UNITED PARTNERS

CONSOLIDATED ANNUAL REPORT 2018

UPP Olaines OÜ

CONSOLIDATED ANNUAL REPORT 2018

Reporting period: 24.08.2017 – 31.12.2018

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MANAGEMENT REPORT

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 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.

Management commentary for the period 24.08.2017 – 31.12.2018

The first and successful reporting period of the Group was marked by two important events: acquisition of the investment property Olaines Logistics Park and the successful listing of UPP Olaines OÜ bonds on Nasdaq Tallinn Bond List.

UPP Olaines OÜ completed the acquisition of the investment property Olaines Logistics Park on 15.12.2017. The property was chosen due to its fit with the investment theme of United Partners Property OÜ, the parent company of UPP Olaines OÜ: logistics real estate in an attractive location coupled with long-term lease contracts with lessees who have a leading or dominant position within their sector.

To finance the acquisition of the property, the Company issued secured subordinated bonds in the total nominal value of 6.215 million euros. After a non-public offering to Baltic institutional investors and high-net worth individuals, the bonds were successfully listed and admitted to trading on Nasdaq Tallinn Bond List on 29.11.2018.

Additionally, on 13.09.2018, a meeting of the shareholders and board of UPP Olaines OÜ was held where it was decided to change the composition of the management and supervisory board of UPP Olaines OÜ and its subsidiary, Olaines Logistics SIA. The previous supervisory board member, Marko Tali, was appointed as the chairman of the management board of UPP Olaines OÜ and Olaines Logistics SIA, while both of the previous members of the management board, Hallar Loogma and Kevin Soon, were discharged from their positions. Hallar Loogma was appointed on the supervisory board of the Company. The changes in the management and supervisory board of UPP Olaines OÜ were completed by 05.10.2018.

Marko Tali has been the head of investments in United Partners Investments OÜ, the direct investment arm of United Partners Group OÜ. These changes were part of the efforts to streamline the management of United Partners Group's investments.

Financial overview

The consolidated net rental income for the period 24.08.2017 – 31.12.2018 was 2,607,869 EUR. During the same period the company generated 2,651,520 EUR in net operating profit and 967,219 EUR in net profit. Due to the fact the company acquired the investment company Olaines Logistics Parks and this is the first audited consolidated report, the financial results can not be compared to previous audited annual reports.

The administrative expenses amounted to 221,480 EUR which accounted for 8.5% of the net rental income. The administrative expenses include expenses with one-off nature, such as remuneration of transaction costs to the United Partners group company in the amount of 100,000 EUR under consulting service expense, and the cost of escrow account, establishment of mortgage and the loan disbursement fee in the total amount of 32,627 EUR under banking services expense.

The company used independent appraisers to evaluate the the fair value of Olaines Logistics Park investment property and during the reporting period gained 362,000 EUR from revaluation of investment property.

The majority of the expense under 'Other income / (cost)' in the amount of 96,869 EUR occurred during 2016 and 2017 when UPP Olaines OÜ was not yet owner of the investment company Olaines Logistics Parks SIA. The expense is of one-off nature and was mainly caused by the deferred corporate income tax liability that was accumulated on the balance sheets in anticipation of changes in calculation and payment procedures of CIT that came with the new CIT legislation in Latvia in 2018.

As at 31.12.2018, the company's total assets were in the amount of 31,489,267 EUR, including fair value of investment property, which accounted for 97.7% of the total assets. As at 31.12.2018 the company's net debt was in the amount of 26,181,642 EUR. Net debt is calculated by the company's total borrowings less cash and cash equivalents, and the subordinated loan granted by the parent company United Partners Property OÜ.

No other significant events occurred in the period 24.08.2017 – 31.12.2018 and all regular operations of the premise are running smoothly, including duly and timely collection of rental and utilities payments from the tenants.

As of the end of 2018, there is no vacancy in the premises.

Compliance with bond terms

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 Group's debt service coverage ratio on consolidated level is greater or equal than 1.1 for the the period 24.08.2017 – 31.12.2018 and that there has been no occurence of an Extraordinary Early Redemption Event in 10.11.2017 – 31.12.2018.

/Signed digitally/

Marko Tali

Chairman and Member of the Management Board of UPP Olaines OÜ

14.06.2019, Tallinn

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.

Key indicators of financial performance and position for period 24.08.2017 – 31.12.2018

(in EUR)	24.08.2017 - 31.12.2018
Net rental income	**2,607,869**
Operating profit	**2,651,520**
Profit for the period	**967,219**

(in EUR)	31.12.2018	24.08.2017
Investment property	**30,762,000**	**0**
Interest-bearing loans	**29,656,633**	**0**
Interest-bearing loans less shareholder loan	**26,608,333**	**0**

	24.08.2017 – 31.12.2018
Net profit margin, % **(Net profit / Net rental income)**	**37.1%**
ROA **(Net profit / Average total assets)**	**6.1%**
DSCR **(Operating profit / Loan principal and interest payments on interest-bearing loans less shareholder loan principal and interest payments)**	**1.3**

CONSOLIDATED FINANCIAL STATEMENTS OF UPP OLAINES OÜ

Consolidated statement of comprehensive income

(in EUR)	Note	24.08.2017 - 31.12.2018
Net rental income	6	2,607,869
Net rental income		**2,607,869**
General and administrative expenses	7	(221,480)
Gain / (loss) from revaluation of investment property	12	362,000
Other income / (cost)		(96,869)
Operating profit		**2,651,520**
Financial income / (cost)	8	(1,720,477)
Profit before income tax		**931,043**
Income tax	9	36,176
Profit for the period		**967,219**
Total comprehensive income for the period		**967,219**

The notes on pages 12 – 36 are an integral part of the financial statements.

Consolidated statement of financial position

(in EUR)	Note	31.12.2018	24.08.2017
Cash and cash equivalents	10	426,691	2,500
Trade and other receivables	11	300,576	0
Total current assets		**727,267**	**2,500**
Investment property	12	30,762,000	0
Total non-current assets		**30,762,000**	**0**
TOTAL ASSETS		**31,489,267**	**2,500**
Trade and other payables	13	446,036	0
Financial derivatives	16	416,879	0
Loans and borrowings	15	1,064,004	0
Total current liabilities		**1,926,919**	**0**
Loans and borrowings	15	28,592,629	0
Total non-current liabilities		**28,592,629**	**0**
TOTAL LIABILITIES		**30,519,548**	**0**
Share capital	14	2,500	2,500
Retained earnings		967,219	0
TOTAL EQUITY		**969,719**	**2,500**
TOTAL EQUITY AND LIABILITIES		**31,489,267**	**2,500**

The notes on pages 12 – 36 are an integral part of the financial statements.

Consolidated statement of cash flows

(in EUR)	Note	24.08.2017 - 31.12.2018
Profit before income tax		**931,043**
Financial cost / (income)	8	1,720,477
Loss / (gain) from revaluation of investment properties	12	(362,000)
Operating results before changes in working capital		**2,289,520**
Decrease / (increase) in trade and other receivables related to operating activities	11	(142,576)
Increase / (decrease) in trade and other payables related to operating activities	13	385,248
Paid income tax		(91,688)
Total cash flows from operating activities		**2,440,504**
Acquisition of subsidiaries	5	(20,819,865)
Loans and borrowings issued		(3,175,000)
Received interests		19
Total cash flow used in investing activities		**(23,994,846)**
Proceeds from loans and borrowings		27,856,300
Repayments of loans and borrowings		(4,413,865)
Interests paid		(1,463,902)
Share capital contribution	14	2,500
Total cash flow from financing activities		**21,981,033**
Net increase in cash and cash equivalents		**426,691**
Cash and cash equivalents at the beginning of the period	10	0
Cash and cash equivalents at the end of the period	**10**	**426,691**

The notes on pages 12 - 36 are an integral part of the financial statements.

Consolidated statement of changes in equity

(in EUR)	Share capital	Retained earnings	Total equity
Balance at 24.08.2017	2,500	0	2,500
Total comprehensive income	0	967,219	967,219
Balance at 31.12.2018	**2,500**	**967,219**	**969,719**

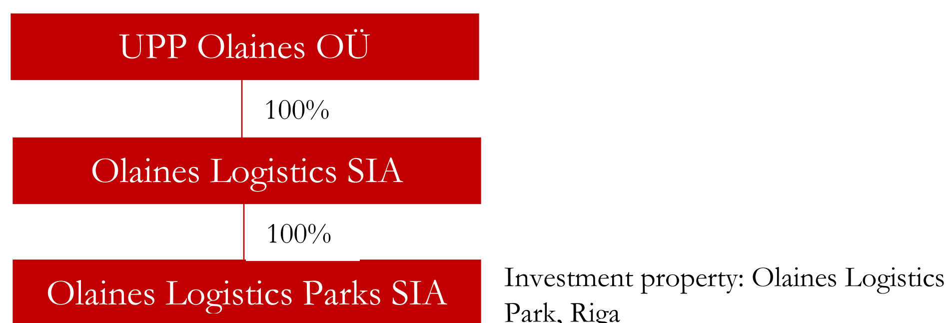
The notes on pages 12 – 36 are an integral part of the financial statements.

NOTES TO THE CONSOLIDATED 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 31.12.2018 is as follows:



For more information on subsidiaries, see Note 5.

Throughout these financial reports, UPP Olaines OÜ and its subsidiaries together shall be referred to as the 'Group'.

Note 2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of UPP Olaines OÜ and its subsidiaries for the year ended 31 December 2018 have been prepared in accordance with International Financial Reporting Standards ("the IFRS") as adopted by the European Commission. As the parent company was established on 24.08.2017 and had no economic activity until 15.12.2017, when it acquired the investment property, these consolidated financial statements form the first set of annual financial statements of the Group. Therefore the financial period covered by these financial statements is from 24.08.2017 to 31.12.2018 and no comparative period exists from preceding periods.

In the preparation of financial statements, the historical cost convention has been used as a basis, unless stated otherwise. These consolidated financial statements are presented in euro.

2.2 Adoption of new or revised standards and interpretations

The following new or revised standards and interpretations became mandatory for the Group's annual periods as of 01.01.2018:

IFRS 2 *Share-based payment* (effective for annual periods beginning on or after 01.01.2018)

In June 2016 the IASB issued Amendments to IFRS 2. The amendments bring together a collection of three amendments to IFRS 2:

1. the effects of vesting conditions on the measurement of cash-settled share-based payments;
2. accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled ; and
3. the classification of share-based payment transactions with net settlement features for withholding taxes.

The adoption of IFRS 2 has not had a material impact on the Group's financial statements, as the Group has no share-based payment instruments. There have been no changes in respect to previous financial periods as the period covered by these financial statements is the first financial period of the Group.

IFRS 9 *Financial Instruments* (effective for annual periods beginning on or after 01.01.2018)

IFRS 9 replaces the provisions of IAS 39 that relate to recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

Although the permissible measurement bases of financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different.

A financial asset is measured at amortised cost if the following two conditions are met:

a) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and
b) Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding

For equity instruments not held for trading, the Group may elect to irrevocably present subsequent changes in fair value (including foreign exchange gains and losses) in OCI. These are not reclassified to profit or loss under any circumstances.

For debt instruments measured at FVOCI, interest revenue, expected credit losses and foreign exchange gains and losses are recognized in profit or loss in the same manner as for amortized cost assets. Other gains and losses are recognized in OCI and are reclassified to profit or loss on derecognition.

A new model for the recognition of impairment losses is introduced – the expected credit losses (ECL) model. There is a three stage approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairments is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

IFRS 9 includes a new general hedge accounting model which aligns hedge accounting more closely with risk management. The types of hedging relationships – fair value, cash flow and foreign operations net investment – remain unchanged, but additional judgments will be required. The standard contains new requirements to

achieve, continue and discontinue hedge accounting and allows additional exposures to be designated as hedged items.

The adoption of IFRS 9 has not had a material impact on the Group's financial statements. There have been no changes in respect to previous financial periods as the period covered by these financial statements is the first financial period of the Group.

IFRS 15 *Revenue from Contracts with Customers* (effective for annual periods beginning on or after 01.01.2018)

The new standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognize revenue, and at what amount. The new model specifies that revenue should be recognized when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognized:

a) Over time, in a manner that depicts the entity's performance, or
b) At a point in time, when control of goods or services is transferred to the customer

IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

Under IFRS 15, the assesement is based on whether the Group controls specific goods and services before transferring them to the end customer, rather than whether it has exposure to the significant risks and rewards associated with the sale of goods and services.

The adoption of IFRS 15 has not had a material impact on the Group's financial statements. There have been no changes in respect to previous financial periods as period covered by these financial statements is the first financial period of the Group.

Amendments to IAS 40 *Transfers of Investment Property* (effective for annual periods beginning on or after 01.01.2018)

The amendment clarified that to transfer to, or from, investment properties there must be a change in use. This change must be supported by evidence, a change in intention, in isolation, is insufficient to support a transfer.

The Group has no investment property that would have changed the use of the item, so the amendment to IAS 40 has no impact on Group's financial statements.

Annual improvements to IFRSs 2014 – 2016 Cycle (effective for annual periods beginning on or after 01.01.2018)

IFRS 1 was amended to delete some of the short-term exemptions from IFRSs after those short-term exemptions have served their intended goal. The amendments to IAS 28 clarify that venture capital organisations or similar entities have an investment-by-investment choice for measuring investees at fair value.

Additionally, the amendment clarifies that if an investor that is not an investment entity has an associate or joint venture that is an investment entity, the investor can choose on an investment-by-investment basis to retain or reverse the fair value measurements used by that investment entity associate or joint venture when applying the equity method.

These amendments have no impact on the Group's financial statements.

IFRIC 22 *Foreign currency transactions and advance consideration* (effective for annual periods beginning on or after 01.01.2018)

IFRIC 22 considers how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. In such circumstances, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The Group has not entered into any foreign currency transactions for which consideration is paid or received in advance during the reporting period, thus this interpretation has no impact on Group's financial statements.

2.3 New standards, amendments and interpretations not yet adopted

The following new standards, amendments and interpretations were not yet effective for the annual reporting period ended 31.12.2018 and have not been applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective.

IFRS 16, *Leases* (effective from annual periods starting on or after 01.01.2019)

IFRS 16, *Leases* was issued in January 2016. For lessees, it will result in almost all leases being recognized on the consolidated statement of financial position, as the distinction between operating and finance leases will be removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted.

The Group has no lease agreements as a lessee as of 31.12.2018, so this standard has no initial impact on the Group.

Annual Improvements of IFRSs 2015 – 2017 cycle (effective for annual periods beginning on or after 1 January 2019; not yet adopted by European Commission).

The narrow scope amendments impact four standards. IFRS 3 was clarified that an acquirer should remeasure its previously held interest in a joint operation when it obtains control of the business. Conversely, IFRS 11 now explicitly explains that the investor should not remeasure its previously held interest when it obtains joint control of a joint operation, similarly to the existing requirements when an associate becomes a joint venture and vice versa. The amended IAS 12 explains that an entity recognizes all income tax consequences of dividends where it has recognized the transactions or events that generated the related distributable profits,

eg in profit or loss or in other comprehensive income. It is now clear that this requirement applies in all circumstances as long as payments on financial instruments classified as equity are distributions of profits, and not only in cases when the tax consequences are a result of different tax rates for distributed and undistributed profits. The revised IAS 23 now includes explicit guidance that the borrowings obtained specifically for funding a specified asset are excluded from the pool of general borrowing costs eligible for capitalization only until the specific asset is substantially complete.

The Group will analyze and disclose the effect of this change after its implementation.

Definition of a business – Amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2020; not yet adopted by European Commission).

The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organized workforce should be present as a condition for classification as a business if there are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a concentration test. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets).

The Group analyses and discloses the impact of this change after its implementation.

Amendments to the Conceptual Framework for Financial Reporting (effective for annual periods beginning on or after 1 January 2020; not yet adopted by European Commission).

The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance – in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The Group analyses and discloses the effect of this change after its implementation.

Other new or revised standards or interpretations that are not yet effective are not expected to have a material impact on the Group.

2.4 Consolidation

The consolidated financial statements incorporate the financial statements of the parent company and its subsidiaries, consolidated on a line-by-line basis.

The parent 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.

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.

In the separate balance sheet of the parent company (presented in Note 20), the investment in subsidiaries are measured using the equity method.

2.5 Operating segments

As the economic activity of the Group consists of generating rental revenue from the ownership of one investment property in one geographical location, the Group has only one business segment (renting out of real estate) and one geographical segment (Latvia). This grouping is based on the principles utilized in the Group's internal accounting and reporting.

See Note 6 for entity-wide disclosures as required by IFRS 8.

2.6 Investment property

Investment property is property (land or building or both) held or developed for long-term rental yields or for capital appreciation or both, 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 its 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 carried at at fair value at each balance sheet date. 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 property 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.

2.7 Provisions and contingent liabilities

A provision is recognized in the balance sheet only when the Group has a present legal or factual obligation as a result of an event that occurred before the balance sheet date, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Present obligations arising from the events that occurred before the balance sheet date, the realization of which according to management's judgement is improbable, are also disclosed as contingent liabilities.

2.8 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.

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

2.9 Financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortized cost.

This classification depends on the Group's business model for managing financial assets and the contractual terms of the cash flows.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on the trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from financial assets have expired or have been transferrd and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit and loss (FVPL), transaction costs that are directly attributable to the acquisition of financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies all its debt instruments in amortized cost measurement category as these assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other income/expenses.

Financial assets are derecognized when the Group 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.

As of 31.12.2018, all the Group's financial assets were classified in the following categories:

a) cash and cash equivalents
b) trade receivables

Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group's financial assets subject to the expected credit loss model within IFRS 9 are only trade and other receivables and cash and cash equivalents. For trade receivables, the Group applies simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from the initial recognition of the receivables. The Group uses provision matrix in which allowances for impairment losses is calculated for trade receivables falling into different ageing or overdue periods.

2.10 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortised cost. The Group holds the trade receivables with objective to collect contractual cash flows.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in market value.

2.12 Financial liabilities

The Group recognizes a financial liability when it first becomes a party to the contractual rights and obligations in the contract.

All financial liabilities (trade payables, borrowings, accrued expenses and other current and non-current liabilities) are initially recognized at cost, that also includes transaction costs that are directly attributable to the financial liability. Subsequently, financial liabilities are measured at amortised cost.

All loans and borrowings, including bonds, are initially recognized at fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borowings are subsequently measured at amortised cost using the effective interest method. Interest expenses on financial liabilities are recognized on the line '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 Group 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.

If a financial liability is not classified as current, it is classified as non-current.

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

2.13 Derivative instruments

The Group may use interest rate swaps to hedge risks related to changes in interest rates of loans and borrowings. Such derivative instruments are initially recognized in the statement of financial position at the fair value upon entering the contract and are subsequently revaluated in accordance with the change in the fair value of the instrument at the balance sheet date. A derivative instrument with a positive fair value is recognized as an asset and a derivative instrument with a negative fair value is recognized as a liability. To determine fair value of interest rate swaps, bank quotations at the balance sheet date are used as a basis. Gains or losses on derivative instruments are recognized in profit or loss in net change in fair value of financial instruments at FVPL.

2.14 Taxation

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).

Taxation 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.

According to amendments to the "Law on Corporate Income Tax" of the Republic of Latvia issued on 24.07.2017, starting from 01.01.2018, legal persons will not pay income tax on profit. Corporate income tax will be paid for distributed profit and deemed distributed profit. A 20% tax rate from the gross amount or 20/80 of the net cost will be applied to the distributed profit and deemed profit starting from 01.01.2018. Corporate income tax on dividend payments is recognized in the income statement as costs in the reporting period when the respective dividends were declared, while other deemed profit objects – at the time when the costs were incurred during the reporting year.

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 after 01.01.2018.

2.15 Revenue recognition

Revenue includes rental income and service charge income.

Rental income from operating leases represents rents charged to customers and is recognized on a straight-line basis over the lease term. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

Service charge income is recognized on a gross basis in profit or loss when the Group is not acting as an agent on behalf of third parties and charging commissions for the collections. Revenue is presented on a gross basis as the Group makes a contract with third party service providers and carries the risk associated with such contracts. Service charge income is recognized in the accounting period in which the service is rendered.

Revenue is measured at the transaction price agreed under the contract. Amounts disclosed as revenue are net of variable consideration and payments to customers, which are not for distinct services, this consideration may include discounts, trade allowances, rebates and amounts collected on behalf of third parties.

When the Group is acting as an agent on behalf of the third parties, amounts collected from tenants for the goods or services provided by the third party are recognized in accordance with IFRS 15 on a net basis in profit or loss and recharge revenue is recognized in the amount of commissions earned, if any.

Financing component

The Group does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Note 3. Financial risk management

3.1 Risk management

The Group manages financial risks through its risk management function at United Partners Property OÜ, the parent company of UPP Olaines OÜ. Financial risks are risks arising from financial instruments to which the Group is exposed during or at the end of the reporting period. Financial risk comprises market risk, interest rate risk, credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, then ensure that exposure to risks stays within these limits, and periodically assess and initiate any need for changes and improvements.

Market risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's financial instruments most influenced by changes in market prices are borrowings and interest rate derivatives. The main determinant influencing these financial instruments is interest rate risk.

Interest rate risk

The Group's interest rate risk principally arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group's policy is to fix the interest rate on its variable interest borrowings to mitigate exposure to cash flow risk through the use of interest rate swaps. In 2018, the Group entered into an interest swap agreement which fixes the 3-month Euribor variable interest component of the bank loan at 0.54%.

The Group recognizes interest rate swaps through change in profit or loss. The fair value of interest rate swap contracts as of 31.12.2018 was negative and amounted to 416,879 EUR. Additional information for finding the value of interest rate swaps is provided below in the section 'Fair value measurement'.

Effective interest rates are very close to nominal interest rates.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the continuity of funding through an adequate amount of committed credit facilities.

The Group makes its best efforts to ensure sufficient liquidity by efficient cash management and organizing long-term diversified financing for the Group.

The maturity analysis of financial liabilities as of 31.12.2018 is detailed below. The amounts are gross and undiscounted and include contractual interest payments.

(in EUR)	< 3 months	3 - 12 months	1 - 5 years	> 5 years	Total contractual cash flows	Carrying amount
Interest-bearing loans and borrowings (Note 15)	544,732	1,630,114	28,876,430	3,064,050	34,115,326	29,656,633
Derivative instruments (Note 16)	0	0	416,879	0	416,879	416,879
Trade and other payables (Note 13)	446,036	0	0	0	446,036	446,036
Total financial liabilities	**990,768**	**1,630,114**	**29,293,309**	**3,064,050**	**34,978,240**	**30,519,548**

Credit risk

Credit risk is the risk one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. As the investment property of the Group has one major anchor tenant representing over 60% of net rental income, the Group is exposed to significant credit risk from one counterparty. However, as part of the investment philosophy of acquiring the investment property, the Group carefully selects anchor tenants that are major market leaders in their respective industries with strong credit quality, therefore such concentrated risk is mitigated.

In addition to careful selection of an anchor tenant with very high credit quality, credit risk related to tenants is also reduced by collecting rental deposits. The Group limits its exposure to credit risk from trade and other receivables by establishing a credit term of 30 days or less. An amount is considered to be in default if it is more than 180 days due.

The total credit risk exposure is represented by the carrying amount of each financial instruments in the statement of financial position. As of 31.12.2018, the total credit risk exposure was as follows:

(in EUR)	31.12.2018	24.08.2017
Cash and cash equivalents	426,691	2,500
Trade and other receivables	300,576	0
Total credit risk exposure	**727,267**	**2,500**

The fair value of cash and cash equivalents as at 31.12.2018 approximates the carrying value.

Analysis by credit quality of trade receivables is as follows:

	31.12.2018	24.08.2017
(in EUR)		
Not Due	**134,724**	**0**
Past Due, incl	**0**	**0**
< 30 days	0	0
30 - 90 days	0	0
> 90 days	0	0
Total credit risk exposure	**134,724**	**0**

The bank account balances presented as part of cash and cash equivalents of the Group are all held in two banks with the credit-rating (Moody's long-term) of the bank as follows:

	31.12.2018	24.08.2017
(in EUR)		
Aa2 - rated (parent company of the Estonian bank)	6,716	2,500
Baa1 - rated	419,975	0
Total cash and cash equivalents	**426,691**	**2,500**

Capital management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and meet the obligations of debtholders.

The Group monitors capital on the basis of loan-to-value ratio. This ratio is calculated as net debt divided by property value. Net debt is calculated by the Group as total borrowings less cash and cash equivalents less the subordinated loan granted by the parent company United Partners Property OÜ.

	31.12.2018	24.08.2017
(in EUR)		
Net debt	26,181,642	(2,500)
Investment property	30,762,000	0
Loan-to-value ratio	**85.1%**	**N/A**

3.2 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).

	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

	Level 1	Level 2	Level 3	Carrying amount
(in EUR)				
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.

Note 4. Critical accounting estimates and assumptions

Management of the Group makes estimates and assumptions concerning the future when preparing the 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.

Information about management's important judgments and estimates that have a material effect on the amounts reported in the financial statements is provided below:

Determining fair value of the investment property

The fair value of the investment property is determined at each balance sheet date. The Group's investment property is valued by an accredited independent appraiser. The appraiser values the investment property using

the discounted cash flow method. For further details on the assumptions and inputs in determining the fair value of the investment property, see Note 12.

Business combinations

The Group has acquired ownerships in a subsidiary which holds the investment property. When the acquisition of a subsidiary does not represent "an integrated set of activities and assets" in accordance with IFRS 3, the acquisition of the subsidiary is accounted for as an asset acquisition, in which the cost of the acquisition is allocated to the assets and liabilities acquired upon their relative fair values, and no goodwill and no deferred tax assets or liabilities resulting from the allocation of the cost of acquisition is recognized.

The following criteria are considered as indicators of business combinations:

- Multiple items of land and buildings
- Existence of in-place tenants and leases
- Existence of ancillary services to tenants (e.g. maintenance, cleaning, security, bookkeeping etc.)
- Existence of employees to have processes in operation (including all relevant administration such as invoicing, cash collection, provision of management information to the entity's owners and tenant information)
- Management of acquired properties is a complex process

The Group considers its acquisition of investment property as business combination as in-place tenants and ancillary services were in place.

Note 5. Subsidiaries

The Company has a controlling interest in the following entities:

Name	Immediate parent entity	Place of incorporation	Ownership interest		Activity
			31.12.2018	**24.08.2017**	
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. Olaines Logistics SIA was acquired with purchase price of 1,800 EUR. At the time of purchase, the value of net assets of Olaines Logistics SIA was 885 EUR. Resulting goodwill was 915 EUR which was expensed as trivial.

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 EUR, with the objective of acquiring the investment property Olaines Logistics Park.

Olaines Logistics Parks SIA purchase price analysis	**Fair value**
Receivables	1,986,638
Investment property (Note 12)	30,400,000
Fair value of net asset	**32,386,638**
Purchase price	32,386,638
Goodwill	**0**

Note 6. Sales revenue segment information

Area of activity	External revenue
	24.08.2017 - 31.12.2018
(in EUR)	
Net rental income	2,607,869
Total	**2,607,869**

Geographic area	External revenue	Investment property value
	24.08.2017 - 31.12.2018	**31.12.2018**
(in EUR)		
Latvia	2,607,869	30,762,000
Total	**2,607,869**	**30,762,000**

The Group has two major tenants that represent more than 10% of the total external revenue each: revenue from tenant no. 1 forms 64% of the total external revenue and revenue from tenant no. 2 forms 22.7%.

Note 7. General and administrative expenses

	24.08.2017 - 31.12.2018
(in EUR)	
Consulting service	(130,187)
Legal services	(16,938)
Accounting services	(10,453)
Securities expense	(14,502)
Wages and salaries, incl taxes	(2,157)
Banking services	(32,627)
Other	(14,616)
Total general and administrative expenses	**(221,480)**

Note 8. Financial income (cost)

	24.08.2017 - 31.12.2018
(in EUR)	
Interest expenses, including	**(1,366,881)**
Interest expense on loans	(690,114)
Interest expense on bonds	(481,888)
Interest expense on shareholder loan	(194,879)
Change in fair value of interest rate swap instrument (Note 16)	(416,879)
Other financial income	63,283
Total financial income / (cost)	**(1,720,477)**

Note 9. Income tax

	24.08.2017 - 31.12.2018
(in EUR)	
Income tax	**36,176**

Note 10. Cash and cash equivalents

	31.12.2018	24.08.2017
(in EUR)		
Current account	426,691	2,500
Total cash and cash equivalents	**426,691**	**2,500**

Note 11. Trade and other receivables

	31.12.2018	24.08.2017
(in EUR)		
Customer receivables	134,724	0
Prepaid expenses	165,852	0
Total accounts receivable and prepayments	**300,576**	**0**

Note 12. Investment property

As of 31.12.2018, the Group has made investments to the following property:

Name	Location	Area (m2)	Year of construction	Market value at 31.12.2018
(in EUR)				
Olaines Logistics Park	Olaine region in Riga, Latvia	37,204	2007	30,762,000

During the period, the following changes occurred in Group's investment property:

	Investment property
Balance as of 24.08.2017	**0**
Acquisition (Note 5)	30,400,000
Gain (loss) on changes in fair value	362,000
Balance as of 31.12.2018	**30,762,000**

Methodology and basis for the calculation of fair value of investment property

The valuation of the investment property was conducted by an independent appraiser on 16.04.2019.

The following assumptions were used to determine fair value of the investment property:

As of 31.12.2018					
Property	**Fair value**	**Valuation method**	**Discount rate**	**Exit yield**	**Annual average rental revenue**
Olaines Logistics Park	30,762,000	DCF	8.7%	8%	2,549,904

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 31.12.2018 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	8.2%-9.2%	An increase in discount rate in isolation would result in a lower value of Investment property.
		Rental growth p.a.	0-3 %	An increase in rental growth in isolation would result in a higher value of investment property.
		Long term vacancy rate	0-5%	An increase in long-term vacancy rate in isolation would result in a lower value of investment property.

Sensitivity analysis

Sensitivity analysis of the fair value of the investment property as of 31.12.2018 based on possible changes in exit yield and discount rate (WACC) are provided in the table below:

Fair value		**Exit yield**				
(in thousands of EUR)		**7.00%**	**7.50%**	**8.00%**	**8.50%**	**9.00%**
Discount rate	**7.70%**	35,217	33,724	32,417	31,264	30,239
	8.20%	34,287	32,841	31,575	30,459	29,467
	8.70%	33,387	31,987	**30,762**	29,681	28,720
	9.20%	32,519	31,163	29,976	28,930	27,999
	9.70%	31,679	30,366	29,217	28,203	27,302

Operating lease payments

Lease agreements concluded between the Group and the tenants of investment property correspond to the terms of non-cancellable operating leases. The income from these leases is divided as follows:

Payments from non-cancellable operating leases	31.12.2018	24.08.2018
(in EUR)		
Up to 1 year	2,497,949	0
Between 2 and 5 years	9,099,671	0
Over 5 years	718,709	0
Total	**12,316,329**	**0**

Note 13. Trade and other payables

	31.12.2018	24.08.2017
(in EUR)		
Payables to suppliers	164,308	0
Tax payables	56,313	0
Prepayments from customers	162,347	0
Interest payables	60,788	0
Other short-term liabilities	2,280	0
Total accounts payable and other settlements	**446,036**	**0**

Note 14. Share capital

As of 31.12.2018, the total registered share capital of UPP Olaines OÜ was 2,500 EUR with a par value of EUR 2,500 per share. All issued shares are fully paid for.

100% of the shares in UPP Olaines OÜ is owned by its parent company, United Partners Property OÜ.

The abovementioned information also holds for the financial position as of 24.08.2017.

Note 15. Loans and borrowings

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**			

31.12.2018	Loan collateral	Value of collateral
(in EUR)		
Bank loan	1st rank mortgage on Olaines Logistics Park	30,762,000
Derivate instrument	2nd rank mortgage on Olaines Logistics Park	30,762,000
Bond	3rd rank mortgage on Olaines Logistics Park	30,762,000

There were no loans and borrowings at the beginning of the period, on 24.08.2017

Note 16. Derivative instruments

	31.12.2018	24.08.2017
(in EUR)		
Interest rate swap liability	416,879	0

The Group has entered into an interest rate swap agreement with a bank.

The purpose of the interest rate swap is to hedge the cash flow risk arising from the fluctuations in the variable interest rate of the bank loan. According to the interest rate swap agreement, the Group makes fixed interest payments to the bank and receives variable interest rate payments from the bank.

The Group does not apply hedge accounting in accordance with IFRS 9.

Note 17. Contingent assets and liabilities

Contingent income tax liability

The Group's retained earnings as of 31.12.2018 were 967,219 EUR. The maximum potential income tax liability that can arise upon distribution of dividends is 193,444 EUR. Therefore net dividend payments amount to 773,775 EUR.

The calculation of the maximum potential tax liability is based on the assumption that the net dividends distributed and the arising income tax expense in total cannot exceed the profit eligible for distribution at 31.12.2018.

Other contingent assets and liabilitie

The Group did not have any other contingent assets or liabilities as of 31.12.2018 besides the aforementioned contingent income tax liability.

Note 18. Transactions with related parties

During the reporting period, the Group entered into transactions with related parties. Those transactions and related balances are presented below. Parties are considered to be related if one party has the ability to control

the other party or exercise significant influence over the other party in making financial or operational decisions. All transactions between related parties are priced on arm's length basis.

Parent entities

The Group is controlled by the following entities:

Name	Type	Place of incorporation	Ownership interest	
			31.12.2018	**24.08.2017**
United Partners Property OÜ	Immediate parent entity	Estonia	100%	100%
United Partners Group OÜ	Ultimate parent entity and controlling party	Estonia	100%	100%

Related party transactions and balances

The following balances are outstanding at the end of the reporting period in relation to the loan from United Partners Property OÜ:

Loan from United Partners Property OÜ (Note 15)	24.08.2017 - 31.12.2018
(in EUR)	
Beginning of the period loan balance	**0**
Loans advanced	3,048,300
Interest charged	(194,879)
Interest paid	(180,237)
Interest payable (31.12.2018)	14,642
End of the period loan balance	**3,048,300**

During the financial period of 24.08.2017 – 31.12.2018, United Partners Advisory OÜ (100% subsidiary of United Partners Group OÜ, the ultimate parent entity of UPP Olaines OÜ) offered its advisory service in the amount of 100,000 EUR to UPP Olaines OÜ in relation to the investment property acquisition, which was fully paid for during the period.

During the financial period of 24.08.2017 – 31.12.2018, UPP Olaines OÜ made a prepayment of 158,000 EUR to United Partners Property OÜ for the forthcoming interest payments.

Note 19. Statement of profit and loss and other comprehensive income of the parent company

In accordance with the Estonian Accounting Act, information on the separate primary financial statements of the parent of the consolidation group shall be disclosed in the notes to the financial statements.

In the separate primary financial statements of the parent as disclosed in the notes to these financial statements, investments in subsidiaries are measured using the equity method.

(in EUR)	24.08.2017 - 31.12.2018
General and administrative expenses	(14,974)
Operating profit	**(14,974)**
Financial income / (cost)	1,481,000
Profit for the period	**1,466,026**
Total comprehensive income for the period	**1,466,026**

Note 20. Statement of financial position of the parent company

(in EUR)	31.12.2018	24.08.2017
Cash and cash equivalents	6,716	2,500
Trade and other receivables	161,328	0
Total current assets	**168,044**	**2,500**
Loans receivable	8,522,557	0
Shares of subsidiaries	2,102,013	0
Total non-current assets	**10,624,570**	**0**
TOTAL ASSETS	**10,792,614**	**2,500**
Trade and other payables	60,788	0
Total current liabilities	**60,788**	**0**
Loans and borrowings	9,263,300	0
Total non-current liabilities	**9,263,300**	**0**
TOTAL LIABILITIES	**9,324,088**	**0**
Share capital	2,500	2,500
Retained earnings	1,466,026	0
TOTAL EQUITY	**1,468,526**	**2,500**
TOTAL EQUITY AND LIABILITIES	**10,792,614**	**2,500**

Note 21. Statement of cash flows of the parent company

(in EUR)	24.08.2017 - 31.12.2018
Profit before income tax	**1,466,026**
Financial cost / (income)	(1,481,000)
Operating results before changes in working capital	**(14,974)**
Decrease / (increase) in trade and other receivables related to operating activities	(3,327)
Total cash flows used in operating activities	**(18,301)**
Acquisition of subsidiaries	(1,803)
Loans and borrowings issued	(6,430,500)
Repayment of issued loans and bond redemption	957,943
Received interests	57,366
Total cash flows used in investing activities	**(5,416,994)**
Proceeds from loans and borrowings	6,576,300
Repayments of loans and borrowings	(363,000)
Interests paid	(773,789)
Share capital contributions	2,500
Total cash flows from financing activities	**5,442,011**
Net increase in cash and cash equivalents	**6,716**
Cash and cash equivalents at the beginning of the period	0
Cash and cash equivalents at the end of the period	**6,716**

Note 22. Statement of changes in shareholder's equity

(in EUR)	Share capital	Retained earnings	Total equity
Balance at 24.08.2017	2,500	0	2,500
Total comprehensive income	0	1,466,026	1,466,026
Balance at 31.12.2018	**2,500**	**1,466,026**	**1,468,526**

Adjusted unconsolidated equity of the parent company (to account for compliance with the requirements set forth in the Commercial Code) is as follows:

	31.12.2018	**24.08.2017**
(in EUR)		
Parent company's unconsolidated equity	1,468,526	2,500
Carrying amount of subsidiaries in the separate balance sheet of the parent company (minus)	(2,102,013)	0
Value of subsidiaries under the equity method (plus)	2,102,013	0
Total	**1,468,526**	**2,500**

Note 23. Events after the date of consolidated statement of financial position

The Group has initiated the process of merging the two companies, Olaines Logistics SIA and Olaines Logistics Parks SIA, in order to streamline the administration of the Group. The merger agreement was signed on 24.04.2019. This will have no impact on the business and financial performance of the Group. The merger is expected to be completed by the end of 2019.

INDEPENDENT AUDITOR'S REPORT

[Translation of the Estonian original]

To the shareholder of UPP Olaines OÜ

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of UPP Olaines OÜ and its subsidiaries (hereinafter the Group), which comprise the consolidated statement of financial position as of 31 December 2018, and the consolidated statement of comprehensive income for the period 24.08.2017-31.12.2018, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Commission.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Independence

We are independent of the Group in accordance with the ethical requirements of the Auditor's Activities Act of the Republic of Estonia and with the Code of Ethics for Professional Accountants (Estonia), as set in the same act, and we have fulfilled our other ethical responsibilities in accordance with the requirements of Code of Ethics for Professional Accountants (Estonia).

Our audit approach

As part of designing our audit, we determined materiality and assessed risks of material misstatements in the consolidated financial statements. In particular, we considered areas where the Management Board has made estimates that are based on assumptions and future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

Based on our professional judgement we determined certain quantitative thresholds for the consolidated financial statements as a whole that together with qualitative considerations helped us to determine the scope of our audit, and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the consolidated financial statements as a whole.

We determined as the Group materiality 313 thousand EUR that makes up 1% of total assets. We used total assets as this is the key indicator that is monitored by the Management Board and investors

Audit scope

As we are solely responsible for our audit opinion, we are also responsible for the direction, supervision and performance of the group audit. In this respect, we have determined the type of work to be performed for Group entities (components) based on their financial significance.

As Group auditors we determined as significant all three entities belonging to the Group which were subject to full scope audit.

We, as group auditors, performed the procedures for UPP Olaines OÜ, subsidiaries Olaines Logistics SIA and Olaines Logistics Parks SIA audits were performed by the auditor of subsidiaries in Latvia Orients Audit & Finance SIA based on our instructions. We had regular communications with component auditors and executed audit documentation reviews, when we considered it necessary.

By performing the procedures mentioned above over the Group entities and at the Group level, we have been able to obtain sufficient and appropriate audit evidence to form an opinion on the consolidated financial statements as a whole.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters

The key audit matter	**How the matter was addressed in our audit**
Valuation of investment property As of 31.12.2018 the fair value of the investment property in the Group amounted to 30 762 thousand EUR and related revaluation amounted to 362 thousand EUR. Additional information is disclosed in Note 2 “Summary of significant accounting policies” and Note 12 “Investment property”. We focused on the matter as the value of the investment property makes up 98% of total group assets and involves significant management estimates. The management uses independent appraisers to evaluate the fair values by engaging an external valuation at least once per year. In determining the fair value of the investment property, appraisers and the management take into account property-specific information such as the current tenancy agreements and rental income. As disclosed in consolidated financial statements Note 12, the Group measures the fair value of the investment property using the discounted cash flow method and the fair value measurement involves several significant inputs that are based on management judgements.	During our audit procedures we obtained and read the valuation report and information regarding the inputs and assessed whether the valuation approach was in accordance with the principles of measuring fair value under IFRS. We found the method to be consistent with the guidance in IFRS. We assessed the qualifications and expertise of the external appraisers and we found that the appraisers performed their evaluation in accordance with the respective professional valuation standards and that they have considerable experience in evaluations. We found no evidence to suggest that the objectivity of the appraisers was compromised. We compared the major assumptions used by the appraisers such as leased area and prognosed future cash flows of valid lease agreements to the respective source information and actual results for the previous period. We concluded that information and assumptions used by the management are justified and in accordance with previous period results and future prospective. We assessed that the disclosed information in Note 12 to the consolidated financial statements is adequate and in accordance with IFRS requirements.

Other Information

Management is responsible for the other information. The other information comprises the management report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (EE) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs (EE), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors´ report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

We were first appointed by those charged with governance on 25 November 2018 to audit the financial statements of UPP Olaines OÜ for the periods ended 31 December 2018 to 31 December 2019. We provide audit services to the Group for the first year.

We confirm that our audit opinion is consistent with the additional report presented to the Group Supervisory Council and we have not provided to the Group the prohibited non-audit services referred to in local equivalent of Article 5(1) of EU Regulation (EU) No 537/2014. We remained independent of the audited Group in conducting the audit.

14 June 2019

/signed digitally/

Kersti Ruut
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PROFIT DISTRIBUTION

The CEO and member of the management board proposes to the shareholders of UPP Olaines OÜ to distribute the profit as follows:

(in EUR)	31.12.2018
Retained earnings from previous periods	0
Total comprehensive income	967,219
Total profit eligible for distribution	**967,219**
Dividend distribution	0
Retained earnings after allocation	**967,219**

/Signed digitally/

Marko Tali

Chairman and Member of the Management Board of UPP Olaines OÜ

14.06.2019, Tallinn

STATEMENT OF THE MANAGEMENT BOARD

The CEO and member of the management board confirms that financial and other information published in this annual report of UPP Olaines OÜ for the period 24.07.2018 – 31.12.2018 provides a true and fair view of the Group's business development, financial performance and financial position.

/Signed digitally/

Marko Tali

Chairman and Member of the Management Board of UPP Olaines OÜ

14.06.2019, Tallinn