available and the actions taken by the management, the Company expects to continue operations as a going concern. As such, these financial statements have been prepared on the basis that the Company will continue as a going concern, and do not include any adjustments to carrying amounts of assets and liabilities that might be necessary if the going concern assumption would not be applicable. However, there exists a material uncertainty related to the Company's ability to attract additional financing that would enable the Company to settle its outstanding and contingent liabilities and to continue further development and finalization of the 1st stage of the construction, this in turn may cast significant doubt on the Company's ability to continue as a going concern.

Management cannot rule out the possibility that the geopolitical situation or a negative impact on the business environment in which the Company operates could adversely affect the Company, its financial position and performance in the short and medium term, including the estimated fair value of its investment property (please see Note 8, which describes the significant unobservable inputs used in estimating the fair value). This conclusion is, however, based on the information available as at the date of these financial statements and future developments in the business environment may have a different impact on the future operations of the Company. The management continues to monitor the situation closely and take the necessary steps to mitigate, to the extent possible, the effects of new events and circumstances.

19. Subsequent events

On 25 March 2025 the Company and general contractor YIT Lithuania UAB entered into the Agreement on out-of-court settlement of a dispute. Under the Settlement agreement the PN Project undertook to pay certain amounts. On 6 May 2025 the PN Project completed the payment of all amounts due (EUR 6 327 817,79) to the contractor under the Settlement agreement. On 12 May 2025 the Parties are submitted a joint request for termination of the arbitration case (SCC Case No.V2024/112).

As of 25 March 2025 a third party disputed the Company's rights under a contract. It is attempting to invalidate the pledge agreement, delete the existing mortgage and the prohibition mark from the Land Register registered on the property owned by the Company. The Company's Position is that it does not recognize and actively contests the claim. There are no claims for fund recovery against the Company and these proceedings do not affect the construction process.

On 12 May 2025 the Company managed to successfully launch an issuance process for a first EUR 30million tranche of a EUR 75million public bond programme. The issuance period is expected to end on 30 May 2025 with bond issue date set at 4 June 2025. The results of the issuance are hard to predict, but its success significantly impacts the Company's plans, project development and going concern.

30 May 2025

Electronic signature of Board Member relates to management report presented on pages 4 to 5 and financial statements presented on presented on pages 6 to 19. Electronic signature of Accountant relates to financial statements presented on page 6 to 19.

In the name of the Board:

Povilas Urbonavičius, Member of the Board

Igors Daņilovs, Member of the Board

Zane Caune, Partner, Representing Ernst & Young Baltic SIA

This report is signed with a secure electronic signature and contains a time stamp.