



UNITED PARTNERS

Interim report for 6 months 2023

UPP Olaines OÜ



Interim report for 6 months 2023 (unaudited)

Reporting period: 01.01.2023 – 30.06.2023 ('6 months 2023')

Company name: UPP Olaines OÜ

Registration number: 14318601

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MANAGEMENT REPORT FOR THE SECOND QUARTER AND SIX MONTHS 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 second quarter and six months of 2023

Sales revenue was 677,202 euros in 2Q 2023 (661,548 euros in 2Q 2022) and 1,368,371 euros for the six months of 2023 (1,331,207 euros for 6 months of 2022). Operating profit was 614,471 euros in 2Q 2023 (574,693 euros in 2Q 2022) and 1,216,041 euros for the six months of 2023 (2,611,042 euros for 6 months of 2022). Net income was 238,604 euros in 2Q 2023 (281,606 euros in 2Q 2022) and 508,360 euros for the six months of 2023 (2,048,879 euros for 6 months 2022).

The lower operating and net profit for the six months is primarily attributed to two factors. Firstly, a higher comparison base in 2022 due to the revaluation of real estate on that year, and secondly, increased interest expenses during the current reporting period. The rise in interest expenses is a result of the higher 3-month EURIBOR rate, to which Olaines Logistics SIA's bank loan is tied. Some further increase in interest expenses is also expected in future interim reports.

As of June 30, 2023, the Group's assets totaled 34 million euros (34 million euros as of the end of 2Q 2022), of which real estate investment accounted for 97%, a total of 32.9 million euros.

As of June 30, 2023, the Group's liabilities totaled 26.0 million euros (26.7 million euros as of the end of 2Q 2022), of which loans to third parties accounted for 84%, a total of 21.9 million euros. Loan obligations to third parties were divided into 15.7 million euros Luminor bank loan and 6.2 million euros subordinated bonds.

Key indicators of financial performance and position for 6 months 2023

| (in EUR) | 2Q 2023 | 2Q 2022 | 6 months 2023 | 6 months 2022 |
|------------------|---------|---------|------------------|------------------|
| Sales revenue | 677,202 | 661,548 | 1,368,371 | 1,331,207 |
| Operating income | 614,471 | 574,693 | 1,216,041 | 2,611,042 |
| EBITDA | 614,471 | 574,693 | 1,216,041 | 1,176,649 |
| Net income | 238,604 | 281,606 | 508,360 | 2,048,879 |

| (in EUR) | 30.06.2023 | 30.06.2022 |
|--|------------|------------|
| Investment property | 32,870,000 | 32,939,000 |
| Interest-bearing loans | 24,884,494 | 25,826,362 |
| Interest-bearing loans less shareholder's loan | 21,911,466 | 22,884,334 |

| | 6 months 2023 | 6 months 2022 |
|---|------------------|------------------|
| Net profit margin, % (Net income / Sales revenue) | 37.15% | 154% |
| ROA (Net income / Average fixed assets) | 1.50% | 6.2% |
| LTV (Interest-bearing loans less shareholder's loan / Investment property) | 66.66% | 69.47% |
| DSCR (EBITDA/ 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 | 2Q 2023 | 2Q 2022 | 6 months 2023 | 6 months 2022 |
|--|------|----------------|----------------|------------------|------------------|
| Sales revenue | 5 | 677,202 | 661,548 | 1,368,371 | 1,331,207 |
| Cost of goods sold | 7 | (19,279) | (34,555) | (52,741) | (67,367) |
| Gross profit | | 657,923 | 626,993 | 1,315,630 | 1,263,840 |
| General and administrative expenses | 8 | (43,452) | (52,218) | (93,464) | (85,260) |
| Real estate investment revaluation | 5 | 0 | 0 | 0 | 1,434,393 |
| Other operating expenses | | 0 | (82) | (6,125) | (1,931) |
| Operating income | | 614,471 | 574,693 | 1,216,041 | 2,611,042 |
| Financial income / (cost) | | (375,867) | (293,087) | (707,681) | (562,163) |
| Profit before income tax | | 238,604 | 281,606 | 508,360 | 2,048,879 |
| Income tax | | 0 | 0 | 0 | 0 |
| Net income | | 238,604 | 281,606 | 508,360 | 2,048,879 |
| Total comprehensive income for the period | | 238,604 | 281,606 | 508,360 | 2,048,879 |

Condensed consolidated interim statement of financial position

| (in EUR) | Note | 30.06.2023 | 30.06.2022 |
|--------------------------------------|------|-------------------|-------------------|
| Cash and cash equivalents | | 661,540 | 505,861 |
| Trade and other receivables | | 137,112 | 241,897 |
| Total current assets | | 798,652 | 747,758 |
| Investment property | 5 | 32,870,000 | 32,939,000 |
| Investment property improvements | | 68,342 | 285,796 |
| Land (acquisition cost) | | 295,288 | 0 |
| Total non-current assets | | 33,233,630 | 33,224,796 |
| TOTAL ASSETS | | 34,032,282 | 33,972,554 |
| Trade and other payables | | 1,169,356 | 777,046 |
| Financial derivatives | 9 | 0 | 69,985 |
| Loans and borrowings | 6 | 1,064,000 | 16,669,334 |
| Total current liabilities | | 2,233,356 | 17,516,365 |
| Loans and borrowings | 6 | 23,820,494 | 9,157,028 |
| Total non-current liabilities | | 23,820,494 | 9,157,028 |
| TOTAL LIABILITIES | | 26,053,850 | 26,673,393 |
| Share capital | | 2,500 | 2,500 |
| Retained earnings | | 7,975,932 | 7,296,661 |
| TOTAL EQUITY | | 7,978,432 | 7,299,161 |
| TOTAL EQUITY AND LIABILITIES | | 34,032,282 | 33,972,554 |

Condensed consolidated interim statement of cash flows

| (in EUR) | Note | 2Q 2023 | 2Q 2022 | 6 months 2023 | 6 months 2022 |
|---|------|------------------|------------------|------------------|--------------------|
| Operating income | | 614,471 | 574,693 | 1,216,041 | 2,611,042 |
| Adjustments | | 0 | 0 | 0 | (1,434,393) |
| Decrease / (increase) in receivables | | (29,126) | (62,477) | 108,713 | (88,531) |
| Increase / (decrease) in payables | | 31,301 | (29,362) | (87,561) | 93,589 |
| Other adjustments | | 0 | 0 | 0 | 661 |
| Cash flows from operating activities | | 616,646 | 482,854 | 1,237,193 | 1,182,368 |
| Paid for fixed assets | | (11,040) | 0 | (295,288) | 0 |
| Paid for real estate investments | | (6,326) | (148,981) | (68,342) | (284,562) |
| Cash flows from investment activities | | (17,366) | (148,981) | (363,630) | (284,562) |
| Loans received and bonds issued | | 6,000 | 0 | 316,000 | 6,215,000 |
| Repayments of loans and borrowings | | (197,856) | (266,000) | (440,868) | (6,747,000) |
| Interests paid | | (323,907) | (264,529) | (603,828) | (566,544) |
| Cash flows from financing activities | | (515,763) | (530,529) | (728,696) | (1,098,544) |
| Net increase / (decrease) in cash and equivalents | | 83,517 | (196,656) | 144,867 | (200,738) |
| Cash and equivalents at the beginning of the period | | 578,023 | 702,517 | 516,673 | 706,599 |
| Cash and cash equivalents at the end of the period | | 661,540 | 505,861 | 661,540 | 505,861 |

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 | | 508,360 | 508,360 |
| Balance at 30.06.2023 | 2,500 | 7,975,932 | 7,978,432 |
| Balance at 31.12.2021 | 2,500 | 5,247,119 | 5,249,619 |
| Total comprehensive income | | 2,048,879 | 2,048,879 |
| Other changes | 0 | 663 | 663 |
| Balance at 30.06.2022 | 2,500 | 7,296,661 | 7,299,161 |

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 30.06.2023 is as follows:



More information on subsidiaries provided in Note 4.

NOTE 2 Summary of significant accounting policies

Basis of preparation

These unaudited condensed consolidated interim financial statements of UPP Olaines OÜ for 6 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 |
|-----------------------|-----------------------|---------------------|------------|------------|----------------------|
| | | | 30.06.2023 | 30.06.2022 | |
| Olaines Logistics SIA | UPP Olaines OÜ | Latvia | 100% | 100% | Asset-owning company |

NOTE 5 Reportable segments

| Area of activity (in EUR) | 2Q 2023 | Income from third parties | | |
|------------------------------|----------------|---------------------------|------------------|------------------|
| | | 2Q 2022 | 6 months 2023 | 6 months 2022 |
| Rental income | 663,352 | 654,261 | 1,335,748 | 1,308,522 |
| Other income | 13,850 | 7,287 | 32,623 | 22,685 |
| Total Sales revenue | 677,202 | 661,548 | 1,368,371 | 1,331,207 |

| Geographical region (in EUR) | 2Q 2023 | Income from third parties | | |
|---------------------------------|----------------|---------------------------|------------------|------------------|
| | | 2Q 2022 | 6 months 2023 | 6 months 2022 |
| Total Sales revenue, Latvia | 677,202 | 661,548 | 1,368,371 | 1,331,207 |
| Total | 677,202 | 661,548 | 1,368,371 | 1,331,207 |

| Geographical region (in EUR) | 30.06.2023 | Investment property | | |
|---------------------------------|-------------------|---------------------|-------------------|-------------------|
| | | 30.06.2022 | 31.12.2022 | 31.12.2021 |
| Latvia | 32,870,000 | 32,939,000 | 32,870,000 | 31,320,000 |
| Total | 32,870,000 | 32,939,000 | 32,870,000 | 31,320,000 |

NOTE 6 Loans and borrowings

| 30.06.2023 (in EUR) | Loans and borrowings by maturity | | | | |
|------------------------------------|----------------------------------|-------------------|-------------------|---------------------|------------|
| | 0-12 months | 1-5 years | Total | Interest rate | Maturity |
| Bank loan | 1,064,000 | 14,632,466 | 15,696,466 | 3m EURIBOR +2.4% | 25.02.2025 |
| Subordinated bonds | 0 | 6,215,000 | 6,215,000 | 6% | 25.02.2025 |
| Shareholder's loan | 0 | 2,973,028 | 2,973,028 | 7% | Termless |
| Shareholder's working capital loan | 300,000 | 0 | 300,000 | 0% | 31.07.2023 |
| Total loan liabilities | 1,364,000 | 23,820,494 | 25,184,494 | | |

| 30.06.2022 (in EUR) | Loans and borrowings by maturity | | | | |
|-------------------------------|----------------------------------|------------------|-------------------|---------------------|------------|
| | 0-12 months | 1-5 years | Total | Interest rate | Maturity |
| Bank loan | 16,669,334 | 0 | 16,669,334 | 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 | 16,669,334 | 9,157,028 | 25,826,362 | | |

NOTE 7 Cost of goods sold

| (in EUR) | 2Q 2023 | 2Q 2022 | 6 months 2023 | 6 months 2022 |
|---------------------------------|-----------------|-----------------|------------------|------------------|
| Current repairs and maintainace | (7,864) | (19,931) | (23,627) | (26,288) |
| Removal of snow | 0 | 0 | (4,677) | (15,527) |
| Property insurance | (762) | (3,709) | (2,514) | (5,238) |
| Real estate- and Land taxes | (9,421) | (10,915) | (18,842) | (20,314) |
| Other services | (1,232) | 0 | (3,081) | 0 |
| Total | (19,279) | (34,555) | (52,741) | (67,367) |

NOTE 8 General administrative expenses

| (in EUR) | 2Q 2023 | 2Q 2022 | 6 months 2023 | 6 months 2022 |
|----------------------------------|-----------------|-----------------|------------------|------------------|
| Management fee (group companies) | (25,593) | (25,593) | (51,186) | (51,186) |
| Phone, post, office expenses | (190) | (252) | (375) | (474) |
| Bank fees | (6,780) | (67) | (18,335) | (1,048) |
| Nasdaq and depository fees | (438) | (1,613) | (4,873) | (6,005) |
| Legal, consulting | (1,921) | (5,052) | (2,465) | (5,052) |
| Accounting and auditing | (5,400) | (16,499) | (10,800) | (16,500) |
| Salaries | (1,860) | (1,500) | (3,720) | (3,000) |
| Social tax | (441) | (354) | (882) | (708) |
| Other administrative costs | (829) | (1,288) | (828) | (1,287) |
| Total | (43,452) | (52,218) | (93,464) | (85,260) |

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).

| 30.06.2023 (in EUR) | Financial liabilities | | |
|------------------------|-----------------------|---------|---------|
| | Level 1 | Level 2 | Level 3 |
| Derivative instruments | | 0 | |

| 30.06.2022 (in EUR) | Financial liabilities | | |
|------------------------|-----------------------|---------|---------|
| | Level 1 | Level 2 | Level 3 |
| Derivative instruments | | 68,985 | |

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

| 30.06.2023 (in EUR) | Level 1 | Level 2 | Level 3 | Carrying amount |
|---------------------------------------|-------------------------|----------------|-------------------|-------------------|
| | Financial assets | 661,540 | | 137,112 |
| Cash and cash equivalents | 661,540 | | | 661,540 |
| Trade and other receivables | | | 137,112 | 137,112 |
| Financial liabilities | | | 26,053,850 | 26,053,850 |
| Interest-bearing loans and borrowings | | | 24,884,494 | 24,884,494 |
| Trade and other payables | | | 1,169,356 | 1,169,356 |

| 30.06.2022 (in EUR) | Level 1 | Level 2 | Level 3 | Carrying amount |
|---------------------------------------|-------------------------|----------------|-------------------|-------------------|
| | Financial assets | 505,861 | | 241,897 |
| Cash and cash equivalents | 505,861 | | | 505,861 |
| Trade and other receivables | | | 241,897 | 241,897 |
| Financial liabilities | | | 26,603,408 | 26,603,408 |
| Interest-bearing loans and borrowings | | | 25,826,362 | 25,826,362 |
| Trade and other payables | | | 777,046 | 777,046 |

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 | |
|-----------------------------|--------------------------|-----------|--------------------|------------|
| | | | 30.06.2023 | 30.06.2022 |
| UPP Logistics Properties OÜ | Immediate parent company | Estonia | 100% | 100% |

Related party transactions and balances

During 6 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) | 6 months 2023 | 6 months 2022 |
|--|------------------|------------------|
| Beginning of period loan balance | 2,957,028 | 2,942,028 |
| Interest expense | (103,853) | (102,971) |
| Interest paid | 0 | 0 |
| Balance correction | 16,000 | 0 |
| End of period loan balance | 2,973,028 | 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 6 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 6 months 2023.

Signed digitally,

Marko Tali

Chairman of board of UPP Olaines OÜ

20.07.2023, Tallinn