



# UNITED PARTNERS

Interim report for 9 months 2023

UPP Olaines OÜ



Interim report for 9 months 2023 (unaudited)

Reporting period: 01.01.2023 – 30.09.2023 ('9 months 2023')

**Company name:** UPP Olaines OÜ

**Registration number:** 14318601

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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 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 and its subsidiary are operating based on going concern.

### Financial commentary for the third quarter and nine months of 2023

Sales revenue was 681 kEUR in 3Q 2023 (665 kEUR in 3Q 2022) and 2.05 mEUR for the nine months of 2023 (2 mEUR for 9 months of 2022).

Operating profit amounted to 607 kEUR in 3Q 2023 (602 kEUR in 3Q 2022) and 1.82 mEUR for the nine months of 2023 (3.21 mEUR for 9 months of 2022). EBITDA was 607 kEUR in 3Q 2023 (602 kEUR in 3Q 2022) and EBITDA for the nine months of 2023 was 1.82 mEUR (1.78 mEUR for 9 months of 2022).

Net income was 316 kEUR in 3Q 2023 (356 kEUR in 3Q 2022) and 824 kEUR for the nine months of 2023 (2.40 mEUR for 9 months 2022).

The lower operating and net profit for the nine months is primarily attributed to a higher comparison base in 2022 due to the revaluation of real estate on that year and increased interest expenses, which have increased by ~38% during the current reporting period. It is worth noting that ~44% of interest cost (435 kEUR for 9 months of 2023) is fixed and not influenced by changes in 3-month EURIBOR.

To compensate the rise in interest cost we have improved in operating efficiency, resulting in a slight increase in EBITDA compared to last year.

As of September 30, 2023, the Group's assets totaled 38 mEUR (34 mEUR as of the end of 3Q 2022), of which real estate investment accounted for 87%, a total of 32.9 mEUR. As of September 30, 2023, the Group's liabilities totaled 29.7 mEUR (26.4 mEUR as of the end of 3Q 2022), of which loans to third parties accounted for 86%, a total of 25.4 mEUR. Loan obligations to third parties were divided into 19.2 mEUR Luminor bank loan and 6.2 mEUR subordinated bonds.

The increase in Group's assets and liabilities during the reporting period is related to the loan agreement amendment signed in March 2023, according to which the loan maturity was prolonged with the option to increase the loan principal up to the initial loan principal amount of 21.28mEUR.

## Key events during the reporting period

### Increase of Luminor Bank AS loan

In March 2023 SIA Olaines Logistics and Luminor Bank AS signed a loan agreement amendment under which the maturity of the loan was prolonged with the right to increase the principal of the loan up to the amount equal to the initial principal of the loan (21.28mEUR). The purpose of the agreement was to prolong the loan maturity, finance the construction of 2MW solar park and consolidate loans inside the logistics portfolio with the intention to decrease interest expense at the consolidate portfolio level. In Q3 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 United Partners' logistics real estate portfolio, for repayment of its' financial obligations. UPP Liepkalnio UAB owns the DPD logistics centre in Vilnius, Lithuania. Assets of UPP Liepkalnio UAB in the amount of 6mEUR were also pledged in favor of Luminor Bank AS. The restructuring was a business-as-usual procedure, executed with the intention to reduce financing cost at the consolidate portfolio level.

## Key indicators of financial performance and position for 9 months 2023

(in EUR)	3Q 2023	3Q 2022	9 months 2023	9 months 2022
Sales revenue	681,465	665,391	2,049,836	1,996,598
Operating income	606,603	602,415	1,822,624	3,213,457
EBITDA	606,603	602,415	1,822,624	1,779,064
Net income	316,151	356,016	824,491	2,404,895

(in EUR)	30.09.2023	30.09.2022
Investment property	32,870,000	32,939,000
Interest-bearing loans	28,364,068	25,560,361
Interest-bearing loans less shareholder's loan	25,391,040	22,618,333

	9 months 2023	9 months 2022
Net profit margin, % (Net income / Sales revenue)	40.22%	126.04%
ROA (Net income / Average fixed assets)	2.17%	7.06%
LTV (Interest-bearing loans less shareholder's loan / Investment property)	77.25%	68.67%
DSCR (EBITA/ Loan principal and interest payments on interest-bearing loans)	1.1	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	3Q 2023	3Q 2022	9 months 2023	9 months 2022
Sales revenue	5	681,465	665,391	2,049,836	1,996,598
Cost of goods sold	7	-20,415	-25,966	-73,176	-93,333
<b>Gross profit</b>		<b>661,050</b>	<b>639,425</b>	<b>1,976,660</b>	<b>1,903,265</b>
General and administrative expenses	8	-54,447	-29,765	-147,911	-115,025
Real estate investment revaluation	5	0	0	0	1,434,393
Other operating expenses		0	-7,245	-6,125	-9,176
<b>Operating income</b>		<b>606,603</b>	<b>602,415</b>	<b>1,822,624</b>	<b>3,213,457</b>
Financial income / (cost)		-290,452	-246,399	-998,133	-808,562
<b>Profit before income tax</b>		<b>316,151</b>	<b>356,016</b>	<b>824,491</b>	<b>2,404,895</b>
Income tax		0	0	0	0
<b>Total comprehensive income for the period</b>		<b>316,151</b>	<b>356,016</b>	<b>824,491</b>	<b>2,404,895</b>

### Condensed consolidated interim statement of financial position

(in EUR)	Note	30.09.2023	30.09.2022
Cash and cash equivalents		595,310	467,257
Trade and other receivables		553,683	262,480
<b>Total current assets</b>		<b>1,148,993</b>	<b>729,737</b>
Investment property	5	32,870,000	32,939,000
Investment property improvements		69,727	371,423
Other fixed assets		312,157	0
Long-term loans		3,599,889	0
<b>Total non-current assets</b>		<b>36,851,773</b>	<b>33,310,423</b>
<b>TOTAL ASSETS</b>		<b>38,000,766</b>	<b>34,040,160</b>
Trade and other payables		1,342,135	780,053
Financial derivatives	9	0	44,569
Loans and borrowings	6	1,064,000	16,403,333
<b>Total current liabilities</b>		<b>2,406,135</b>	<b>17,227,955</b>
Loans and borrowings	6	27,300,068	9,157,028
<b>Total non-current liabilities</b>		<b>27,300,068</b>	<b>9,157,028</b>
<b>TOTAL LIABILITIES</b>		<b>29,706,203</b>	<b>26,384,983</b>
Share capital		2,500	2,500
Retained earnings		8,292,063	7,652,677
<b>TOTAL EQUITY</b>		<b>8,294,563</b>	<b>7,655,177</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>38,000,766</b>	<b>34,040,160</b>

## Condensed consolidated interim statement of cash flows

(in EUR)	Note	3Q 2023	3Q 2022	9 months 2023	9 months 2022
<b>Operating income</b>		<b>606,603</b>	<b>602,415</b>	<b>1,822,624</b>	<b>3,213,457</b>
Adjustments		0	0	0	-1,434,393
Decrease / (increase) in receivables		-416,572	-20,582	-307,859	-109,113
Increase / (decrease) in payables		-29,269	-48,480	-116,810	45,109
Other adjustments		0	0	0	661
<b>Cash flows from operating activities</b>		<b>160,762</b>	<b>533,353</b>	<b>1,397,955</b>	<b>1,715,721</b>
Paid for fixed assets		-16,868	0	-312,156	0
Paid for real estate investments		-1,385	-85,627	-69,727	-370,189
Loans issued		-3,599,889	0	-3,599,889	0
Interest received		28,182	0	28,182	0
<b>Cash flows from investment activities</b>		<b>-3,589,960</b>	<b>-85,627</b>	<b>-3,953,590</b>	<b>-370,189</b>
Loans received and bonds issued		3,770,000	0	4,086,000	6,215,000
Repayments of loans and borrowings		-140,426	-266,000	-581,294	-7,013,000
Interests paid		-266,606	-220,330	-870,434	-786,874
<b>Net increase / (decrease) in cash and equivalents</b>		<b>3,362,968</b>	<b>-486,330</b>	<b>2,634,272</b>	<b>-1,584,874</b>
<b>Change in cash and cash equivalents</b>		<b>-66,230</b>	<b>-38,604</b>	<b>78,637</b>	<b>-239,342</b>
Cash and equivalents at the beginning of the period		661,540	505,861	516,673	706,599
Cash and cash equivalents and the end of the period		595,310	467,257	595,310	467,257

## Condensed consolidated interim statement of changes in equity

(in EUR)	Share capital	Retained earnings	Equity
<b>Balance at 31.12.2022</b>	<b>2,500</b>	<b>7,467,572</b>	<b>7,470,072</b>
Total comprehensive income		824,491	824,491
<b>Balance at 30.09.2023</b>	<b>2,500</b>	<b>8,292,063</b>	<b>8,294,563</b>

(in EUR)	Share capital	Retained earnings	Equity
<b>Balance at 31.12.2021</b>	<b>2,500</b>	<b>5,247,119</b>	<b>5,249,619</b>
Total comprehensive income		2,404,895	2,404,895
Other changes	0	663	663
<b>Balance at 30.09.2022</b>	<b>2,500</b>	<b>7,652,677</b>	<b>7,655,177</b>

## 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 30.09.2023 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 9 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
			30.09.2023	30.09.2022	
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			
	3Q 2023	3Q 2022	9 months 2023	9 months 2022
Rental income	670,010	653,778	2,005,758	1,962,299
Other income	11,455	11,613	44,078	34,299
<b>Total Sales revenue</b>	<b>681,465</b>	<b>665,391</b>	<b>2,049,836</b>	<b>1,996,598</b>

Geographical region (in EUR)	Income from third parties			
	3Q 2023	3Q 2022	9 months 2023	9 months 2022
Total Sales revenue, Latvia	681,465	665,391	2,049,836	1,996,598
<b>Total</b>	<b>681,465</b>	<b>665,391</b>	<b>2,049,836</b>	<b>1,996,598</b>

Geographical region (in EUR)	Investment property			
	30.09.2023	30.09.2022	31.12.2022	31.12.2021
Latvia	32,870,000	32,939,000	32,870,000	31,320,000
<b>Total</b>	<b>32,870,000</b>	<b>32,939,000</b>	<b>32,870,000</b>	<b>31,320,000</b>

## NOTE 6 Loans and borrowings

30.09.2023		Loans and borrowings by maturity			
(in EUR)	0-12 months	1-5 years	Total	Interest rate	Maturity
Bank loan	1,064,000	18,112,040	19,176,040	3m EURIBOR +2.75%	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	450,000	0	450,000	0%	30.11.2023
<b>Total loan liabilities</b>	<b>1,514,000</b>	<b>27,300,068</b>	<b>28,814,068</b>		

  

30.09.2022		Loans and borrowings by maturity			
(in EUR)	0-12 months	1-5 years	Total	Interest rate	Maturity
Bank loan	16,403,333	0	16,403,333	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
<b>Total loan liabilities</b>	<b>16,403,333</b>	<b>9,157,028</b>	<b>25,560,361</b>		

## NOTE 7 Cost of goods sold

(in EUR)	3Q 2023	3Q 2022	9 months 2023	9 months 2022
Current repairs and maintainace	-4,845	-14,710	-28,491	-40,998
Removal of snow	0	0	-4,677	-15,527
Property insurance	-4,918	-1,857	-7,432	-7,096
Real estate- and Land taxes	-9,421	-9,399	-28,263	-29,712
Other services	-1,231	0	-4,313	0
<b>Total</b>	<b>-20,415</b>	<b>-25,966</b>	<b>-73,176</b>	<b>-93,333</b>

## NOTE 8 General administrative expenses

(in EUR)	3Q 2023	3Q 2022	9 months 2023	9 months 2022
Management fee (group companies)	-37,555	-25,593	-88,741	-76,779
Phone, post, office expenses	-187	-258	-564	-732
Bank fees	-4,471	-83	-22,806	-1,130
Nasdaq and depository fees	-2,507	-1,677	-7,380	-7,682
Legal, consulting	-7,426	-300	-9,891	-5,352
Accounting and auditing	0	0	-10,800	-16,500
Salaries	-1,860	-1,500	-5,580	-4,500
Social tax	-441	-354	-1,323	-1,062
Other administrative costs	0	0	-826	-1,288
<b>Total</b>	<b>-54,447</b>	<b>-29,765</b>	<b>-147,911</b>	<b>-115,025</b>

## 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).

30.09.2023 (in EUR)	Financial liabilities		
	Level 1	Level 2	Level 3
Derivative instruments		0	

  

30.09.2022 (in EUR)	Financial liabilities		
	Level 1	Level 2	Level 3
Derivative instruments		44,569	

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

30.09.2023 (in EUR)	Level 1	Level 2	Level 3	Carrying amount
	<b>Financial assets</b>	<b>595,310</b>		<b>553,683</b>
Cash and cash equivalents	595,310			595,310
Trade and other receivables			553,683	553,683
<b>Financial liabilities</b>			<b>29,706,203</b>	<b>29,706,203</b>
Interest-bearing loans and borrowings			28,364,068	28,364,068
Trade and other payables			1,342,135	1,342,135

  

30.09.2022 (in EUR)	Level 1	Level 2	Level 3	Carrying amount
	<b>Financial assets</b>	<b>467,257</b>		<b>262,480</b>
Cash and cash equivalents	467,257			467,257
Trade and other receivables			262,480	262,480
<b>Financial liabilities</b>			<b>26,384,983</b>	<b>26,384,983</b>
Interest-bearing loans and borrowings			25,560,361	25,560,361
Trade and other payables			824,622	824,622

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	
			30.09.2023	30.09.2022
UPP Logistics Properties OÜ	Immediate parent company	Estonia	100%	100%

**Related party transactions and balances**

During 9 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)	9 months 2023	9 months 2022
<b>Beginning of period loan balance</b>	<b>2,957,028</b>	<b>2,942,028</b>
Interest expense	-155,881	-154,456
Interest paid	0	0
Balance correction	16,000	0
<b>End of period loan balance</b>	<b>2,973,028</b>	<b>2,942,028</b>

**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 9 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 9 months 2023.

Signed digitally,

Marko Tali

Chairman of board of UPP Olaines OÜ

13.11.2023, Tallinn