



UNITED PARTNERS

Interim report for 9 months 2021

UPP Olaines OÜ



Interim report for 9 months 2021 (unaudited)

Reporting period: 01.01.2021 - 30.09.2021 ('9 months 2021')

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MANAGEMENT REPORT FOR 9 MONTHS 2021

General information

UPP Olaines OÜ (hereafter 'the Company' and 'the 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 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 second quarter and nine months of 2021

Net operating income was 626 923 euros in 3Q 2021 (670 298 euros in 3Q 2020) and 1 864 577 euros for the nine months of 2021 (1 979 158 euros for 9 months of 2020). Operating profit was 542 929 euros in 3Q 2021 (635 253 euros in 3Q 2020) and 1 693 421 euros for the nine months of 2021 (1 863 48 euros for 9 months of 2020). Net income was 297 664 euros in 3Q 2021 (408 988 euros in 3Q 2020) and 950 756 euros for the nine months of 2021 (1 119 547 euros for 9 months 2020).

Decrease in net operating income for 9 months of 2021 was due to the changes in the lease agreements which the management also reflected upon in the 1Q 2021 commentary. In 3Q 2021 the Group made repairs in Olaine LC which had additional effect on 3Q and 9 months net operating income.

The Group paid a 49 715 euro fine issued by Būvniecības valsts kontroles birojs (State Construction Control Bureau of Latvia) which had a noticeable impact on net income for 3Q and 9 months.

Group received the fine because the Company's subsidiary, SIA Olaines Logistics did not forward its' 2020 energy balance to the Bureau in due time. In Latvia, companies which consume more than 500 000kWh of energy for two consecutive years, are considered large energy consumers and must make energy efficiency investments, or pay energy efficiency fine calculated on the basis of electricity consumed. For companies such as SIA Olaines Logistics, who do not consume the electricity, but are forwarding (selling) bought electricity to other clients, there is a requirement to maintain a balance of the kWh-s bought and sold, and to forward annual balance to the Bureau before a due date. SIA Olaines Logistics failed to forward required balance for 2020 in due time because of changes which occurred in Group's asset management team at that time. Furthermore, because of COVID travel restrictions we were not able to access SIA Olaines Logistics physical mail box, where notices and reminders regarding the obligation to forward the balance were sent by the Bureau. As a result the Group became liable to pay energy efficiency fee for the full ~8 000MWh of electricity consumed in Olaines LC by the clients of SIA Olaines Logistics. SIA Olaines Logistics appealed to the Bureau several times and also appealed to the Ministry of Economics of Latvia to reduce the fine as it is completely out of proportions compared to the nature of violation and the fact that the SIA Olaines Logistics consumed 0kWh of electricity. However none of the appeals were considered by either institution because the due date for appealing was past, leaving the fine in force in full amount.

In 3Q 2021 the Group initiated investments to change all lightning in Olaine LC to LED lights, including outside premises lighting.

The company's sole business activity is to collect rental revenue, manage the Olaine property and service its liabilities to lenders and investors. Liabilities include the subordinated bonds with a fixed interest rate and the investment loan which' rate is also fixed with an interest rate swap agreement. On the revenue side the company earns stable triple-net rental income from reputable tenants, which is fixed with medium-term agreements but is subject to indexation. Due to the economically fixed nature of the company, there needs to be major event in the overall economy or in the company's business activities for them to have significant effect on the company's financial results.

Key indicators of financial performance and position for 9 months 2021

(in EUR)	3Q 2021	3Q 2020	9 months 2021	9 months 2020
Net operating income	626 923	670 298	1 864 577	1 979 158
EBIT	542 929	635 253	1 693 421	1 863 489
Profit for the period	297 664	408 988	950 756	1 119 547

(in EUR)	30.09.2021	30.09.2020
Investment property	31 320 000	30 909 000
Interest-bearing loans	26 624 362	27 694 631
Interest-bearing loans less shareholder's loan	23 682 334	24 746 331

	9 months 2021	9 months 2020
Net profit margin, % (Total comprehensive income / Net operating income)	50,1%	56,6%
ROA (Net profit / Average fixed assets)	4,05%	4,83%
LTV (Interest-bearing loans less shareholder's loan / Investment property)	75,6%	80,1%
DSCR (Operating profit / Loan principal and interest payments on interest-bearing loans)	1,1	1,2

Management board and supervisory board

The management board of UPP Olaines OÜ has one member: Marko Tali, the chairman of the board. The management board of Olaines Logistics SIA has also one member: Siim Sild, chairman of the 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 of UPP Olaines OÜ. The member of board of Olaines Logistics SIA receives remuneration according to Latvian legislation.

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	3Q 2021	3Q 2020	9 months 2021	9 months 2020
Net rental income	4	626 923	670 298	1 865 121	1 979 158
Net rental income		626 923	670 298	1 865 121	1 979 158
General and administrative expenses		(34 279)	(35 045)	(121 985)	(115 669)
Other operating expenses		(49 715)	0	(49 715)	
Operating profit		542 929	635 253	1 693 421	1 863 489
Financial income / (cost)		(245 265)	(232 265)	(742 665)	(743 942)
Profit before income tax		297 664	402 988	950 756	1 119 547
Income tax		0	0	0	0
Profit for the period		297 664	402 988	950 756	1 119 547
Total comprehensive income for the period		297 664	402 988	950 756	1 119 547

Condensed consolidated interim statement of financial position

(in EUR)	Note	30.09.2021	30.09.2020
Cash and cash equivalents		712 869	752 089
Trade and other receivables		231 037	317 024
Total current assets		943 906	1 069 113
Investment property		31 320 000	30 909 000
Total non-current assets		31 320 000	30 909 000
TOTAL ASSETS		32 263 906	31 978 113
Trade and other payables		505 591	383 036
Financial derivatives		224 155	407 502
Loans and borrowings	5	1 064 004	1 064 004
Total current liabilities		1 793 750	1 854 542
Loans and borrowings	5	25 560 358	26 630 627
Total non-current liabilities		25 560 358	26 630 627
TOTAL LIABILITIES		27 354 108	28 485 169
Share capital		2 500	2 500
Retained earnings		4 907 298	3 490 444
TOTAL EQUITY		4 909 798	3 492 944
TOTAL EQUITY AND LIABILITIES		32 263 906	31 978 113

Condensed consolidated interim statement of cash flows

(in EUR)	Note	3Q 2021	3Q 2020	9 months 2021	9 months 2020
Operating profit		542 929	635 253	1 693 421	1 863 489
Decrease / (increase) in receivables		11 567	112 070	(63 203)	77 278
Increase / (decrease) in payables		(39 081)	(4 471)	(62 525)	11 480
Paid income tax		0	0	0	-50
Cash flows from operating activities		515 415	742 852	1 567 693	1 952 197
Loans issued and bonds purchased		0	0	0	(180 000)
Cash flows from investment activities		0	0	0	(180 000)
Repayments of loans and borrowings		(266 000)	(266 000)	(798 000)	(798 001)
Ineterest paid		(243 780)	(280 498)	(733 197)	(783 581)
Cash flows from financing activities		(509 780)	(546 498)	(1 531 197)	(1 581 582)
Net increase / (decrease) in cash and equivalents		5 635	196 354	36 496	190 615
Cash and equivalents at the beginning of the period		707 234	555 735	676 373	561 474
Cash and cash equivalents and the end of the period		712 869	752 089	712 869	752 089

Condensed consolidated interim statement of changes in equity

(in EUR)	Share capital	Retained earnings	Equity
Balance at 31.12.2020	2500	3 956 542	3 959 042
Total comprehensive income		950 756	950 756
Balance at 30.09.2021	2500	4 907 298	4 909 798
(in EUR)	Share capital	Retained earnings	Equity
Balance at 31.12.2019	2 500	2 370 897	2 373 397
Total comprehensive income		1 119 547	1 119 547
Balance at 30.09.2020	2 500	3 490 444	3 492 944

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 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 30.09.2021 is as follows:



NOTE 2 Summary of significant accounting policies

Basis of preparation

These unaudited condensed consolidated interim financial statements of UPP Olaines OÜ for 9 months 2021 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 31.12.2020. 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.

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.

NOTE 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.

NOTE 4 Reportable segments

Area of activity (in EUR)	External revenue			
	3Q 2021	3Q 2020	9 months 2021	9 months 2020
Net rental revenue	626 923	670 298	1 865 121	1 979 158
Total	626 923	670 298	1 865 121	1 979 158

Geographic area (in EUR)	External revenue			
	3Q 2021	3Q 2020	9 months 2021	9 months 2020
Latvia	626 923	670 298	1 865 121	1 979 158
Total	626 923	670 298	1 865 121	1 979 158

Geographic area (in EUR)	Investment property			
	30.09.2021	30.09.2020	31.12.2020	31.12.2019
Latvia	31 320 000	30 909 000	31 320 000	30 909 000
Total	31 320 000	30 909 000	31 320 000	30 909 000

NOTE 5 Loans and borrowings

30.09.2021 (in EUR)	Loans and borrowings by maturity				
	0-12 months	1-5 years	Total	Interest rate	Maturity
Bank loan	1 064 004	16 403 330	17 467 334	3m Euribor+2,4%	30.11.2022
Subordinated bonds	0	6 215 000	6 215 000	7%	10.11.2022
Shareholder's loan	0	2 942 028	2 942 028	7%	Termless
Total loan liabilities	1 064 004	25 560 358	26 624 362		

31.12.2020 (in EUR)	Loans and borrowings by maturity				
	0-12 months	1-5 years	Total	Interest rate	Maturity
Bank loan	1 064 004	17 467 327	18 531 331	3m Euribor+2,4%	30.11.2022
Subordinated bonds	0	6 215 000	6 215 000	7%	10.11.2022
Shareholder's loan	0	2 948 300	2 948 300	7%	Termless
Total loan liabilities	1 064 004	26 630 627	27 694 631		

NOTE 6 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).

30.09.2021 (in EUR)	Financial liabilities		
	Level 1	Level 2	Level 3
Derivative instruments		224 155	

31.12.2020 (in EUR)	Financial liabilities		
	Level 1	Level 2	Level 3
Derivative instruments		363 979	

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

30.09.2021 (in EUR)	Level 1	Level 2	Level 3	Carrying amount
	Financial assets			
Cash and cash equivalents	712 869			712 869
Trade and other receivables			231 037	231 037
Financial liabilities				
Interest-bearing loans and borrowings			26 624 362	26 624 362
Trade and other payables			505 591	505 591

31.12.2020 (in EUR)	Level 1	Level 2	Level 3	Carrying amount
	Financial assets			
Cash and cash equivalents	676 373			676 373
Trade and other receivables			171 124	141 124
Financial liabilities				
Interest-bearing loans and borrowings			27 428 630	27 428 630
Trade and other payables			369 527	369 527

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

NOTE 7 Transactions with related parties

Parent entities

The company is controlled by the following entities:

Name	Type	Residence	Ownership interest	
			30.09.2021	31.12.2020
UPP Logistics Properties OÜ	Immediate parent	Eesti	85.7%	0%
United Partners Property OÜ	Immediate parent	Eesti	0%	100%
United Partners Group OÜ	Ultimate parent and controlling entity	Eesti	85,7%	100%

Related party transactions and balances

During 9 months 2021, related party transactions occurred regarding the loan granted by UPP Logistics Properties OÜ to UPP Olaines OÜ, as detailed below:

Loans from UPP Logistics Properties OÜ (in EUR)	9 months 2021	9 months 2020*
Beginning of period loan balance	2 948 300	2 948 300
Interest expense	(154 456)	(132 673)
Interest paid	0	(35 725)
Balance correction	(6 272)	0
End of period loan balance	2 942 028	2 948 300

*In March 2021 United Partners Group OÜ restructured its logistics investment holding structure. With the restructuring, United Partners Property OÜ passed to UPP Logistics Properties OÜ the share capital of the Company and the shareholder's loan issued to the Company. Due to that, the 'Related party transactions and balances' for 9 months 2020 is accounted for United Partners Property OÜ, while the 'Related party transactions and balances' for 9 months 2021 is accounted for UPP Logistics Properties OÜ. The shareholder's loan is still outstanding, however the related party changed according to how it is described above.

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 9 months ended 30 September 2021 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 and that there has been no occurrence of an Extraordinary Early Redemption Event in 9 months 2021.

Signed digitally,

Marko Tali
Chairman of board of UPP Olaines OÜ
31.10.2021, Tallinn