UPP & CO KAUNO 53 OÜ

Consolidated interim report
concerning the reporting
period ended on
31 December 2019
(unaudited)

CONSOLIDATED INTERIM REPORT

UPP & CO KAUNO 53 OÜ

Beginning of reporting period:	1 January 2019
End of reporting period:	31 December 2019

Registry code:	14194597

Registered office:	Pärnu mnt 141 Tallinn 11314 Harju County
Telephone:	+372 661 6450
e-mail address:	property@unitedpartners.ee
website address:	www.unitedpartners.ee

Table of contents

MANAGEMENT REPORT 4
CONSOLIDATED INTERIM ANNUAL ACCOUNTS 6
CONSOLIDATED BALANCE SHEET 6
CONSOLIDATED INCOME STATEMENT 7
CONSOLIDATED CASH FLOW STATEMENT 8
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 9
NOTES TO INTERIM CONSOLIDATED ANNUAL ACCOUNTS 10
Note 1 Accounting policies and procedures 10
Note 2 Cash 18
Note 3 Subsidiaries 18
Note 4 Investment properties 18
Note 5 Intangible fixed assets 19
Note 6 Loans payable 19
Note 7 Payables and prepayments 20
Note 8 Long-term provisions 20
Note 9 Share capital 20
Note 10 Sales revenue 20
Note 11 Other operating expenses 21
Note 12 Financial revenue and expenses 21
Note 13 Income tax 21
Note 14 Contingent liabilities and off-balance-sheet assets and liabilities 21
Note 15 Transactions with related parties 21
Note 16 Unconsolidated balance sheet of Parent Company 22
Note 17 Unconsolidated income statement of Parent Company 23
Note 18 Unconsolidated cash flow statement of Parent Company 23
Note 19 Statement of changes in equity of Parent Company 24

MANAGEMENT REPORT

General information

UPP & CO Kauno 53 OÜ (hereafter 'the Company' and 'Group' when referred together with subsidiaries) was founded for the purpose of financing, acquisition and management of the investment property Vievis Logistics Park (buildings and registered immovable). The location of Vievis Logistics Park is Kauno 53, Vievis, Republic of Lithuania, cadastral register number 4400-1185-1420. The Company was founded on 30.01.2017 and it did not engage in economic activities until 17.04.2017 when the warehouse of Vievis Logistics Park was acquired.

The commercial activities of the Company are not affected by seasonal factors and lack any social or environmental impact.

The Company has been founded solely for the purpose of financing, acquisition and management of Vievis Logistics Park; therefore no strategic changes in the commercial activities of the Company have been planned.

UPP & CO Kauno 53 OÜ is a going concern.

The impact of COVID-19 on the Company's economic activity

The novel coronavirus outbreak started in early 2020 and caused a global economic downturn in March 2020. The COVID-19 also reached the Baltic states, causing border closures for foreign nationals, school closures and panic shopping for consumer stapels. The full effect of the economic downturn caused by the pandemic remains to be seen.

The Company's economic activities are not directly affected by the virus outbreak. The outbreak has affected the economic activities of the Company's property leasing companies, which indirectly will affect the Company's financial performance. The magnitude of the impact of the COVID-19 outbreak and the consequent economic downturn on the Company's financial performance is difficult to assess because, at the time of writing, the extent of the pandemic is unknown and there are little to no signs of the outbreak slowing down. The Management Board's best estimate is that, in the event that the outbreak of the virus and the resulting economic downturn do not materially worsen, the effect of these circumstances on the Company's financial performance will be moderate, due to the area of activity of the Company's property leasing companies.

Important events

Apart from the COVID-19 outbreak, there were no significant events or changes in the Company or the Group during the year. There were no changes or major events in the logistics center or its tenants during the year.

No significant R&D projects or related expenditures are foreseen in the current or subsequent years. Nor has the Group entered into any commitments or guarantees that could materially affect the results of the next financial years.

As of the end of the reporting period the property is fully leased.

Comment on economic performance and management report

Net operating revenues were 320 222 euros for the fourth quarter of 2019, increased by 3,6% from 309 130 euros for the fourth quarter of 2018. Net operating revenues for the financial year 2019 were 1 287 781 euros, increased by 3,2% from 1 247 276 euros for the financial year 2018. The net

operating revenues are in line with the management expectations, the silght increase is due to the rental rate indexation which occurred in early 2019.

Adjusted net operating income was 307 625 euros for the fourth quarter of 2019, increased by 0,4% from 306 342 euros for the fourth quarter of 2018. Adjusted net operating income for the financial year 2019 was 1 239 897 euros, increased by 1% from 1 227 008 euros for the financial year 2018. The adjusted net operating income is in line with the management expectations.

Adjusted net income was 148 076 euros for the fourth quarter of 2019, increased by 20% from 122 679 euros for the fourth quarter of 2018. Adjusted net income for financial year 2019 was 536 688 euros, increased by 13,6% from 472 439 euros for the financial year 2018. The increase in adjusted net income is caused by the reduced taxable income for 2019, which resulted in less tax burden. The higher taxable income for 2018 was caused by the revaluation of the Investment Property, which added 350 000 euros to taxable income for 2018.

At the end of the reporting period the Company ordered the assessment of the fair value of the Investment property. The valuation was carried out by accredited real estate evaluators.

Financial ratios of the Group	2019 12 months	2018 12 months
Debt to equity ratio	11,18	16,65
Debt ratio	0,93	0,95
Long-term debt ratio	0,93	0,95
Return on equity %	31%	71%
Equity ratio	0,07	0,04
Return on assets %	2,15%	3,49%

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 assets (ROA %) = net profit/assets*100

Management board and Supervisory board

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

The supervisory board of UPP & CO Kauno 53 OÜ consists of three members: Mart Tooming, Tarmo Rooteman, Hallar Loogma.

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

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

Member of Management Board
Marko Tali

CONSOLIDATED INTERIM ANNUAL ACCOUNTS

CONSOLIDATED BALANCE SHEET

(EUR)

	31.12.2019	31.12.2018	Note
Cash	362 919	159 684	2
Receivables and prepayments	11 458	9 751	
Total current assets	**374 377**	**169 435**	
Investment properties	15 750 000	15 700 000	4
Tangible fixed assets	14 049	22 113	
Goodwill	853 880	1 067 348	5
Total fixed assets	**16 617 929**	**16 789 461**	
TOTAL ASSETS	**16 992 306**	**16 958 896**	
Short-term loans payable	460 000	460 000	6
Payables and prepayments	143 297	132 512	7
Total current liabilities	**603 297**	**592 512**	
Long-term loans payable	12 885 183	13 345 183	6
Long-term provisions	2 309 664	2 192 196	8
Total non-current liabilities	**15 194 847**	**15 537 379**	
TOTAL LIABILITIES	**15 798 144**	**16 129 891**	
Share capital	2 500	2 500	9
Retained earnings	1 191 662	826 505	
TOTAL EQUITY	**1 194 162**	**829 005**	
TOTAL LIABILITIES AND EQUITY	**16 992 306**	**16 958 896**	

The notes set out on pages 10 to 24 serve as integral parts of the interim financial statements.

CONSOLIDATED INCOME STATEMENT

(EUR), per year

	2019 12 months	2019 4Q	2018 12 months	2018 4Q	Note
Sales revenue	1 287 781	320 222	1 247 276	309 130	10
Other operating revenue	50 000	50 000	350 000	355 431	
Other operating expenses	-46 255	-12 557	-18 320	-2 709	11
Staff costs	-292	-40	-1037	-79	
Depreciation of fixed assets	-221 531	-55 207	-229 666	-217 352	5
Ohter costs	-1337	0	-911	0	
Operating profit	**1 068 366**	**302 418**	**1 347 342**	**444 421**	
Financial income (expenses)	**-562 170**	**-140 076**	**-574 121**	**-143 019**	12
Profit before income tax	**506 196**	**162 342**	**773 221**	**301 402**	
Income tax	-141 039	-19 473	-180 448	-40 644	13
Net profit for financial year	**365 157**	**142 869**	**592 773**	**260 758**	
including the share of the owners of the parent company in net profit	365 157	142 869	592 773	260 758	

The notes set out on pages 10 to 24 serve as integral parts of the interim financial statements.

CONSOLIDATED CASH FLOW STATEMENT

(EUR), per year

	2019 12 months	2019 4Q	2018 12 months	2018 4Q	Note
Operating profit (loss)	1 068 366	302 418	1 347 342	444 421	
Adjustments (depreciation of fixed assets)	171 531	5 206	-122 834	-132 648	
Change in receivables and prepayments related to operating activities	-1 965	-1 723	-907	68 031	
Change in payables and prepayments related to operating activities	-24 003	10 373	672	4 871	
Total cash flow from operating activities	**1 213 929**	**316 274**	**1 224 273**	**384 675**	
Loans received and bonds issued	130 000	130 000	136 600	60 000	
Repayments of loans received and redemption of bonds	-590 000	-245 000	-646 500	-199 500	6
Interest paid	-550 694	-138 886	-594 434	-142 232	
Total cash flow from financing activities	**-1 010 694**	**-253 886**	**-1 104 334**	**-281 732**	
Total cash flow	**203 235**	**62 388**	**119 939**	**102 943**	
Cash at beginning of period	**159 684**	**300 531**	**39 745**	**56 741**	2
Change in cash	203 235	62 388	119 939	102 943	
Cash at end of period	**362 919**	**362 919**	**159 684**	**159 684**	2

The notes set out on pages 10 to 24 serve as integral parts of the interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR)

	Share capital	Retained earnings	Equity Total
As of 31.12.2017	**2 500**	**233 732**	**236 232**
Profit for reporting period	0	592 773	**592 773**
As of 31.12.2018	**2 500**	**826 505**	**829 005**
Profit for reporting period	0	365 157	**365 157**
As of 30.09.2019	**2 500**	**1 191 662**	**1 194 162**

More detailed information on share capital and changes therein is available in Note 9.

Statement of the Management Board

The financial and other additional information published in the Interim Report October – December 2019 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 October – December 2019 are not audited.

Marko Tali
Member of the Management Board
Tallinn, 03.04.2020

The notes set out on pages 10 to 24 serve as integral parts of the interim financial statements.

NOTES TO INTERIM CONSOLIDATED ANNUAL ACCOUNTS

Note 1 Accounting policies and procedures

OÜ UPP & CO Kauno 53 (hereinafter the Parent Company) is a company registered and operating in Estonia. The interim consolidated annual accounts reflect the consolidated assets, liabilities, equity, economic results and cash flow of the Parent Company and UAB Promalita, its Lithuanian subsidiary (hereinafter jointly referred to as the Group).

The interim consolidated annual accounts of OÜ UPP & CO Kauno 53 for 2019 have been prepared in compliance with the Estonian Financial Reporting Standard. The Estonian Financial Reporting Standard is based on internationally acknowledged principles of accounting and reporting, the primary requirements of which are provided for in the Accounting Act, which are supplemented by guidelines issued by the Accounting Standards Board of the Republic of Estonia.
The interim consolidated financial statements have been prepared in euros.

A description of the significant accounting policies and procedures as well as bases for evaluation is provided below.

A. Consolidation

The interim consolidated annual accounts contain the financial indicators of OÜ UPP & CO Kauno 53 and its subsidiaries, which have been consolidated on a line-by-line basis. Subsidiaries are consolidated from the date dominant influence or joint control was transferred to the group and its consolidation is terminated from the date the group loses dominant influence or joint control.

Subsidiaries are companies controlled by the parent company. A subsidiary is deemed to be under the control of the parent company if the parent company holds either directly or indirectly more than 50% of the voting shares of the subsidiary or is in some other manner able to control the management and financial policies of the subsidiary.

Subsidiaries use the same accounting principles in their reports as the parent company. All intra-group transactions, receivables and payables as well as unrealised gains and losses from transactions concluded between the group companies have been eliminated from the interim and annual accounts in full. Unrealised losses are not eliminated if they essentially represent impairment.

Minority shareholding, which is the part of the subsidiary's profit or loss and net assets that does not belong to the group, is recorded on a separate line in the consolidated income statement and balance sheet (under equity).

New subsidiaries are reported on the consolidated interim and annual accounts using the purchase method. The acquisition cost of companies recorded by the purchase method is divided by the fair value of the assets, liabilities and contingent liabilities as of the acquisition date. The share of the acquisition cost that exceeds the fair value of assets, liabilities and contingent liabilities acquired is recognised as goodwill.

B. Investments in subsidiaries and affiliates in the unconsolidated balance sheet of the parent company

Pursuant to the Estonian Financial Reporting Standard, the primary unconsolidated accounts of the consolidating unit (parent company) must be separately presented in the notes to the financial statements. The primary accounts of the parent company have been prepared using the same accounting policies as

applied in preparing the consolidated annual accounts, except for investments in subsidiaries that have been recognised in the unconsolidated balance sheet at acquisition cost.

Dividends paid out by subsidiaries and affiliates are recognised as financial income as of the moment the parent company becomes entitled to these dividends, excluding the part of dividends paid out on account of the available equity earned by the subsidiary or affiliate before the acquisition of the company by the group. The respective proportion of the dividends is recognised as a reduction of the investment.

C. Cash

Bank account balances and cash in hand are recognised under the balance sheet entry "Cash".
Cash flow from operating activities has been calculated using the indirect method. Cash flow from investment and financing activities is recognised by using the direct method, i.e. presented as the gross earnings and payments in the reporting period.

D. Financial assets

All financial assets are initially registered at their acquisition cost, which is equal to the fair value of the consideration paid for the financial asset in question. The initial acquisition cost also includes all the costs directly attributable to the acquisition of financial assets, including the fees payable to agents and advisers, the non-refundable taxes attributable to the transaction and other similar costs, and excluding the costs attributable to the acquisition of such financial assets that are recognised at fair value with changes through profit or loss.

All purchases and sales of financial assets under regular market conditions are recognised on the relevant transaction dates, i.e. on the date when the group enters into the obligation (e.g. enters into a contract) for the purchase or sale of certain financial assets. Purchases and sales performed under regular market conditions mean such purchases and sales, in the event of which the financial asset purchased or sold is transferred from the seller to the buyer during the period that has been established on the market or required under the relevant market regulations.

All financial assets are recognised at their fair value after they have been initially registered, except:

a) receivables from other parties, which the group has not acquired for resale and held-to-maturity financial investments – these are recognised at the adjusted acquisition cost;
b) investments in shares and other equity instruments whose fair value cannot be reliably determined (including derivatives related to such assets) – these are recognised at their acquisition cost.

<u>Financial assets recognised at fair value</u>
Financial assets recognised at fair value are revalued on each balance sheet date at the fair value of the moment from which the potential transaction costs attributable to the realisation of the assets have not been subtracted. The fair value of securities listed on the stock exchange is based on the closing prices of the balance sheet date and the official exchange rates of the European Central Bank. The fair value found on the basis of all information available to the group about the value of the investment is used for securities not listed on the stock exchange.

Profits and losses arising from changes in the fair value are recorded in the income statement under "Financial income and expenses". Profits and losses arising from realisation of financial assets reported at the fair value as well as the interest and dividends on the corresponding securities are recorded in the income statement under "Financial income and expenses".
Changes in the fair value of the financial assets acquired for trading are recognised as profit or loss in the income statement of the accounting period. Changes in the fair value of other financial assets recognised at fair value are recognised consistently (i.e. under equal conditions as of the moment of acquisition of the assets until the realisation of the assets) in equity in the fixed assets revaluation reserve. Differences in

revaluation caused due to changes in exchange rates of financial assets in foreign currencies, interest income calculated on the basis of the internal interest rate and dividend income received on equity instruments are immediately recognised in the income statement.

Securities (shares, bonds, debenture bonds, fund units, etc.) that will probably not be sold in the next twelve months (excluding investments in subsidiaries and affiliates) and securities with a fixed maturity date of more than twelve months after the balance sheet date and loans granted with a maturity date of more than twelve months after the balance sheet date are recognised as long-term financial investments (other long-term investments in shares and securities and long-term receivables).

An evaluation is done every balance sheet date to determine whether there are any circumstances suggesting possible impairment of assets. If such circumstances exist, financial assets are written down as follows:

a) A financial asset recognised at amortised cost (such as a receivable or a held-to-maturity debt security) is written down to the present value of its estimated future cash flows (discounted at the asset's original effective interest rate);
b) A financial asset recognised at acquisition cost (such as shares or other equity instruments whose fair value cannot be measured reliably) is written down to the present value of its estimated future cash flow (discounted at the current average market rate of return for a similar financial asset);
c) A financial asset recognised at fair value is written down to its fair value.

An impairment loss is recognised as an expense in the income statement. In the case of financial assets that are recognised at fair value with changes via the equity revaluation reserve, the negative revaluation reserve that has thus far been recognised in equity will be transferred to the income statement upon the identification of impairment characteristics.

Reversal of impairment losses:

(a) If the value of a financial asset recognised at amortised cost that has been written down in a previous period increases, the previously recognised impairment loss is reversed, resulting in the carrying amount of the asset to be the lower of (1) the present value of the asset's estimated future cash flow and (2) the balance sheet residual value using the amortised cost of the asset that would have been measured had the impairment loss not been recognised. Reversals of impairment losses are recognised in the income statement.
(b) Write-downs of assets that are recognised at acquisition cost because their fair value cannot be reliably determined are not cancelled.
(c) Upon the reversal of impairment losses of financial assets at fair value with changes that are recognised via the equity revaluation reserve, the following will be used as the basis: upon the reversal of impairment losses of shares and other equity instruments, the increase in value will be recognised in the equity revaluation reserve; upon the reversal of impairment losses of bonds and other debt instruments, the increase in value will be recognised in the income statement.

Receivables and financial investments held until redemption date

Accounts receivable that the group has not acquired for resale, and held-to-maturity financial assets, are recorded at the adjusted acquisition cost thereof, using the effective interest rate. The adjusted acquisition cost is calculated for the entire term of the financial asset and any discounts or premiums that have occurred upon the acquisition and the costs directly attributable to the transaction are taken into account.

Financial assets recognised using the adjusted acquisition cost method are written down if their recoverable amount is likely to remain below their book value. The recoverable amount of financial assets recognised at the adjusted acquisition cost is the present value of future cash flow derived from the financial assets discounted with the effective interest rate fixed at the moment of initial recognition. Write-downs of financial assets related to operations are recognised in the income statement as operating charges under "Other operating expenses" and write-downs of financial assets related to investment activities are recognised in the income statement under "Financial income and expenses".

Impairment of individually important financial assets is determined separately for each asset. Based on historical experience, receivables are treated as uncollectible to the extent of 50% (i.e. a write-down is recorded for the receivables) if they are overdue for more than 90 days, and uncollectible to the extent of 100% if they are overdue for more than 180 days.

Receivables are also recorded as uncollectible in other events that imply that the recoverable amount of the receivable falls short of its book value. Upon the recovery of a receivable that was previously written down or in case of other events that indicate that the write-down is no longer justified, the reversal of the write-down is recognised in the income statement as a decrease in the expenses where the write-down was initially recognised.
Interest income from receivables is recorded in the income statement under "Financial income and expenses".

E. Trade receivables

Current receivables incurred by the group in the course of its daily business activities are recognised as trade receivables. Trade receivables are recognised at the adjusted acquisition cost (i.e. nominal value less repayments and any necessary write-downs).

Discounts on receivables are represented whenever there is objective evidence of the fact that the total amount of receivables will not be received in accordance with the initial contractual terms and conditions pertaining to receivables. The circumstances referring to a possible decrease in the value of receivables are the bankruptcy of a debtor or their significant financial difficulties and failure to stick to deadlines. An impairment of individually important receivables (i.e. the need for a write-down) is evaluated separately regarding each buyer proceeding from the present value of the amounts to be presumably received in the future. In the case of such receivables that are not individually significant, and in relation to which it is not directly known that their value has been decreased, the decrease in the value is assessed as a total, with due consideration of the experience for previous years pertaining to outstanding receivables. The write-down amount of doubtful accounts is the difference in the book value of such accounts and the present value of future cash flows using the internal interest rate method. The book value of the receivables is reduced by the amount of doubtful accounts and the loss from the write-down is recorded in the income statement. The receivable and its write-down are written off the balance sheet if the receivable is deemed to be uncollectible. Collection of doubtful receivables that have previously been written down is recognised as a decrease in the expenses of doubtful receivables.

F. Investment properties

Investment property is a real estate object held by the group first and foremost for the purpose of earning operating income and increase in value rather than using it upon the production of goods or services, for administrative purposes, or for sale in the course of regular business activities.
Investment properties are recognised using the fair value method. When applying the fair value method, the investment property is recognised by the group on every balance sheet date at fair value proceeding from the discounted cash flow method.
Fair value is adjusted only upon the increase or decrease of value by more than 2% compared to the respective value in the previous year. Gains and losses on changes in the value are reported in the income statement under "Other operating revenue" and "Other operating charges".

G. Tangible fixed assets

Assets that cost 200 euros and more and whose useful lives exceed one year are deemed to be tangible fixed assets. Assets whose useful lives exceed 1 year but whose acquisition cost is less than 200 euros are recognised as low-value inventory (under inventories) until taken into use and transferred into expenses in the extent of 100% at the time they are taken in use. Expensed low-value inventory is reported off the balance sheet.

Tangible fixed assets are registered at their acquisition cost, which comprises the purchase price and expenses directly attributable to the acquisition.

Tangible fixed assets are subsequently recognised in the balance sheet at their acquisition cost less accumulated depreciation and any possible write-downs resulting from impairment.
If an item of tangible fixed assets consists of distinguishable components with different useful lives, such components are registered in accounting as separate items of assets and different depreciation rates are assigned to them according to their useful lives.
Later expenses on recognised tangible fixed assets (e.g. the replacement of certain parts of an asset) are added to the book value of the assets if the following criteria have been met: (a) it is likely that as a result, the group will receive economic benefit in the future; and (b) their acquisition cost can be reliably measured. Replaced parts are written off the balance sheet. All other expenditure is recognised as expenses in the period when the expenses were incurred.

Straight-line method is used for the depreciation of tangible fixed assets. Depreciation rates are established separately for each item of tangible fixed assets on the basis of its useful life. Annual depreciation rates for classes of fixed assets are as follows:

- Land 0%
- Buildings and structures 2-15%
- Machinery and equipment 8-50%
- Means of transport 15-25%
- Other fixtures, fittings, tools and equipment 20-40%

Depreciation of assets is discontinued if the final value of the assets which equals a sum that the group would receive upon transfer of the assets today, if the assets were of the same age and in the same state as they are expected to appear at the end of their useful life, exceeds the book value of the assets. The depreciation methods, rates and final values of tangible fixed assets are reviewed at least at the end of each financial year and if new estimates differ from the previous ones, the variations are recognised as changes in accounting estimates, i.e. they are carried forward.

Possible impairment of tangible fixed assets is assessed if certain events or developments imply that the recoverable amounts of the assets may be smaller than their book value. If such developments exist, the group will carry out an evaluation of the recoverable amount of the assets. If the estimated recoverable amount of the assets is below their book value, the assets or assets constituting a cash-generating unit are written down to their recoverable amount, which is equal to the higher of the present value (or value in use) of the future cash flow from the assets or the fair value of the assets less costs to sell. The fair value of assets is determined by independent experts, if necessary. The write-down is recorded as an expense of the accounting period on the same row of the income statement where the depreciation on the written down assets or the assets belonging to a cash generating unit has been recorded.

If later the recoverable amount of the assets increases, exceeding its book value, the write-down will be cancelled and the book value of the assets will be increased, but not in excess of the book value of the assets that would have been recorded if the assets had not been written down. Cancellation of a write-down of assets is recognised in the income statement on the same account where the previous write-down was recognised.
Recognition of tangible fixed assets is discontinued upon their transfer or if the group does not expect fiscal advantages from their use or sales. Gains and losses on discontinued recognition of tangible fixed assets are recognised in the income statement under “other operating revenue” or “other operating charges” for the period when recognition was discontinued.

H. Intangible fixed assets

Intangible fixed assets are registered at their acquisition cost, which comprises the purchase price and expenses directly attributable to the acquisition. Intangible fixed assets are subsequently recognised in the balance sheet at their acquisition cost less accumulated depreciation and any possible write-downs resulting from impairment. Depreciation is calculated using the straight-line method.

I. Impairment of assets

Impairment of intangible assets of undefined useful lives (including goodwill) is checked once a year by comparing the carrying amount of the assets with the recoverable amount.
The occurrence of circumstances referring to possible impairment is assessed in the event of tangible fixed assets with unlimited useful lives and depreciable assets. If such circumstances exist, the recoverable amount of the assets is measured and it is compared with the carrying amount.

The loss caused by impairment is recognised in the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset item is the fair value of the asset item from which the costs to sell or the value in use, whichever is higher, have been deducted. To assess the extent of impairment, the recoverable amount is assessed either with regard to individual asset items or the smallest possible groups of assets for which it is possible to differentiate the cash flow. Write-downs of assets are recognised as expenses for the financial year.

Once an asset item has been written down, it is assessed on every subsequent balance sheet date whether it may be likely that the recoverable amount of the asset item has increased in the meantime (excluding goodwill whose write-downs are not cancelled). Any previous write-downs are cancelled if the impairment test shows that the recoverable amount of an asset item or a group of assets (cash generating unit) has increased to over the carrying amount and the carrying amount of the asset item is increased to the amount that would have emerged considering normal depreciation during the years in-between. Cancellations of write-downs are recognised in the income statement of the annual period as a reduction of the cost of write-downs of fixed assets.

J. Financial liabilities

All financial liabilities (trade creditors, loans raised, accrued expenses, bonds issued and other short-term and long-term payables) are initially registered at their acquisition cost, which also includes all the expenses directly attributable to acquisition. Any further recognition takes place pursuant to the adjusted acquisition cost method (except the financial liabilities acquired for the purpose of resale and derivative instruments of negative fair value that are recognised at the fair value thereof).

The adjusted acquisition cost of short-term financial liabilities is generally equal to their nominal value and therefore short-term financial liabilities are recognised in the balance sheet in the amounts subject to payment. In order to calculate the adjusted acquisition cost of long-term financial liabilities, they are initially recognised at the fair value of the amounts received (less any transaction costs), considering the interest expenses to be incurred on the liability in future periods, using the internal interest rate method.

A financial liability is classified as current if its payment term is within twelve months as of the balance sheet date or if the group does not have the unconditional right to postpone the payment of the obligation for more than twelve months after the balance sheet date. Loans payable that are due within 12 months as of the balance sheet date, but which are refinanced as long-term after the balance sheet date, but before the approval of the financial statements, are recognised as current liabilities. Loans payable that the lender had the right to recall on the balance sheet date due to a breach of the terms and conditions provided for in the loan agreement are also recognised as current liabilities.

Promises, guarantees and other obligations that may turn to liabilities under certain conditions in the future, but the likelihood of whose realisation in the opinion of the management of the parent company is smaller

than the likelihood of non-realisation, have been disclosed as contingent liabilities in the notes to the financial statements.

K. Revenue

Revenue from the sale of services is recognised in the period in which the service is provided if the revenue gained from providing the service can be reliably measured, the proceeds arising from the transaction are likely to be collected, and the expenses related to the transaction can be reliably assessed.
Revenue from the sale of goods is recognised when all significant risks related to ownership have been transferred to the buyer, the proceeds arising from the sale are likely to be collected, and the expenses related to the sales revenue and the transaction can be reliably determined.
Sales revenue reflects the sale of services and goods related to the principal activity. Other operating revenue comprises irregular revenue not directly related to the principal activity.
Interest income is recognised on an accrual basis once it is likely that the group will gain economic benefit from the transaction and the amount of interest income can be reliably measured.

L. Expenses

Expenses are recognised on an accrual basis, i.e. at the moment when the economic transaction actually occurs, not when the liability is paid.
Expenses are recognised in the same period as the revenue associated with them. Expenses that are likely to participate in generating economic benefits in future periods are recognised on the balance sheet as assets at the moment of their emergence and as expenses in the period(s) when the expenses associated with them emerge.
Expenses of services and goods purchased directly for the purpose of the principal activity are recognised in the income statement under "Goods, raw materials and services". Other operating expenses comprise expenses that are not regarded directly as costs of provision of services. Other operating revenue comprises irregular expenses not related to the principal activity.
Interest expenses are recognised as financial expenses of the reporting period on the accrual basis.

M. Corporate income tax

Pursuant to the currently applicable Income Tax Act, a company registered in Estonia does not pay income tax on the profit earned, and profit distributed by way of a bonus issue is also not taxed. Companies pay income tax on profit distributed as dividends or other profit distributions, including disbursements from equity, that exceed the monetary and non-monetary contributions to the equity of the company upon the disbursement thereof by monetary or non-monetary means. On the basis of the abovementioned Act, profit distributed by the company as dividends or by other means is taxed with income tax at the rate of 20/80.
Pursuant to the tax legislation applicable in Estonia, the company is not able to disburse all its available equity without additional expenses; instead, a part of equity will be used to cover the income tax on dividends. Provisions in respect of future income tax payable on dividends are not formed before the declaration of dividends, but the relevant information is disclosed in the notes to the accounts.
Corporate income tax related to the disbursement of dividends or the making of other payments that reduce equity is recognised as a liability and an expense at the moment of announcing the dividends or other payments that reduce equity.
Income tax on dividends is recognised in the income statement under income tax expenses during the same period when the dividends are announced, regardless of the period for which they have been announced or when they are actually disbursed.

Taxation of subsidiaries registered in a foreign country.
Pursuant to the Income Tax Act, the net profit of the company, as adjusted with the temporary and permanent differences provided in the Income Tax Act, is subject to income tax in Lithuania, with the tax rate being 15%.

Deferred tax has been recognised in the accounting pursuant to the liability method on all temporary differences as of the balance sheet date between the tax base and book value of the assets and liabilities. Deferred tax assets are only recognised if it is likely that gains will be earned in the future on whose account the deferred tax assets can be used.

N. Lease accounting

Lease transactions where all significant risks and benefits related to the ownership of the assets are transferred to the lessee are recognised as financial lease. Other lease transactions are treated as operating lease.
The Company leases its assets under operating lease conditions and therefore recognises assets in the balance sheet under regular conditions and similarly to other assets recognised in the balance sheet.
The lessor recognises the rental income received from operating lease during the rental period as revenue in the income statement. The payments made to the lessor are structured such as to increase together with the expected general inflation based on the published indexes in order to compensate for the expected increase in the expenses of the lessor in relation to inflation.

O. Events after the balance sheet date

The interim and annual accounts reflect the material circumstances that influence the evaluation of assets and liabilities and which occurred between the balance sheet date and the preparation date of the financial statements, but which are related to transactions that took place during the accounting period or earlier.

Events after the balance sheet date that have not been considered in the evaluation of assets and liabilities, but that considerably affect the result of the next financial year are disclosed in the financial statements.

P. Impact of the global economy

It is impossible for the management to offer reliable forecasts as to what the impact of potential future unstable conditions in the global economy would be on the group's activities and financial position. The management believes that it has taken all measures required to guarantee the group's sustainability and growth in the current conditions.

Q. Related parties

Parties are considered to be related if one party either controls the other party or has significant influence on the business decisions made by the other party, including the parent company and other companies belonging to the same group, members of the supervisory board and the management board, their family members and companies that are controlled by said persons or where said persons have significant influence.

Note 2 Cash
(EUR)

	31.12.2019	**31.12.2018**
Cash at bank	362 919	159 684
Total cash	**362 919**	**159 684**

The Group has bank accounts in Swedbank and OP Corporate Bank Lithuanian Branch. Cash payments are not accepted.

Note 3 Subsidiaries
Group shareholding

Name	**Country of location**	**Holding % as of 31.12.2019**	**Holding % as of 31.12.2018**
Promalita UAB	Lithuania	100%	100%

The shares of the subsidiary are not listed on the stock exchange.

Note 4 Investment properties
(EUR)

	Built-up registered immovable	**Total**
Balance 31.12.2017	**15 350 000**	**15 350 000**
Change in fair value	350 000	350 000
Balance 31.12.2018	**15 700 000**	**15 700 000**
Change in fair value	50 000	**50 000**
Balance 31.12.2019	**15 750 000**	**15 750 000**

Investment properties have been recognised at fair value.
Colliers International Advisors UAB served as the independent evaluator.

Note 5 Intangible fixed assets
(EUR)

	Goodwill	Total
Balance 31.12.2017		
Acquisition cost	1 280 818	1 280 818
Residual value	**1 280 818**	**1 280 818**
Depreciation costs	-213 470	-213 470
Balance 31.12.2018		
Acquisition cost	1 280 818	1 280 818
Accumulated depreciation	-213 470	-213 470
Residual value	**1 067 348**	**1 067 348**
Depreciation costs	-213 468	-213 468
Balance 31.12.2019		
Acquisition cost	1 280 818	1 280 818
Accumulated depreciation	-426 938	-426 938
Residual value	**853 880**	**853 880**

Note 6 Loans payable
(EUR)

31.12.2019	Current part	Long-term part	Liability total
Long-term bank loans *	460 000	7 513 333	7 973 333
Long-term shareholder loan	0	671 850	671 850
Long-term bonds	0	4 700 000	4 700 000
Total loans payable	**460 000**	**12 885 183**	**13 345 183**

31.12.2018	Current part	Long-term part	Liability total
Long-term bank loans *	460 000	7 973 333	8 433 333
Long-term shareholder loan	0	671 850	671 850
Long-term bonds	0	4 700 000	4 700 000
Total loans payable	**460 000**	**13 345 183**	**13 805 183**

* OP Corporate Bank Lithuanian Branch has issued the loan to the Group.
The underlying currency of all the loans is the euro.
See Note 14 for further information about collateral.

Note 7 Payables and prepayments
(EUR)

	31.12.2019	31.12.2018
Trade creditors	5 719	2 091
Payables to employees	87	108
Prepayments received	746	49 665
Interest payable	136 745	80 648
Total payables and prepayments	**143 297**	**132 512**

Note 8 Long-term provisions

The long-term provisions comprises the deferred income tax liability of the Lithuanian subsidiary.

Note 9 Share capital

	31.12.2019	31.12.2018
Share capital (EUR)	2 500	2 500
Number of shares (pcs)	1	1

Potential income tax liability of the Group
The retained earnings of the company as of 31 December 2019 amounted to EUR 1 191 662 (31.12.2018: EUR 826 505). The maximum amount of income tax payable upon disbursement of all retained profit as dividends is EUR 238 332,40 (31.12.2018: EUR 165 301). Therefore, EUR 953 329,60 (31.12.2018: EUR 661 204) can be disbursed as dividends.

The maximum potential income tax liability has been calculated on the assumption that the total distributed net dividends and income tax expense associated with their payment may not exceed distributable profits as of 31.12.2019.

Note 10 Sales revenue
(EUR), per year

Sales revenue of the Group by geographical regions:

Geographical regions	**2019 12 months**	**2018 12 months**
Lithuania	1 287 781	1 247 276
Total	**1 287 781**	**1 247 276**

Sales revenue of the Group by fields of activity:

Fields of activity	**2019 12 months**	**2018 12 months**
Lease of warehouse premises	1 287 781	1 247 276
Total	**1 287 781**	**1 247 276**

Note 11 Other operating expenses
(EUR), per year

	2019 12 months	2018 12 months
Administration and office expenses	-26 704	-1 720
Securities management expenses	-2 950	-6 262
Expenses of legal and other consultations	-16 601	-10 338
Total	**-46 255**	**-18 320**

Note 12 Financial revenue and expenses
(EUR), per year

	2019 12 months	2018 12 months
Interest expenses on bonds	-376 000	-375 997
Interest expenses on loans	-186 174	-198 127
Total financial revenue and expenses	**-562 174**	**-574 124**

Note 13 Income tax

The calculated income tax expenses of the Group have arisen due to the tax liability of the Lithuanian subsidiary.

Note 14 Contingent liabilities and off-balance-sheet assets and liabilities

The collateral for the loans and issued bonds is as follows:

- Mortgage in the first ranking on the registered immovable of RIMI LC in the amount of 11,960,000 euros with the market value of the real estate being at least 15,300,000 euros;
- Mortgage in the second ranking on the registered immovable of RIMI LC in the amount of 6,110,000 euros for the benefit of the collateral agent as the pledgee (established pursuant to a collateral agent contract and terms and conditions for the benefit of the investors).

Note 15 Transactions with related parties
(EUR)

The following were deemed as related parties when the financial statements were prepared:

a. owners (parent company and persons who control or have a significant influence over the parent company);
b. executive management and senior management; and
c. close relatives of the aforementioned persons and the companies being controlled by them or being under the significant influence of such persons.

As of 31.12.2018 and 31.12.2019, there were no receivables from related parties of the Group.

Payables	**31.12.2019**	**31.12.2018**
Parent company and persons who control the parent company	675 209	675 209
Total	**675 209**	**675 209**

Interest in the amount of EUR 40 311 has been calculated in the reporting period on loans received from related parties (2018: EUR 63 545).

Remuneration and other benefits in the total amount of 288 euros has been calculated for the members of the executive and senior management in the reporting period (2018: EUR 252). No remuneration was paid and no benefits were granted to the members of the supervisory board in the accounting period or the reference period. Premature termination of service contracts with members of the management board and the supervisory board would result in no liability to pay a severance bonus for the Group.

Note 16 Unconsolidated balance sheet of Parent Company
(EUR)

	31.12.2019	**31.12.2018**
Cash	85 133	81 271
Receivables and prepayments	36 899	36 652
Total current assets	**122 032**	**117 923**
Long-term financial investments	3 200	3 200
Long-term receivables	5 356 350	5 356 350
Total fixed assets	**5 359 550**	**5 359 550**
TOTAL ASSETS	**5 481 582**	**5 477 473**
Payables and prepayments	84 291	80 648
Total current liabilities	**84 291**	**80 648**
Long-term loans payable	5 371 850	5 331 850
Total non-current liabilities	**5 371 850**	**5 331 850**
TOTAL LIABILITIES	**5 456 141**	**5 452 498**
Share capital	2 500	2 500
Retained earnings	22 941	22 475
TOTAL EQUITY	**25 441**	**24 972**
TOTAL LIABILITIES AND EQUITY	**5 481 582**	**5 477 473**

Note 17 Unconsolidated income statement of Parent Company
(EUR), per year

	2019 12 months	2018 12 months
Operating expenses	-17 687	-8 198
Operating profit (loss)	**-17 687**	**-8 198**
Financial income (expenses)	**18 153**	**21 146**
Profit before income tax	**466**	**12 948**
Net profit (loss) for financial year	**466**	**12 948**

Note 18 Unconsolidated cash flow statement of Parent Company
(EUR), per year

	2019 12 months	2018 12 months
Operating profit	-17 687	-8 198
Change in receivables and prepayments related to operating activities	-247	-11
Change in payables and prepayments related to operating activities	3 643	0
Total cash flow from operating activities	**-14 291**	**-8 209**
Asquisition of subsidiaries and associates	0	-2 500
Loans issued	0	-25 000
Loans granted	0	132 350
Interest received	434 464	437 739
Total cash flow from investing activities	**434 464**	**542 589**
Loans raised	0	136 600
Repayments of loans raised	0	-186 500
Interest paid	-416 311	-439 547
Total cash flow from financing activities	**-416 311**	**-489 447**
Total cash flow	**3 862**	**44 933**
Cash at beginning of period	**81 271**	**36 338**
Change in cash	3 862	44 933
Cash at end of period	**85 133**	**81 271**

Note 19 Statement of changes in equity of Parent Company

	Share capital	Retained profit	Equity Total
As of 31.12.2017	**2 500**	**9 527**	**12 027**
Profit for reporting period	0	12 948	**12 948**
As of 31.12.2018	**2 500**	**22 475**	**24 975**
Profit for reporting period	0	466	**466**
As of 31.12.2019	**2 500**	**22 941**	**25 441**

UPP & CO Kauno 53 OÜ

LIST OF SHAREHOLDERS

as of 31 December 2019

No.	Name and personal identification code or registry code of owner	Address	Value of share	Date of acquisition of share	Basis of acquisition of share
1.	United Partners Property OÜ	Tallinn	EUR 2,500	30.01.2017	Purchase and sale

Member of Management Board
Marko Tali