UNITED PARTNERS

CONSOLIDATED ANNUAL REPORT 2023

UPP Olaines OÜ

Consolidated Annual Report 2023

Reporting period: 01/01/2023–31/12/2023

Company name: UPP Olaines OÜ

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Parent company: UPP Logistics Properties OÜ

Industry: Renting and operating of own or leased real estate

Auditor: Grant Thornton Baltic OÜ

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MANAGEMENT REPORT

General

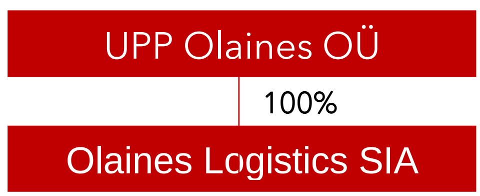
UPP Olaines OÜ (hereinafter "the company" and together with subsidiaries "the Group") was formed for the financing, acquisition and management of the Olaines Logistics Park investment property (buildings and land). Olaines Logistics Park has two warehouse buildings: warehouse building 1 and warehouse 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 2023 is:



Investment property: Olaines Logistics Park, Riga

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 views on economic outlook

The economic outlook continues to be uncertain. Inflation is receding slowly, therefore the European Central Bank (ECB) is in no hurry to lower interest rates. According to the baseline scenario the ECB will cautiously begin to lower interest rates in the second quarter of 2024 and rates are expected to reach near ~3% by the end of the 4th quarter.

The sharp increase in borrowing cost has significantly impacted the Baltic commercial real estate market. Baltic transaction volumes were low in 2023 compared to prior years but improvement in financing conditions can be expected to raise the activity levels somewhat. Logistics real estate has been resilient to the overall market slowdown. Higher construction prices, inflation-linked rent indexation and continuing demand for logistics real estate have contributed to an increase in rents.

The stable nature of Baltic logistics real estate is demonstrated by high occupancy and good payment behaviour by tenants.

Overview of financial results

UPP Olaines OÜ consolidated revenue for 2023 was EUR 2.730 million (2022: EUR 2.672 million), up around 2.2% year-on-year. Annual index-based rent increases contributed to revenue growth.

General and administrative expenses for the financial year amounted to EUR 198 thousand (2022: EUR 155 thousand), accounting for ~7% of 2023 revenue.

Operating profit for the financial year was EUR 2.326 million (2022: EUR 3.275 million) and net profit was EUR 937 thousand (2022: EUR 2.220 million).

Lower operating and net profit were attributable to revaluation of investment property in 2022 and higher net interest expense. Approximately 64% of interest expense (EUR 955 thousand in 2023) is fixed and unaffected by fluctuations in the 3-month EURIBOR. Improved operating efficiency and rent indexation contributed to achieve EBITDA growth compared to the same period from the previous year.

The Group's total assets as at 31 December 2023 were EUR 37.917 million (31/12/2022: EUR 33.632 million). The value of investment property was EUR 32.870 million (31/12/2022: EUR 32.870 million), accounting for 86.7% of the Group's assets.

The increase in the Group's assets and liabilities is related to the amendment in March 2023 of the bank loan agreement under which the loan term was extended with a right to increase the outstanding balance to the initial principal amount.

The Group's net debt as at 31 December 2023 stood at EUR 24.852 million (31 December 2022: EUR 21.836 million) and the ratio of the Group's net debt to the Group's assets is 65.5%. Net debt is calculated by deducting cash and equivalents and the subordinated loan from parent company UPP Logistics Properties OÜ from the Group's total loans.

Key events during the financial year

Luminor loan amendment

In March 2023, SIA Olaines Logistics and Luminor Bank AS signed a loan amendment under which the loan term was extended with a right to increase the outstanding principal balance to an amount equal to the initial loan amount. The agreement was aimed at extending the term, fund the construction of a 2MW solar park and consolidate aggregate loans of UPP Logistics Properties OÜ. In the third quarter of 2023, SIA Olaines Logistics issued a long-term loan to UPP Liepkalnio UAB, a fully owned subsidiary of UPP Logistics Properties OÜ, the ultimate parent company of the United Partners logistics real estate portfolio. UPP Liepkalnio UAB owns a DPD logistics centre in Vilnius, Lithuania. Restructuring was carried out in the ordinary course of business to reduce financing costs on the consolidated UPP Logistics Properties OÜ level.

SIA Olaines Logistics 2MW solar park, sale of solar energy to customers

As a result of the property acquired to construct a solar park, on 19 May 2023, SIA Olaines Logistics was entered in the land register as the owner of property 8080 003 0664. The first 25% instalment was made for the future solar park during the reporting period, classified under non-current prepayments. The second instalment is due after the solar park is commissioned, which is expected in April 2024. SIA Olaines Logistics has entered into agreements with tenants for the sale of energy generated by the solar park.

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 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.

Key expenditures in investment property during the period

During the reporting period, key expenditures related to investment property were incurred totalling EUR 108 thousand, including the capability to connect a backup generator to cold storage, updates to administrative premises and installation of LED lighting for dry storage space.

Key financial indicators for the financial year

(euros)	2023	2022
Revenue	2,729,787	2,671 598
Operating profit	2,326,116	3,275,542
EBITDA	2,326,116	2,388,715
Net profit	937,373	2,219,790

(euros)	31/12/2023	31/12/2022
Investment property	32,870,000	32,870,000
Interest-bearing loans	28,495,785	25,309,361
Interest-bearing third party loans	25,513,757	22,352,333

(euros)	2023	2022
Net margin, % (net profit / Revenue)	34.3%	84.5%
ROA, % (net profit / average assets)	2.62%	6.73%
ROE, % (net profit / average equity)	11.81%	34.9%
Liquidity ratio, times ((current assets – inventories) / current liabilities))	0.51	0.04
DSCR (EBITA / principal repayments and interest payments on interest-bearing loans, excluding shareholder loan principal and interest payments)	1.2	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 01/01/2023–31/12/2023 is greater or equal to 1.1 and no premature redemption has occurred during 01/01/2023–31/12/2023.

Management Board

UPP Olaines OÜ Management Board is comprised of one member: Marko Tali, Chairman of the Management Board Members of the Group parent company Management Board are not remunerated or granted any other benefits. However, the Management Board Member of the subsidiary was paid EUR 9,199 and EUR 7,420 during this and the previous financial year, respectively, including taxes.

The Group has no employees other than the members of the Management Board.

/digitally signed/

Marko Tali

Chairman of the Management Board, UPP Olaines OÜ

10 May 2024, Tallinn

UPP OLAINES OÜ CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(euros)	Note	2023	2022
Revenue	6	2,729,787	2,671,598
Cost of sales		(199,679)	(113,380)
Gross profit		**2,530,108**	**2,558,218**
General and administrative expenses	7	(197,867)	(155,292)
Gain (loss) from revaluation of investment property	12	0	886,827
Other income (expenses)		(6,125)	(14,211)
Operating profit		**2,326,116**	**3,275,542**
Finance income and finance costs	8	(1,388,743)	(1,055,752)
Profit before income tax		**937,373**	**2,219,790**
Profit for the financial year		**937,373**	**2,219,790**
Comprehensive income for the financial year		**937,373**	**2,219,790**

The notes to the financial statements set out on pages 12-37 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(euros)	Note	31/12/2023	31/12/2022
ASSETS			
Current assets			
Cash and cash equivalents	9	661,311	516,673
Short-term loan receivable	10	241,332	0
Trade and other receivables	11	164,638	245,822
Total current assets		**1,067,281**	**762,495**
Non-current assets			
Investment property	12	32,870,000	32,870,000
Property, plant and equipment	13	681,784	0
Long-term loan receivable	10	3,298,224	0
Total non-current assets		**36,850,008**	**32,870,000**
TOTAL ASSETS		**37,917,289**	**33,632,495**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	14	1,014,059	853,062
Borrowings	15	1,064,000	16,137,333
Total current liabilities		**2,078,059**	**16,990,395**
Non-current liabilities			
Borrowings	15	27,431,785	9,172,028
Total non-current liabilities		**27,431,785**	**9,172,028**
TOTAL LIABILITIES		**29,509,844**	**26,162,423**
Equity			
Share capital	16	2,500	2,500
Retained earnings		7,467,572	5,247,782
Profit for the financial year		937,373	2,219,790
TOTAL EQUITY		**8,407,445**	**7,470,072**
TOTAL LIABILITIES AND EQUITY		**37,917,289**	**33,632,495**

The notes to the financial statements set out on pages 12-37 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(euros)	Note	2023	2022
Profit before income tax		**937,373**	**2,219,790**
Adjustment (finance income -, finance costs +)	8	1,388,743	1,055,752
Adjustment - gain from revaluation of investment property	12	0	(886,827)
Cash flow from operating activities before changes in working capital		**2,326 116**	**2,388,715**
Increase (decrease) in receivables	11	81,184	(92,456)
Decrease (increase) in payables		(46,977)	66,605
Other adjustments		0	663
Net cash generated from operating activities		**2,360,323**	**2,363 527**
Acquisition of/ prepayment for property, plant and equipment		(681,784)	0
Loan repayments received	18	80,444	0
Interest received on loan	18	103,421	0
Net cash generated from investing activities		**(497,919)**	**(477,333)**
Proceeds from loans and bonds issued	15	1,094,626	6,230,000
Loan repayment and redemption of bonds	15	(1,528,203)	(7,279,000)
Interest paid		(1,284,189)	(1,027,120)
Net cash generated from financing activities		**(1,717,766)**	**(2,076,120)**
Change in cash and cash equivalents		**144,638**	**(189,926)**
Cash and cash equivalents at the beginning of the period	9	516,673	706,599
Cash and cash equivalents at the end of the period	9	**661,311**	**516,673**

The notes to the financial statements set out on pages 12-37 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 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
Total comprehensive income	0	937,373	937,373
Balance as at 31 December 2023	2,500	8,404,945	8,407,445

The notes to the financial statements set out on pages 12-37 form an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. General

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

The UPP Olaines OÜ structure as at 31 December 2023 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 2023 (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

As a result of changes in the accounting for sale of goods and services and cost of sales, these financial statements contain adjustments in the sale of goods and services and cost of sales compared to 2022. The change had no effect on gross profit.

Name of adjusted line item	As previously reported 31/12/2022	Adjustments	As restated 31/12/2022
(euros)			
Rent	2,615,111	0	2,615,111
Sale of goods and services	10,974	45,513	56,487
Total revenue	**2,626,085**	**45,513**	**2,671,598**
Cost of sales	(67,867)	(45,513)	(113,380)
Gross profit	**2,558,218**	**0**	**2,558,218**

Restatement to Note 3.2

In note 3.2 of the current financial statements, the item Trade and other receivables classified as Level 3 as at 31 December 2022 was restated to conform to the amount reported in note 11 as at 31 December 2022. This restatement only affects Note 3.2.

Name of adjusted line item	As previously reported 31/12/2022	Adjustments	As restated 31/12/2022
(euros)			
Financial assets			
Trade and other receivables	230,433	15,389	245,822

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 2022 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: 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 estimates that the Disclosure of Accounting Policies amendments were implemented without material observations.

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 shall 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.

There are no other new or revised standards or interpretations that are effective for the first time for the financial year beginning on or after 1 January 2023 that would be expected to have a material impact to the Group.

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 2024, and which the Group has not early adopted.

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 21).

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 reporting date. Fair value of investment property is measured under IAS 40.

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 Property, plant and equipment

Property, plant and equipment are assets used in production of goods and services and for administrative purposes with a life of more than one year.

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the purchase price and other costs directly attributable to the acquisition that are necessary for bringing the asset to its operating condition and location. If an item of property, plant and equipment consists of separate identifiable parts with different useful lives, such parts are accounted for as separate items of property, plant and equipment and separate depreciation rates are assigned to them depending on their useful lives.

Depreciation is recognised on a straight-line basis over the useful life of an asset and its separate identifiable parts. The following useful lives are applied:

Buildings and structures 2–33 years

Machinery and equipment 5-10 years

Other equipment 3-5 years

Land and construction in progress are not depreciated. Group companies use uniform depreciation rates. The estimated useful lives, residual values and depreciation methods are reviewed annually. The effect of changes is reflected in the reporting period and in subsequent periods. Items of property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition of property, plant and equipment are included either within other income or other expenses in the income statement.

2.7 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 reporting 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 reporting date, the realisation of which according to management’s judgement is improbable, are also disclosed as contingent liabilities.

2.8 Leases

The Group as 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 reevaluates 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 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.

2.9 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 loan receivables depends on the Group's business model for management of financial assets and contract terms related to cash flows. The Group classifies all financial assets 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 2023, the financial assets of the Group were classified in the following categories:

a) Cash and cash equivalents,
b) Trade receivables,
c) Loans receivable.

Impairment

The Group evaluates expected credit losses on its financial assets 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.

2.10 Trade receivables

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

2.11 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.

2.12 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.

2.13 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.

2.14 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.

2.15 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.

2.16 Events after the reporting period

The financial statements of the reporting period include material circumstances affecting the assessment of assets and liabilities which became evident between the balance sheet date and the date of preparing the financial statements but that are related to transactions in the reporting period or previous periods. Material events after the reporting period not related to transactions in the reporting period or previous periods are not reported in the statement of financial position but they are disclosed in the notes to the financial statements.

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

Interest rate risk is the risk that a rise in interest rate will increase interest expense on liabilities to an extent that will have a significant impact on the Group's performance. 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.

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 31/12/2023 and 31/12/2022. The table presents undiscounted gross amounts inclusive of contractual interest payments and estimated EURIBOR according to EURIBOR futures prices.

31/12/2023	< 3 months	3–12 months	1-5 years	> 5 years	Total contractual cash flows	Carrying amount
(euros)						
Interest-bearing borrowings (Note 15)	757,488	2,020,655	19,406,070	2,982,028	25,166,241	28,495,785
Trade and other payables (Note 14)	363,097	0	0	619,888	982,985	1,014,059
Total financial liabilities	**1,120,585**	**2,020,655**	**19,406,070**	**3,601,916**	**26,149,226**	**29,509,844**

31/12/2022	< 3 months	3–12 months	1-5 years	> 5 years	Total contractual cash flows	Carrying amount
(euros)						
Interest-bearing borrowings (Note 15)	16,296,452	279,675	9,638,153	0	26,214,280	25,309,361
Trade and other payables (Note 14)	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**

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 ~65% 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.

(euros)	31/12/2023	31/12/2022
Cash and cash equivalents (Note 9)	661,311	516,673
Trade receivables (Note 11)	156,028	230,433
Total credit risk	**817,339**	**747,106**

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

(euros)	31/12/2023	31/12/2022
Current	**156,028**	**230,433**
Total credit risk	**156,028**	**230,433**

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).

(euros)	31/12/2023	31/12/2022
Aa3 rating (Estonian bank's parent company)	110	2,110
A3 rating	661,201	514,563
Total cash and cash equivalents	**661,311**	**516,673**

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.

(euros)	31/12/2023	31/12/2022
Net debt (Note 15)	24,852,446	21,835,660
Investment property (Note 12)	32,870,000	32,870,000
Loan-to-value ratio	**75.61%**	**66.43%**

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.

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

31/12/2023	Level 1	Level 2	Level 3	Carrying amount
(euros)				
Financial assets				
Cash and cash equivalents (Note 9)	661,311			661,311
Short-term loan receivable (Note 10)	241,332			241,332
Long-term loan receivable (Note 10)	3,298,224			3,298,224
Trade and other receivables (Note 11)			164,638	164,638
Financial liabilities				
Interest-bearing borrowings (Note 15)			28,495,785	28,495,785
Trade and other payables (Note 14)			1,014,059	1,014,059

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

31/12/2022	Level 1	Level 2	Level 3	Carrying amount
(euros)				
Financial assets				
Cash and cash equivalents (Note 9)	516,673			516,673
Trade and other receivables (Note 11)			245,822	245,822
Financial liabilities				
Interest-bearing borrowings (Note 15)			25,309,361	25,309,361
Trade and other payables (Note 14)			853,062	853,062

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 under IAS 40 at each reporting date. Fair value of investment property is measured using the discounted cash flow method. Additional disclosures on the assumptions and inputs used for appraisal of investment property are provided in Note 12.

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
			31/12/2023	31/12/2022	
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 - revenue

Field of activity	Revenue from third parties 2023	Revenue from third parties 2022
(euros)		
Rent	2,675,768	2,615,111
Sale of goods and services	50,534	56,487
Other income	3,485	0
Total revenue	**2,729 787**	**2,671 598**

Geographical region	Revenue from third parties 2023	Revenue from third parties 2022
(euros)		
Latvia	2,729,787	2,671,598
Total	**2,729,787**	**2,671,598**

The Group has two major tenants with rent received in excess of 15%: Rent from Maxima Latvija SIA accounts for 64% of the Group's total revenue, rent from Girtekos Logistikos SIA accounts for 22% of the Group's total revenue.

Note 7. General and administrative expenses

	2023	2022
(euros)		
Management fees	(132,277)	(102,372)
Telephone, postage and office expenses	(757)	(931)
Accounting services	(10,800)	(16,500)
Securities custodian fees	(8,815)	(10,755)
Staff costs, incl. taxes	(9,199)	(7,420)
Legal services	(9,891)	(14,138)
Banking services	(25,248)	(1,198)
Other	(880)	(1,978)
Total general and administrative expenses	**(197,867)**	**(155,292)**

Note 8. Finance income and finance costs

	2023	2022
(euros)		
Interest on long-term loan receivable (Note 18)	103,421	0
Interest expenses, incl.	(1,492,164)	(1,217,830)
Interest expense on bank loan	(911,288)	(556,556)
Interest expense on bond	(372,900)	(455,303)
Interest expense on shareholder loan (Note 18)	(207,976)	(205,971)
Change in fair value of interest rate swap	0	162,078
Total finance income and finance costs	**(1,388,743)**	**(1,055,752)**

Note 9. Cash and cash equivalents

	31/12/2023	31/12/2022
(euros)		
Bank accounts	661,311	516,673
Total cash and cash equivalents	**661,311**	**516,673**

Note 10. Loans receivable

Loan to UPP Liepkalnio UAB (Note 18)	31/12/2023	31/12/2022
(euros)		
Short-term loan receivable	241,332	0
Long-term loan receivable	3,298 224	0
Total loans receivable	**3,539,556**	**0**

The loan matures on 31 August 2028 and bears interest at 8.50%. The loan is unsecured and without sureties or guarantees.

Note 11. Trade and other receivables

	31/12/2023	31/12/2022
(euros)		
Trade receivables	156,028	230,433
Prepaid expenses	8,610	15,389
Total trade and other receivables	**164,638**	**245,822**

Note 12. Investment property

The Group has invested in the following investment properties.

Name of property	Location	Area (m^2)	Construction year	Market value at 31/12/2023
(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 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**
Balance as at 31 December 2023	**32,870,000**

Basis and methodology for fair value measurement of investment property

Independent expert valuation as to the fair value of investment property was last conducted in October 2022. The fair value of investment property at the reporting date is based on Management Board judgment. Fair value of investment property is measured using the discounted cash flow method using the following significant assumptions:

31/12/2023					
Property	Fair value	Valuation method	Discount rate	Exit yield	Estimated annual rent
Olaines Logistics Park	32,870,000	DCF	9.25%	7.40%	2,750 752

31/12/2022					
Property	Fair value	Valuation method	Discount rate	Exit yield	Estimated annual rent
Olaines Logistics Park	32,870,000	DCF	9.00%	7.25%	2,690,222

a) 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.

Fair value sensitivity analysis

The table provided below illustrates as at 31 December 2023 the sensitivity of the fair value of investment property included in the balance sheet of the Group to the most significant assumptions:

As at 31/12/2023				NOI		Discount rate		Capitalization rate	
Investment property	Fair value	Discount rate	Capitalization rate	+10%	-10%	+50 bps	-50 bps	+50 bps	-50 bps
Olaines LP	32,870,000	9.25%	7.40%	3,290,000	-3,290,000	-1,110,000	1,150,000	-1,080 000	1,240,000
Total	32,870,000			3,290,000	-3,290,000	-1,100,000	1,150,000	-1,040,000	1,200,000

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	31/12/2023	31/12/2022
(euros)		
Up to one year	2,380,101	2,351,853
2nd to 5th year	764,578	2,002,057
Total	**3,144,679**	**4,353,910**

Note 13. Property, plant and equipment

	31/12/2023	31/12/2022
(euros)		
Land	284,249	0
Construction in progress	397,535	0
Total property, plant and equipment	**681,784**	**0**

Land includes the solar park property 8080 003 0664, construction in progress includes the first instalment made for the solar park.

Note 14. Trade and other payables

	31/12/2023	31/12/2022
(euros)		
Trade payables	162,160	215,862
Payables to employees	425	343
Tax liabilities	40,216	33,573
Customer prepayments	160,296	160,296
Interest payable on shareholder loan	650,962	442,988
Trade and other payables	**1,014,059**	**853,062**

Note 15. Borrowings

31/12/2023	Current portion	Non-current portion	Total	Underlying currency	Interest rate	Term
(euros)						
Bank loan	1,064,000	18,234,757	19,298,757	EUR	3 month Euribor +2.75%	25/02/2025
Bonds	0	6,215,000	6,215,000	EUR	6%	25/02/2025
Shareholder loan (Note 18)	0	2,982,028	2,982,028	EUR	7%	Unspecified term
Total borrowings	**1,064,000**	**27,431,785**	**28,495,785**	EUR		

31/12/2023	Loan collateral	Value of collateral
(euros)		
Bank loan	1st lien mortgage on Olaines Logistics Park and Liepkalnio logistics centre	38,900,000
Bond	3rd lien mortgage on Olaines Logistics Park	32,870,000

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 18)	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

Note 16. Share capital

As at 31 December 2023, registered share capital of UPP Olaines OÜ consisted of one share with nominal value of EUR 2,500 (31 December 2022: EUR 2,500) per share. The shares are fully paid up.

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

Note 17. Contingent assets and liabilities

Contingent income tax liability

As at 31 December 2023, the Group had retained earnings of EUR 8,404,945 (31 December 2022: EUR 7,467,572). The maximum potential income tax liability that could arise from dividend distribution is EUR 1,680,989 (31 December 2022: EUR 1,493,514). Therefore, net dividends amount to EUR 6,723,956 (31 December 2022: EUR 5,974,058).

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 2023.

Other contingent assets and liabilities

The Group had no contingent assets or liabilities as at 31 December 2023 and 31 December 2022.

Note 18. 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	
			31/12/2023	31/12/2022
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.

Loan from UPP Logistics Properties OÜ (Note 15)	2023	2022
(euros)		
Principal at the beginning of the period	**2,957,028**	**2,942,028**
Loan increase (decrease)	25,000	15,000
Principal at the end of the period	**2,982,028**	**2,957,028**
Interest expense (Note 8)	(207,975)	(205,971)
Accumulated interest at the end of the period	**(619,888)**	**(411,913)**

In the third quarter of 2023, SIA Olaines Logistics issued a long-term loan maturing on 31 August 2028 bearing interest at 8.50% to UPP Liepkalnio UAB, a fully-owned subsidiary of UPP Logistics Properties OÜ. The table below presents the period end loan balance owed by UPP Liepkalnio UAB.

Loan to UPP Liepkalnio UAB (Note 10)	2023	2022
(euros)		
Principal loan balance	**3,620,000**	**0**
Repayments received of principal	80,444	0
Principal loan balance at the end of the period	**3,539,556**	**0**
Interest income accrued (Note 8)	103,421	0
Interest received	103,421	0
Accumulated interest at the end of the period	**0**	**0**

The Management Board Member of the subsidiary was paid EUR 9,199 and EUR 7,420 during this and the previous financial year, respectively, including taxes.

Note 19. Events after the reporting period

No material events have occurred after the reporting period.

Note 20. 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)	2023	2022
General and administrative expenses	(22,332)	(38,230)
Operating profit	**(22,332)**	**(38,230)**
Finance income and finance costs	959,705	2,258,021
Profit for the financial year	**937,373**	**2,219,791**
Comprehensive income for the financial year	**937,373**	**2,219,791**

Note 21. Parent company's statement of financial position

(euros)	31/12/2023	31/12/2022
ASSETS		
Current assets		
Cash and cash equivalents	110	2,110
Trade and other receivables	438,696	259,182
Total current assets	**438,806**	**261,292**
Non-current assets		
Loan receivable	7,898,057	7,898,057
Shares of subsidiaries	9,918,712	8,930,994
Total non-current assets	**17,816,769**	**16,829,051**
TOTAL ASSETS	**18,255,575**	**17,090,343**
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	651,101	448,242
Total current liabilities	**651,101**	**448,242**
Non-current liabilities		
Borrowings	9,197,028	9,172,028
Total non-current liabilities	**9,197,028**	**9,172,028**
TOTAL LIABILITIES	**9,848,129**	**9,620,270**
EQUITY		
Share capital	2,500	2,500
Retained earnings	7,467,573	5,247,782
Profit for the financial year	937,373	2,219,791
TOTAL EQUITY	**8,407,446**	**7,470,073**
TOTAL LIABILITIES AND EQUITY	**18,255,575**	**17,090,343**

Note 22. Parent company's statement of cash flows

(euros)	2023	2022
Profit before income tax	**937,373**	**2,219,791**
Adjustment (finance income -, finance costs +)	(959,705)	(2,258,021)
Cash flow from operating activities before changes in working capital	**(22,332)**	**(38,230)**
Decrease (increase) in receivables related to operating activities	451	(5,733)
Increase (decrease) in payables and prepayments related to operating activities	(5,119)	5,254
Net cash generated from operating activities	**(27,000)**	**(38,709)**
Interest received	372,900	420,555
Net cash generated from investing activities	**372,900**	**420,555**
Loans received	25,000	15,000
Interest paid	(372,900)	(456,185)
Net cash generated from financing activities	**(347,900)**	**(441,185)**
Change in cash and cash equivalents	**(2,000)**	**(59,339)**
Cash and cash equivalents at the beginning of the period	**2,110**	61,449
Cash and cash equivalents at the end of the period	**110**	**2,110**

Note 23. Parent company's statement of changes in equity

(euros)	Share capital	Retained earnings	Total equity
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**
Profit for the financial year	0	937,373	937,373
Balance as at 31 December 2023	**2,500**	**8,404,946**	**8,407,446**

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

	31/12/2023	31/12/2022
(euros)		
Parent company's unconsolidated equity	8,407,446	7,470,073
Carrying amount of subsidiaries in the balance sheet of the parent company (minus)	(9,918,712)	(8,930,994)
Value of subsidiaries under the equity method (plus)	9,918,712	8,930,994
Total	**8,407,446**	**7,470,073**

Grant Thornton

INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)

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To the Shareholders of UPP Olaines OÜ

Qualified Opinion

We have audited the consolidated financial statements of UPP Olaines OÜ and its subsidiary (the Group), which comprises of the consolidated balance sheet as at December 31, 2023, and the consolidated income statement, consolidated statement of cash flows, 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, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Qualified Opinion

The consolidated balance sheet of the company as at December 31, 2023 consists of investment properties at fair value amounting to 32 870 thousand euros (as at December 31, 2022, 32 870 thousand euros). As described in Note 12, the fair value of investment properties was determined in 2022 by external professional appraisers. However, as of December 31, 2023, no external appraisers were used to assess fair value, and instead, the management provided the valuation. As a result of audit procedures, we were unable to obtain sufficient evidence regarding the accuracy of the management's assessment, thus we are unable to assess the extent of potential misstatement in the fair values of investment properties reflected in the consolidated balance sheet as of December 31, 2023, and its impact on the consolidated financial statements.

In the company's unconsolidated balance sheet as at December 31, 2023, investment in subsidiary is recorded using the equity method in amount of 9 919 thousand euros (as at

December 31, 2022, 8 931 thousand euros). In applying the equity method for the investment in the subsidiary as at December 31, 2023, the subsidiary's equity is used which may be influenced by changes in the fair value of investment properties as mentioned above. Therefore, we are unable to assess the extent of potential misstatement in the value of the subsidiary and its impact on the unconsolidated financial statements presented in the financial statements.

We conducted our audit in accordance with International Standards on Auditing (Estonia) (ISA (EE)s). Our responsibilities under those standards are further described in the *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 International Code of Ethics for Professional Accountants (Estonia) (including International Independence Standards), and 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 qualified opinion.

Other Information

Management is responsible for the other information. The other information comprises of the Management report but does not include the consolidated financial statements or our auditor's report. 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, it is our responsibility to read the other information and consider, when doing so, whether the other information is materially misstates or appears to materially misstate the consolidated financial statements or our knowledge obtained during the audit.

Additionally, it is our obligation to state whether the information presented in the management report complies with applicable legal requirements. If, based on the work performed, we conclude that the other information is materially misstated in relation to the matters described above, we are required to report this fact.

As described in the section *"Basis for Qualified Opinion"* above, we were unable to assess the extent of potential misstatement in the fair value of investment properties reflected in the consolidated balance sheet as at December 31, 2023, and its impact on the consolidated financial statements, nor were we able to assess the extent of potential misstatement in the unconsolidated balance sheet value of the subsidiary and its impact on the financial statements presented in the unconsolidated financial statements. Consequently, we are unable to determine whether the other information is materially misstated in relation to these matters.

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

Management is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for such internal control as 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, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless 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.

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 an 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 ISA (EE)s 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 ISA (EE)s, we exercise professional judgment and maintain professional skepticism 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 accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of 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 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 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. 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.

/Signed digitally/

Mart Nõmper
License number 499
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Pärnu mnt 22, 10141 Tallinn
13.05.2024

PROFIT ALLOCATION PROPOSAL

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

(euros)	31/12/2023
Retained earnings	7,467,572
Profit for the financial year	937,373
Total profit eligible for distribution	**8,404,945**
Dividends	0
Retained earnings after distribution	**8,404,945**

/digitally signed/
Marko Tali
Chairman of the Management Board, UPP Olaines OÜ
10 May 2024, Tallinn

MANAGEMENT BOARD DECLARATION

The Chairman of the Management Board represents that the financial and other information presented in the consolidated financial statements for 2023 of UPP Olaines OÜ for the period 01/01/2023–31/12/2023, 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
10 May 2023, Tallinn