

CONSOLIDATED INTERIM REPORT

UPP & CO KAUNO 53 OÜ

Beginning of reporting period: 1 January 2023
End of reporting period: 31 December 2023

Registry code: 14194597

Registered office: Pärnu mnt 141
Tallinn
11314
Harju County

Telephone: +372 6616 450

e-mail address: property@unitedpartners.ee
website address: www.unitedpartners.ee

MANAGEMENT REPORT

General information

UPP & CO Kauno 53 OÜ, the parent company of the consolidation group, was founded in order to acquire and manage investment property and involve additional capital for these transactions.

In 2017, the company acquired 100% holding in Promalita UAB, a company registered in the Republic of Lithuania, which owns a logistics centre near Vilnius. The net internal area of the centre is 21 224 m² and it is fully rented out. Rimi retail chain is the anchor tenant.

The commercial activities of the consolidation group constitute collecting income from rent, managing the real estate object, and servicing loan obligations. Loan obligations comprise bonds with a fixed interest rate and an investment loan. In terms of income, there is stable triple net lease income from lessees that is for the most part fixed with medium to long-term contracts and indexed according to inflation. Arising from the commercial activities of the consolidation group, its economic activities and financial results are generally not easily affected by various external factors. The activities of the company have no major environmental and social impacts.

The consolidation group considers the macroeconomic condition of the operating environment to be uncertain, mainly due to increased interest rates and decline in economic activity. In 2023, the average EURIBOR level related to the Group's bank loans was approximately 3%, leading to a ~34% increase in interest expenses. Despite higher interest costs, the Group's loan servicing capability remained strong. The Group has accumulated sufficient reserves, and two-thirds of the Group's loan cost is fixed. Therefore, the Group's ability to service loans is expected to remain strong also in 2024.

The consolidation group was created solely for managing the logistics centre and there are no planned structural changes in business operations.

The energy prices have come down from the highs of 2022 and settled at a more reasonable level, but are still considerably higher compared to the level before the price shock. This has had an impact on the operational costs of the Group's customers in the logistics center. The Group is investigating ways to make the logistics center more energy efficient in the medium-to-long term.

The management is not in possession of any information concerning trends, uncertainties, claims, obligations or events that could likely have a significant impact on the prospects of the consolidation group in the period following the reporting period outside the regular commercial activities of the consolidation group.

Comment on 4Q and 12 months of 2023 economic performance

Sales revenue was 334 kEUR in 4Q 2023 (323 kEUR in 4Q 2022) and 1.32 mEUR for the twelve months of 2023 (1.29 mEUR for 12 months of 2022).

Operating profit was 256 kEUR in 4Q 2023 (247 kEUR in 4Q 2022) and 1.01 mEUR for twelve months of 2023 (1.39 mEUR for 12 months of 2022). EBITDA was 309 kEUR in 4Q 2023 (300 kEUR in 4Q 2022) and EBITDA for twelve months of 2023 was 1.22 mEUR (1,20 mEUR for 12 months of 2022).

Net income was 76 kEUR in 4Q 2023 (96 kEUR in 4Q 2022) and 312 kEUR for twelve months of 2023 (768 kEUR for 12 months 2022).

The lower operating and net profit for twelve months is primarily attributed to higher comparison base in 2022 due to the revaluation of real estate on that year and to increased interest expenses, which have grown by ~34% during the 12 months of 2023. It is worth noting that ~69% of financial expenses (455 kEUR for 12 months of 2023) are fixed and not influenced by changes in 3-month EURIBOR.

Financial ratios of the Group	12 months 2023	12 months 2022
Debt to equity ratio	3.61	4.43
Debt ratio	0.82	0.84
Long-term debt ratio	0.65	0.81
Return on equity %	10.35%	28.39%
Equity ratio	0.18	0.16
Return on assets %	1.86%	4.49%

Formulas for ratios

Debt to equity ratio = interest bearing liabilities/equity

Debt ratio = liabilities/(liabilities+ equity)

Long-term debt ratio = long-term liabilities/(long-term liabilities+ equity)

Return on equity (ROE %)= (net profit/average equity for 12 months)*100

Equity ratio = equity/average assets (12 months)

Return on fixed assets (ROA %) = net profit/fixed assets*100

Management board

The management board of UPP & CO Kauno 53 OÜ consists of one member: Marko Tali, Chairman of the Management Board.

No remuneration or other benefits are provided to the members of the management board.

The management board of Promalita UAB has also one member: Siim Sild, who receives symbolic remuneration.

Other than the management board, the Company has no employees.

UPP & CO Kauno 53 OÜ and its subsidiary Promalita UAB are a going concern.

Member of Management Board

Marko Tali

CONSOLIDATED INTERIM ANNUAL ACCOUNTS**CONSOLIDATED BALANCE SHEET**

(EUR)

	<u>31.12.2023</u>	<u>31.12.2022</u>
Cash	647,060	706,207
Receivables and prepayments	21,685	17,742
Total current assets	<u>668,745</u>	<u>723,949</u>
Investment properties	16,150,000	16,150,000
Tangible fixed assets	12	404
Goodwill	8	213,476
Total fixed assets	<u>16,150,020</u>	<u>16,363,880</u>
TOTAL ASSETS	<u>16,818,765</u>	<u>17,087,829</u>
Short-term loans payable	5,160,000	460,000
Payables and prepayments	102,779	104,893
Total current liabilities	<u>5,262,779</u>	<u>564,893</u>
Long-term loans payable	6,245,184	11,505,184
Long-term provisions	2,294,794	2,314,006
Total non-current liabilities	<u>8,539,978</u>	<u>13,819,190</u>
TOTAL LIABILITIES	<u>13,802,757</u>	<u>14,384,083</u>
Share capital	2,500	2,500
Retained earnings	3,013,508	2,701,246
TOTAL EQUITY	<u>3,016,008</u>	<u>2,703,746</u>
TOTAL LIABILITIES AND EQUITY	<u>16,818,765</u>	<u>17,087,829</u>

CONSOLIDATED INCOME STATEMENT

(EUR)

	2023 Q4	2023 12 months	2022 Q4	2022 12 months
Sales revenue	333,690	1,323,920	323,133	1,285,647
Other revenues	0	0	0	400,000
Total revenues from operating activities	333,690	1,323,920	323,133	1,685,647
Cost of goods sold	-4,708	-15,738	-5,737	-8,591
Other operating expenses	-19,427	-84,214	-17,005	-74,412
Staff costs	-126	-510	-114	-448
Depreciation of fixed assets	-53,367	-213,860	-53,661	-216,005
Operating profit	256,062	1,009,598	246,616	1,386,191
Financial income (expenses)	-170,187	-655,143	-136,254	-495,243
Profit before income tax	85,875	354,455	110,362	890,948
Income tax	-9,562	-42,193	-14,006	-123,342
Net profit for financial year	76,313	312,262	96,356	767,606
incl. net profit share of the owners of the parent company	76,313	312,262	96,356	767,606

CONSOLIDATED CASH FLOW STATEMENT

(EUR)

	2023 4Q	2023 12 months	2022 4Q	2022 12 months
Operating profit (loss)	256,062	1,009,598	246,616	1,386,191
Adjustments (depreciation of fixed assets)	53,367	213,860	53,661	216,005
Other corrections	0	0	0	-400,000
Change in receivables and prepayments related to operating activities	-5,022	-3,940	-8,915	-5,545
Change in payables and prepayments related to operating activities	19,205	16,805	10,573	-3,639
Paid corporate tax	-20,638	-73,384	-22,741	-128,806
Total cash flow from operating activities	302,974	1,162,939	279,194	1,064,206
Repayments of loans received and redemption of bonds	-115,000	-560,000	-115,000	-460,000
Interest paid	-174,288	-662,086	-149,690	-495,243
Total cash flow from financing activities	-289,288	-1,222,086	-264,690	-955,243
Total cash flow	13,686	-59,147	14,504	108,963
Cash at beginning of period	633,374	706,207	691,703	597,244
Change in cash	13,686	-59,147	14,504	108,963
Cash at end of period	647,060	647,060	706,207	706,207

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR)

	Share capital	Retained earnings	Total equity
As of 31.12.2022	2,500	2,701,246	2,703,746
Change during the reporting period	0	312,262	312,262
As of 31.12.2023	2,500	3,013,508	3,016,008
As of 31.12.2021	2,500	1,933,640	1,936,140
Change during the reporting period	0	767,606	767,606
As of 31.12.2022	2,500	2,701,246	2,703,746

Statement of the Management Board

The financial and other additional information published in the Interim Report January – December 2023 is true and complete. Consolidated financial statements give a true and fair view of the actual financial position, results of operations and cash flows of the Company. According to the Terms and Conditions of the Note Issue, the Company confirms that during the interim report period there has been non-occurrence of an Extraordinary Early Redemption Event and according to Clause 3.4.12 of the Terms the Collateral is properly insured at all times.

Consolidated financial statements in the report for the period January – December 2023 are not audited.

Marko Tali
 Member of the Management Board
 Tallinn, 27.02.2024