UNITED PARTNERS

INTERIM REPORT Q4 2017

UPP Olaines OÜ

INTERIM REPORT FOR THE FOURTH QUARTER OF 2017 (UNAUDITED)

Reporting period: 01.10.2017 – 31.12.2017 ('Q4 2017')

Company name: UPP Olaines OÜ

Registration number: 14318601

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MANAGEMENT REPORT FOR Q4 2017

General information

UPP Olaines OÜ (hereafter 'the company') was established for the purpose of funding, acquiring and managing the real estate investment of Olaines Logistics Park: (buildings and land) located at "Šarlotes", Olaines county, Olaines parish, Latvia, cadastre number 8080 003 0029, registered in the Land Register compartment No.5439 of the city of Olaine parish.

The company was established in 24.08.2017 and had no economic activity until 15.12.2018, when it acquired Olaines Logistics Parks SIA, a company incorporated in the Republic of Latvia and the legal owner of Olaines Logistics Park (hereafter 'the investment property'). The acquisition was structured through Olaines Logistics SIA, a company incorporated in the Republic of Latvia and 100% acquired by UPP Olaines OÜ on 15.11.2017, which purchased 100% of shares in Olaines Logistics Park SIA.

The property is a modern storage facility with cold storage capabilities constructed in 2007 and located in Olaine, Latvia. The total gross leasable area of the facility is 37,204 m2. The premises of the facility have been fully leased out with no vacancy. Maxima Latvija and Girteka Logistics are the main anchor tenants.

To finance the acquisition of the property, the company issued secured subordinated bonds in the total nominal value of 6.215 million euros. The bonds are secured by a 3rd rank mortgage over the property and are subordinated to the claims of Luminor Bank. The bonds are not yet listed and admitted to trading on Nasdaq Tallinn Bond List, but the company aims to ensure that this will be accomplished in Q3 of 2018.

The business performance is not affected by seasonal factors. The activities of the company have no environmental or social impact.

As the company has been established solely for the purpose funding, acquiring and managing the property, no strategic changes in the business are planned.

The management board is aware of no trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the company's prospects for the period after the reporting period of this interim financial statement outside the course of its regular business activities

UPP Olaines OÜ is a going concern.

Management board and supervisory board

The management board of UPP Olaines OÜ has two members: Hallar Loogma, the chairman of the management board, and Kevin Soon.

The supervisory board of UPP Olaines OÜ has three members: Marko Tali, Mart Tooming and Tarmo Rooteman.

No remuneration or other benefits have been allotted to the members of the management board and supervisory board.

There are no employees in the company besides the members of the management and supervisory board.

Key indicators of financial performance and position for Q4 2017

As the acquisition of the investment property was completed in 15.12.2017, the financial results for the company are not representative of a full quarterly business performance of the investment property.

Revenue:

- Sales revenue: **190,760 EUR**

Expenses

- Cost of goods and services sold: **15,297 EUR**
- Operating expenses: **73,707 EUR**
- Interest expense on loans and bonds issued: **121,230 EUR**

Interest-bearing liabilities (as of 31.12.2017):

- Loans outstanding: **24,313,300 EUR**
- Bonds issued: **6,215,000 EUR**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Condensed consolidated interim statement of comprehensive income

(in EUR)	Note	Q4 2017
Sales revenue	4	190,760
Cost of goods and services sold	5	(15,297)
Net rental income		**175,463**
Administrative expenses	6	(73,707)
Gain / (loss) from revaluation of investment property	11	144,000
Operating profit		**245,756**
Financial income / (costs)	7	(121,215)
Profit before income tax		**124,541**
Corporate income tax	8	36,226
Profit for the period		**160,767**
Total comprehensive income for the period		**160,767**

Condensed consolidated interim statement of financial position

(in EUR)	Note	31.12.2017	30.09.2017
Cash and cash equivalents	9	381,336	2,500
Accounts receivable and prepayments	10	445,824	0
Total current assets		**827,160**	**2,500**
Investment property	11	30,544,000	0
Total non-current assets		**30,544,000**	**0**
TOTAL ASSETS		**31,371,160**	**2,500**
Accounts payable and other settlements	12	679,593	0
Loans and borrowings	13	886,667	0
Total current liabilities		**1,566,260**	**0**
Loans and borrowings	13	29,641,633	0
Total non-current liabilities		**29,641,633**	**0**
TOTAL LIABILITIES		**31,207,893**	**0**
Share capital		2,500	2,500
Retained earnings		160,767	0
TOTAL EQUITY		**163,267**	**2,500**
TOTAL EQUITY AND LIABILITIES		**31,371,160**	**2,500**

Condensed consolidated interim statement of cash flows

(in EUR)	Note	Q4 2017
Operating profit		**245,756**
Adjustments:		
Loss / (gain) from revaluation of investment property	11	(144,000)
Decrease / (increase) in accounts receivable and prepayments	10	(445,824)
Increase / (decrease) in accounts payable and other settlements	12	602,402
Recalculated corporate income tax	6	36,226
Total cash flow from / used in operating activities		**294,560**
Acquisition of subsidiaries		(30,400,000)
Interest received		15
Total cash flow from / used in investing activities		**(30,399,985)**
Proceeds from loans and notes	13	30,528,300
Interest paid		(44,039)
Total cash flow from / used in financing activities		**30,484,261**
Net increase / (decrease) in cash and cash equivalents		**378,836**
Cash and cash equivalents at the beginning of the period	9	2,500
Cash and cash equivalents at the end of the period		**381,336**

Condensed consolidated interim statement of changes in equity

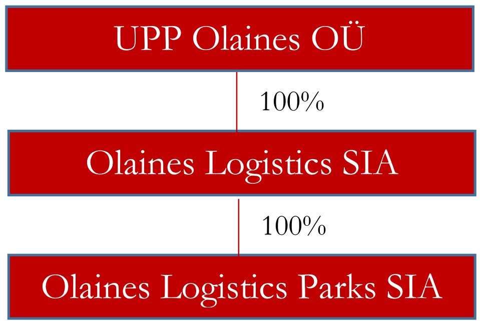
(in EUR)	Share capital	Retained earnings	Total equity
Balance at 30.09.2017	2,500	0	2,500
Total comprehensive income	0	160,767	160,767
Other changes in equity	0		0
Balance at 31.12.2017	**2,500**	**160,767**	**163,267**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Corporate information

UPP Olaines OÜ is a company established on 24.08.2017 and incorporated in Estonia.

The structure of UPP Olaines OÜ as of 31.12.2017 is as follows:



Investment property: Olaines Logistics Park, Riga

For more information on subsidiaries, see Note 3.

2. Basis of preparation

The unaudited condensed consolidated interim financial statements of UPP Olaines OÜ for the fourth quarter ended on 31.12.2017 have been prepared in accordance with IAS 34 Interim Financial Reporting, except for the requirement to disclose comparative financial information. The company was founded in 24.08.2017 and did not have any economic activity until the acquisition of the investment property on 15.12.2017. Therefore the company has no:

a) financial history for a year-on-year comparison
b) financial history for a meaningful quarter-to-quarter comparison, as the only activity in Q3 2017 regards to the company was the registration of the company and payment of the share capital requirement

In addition, these unaudited condensed consolidated interim financial statements do not include all the information required in the complete set of IFRS financial statements; however, since the Company has not published any audited annual financial statements before, this interim report includes description of relevant significant accounting principles.

Consolidated financial statements

The consolidated financial statements include the company and its subsidiaries.

The company controls a subsidiary when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The subsidiaries use the same accounting policies in preparing their financial statements as the parent company. Inter-company balances and transactions, including unrealised profits and losses, are fully eliminated in consolidation.

Business combinations are accounted for in the consolidated financial statements using the acquisition method. The cost of a business combination accounted for using the acquisition method is allocated to the fair value of assets, liabilities and contingent liabilities as at the date of acquisition. The difference between the cost of acquisition and the fair value of acquired assets, liabilities and contingent liabilities is recognised as goodwill. If fair value exceeds cost, the difference (negative goodwill) is immediately recognized as income of the period.

Investment property

Investment property is property (land or building or both) held or developed to earn rental income or for capital appreciation, rather than for the use in the production or supply of goods or services or for administrative purposes; or sale in ordinary course of business.

An investment property is initially recognized in the balance sheet at cost, including any expenditure items directly attributable to the acquisition of the property (e.g. notary fees, property transfer taxes, professional fees for legal services, and other transaction costs necessary for the completion of the acquisition). After initial recognition, investment property is measured at fair value at each balance sheet. The fair value is determined by independent appraisers, being the price that would be received to sell an asset in an orderly transaction between market participants at the date of measurement.

In determining the fair value, the method of discounted cash flows is used. In order to calculate the present value of a property's future cash flows, the appraiser has to forecast the property's future rental income (including rent per 1 square meter and the occupancy rate) and operating expenses. Depending on the terms of the lease (whether and how easily the lease can be terminated by lessee), the appraiser will base the projections on either the property's existing cash flows or the market's current average cash flows for similar properties. The present value of the future net cash flow is found by applying a discount rate, which best reflects the current market assessments of the time value of money and the risks specific to the asset. The discount rate is selected based on the market's average capital structure, not asset structure. The discounted cash flow method is used to determine the value of investment properties that generate stable rental income.

Gains and losses arising from changes in the value of investment property are recognized in profit or loss in the period in which they arise under the 'Gain / loss from revaluation of investment property'.

An investment property is derecognized from the balance sheet on disposition or when the property is permanently withdrawn from use and the asset is expected to generate no future economic benefits. Gains and losses arising from the derecognition of investment property are recognized in profit or loss in the period of derecognition (in Other income and other expenses, respectively).

When the purpose of use of an investment property changes, the asset is reclassified in the balance sheet. From the date of the change, the accounting policies of the group where the item has been transferred are applied. For a transfer from investment property to property, plant and equipment, the property's deemed cost for subsequent accounting is its fair value at the date of transfer.

Financial liabilities

All financial liabilities (trade payables, borrowings, accrued expenses and other current and non-current liabilities) are initially measured at cost that also includes all directly attributable expenditure incurred in the acquisition. Subsequent measurement is at amortized cost.

The amortized cost of current financial liabilities generally equals their nominal value; therefore, current financial liabilities are carried in the balance sheet in their net realizable value. Non-current financial liabilities are initially recognized at fair value less transaction costs incurred. Subsequently, these non-current financial liabilities are measured at amortized cost using the effective interest rate method. Interest expenses on financial liabilities are recognized on the line 'Interest income' and 'Interest expense' in the income statement on an accrual basis.

A financial liability is classified as current if it is due within 12 months from the balance sheet date or if the Issuer does not have an unconditional right to postpone payment of the liability more than 12 months after the balance sheet date. Loans with due date 12 months after the balance sheet date which are refinanced as non-current after the balance sheet date but before the financial statements are authorized for issue, are recognized as current.

A financial liability is derecognized from the balance sheet when the obligation under the liability is settled, cancelled or expires.

Cash and cash equivalents

Cash and cash equivalents are cash and short (up to 3 months from the moment of acquisition) high-liquidity investments that are readily convertible into a known amount of cash for up to three months from the actual transaction date and which are subject to insignificant risk of changes in market value.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable from transactions. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the group and the revenue can be measured reliably.

Rental income from investment properties is recognized on a straight-line basis over the lease term.

Income from intermediation of services (utility fees of tenants, leases, and other intermediated services) the Issuer acts as an agent, which means that such revenues are not presented in gross method, but are offset against the expense on services purchased.

Finance income is recognized on an accrual basis, using the effective interest rate method.

Financial assets

All financial assets are initially recognized at cost, which is the fair value of the consideration paid for the financial asset. Acquisition costs are any costs that are directly attributable to the acquisition of the financial asset, including fees and commissions paid to agents and advisers, as well as any non-recoverable levies, taxes and duties.

Upon initial recognition, financial assets in the scope of IAS 39 are classified in one of the following four categories of financial assets, with a principle of measurement detailed next to each:

a) Financial assets at fair value through profit or loss – fair value
b) Loans and receivables – amortized cost
c) Held-to-maturity investments – amortized cost
d) Available-for-sale financial assets – fair value or cost in case of equity instruments, the fair value of which cannot be reliably measured

Financial assets are derecognized when the Issuer loses the right to cash flow from the financial assets and also when a liability arises to transfer these cash flows in full extent without material delay to third parties, to whom most of the risks and benefits related to the financial assets are transferred.

Taxation

The company and taxation in Estonia

According to the Income Tax Act, the annual profit earned by entities is not taxed in Estonia. Corporate income tax is paid on dividends. The tax rate on (net) dividends is 20/80. Income tax arising from dividend distribution is expensed when dividends are declared (when the liability arises).

Subsidiaries in Latvia

In accordance with the tax law effective until 2017, profits of entities in Latvia were taxable with income tax (15%). Therefore, until that, deferred tax was provided for on all temporary differences arising between the tax bases of assets and liabilities of Latvian subsidiaries and their carrying amounts in the consolidated financial statements. In accordance with the new Corporate Income Tax Law, starting from 1 January 2018, corporate income tax with a rate of 20/80 is levied on profits arisen after 2017 only upon their distribution. Transitional provisions of the law allow for reductions in the income tax payable on dividends, if the entity has unused tax losses or certain provisions recognized by 31 December 2017.

Due to the new tax law, there are no longer differences between the tax bases and carrying amounts of assets and liabilities, and hence, deferred income tax assets and liabilities no longer arise in respect of subsidiaries in Latvia. All deferred tax assets and liabilities recognized in previous periods were derecognized in 2017 and related income tax expense/income was recorded in the statement of profit or loss.

Leases

Leases, which transfer substantially all the risks and rewards incidental to ownership to the lessee are classified as finance leases. Other leases are classified as operating leases.

Assets subject to operating leases are recognized in the lessor's balance sheet. Operating lease payments received and made are recognized as income and expenses, respectively, on a straight-line basis over the period of the lease.

Measurement of fair values

The company measures certain non-financial assets such as investment property at fair value at the end of each reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the date of measurement. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability;

Or

- In the absence of a principal market, in the most advantageous market at the measurement date.

The company must be able to access the principal or the most advantageous market at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2: Valuation techniques for which the lowest level of input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3. Subsidiaries

The company has a controlling interest in the following entities:

Name	Immediate parent entity	Place of incorporation	Ownership interest		Activity
			31.12.2017	**30.09.2017**	
Olaines Logistics SIA	UPP Olaines OÜ	Latvia	100%	0%	Holding company
Olaines Logistics Parks SIA	Olaines Logistics SIA	Latvia	100%	0%	Asset holding company

On 15.11.2017, UPP Olaines OÜ acquired Olaines Logistics SIA, a company founded in 2012 and incorporated in Latvia. Olaines Logistics SIA was acquired for the purpose of acquiring Olaines Logistics Parks SIA.

On 15.12.2017, Olaines Logistics SIA acquired Olaines Logistics Parks SIA, a company founded in 2006 and incorporated in Latvia for the price of 32,386,638, with the objective of acquiring the investment property Olaines Logistics Park.

Olaines Logistics Parks SIA purchase price analysis	Fair value
Cash	347,161
Receivables	1,639,477
Investment property (Note 11)	30,400,000
Loans and borrowings	0
Other liabilities	0
Fair value of net asset	**32,386,638**
Purchase price	32,386,638
Goodwill	**0**

4. Sales revenue segment information

By regions	Q4 2017
(in EUR)	
Latvia	190,760
Total	**190,760**

By activities	Q4 2017
(in EUR)	
Rental income	190,760
Total	**190,760**

5. Cost of goods and services sold

	Q4 2017
(in EUR)	
Technical services	(8,875)
Extra works	(6,422)
Total cost of goods and services sold	**(15,297)**

6. Administrative expenses

	Q4 2017
(in EUR)	
Consulting services	(38,616)
Legal services	(21,295)
Banking services	(9,344)
Accounting services	(450)
Securities services fees	(4,002)
Total administrative expenses	**(73,707)**

7. Financial income (cost)

	Q4 2017
(in EUR)	
Interest income	15
Interest expense	(121,230)
Total financial income (cost)	**(121,215)**

During Q4 2017, interest expense on the consolidated level totaled 121,230 EUR, of which

a) 60,424 EUR was coupon payments to the bondholders
b) 16,768 EUR was interest expense for the loan granted by United Partners Property OÜ, the parent company of UPP Olaines OÜ
c) 44,038 EUR was interest expense for the investment loan granted by Luminor Bank

8. Income tax

	Q4 2017
(in EUR)	
Tax income from derecognition of deferred tax liabilities	36,226
Total corporate income tax	**36,226**

Due to the new Corporate Income Tax Law in effect from 01.01.2018, there are no longer differences between the tax bases and carrying amounts of assets and liabilities, and hence, deferred income tax assets and liabilities no longer arise in respect of subsidiaries in Latvia. All deferred tax assets and liabilities recognized in previous periods were derecognized in 2017, amounting to a tax income of 36,226 for the reporting period.

9. Cash and cash equivalents

	31.12.2017	30.09.2017
(in EUR)		
Demand deposits	381,336	2,500
Total cash and cash equivalents	**381,336**	**2,500**

10. Accounts receivable and prepayments

	31.12.2017	30.09.2017
(in EUR)		
Customer receivables	392,181	0
Prepaid expenses	51,546	0
Other short-term receivables	2,097	0
Total accounts receivable and prepayments	**445,824**	**0**

11. Investment property

As of 31.12.2017, the Issuer has made investments to the following property:

Name	Location	Area (m2)	Year of construction	Date of acquisition	Acquisition cost	Market value at 31.12.2017
Olaines Logistics Park	Olaine region in Riga, Latvia	37,204	2007	15.12.2017	30,400,000	30,544,000

In the Q4 of 2017, the following changes have occurred in the Issuer's investment property:

Balance at the beginning 01.10.2017	**0**
Owed during the period	30,400,000
Income from revaluation	144,000
Balance at the end 31.12.2017	**30,544,000**

The Company's investment property has been evaluated by an independent appraiser.

As of 31.12.2017, the value of the investment property is based on valuation conducted in June 21 of 2017. The following significant assumptions were used to determine fair value:

As of 31.12.2017

(in EUR)

Property	Fair value	Valuation method	Discount rate	Exit yield	Annual rental revenue
Olaines Logistics Park	30,544,000	DCF	9%	8%	2,458,481

Independent expert valuation in regards to the fair value of investment property is based on the following:

- Rental income: real growth rates and rents under current lease agreements are used;
- Discount rate: Calculated using the weighted average cost of capital (WACC) associated with the investment property
- Exit yield rate: based on the estimated level of return at the end of the estimated holding period, taking into consideration the forecasted market conditions and the individual characteristics and risks of the property

The table below contains information about significant unobservable inputs used at 31.12.2017 in measuring investment properties categorized to Level 3 fair value hierarchy.

Type of asset class	Valuation method	Significant unobservable input	Range of estimates	Fair value measurement sensitivity to unobservable inputs
Investment property	DCF	Exit yield	7.5%-8.5%	An increase in exit yield in isolation would result in a lower value of Investment property
		Discount rate	7.5%-9.0%	An increase in discount rate in isolation would result in a lower value of Investment property
		Rental growth p.a.	0-3.3%	An increase in rental growth in isolation would result in a higher value of investment property
		Long term vacancy rate	0-10%	An increase in long-term vacancy rate in isolation would result in a lower value of investment property

12. Accounts payable and other settlements

	31.12.2017	30.09.2017
(in EUR)		
Payables to suppliers	195,991	0
Tax payables	87,903	0
Prepayments from customers	318,508	0
Interest payables	77,191	0
Total accounts payables and other settlements	**679,593**	**0**

13. Loans and borrowings

31.12.2017	Short-term part	Long-term part	Total	Currency	Interest rate	Due date
(in EUR)						
Bank loans	886,667	20,393,333	21,280,000	EUR	3m Euribor+2,4%	30.11.2022
Bonds	0	6,215,000	6,215,000	EUR	7%	10.11.2022
Shareholder loan	0	3,033,300	3,033,300	EUR	6%	Not specified
Other loans	0	0	0	EUR	0%	Not specified
Total loans and borrowing	**886,667**	**29,641,633**	**30,528,300**	EUR		

The company was granted an investment loan by Luminor Bank in the total amount of 21,280,000 to finance the acquisition of the investment property on November 24th 2017. The investment loan is secured by a 1st rank mortgage on the investment property.

The company issued secured subordinated bonds in the total nominal value of 6,215,000 euros on 10.11.2017. The bonds are secured by a 3rd rank mortgage over the investment property and are subordinated to the claims of Luminor Bank.

The company received a loan from its immediate parent company United Partners Property OÜ in the total amount of 3,033,000.

14. Transactions with related parties

Parent entities

The company is controlled by the following entities:

Name	Type	Place of incorporation	Ownership interest	
			31.12.2017	**30.09.2017**
United Partners Property OÜ	Immediate parent entity	Estonia	100%	100%
United Partners Group OÜ	Ultimate parent entity and controlling party	Estonia	100%	100%

During the reporting period, United Partners Property OÜ granted a loan to UPP Olaines OÜ in the total amount of 3,033,000 at an interest rate of 6% p.a.

Loans from United Partners Property OÜ	**Q4 2017**
(in EUR)	
Beginning of the period	0
Loans advanced	3,033,300
Interest charged	(16,768)

Other

No other related transactions besides the transactions listed above occurred during the reporting period.

15. Subsequent events

There have been no significant events after the end of the reporting period.

STATEMENT OF THE MANAGEMENT BOARD

The CEO and member of the management board confirms that financial and other information published in this interim report of UPP Olaines OÜ for the fourth quarter ended 31st December 2017 provides a true and fair view of the company's business development, financial performance and financial position.

Signed digitally,

Hallar Loogma

Chairman and Member of the Management Board of UPP Olaines OÜ

On 23.07.2018