



UNITED PARTNERS

Interim report for 12 months 2023

UPP Olaines OÜ



Interim report for 12 months 2023 (unaudited)

Reporting period: 01.01.2023 – 31.12.2023 ('12 months 2023')

Company name: UPP Olaines OÜ

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MANAGEMENT REPORT FOR 12 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 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 Olaines Logistics SIA are operating based on going concern.

Financial commentary for the fourth quarter and twelve months of 2023

Sales revenue was 687 kEUR in 4Q 2023 (675 kEUR in 4Q 2022) and 2.74 mEUR for the twelve months of 2023 (2,67 mEUR for 12 months of 2022).

Operating profit amounted to 503 kEUR in 4Q 2023 (62 kEUR in 4Q 2022) and 2.33 mEUR for the twelve months of 2023 (3.27 mEUR for 12 months of 2022). EBITDA was 612 kEUR in 4Q 2023 (610 kEUR in 4Q 2022) and EBITDA for the twelve months of 2023 was 2.43 mEUR (2.40 mEUR for 12 months of 2022).

Net income was 113 kEUR in 4Q 2023 (-185 kEUR in 4Q 2022) and 937 kEUR for the twelve months of 2023 (2.22 mEUR for 12 months 2022).

The lower operating and net profit for the twelve 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 ~34% during the current reporting period. It is worth noting that ~69% of interest cost (955 kEUR for 12 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 December 31, 2023, the Group's assets totaled 37.9 mEUR (33.6 mEUR as of the end of 4Q 2022), of which real estate investment accounted for 87%, a total of 32.9 mEUR. As of December 31, 2023, the Group's liabilities totaled 29.5 mEUR (26.2 mEUR as of the end of 4Q 2022), of which loans to third parties accounted for 86%, a total of 25.5 mEUR. Loan obligations to third parties were divided into 19.3 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 indicators of financial performance and position for 12 months 2023

(in EUR)	4Q 2023	4Q 2022	12 months 2023	12 months 2022
Sales revenue	686,907	675,000	2,736,743	2,671,598
Operating income	503,492	62,085	2,326,116	3,275,542
EBITDA	611,961	609,651	2,434,585	2,388,715
Net income	112,884	-185,105	937,373	2,219,790
(in EUR)			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 loans less shareholder's loan			25,513,757	22,352,333
			12 months 2023	12 months 2022
Net profit margin, % (Net income / Sales revenue)			34.25%	83.08%
ROA (Net income / Average fixed assets)			2.62%	6.73%
LTV (Interest-bearing loans less shareholder's loan / Investment property)			77.62%	68.00%
DSCR (EBITA/ Loan principal and interest payments on interest-bearing loans)			1.3	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	4Q 2023	4Q 2022	12 months 2023	12 months 2022
Sales revenue	5	686,907	675,000	2,736,743	2,671,598
Cost of goods sold	7	-24,990	-20,046	-98,166	-113,380
Gross profit		661,917	654,954	2,638,577	2,558,218
General and administrative expenses	8	-49,956	-40,268	-197,867	-155,292
Real estate investment revaluation		-108,469	-547,566	-108,469	886,827
Other operating expenses		0	-5,035	-6,125	-14,211
Operating income		503,492	62,085	2,326,116	3,275,542
Financial income / (cost)		-390,608	-247,190	-1,388,743	-1,055,752
Profit before income tax		112,884	-185,105	937,373	2,219,790
Income tax		0	0	0	0
Total comprehensive income for the period		112,884	-185,105	937,373	2,219,790

Condensed consolidated interim statement of financial position

(in EUR)	Note	31.12.2023	31.12.2022
Cash and cash equivalents		661,311	516,673
Trade and other receivables		775,597	245,822
Loans issued	10	241,332	0
Total current assets		1,436,908	762,495
Investment property	5	32,870,000	32,870,000
Other fixed assets		312,157	0
Long-term loans	10	3,298,224	0
Total non-current assets		36,480,381	32,870,000
TOTAL ASSETS		37,917,289	33,632,495
Trade and other payables		1,014,059	853,062
Loans and borrowings	6	1,064,000	16,137,333
Total current liabilities		2,078,059	16,990,395
Loans and borrowings	6	27,431,785	9,172,028
Total non-current liabilities		27,431,785	9,172,028
TOTAL LIABILITIES		29,509,844	26,162,423
Share capital		2,500	2,500
Retained earnings		8,404,945	7,467,572
TOTAL EQUITY		8,407,445	7,470,072
TOTAL EQUITY AND LIABILITIES		37,917,289	33,632,495

Condensed consolidated interim statement of cash flows

(in EUR)	Note	4Q 2023	4Q 2022	12 months 2023	12 months 2022
Operating income		503,492	62,085	2,326,116	3,275,542
Adjustments		108,469	547,566	108,469	-886,827
Decrease / (increase) in receivables		19,419	16,659	-288,440	-92,456
Increase / (decrease) in payables		69,828	21,495	-46,982	66,605
Other adjustments		0	0	0	663
Cash flows from operating activities		701,208	647,805	2,099,163	2,363,527
Paid for fixed assets		0	0	-312,156	0
Paid for real estate investments		-38,742	-107,143	-108,469	-477,333
Repayment of issued loans		60,333	0	80,444	0
Interest received		75,239	0	103,421	0
Cash flows from investment activities		96,830	-107,143	-236,760	-477,333
Loans received and bonds issued		378,626	15,000	1,094,626	6,230,000
Repayments of loans and borrowings		-696,909	-266,000	-1,528,203	-7,279,000
Interests paid		-413,754	-240,245	-1,284,188	-1,027,120
Cash flows from financing activities		-732,037	-491,245	-1,717,765	-2,076,120
Change in cash and cash equivalents		66,001	49,417	144,638	-189,926
Cash and equivalents at the beginning of the period		595,310	467,256	516,673	706,599
Cash and cash equivalents and the end of the period		661,311	516,673	661,311	516,673

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		937,373	937,373
Balance at 31.12.2023	2,500	8,404,945	8,407,445

(in EUR)	Share capital	Retained earnings	Equity
Balance at 31.12.2021	2,500	5,247,119	5,249,619
Total comprehensive income		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 31.12.2023 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 12 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
			31.12.2023	31.12.2022	
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			
	4Q 2023	4Q 2022	12 months 2023	12 months 2022
Rental income	670,010	652,812	2,675,768	2,615,112
Other income	16,897	22,188	60,975	56,486
Total Sales revenue	686,907	675,000	2,736,743	2,671,598

Geographical region (in EUR)	Income from third parties			
	4Q 2023	4Q 2022	12 months 2023	12 months 2022
Total Sales revenue, Latvia	686,907	675,000	2,736,743	2,671,598
Total	686,907	675,000	2,736,743	2,671,598

Geographical region (in EUR)	Investment property			
	31.12.2023	31.12.2022	31.12.2021	31.12.2020
Latvia	32,870,000	32,870,000	31,320,000	31,320,000
Total	32,870,000	32,870,000	31,320,000	31,320,000

NOTE 6 Loans and borrowings

31.12.2023		Loans and borrowings by maturity			
(in EUR)	0-12 months	1-5 years	Total	Interest rate	Maturity
Bank loan	1,064,000	18,234,757	19,298,757	3m EURIBOR +2.75%	25.02.2025
Subordinated bonds	0	6,215,000	6,215,000	6%	25.02.2025
Shareholder's loan	0	2,982,028	2,982,028	7%	Termless
Total loan liabilities	1,064,000	27,431,785	28,495,785		

31.12.2022		Loans and borrowings by maturity			
(in EUR)	0-12 months	1-5 years	Total	Interest rate	Maturity
Bank loan	16,137,333	0	16,137,333	3m EURIBOR +2.4%	31.01.2023
Subordinated bonds	0	6,215,000	6,215,000	6%	25.02.2025
Shareholder's loan	0	2,957,028	2,957,028	7%	Termless
Total loan liabilities	16,137,333	9,172,028	25,309,361		

NOTE 7 Cost of goods sold

(in EUR)	4Q 2023	4Q 2022	12 months 2023	12 months 2022
Current repairs and maintainance	-13,723	-8,789	-42 214	-49,786
Removal of snow	0	0	-4 678	-15,528
Property insurance	0	-1,858	-7 432	-8,953
Real estate- and Land taxes	-9,421	-9,399	-37 684	-39,113
Other services	-1,846	0	-6 158	0
Total	-24,990	-20,046	-98 166	-113,380

NOTE 8 General administrative expenses

(in EUR)	4Q 2023	4Q 2022	12 months 2023	12 months 2022
Management fee (group companies)	-43 536*	-25,593	-132 277	-102,372
Phone, post, office expenses	-192	-199	-757	-931
Bank fees	-2 443	-67	-25 248	-1,198
Nasdaq and depository fees	-1 435	-3,073	-8 815	-10,755
Legal, consulting	0	-8,786	-9 891	-14,138
Accounting and auditing	0	0	-10 800	-16,500
Salaries	-1 860	-1,500	-7 440	-6,000
Social tax	-436	-358	-1 759	-1,420
Other administrative costs	-54	-692	-880	-1,978
Total	-49 956	-40,268	-197 867	-155,292

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).

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

31.12.2023				
(in EUR)	Level 1	Level 2	Level 3	Carrying amount
Financial assets	661,311		775,597	1,436,908
Cash and cash equivalents	661,311			661,311
Trade and other receivables			775,597	775,597
Financial liabilities			29,509,844	29,509,844
Interest-bearing loans and borrowings			28,495,785	28,495,785
Trade and other payables			1,014,059	1,014,059
31.12.2022				
(in EUR)	Level 1	Level 2	Level 3	Carrying amount
Financial assets	516,673		230,433	747,106
Cash and cash equivalents	516,673			516,673
Trade and other receivables			230,433	230,433
Financial liabilities			26,162,423	26,162,423
Interest-bearing loans and borrowings			25,309,361	25,309,361
Trade and other payables			853,062	853,062

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	
			31.12.2023	31.12.2022
UPP Logistics Properties OÜ	Immediate parent company	Estonia	100%	100%

Related party transactions and balances

During 12 months 2023, related party transactions occurred regarding the loan granted by the parent UPP Logistics Properties OÜ as detailed below:

Loan from UPP Logistics Properties OÜ (in EUR)	12 months 2023	12 months 2022
Beginning of period loan balance	2,957,028	2,942,028
Interest expense	-207,976	-205,971
Interest paid	0	0
Balance correction	25,000	15,000
End of period loan balance	2,982,028	2,957,028

During 12 months 2023, related party transactions occurred regarding the loan granted to UPP Liepkalnio OÜ as detailed below:

Loan to UPP Liepkalnio OÜ (in EUR)	12 months 2023	12 months 2022
Beginning of period loan balance	0	0
Loan issued	3,620,000	0
Interest income	103,421	0
Interest received	103,421	0
Loan repayment	80,444	0
End of period loan balance	3,539,556	0

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 12 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 12 months 2023.

Signed digitally,
Marko Tali
Chairman of board of UPP Olaines OÜ