



UNITED PARTNERS

Interim report for 3 months 2023

UPP Olaines OÜ



Interim report for 3 months 2023 (unaudited)

Reporting period: 01.01.2023 – 31.03.2023 ('3 months 2023')

Company name: UPP Olaines OÜ

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MANAGEMENT REPORT FOR THE FIRST QUARTER OF 2023

General information

UPP Olaines OÜ (hereafter 'the Company' and 'the Group' when referred together with subsidiaries) was established for the purpose of funding, acquiring and managing the real estate investment of Olaines Logistics Park: (buildings and land) located at "Šarlotes", Olaines county, Olaines parish, Latvia, cadastre number 8080 003 0029, registered in the Land Register compartment No.5439 of the city of Olaine parish. The Company was established on 24.08.2017 and had no economic activity until 15.12.2017, when it acquired the cold storage warehouse Olaines Logistics Park.

The management board is aware of no trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for the period after the reporting period of these financial statements outside the course of its regular business activities.

UPP Olaines OÜ is operating based on going concern.

Financial commentary for the first quarter of 2023

Sales revenue was 689,937 euros in 1Q 2023 (669,660 euros in 1Q 2022). Operating income was 601,570 euros in 1Q 2023 (2,036,349 euros in 1Q 2022). Net income was 269,758 euros in 1Q 2023 (1,767,269 euros in 1Q 2022).

The lower operating and net profit of the reporting period is due to the higher reference base in 1Q 2022 caused by the real estate revaluation that took place in February 2022.

As of March 31, 2023, the Group's assets totaled 34 million euros (34 million euros as of the end of 1Q 2022), of which real estate investment accounted for 97%, a total of 32.9 million euros. As of March 31, 2023, the Group's liabilities totaled 26.2 million euros (26.9 million euros as of the end of 1Q 2022), of which loans to third parties accounted for 84%, a total of 22.1 million euros. Loan obligations to third parties were divided into 15.9 million euros Luminor bank loan and 6.2 million euros subordinated bonds.

Key events during the reporting period

Extension of loan agreement with Luminor

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 bought the land for the solar park

On 19.05.2023, SIA Olaines Logistics was entered in the land register as the owner of property 8080 003 0664. Construction work of the solar park in the property starts in the coming weeks. The panels and inverters have already arrived, the connection contracts have been concluded. Park is planned to be handed over at the beginning of August.

The transaction was financed by a temporary short-term working capital loan from the Immediate parent company (UPP Logistics Properties OÜ). The short-term working capital loan will be repaid to the Immediate parent company after the principal of Luminor's bank loan has been increased.

Events after the balance sheet date

Recall of the council and amendment of the articles of association

Immediate parent company decided on 26.04.2023 to recall the Company's supervisory board and in connection with this to amend the Company's articles of association. The decision and statute were published with the according company announcement in Nasdaq Baltic stock exchange on 26.04.2023.

Immediate parent company decided to recall the council because the council had no function. Already in 2020, United Partners consolidated its commercial real estate investments under the Immediate parent company, and decisions regarding Company's business activities are made at the Immediate parent company level. In addition to the Company's council, the councils of all other sister companies of the Company were also recalled.

Extension of the lease agreement of NNL Latvija SIA

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 864m² 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 864m² subleased space and overall the impact on total rent is low.

Key indicators of financial performance and position for 12 months 2022

(in EUR)	1Q 2023	1Q 2022
Sales revenue	689,937	669,660
Operating income	601,570	2,036,349
EBITDA	601,570	601,956
Net income	269,758	1,767,269

(in EUR)	31.03.2023	31.03.2022
Investment property	32,870,000	32,939,000
Interest-bearing loans	25,076,349	26,092,361
Interest-bearing loans less shareholder's loan	22,109,321	23,150,333

	3 months 2023	3 months 2022
Net profit margin, % (Net income / Sales revenue)	39.10%	263.91%
ROA (Net income / Average fixed assets)	0.80%	5.34%
LTV (Interest-bearing loans less shareholder's loan / Investment property)	67.26%	70.28%
DSCR (EBITA/ Loan principal and interest payments on interest-bearing loans)	1.2	1.1

Management board

The management board of UPP Olaines OÜ has one member: Marko Tali, the chairman of the board. The management board of Olaines Logistics SIA has also one member: Siim Sild, chairman of the board.

No remuneration or other benefits have been allotted to the member of the management board of UPP Olaines OÜ. The member of board of Olaines Logistics SIA receives remuneration according to Latvian legislation.

There are no employees in the company besides the members of the management board.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Condensed consolidated interim statement of comprehensive income

(in EUR)	Note	3 months 2023	3 months 2022
Sales revenue	5	689,937	669,660
Cost of goods sold	7	(32,230)	(32,812)
Gross profit		657,707	636,848
General and administrative expenses	8	(50,012)	(33,042)
Real estate investment revaluation	5	0	1,434,393
Other operating expenses		(6,125)	(1,850)
Operating income		601,570	2,036,349
Financial income / (cost)		(331,812)	(269,079)
Profit before income tax		269,758	1,767,269
Income tax		0	0
Net income		269,758	1,767,269
Total comprehensive income for the period		269,758	1,767,269

Condensed consolidated interim statement of financial position

(in EUR)	Note	31.03.2023	31.03.2022
Cash and cash equivalents		578,021	702,517
Trade and other receivables		107,985	179,422
Total current assets		686,006	881,939
Investment property	5	32,870,000	32,939,000
Investment property improvements		62,016	136,814
Land (acquisition cost)		284,248	0
Total non-current assets		33,216,264	33,075,814
TOTAL ASSETS		33,902,270	33,957,753
Trade and other payables		786,091	734,552
Financial derivatives	9	0	113,286
Loans and borrowings	6	1,364,000	16,935,333
Total current liabilities		2,150,091	17,783,171
Loans and borrowings	6	24,012,349	9,157,028
Total non-current liabilities		24,012,349	9,157,028
TOTAL LIABILITIES		26,162,440	26,940,199
Share capital		2,500	2,500
Retained earnings		7,737,330	7,015,054
TOTAL EQUITY		7,739,830	7,017,554
TOTAL EQUITY AND LIABILITIES		33,902,270	33,957,753

Condensed consolidated interim statement of cash flows

(in EUR)	Note	3 months 2023	3 months 2022
Operating income		601,570	2,036,349
Adjustments		0	(1,434,393)
Decrease / (increase) in receivables		137,837	(26,054)
Increase / (decrease) in payables		(118,862)	122,951
Other adjustments		0	661
Cash flows from operating activities		620,545	699,514
Paid for fixed assets		(284,248)	0
Paid for real estate investments		(62,016)	(135,581)
Received interests		0	0
Cash flows from investment activities		(346,264)	(135,581)
Loans received and bonds issued	6	310,000	6,215,000
Repayments of loans and borrowings		(243,012)	(6,481,000)
Interests paid		(279,921)	(302,015)
Cash flows from financing activities		(212,933)	(568,015)
Net increase / (decrease) in cash and equivalents		61,348	(4,082)
Cash and equivalents at the beginning of the period		516,673	706,599
Cash and cash equivalents and the end of the period		578,021	702,517

Condensed consolidated interim statement of changes in equity

(in EUR)	Share capital	Retained earnings	Equity
Balance at 31.12.2022	2,500	7,467,572	7,470,072
Total comprehensive income	0	269,758	269,758
Balance at 31.03.2023	2,500	7,737,330	7,739,830
Balance at 31.12.2021	2,500	5,247,119	5,249,619
Total comprehensive income	0	2,219,790	2,219,790
Other changes	0	663	663
Balance at 31.12.2022	2,500	7,467,572	7,470,072

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 1 Corporate information

UPP Olaines OÜ is a company established on 24.08.2017 and incorporated in Estonia.

The structure of UPP Olaines OÜ as of 31.03.2023 is as follows:



NOTE 2 Summary of significant accounting policies

Basis of preparation

These unaudited condensed consolidated interim financial statements of UPP Olaines OÜ for 3 months 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31.12.2022. They do not include all of the information required for the complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the end of last annual financial statements.

Changes in significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the last annual financial statements.

A number of new IFRS standards are effective from 01.01.2019, but they do not have a material effect on the Group's financial statements.

NOTE 3 Critical accounting estimates and assumptions

Management of the Group makes estimates and assumptions concerning the future when preparing the interim financial statements of the Group. Such estimates and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses, and the disclosure of contingent assets and contingent liabilities.

Although estimates and underlying 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.

The significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

NOTE 4 Subsidiaries

UPP Olaines OÜ has a dominant holding in the following companies:

Company name	Direct parent company	Country of location	Holding		Activities
			31.03.2023	31.03.2022	
Olaines Logistics SIA	UPP Olaines OÜ	Latvia	100%	100%	Asset-owning company

NOTE 5 Reportable segments

Area of activity (in EUR)	Income from third parties	
	3 months 2023	3 months 2022
Rental income	672,396	654,261
Other income	17,541	15,399
Total Sales revenue	689,937	669,660

Geographical region (in EUR)	Income from third parties	
	3 months 2023	3 months 2022
Total Sales revenue, Latvia	689,937	669,660
Total	689,937	669,660

Geographical region (in EUR)	Investment property	
	31.03.2023	31.03.2022
Latvia	32,870,000	32,939,000
Total	32,870,000	32,939,000

NOTE 6 Loans and borrowings

31.03.2023 (in EUR)	Loans and borrowings by maturity				
	0-12 months	1-5 years	Total	Interest rate	Maturity
Bank loan	1,064,000	14,830,321	15,894,321	3m EURIBOR +2.4%	25.02.2025
Subordinated bonds	0	6,215,000	6,215,000	6%	25.02.2025
Shareholder's loan	0	2,967,028	2,967,028	7%	Termless
Shareholder's working capital loan	300,000	0	300,000	0%	30.06.2023
Total loan liabilities	1,364,000	24,012,349	25,376,349		

31.03.2022 (in EUR)	Loans and borrowings by maturity				
	0-12 months	1-5 years	Total	Interest rate	Maturity
Bank loan	16,935,333	0	16,935,333	3m EURIBOR +2.4%	30.11.2022
Subordinated bonds	0	6,215,000	6,215,000	6%	25.02.2025
Shareholder's loan	0	2,942,028	2,942,028	7%	Termless
Total loan liabilities	16,935,333	9,157,028	26,092,361		

NOTE 7 Cost of goods sold

(in EUR)	3 months 2023	3 months 2022
Current repairs	(15,763)	(6,355)
Removal of snow	(4,677)	(15,529)
Property insurance	(1,752)	(1,529)
Real estate- and Land taxes	(9,421)	(9,399)
Other services	(617)	0
Total	(32,230)	(32,812)

NOTE 8 General administrative expenses

(in EUR)	3 months 2023	3 months 2022
Management fee (group companies)	(25,593)	(25,593)
Phone, post, office expenses	(184)	(222)
Bank fees	(11,555)	(981)
Nasdaq and depository fees	(4,435)	(4,392)
Legal, consulting	(544)	0
Accounting and auditing	(5,400)	0
Salaries	(1,860)	(1,500)
Social tax	(441)	(354)
Total	(50,012)	(33,042)

NOTE 9 Fair value measurement

Financial assets and liabilities carried at fair value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

31.03.2023 (in EUR)	Financial liabilities		
	Level 1	Level 2	Level 3
Derivative instruments		0	

31.03.2022 (in EUR)	Financial liabilities		
	Level 1	Level 2	Level 3
Derivative instruments		113,286	

Financial assets and liabilities not carried at fair value but for which fair value is disclosed

31.03.2023 (in EUR)	Level 1	Level 2	Level 3	Carrying amount
Financial assets	578,021		107,985	686,006
Cash and cash equivalents	578,021			578,021
Trade and other receivables			107,985	107,985
Financial liabilities			26,162,440	26,162,440
Interest-bearing loans and borrowings			25,376,349	25,376,349
Trade and other payables			786,091	786,091

31.03.2022 (in EUR)	Level 1	Level 2	Level 3	Carrying amount
Financial assets	702,517		179,422	881,939
Cash and cash equivalents	702,517			702,517
Trade and other receivables			179,422	179,422
Financial liabilities			26,826,913	26,826,913
Interest-bearing loans and borrowings			26,092,361	26,092,361
Trade and other payables			734,552	734,552

The assets and liabilities included in the above table are carried at amortised cost; their carrying values are a reasonable approximation of fair value.

NOTE 10 Transactions with related parties**Parent entities**

The Company is controlled by the following entities:

Name	Type	Residence	Ownership interest	
			31.03.2023	31.03.2022
UPP Logistics Properties OÜ	Immediate parent company	Estonia	100%	100%

Related party transactions and balances

During 3 months 2023, related party transactions occurred regarding the loan granted by UPP Logistics Properties OÜ to UPP Olaines OÜ, as detailed below:

Loans from UPP Logistics Properties OÜ (in EUR)	3 months 2023	3 months 2022
Beginning of period loan balance	2,957,028	2,942,028
Interest expense	(51,892)	(51,486)
Interest paid	0	0
Balance correction	10,000	0
End of period loan balance	2,967,028	2,942,028

STATEMENT OF THE MANAGEMENT BOARD

The CEO and member of the management board confirms that financial and other information published in this interim report of UPP Olaines OÜ for the 3 months 2023 provides a true and fair view of the Company's business development, financial performance and financial position.

According to the Terms and Conditions of UPP Olaines OÜ Subordinated Note Issue section 3.5.3 and 3.5.4, the Management confirms that the Company's debt service coverage ratio on consolidated level is greater or equal than 1.1 and that there has been no occurrence of an Extraordinary Early Redemption Event in 3 months 2023.

Signed digitally,

Marko Tali

Chairman of board of UPP Olaines OÜ

19.06.2023, Tallinn