



# UPP Olaines OÜ

Company Description

For admission of the Notes to trading on  
the Nasdaq Baltic First North

December 2022

## IMPORTANT NOTICE

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The Notes are subordinated to all unsubordinated claims against the Issuer and certain claims against Issuer's Subsidiary SIA Olaines Logistics (the Senior Loan). The subordination of the Notes means that upon the liquidation or bankruptcy of the Issuer, all the claims arising from the Notes shall fall due in accordance with the Terms and Conditions of the Notes and shall be satisfied only after the full satisfaction of all unsubordinated recognised claims against the Issuer in accordance with the applicable law. Consent of the noteholders is not necessary for effecting bail-in measures by the resolution authority.

The Terms and Conditions of the Notes are an inseparable part of this Company Description, and they should be always viewed together. For full overview please refer to the Terms and Conditions.

**Investing into the Notes involves risks. While every care has been taken to ensure that this Company Description presents a fair and complete overview of the risks related to the Issuer, the operations of the Issuer and its Subsidiary, and to the Notes, the value of any investment in the Notes may be adversely affected by circumstances that are either not evident at the date hereof or not reflected in the Company Description.**

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## Executive summary

### EXECUTIVE SUMMARY (1)

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This Company Description is an introduction of the Issuer UPP Olaines OÜ and the Notes (ISIN: EE3300002567) issued during the Note Issue on February 25<sup>th</sup>, 2022.

The Note Issue is serviced by cash flows from Olaine Logistics Park near Riga, Latvia, which is owned by Issuer's fully owned Subsidiary SIA Olaines Logistics. Note Issue is secured by the 3<sup>rd</sup> rank mortgage over the same property. Olaine Logistics Park is the main cold-storage facility for the Baltic's leading retailer MAXIMA Latvija. Olaine Logistics Park also has other tenants as described further.

The proceeds of the Note Issue were used to refinance the Initial Note Issue with ISIN EE3300111350, which was listed on Nasdaq Baltic main bond list. The purpose of the Initial Note Issue was to finance the acquisition of Olaine Logistics Park. In accordance with the Initial Note Issue, the Issuer has also provided the prospectus and IFRS quarterly and audited annual reports to Nasdaq Baltic.

The aim of the listing the Notes on Nasdaq Baltic First North is to create a secondary market for the Notes.

The Issuer is part of a larger pan-Baltic logistics properties portfolio, operated by Issuer's Parent Company UPP Logistics Properties OÜ. UPP Logistics Properties OÜ has over 75 000 m<sup>2</sup> GLA of Class-A logistics assets in all three Baltic countries, leased to Baltic's highest quality lessees, such as Maxima, Rimi, DPD, Girteka Logistics and Onninen. UPP Logistics Properties strategy is to acquire properties which are at the core of a high-quality lessee's distribution network and play a key role in their business operations.

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## Executive summary

### EXECUTIVE SUMMARY (2)

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#### Notes:

- ISIN: EE3300002567
- Subordinated secured notes
- Issue date: February 25<sup>th</sup> 2022
- Maximum aggregate value of the Notes: up to EUR 6,215,000
- Note nominal value: EUR 1,000
- Coupon rate: 6% p.a., quarterly payments
- Maturity: 3 years
- Listing: The Issuer will admit the Notes for trading on Nasdaq Baltic First North

#### Collateral:

- 3<sup>rd</sup> rank mortgage established in the amount of EUR 8,079,500 over the Property in Olaine, Latvia.
  - A claims pledge encumbering the claims of the Issuer against the Latvian SPV under the Intra-Group Loan.
  - Pledgee of the mortgage and the pledge agreement is Eversheds Sutherland Bitāns Law Office (LV), the Collateral Agent, who is acting in accordance with the Terms and Conditions.
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## Executive summary

### DEFINITIONS

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- Issuer - UPP Olaines OÜ with the registry code 14318601 and registered business address at Pärnu street 141, 11314 Tallinn, Estonia, is an SPV created with a sole purpose for funding and acquisition of the Property. Issuer has a full ownership of its Subsidiary, SIA Olaines Logistics, which in turn owns the Olaine Logistics Park (the Property).
- Subsidiary - SIA Olaines Logistics with the registry code 40103578358 and registered business address at Šarlotes, Grenes, Olaines district, Olaines parish, LV-2127, Republic of Latvia.
- Parent Company - UPP Logistics Properties OÜ with the registry code 14507582 and registered business address at Pärnu street 141, 11314 Tallinn, Estonia, as the parent company of the Issuer.
- Terms and Conditions - Terms and conditions of UPP Olaines OÜ subordinated Note Issue, dated February 1<sup>st</sup> 2022.
- Initial Note Issue - The issue of by now redeemed subordinated notes (ISIN: EE3300111350) by the Issuer on November 8<sup>th</sup> 2017. Proceeds from the Initial Note Issue were invested into the Subsidiary through the Intra-Group Loan by the Issuer to the Subsidiary.
- Note Issue - The issue of the current subordinated notes (ISIN: EE3300002567) by the Issuer on February 25<sup>th</sup> 2022 that will be admitted for trading on Nasdaq Baltic First North.
- Senior Loan - Investment loan issued to the Subsidiary by Luminor Bank AS with residual of EUR 16,403,333 as of September 30<sup>th</sup> 2022. Margin of the loan: 2,4 % + 3 months EURIBOR. Subsidiary has fixed percentage of the 3 months EURIBOR rate with a Confirmation of Interest Rate Swap Transaction. Maturity date of the Senior Loan and of confirmation of interest rate swap transaction is for both November 30<sup>th</sup> 2022.
- Intra-Group Loan - Unsecured loan issued on November 15<sup>th</sup> 2017 by the Issuer to the Subsidiary in the principal amount of EUR 7,898,057. Intra-Group Loan is subordinated to the Senior Loan.
- Shareholder's Loan - Termless unsecured loan issued by the Parent Company to the Issuer in the principal amount of EUR 2,942,028.

Executive summary

## **Business overview**

Organisation and legal structure

Financial performance

Note issue

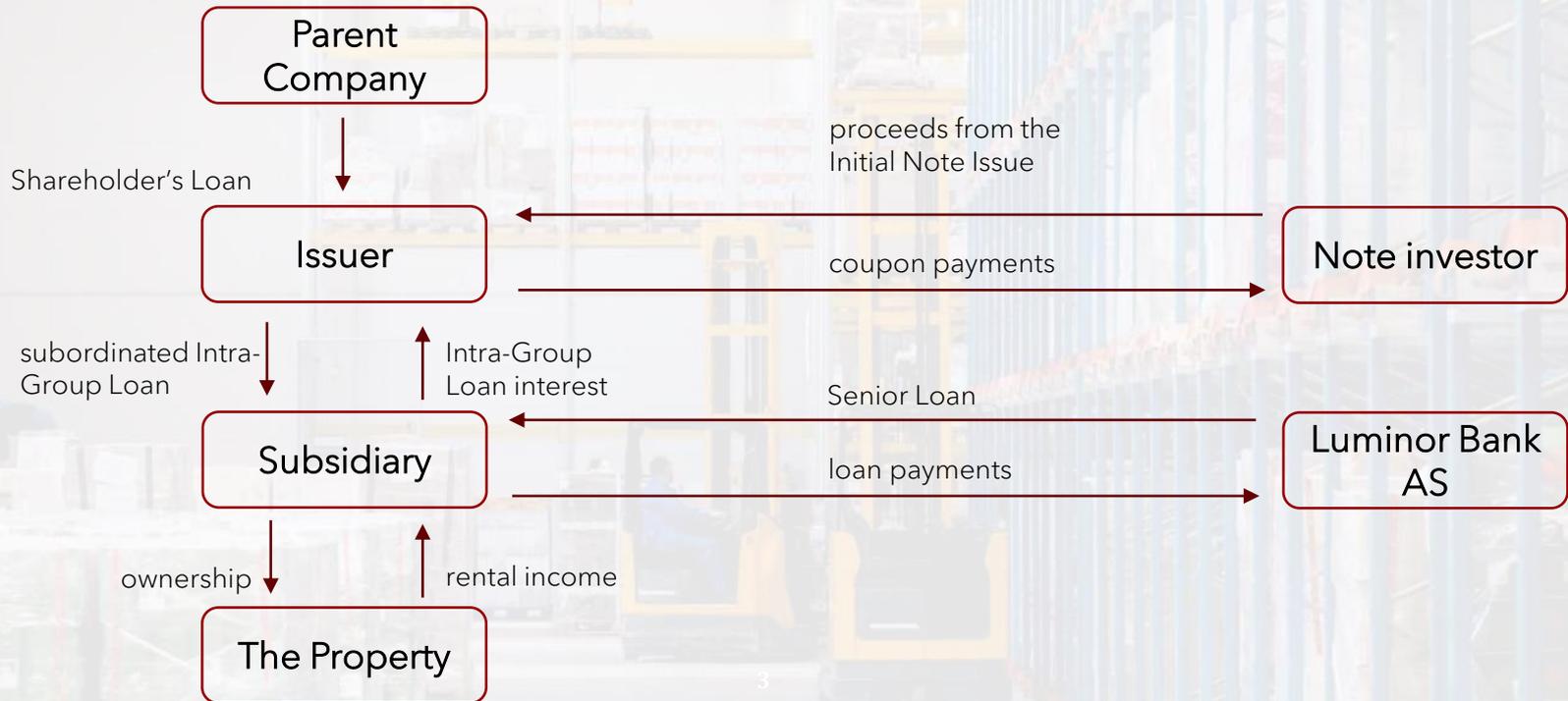
Contacts



## Business overview

### FINANCING STRUCTURE

The Issuer, being a part of the United Partners Group, acquired the Property in November 2017. In addition to the Shareholder's Loan issued by the Parent Company, the proceeds from the Initial Note Issue and the Senior Loan given to the Subsidiary by Luminor Bank AS, were used for financing the acquisition of the Property. After the acquisition, accordingly a 1<sup>st</sup> and 2<sup>nd</sup> ranking mortgages were established on the Property in favour of Luminor Bank AS for securing the fulfilment of the Senior Loan and Confirmation of Interest Rate Swap Transaction agreement. A 3<sup>rd</sup> ranking mortgage was established in favour of the Collateral Agent for securing of the fulfilment of obligations toward Note Issue investors.



## Business overview

### MARKET OVERVIEW

#### Latvian real estate investment market (Colliers Q3 2022 report)

According to the Colliers report, the real estate investment volume in Latvia reached 45 mEUR by the end of Q3 2022, driven due smaller (< 5 mEUR) transactions.

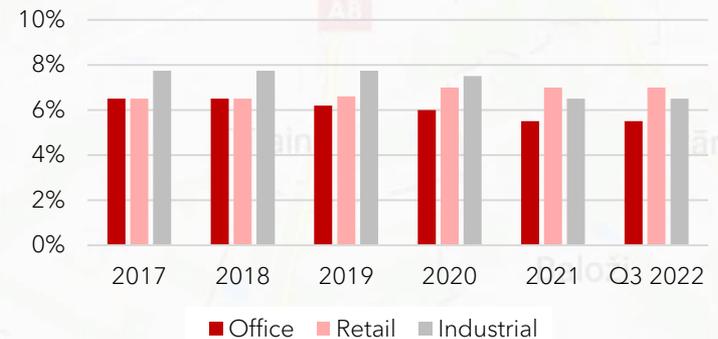
#### Latvian industrial real estate market (Colliers Q3 2022 report)

“Even though the construction process remains stable, developers are hesitant to initiate large-scale developments. Industrial properties are impacted by rising energy costs; moreover, opportunities to reduce energy consumption are limited. New industrial parks are investing in more cost-effective heating solutions, while existing industrial objects are switching from natural gas to LPG to ensure business continuity and lower heating costs in the winter. Leasing activity remains stable, although some tenants are delaying relocation plans until spring. Low supply of new premises has led to a notable decrease in the total vacancy level from 1.6% to 0.8%. Low vacancy has resulted in a hike in prime rent rates to an all-time high level from 5.0 to 5.2 EUR per m<sup>2</sup>”.

#### Latvian retail real estate market (Colliers Q3 2022 report)

Tenants in the grocery segment continued to remain active during Q3 2022. Vacancy levels showed a slight increase, while rent rates remained stable. Nevertheless, a decrease in rents in the winter season is possible due to high levels of additional costs.

#### Prime yields in Riga



Data: Colliers 2022

#### Industrial space in Riga



Data: Colliers 2022

## Business overview

### COMPETITOR ANALYSIS

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The Subsidiary is operating in the commercial real estate sector, which faces moderate competition. To give an brief overview of the operating environment, the competitor analysis with regards to five market forces is used as follows.

#### LOW RISK

##### Supplier power

Limited supply-chain;  
Triple-net lease terms - operating costs are passed on to tenants.

#### MODERATE RISK

##### Threat of substitution

High price competition in the market;  
High switching-costs - rearranging the logistics and labour when relocating;  
Expensive freezers installed in the warehouse that are essential for Maxima;

##### Threat of new entrants

Despite of the entry barriers like high initial investment to build a large warehouse, stable returns of the sector may attract new entrants.

##### Competitive Rivalry

Substantial amount of companies offering warehouse rental services near Riga;  
A smaller proportion of them provide temperature controlled warehousing;  
Long term contracts with tenants set some boundaries between rivals.

#### HIGH RISK

##### Buyer power

Low diversity in tenant base - bargaining power of the large anchor tenants may have an effect on revenues.

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## Business overview

### THE PROPERTY

The Property is a modern storage facility with cold-storage in Olaine, Latvia. It's the largest cold-storage facility in Latvia.

The Property has a total area of over 37,000 m<sup>2</sup> and can provide almost all relevant temperature regimes for food and other products.

Favourable geographic location - perfectly suited for distribution in Latvia and the Baltic states. Well established transport infrastructure with flexible logistical solutions.

High quality facilities with most required equipment, technological infrastructure and security systems. The storage facility complies with all sanitary standards.

Attractive tenant mix - MAXIMA Latvija SIA, SIA GIRTEKOS LOGISTIKA and SIA NNL LV.

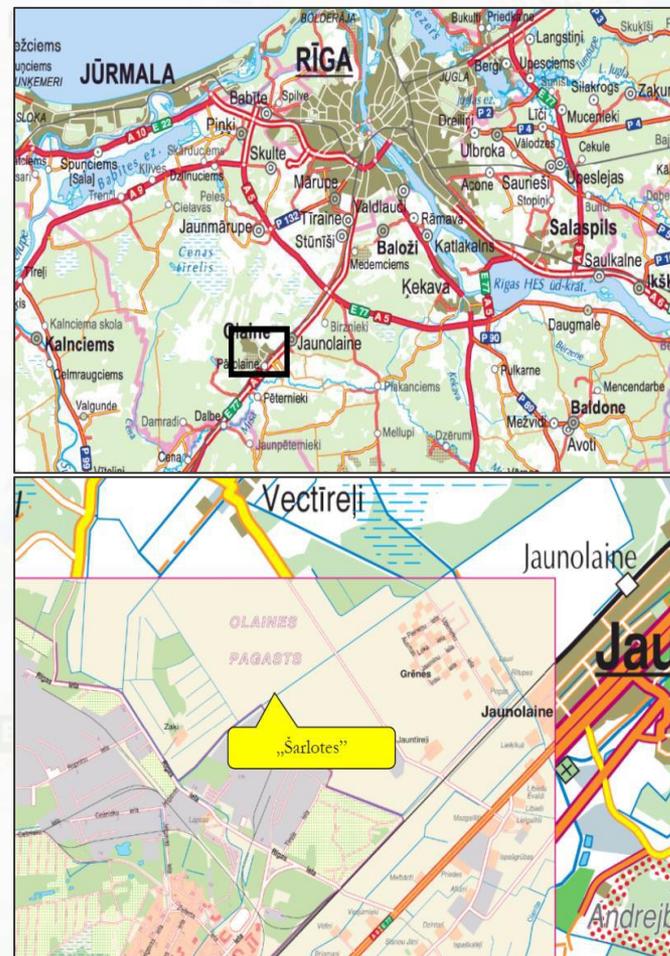
Address - Šarlotes, Grenes, Olaine's parish, Riga's district, LV-2127 Latvia.

The complex is located in the south part of Riga.

Riga city centre - 22 km., Riga international airport - 25 km.

The complex is near Riga - Jelgava (A8) highway.

The complex falls into industrial Olaine zone, where already operates Biolar, Nordic Industrial Park, Olainfarm and other well-known companies.



## Business overview

### PROPERTY IN FIGURES

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#### Specifications of the Property

Constructed 2007 - 2008

8.55 hectares land plot

36,506 m<sup>2</sup> gross leasable area

4,450 m<sup>2</sup> truck parking

100% occupancy

Anchor Tenants: MAXIMA Latvija SIA and

SIA GIRTEKOS LOGISTIKA

Triple-net lease terms

3.7 WALE

38 loading bays

-22C to +18C temperature regime

DALI controlled LED lightning

**EUR 2,468,596 NOI (2021)**

**EUR 32,939,000 2022 valuation**



#### Building 1

17,530 m<sup>2</sup> gross leasable area

- 9,859 m<sup>2</sup> Dry-warehouse

- 6,144 m<sup>2</sup> Refrigerated

- 940 m<sup>2</sup> Ramp

- 587 m<sup>2</sup> Office and administrative

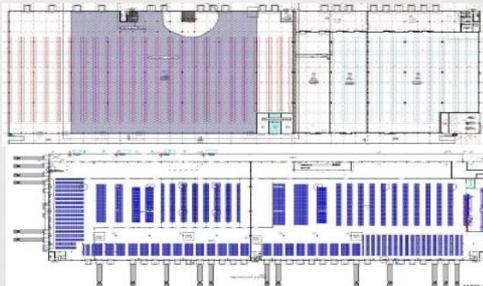
#### Building 2

18,976 m<sup>2</sup> gross leasable area

- 16,887 m<sup>2</sup> Refrigerated

- 1,237 m<sup>2</sup> Ramp

- 852 m<sup>2</sup> Office and administrative



## Business overview

### TECHNICAL SOLUTIONS

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Within year 2023 Subsidiary plans to purchase the land for EUR ~280 000 and to build on it a solar park with 2 MW solar panels for further optimization of energy costs. The Subsidiary has signed an agreement with SIA Ignitis Latvija to build and hand over a fully operational solar park, with the agreed price of 1,5 mEUR, which is expected to start generating additional revenue to the Subsidiary.

Most of the lights being used inside the warehouse are DALI controlled LED lights.

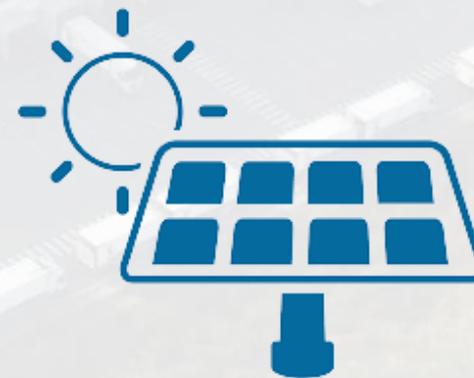
DALI stands for Digital Addressable Lighting Interface. DALI is a two-way open protocol - a digital, internationally adopted language used to control lighting such as LED Drivers. This allows information to be transferred between devices, such as lighting commands, fault details and diagnostics.

LED lighting is from 60% to 80% more efficient than traditional lighting.

Subsidiary is planning to implement an electricity demand response solution called Fusebox.

Fusebox is a bridge between consumers and energy markets to save on energy costs and reduce CO2 emissions. Its virtual power plant helps to balance electricity production and consumption.

Subsidiary has already made necessary technical improvements for installation of Fusebox sensors, however, the power distribution network at this stage can not fully support this solution. Support expected in 2023.



## Business overview

### TENANTS



- Leased premises: 22,091m<sup>2</sup>, 61% of the Property GLA
- Lease income: 1,666,134 euros p.a., 63.7% of the Property lease income

Maxima Groupe was established in 1992 as three grocery stores, by today it has become the largest grocery retailer and second largest company in the Baltics with over 4 billion EUR turnover in 2021. The company is the largest employer in the Baltics, providing income for over 24,000 employees in 508 stores across the Baltics. BB+ S&P public rating.

Maxima has been the anchor tenant of the Property since 2009. Lease agreement has been prolonged four times, current lease term is April 2027. All of Maxima Latvija fresh product operations are done from the Property.

| Maxima Groupe, 2021         | Estonia | Latvia  | Lithuania |
|-----------------------------|---------|---------|-----------|
| Market share                | 16.3%   | 26.2%   | 32.2%     |
| Market share growth         | -2.98%  | +3.1%   | -3.4%     |
| Number of stores            | 83      | 173     | 252       |
| MAXIMA Latvija SIA, EUR th. | 2021    | 2020    | 2019      |
| Revenue                     | 915,221 | 878,069 | 836,727   |
| EBITDA                      | 72,367  | 78,018  | 61,478    |
| Non-current assets          | 436,589 | 447,163 | 439,343   |
| Number of employees         | 7,113   | 7,710   | 7,425     |

## Business overview

### TENANTS



- Leased premises: 11,837 m<sup>2</sup>, 32% of the Property GLA
- Lease income: 66,583 euros p.a., 25.3% of the Property lease income

Girteka Logistics was founded in 1996, when Mindaugas Raila at the age of 24 bought a single used truck complete with a trailer. Today it is the Europe's largest FTL trucking company, having a fleet of over 9,000 trucks, 9,800 trailers and 21,000 employees. In 2021 sales revenue of over 1.4 billion EUR and total assets over 1 billion EUR. Girteka Logistics deliver more than 880,000 fully loaded trucks annually in each EU country.

Girteka Logistics is a tenant of the Property already from 2008. Lease agreement has been prolonged several times and current lease term is in April 2024. Girteka Logistics is renting a portion of the Property for their customs warehousing operations in Latvia.

| Girteka Logistics Group, EUR th. | 2021      | 2020    | 2019    |
|----------------------------------|-----------|---------|---------|
| Revenue                          | 1,437,430 | 996,993 | 945,324 |
| Net profit                       | 67,038    | 23,600  | 9,169   |
| Assets                           | 1,021,213 | 223,327 | 244,870 |
| Girteka Logistics Group          | 2021      | 2020    | 2019    |
| Trucks                           | 9,000     | 8,000   | 7,400   |
| Trailers                         | 9,800     | 8,400   | 7,800   |
| Employees                        | 21,000    | 18,000  | 18,000  |
| Full truck loads (FTL)/year      | 880,000   | 820,000 | 460,000 |

## Business overview

### TENANTS

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- Leased premises: 2,578 m<sup>2</sup>, 7% of the Property GLA
- Lease income: 277,611 euros p.a., 10.6% of the Property lease income

NNL is a temperature-controlled logistics company that has been operating for over a decade.

NNL provides transportation, warehousing, picking, labelling, and an array of other logistics services. It is the only company in Lithuania to offer the transportation of fresh fish on ice. On a yearly basis, NNL UAB handles up to 200 000 picking and transportation orders, transports 30 million kilograms of frozen foods, up to 8 million kilograms of chilled foods, and up to 1 million kilograms of fish on ice.

SIA NNL LV is a tenant of the Property from 2021 and current lease term is in January 2024.

#### NNL UAB

|                                    |         |                       |       |
|------------------------------------|---------|-----------------------|-------|
| Number of employees                | 164     | Delivery points a day | 1,042 |
| Tonnes of cargo transported a year | 289,900 |                       |       |

#### Successful private equity turnaround and management buyout

Private equity fund LitCapital invested in NNL LT in 2012. Group's revenues grew nearly fourfold and EBITDA more than doubled after substantial investments in warehouse expansion and new customer acquisition. Company successfully entered Latvian market and expanded in new product and service categories. Consolidated revenue of the business exceeded 20mEUR in 2019 compared to 5mEUR in 2012. In 2020 the management team of NNL, who already owned 51% of NNL LT, UAB, acquired the remaining 49% from LitCapital and from a small minority shareholder, sponsored by Orion Private Equity fund.

## Business overview

### RENT ROLL

#### KEY LEASE TERMS

| TENANT                 | BRAND NAME | INDUSTRY          | LEASE AGREEMENT TERM | AVERAGE BASE RENT EUR/m2/ p.m. | TOTAL LEASE FEE EUR/p.a. | INDEXATION        |
|------------------------|------------|-------------------|----------------------|--------------------------------|--------------------------|-------------------|
| SIA GIRTEKOS LOGISTIKA | GIRTEKA    | Logistics         | April 2024           | 4.52                           | 661,583                  | EAHICP, cap at 3% |
| SIA NNL LV             | NNL        | Logistics         | January 2025         | 8.55                           | 277,611                  | EAHICP, cap at 3% |
| MAXIMA Latvija SIA     | MAXIMA     | Retail food chain | April 2027           | 6.20                           | 1,666,134                | EAHICP, cap at 3% |
| SIA AKA TRANS          | AKATRANS   | Transportation    | 12 months prenotice  | 0.21                           | 11,715                   | EAHICP, cap at 3% |

#### AREA DISTRIBUTION PER TENANT

| TENANT       | AREA, m2      |               |                |              |               |
|--------------|---------------|---------------|----------------|--------------|---------------|
|              | DRY-WAREHOUSE | REFRIGERATOR  | ADMINISTRATIVE | OTHER        | TOTAL         |
| GIRTEKA      | 9,859         | 787           | 431            | 760          | 11,837        |
| NNL          | 0             | 2,478         | 100            | 0            | 2,578         |
| MAXIMA       | 0             | 19,766        | 893            | 1,432        | 22,091        |
| AKATRANS     | Parking lot   | Parking lot   | Parking lot    | Parking lot  | 4,450         |
| Vacant       | 0             | 0             | 0              | 0            | 0             |
| <b>TOTAL</b> | <b>9,859</b>  | <b>23,031</b> | <b>1,424</b>   | <b>2,192</b> | <b>36,506</b> |

## Business overview

### FUTURE OUTLOOK

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#### General outlook

Future plans include enhancing marketability of the Olaine industrial area and expanding the operations of the Property.

Objective for 2025 is to issue a Baltic-logistics note of which particular proportion is planned to be used to redeem current Notes.

Continuous challenge of improvement of the energy efficiency implementation.

#### Short-term - next 12 months:

The Senior Loan is expected to be refinanced and the loan amount is expected to be increased with current lender Luminor Bank AS. For that purpose, the loan committee decision of the Luminor Bank AS has been received and the formalizing of the relevant documentation and making of the disbursement is planned to be in December 2022. Confirmation of Interest Rate Swap Transaction is at present not planned to be renewed, however its necessity is evaluated on an ongoing basis and hence if the management considers it to be the optimal solution, then a new Confirmation of Interest Rate Swap Transaction will be agreed.

In order to finance the CAPEX investments and construction of solar park, the amount of the Senior Loan is also planned to be increased.

Purchasing of the land for solar park and installation of 2 MW solar park to improve operating costs of the Property.

EUR 200,000 in CAPEX to refresh the building.

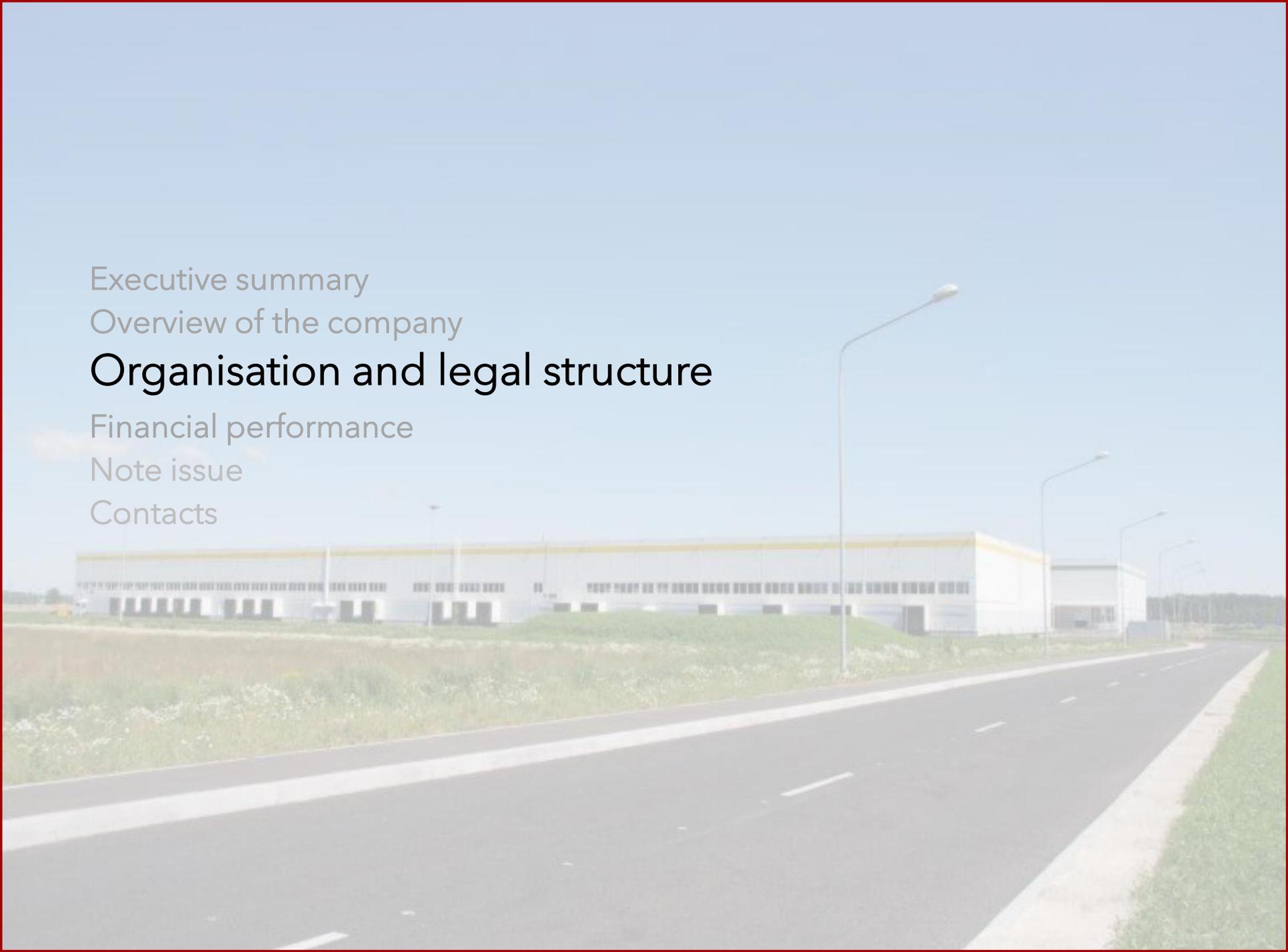
#### Long-term - 1 to 5 years:

Negotiate the prolongation of lease terms with Anchor Tenants.

Redeem the Notes at maturity (February 25<sup>th</sup> 2025, early redemption from February 25<sup>th</sup> 2024 with 10-days notice).

Cooperate with Olaine municipality in order to improve the attractiveness of the region for industrial clients.

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A large, modern industrial building with a white facade and a prominent yellow horizontal stripe near the roofline. The building is situated behind a grassy field. In the foreground, a paved road with white lane markings and a concrete curb runs alongside a series of tall, modern streetlights. The sky is clear and blue.

Executive summary

Overview of the company

## Organisation and legal structure

Financial performance

Note issue

Contacts

## Organisation and legal structure

### CORPORATE STRUCTURE OF THE ISSUER

**UPP Olaines OÜ (Issuer)** – A subcompany wholly owned by the Parent Company. It's an SPV created with the purpose of funding and acquisition of the Property. The funds raised by the Issuer through the Initial Note Issue were invested by the Issuer into the Subsidiary by way of the Intra-Group Loan. The Issuer's economic activity is holding of the shares of the Subsidiary, receiving interest payments on the Intra-Group Loan and servicing its debt obligation in front of the Note Issue investors. CEO of the Issuer is Marko Tali.

**SIA Olaines Logistics (Subsidiary)** – A subcompany wholly owned by the Issuer. It's an SPV created for the holding and managing purposes of the Property. Subsidiary has the Senior Loan outstanding from Luminor Bank AS and an Intra-Group Loan from the Issuer. The Property is in the ownership of the Subsidiary and Subsidiary is collecting rent from the tenants of the Property. Part of the rental revenue is upstreamed via the Intra-Group Loan interest to the Issuer and the upstreamed revenue is used to pay interest on the Note Issue. The Subsidiary's economic activity is holding and managing of the Property and servicing its debt obligations in front of Luminor Bank AS and the Issuer. CEO of the Subsidiary is Siim Sild.

**UPP Logistics Properties OÜ (Parent Company)** is the Parent Company of the Issuer and the holding entity of Baltic Logistics Properties strategy. Parent Company is continuously looking to attract private investors with the intention to expand the Baltic Logistics Properties portfolio. CEO of the Parent Company is Siim Sild.

**United Partners Group** owns 75% of the Parent Company shares. United Partners also has a small commercial real estate portfolio focused on retail in key locations in Tallinn, Estonia and undertakes residential real estate developments in Tallinn, Estonia. In addition, United Partners is also making direct investments into privately held companies on its own account and through Equity United, a private equity fund managed by United Partners.



## Organisation and legal structure

### CORPORATE GOVERNANCE (1)

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The only member of the Management Board of the Issuer is Marko Tali, who does not have a direct or indirect ownership of the Issuer. The management of the Issuer is supported by the member of the Management Board and CEO of the Parent Company Siim Sild and the Head of Real Estate Development of the Parent Company Vahur Kaska. Siim Sild is responsible for the investment management and investor relations and Vahur Kaska is responsible for management and development of the Property.

Issuer has the Supervisory Board consisting of 3 board members - Mart Tooming, Tarmo Rooteman and Hallar Loogma with the indirect ownership of the Issuer accordingly of 36.47%, 36.47% and 0%.

Other larger beneficiaries of the Issuer are Lignator AS (company registration number: 10447431) with 6.38%, Jaakson & KO OÜ (company registration number: 10089018) with 6.08% and Usaldusfond Spring Capital Growth Fund 1 (company registration number: 14538401) with 6.08% of indirect shareholding of the Issuer. None of the other beneficiaries has more than 5.0% of the indirect shareholding of the Issuer.

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## Organisation and legal structure

### CORPORATE GOVERNANCE (2)

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The Issuer applies strong corporate governance standards, which among other things are based on the following:

- The Issuer has prepared an offering prospectus and registered the prospectus with the Finantsinspektsioon. The offering prospectus was required to list the Initial Note Issue on Nasdaq Baltic bond main list.
- The Issuer has been a member of Nasdaq Baltic Exchange main bond list for four years, and during the course of these four years the Issuer has been subject to and complied with strict stock exchange regulations. During that period the Issuer did not violate the rules and regulations of the Nasdaq Baltic Exchange.
- The Issuer will continue to prepare annual and quarterly reports based on IFRS standards and in its reports notify the investors of any adverse changes in the management or contracts related to the Issuer, the Subsidiary or the Property.

The Issuer has not been subject to any ongoing legal proceedings and legal proceedings during previous reporting periods against the Issuer, any insolvency applications, instituted insolvency proceedings, as well as any legal proceedings in connection with fraud or other economic violations in which Management Board Members or Supervisory Board Members or other officers (senior officers) of the Issuer have been involved.

There are no share-based incentive or extraordinary bonus programs in governance of the Issuer.

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# Organisation and legal structure

## CORE TEAM OF THE ISSUER

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### MANAGEMENT



#### Head of commercial real estate

Establishment of UPP Logistics Properties OÜ. Develops the portfolio of logistics properties. Focus area: transactions and capital markets.

**Siim Sild**  
siim.sild@unitedpartners.ee  
+37256260107



#### Head of real estate development

Previously 13 years as Director of Kapital Estonian operations.

**Vahur Kaska**  
vahur.kaska@unitedpartners.ee  
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#### Member of the Management Board

Investment director of United Partners. Marko joined United Partners in 2004 after finishing his Master's in Germany, University of Humboldt.

**Marko Tali**  
marko.tali@unitedpartners.ee  
+37256692792

### SUPERVISORY BOARD



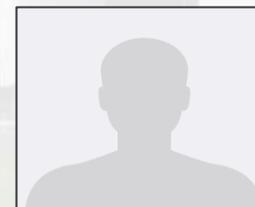
Co-Founder and Partner of United Partners Group. Before United Partners Mart built Hansa Capital together with Tarmo that became the leading lease and factoring firm in CEE. Mart has also been the CEO of Tallinna Sadam.

**Mart Tooming**  
mart.tooming@unitedpartners.ee  
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Co-Founder and Partner of United Partners Group. Before founding United Partners Tarmo spent 10 years in Hansa Capital, where he built one of the leading lease and factoring firm in CEE.

**Tarmo Rooteman**  
tarmo.rooteman@unitedpartners.ee  
+3725020597



Seasoned real estate developer and manager. Hallar joined United Partners in 2004 after having worked in Hansabank Group for over 7 years.

**Hallar Loogma**  
hallar.loogma@unitedpartners.ee

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## Organisation and legal structure

### THE PARENT COMPANY (1)

The Issuer is part of the logistics properties portfolio operated by the Parent Company which manages over 75,000m<sup>2</sup> GLA of A-class quality logistics properties in all three Baltic countries. Strategy of the Parent Company is to earn stable and predictable income from long term lease agreements with high quality tenants such as Maxima, Rimi, Girteka Logistics, Onninen and NNL.



5

Properties



3

Baltic countries



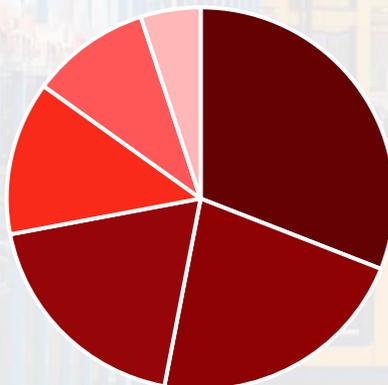
75,500 m<sup>2</sup>  
GLA



5.33mEUR  
NOI

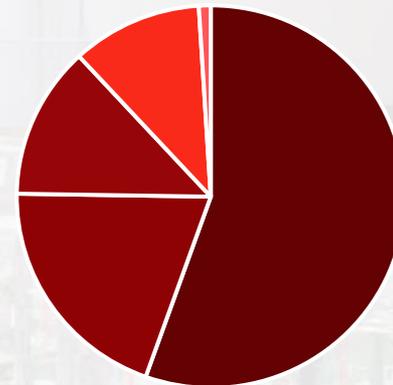
Portfolio Income by Tenant

- Maxima (31%)
- Rimi (22%)
- DPD (19%)
- Girteka (13%)
- Onninen (10%)
- NNL (5%)



Portfolio Income by Industry

- Consumer staples (56%)
- Courier (20%)
- Logistics (13%)
- Construction (11%)
- IT (1%)



# Organisation and legal structure

## THE PARENT COMPANY (2)

### ESTONIA



#### DPD Eesti HQ and Distribution centre

DPD Eesti HQ and cross-docking station in **Tallinn**. NN Lease, no vacancy, single tenant. GLA: 5,889 m<sup>2</sup>, Parking: 7,663 m<sup>2</sup>, NOI: EUR 442,316 p.a. ,Constructed 2012/2015.

### LATVIA



#### Olaine Logistics Park, Maxima central WH

Maxima Latvia central warehouse in **Riga**. NNN Lease, no vacancy. Anchor tenant Maxima. GLA: 36,506 m<sup>2</sup>, Parking: 4,450 m<sup>2</sup>, NOI: EUR 2,468,596 p.a. ,Constructed 2007-2008.

### LITHUANIA



#### Vievis Logistics Park, Rimi central WH

Rimi Lithuania central warehouse in **Vievis**. NNN Lease, no vacancy. Anchor tenant Rimi. GLA: 21,224, Parking: 0 m<sup>2</sup>, NOI: EUR 1,312,370 p.a. ,Constructed 2007.

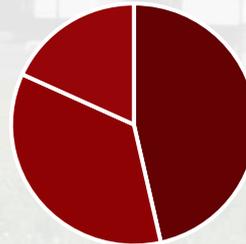


#### Onninen Logistics Park

Onninen Estonia central warehouse in **Tallinn**. NN Lease, no vacancy, single tenant. GLA: 6,309 m<sup>2</sup>, Parking: 27,964 m<sup>2</sup>, NOI: EUR 537,621 p.a. ,Constructed 2006.

#### Portfolio Income by Geography

- Latvia (46%)
- Lithuania (35%)
- Estonia (19%)



#### DPD Vilnius Distribution centre

DPD HQ and cross-docking station in **Vilnius**. NN Lease, no vacancy, single tenant. GLA: 5,295 m<sup>2</sup>, Parking: 7,850 m<sup>2</sup>, NOI: EUR 561,943 p.a. ,Constructed 2008.

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# Financial performance

## PAST PERFORMANCE

| INCOME STATEMENT  | 6 months 2022     | 2021              | 2020              | 2019              | 24.08.2017 -<br>31.12.2018 |
|---|-------------------|-------------------|-------------------|-------------------|----------------------------|
| <b>Rental revenues</b>                                  | <b>1,308,522</b>  | <b>2,468,596</b>  | <b>2,633,558</b>  | <b>2,589,379</b>  | <b>2,607,869</b>           |
| Cost of goods sold                                      | -33,295           | -49,715           | 0                 | 0                 | 0                          |
| <b>Gross profit</b>                                     | <b>1,275,227</b>  | <b>2,418,881</b>  | <b>2,633,558</b>  | <b>2,589,379</b>  | <b>2,607,869</b>           |
| General administrative expenses                         | -94,845           | -155,252          | -151,122          | -71,123           | -221,480                   |
| Profit (loss) from revaluation of investment properties | 1,434,393         | 0                 | 364,688           | 147,000           | 362,000                    |
| Other income (expenses)                                 | 0                 | 0                 | 69,260            | -16,000           | -96,869                    |
| <b>Operating profit</b>                                 | <b>2,614,775</b>  | <b>2,263,629</b>  | <b>2,916,384</b>  | <b>2,649,256</b>  | <b>2,651,520</b>           |
| Financial income and expenses                           | -561,502          | -973,052          | -1,180,734        | -1,250,103        | -1,720,477                 |
| <b>Profit before income tax</b>                         | <b>2,053,273</b>  | <b>1,290,577</b>  | <b>1,735,650</b>  | <b>1,399,153</b>  | <b>931,043</b>             |
| CIT   | 0                 | 0                 | 0                 | -50               | 36,176                     |
| <b>Net income</b>                                       | <b>2,053,273</b>  | <b>1,290,577</b>  | <b>1,735,650</b>  | <b>1,399,103</b>  | <b>967,219</b>             |
| <b>BALANCE SHEET</b>                                    |                   |                   |                   |                   |                            |
| Cash and cash equivalents                               | 505,861           | 706,599           | 676,373           | 561,474           | 426,691                    |
| Trade receivables and other receivables                 | 527,695           | 339,207           | 124,812           | 204,939           | 300,576                    |
| <b>Total current assets</b>                             | <b>1,033,556</b>  | <b>1,045,806</b>  | <b>801,185</b>    | <b>766,413</b>    | <b>727,267</b>             |
| Investment property                                     | 32,939,000        | 31,320,000        | 31,320,000        | 30,909,000        | 30,762,000                 |
| <b>Total non-current assets</b>                         | <b>32,939,000</b> | <b>31,320,000</b> | <b>31,320,000</b> | <b>30,909,000</b> | <b>30,762,000</b>          |
| <b>TOTAL ASSETS</b>                                     | <b>33,972,556</b> | <b>32,365,806</b> | <b>32,121,185</b> | <b>31,675,413</b> | <b>31,489,267</b>          |
| Trade creditors and other payables                      | 773,316           | 595,748           | 369,491           | 358,762           | 446,036                    |
| Derivatives   | 69,985            | 162,078           | 363,979           | 455,204           | 416,879                    |
| Loans debt  | 16,669,334        | 17,201,333        | 1,064,004         | 1,064,000         | 1,064,004                  |
| <b>Total current liabilities</b>                        | <b>17,512,635</b> | <b>17,959,159</b> | <b>1,797,474</b>  | <b>1,877,966</b>  | <b>1,926,919</b>           |
| Loans debt  | 0                 | 0                 | 17,201,329        | 18,265,325        | 19,329,329                 |
| Note  | 6,215,000         | 6,215,000         | 6,215,000         | 6,215,000         | 6,215,000                  |
| Shareholder's loan                                      | 2,942,028         | 2,942,028         | 2,948,300         | 2,948,300         | 3,048,300                  |
| <b>Total non-current liabilities</b>                    | <b>9,157,028</b>  | <b>9,157,028</b>  | <b>26,364,629</b> | <b>27,428,625</b> | <b>28,592,629</b>          |
| <b>TOTAL LIABILITIES</b>                                | <b>26,669,663</b> | <b>27,116,187</b> | <b>28,162,103</b> | <b>29,306,591</b> | <b>30,519,548</b>          |
| Share capital   | 2,500             | 2,500             | 2,500             | 2,500             | 2,500                      |
| Retained earnings                                       | 5,247,120         | 3,956,542         | 2,220,932         | 967,219           | 0                          |
| Profit for the financial year                           | 2,053,273         | 1,290,577         | 1,735,650         | 1,399,103         | 967,219                    |
| <b>TOTAL EQUITY</b>                                     | <b>7,302,893</b>  | <b>5,249,619</b>  | <b>3,959,082</b>  | <b>2,368,822</b>  | <b>969,719</b>             |
| <b>TOTAL LIABILITIES AND EQUITY</b>                     | <b>33,972,556</b> | <b>32,365,806</b> | <b>32,121,185</b> | <b>31,675,413</b> | <b>31,489,267</b>          |

## Financial performance

### FORECAST FINANCIAL ASSUMPTIONS

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Following financial assumptions have been used in the Financial forecast on next slide:

Lease income - **2,616,077 EUR (expected lease income 2022) p.a.**

The lease income from all lease agreements are annually increased by changes in the Euro Area Harmonised Index of Consumer Prices (EAHICP). The lease income increase is capped at 3% in all lease agreements.

The value of the Property is expected to increase compared to the current 2022 valuation (EUR 32,939,000) in Q1 2024 by 0.75% and in Q1 2025 by an additional 0.57% and in Q1 2026 by further 0.5 %

According to European Central Bank baseline projection from September 2022\* for the years 2022-2024, EAHICP is assumed 8.1% for 2022, 5.5% for 2023, 2.3% for 2024. Because there are no further reliable data, Issuer assumes EAHICP for 2025 and 2026 to be 2%.

In our forecast\*\* the Issuer has assumed 3 month EURIBOR rate for the year 2023 to be 2% and then 3% for the years 2024 - 2026 (included).

In addition following major investments are planned during forecast period. Land for solar park will be purchased for EUR ~280 000. Installation of solar park EUR ~1 500 000. EUR ~200 000 is expected to be invested into CAPEX in 2022-2023.

Notes are expected to be refinanced at maturity partly with portfolio-wide new note issue issued by the Parent Company and partly either with accumulated cash or by increasing the Senior Loan in the first quarter of 2025.

The Property will keep operating as is, generating stable cash-flow from reputable tenants. Unless there is severe volatility in the macroeconomic environment, we don't expect significant fluctuations from the forecast. Excess cash flow is used to build emergency fund for CAPEX and/or for redemption of Notes at maturity.

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\*European Central Bank forecast for 2022-2024 is available

at: [https://www.ecb.europa.eu/pub/projections/html/ecb.projections202209\\_ecbstaff~3eafaaee1a.en.html](https://www.ecb.europa.eu/pub/projections/html/ecb.projections202209_ecbstaff~3eafaaee1a.en.html)

\*\*Forecast for 3 month EURIBOR rates is derived from prices of 3 month EURIBOR futures offered by Intercontinental Exchange, Inc, as of 18.11.2022

## Financial performance

### ISSUER FINANCIAL FORECAST

| <b>INCOME STATEMENT</b> | <b>2022E</b> | <b>2023E</b> | <b>2024E</b> | <b>2025E</b> | <b>2026E</b> |
|-------------------------|--------------|--------------|--------------|--------------|--------------|
| <i>Indexation</i>       | 3.00%        | 3.00%        | 2.30%        | 2.00%        | 2.00%        |
| <b>Gross profit</b>     | 2,550,000    | 2,704,000    | 2,825,000    | 2,889,000    | 2,946,000    |
| <b>Operating profit</b> | 3,826,000    | 2,519,000    | 2,888,000    | 2,895,000    | 2,928,000    |
| <b>EBITA</b>            | 2,392,000    | 2,519,000    | 2,641,000    | 2,704,000    | 2,761,000    |
| <b>Interest expense</b> | -1,052,000   | -1,337,000   | -1,452,000   | -1,272,000   | -1,299,000   |
| <b>Net profit</b>       | 2,774,000    | 1,182,000    | 1,436,000    | 1,623,000    | 1,629,000    |

### **BALANCE SHEET**

|                               |            |            |            |            |            |
|-------------------------------|------------|------------|------------|------------|------------|
| <b>ASSETS</b>                 | 35,692,000 | 36,016,000 | 36,593,000 | 36,477,000 | 37,494,000 |
| <b>LIABILITIES</b>            | 27,671,000 | 26,813,000 | 25,955,000 | 24,216,000 | 23,603,000 |
| <b>EQUITY</b>                 | 8,021,000  | 9,203,000  | 10,638,000 | 12,261,000 | 13,891,000 |
| <b>LIABILITIES AND EQUITY</b> | 35,692,000 | 36,016,000 | 36,593,000 | 36,477,000 | 37,494,000 |

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## **Note issue**

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## Note Issue

### TERMS AND SCHEDULE

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**Issuer:** UPP Olaines OÜ

**Issuer's share capital:** EUR 2,500

**Payment agent:** Issuer

**Legal advisor:** Advokaadibüroo Eversheds Sutherland Ots&Co

**Note type:** subordinated, secured note

**Listing:** Notes will be admitted for trading on Nasdaq Baltic First North

**Issue size:** Up to EUR 6.215 million

**Number of Notes issued:** 6,215

**Subordination:** Notes are subordinated to the Senior loan issued to the Subsidiary by Luminor Bank AS, residual 16,403,333 as of 30.09.2022

**Collateral:** 3rd rank mortgage established in the amount of EUR 8,079,500 over the Property; a claims pledge encumbering the claims of the Issuer against the Latvian SPV under the Intra-Group Loan

**Collateral agent:** Eversheds Sutherland Bitāns Law Office (LV)

**Nominal value of the Note:** EUR 1,000

**Issue date:** February 25th 2022

**Maturity date:** February 25th 2025

**Interest rate:** Fixed interest rate 6% p.a. paid quarterly

**Early redemption provisions:** The Issuer has the right to redeem all Notes fully or in part at nominal value but not before February 25th 2024, subject to notification 10 banking days in advance

## Note Issue

### INVESTOR RIGHTS UPON BREACH OF OBLIGATIONS BY THE ISSUER

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Investor shall have the right, but not the obligation, to demand immediate redemption of the Notes held by the investor upon occurrence of any of the following circumstances (i.e. Extraordinary Early Redemption Event):

- The Issuer has not made interest payments in full amount for more than 7 Banking Days from the relevant Interest Payment Date;
- The Issuer has not paid the payments to be made in the Early Redemption Date in full amount for more than 7 Banking Days from the relevant Early Redemption Date;
- An insolvency claim has been submitted in respect of the Issuer and the competent Estonian court has accepted the insolvency claim or the competent Latvian court has decided to initiate the bankruptcy proceedings;
- The Issuer breaches any of the covenants set for in Section 3.5 of the Terms and Conditions;
- The Issuer or the Subsidiary has filed for liquidation with the appropriate state authorities of Estonia or Latvia, as applicable;
- The Issuer has not provided its quarterly report to the investors and the Issuer has not remedied the breach in 7 Banking Days as of receipt of the breach notice.

The slide presents a short and fractional summary of certain sections of the Terms and Conditions. The Terms and Conditions are an inseparable part of this Company Description and they should be always viewed together. For full overview please refer to the Terms and Conditions.

### MOST SIGNIFICANT ISSUER RISK FACTORS

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#### Macroeconomic risk

- Significant economic downturn can set downward pressure on rental rates. Adverse change in economic conditions might also affect Issuer's ability to refinance its debt liabilities.

#### High concentration risk

- The Issuer has focused on one large-scale industrial real estate project. Anchor Tenants provide 89% of the Property income.

#### Interest rate risk

- The interest rate on the Senior Loan taken by the Subsidiary is based on EURIBOR base rate. Increases in the EURIBOR base rate will lead to a corresponding increase in the financial costs of the Subsidiary, which has negative effect on the operating profit and can reduce debt service coverage.

#### Competitive market risk

- Issuer operates in a highly competitive market. The highly competitive business environment of the real estate sector may have adverse effect on the results of operations and profitability of the Issuer.

#### Financing risk

- The Issuer's ability to duly serve its debt obligations depends on its ability to attract financing. Poor investor relations or failure to attract new sources of financing may lead to violation of its financial obligations.

#### Appraisal risk

- The financial forecast report relies on numerous assumptions, which may turn out to be inaccurate, which in turn may have adverse effect on the financial results of the operations of the Issuer, including profitability. Furthermore, the market value of the real estate in the Issuer's portfolio may fluctuate in both directions in the future due to circumstances beyond the control of the Issuer.

## Note Issue

### MOST SIGNIFICANT NOTE RISK FACTORS

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#### Interest rate risk

- Potential decrease in Note's value due to a change in the market level of interest rates. The Notes bear interest on its outstanding Nominal value at a fixed interest rate. Investors are exposed to the risk that the value of the Notes falls as a result of changes in the market interest rate. While the nominal interest rate of the Note is fixed until its redemption, the prevailing capital market rates change on a daily basis. If the market interest rate increases, the market value of the Note may fall.

#### Price risk

- Losses stemming from adverse movement in the market price of the Notes. In the secondary market the price of the Note may decrease due to market situation or events related to the Issuer.

#### Liquidity risk

- The risk that the investor will not be able to find a buyer for its Notes, or will have to sell it at a substantial discount to attract a buyer.

#### Credit risk

- Potential loss in case the Issuer is unable to make the required payments on its debt obligations.

#### Early redemption risk

- Risk that the Notes will be redeemed before maturity in a falling rate environment, as a result the investors might have to reinvest the proceeds at a lower rate of return.

#### Regulatory and tax risks

- Any changes to the laws and other legal acts applicable in Estonia and/or the noteholder's domicile, or the implementation of any new laws or other legal acts may cause additional expenses or taxes and/or reduce return on investment for the noteholders.
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## Note Issue

### TRANSACTIONS WITH RELATED PARTIES

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Related Parties and transactions are described as following:

Loan from the Parent Company to the Issuer

- The Issuer has an outstanding Shareholder's Loan from the Parent Company with interest rate of 7% which can only be serviced according to Terms and Conditions. The loan was transferred from United Partners Property OÜ to the Parent Company during the reorganization of United Partners' commercial property investments in December 2020. The reasoning for the reorganization was to separate United Partners' commercial property investments from other activities with the intent to raise additional capital for this strategy.

Management fees paid by the Subsidiary to United Partners Property OÜ

- United Partners Property OÜ has a service agreement with the Subsidiary, whereby the Subsidiary pays 8,531 EUR/month to United Partners Property OÜ for management services.

| <b>Issuer transactions with related parties, EUR</b>             | <b>2021</b>      | <b>2020</b>      |
|--|------------------|------------------|
| Loan from the Parent Company at the beginning of period          | 2,948,300        | 0                |
| Interest expenses  | (205,941)        | 0                |
| Interest paid  | 0                | 0                |
| Balance correction   | (6,272)          | 0                |
| <b>At end of the period</b>                                      | <b>2,942,028</b> | <b>0</b>         |
| Loan from United Partners Property OÜ at the beginning of period | 0                | 2,948,300        |
| Loan interest charged  | 0                | (277,730)        |
| Loan interest paid   | 0                | (277,730)        |
| <b>At the end of the period</b>                                  | <b>0</b>         | <b>2,948,300</b> |
| <b>Subsidiary transactions with related parties, EUR</b>         | <b>2021</b>      | <b>2020</b>      |
| Management fee accrued   | (106,398)        | (114,246)        |
| Management fee paid  | (106,398)        | (114,246)        |

## Note Issue

### CERTIFIED ADVISER

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Eversheds Sutherland Ots&Co acts as the First North certified adviser for the Issuer

Official name: Osaühing Advokaadibüroo Eversheds Sutherland Ots&Co

Registration number: 10639559

Main field of activity: Activities of lawyers and law-firms (69101)

Address: Harju maakond, Tallinn, Kesklinna linnaosa, Kentmanni tn 4 // Sakala tn 10, 10116

Web page: [www.eversheds-sutherland.ee](http://www.eversheds-sutherland.ee)



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An aerial photograph of a large, modern industrial warehouse complex. The building is long and rectangular with a dark grey roof and white walls. Numerous white semi-trailers are parked in rows around the building, particularly along the side with loading docks. The surrounding area includes green fields, a road, and some distant buildings under a clear sky.

Thank you

Marko Tali

Member of the management  
board

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