



UNITED PARTNERS

INTERIM REPORT 3 MONTHS 2020

UPP Olaines OÜ



INTERIM REPORT FOR 3 MONTHS 2020 (UNAUDITED)

Reporting period: 01.01.2020 – 31.03.2020 ('3 months 2020')

Company name: UPP Olaines OÜ

Registration number: 14318601

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MANAGEMENT REPORT FOR 3 MONTHS 2020

General information

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

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

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

UPP Olaines OÜ is operating based on going concern.

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

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

The Company's economic activities for the reporting period have not been affected by the virus outbreak. The Management Board's best estimate is that, in the event that the outbreak of the virus and the resulting economic downturn do not materially worsen, the effect of these circumstances on the Company's financial performance will be moderate, due to the industry the Company's property leasing companies are operating in.

Financial commentary for the first quarter of 2020

Net rental income was 657 214 euros for the first quarter of 2020, which is in line with the net rental income of 649 713 euros for the first quarter of 2019.

Operating profit was 619 887 euros for the first quarter of 2020, decreased by 3.8% from 644 147 euros for the first quarter of 2019. The decrease in operating profit was caused by increased management costs.

Net income was 329 107 euros for the first quarter of 2020, increased by 23% from 267 473 euros for the first quarter of 2019. The increase in net income for the reporting period was caused by the reduced financial costs compared with first quarter of 2019, where the adjustments of fair value of the interest rate swap contract had a negative impact on the financial expenses.

Merger of SIA Olaines Logistics and SIA Olaines Logistics Parks

On January 22nd 2020 the subsidiaries SIA Olaines Logistics and SIA Olaines Logistics Parks were merged. The merger was planned and part of normal management of the business, referred to also in the note issue terms and conditions. The merger took somewhat longer due to the peculiarities of the Latvian legislation. The merger will further increase the efficiency of the Company's operations and management. The new Group structure is found in Note 1.

Key indicators of financial performance and position for 3 months 2020

(in EUR)	Q1 2020	Q1 2019
Net rental income	657 214	649 713
Operating profit	619 887	644 147
Profit for the period	329 107	267 473

(in EUR)	31.03.2020	31.03.2019
Investment property	30 909 000	30 762 000
Interest-bearing loans	28 226 632	29 390 632
Interest-bearing loans less shareholder loan	25 278 332	26 342 332

	Q1 2020	Q1 2019
Net profit margin (Total comprehensive income for the period / Net rental income)	49%	41%
ROA (Net profit for the period / Average total assets for the period)	1,04%	0,85%
DSCR (Operating profit / Loan principal and interest payments on interest-bearing loans)	1,2	1,1

Management board and supervisory board

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

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

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

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

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

(in EUR)	Note	Q1 2020	Q1 2019
Net rental income	5	657 214	649 713
Net rental income		657 214	649 713
General and administrative expenses		(37 327)	(5 566)
Operating profit		619 887	644 147
Financial income / (cost)		(290 780)	(376 674)
Profit before income tax		329 107	267 473
Income tax		0	0
Profit for the period		329 107	267 473
Total comprehensive income for the period		329 107	267 473

Condensed consolidated interim statement of financial position

(in EUR)	Note	31.03.2020	31.03.2019
Cash and cash equivalents		534 344	523 170
Trade and other receivables		313 568	281 913
Total current assets		847 912	805 083
Investment property		30 909 000	30 762 000
Total non-current assets		30 909 000	30 762 000
TOTAL ASSETS		31 756 912	31 567 083
Trade and other payables		379 344	450 946
Financial derivatives		448 432	488 313
Loans and borrowings	6	1 064 004	1 064 000
Total current liabilities		1 891 780	2 003 259
Loans and borrowings	6	27 162 628	28 326 632
Total non-current liabilities		27 162 628	28 326 632
TOTAL LIABILITIES		29 054 408	30 329 891
Share capital		2 500	2 500
Retained earnings		2 700 004	1 234 692
TOTAL EQUITY		2 702 504	1 237 192
TOTAL EQUITY AND LIABILITIES		31 756 912	31 567 083

Condensed consolidated interim statement of cash flows

(in EUR)	Note	Q1 2020	Q1 2019
Operating profit		619 887	644 147
Decrease / (increase) in trade and other receivables related to operating activities		-144 354	18 663
Increase / (decrease) in trade and other payables related to operating activities		16 710	2 719
Paid income tax		-50	0
Total cash flows from / used in operating activities		492 193	665 529
Total cash flows from / used in investing activities		0	0
Repayments of loans and borrowings		(266 000)	(266 001)
Interests paid		(253 323)	(303 049)
Total cash flows from / used in financing activities		(519 323)	(569 050)
Net increase / (decrease) in cash and cash equivalents		(27 130)	96 479
Cash and cash equivalents at the beginning of the period		561 474	426 691
Cash and cash equivalents at the end of the period		534 344	523 170

Condensed consolidated interim statement of changes in equity

(in EUR)	Share capital	Retained earnings	Total equity
Balance at 31.12.2019	2 500	2 370 897	2 373 397
Total comprehensive income	0	329 107	329 107
Balance at 31.03.2020	2 500	2 700 004	2 702 504

(in EUR)	Share capital	Retained earnings	Total equity
Balance at 31.12.2018	2 500	967 219	969 719
Total comprehensive income		267 473	267 473
Balance at 31.03.2019	2 500	1 234 692	1 237 192

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Corporate information

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

The structure of UPP Olaines OÜ as of 31.03.2020 is as follows:



For more information on subsidiaries, see Note 4.

2. Summary of significant accounting policies

2.1 Basis of preparation

These unaudited condensed consolidated interim financial statements of UPP Olaines OÜ for 3 months 2020 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 31.12.2019. They do not include all of the information required for the complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the end of last annual financial statements.

2.2 Changes in significant accounting policies

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

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

3. Critical accounting estimates and assumptions

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

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

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

4. Subsidiaries

The company has a controlling interest in the following entities:

Name	Immediate parent entity	Place of incorporation	Ownership interest		Activity
			31.03.2020	31.03.2019	
Olaines Logistics SIA	UPP Olaines OÜ	Latvia	100%	100%	Holding company
Olaines Logistics Parks SIA	Olaines Logistics SIA	Latvia	0%	100%	Asset holding company

5. Reportable segments

Area of activity	External revenue	
	Q1 2020	Q1 2019
(in EUR)		
Net rental income	671 312	649 713
Total	671 312	649 713

Geographic area	External revenue	
	Q1 2020	Q1 2019
(in EUR)		
Latvia	671 312	649 713
Total	671 312	649 713

Geographic area	Investment property	
	31.03.2020	31.03.2019
(in EUR)		
Latvia	30 909 000	30 762 000
Total	30 909 000	30 762 000

6. Loans and borrowings

31.03.2020	Short-term part	Long-term part	Total	Currency	Interest rate	Due date
(in EUR)						
Bank loan	1 064 004	17 999 328	19 063 332	EUR	^{3m} Euribor+2,4%	30.11.2022

Bonds	0	6 215 000	6 215 000	EUR	7%	10.11.2022
Shareholder loan	0	2 948 300	2 948 300	EUR	6%	15.11.2022
Total loan liabilities	1 064 004	27 162 628	28 226 632			

31.03.2019	Short-term part	Long-term part	Total	Currency	Interest rate	Due date
(in EUR)						
Bank loan	1 064 000	19 063 332	20 127 332	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	28 326 632	29 390 632			

7. Fair value measurement

Financial assets and liabilities carried at fair value

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

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

As of 31.03.2020	Level 1	Level 2	Level 3
(in EUR)			
Financial liabilities			
Derivative instruments		448 432	

As of 31.03.2019	Level 1	Level 2	Level 3
(in EUR)			
Financial liabilities			
Derivative instruments		488 313	

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

As of 31.03.2020	Level 1	Level 2	Level 3	Carrying amount
(in EUR)				
Financial assets				
Cash and cash equivalents	534 344			534 344

Trade and other receivables	313 568	313 568
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Financial liabilities

Interest-bearing loans and borrowings	28 226 632	28 226 632
Trade and other payables	379 344	379 344

As of 31.03.2019	Level 1	Level 2	Level 3	Carrying amount
(in EUR)				
Financial assets				
Cash and cash equivalents	523 170			523 170
Trade and other receivables			281 913	281 913
Financial liabilities				
Interest-bearing loans and borrowings			29 390 632	29 390 632
Trade and other payables			450 946	450 946

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

8. Transactions with related parties

Parent entities

The company is controlled by the following entities:

Name	Type	Place of incorporation	Ownership interest	
			31.03.2020	31.03.2019
United Partners Property OÜ	Immediate parent entity	Estonia	100%	100%
United Partners Group OÜ	Ultimate parent entity and controlling party	Estonia	100%	100%

During 3 months 2020, related party transactions occurred regarding the loan granted by United Partners Property OÜ to UPP Olaines OÜ, as detailed below:

Loans from United Partners Property OÜ	3 months 2020	3 months 2019
(in EUR)		
Beginning of the period loan balance (31.12.2019)	2 948 300	3 048 300
Interest charged	(44 225)	(45 724)
Interest paid	0	(43 354)
End of the period loan balance (31.03.2020)	2 948 300	3 048 300

STATEMENT OF THE MANAGEMENT BOARD

The CEO and member of the management board confirms that financial and other information published in this interim report of UPP Olaines OÜ for the 3 months ended 31 March 2020 provides a true and fair view of the company's business development, financial performance and financial position.

According to the Terms and Conditions of UPP Olaines OÜ Subordinated Note Issue section 3.5.3 and 3.5.4, the Management confirms that the Company's debt service coverage ratio on consolidated level is greater or equal than 1.1 for the 3 months 2020 and that there has been no occurrence of an Extraordinary Early Redemption Event in 3 months 2020.

Signed digitally,

Marko Tali

Chairman and Member of the Management Board of UPP Olaines OÜ

21.04.2020, Tallinn