



UNITED PARTNERS

INTERIM REPORT 12 MONTHS 2019

UPP Olaines OÜ



INTERIM REPORT FOR 12 MONTHS 2019 (UNAUDITED)

Reporting period: 01.01.2019 – 31.12.2019 ('12 months 2019')

Company name: UPP Olaines OÜ

Registration number: 14318601

Address: Pärnu mnt 141, Tallinn, 11314, Estonia

Telephone: +372 6616 450

E-mail: property@unitedpartners.ee

MANAGEMENT REPORT FOR 12 MONTHS 2019

General information

UPP Olaines OÜ (hereafter 'the Company' and 'Group' when referred together with subsidiaries) was established for the purpose of funding, acquiring and managing the real estate investment of Olaines Logistics Park: (buildings and land) located at "Šarlotes", Olaines county, Olaines parish, Latvia, cadastre number 8080 003 0029, registered in the Land Register compartment No.5439 of the city of Olaine parish. The Company was established on 24.08.2017 and had no economic activity until 15.12.2017, when it acquired the cold storage warehouse Olaines Logistics Park.

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 of 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 these financial statements outside the course of its regular business activities.

UPP Olaines OÜ is operating based on going concern.

Financial commentary for the fourth quarter and financial year of 2019

Net operating revenues were 654 287 euros for the fourth quarter of 2019, increased by 15% from 569 252 euros for the fourth quarter of 2018. Net operating revenues for the financial year 2019 were 2 588 257 euros, increased by 6% from 2 447 108 euros for the financial year 2018. The quarterly increase in net operating revenues is due to the accounting of the 2018 land tax in fourth quarter, where the land tax for the whole financial year was accounted for the fourth quarter of 2018, leading to unproportionally high land tax expense for the period and reducing the net operating revenue compared to fourth quarter of 2019. The annual increase in net operating revenues is due to indexation of rent and increased efficiency in operations.

Adjusted net operating income was 622 377 euros for the fourth quarter of 2019, increased by 17% from 532 126 euros for the fourth quarter of 2018. Adjusted net operating income for the financial year 2019 was 2 502 077 euros, increased by 10% from 2 277 771 euros for the financial year 2018. The quarterly increase in adjusted net operating income is due to the aforementioned accounting for the 2018 land tax. The annual increase in adjusted net operating income is due to indexation and increased efficiency in operations and management of the Company.

Net income attributable was 623 900 euros for the fourth quarter of 2019, increase by fourfold from 109 481 euros for the fourth quarter of 2018. Net income attributable for financial year 2019 was 1 391 660 euros, doubled from 712 082 euros for the financial year 2018. The quarterly increase in net income attributable is partly due to the aforementioned accounting for the 2018 land tax in the fourth quarter of 2018 and partly due to the 112 000 euros in financial income from the IRS agreement for the fourth quarter of 2019. The annual increase in net income attributable is due to the transaction costs which reduced the net income attributable for 2018, the increased efficiency in operations and management of the Company, and due to the IRS agreement creating financial income for the first time for the reporting period.

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.

After the reporting period there was a change in the Group structure, where on January 22nd 2020 the subsidiaries SIA Olaines Logistics and SIA Olaines Logistics Parks were merged. The merger was planned and part of normal management of the business, referred to also in the note issue terms and conditions, where the target SIA Olaines Logistics Parks was merged into the acquirer SIA Olaines Logistics. The merger took somewhat longer compared to mergers in Estonia and Lithuania due to the peculiarities of the Latvian legislation. The merger will further increase the efficiency of the Company's operations and management. Interim report at hand has the Group structure listed in its' former form, future interim reports will include the updated Group structure.

Key indicators of financial performance and position for 12 months 2019

(in EUR)	Q4 2019	Q4 2018	12 months 2019	12 months 2018
Net rental income	654 287	569 252	2 588 257	2 447 108
Operating profit	769 377	532 126	2 649 077	2 277 771
Profit for the period	623 900	109 481	1 391 660	712 082

(in EUR)	31.12.2019	31.12.2018
Investment property	30 909 000	30 762 000
Interest-bearing loans	28 491 624	29 656 633
Interest-bearing loans less shareholder loan	25 543 324	26 608 333

	12 months 2019
Net profit margin (Total comprehensive income for the period / Net rental income)	54%
ROA (Net profit for the period / Average total assets for the period)	4,4%
DSCR (Operating profit / Loan principal and interest payments on interest-bearing loans)	1.1

Management board and supervisory board

The management board of UPP Olaines OÜ has one member: Marko Tali, the chairman of the management board.

The supervisory board of UPP Olaines OÜ has three members: Mart Tooming, Tarmo Rooteman, Hallar Loogma.

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.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
Condensed consolidated interim statement of comprehensive income

(in EUR)	Note	Q4 2019	Q4 2018	12 months 2019	12 months 2018
Net rental income	5	654 287	569 252	2 588 257	2 447 108
Net rental income		654 287	569 252	2 588 257	2 447 108
General and administrative expenses		(31 910)	(37 126)	(86 180)	(169 337)
Other income / (cost)		147 000	0	147 000	0
Operating profit		769 377	532 126	2 649 077	2 277 771
Financial income / (cost)		(145 477)	(422 645)	(1 257 417)	(1 565 689)
Profit before income tax		0	0	0	0
Profit for the period		623 900	109 481	1 391 660	712 082
Total comprehensive income for the period		623 900	109 481	1 391 660	712 082

Condensed consolidated interim statement of financial position

(in EUR)	Note	31.12.2019	31.12.2018
Cash and cash equivalents		561 462	426 691
Trade and other receivables		204 939	300 576
Total current assets		766 401	727 267
Investment property		30 909 000	30 762 000
Total non-current assets		30 909 000	30 762 000
TOTAL ASSETS		31 675 401	31 489 267
Trade and other payables		366 189	446 036
Financial derivatives		456 209	416 879
Loans and borrowings	6	1 064 000	1 064 004
Total current liabilities		1 886 398	1 926 919
Loans and borrowings	6	27 427 624	28 592 629
Total non-current liabilities		27 427 624	28 592 629
TOTAL LIABILITIES		29 314 022	30 519 548
Share capital		2 500	2 500
Retained earnings		2 358 879	967 219
TOTAL EQUITY		2 361 379	969 719
TOTAL EQUITY AND LIABILITIES		31 675 401	31 489 267

Condensed consolidated interim statement of cash flows

(in EUR)	Note	Q4 2019	Q4 2018	12 months 2019	12 months 2018
Profit before income tax		767 673	532 126	2 649 077	2 277 771
Adjustments		(149 300)	0	(149 300)	0
Decrease / (increase) in trade and other receivables related to operating activities		(34 013)	(75 612)	0	(78 202)
Increase / (decrease) in trade and other payables related to operating activities		(23 896)	75 315	(24 691)	(94 849)
Paid income tax		0	0	0	(100)
Total cash flows from / used in operating activities		560 464	531 829	2 475 086	2 104 620
Repayments of loans and borrowings		(465 998)	(217 454)	(1 241 982)	(886 670)
Interests paid		(252 582)	(306 565)	(1 098 333)	(1 172 595)
Total cash flow from / used in financing activities		(718 580)	(524 019)	(2 340 315)	(2 059 265)
Net increase / (decrease) in cash and cash equivalents		(158 116)	7810	134 771	45 355
Cash and cash equivalents at the beginning of the period		719 578	418 881	426 691	381 336
Cash and cash equivalents at the end of the period		561 462	426 691	561 462	426 691

Condensed consolidated interim statement of changes in equity

(in EUR)	Share capital	Retained earnings	Total equity
Balance at 31.12.2018	2 500	967 219	969 719
Total comprehensive income	0	1 391 660	1 391 660
Balance at 31.12.2019	2 500	2 358 879	2 361 379

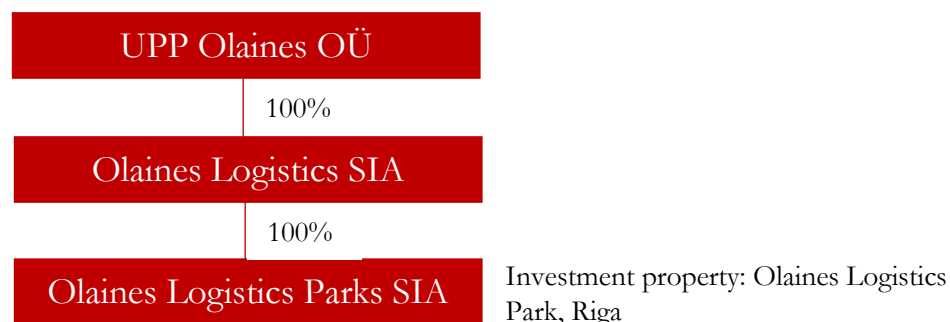
(in EUR)	Share capital	Retained earnings	Total equity
Balance at 31.12.2017	2 500	0	2 500
Total comprehensive income	0	967 219	967 219
Balance at 31.12.2018	2 500	967 219	969 719

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 31.12.2019 is as follows:



For more information on subsidiaries, see Note 4.

2. Summary of significant accounting policies

2.1 Basis of preparation

These unaudited condensed consolidated interim financial statements of UPP Olaines OÜ for 12 months 2019 have been prepared in accordance with IAS 34 *Interim Financial Reporting* and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31.12.2018. They do not include all of the information required for the complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the end of last annual financial statements.

2.2 Changes in significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the last annual financial statements.

A number of new IFRS standards are effective from 01.01.2019, but they do not have a material effect on the Group's financial statements.

3. Critical accounting estimates and assumptions

Management of the Group makes estimates and assumptions concerning the future when preparing the interim financial statements of the Group. Such estimates and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses, and the disclosure of contingent assets and contingent liabilities.

Although estimates and underlying assumptions are reviewed on an ongoing basis and they are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances, actual results may differ from the estimates.

The significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

4. Subsidiaries

The company has a controlling interest in the following entities:

Name	Immediate parent entity	Place of incorporation	Ownership interest		Activity
			31.12.2019	31.12.2018	
Olaines Logistics SIA	UPP Olaines OÜ	Latvia	100%	100%	Holding company
Olaines Logistics Parks SIA	Olaines Logistics SIA	Latvia	100%	100%	Asset holding company

5. Reportable segments

Area of activity	External revenue			
	Q4 2019	Q4 2018	12 months 2019	12 months 2018
(in EUR)				
Net rental income	654 287	569 252	2 588 257	2 447 108
Total	654 287	569 252	2 588 257	2 447 108

Geographic area	External revenue			
	Q4 2019	Q4 2018	12 months 2019	12 months 2018
(in EUR)				
Latvia	654 287	569 252	2 588 257	2 447 108
Total	654 287	569 252	2 588 257	2 447 108

Geographic area	Investment property	
	31.12.2019	31.12.2018
(in EUR)		
Latvia	30 909 000	30 762 000
Total	30 909 000	30 762 000

6. Loans and borrowings

31.12.2019	Short-term part	Long-term part	Total	Currency	Interest rate	Due date
(in EUR)						
Bank loan	1 064 000	18 264 324	19 595 333	EUR	^{3m} Euribor+2,4%	30.11.2022
Bonds	0	6 215 000	6 215 000	EUR	7%	10.11.2022
Shareholder loan	0	2 948 300	2 948 300	EUR	6%	15.11.2022
Total loan liabilities	1 064 000	27 427 624	28 491 624			

31.12.2018	Short-term part	Long-term part	Total	Currency	Interest rate	Due date
(in EUR)						
Bank loan	1 064 000	19 329 329	20 393 333	EUR	^{3m} Euribor+2,4%	30.11.2022
Bonds	0	6 215 000	6 215 000	EUR	7%	10.11.2022
Shareholder loan	0	3 048 300	3 048 300	EUR	6%	15.11.2022
Total loan liabilities	1 064 000	28 592 629	29 656 633			

7. Fair value measurement

Financial assets and liabilities carried at fair value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

As of 31.12.2019	Level 1	Level 2	Level 3
(in EUR)			
Financial liabilities			
Derivative instruments		456 209	

As of 31.12.2018	Level 1	Level 2	Level 3
(in EUR)			
Financial liabilities			
Derivative instruments		416 879	

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

As of 31.12.2019	Level 1	Level 2	Level 3	Carrying amount
<i>(in EUR)</i>				
Financial assets				
Cash and cash equivalents	561 462			561 462
Trade and other receivables			204 939	204 939
Financial liabilities				
Interest-bearing loans and borrowings			28 491 624	28 491 624
Trade and other payables			366 189	366 189
<hr/>				
As of 31.12.2018	Level 1	Level 2	Level 3	Carrying amount
<i>(in EUR)</i>				
Financial assets				
Cash and cash equivalents	426 691			426 691
Trade and other receivables			300 576	300 576
Financial liabilities				
Interest-bearing loans and borrowings			29 656 633	29 656 633
Trade and other payables			446 036	446 036

The assets and liabilities included in the above table are carried at amortised cost; their carrying values are a reasonable approximation of fair value.

8. Transactions with related parties

Parent entities

The company is controlled by the following entities:

Name	Type	Place of incorporation	Ownership interest	
			31.12.2019	31.12.2018
United Partners Property OÜ	Immediate parent entity	Estonia	100%	100%
United Partners Group OÜ	Ultimate parent entity and controlling party	Estonia	100%	100%

During 12 months 2019, related party transactions occurred regarding the loan granted by United Partners Property OÜ to UPP Olaines OÜ, as detailed below:

Loans from United Partners Property OÜ	12 months 2019
(in EUR)	
Beginning of the period loan balance (31.12.2018)	3 048 300
Loan received	(100 000)
Interest charged	(180 081)
Interest paid	(122 275)
End of the period loan balance (31.12.2019)	2 948 300

STATEMENT OF THE MANAGEMENT BOARD

The CEO and member of the management board confirms that financial and other information published in this interim report of UPP Olaines OÜ for the 12 months ended 31 December 2019 provides a true and fair view of the company's business development, financial performance and financial position.

According to the Terms and Conditions of UPP Olaines OÜ Subordinated Note Issue section 3.5.3 and 3.5.4, the Management confirms that the Company's debt service coverage ratio on consolidated level is greater or equal than 1.1 for the 12 months 2019 and that there has been no occurrence of an Extraordinary Early Redemption Event in 12 months 2019.

Signed digitally,

Marko Tali

Chairman and Member of the Management Board of UPP Olaines OÜ

02.03.2019, Tallinn