UNITED PARTNERS

# CONSOLIDATED ANNUAL REPORT 2022

UPP Olaines OÜ

Consolidated Annual Report 2022

Reporting period: 01/01/2022–31/12/2022

Company name: UPP Olaines OÜ

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# MANAGEMENT REPORT

## General

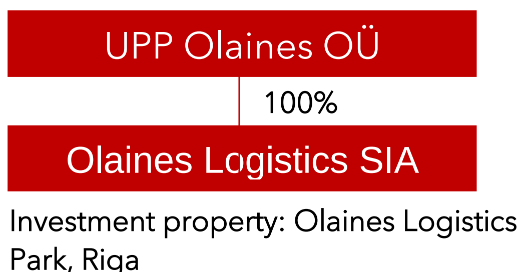
UPP Olaines OÜ (hereinafter "the Company" and together with subsidiaries "the Group") was formed for the financing, acquisition and management of the Olaines Logistics Park investment property (buildings and land). Olaines Logistics Park has two warehouse buildings: warehouse building 1 and warehouse building 2 and is located in Šarlotes, Olaines County, Olaines Municipality, Latvia, land register number 8080 003 0029, recorded in the land register of Olaine Municipality No. 5439.

The company was formed on 24 August 2017 and was inactive until 15 December 2017 when it acquired the Olaines Logistics Park cold storage.

The company's business is not seasonal. The company's business has no social or environmental impact.

The company was formed for the sole purpose of financing, acquisition and management of the Olaines Logistics Park, therefore no strategic change to the company's business is planned.

The UPP Olaines OÜ Group structure as at 31 December 2022 is:




UPP Olaines OÜ bonds were listed on 16 January 2023 on the Baltic First North Bond List of Nasdaq Tallinn.

UPP Olaines OÜ is a going concern.

## Management commentary on financial results

The macroeconomic prospects are uncertain, inflation looks to be subsiding but remains a multiple of the 2% target set by the European Central Bank (ECB) for price stability. There is no clarity on what level key interest rates will actually reach and what is the long-term outlook for key interest rates. According to the baseline scenario the ECB will continue raising interest rates until the third quarter of 2023, after which a slight decline in rates is expected and a stabilisation at the 2.5% level.

The sharp increase in borrowing cost has significantly impacted the Baltic commercial real estate market. Transactions have dried up because the spread between buyer's and seller's expectations has become too large. Price inflation in construction and wage expenses has also inhibited real estate development. Occupancy rates in logistics properties in the Baltic States, however, remain extremely high and tenant payment behaviour is solid.

## Overview of financial results

UPP Olaines OÜ consolidated total revenue for 2022 was EUR 2.626 million (2021: EUR 2.557 million), up around 3% year-on-year. Annual index-based rent increases contributed to revenue growth.

General and administrative expenses for the financial year amounted to EUR 0.155 million (2021: EUR 0.155 million), accounting for 6% of 2022 revenue.

Operating profit for the financial year was EUR 3.276 million (2021: EUR 2.264 million), up 44.7%. The operating profit growth is attributable to revaluation of investment property: in 2022, gains from such revaluation were EUR 0.887 million; in 2021, they were EUR 0.

Net profit for the financial year was EUR 2.220 million (2021: EUR 1.291 million), up 72%. Growth in net profit is also attributable to gains arising from revaluation of investment property.

The Group's total assets as at 31 December 2022 were EUR 33.632 million (31/12/2021: EUR 32.365 million). The value of investment property was EUR 32.870 million (31/12/2021: EUR 31.320 million), accounting for 97.7% of the Group's assets.

The Group's net debt as at 31 December 2022 stood at EUR 21.836 million (31 December 2021: EUR 22.710 million) and the ratio of the Group's net debt to the Group's assets is 64.9%. Net debt is calculated by deducting cash, cash equivalents and the subordinated loan from parent company UPP Logistics Properties OÜ from the Group's total loans.

## Key events during the financial year

### UPP Olaines OÜ bond refinancing

On 25 February 2022, UPP Olaines OÜ issued new bonds with a 3-year term and 6% annual interest rate. The bond issue was aimed at refinancing the 2017 bond issue. The 2017 bonds were redeemed on 14 March 2022. The new bonds began trading on the First North platform on 16 January 2023.

### Maxima Latvija, SIA lease extension

On 2 May 2022, Maxima Latvija SIA and Olaines Logistics SIA signed a lease extension whereby the lease term was extended to 30 April 2027. A plan for capital expenditures was also agreed whereby lighting at the logistics centre will be replaced with LED lighting, floors will be repaired and the asphalt concrete surface of the property will be repaired and other improvements will be made.

### Capital expenditures in the logistics centre

The Group has invested EUR 0.7 million in the logistics centre in the second half of 2021 and 2022. In addition to the above-mentioned work related to the Maxima lease, the Group installed an aspirating system in one warehouse building of the logistics centre, thereby eliminating the summer-time false fire alarms and renewed the building perimeter.

## Events after the balance sheet date

### Loan extension

On 30 March 2023, the Group extended its loan term with Luminor Bank AS to February 2025. The principal of the loan is also increased in order to finance the acquisition of a planned 2 MW solar park including the land for it. The bank's interest rate margin is increased by 35 basis points to 2.75% plus three-month Euribor. The Group has various strategies under consideration for the mitigation of Euribor-dependent interest rate risk.

### SIA Olaines Logistics signed agreements to connect to Sadales Tikls

Due to the planned 2MW solar energy plant there is a 4x 500kW solar park being built in Olaine on the lot next to the Olaines Logistics Centre. Land has already been acquired as of the balance sheet date and all four agreements have been signed to connect to the network operator Sadales Tikls. The estimated completion date for the plant is August 2023 and the objective of the plant is to supply the energy-intensive cold storage logistics centre with solar energy.

### NNL LV SIA lease extension and lease of additional premises.

On 21 April 2023, SIA Olaines Logistics extended the lease with NNL LV SIA to February 2031. NNL LV needed additional cold storage space, therefore we terminated the lease with Girtekos Logistika SIA subtenant and provided an additional 864m$^2$ of freezer space to NNL LV. The lease agreement also provided for a new rate of base rent, which is 8% lower than at the end of 2022. However, the new base rent is higher than the rent earned previously by Olaines Logistics on the 864m$^2$ subleased space and overall the impact on total rent is low.

## Key financial indicators for the financial year

| (euros) | 2022 | 2021 |
|---|---|---|
| Total revenue | 2,626,085 | 2,557,331 |
| Operating profit | 3,275,542 | 2,263,629 |
| EBITA | 2,388,715 | 2,263,629 |
| Net profit | 2,219,790 | 1,290,577 |

| (euros) | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Investment property | 32,870,000 | 31,320,000 |
| Interest-bearing loans | 25,309,361 | 26,358,361 |
| Interest-bearing third-party loans | 22,352,333 | 23,416,333 |

| (euros) | 2022 | 2021 |
|---|---|---|
| Net margin, % (net profit / Total revenue) | 84.5% | 50.5% |
| ROA, % (net profit / average assets) | 6.73% | 4.00% |
| ROE, % (net profit / average equity) | 34.9% | 28.0% |
| Liquidity ratio, times ((current assets – inventories) / current liabilities)) | 0.04 | 0.04 |
| DSCR (EBITA / principal repayments and interest payments on interest-bearing loans, excluding shareholder loan principal and interest payments) | 1.1 | 1.1 |

## Compliance with bond covenants

Pursuant to the UPP Olaines OÜ bond covenants sections 3.5.3 and 3.5.4 the management represents that UPP Olaines OÜ DSCR for the period 01/01/2022–31/12/2022 is greater or equal to 1.1 and no premature redemption has occurred during 01/01/2022–31/12/2022.

## Management and Supervisory Boards

UPP Olaines OÜ Management Board is comprised of one member: Marko Tali, Chairman of the Management Board UPP Olaines OÜ Supervisory Board is comprised of three members: Mart Tooming, Tarmo Rooteman, Hallar Loogma. Members of the Group parent company Management and Supervisory Boards are not remunerated or granted any other benefits. The Management Board Member of the subsidiary is remunerated. Remuneration including taxes for the financial year was EUR 7,420 and for the previous financial year it was also EUR 7,420.

The Group has no employees other than the members of the Management and Supervisory Boards.

/digitally signed/

Marko Tali

Chairman of the Management Board, UPP Olaines OÜ

4 May 2023, Tallinn

# UPP OLAINES OÜ CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| (euros) | Note | 2022 | 2021 |
|---|---|---|---|
| Total revenue | 6 | 2,626,085 | 2,557,331 |
| Cost of sales | | (67,867) | (88,735) |
| **Gross profit** | | **2,558,218** | **2,468,596** |
| | | | |
| General and administrative expenses | 7 | (155,292) | (155,252) |
| Gain from revaluation of investment property | 11 | 886,827 | 0 |
| Other income (expenses) | | (14,211) | (49,715) |
| **Operating profit** | | **3,275,542** | **2,263,629** |
| | | | |
| Finance income and finance costs | 8 | (1,055,752) | (973,052) |
| **Profit before income tax** | | **2,219,790** | **1,290,577** |
| **Profit for the financial year** | | **2,219,790** | **1,290,577** |
| | | | |
| **Comprehensive income for the financial year** | | **2,219,790** | **1,290,577** |

The notes to the financial statements set out on pages 13-38 form an integral part of the consolidated financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| (euros) | Note | 31/12/2022 | 31/12/2021 |
|---|---|---|---|
| ASSETS | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 9 | 516,673 | 706,599 |
| Trade and other receivables | 10 | 245,822 | 153,367 |
| **Total current assets** | | **762,495** | **859,966** |
| | | | |
| **Non-current assets** | | | |
| Investment property | 11 | 32,870,000 | 31,320,000 |
| Investment property improvements/prepayments | 11 | 0 | 185,840 |
| **Total non-current assets** | | **32,870,000** | **31,505,840** |
| TOTAL ASSETS | | 33,632,495 | 32,365,806 |
| | | | |
| LIABILITIES AND EQUITY | | | |
| **Current liabilities** | | | |
| Trade and other payables | 12 | 853,062 | 595,748 |
| Derivative instruments | 14 | 0 | 162,078 |
| Borrowings | 13 | 16,137,333 | 23,416,333 |
| **Total current liabilities** | | **16,990,395** | **24,174,159** |
| | | | |
| **Non-current liabilities** | | | |
| Borrowings | 13 | 9,172,028 | 2,942,028 |
| **Total non-current liabilities** | | **9,172,028** | **2,942,028** |
| TOTAL LIABILITIES | | 26,162,423 | 27,116,187 |
| | | | |
| **Equity** | | | |
| Share capital | 15 | 2,500 | 2,500 |
| Retained earnings | | 5,247,782 | 3,956,542 |
| Profit for the financial year | | 2,219,790 | 1,290,577 |
| TOTAL EQUITY | | 7,470,072 | 5,249,619 |
| | | | |
| TOTAL LIABILITIES AND EQUITY | | 33,632,495 | 32,365,806 |

The notes to the financial statements set out on pages 13-38 form an integral part of the consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

| (euros) | Note | 2022 | 2021 |
|---|---|---|---|
| **Profit before income tax** | | **2,219,790** | **1,290,577** |
| Adjustment (finance income -, finance costs +) | 8 | 1,055,752 | 973,052 |
| Adjustment - gain from revaluation of investment property | 11 | (886,827) | 0 |
| **Cash flow from operating activities before changes in working capital** | | **2,388,715** | **2,263,629** |
| Decrease (increase) in receivables | 10 | (92,456) | 157,284 |
| Increase (decrease) in payables | | 66,605 | (165,654) |
| Other adjustments | | 663 | 0 |
| **Net cash generated from operating activities** | | **2,363 527** | **2,255 259** |
| Investment property improvements/prepayments | 11 | (477,333) | (185,840) |
| **Net cash generated from investing activities** | | **(477,333)** | **(185,840)** |
| Proceeds from loans and bonds issued | 13 | 6,230,000 | 0 |
| Loan repayment and redemption of bonds | 13 | (7,279,000) | (1,064,000) |
| Interest paid | | (1,027,120) | (975,193) |
| **Net cash generated from financing activities** | | **(2,076,120)** | **(2,039,193)** |
| **Change in cash and cash equivalents** | | **(189,926)** | **30,226** |
| Cash and cash equivalents at the beginning of the period | 9 | 706,599 | 676,373 |
| **Cash and cash equivalents at the end of the period** | 9 | **516,673** | **706,599** |

The notes to the financial statements set out on pages 13-38 form an integral part of the consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| (euros) | Share capital | Retained earnings | Total equity |
|---|---|---|---|
| **Balance as at 31 December 2020** | **2,500** | **3,956,582** | **3,959,082** |
| Total comprehensive income | 0 | 1,290,577 | 1,290,577 |
| Other changes | 0 | (40) | (40) |
| **Balance as at 31 December 2021** | **2,500** | **5,247,119** | **5,249,619** |
| Total comprehensive income | 0 | 2,219,790 | 2,219,790 |
| Other changes | 0 | 663 | 663 |
| **Balance as at 31 December 2022** | **2,500** | **7,467,572** | **7,470,072** |

The notes to the financial statements set out on pages 13-38 form an integral part of the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Note 1. General information

UPP Olaines OÜ is a company formed and incorporated on 24 August 2017 in Estonia.

The UPP Olaines OÜ structure as at 31 December 2022 is:


For additional information on the subsidiary, please see Note 5.

These financial statements refer to UPP Olaines OÜ collectively with its subsidiaries as “the Group”.

## Note 2. Summary of significant accounting policies

### 2.1 Basis of preparation

The consolidated financial statements of UPP Olaines OÜ and its subsidiaries for the financial year ended 31 December 2022 (hereinafter: financial statements) have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The financial statements have been prepared under the historical cost convention, except as disclosed otherwise. The financial statements are presented in euros.

## Changes in accounting policies applicable to the income statement

The cost of sales has been presented separately from revenue in these financial statements. In 2021, cost of sales was offset against revenue and revenue was referred to as net rent.

| Name of additional line | Prior 31/12/2021 | Change | Final 31/12/2021 |
|---|---|---|---|
| (euros) | | | |
| Net rent | 2,457,965 | (2,457,965) | 0 |
| Other income | 10,631 | (10,631) | 0 |
| **Net revenue from operations** | **2,468,596** | **(2,468,596)** | **0** |
| | | | |
| Rent | 0 | 2,546,700 | 2,546,700 |
| Other income | 0 | 10,631 | 10,631 |
| **Total revenue** | **0** | **2,557,331** | **2,557,331** |
| Cost of sales | 0 | (88,735) | (88,735) |
| **Gross profit** | **0** | **2,468,596** | **2,468,596** |

## Changes in accounting policies applicable to the balance sheet

In the 2021 financial statements investment property improvements were presented in the balance sheet under current assets in the line item "Trade and other receivables". Starting from 2022, investment property improvements are classified as non-current assets in the line item "Investment property improvements/prepayments".

| (euros) | Prior 31/12/2021 | Change | Final 31/12/2021 |
|---|---|---|---|
| ASSETS | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 706,599 | 0 | 706,599 |
| Trade and other receivables | 339,207 | (185,840) | 153,367 |
| **Total current assets** | **1,045,806** | **(185,840)** | **859,966** |
| | | | |
| **Non-current assets** | | | |
| Investment property | 31,320,000 | 0 | 31,320,000 |
| Investment property improvements/prepayments | 0 | 185,840 | 185,840 |
| **Total non-current assets** | **31,320,000** | **185,840** | **31,505 840** |
| **TOTAL ASSETS** | **32,365,806** | **0** | **32,365,806** |

### Changes in accounting policies applicable to the cash flow statement

In the 2021 financial statements investment property improvements were presented in the cash flow statement under changes in working capital on the line "Decrease (increase) in receivables". Starting from the 2022 financial statements, investment property improvements are classified in the cash flow statement as investment activities in the line item "Investment property improvements/prepayments".

| (euros) | Prior 31/12/2021 | Change | Final 31/12/2021 |
|---|---|---|---|
| Cash flow from operating activities before changes in working capital | 2,263,629 | 0 | 2,263,629 |
| Decrease (increase) in receivables | (28,556) | 185,840 | 157,284 |
| Increase (decrease) in payables | (165,654) | 0 | (165,654) |
| **Net cash generated from operating activities** | **2,069,419** | **185,840** | **2,255 259** |
| Investment property improvements/prepayments | 0 | (185,840) | (185,840) |
| **Net cash generated from investing activities** | **0** | **(185,840)** | **(185,840)** |

## 2.2 New accounting pronouncements

### Changes in significant accounting policies

Except for the changes below, the Group has consistently applied the accounting policies set out in the consolidated financial statements for the year ended 31 December 2021 to all periods presented in these financial statements.

### Amendments to standards

Certain new or revised standards and interpretations have been issued that are mandatory for the Group's annual periods beginning on or after 1 January 2023, and which the Group has not early adopted.

**Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies** (effective for annual periods beginning on or after 1 January 2023)

IAS 1 was amended to require entities to disclose their material accounting policy information rather than their significant accounting policies. The amendment defined material accounting policy information. The amendment clarifies also that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements. The amendment is supported by examples to demonstrate information likely to be deemed material for the entity's financial statements. The IAS 1 amendment also clarified that immaterial accounting policy information does not have to be disclosed. However, if an entity discloses such information, it shall not obscure material accounting policy information. The IFRS Practice

Statement 2: Making Materiality Judgements was also amended to support this amendment in order to provide guidance to apply the concept of materiality to the disclosure of accounting policies. The Group expects that there is no material impact on the financial statements.

Definition of Accounting Estimates – Amendments to IAS 8 (effective for annual periods beginning on or after 1 January 2023)

The IAS 8 amendment clarifies the distinction between a change in an accounting policy and a change in an accounting estimate. The Group expects that there is no material impact on the financial statements.

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction - Amendments to IAS 12 (effective for annual periods beginning on or after 1 January 2023)

Amendments to IAS 12 clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. Under certain conditions companies are exempted from deferred tax recognition upon the initial recognition of assets or liabilities. It was previously unclear whether this exemption applies to transactions such as leases and decommissioning obligations - transactions where both an asset and a liability is recognised. The amendments clarify that the exemption is not applied and companies must recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The Group expects that there is no material impact on the financial statements.

Leases: Lease Liability in a Sale and Leaseback – Amendments to IFRS 16, (effective for annual periods beginning on or after 1 January 2024; not yet adopted by the European Union)

The amendments focus on sale and leaseback transactions meeting IFRS 15 conditions that must be accounted for as a sale. The amendments require the seller-lessee to evaluate liabilities subsequently arising from the transaction such that it reflect its gain or loss arising from its retained right of use. This means the deferral of such income even when under obligation to make variable payments independent of an index or interest rate. The Group expects that there is no material impact on the financial statements.

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1, (effective for annual periods beginning on or after 1 January 2024; not yet adopted by the European Union)

These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendment no longer refers to unconditional rights. The amendments issued in October 2022 clarify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. The classification of liabilities is unaffected by management's expectations about whether the company will exercise its right to defer settlement. A liability is classified as current if a covenant is in breach at or prior to the reporting date, even if the lender provides a waiver after the end of the reporting period.

A loan is classified as non-current, however, if the covenant is breached only after the reporting date. Amendments also clarify requirements for the classification of liabilities on conversion to equity. Settlement is defined as the elimination of a liability using cash, other resources entailing economic benefits or the company's own equity instruments. An exception applies if a convertible bond or similar financial instrument includes a holder conversion option that meets the definition of an equity instrument and is recognised separately as an equity component of a compound financial instrument. The Group expects that there is no material impact on the financial statements.

There are no other new or revised standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

### 2.3 Consolidation

In the consolidated financial statements, the financial indicators of the parent company and subsidiaries are added up on a line-by-line basis.

Subsidiaries are all entities in which the parent company has control. Control exists when the company is exposed or has rights to variable returns from its involvements with the investee and it has the ability to affect those returns through its power over the investee and there is a link between power and returns.

The subsidiaries use the same accounting policies in preparing their financial statements as the parent company. All intra-group receivables, payables and transactions, including unrealised gains and losses from transactions between the parent company and subsidiaries have been fully eliminated in the consolidated financial statements.

Business combinations are accounted for in the consolidated financial statements under the acquisition method. The cost of a business combination accounted for using the acquisition method is allocated to the fair value of assets, liabilities and contingent liabilities as at the date of acquisition. The difference between the cost of the acquisition and the fair value of acquired assets, liabilities and contingent liabilities is recognised as goodwill. If fair value exceeds cost, the difference (negative goodwill) is immediately recognised as income of the period.

Investments in subsidiaries are accounted for under the equity method in the parent company's statement of financial position (Note 20).

### 2.4 Segment reporting

The Group's operations comprise earning rent from one investment property located in one geographic location. Therefore, the Group only has one business segment (lease of real estate) and one geographic segment (Latvia). This classification is based on the same principles used in the Group's management accounting and reporting.

For more information on disclosures under IFRS 8 please see Note 6.

### 2.5 Investment property

Investment property is land and buildings held or developed to earn rental income or for capital appreciation rather than for use in operations or sale as part of ordinary course of business.

An investment property is initially recognised in the balance sheet at cost, including any directly attributable expenditure: notary fees, state fees, professional fees for legal services and other expenditures necessary for the transaction. Investment property is subsequently measured at fair value at the balance sheet date. The fair value of investment property is determined based on the valuation performed by qualified appraisers. Fair value is a price obtained upon sale of an asset on the date of measurement in an ordinary-course transaction between market participants.

Fair value is measured using the discounted cash flow method. In order to calculate the present value of future cash flows, the appraiser has to forecast the property's future rental income (including rent per 1 $m^2$ and the occupancy rate) and operating expenses. Depending on the terms of the lease (whether and how easily the lease can be terminated by the lessee), the appraiser will base the projections on either the property's existing cash flows or the market's current average cash flows. The present value of the future net cash flows is found by applying an appropriate discount rate which best reflects the current market assessments of the time value of money and the risks specific to the asset. The discounted cash flow method is used to determine the value of investment properties that generate stable rental income.

Gains and losses arising from changes in the value of investment property are presented in the income statement line "Gain (loss) from revaluation of investment property".

An investment property is derecognised from the balance sheet on disposition or when the property is permanently withdrawn from use and the asset is expected to generate no future economic benefits. Gains and losses arising from the derecognition of investment property are recognised in profit or loss in the period of derecognition (in other income and other expenses, respectively).

When the purpose of use of an investment property changes, the asset is reclassified in the balance sheet. From the date of the change, the accounting policies of the asset class where the item has been transferred are applied. For a transfer from investment property to property, plant and equipment, the property's deemed cost for subsequent measurement is its fair value at the date of transfer.

## 2.6 Provisions and contingent liabilities

A provision is recognised in the balance sheet only when the Group has a present legal or constructive obligation as a result of an event that occurred before the balance sheet date, 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.

Present obligations arising from events that occurred before the balance sheet date, the realisation of which according to management's judgement is improbable, are also disclosed as contingent liabilities.

## 2.7 Leases

### The Group as a lessee

Upon entering into agreement the Group evaluates whether it constitutes a lease agreement or includes a lease relationship. An agreement is a lease agreement or includes a lease relationship when such agreement grants, in exchange for consideration, a right to control the use of a specific property over a specific time period. The lessee re-evaluates sufficient certainty as to whether it will exercise its right of renewal or waives its right of termination when a significant event or change in circumstances arises that the lessee controls and affects the lessee's certainty as to whether it exercises any option unexercised for the determination of the initial lease term or does not exercise any option that had been recognised upon definition of the initial lease term.

The Group has no such lease agreements to-date.

### The Group as a lessor

A lease that transfers substantially all the risks and rewards incidental to ownership of the leased asset to the lessee is classified as a finance lease. All other leases are classified as operating leases.

## 2.8 Financial assets

### Classification

The Group classifies its financial assets into the following measurement categories:

a) Assets measured at fair value (through the statement of comprehensive income or through profit or loss);
b) Assets measured at amortised cost.

Classification depends on the Group's business model in the management of financial assets and contract terms related to cash flows.

### Recognition and derecognition

Regular way purchases and sales of financial assets are recognised using trade date accounting, i.e. the date at which the Group commits itself to purchase or sell a certain asset. Financial assets are derecognised when contractual rights to the cash flows attributable to the financial asset expire or are transferred, and most of the risk and rewards relating to the financial asset are also transferred.

### Measurement

Financial assets are initially measured at fair value plus transaction costs directly attributable to the acquisition of such assets, except for financial assets measured at fair value through profit or loss. Transaction costs on financial assets measured at fair value through profit or loss are expensed as incurred.

Subsequent measurement of debt instruments depends on the Group's business model for management of financial assets and contract terms related to cash flows. The Group classifies all debt instruments as assets measured at amortised cost because such assets are held for the purpose of contractual cash flows and such cash flows are only principal and interest accruing on outstanding principal. Interest income earned on such assets is recognised using the effective interest rate method. Gains and losses arising from derecognition are recognised in profit and loss in other income/expenses.

The Group derecognises financial assets when its rights to the cash flows attributable to such financial assets expire and when it assumes an obligation to promptly transfer such cash flows to third parties where the risks and rewards relating to the financial assets are also transferred.

As at 31 December 2022, the financial assets of the Group were classified in the following categories:

a) Cash and cash equivalents,
b) Trade receivables.

### Impairment

The Group evaluates expected credit losses of its debt instruments measured at amortised cost using forward-looking information. The applied impairment methodology depends on whether credit risk has materially increased.

Among financial assets, only "Trade and other receivables" and "Cash and cash equivalents" are included in the application of the IFRS 9 expected credit losses model. The Group applies the simplified approach permitted under IFRS 9 to trade receivables and accounts for impairment of receivables as an expected credit loss of the receivable duration upon initial recognition of the receivables. The Group uses a provision matrix where a provision is calculated for receivables based on aged analysis.

## 2.9 Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost.

## 2.10 Cash and cash equivalents

Cash and cash equivalents are cash and short-term (up to 3 months from the moment of acquisition) high-liquidity investments that are readily convertible into a known amount of cash for up to three months from the actual transaction date and which are subject to an insignificant risk of changes in market value.

Cash flows from operating activities are presented using the indirect method. Cash flows from investing and financing activities are presented by using the direct method, as gross receipts and payments for the reporting period.

## 2.11 Financial liabilities

Financial liabilities are recognised when the Group becomes party to contractual rights and obligations.

All financial liabilities (trade payables, borrowings, accrued expenses and other current and non-current liabilities) are initially measured at cost that also includes all directly attributable expenditure incurred in the acquisition. Subsequent measurement is at amortised cost.

All borrowings, including bonds, are initially measured at fair value of proceeds received, less direct transaction costs. Interest-bearing borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense on financial liabilities is presented as incurred in the "Interest expense" line item of the income statement.

A financial liability is classified as current if it is due within 12 months from the balance sheet date or if the Group does not have an unconditional right to defer settlement by more than 12 months after the balance sheet date. Borrowings due within 12 months after the balance sheet date which are refinanced as non-current after the balance sheet date but before the financial statements are authorised for issue, are recognised as current.

A financial liability is derecognised when it is discharged, cancelled or expires.

### 2.12 Derivative instruments

The Group may use interest rate swaps from among derivative instruments to hedge the risks related to change in interest rates. Such derivative instruments are initially measured at fair value at the date of entering into a contract and subsequently remeasured in accordance with the change in the fair value of the instruments at the balance sheet date. A derivative with a positive fair value is classified as an asset and a derivative with a negative fair value is classified as a liability. In determining the fair value of interest rate swaps, bank quotations at the balance sheet date are used as a basis. Gains and losses from changes in the fair value of derivatives are recognised through profit and loss.

### 2.13 Taxation

Taxation in Estonia

According to Estonian legislation, profits earned by companies are not taxed in Estonia. Corporate income tax liability arises on distribution of profits and is expensed (in profit and loss for the period) upon the declaration of dividends. Due to the nature of the taxation system, companies incorporated in Estonia do not become subject to deferred tax assets or liabilities, except for potential deferred income tax liabilities on the company's investments in subsidiaries, associates, joint ventures and branch offices.

The Group's deferred income tax liability arises for companies based in countries where annual profits are taxable. The Group's deferred income tax liability also arises on investments in Estonian and Latvian subsidiaries and associates, except where the Group is able to control the timing of elimination of taxable temporary differences and such elimination is not probable in the foreseeable future. Examples of elimination of taxable temporary differences include payment of dividends, sale or disposal of investments and other transactions. As the Group controls the dividend policy of its subsidiaries, it is able to control the timing of elimination of temporary differences related to this investment. If the parent company has decided to not distribute the profit of its subsidiary in the foreseeable future, it will not recognise a deferred income tax liability. If the parent company expects the dividend to be distributed in the foreseeable future, such deferred income tax liability is measured at the value of the planned dividend distribution on the condition that there are sufficient funds and equity as of the reporting date to make such distribution of profits. The Group applies tax rates for the measurement of the deferred income tax liability that are expected to be applied to taxable temporary differences in the period when they are expected to be eliminated. The current rate of corporate income tax in Estonia is 20% (taxes due account for 20/80 of the net distribution). Effective from 2019, regularly paid dividends are subject to the lower rate of 14% (14/86 of the net distribution). The lower tax rate can be applied each calendar year to dividends and other profit distributions to an extent not exceeding the average amount of taxed dividends and other profit distributions paid during the previous three calendar years and taxed distributions of equity. The Group has applied the change in accounting policy retrospectively.

According to the Income Tax Act, it is the dividends and not profits that are subject to taxation in Estonia. (Net) dividends are subject to a tax rate of 20/80. Income tax arising from dividend distribution is expensed when dividends are declared (when the liability arises).

### Subsidiaries in Latvia

According to the Income Tax Act in effect until 2017, Latvian companies were subject to tax on profits. Therefore, deferred income tax was previously recognised on temporary differences between the tax basis of assets and liabilities of Latvian subsidiaries and their carrying amounts in the consolidated financial statements.

Under the new Income Tax Act, effective from 1 January 2018, tax applies to profit earned after the year 2017 upon its distribution at the rate of 20/80. Transitional rules of the Act allow profit distributed as dividends to be reduced if the company has unused tax losses or certain provisions as of 31 December 2017. As a result of the new Act taking effect, there are no longer any differences between the tax accounting and carrying amounts of assets and liabilities and therefore deferred income tax assets and liabilities are not recognised on the level of Latvian subsidiaries. All deferred income tax assets and liabilities from previous periods were derecognised in 2017 and the corresponding income tax expense/income was recognised in the income statement or statement of comprehensive income/equity with regard to deferred income tax assets/liabilities recognised through comprehensive income/equity.

Deferred income tax is paid from post-acquisition retained earnings and other post-acquisition movements in subsidiaries' reserves, except when the Group controls the dividend policy of its subsidiary and it is probable that the difference is not eliminated through dividends or otherwise in the near term.

As the Group controls the dividend policy of its subsidiaries, it is able to control the timing of elimination of temporary differences related to this investment. The Group does not recognise deferred income tax liabilities related to such temporary differences, except when management expects temporary differences to be restored in the near term.

According to a resolution made on 31 January 2021 by the sole shareholder and approved as the Group's dividend policy for the years 2021-2025, the Group will retain its profits earned in Latvia, therefore a deferred income tax liability is not recognised related to the prior period retained earnings in Latvia.

### 2.14 Revenue recognition

Revenue includes rent and commission for resold goods and services. The company recognises revenue when it transfers control over a good or service to a customer.

Rent earned under operating leases comprising rent received from customers is recognised as revenue on a straight-line basis over the lease term. Incentives granted to tenants for entry into or extension of leases are recognised as an integral part of rental income over the lease term.

Revenue is measured in the price agreed in the lease. Amounts recognised as revenue include variable income and payments to customers that are not for specific services. Such variable income may include retail and wholesale rebates, returns and amounts collected on behalf of third parties.

The Group acts as an agent on behalf of third parties in the resale of goods and services, recognising amounts collected from tenants for such goods and services as commission fees offset against the cost of services under IFRS 15.

### Financing component

The Group has no contracts where the time between delivery of goods or services to customers and receipt of payment would exceed one year. As a result, the Group does not adjust transaction prices for time value of money.

## Note 3. Financial risk management

### 3.1 Risk management

The Group's risk management is carried out through the United Partners Property OÜ risk management function. United Partners Property OÜ manages the assets of UPP Olaines OÜ parent company UPP Logistics Properties OÜ. Financial risks arise from financial instruments that the Group has held during the reporting period or at the end of the period. Financial risk includes market risk, interest rate risk, credit risk and liquidity risk. The primary objective of financial risk management is to establish risk limits and then ensure compliance with established limits. In addition, regular reviews are conducted and necessary changes are initiated.

### Market risk

Market risk is a risk involving change in the fair value of financial instruments due to changes in market prices. The Group's financial instruments mainly exposed to change in market prices are borrowings. The main factor influencing these financial instruments is interest rate risk.

### Interest rate risk

The Group is exposed to interest rate risk through its long-term borrowings linked to the Euribor. The Group has also included fixed interest-rate bonds in its capital structure in order to limit its exposure to interest rate risk. The Group mitigates interest rate risk arising from long-term Euribor-linked borrowings through interest rate swaps.

Effective interest rates approximate nominal interest rates.

### Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its financial obligations due to lack of cash flow.

Prudent liquidity risk management requires holding an adequate cash balance and sustainably financing operations using various debt instruments.

The Group strives to ensure sufficient liquidity through effective cash management and raising long-term capital.

The table below presents the Group's financial liabilities as at 31/12/2022 and 31/12/2021. The table presents undiscounted gross amounts inclusive of contractual interest payments and Euribor at 2.5%.

| 31/12/2022 | < 3 months | 3–12 months | 1-5 years | > 5 years | Total contractual cash flows | Carrying amount |
|---|---|---|---|---|---|---|
| (euros) | | | | | | |
| Interest-bearing borrowings (Note 13) | 16,296,452 | 279,675 | 9,638,153 | 0 | 26,214,280 | 25,309,361 |
| Trade and other payables (Note 12) | 853,062 | 0 | 0 | 0 | 853,062 | 853,062 |
| Total financial liabilities | 17,149,514 | 279,675 | 9,638,153 | 0 | 27,067,342 | 26,162,423 |

| 31/12/2021 | < 3 months | 3–12 months | 1-5 years | > 5 years | Total contractual cash flows | Carrying amount |
|---|---|---|---|---|---|---|
| (euros) | | | | | | |
| Interest-bearing borrowings (Note 13) | 266,001 | 23,150,332 | 2,942,028 | 0 | 27,125,833 | 26,358,361 |
| Derivative instruments (Note 14) | 0 | 162,078 | 0 | 0 | 245,030 | 162,078 |
| Trade and other payables (Note 12) | 595,748 | 0 | 0 | 0 | 595,748 | 595,748 |
| Total financial liabilities | 861,749 | 23,312,410 | 2,942,028 | 0 | 27,966,661 | 27,116,187 |

## Credit risk

Credit risk is the risk of financial loss that the Group would suffer if a counterparty failed to perform its financial obligations. As the Group has one investment property with one large anchor tenant accounting for over 60% of the net rental income, this constitutes substantial concentration of credit risk in one counterparty. Nevertheless, the Group does not deem this credit risk to be significant because the investment property has been selected to ensure that the anchor tenants are market leaders in their industry and with a strong credit profile. Besides a carefully chosen and strong credit profile anchor tenant, the Group mitigates credit risk by collecting rent deposits and requiring a 30-day payment term on invoices issued to tenants. Receivables past due by more than 180 days are generally classified as doubtful.

The maximum credit risk is equal to the sum of all carrying amounts of financial assets presented in the statement of financial position. Information on maximum credit risk is provided in the table below.

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| (euros) | | |
| Cash and cash equivalents (Note 9) | 516,673 | 706,599 |
| Trade and other receivables (Note 10) | 230,433 | 150,040 |
| Total credit risk | 747,106 | 856,639 |

The fair value of cash and cash equivalents approximates its carrying amount. Credit risk of trade receivables is illustrated by the table below.

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| (euros) | | |
| Current | 230,433 | 150,040 |
| Total credit risk | 230,433 | 150,040 |

The bank account balances included in the Group's cash and cash equivalents are deposited with two banks with the following credit rating (Moody's long-term).

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| (euros) | | |
| Aa3 rating (Estonian bank's parent company) | 2,110 | 61,449 |
| A3 rating | 514,563 | 645,150 |
| Total cash and cash equivalents | 516,673 | 706,599 |

## Capital management

The Group's aim in capital management is to ensure its ability to continue as a going concern, provide a return for shareholders and meet its obligations to creditors. The Group monitors capital using the loan-to-value ratio. The ratio is calculated by dividing net debt by the value of real estate. Net debt is calculated by deducting cash and cash equivalents and the subordinated loan from UPP Logistics Properties OÜ from total borrowings.

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| (euros) | | |
| Net debt (Note 13) | 21,835,660 | 22,709,734 |
| Investment property (Note 11) | 32,870,000 | 31,320,000 |
| Loan-to-value ratio | 66.43% | 72.51% |

### 3.2 Fair value measurement

#### Financial assets and liabilities measured at fair value

The table below classifies financial instruments measured at fair value by valuation technique. Various valuation techniques are defined as follows based on inputs used:

a) Level 1: quoted prices (unadjusted) in active markets for assets and liabilities;
b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly or indirectly;
c) Level 3: inputs other than quoted prices included within Level 1 that are unobservable.

At 31 December 2022, the Group held no derivative instruments.

#### Financial assets and liabilities not measured at fair value but with disclosure of fair value

| | Level 1 | Level 2 | Level 3 | Carrying amount |
|---|---|---|---|---|
| (euros) | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | 516,673 | | | 516,673 |
| Trade and other receivables | | | 230,433 | 230,433 |
| Financial liabilities | | | | |
| Interest-bearing borrowings | | | 25,309,361 | 25,309,361 |
| Trade and other payables | | | 853,062 | 853,062 |

| 31/12/2021 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| (euros) | | | |
| Financial liabilities | | | |
| Derivative instruments | | 162,078 | |

#### Financial assets and liabilities not measured at fair value but with disclosure of fair value

| | Level 1 | Level 2 | Level 3 | Carrying amount |
|---|---|---|---|---|
| (euros) | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | 706,599 | | | 706,599 |
| Trade and other receivables | | | 150,040 | 150,040 |
| Financial liabilities | | | | |
| Interest-bearing borrowings | | | 26,358,361 | 26,358,361 |
| Trade and other payables | | | 595,748 | 595,748 |

The table above presents assets and liabilities measured at amortised cost with their carrying amount approximating fair value.

## Note 4. Key accounting estimates and judgements

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and disclosed contingent assets and liabilities.

Although estimates and assumptions are reviewed on an ongoing basis and they are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances, actual results may differ from the estimates.

Management has made the following material judgements with effect on the information presented in the financial statements.

### Fair value of real estate

Fair value of investment property is measured at each reporting date, assessed by a licensed independent real estate appraiser. A real estate appraiser determines the value of investment property under the discounted cash flow method. Additional disclosures on the assumptions and inputs used for appraisal of investment property are provided in Note 11.

### Business combinations

The Group has acquired ownership interest in a subsidiary mainly engaged in holding investment property. If the acquisition of subsidiary does not constitute "an integrated set of activities and assets" as set out in IFRS 3, the acquisition of subsidiary is accounted for as acquisition of assets where cost is allocated to acquired assets and liabilities on the basis of their relative fair values and goodwill and deferred tax assets and liabilities are not recognised upon cost allocation.

The following criteria are used for accounting as a business combination:

a) Assets include multiple properties involving land and buildings;
b) Assets include leases with existing tenants;
c) Tenants are provided ancillary services (e.g. maintenance, cleaning, security and accountancy services, etc.);
d) Employees exist for carrying out operational processes (incl. all relevant administrative processes, such as invoicing, receipt of payments, management accounting and tenant information processing);
e) The acquired investment property management process is complex.

The Group classifies acquired real estate as a business combination because its acquisition included leases with existing tenants including ancillary services provided to tenants.

## Note 5. Subsidiaries

UPP Olaines OÜ holds a controlling stake in the following companies.

| Company name | Direct parent company | Domicile | Ownership interest | | Business |
|---|---|---|---|---|---|
| | | | 31/12/2022 | 31/12/2021 | |
| Olaines Logistics SIA | UPP Olaines OÜ | Latvia | 100% | 100% | Holding company |

UPP Olaines OÜ acquired on 15/11/2017 a company formed and incorporated in Latvia in 2012 from Olaines Logistics SIA. Olaines Logistics SIA was acquired for the purpose of acquiring Olaines Logistics Parks SIA. Olaines Logistics SIA was acquired for EUR 1,800.

## Note 6. Segment reporting

| Field of activity | Revenue from third parties 2022 | Revenue from third parties 2021 |
|---|---|---|
| (euros) | | |
| Rent | 2,615,111 | 2,546,700 |
| Sale of goods and services | 10,974 | 0 |
| Other income | 0 | 10,631 |
| **Total revenue** | **2,626,085** | **2,557,331** |

| Geographical region | Revenue from third parties 2022 | Revenue from third parties 2021 |
|---|---|---|
| (euros) | | |
| Latvia | 2,626,085 | 2,557,331 |
| **Total** | **2,626,085** | **2,557,331** |

The Group has two major tenants with rent received in excess of 10%: Rent from Maxima Latvija SIA accounts for 64% of the Group's total revenue, rent from Girtekos Logistikos SIA accounts for 25% of the Group's total revenue.

## Note 7. General and administrative expenses

| | 2022 | 2021 |
|---|---|---|
| (euros) | | |
| Management fees | (102,372) | (106,398) |
| Telephone, postage and office expenses | (931) | (920) |
| Accounting services | (16,500) | (22,566) |
| Securities custodian fees | (10,755) | (9,558) |
| Staff costs, incl. taxes | (7,420) | (8,758) |

| | | |
|---|---|---|
| Legal services | (14,138) | (1,395) |
| Banking services | (1,198) | (301) |
| Other | (1,978) | (5,356) |
| **Total general and administrative expenses** | **(155,292)** | **(155,252)** |

## Note 8. Finance income and finance costs

| (euros) | 2022 | 2021 |
|---|---|---|
| Interest expenses, incl. | (1,217,830) | (1,174,953) |
| Interest expense on bank loan | (556,556) | (533,961) |
| Interest expense on bond | (455,303) | (435,050) |
| Interest expense on shareholder loan | (205,971) | (205,942) |
| Change in fair value of interest rate swap | 162,078 | 201,901 |
| **Total finance income and finance costs** | **(1,055,752)** | **(973,052)** |

## Note 9. Cash and cash equivalents

| (euros) | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Bank accounts | 516,673 | 706,599 |
| **Total cash and cash equivalents** | **516,673** | **706,599** |

## Note 10. Trade and other receivables

| (euros) | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Trade receivables | 230,433 | 150,040 |
| Prepaid expenses | 15,389 | 3,327 |
| **Total trade and other receivables** | **245,822** | **153,367** |

## Note 11. Investment property

The Group has invested in the following investment properties.

| Name of property | Location | Area ($m^2$) | Construction year | Market value at 31/12/2022 |
|---|---|---|---|---|
| (euros) | | | | |
| Olaines Logistics | Olaine region, Riga, | 37,204 | 2007 | 32,870,000 |

The following changes occurred in the Group's investment property during the reporting period.

| | Investment property |
|---|---|
| **Balance as at 31 December 2020** | **31,320,000** |
| **Balance as at 31 December 2021** | **31,320,000** |
| Gain on change in fair value | 886,827 |
| Prepaid investment property improvements | 185,840 |
| Investment property improvements | 477,333 |
| **Balance as at 31 December 2022** | **32,870,000** |

### Basis and methodology for fair value measurement of investment property

The fair value of investment property is based on appraisal report prepared by a licensed real estate appraiser on 14 November 2022.

Independent expert valuation as to the fair value of investment property is based on the following.

31/12/2022

| Property | Fair value | Valuation method | Discount rate | Exit yield | Average annual rent |
|---|---|---|---|---|---|
| Olaines Logistics Park | 32,870,000 | DCF | 9.00% | 7.25% | 2,689,582 |

31/12/2021

| Property | Fair value | Valuation method | Discount rate | Exit yield | Average annual rent |
|---|---|---|---|---|---|
| Olaines Logistics Park | 31,320,000 | DCF | 8.75% | 7.75% | 2,637,311 |

a) Average annual rent: using pricing from current leases and actual rates of increase.
b) Discount rate: calculated using the weighted average cost of capital (WACC) associated with the investment property.
c) Exit yield: it is based on the estimated level of return at the end of the estimated holding period, taking into consideration the forecast market condition and risks associated with the property.

The below table presents information on significant unobservable inputs used as of 31/12/2022 for the valuation of investment property classified as level 3 in the fair value hierarchy.

| Asset type | Valuation method | Significant unobservable input | Range of estimates | Fair value sensitivity to unobservable inputs |
|---|---|---|---|---|
| Investment property | Discounted cash flow method | Exit yield | 6.75–8.75% | An increase in the capitalisation rate upon exit from the project would, *ceteris paribus*, reduce the real estate value. |
| | | Discount rate | 7.75–9.75% | An increase in the discount rate would, *ceteris paribus*, reduce the real estate value. |
| | | Annual rent increase | 0–3% | An increase in rent would, *ceteris paribus*, increase the real estate value. |
| | | Long-term vacancy rate | 0–5% | An increase in the long-term vacancy rate would, *ceteris paribus*, reduce the real estate value. |

### Sensitivity analysis

Investment property fair value sensitivity analysis as at 31/12/2022 on the basis of potential changes in project exit capitalisation rate and discount rate (WACC):

| Fair value | | | Exit yield | | | | |
|---|---|---|---|---|---|---|---|
| (EUR thousand) | | | 7.05% | 7.15% | 7.25% | 7.35% | 7.45% |
| | Discount rate | 8.00% | 35,770,127 | 35,506,118 | 35,249,391 | 34,999,650 | 34,756,613 |
| | | 8.50% | 34,530,164 | 34,278,071 | 34,032,933 | 33,794,465 | 33,562,399 |
| | | 9.00% | 33,345,716 | 33,104,951 | 32,870,828 | 32,643,076 | 32,421,438 |
| | | 9.50% | 32,213,951 | 31,983,957 | 31,760,308 | 31,542,744 | 31,331,021 |
| | | 10.00% | 31,132,198 | 30,912,447 | 30,698,758 | 30,490,884 | 30,288,590 |

### Payments received from operating leases

Leases concluded between the Group and tenants meet non-cancellable operating lease terms. Income from such leases is divided as follows.

| Payments received under non-cancellable operating leases | 31/12/2022 | 31/12/2021 |
|---|---|---|
| (euros) | | |
| Up to one year | 2,351,853 | 1,266,967 |
| 2nd to 5th year | 2,002,057 | 580,207 |
| **Total** | **4,353,910** | **1,847,174** |

## Note 12. Trade and other payables

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| (euros) | | |
| Trade payables | 215,862 | 155,407 |
| Payables to employees | 343 | 343 |
| Tax liabilities | 33,573 | 27,423 |
| Customer prepayments | 160,296 | 160,296 |
| Interest payable on shareholder loan | 442,988 | 252,279 |
| **Trade and other payables** | **853,062** | **595,748** |

## Note 13. Borrowings

| 31/12/2022 | Current portion | Non-current portion | Total | Underlying currency | Interest rate | Term |
|---|---|---|---|---|---|---|
| (euros) | | | | | | |
| Bank loan | 16,137,333 | 0 | 16,137,333 | EUR | 3 month Euribor +2.4% | 31/01/2023 |
| Bonds | 0 | 6,215,000 | 6,215,000 | EUR | 6% | 25/02/2025 |
| Shareholder loan (Note 17) | 0 | 2,957,028 | 2,957,028 | EUR | 7% | Unspecified term |
| **Total borrowings** | **16,137,333** | **9,172,028** | **25,309,361** | EUR | | |

| 31/12/2022 | Loan collateral | Value of collateral |
|---|---|---|
| (euros) | | |
| Bank loan | 1st lien mortgage on Olaines Logistics Park | 32,870,000 |
| Derivative instrument | 2nd lien mortgage on Olaines Logistics Park | 32,870,000 |
| Bond | 3rd lien mortgage on Olaines Logistics Park | 32,870,000 |

| 31/12/2021 | Current portion | Non-current portion | Total | Underlying currency | Interest rate | Term |
|---|---|---|---|---|---|---|
| (euros) | | | | | | |
| Bank loan | 17,201,333 | 0 | 17,201,333 | EUR | 3 month Euribor +2.4% | 30/11/2022 |
| Bonds | 6,215,000 | 0 | 6,215,000 | EUR | 7% | 10/11/2022 |
| Shareholder loan (Note 17) | 0 | 2,942,028 | 2,942,028 | EUR | 7% | Unspecified term |
| **Total borrowings** | **23,416,333** | **2,942,028** | **26,358,361** | | | |

| 31/12/2021 | Loan collateral | Value of collateral |
|---|---|---|
| (euros) | | |
| Bank loan | 1st lien mortgage on Olaines Logistics Park | 31,320,000 |
| Derivative instruments | 2nd lien mortgage on Olaines Logistics Park | 31,320,000 |
| Bond | 3rd lien mortgage on Olaines Logistics Park | 31,320,000 |

## Note 14. Derivative instruments

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| (euros) | | |
| Interest rate swap liability | 0 | 162,078 |

The interest rate swap entered into by the Group in 2018 expired in November 2022. The Group is developing a new strategy for interest rate risk mitigation on the basis of swap prices, effective interest rates and market sentiment.

## Note 15. Share capital

As at 31 December 2022, registered share capital of UPP Olaines OÜ consisted of one share with nominal value of EUR 2,500 (31 December 2021: EUR 2,500) per share. The shares are fully paid up.

UPP Logistics Properties OÜ holds 100% ownership interest in UPP Olaines OÜ.

## Note 16. Contingent assets and liabilities

### Contingent income tax liability

As at 31 December 2022, the Group had retained earnings of EUR 7,467,572 (31 December 2021: EUR 5,247,119). The maximum potential income tax liability that could arise from dividend distribution is EUR 1,493,514 (31 December 2021: EUR 1,049,424). Therefore, net dividends amount to EUR 5,974,058 (31 December 2021: EUR 4,197,695).

The calculation of the maximum potential income tax liability is based on the assumption that the net dividends distributed and the arising income tax expense in total cannot exceed the profit eligible for distribution at 31 December 2022.

### Other contingent assets and liabilities

The Group had no contingent assets or liabilities as at 31 December 2022 and 31 December 2021.

## Note 17. Related party transactions

The Group has conducted transactions with related parties during the reporting period. Transactions with related parties and period end balances are provided below. Parties are related if one controls the other or has significant influence on the other's financing and operating decisions. All transactions with related parties were conducted at market prices.

### Parent companies

The following companies hold a controlling stake in UPP Olaines OÜ.

| Company name | Type | Domicile | Ownership interest | |
|---|---|---|---|---|
| | | | 31/12/2022 | 31/12/2021 |
| UPP Logistics Properties OÜ | Ultimate parent company and controlling party | Estonia | 100% | 100% |

### Related party transactions and balances

The table below presents the period end loan balance owed to UPP Logistics Properties OÜ. United Partners Property OÜ extended the loan to UPP Logistics OÜ on 1 January 2021 as part of logistics investments restructuring by United Partners Group.

| Loan from UPP Logistics Properties OÜ (Note 13) | 2022 | 2021 |
|---|---|---|
| (euros) | | |
| **Principal at the beginning of the period** | **2,942,028** | **2,942,028** |
| Loan increase (decrease) | 15,000 | **0** |
| **Principal at the end of the period** | **2,957,028** | **2,942,028** |
| Interest expenses | (205,971) | (205,942) |
| Interest paid | 0 | 0 |
| **Accumulated interest at the end of the period** | **(411,913)** | **(205,942)** |

The Management Board Member of the subsidiary is remunerated. Remuneration including taxes for the financial year was EUR 7,420 and in the previous financial year EUR 7,420.

## Note 18. Events after the balance sheet date

### Loan extension

On 30 March 2023, the Group extended its loan term with Luminor Bank AS to February 2025. The principal of the loan is also increased in order to finance the acquisition of a planned 2 MW solar park in Olaine including the land for it. The bank's interest rate margin is increased by 35 basis points to 2.75% plus three-month Euribor. The Group has various strategies under consideration for the mitigation of Euribor-dependent interest rate risk.

### SIA Olaines Logistics signed agreements to connect to Sadales Tikls

Due to the planned 2MW solar energy plant there is a 4x 500kW solar park being built in Olaine on the lot next to the Olaines Logistics logistics centre. Land has already been acquired as of the balance sheet date and all four agreements have been signed to connect to the network operator Sadales Tikls. The estimated completion date for the plant is in August and the objective of the plant is to supply the energy-intensive cold storage logistics centre with solar energy.

### NNL LV SIA lease extension and lease of additional premises

On 21 April 2023, SIA Olaines Logistics extended the lease with NNL LV SIA to February 2031. NNL LV needed additional cold storage space, therefore we terminated the lease with Girtekos Logistika SIA subtenant and provided an additional 864m$^2$ of freezer space to NNL LV. The lease agreement also provided for a new rate of base rent, which is 8% lower than at the end of 2022. However, the new base rent is higher than the rent earned previously by Olaines Logistics on the 864m$^2$ subleased space and overall the impact on total rent is low.

## Note 19. Parent company's statement of comprehensive income

The parent company's financial statements enclosed in the Notes to these consolidated financial statements account for investments in subsidiaries under the equity method.

| (euros) | 2022 | 2021 |
|---|---|---|
| General and administrative expenses | (38,230) | (28,763) |
| | | |
| **Operating profit** | **(38,230)** | **(28,763)** |
| | | |
| Finance income and finance costs | 2,258,021 | 1,319,296 |
| **Profit for the financial year** | **2,219,791** | **1,290,533** |
| **Comprehensive income for the financial year** | **2,219,791** | **1,290,533** |

## Note 20. Parent company's statement of financial position

| (euros) | 31/12/2022 | 31/12/2021 |
|---|---|---|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 2,110 | 61,449 |
| Trade and other receivables | 259,182 | 121,141 |
| **Total current assets** | **261,292** | **182,590** |
| | | |
| Non-current assets | | |
| Loans receivable | 7,898,057 | 7,898,057 |
| Shares of subsidiaries | 8,930,994 | 6,578,279 |
| **Total non-current assets** | **16,829,051** | **14,476,336** |
| **TOTAL ASSETS** | **17,090,343** | **14,658,926** |
| | | |
| LIABILITIES AND EQUITY | | |
| Current liabilities | | |
| Borrowings | 0 | 6,215,000 |
| Trade and other payables | 448,242 | 252,278 |
| **Total current liabilities** | **448,242** | **6,467,278** |
| | | |
| Non-current liabilities | | |
| Borrowings | 9,172,028 | 2,942,028 |
| **Total non-current liabilities** | **9,172,028** | **2,942,028** |
| **TOTAL LIABILITIES** | **9,620,270** | **9,409,306** |
| | | |
| EQUITY | | |
| Share capital | 2,500 | 2,500 |
| Retained earnings | 5,247,782 | 3,956,587 |
| Profit for the financial year | 2,219,791 | 1,290,533 |
| **TOTAL EQUITY** | **7,470,073** | **5,249,620** |
| | | |
| TOTAL LIABILITIES AND EQUITY | 17,090,343 | 14,658,926 |

## Note 21. Parent company's statement of cash flows

| (euros) | 2022 | 2021 |
|---|---|---|
| **Profit before income tax** | **2,219,791** | **1,290,534** |
| Adjustment (finance income -, finance costs +) | (2,258,021) | (1,319,298) |
| **Cash flow from operating activities before changes in working capital** | **(38,230)** | **(28,764)** |
| Decrease (increase) in receivables related to operating activities | (5,733) | 0 |
| Increase (decrease) in payables and prepayments related to operating activities | 5,254 | (3,994) |
| **Net cash generated from operating activities** | **(38,709)** | **(32,757)** |
| Dividends received | 0 | 88,989 |
| Interest received | 420,555 | 435,049 |
| **Net cash generated from investing activities** | **420,555** | **524,038** |
| Loans received | 15,000 | 0 |
| Interest paid | (456,185) | (435,044) |
| **Net cash generated from financing activities** | **(441,185)** | **(435,044)** |
| **Change in cash and cash equivalents** | **(59,339)** | **56,237** |
| Cash and cash equivalents at the beginning of the period | 61,449 | 5,212 |
| **Cash and cash equivalents at the end of the period** | **2,110** | **61,449** |

## Note 22. Parent company's statement of changes in equity

| (euros) | Share capital | Retained earnings | Total equity |
|---|---|---|---|
| **Balance as at 31 December 2020** | **2,500** | **3,956,586** | **3,959,087** |
| Profit for the financial year | 0 | 1,290,533 | 1,290,534 |
| Adjustments | 0 | 1 | 1 |
| **Balance as at 31 December 2021** | **2,500** | **5,247,120** | **5,249,620** |
| Profit for the financial year | 0 | 2,219,791 | 2,219,791 |
| Adjustments | 0 | 662 | 662 |
| **Balance as at 31 December 2022** | **2,500** | **7,467,573** | **7,470,073** |

Adjusted unconsolidated equity of the parent company (to account for compliance with the requirements set forth in the Commercial Code) is as follows:

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| (euros) | | |
| Parent company's unconsolidated equity | 7,470,073 | 5,249,620 |
| Carrying amount of subsidiaries in the balance sheet of the parent company (minus) | (8,930,994) | (6,578,279) |
| Value of subsidiaries under the equity method (plus) | 8,930,994 | 6,578,279 |
| **Total** | **7,470,073** | **5,249,620** |

## INDEPENDENT SWORN AUDITOR'S REPORT

To the shareholders of UPP Olaines OÜ

### Opinion

We have audited the consolidated financial statements of UPP Olaines OÜ and its subsidiary (the Group), which comprise the consolidated balance sheet as at 31 December 2022, and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flow for the year then ended in accordance with the Estonian financial reporting standard.

### Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (Estonia) (ISAs (EE)). Our responsibilities under those standards are further described in the *Sworn Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants (Estonia) (including Independence Standards), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

The management is responsible for the other information. The other information comprises the management report, but does not include the consolidated financial statements and our sworn auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Management and Those Charged with Governance for the Consolidated Financial Statements

The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Estonian financial reporting standard, and for such internal control as the management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless the management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Sworn Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a sworn auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs (EE) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the ISAs (EE), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by the management;

- conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our sworn auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our sworn auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements of the Group. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

/digitally signed/

Mart Nõmper

Sworn Auditor No 499

Grant Thornton Baltic OÜ

Audit Firm's Licence No 3

Pärnu mnt 22, 10141 Tallinn

4 May 2023

## PROFIT ALLOCATION PROPOSAL

The Chairman of the Management Board proposes to UPP Olaines OÜ shareholders to allocate profit as follows.

| (euros) | 31/12/2022 |
|---|---|
| Retained earnings | 5,247,782 |
| Profit for the financial year | 2,219,790 |
| **Total profit eligible for distribution** | **7,467 572** |
| | |
| Dividends | 0 |
| **Retained earnings after distribution** | **7,467 572** |

/digitally signed/
Marko Tali
Chairman of the Management Board, UPP Olaines OÜ
4 May 2023, Tallinn

## MANAGEMENT BOARD DECLARATION

The Chairman of the Management Board represents that the financial and other information presented in the financial statements for 2022 of UPP Olaines OÜ for the period 01/01/2022–31/12/2022, provides a true and fair view of the company's business, financial performance and condition.

/digitally signed/
Marko Tali
Chairman of the Management Board, UPP Olaines OÜ
4 May 2023, Tallinn