



UNITED PARTNERS

Subordinated, commercial property backed bond issue

**COMPANY DESCRIPTION
SECURITIES NOTE**

May 2017



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The Notes are subordinated to all unsubordinated claims against the Issuer. The subordination of the Notes means that upon the liquidation or bankruptcy of the Issuer, all the claims arising from the Notes shall fall due in accordance with the Terms and Conditions of the Notes and shall be satisfied only after the full satisfaction of all unsubordinated recognised claims against the Issuer in accordance with the applicable law. Consent of the bond-holders is not necessary for effecting bail-in measures by the resolution authority. The Notes may be redeemed prematurely by the Issuer on the grounds set forth in the Terms and Conditions of the Notes only if the Estonian Financial Supervision Authority has granted its consent to the early redemption. The decision on granting the consent involves certain amount of discretion by the competent authority and the early redemption is therefore beyond the control of the Issuer.

Investing into bonds involves risks. While every care has been taken to ensure that this Project Description presents a fair and complete overview of the risks related to the Issuer, the operations of the Issuer and its subsidiaries, and to the Notes, the value of any investment in the Notes may be adversely affected by circumstances that are either not evident at the date hereof or not reflected in the Project Description.

Executive summary

Contents

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Executive summary

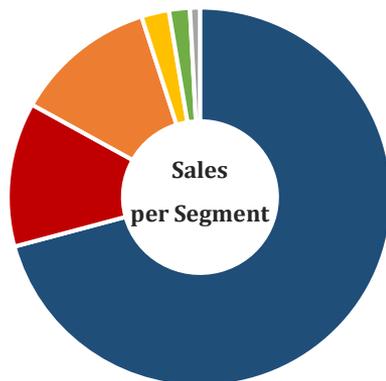
Executive summary

- **The issue has already been fully subscribed by investors. The proceeds of the Issue were used to acquire Rimi LC Property. The shareholders of the Issuer have decided to admit the Notes for trading on First North:**
 - To improve existing and create new investor relationships;
 - To provide transparency for existing investors;
 - To create publicity for United Partners Group;
 - To contribute to creating activity in publicly traded securities in the Baltics.
- **Key terms of the Notes:**
 - Type: subordinated bonds
 - Collateral: secured notes (Before the Merger: guarantee, After the Merger: 2nd rank mortgage on the Property)
 - Legal advisors: Ellex Raidla Advokaadibüroo OÜ (EE); Law Firm Ellex Valiunas ir partneriai (LT)
 - Collateral agent: K53 Collateral Agent OÜ (subsidiary of Advokaadibüroo TGS Baltic AS, former VARUL Law Firm)
 - Maximum aggregate value of the Notes: EUR 4.7M
 - Issue date: April 17th 2017
 - Maturity date: April 17th 2022
 - Coupon rate: 8% p.a., quarterly payments
- **Collateral: Rimi LC (the Property)**
 - **Central Rimi logistics and distribution point in Lithuania.**
 - Colliers valuation report on 30/01/2017: **EUR 15,350,000**
 - **Net Operating Income EUR 1,196,000** (triple net)
 - **Anchor tenant (i.e. 87% of income): RIMI Baltic** part of ICA Gruppen
 - Land plot 4.18 hectares and **21,188m² of storage and office area**

Executive summary

ICA Gruppen

- Established in **1938**, ICA Gruppen's core business is grocery retail.
- The Group includes **ICA Sweden** and **Rimi Baltic** which mainly conduct grocery retail, ICA Real Estate which owns and manages properties, ICA Bank which offers financial services and Apotek Hjärtat which conducts pharmacy operations.



Number of stores and pharmacies as at 31.12.2016:

2,103

Sales 2016:

EUR 10.9 billion

Operating profit:

EUR 494 million

ICA Sweden

The leading grocery retailer in Sweden

Revenue 2016 EUR **7.77 billion**

Operating profit **368 million**

Stores **1,306**

Rimi Baltic

Grocery retail operations in Estonia, Latvia and Lithuania

Revenue 2016 EUR **1.43 billion**

Operating profit **55 million**

Stores **264**

Apotek Hjärtat

Sweden's second largest pharmacy chain

Revenue 2016 EUR **1.32 billion**

Operating profit **46 million**

Pharmacies **390**

ICA Real Estate

One of the largest commercial real estate companies in the Nordic region, focusing on retail properties

Revenue 2016 EUR **249 million**

Operating profit **52 million**

Portfolio Companies

Hemtex and inkClub

Revenue 2016 EUR **138 million**

Operating profit **2,5 million**

ICA Bank

Focused on mobile offering

Revenue 2016 EUR **90 million**

Operating profit **5 million**



Executive summary

Rimi Baltic – parent of the anchor tenant

- Established in **2004** when Finnish Kesko and Swedish ICA Gruppen agreed to merge their operations in the Baltics.

Rimi Estonia
Competitive market with 5 equally big retailers

Revenue 2016 EUR **389 million**
Stores **88**

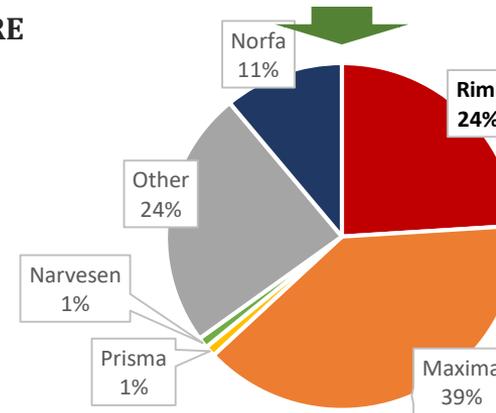
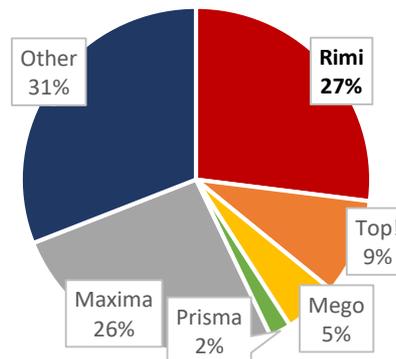
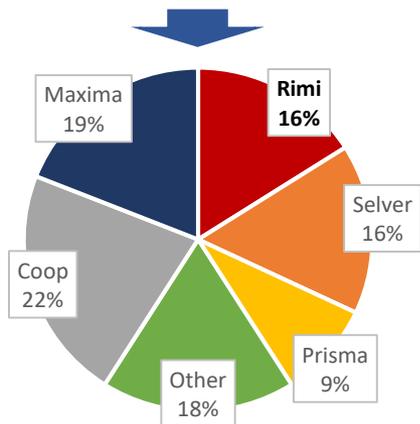
Rimi Latvia
Rimi currently market leader after gaining market shares in 2016

Revenue 2016 EUR **722 million**
Stores **119**

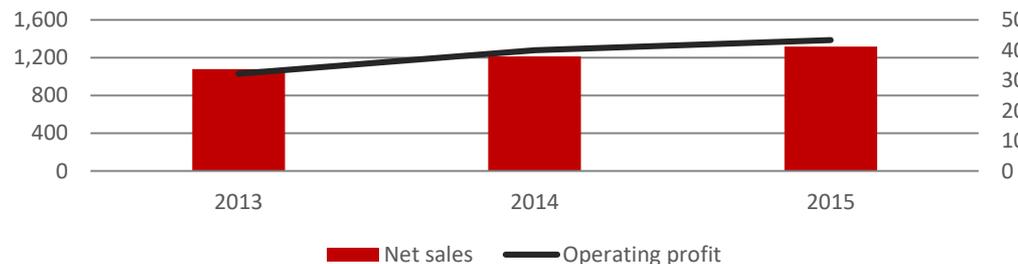
Rimi Lithuania
Rimi current #2 in the market after acquiring IKI in December 2016

Revenue 2016 EUR **313 million**
Estimated 2017 **900 million**
Stores **57+230**

BALTIC GROCERY RETAIL MARKET SHARE



Net sales (left) and Operating profit (right) in mEUR



Executive summary

Overview of the company

Organisation and legal structure

Financial performance

Bond issue

Risk factors

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Overview of the company

Project in figures

The Issuer UPP & CO KAUNO 53 OÜ, an Estonian SPV founded by United Partners Property. Its sole purpose is to be the holder of 100% of shares of Promalita UAB who is the owner of Rimi LC (logistics centre) at Kauno 53, Vievis, Lithuania (the Property) after the merger of Retmeta UAB and Promalita UAB.

The Property:

2007	Year of construction
21,232m²	Gross building area
21,188m²	Gross leasable area
19,776m²	Storage area (93% of GLA)
1,412m²	Office and other area (7% of GLA)
4.18 ha	Land plot
187	Total out-door parking spaces
38	Loading bays
RIMI, CAT, Girteka	Tenants
87% of income	RIMI Baltic (UAB Hakonlita)
3%	Vacancy*
Indexed	Lease conditions (triple-net cost coverage)
€15,350,000	Colliers 30/01/2017 Valuation
€1,235,841	Total property income
€40,841	Operating expenses
€1,195,000	Net Operating Income

*NASDAQ Vilnius Services UAB will occupy 386m² of office space, Girteka will rent additional 154m² and Girteka Logistics additional 75m² from June 1st, leading to 0% vacancy.



Overview of the company

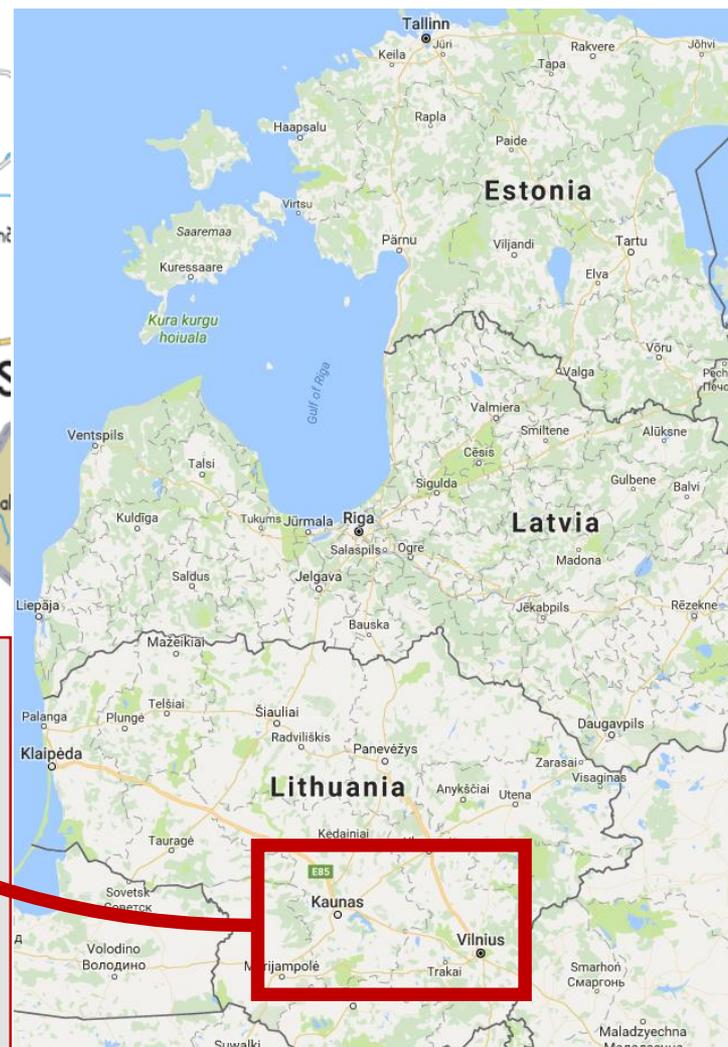
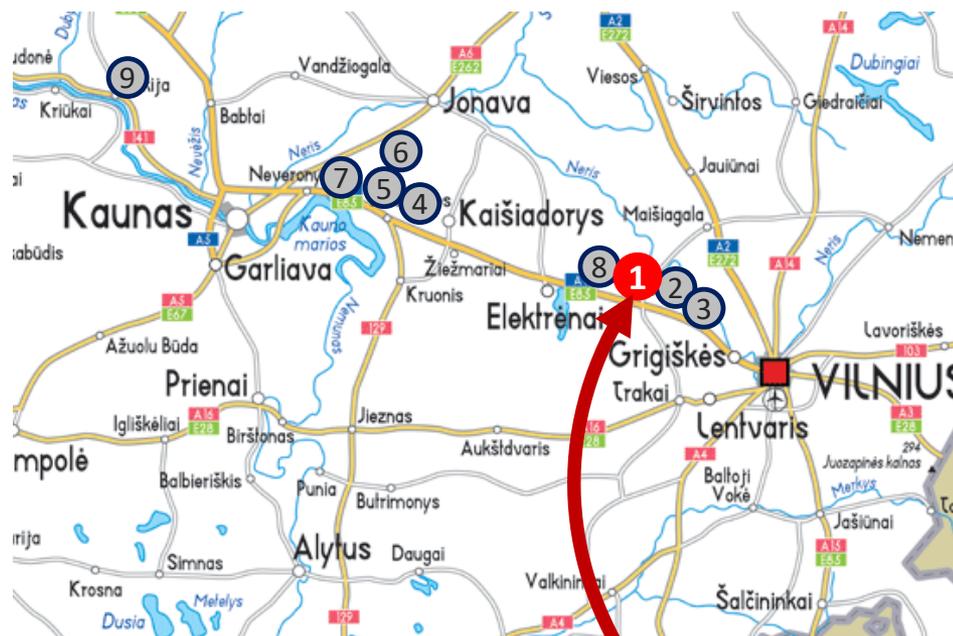
Targeted B2B segment

- Currently the property has a 6-year binding lease term with anchor tenant Rimi. Should we fail to extend the current lease term the following market segment will be targeted:
- **Firmographics**
 - **Industry:** Large retail grocery chains or (frozen) food processors;
 - These industries usually require large amounts of quality warehouse floor space
 - **Location:** Numerous stores located in Southern Lithuania (Vilnius, Kaunas, Klaipeda);
 - Multiple locations require distribution points which we achieve to create
 - **Size:** Very large companies with annual revenues > 100 mEUR;
 - The above mentioned industry companies with revenues above 100 mEUR need systemized logistics and large hubs in order to achieve such results
 - **Status and structure:** Subsidiaries or outlets of a larger organization;
 - Subsidiaries of large foreign companies need distribution points in their target countries
 - **Performance:** Steady growth in revenues;
 - Growing revenue means more units sold
 - **Evidence of high loyalty.**



Overview of the company

Location of RIMI LC

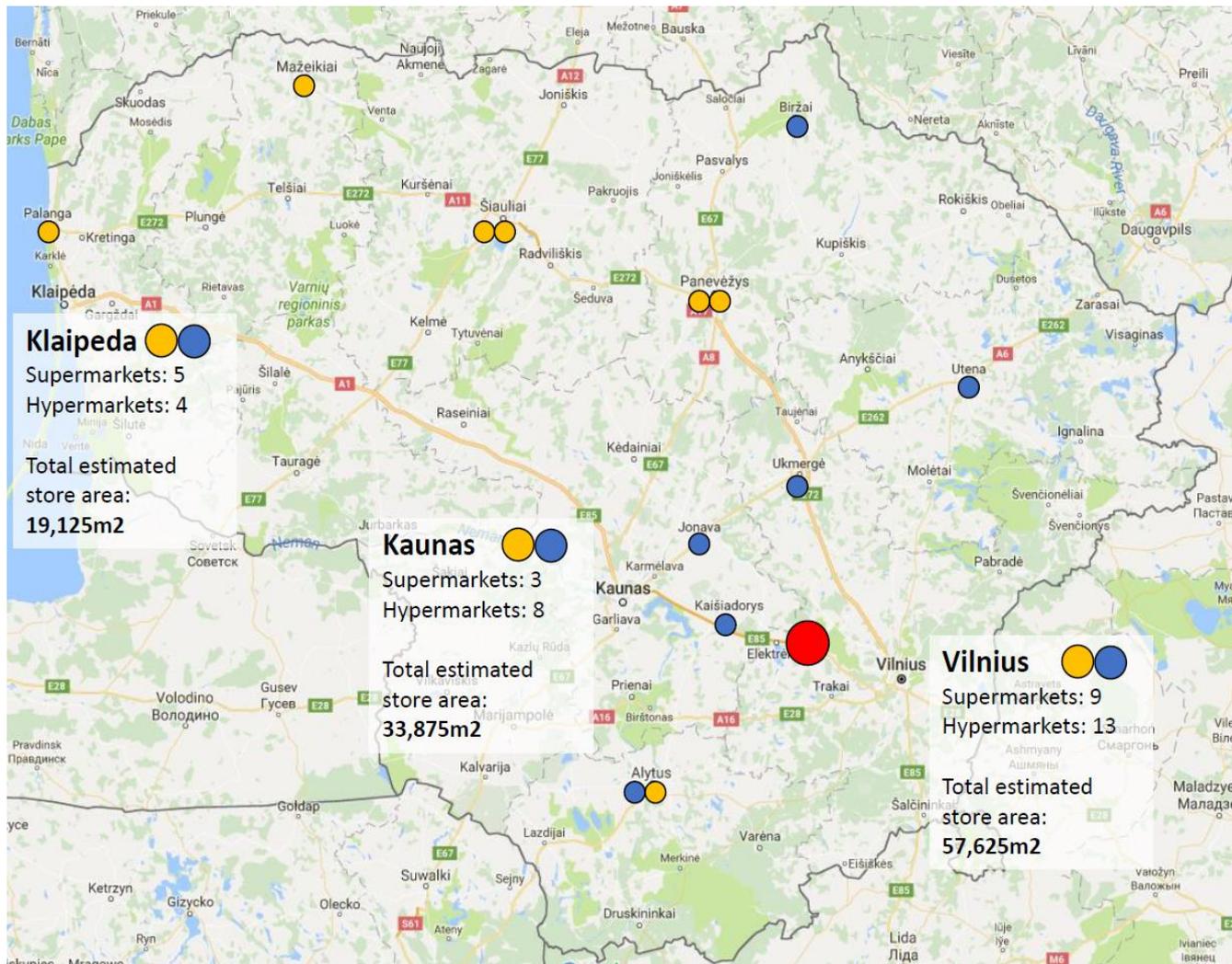


1. **RIMI LC**
2. Finejas LC
3. Vinges LC
4. Lithuanian Post Cross-Dock
5. Gintarine vaistine warehouse
6. LIDL warehouse
7. Kaunas FEZ
8. Lietuvos rytas printing house
9. Senukai/Kesko LC

LC – Logistics centre
FEZ – Free economic zone



Overview of the company RIMI shops in Lithuania



Legend

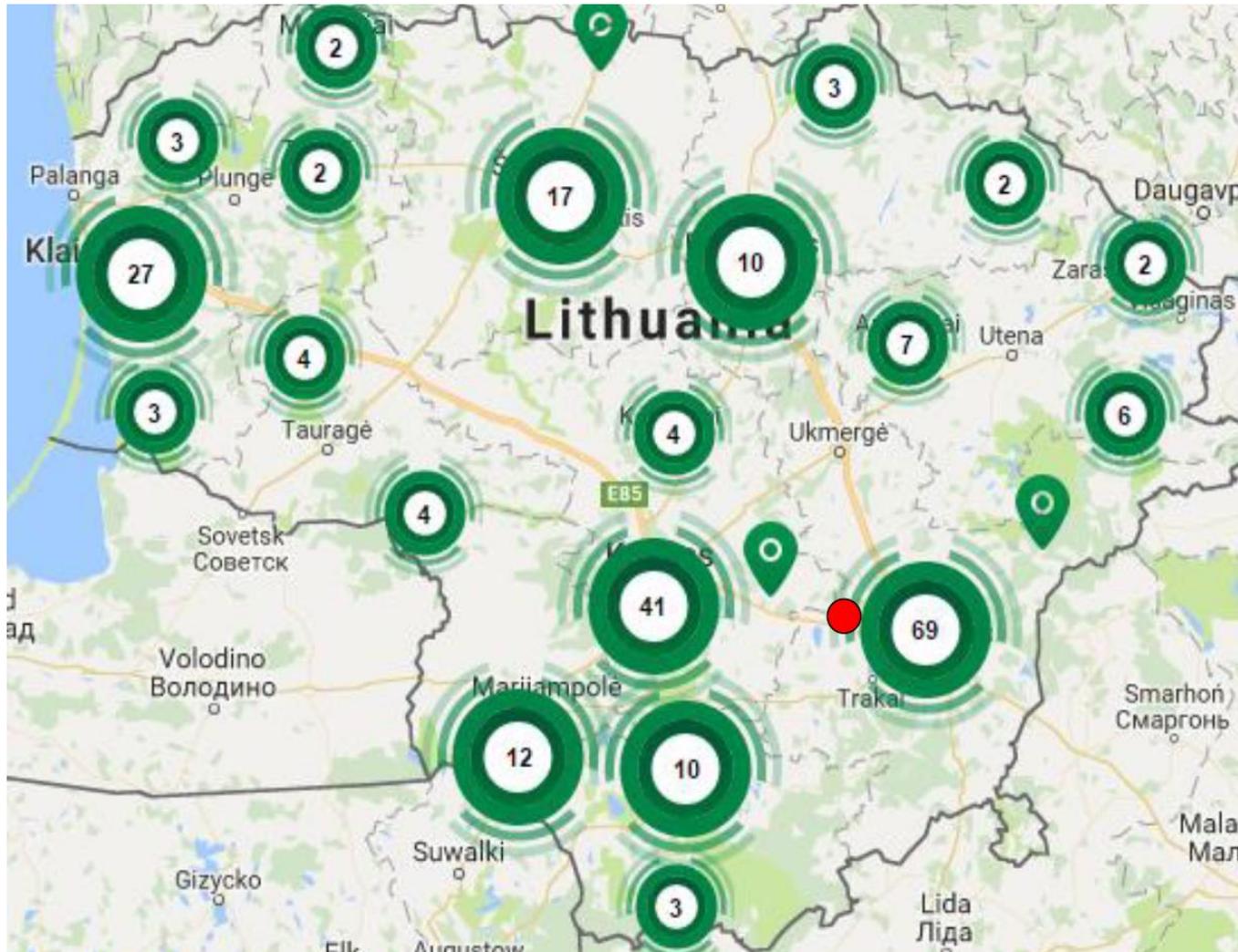
- RimiLC Vievis
- Supermarket (Average size 625m²)
- Hypermarket (Average size 4,000m²)

Estimated total Rimi store area in Lithuania: 142,375m²

Vilnius: 40.5% of total area
 Kaunas: 23.8% of total area
 Klaipėda: 13.4% of total area
 Other Lithuania: 22.3% of total area

Overview of the company

IKI shops in Lithuania



Legend

 RimilC Vievis

Total number of IKI stores in Lithuania: 230

Vilnius: 18.2% of stores

Kaunas: 30.0% of stores

Klaipeda: 13.5% of stores

Other Lithuania: 38,3% of stores



Overview of the company

Important Issuer contracts

KEY LEASE TERMS

TENANT	TYPE	BINDING LEASE DURATION	EARLY BREAK CLAUSE	TOTAL RENT AS % OF ANNUAL INCOME	INDEXATION
RIMI (UAB Hakonlita)	Retail chain	2010-2026 (7+3)	No possibility	87%	EU HCIP, cap at 2%
CAT (UAB CAT Cargo Logistics Lietuva)	Automotive logistics	2008-2017	No possibility	9%	EU HCIP
Girteka (UAB Girteka; UAB Trasis)	Logistics	2016-2019	12 months notice	1%	EU HCIP

AREA DISTRIBUTION PER TENANT

TENANT	AREA, AS % OF TOTAL AREA		
	WAREHOUSE, DISTRIBUTION	OFFICE AND OTHER	TOTAL
RIMI	87%	61%	85%
CAT	11%	12%	11%
Girteka	1%	-	1%
Vacant*	1%	27%	3%

*NASDAQ Vilnius Services UAB will occupy 386m2 of office space, Girteka will rent additional 154m2 and Girteka Logistics additional 75m2 from June 1st, leading to 0% vacancy.



Overview of the company

Tenant base continued – RIMI Lithuania a subsidiary of ICA Gruppen

- **RIMI Lithuania** is wholly owned subsidiary of **ICA Gruppen**:
 - One of the leading grocery retail companies in Sweden and Baltic countries.
 - Managing over **2,100** retail stores under ICA or RIMI brands with **EUR 10.5 billion** in turnover in 2015.
 - In December 23rd 2016 **ICA Gruppen acquired** Lithuanian grocery retail chain **IKI**.
 - As a result **RIMI Lithuania** increased it's market share from **8%** to **24%**, becoming **2nd** largest grocery retailer in Lithuania with a total estimated **EUR 900 million** in annual turnover.
 - RIMI Lithuania has been a tenant since **2010** and has **continuously extended** their lease contracts:
 - In **May 2010** a lease contract was made until **May 2015**.
 - In **May 2012** the lease contract was extended until **May 2018**.
 - In **March 2015** the lease contract was extended for 10 year (7+3) until **May 2026**.



Overview of the company

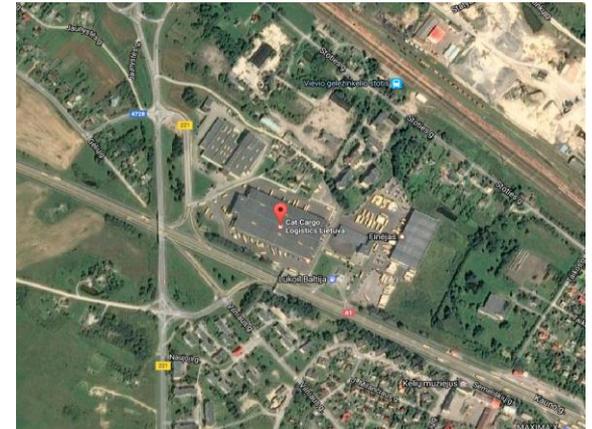
Tenant base continued – CAT Group and Girteka Logistics

- **CAT Cargo Logistics Lithuania:**
 - Part of the international **CAT Group** which is one of Europe's leading logistics companies, providing services to the auto industry.
 - CAT Group activities began more than **50 years** ago, first branch in the Baltics was established in **2008**.
 - CAT Group has 5,000 employees and a **revenue of EUR 1.024 billion** in 2014. Currently the Lithuanian subsidiary has **20 employees** and had a **revenue of EUR 5 million** in 2015.

- **Girteka Logistics:**
 - One of the **leading companies** offering full scope of transportation services **across Europe and CIS**.
 - Girteka Logistics started its operations in **1996**.
 - Has more than **7,100 employees** with 90% employed as drivers. Girteka Logistics owns more than **2,900 trucks**.
 - Girteka Logistics had a turnover of more than **EUR 395 million** in 2015, making it the leading company in the industry across the Baltics.

Overview of the company

Pictures of logistics centre





Overview of the company

Competitor analysis

- **Threat of new entrants – low**
 - Building a large warehouse requires high initial investment, setting significant barriers for entry;
 - Crowded market and strong customer loyalty;
 - Additionally, logistics centres operating on such large properties have high switching-costs.
- **Threat of substitution – moderate**
 - Expensive freezers installed in the warehouse that are essential for Rimi;
 - High switching-costs – rearranging the logistics and labour when relocating;
 - Expensive to build their own warehouse;
 - Out of 57 Rimi stores in Lithuania, Rimi owns only 4 and the rest are on lease.
- **Supplier power – low**
 - Limited supply-chain;
 - Triple-net lease terms – operating costs are passed on to tenants;
 - Rimi has direct contracts with utilities providers.
- **Buyer power – high**
 - Low diversity in tenant base – large anchor tenants can have significant effect on revenues;
 - High price competition in the market.
- **Competitive rivalry – moderate**
 - Price is high determining factor;
 - Large number of competitors;
 - Long term contracts set some boundaries between rivals.

Overview of the company

Future outlook

▪ General outlook

- The sole purpose of the Issuer is to operate the Property and serve its debt liabilities. There is no further development of the Property scheduled and as we see it now, the Issuer won't be acquiring additional properties during the maturity of the Notes.
- The bonds are expected to be redeemed by re-leveraging senior bank loan. Once the current Notes are redeemed and we have negotiated an extended lease term with Rimi, we may consider issuing a new bond issue to acquire additional properties.

▪ Short-term - next 12 months:

- Admission to trading of Notes on First North (June 2017)
- Merger of Promalita UAB and Retmeta UAB (June 2017)
- Second mortgage in favour of bond investors (after merger)
- Prepare the leasable area for the new tenant NASDAQ Vilnius Services UAB (June 15th 2017)
- Prepare the additional leasable area for the existing tenant Rimi (January 1st 2018)

▪ Long-term - 1 to 5 years:

- Start negotiations to extend the lease term with Rimi (2020)
- Start negotiations with the senior lender to re-leverage senior loan in order to redeem bonds (2021)
- Redeem the bonds once senior loan is available (early redemption from 17.04.2021 with 10-days notice; maturity 17.04.2022.)
- Possibility of a new bond issue to acquire additional properties (2022+)

Executive summary

Overview of the company

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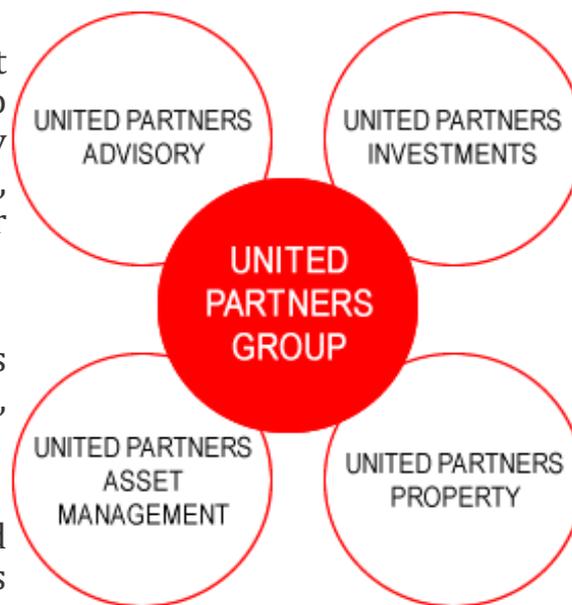
Contacts



Organization and legal structure

Introduction to United Partners Group

- **United Partners Group** is an investment company established in 2003. We offer our corporate clients financial advisory, investment and asset management services.
- **United Partners Advisory** provides its customers with financial advisory services. Our objective is to offer top quality services which are tailored to each client’s specific needs. Our advisory services fall under four categories: M&A, corporate finance, other consulting and advisory services for start-up companies. We value personal and long-lasting partnerships with our clients that are based on trust. In our work we promote innovation, flexibility and proactivity.
- **United Partners Property** (UPP) is the real estate investment wing of the group. UPP invests its own and investors’ capital into real estate development and management activities. The company works with development of residential and commercial real estate, cash-flow generating property and real estate spin-off and other structured projects.
- The group also has a portfolio of direct investments into various sectors, including wood processing, energy, retail and others, managed by **United Partners Investments**.
- The fourth part of the group, **Asset Management**, trades with and invests into securities on public markets. The company manages assets for the group as well as for some of our customers.





Organization and legal structure

Overview of United Partners Property investments

- In all of its activities, UPP applies explicit corporate governance rules in order to ensure the highest possible quality of analysis, decision making, management, and handling of legal issues. UPP has a mission of providing transparency and security to its investors, financiers and shareholders.
- Below are listed current completed and in progress property investments United Partners Property has already undertaken.

UPP Total investments in real estate

DEVELOPMENT	EUR	COMPLETED	IN PROGRESS	m2	COMPLETED	IN PROGRESS
Viimsi, Tallinn	3,748,992		3,748,992	2,755.60		2,755.60
Räägu 55, Tallinn	1,160,763	1,160,763		780.00	780.00	
Käo 22, Tallinn	1,467,150	1,467,150		1,040.00	1,040.00	
Keemia 33, Tallinn	1,547,684		1,547,684	1,040.00		1,040.00
Nõmme tee 1A, Tallinn	2,805,343		2,805,343	1,548.40		1,548.40
Vabaduse pst 150, Tallinn	1,233,333		1,233,333	652.40		652.40
Ehitajate tee 2, Tallinn	2,758,333		2,758,333	2,340.00		2,340.00
Total	14,721,599	2,627,913	12,093,686	10,156.40	1,820.00	8,336.40

CASH-FLOW	EUR	COMPLETED	IN PROGRESS	m2	COMPLETED	IN PROGRESS
Pärnu mnt. 139C, Tallinn	1,000,000	1,000,000		600.00	600.00	
Aia tn 7, Tallinn	11,100,000	11,100,000		4,523.00	4,523.00	
Total	12,100,000	12,100,000	0	5,123.00	5,123.00	0.00

TOTAL	26,821,599	14,727,913	12,093,686	15,279.40	6,943.00	8,336.40
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Organization and legal structure

Experience in project development

Pöldheina tee, Viimsi



Tammepargi

Development of five semidetached houses and three plots of 4-apartment houses

Size 2,755.60m²
EUR 3,748,992
Status Finish January 2017

Räägu 55, Kristiine



Räägu Street

6-apartment attached house

Size 780m²
EUR 1,160,763
Status Completed

Käo 22/22a, Kristiine



Käo Street

Two 4-apartment attached houses, located in the prime suburb area in Tallinn

Size 1,040m²
EUR 1,467,150
Status Completed

Ehitajate tee 2, Tallinn



Ehitajate Street Apartments

Apartment building near Tallinn University of Technology

Size 12,340m²
EUR 2,758,333
Status Detail planning

Keemia 33, Kristiine



Keemia 33 traced houses

Traced houses located in the prime suburb area of Tallinn

Size 1,040m²
EUR 1,574,684
Status Constuction Dec. 2016

Nõmme Street 1A, Tallinn



Nõmme Street 1A Apartments

25 apartment residential house

Size 1,548.4m²
EUR 2,805,343
Status Constuction Feb. 2016

Vabaduse Pst. 150, Tallinn



Vabaduse Pst. 150

Semi-detached and terraced houses located in the suburb area of Tallinn

Size 652.4m²
EUR 1,233,333
Status Detail planning

Aia St. 7, Tallinn Old Town



Commercial building

Aia St. 7 is a mixed use property comprising of commercial and office spaces

Size 4,523m²
EUR 11,100,000



Organization and legal structure

Key team members of the Issuer



HALLAR LOOGMA
CEO

Responsibilities: CEO of UPP & CO Kauno53 OÜ

Experience: Hallar is a seasoned real estate developer and manager. As a director he is responsible for the Group’s real estate investments. Hallar joined United Partners in 2004 after having worked in Hansabank Group for over 7 years.



KEVIN SOON
COO

Responsibilities: COO of UPP & CO Kauno53 OÜ

Experience: Kevin is responsible for finding and administering real estate development and cash-flow projects.



MART TOOMING
Council

Responsibilities: Member of Council for UPP & CO Kauno53 OÜ

Experience: Co-Founder and Partner of United Partners Group. Before United Partners Mart built Hansa Capital together with Tarmo that became the leading lease and factoring firm in CEE. Mart has also been the CEO of Tallinna Sadam.



MARKO TALI
Head of Council

Responsibilities: Member of Council for UPP & CO Kauno53 OÜ

Experience: Marko is head of investment management in United Partners Investments. Marko joined United Partners in 2004 after finishing his Master’s in Germany, University of Humboldt. He also has a Bachelor’s degree in Law and History.



TARMO ROOTEMAN
Council

Responsibilities: Member of Council for UPP & CO Kauno53 OÜ

Experience: Co-Founder and Managing Partner of United Partners Group. Before founding United Partners Tarmo spent 10 years in Hansa Capital, where he built one of the leading lease and factoring firm in CEE.



Organization and legal structure

Corporate governance

- According to the best knowledge of the Issuer there are no on-going (nor have been any) court proceedings or bankruptcy petitions against the Issuer, its CEO or any of its senior official.
- There are no senior officer or employee stock option plans or any other extraordinary bonus programs.
- SPV UPP & CO Kauno 53 OÜ is a company established in Estonia and it is the Issuer of the Notes. Its sole purpose is to be the holder of 100% of shares of Retmeta UAB who is the owner of the property.
- Quarterly reporting (financial and management report) and active investor relations.
- Bonds will be admitted to trading on First North (multilateral trading facility):
 - Proper tracking of insiders and insider transactions;
 - Articles for handling insider information;
 - Articles for company public notifications procedure.
- Furthermore, SPV UPP & CO Kauno 53 OÜ will not:
 - Dissolve, terminate or liquidate – in whole or in part – or transfer or dispose of most of or all of its assets;
 - Change its legal structure;
 - Fail to observe all of the organizational formalities;
 - Fail to maintain all of its books, records, financial statements and bank accounts separate from any affiliates and related parties;
 - Fail to file its own tax returns, unless it's prevented from doing this by legal requirements.



Organization and legal structure

Corporate structure of the Issuer

- **United Partners Group** – A parent company of the United Partners concern. The owners of the Group are Tarmo Rooteman (50%) and MT Finantsid OÜ (50%). MT Finantsid OÜ is 100% owned by Mart Tooming. The CEO of United Partners Group is Mart Tooming.
- **United Partners Property** – A subsidiary of the Group. United Partners Property is developing residential real estate in Estonia and acquiring cash-flow properties in the Baltics. Each development and cash-flow property is managed through a separate SPV. The CEO of United Partners Property is Hallar Loogma.
- **UPP & CO Kauno 53 OÜ (Issuer)** – A subsidiary and wholly owned by United Partners Property. It's an SPV created for the funding and acquisition purposes of RIMI LC in Vievis. The funds raised through Note issue were given as a subordinate loan to Promalita UAB. The CEO of UPP & CO Kauno 53 OÜ is Hallar Loogma.
- **Promalita UAB (Property owner)** – A subsidiary and wholly owned by UPP & CO Kauno 53 OÜ. It's an SPV created for the holding purposes of RIMI LC in Vievis. Promalita UAB acquired Retmeta UAB (former owner of RIMI LC) and as a result of the merger Retmeta UAB is removed from the register. Promalita UAB took a subordinate loan from the UPP & CO Kauno 53 OÜ (Issuer). The rental income is up-streamed into UPP & CO Kauno 53 OÜ who uses it to serve its debt liabilities.
- **The UBO-s (Ultimate Beneficial Owners) of RIMI LC are Tarmo Rooteman and Mart Tooming who are also Members of Council of the Issuer. Mart Tooming's company MT Finantsid OÜ has been issued 250 Notes, other than that there have been no transactions between the Issuer and the management, senior officers or council.**
- **The CEO, the senior officers and the Certified Advisor have no ownership in the Issuer.**



Organization and legal structure

Issue structure

- **The shareholders have decided to**
- **April 7th** until **April 13th** subscription period;
- **April 13th** closing of the issue;
- **April 17th** issuing of Notes;
- **July 17th** latest, bonds will be admitted to trading on First North;
- Bond terms, collateral agreements and legal advisory done by Ellex Raidla Advokaadibüroo OÜ (EE);
- Legal Due diligence on Retmeta UAB and merger of Promalita UAB and Retmeta UAB done by Law Firm Ellex Valiunas ir partneriai (LT)
- Collateral agent K53 Collateral Agent OÜ (subsidiary of Advokaadibüroo TGS Baltic AS, former VARUL Law Firm)



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Financial performance

United Partners Group: Income Statement

INCOME STATEMENT	2011	2012	2013	2014	2015	2016
Revenue	3,025,074	3,017,969	2,868,328	2,809,290	3,690,810	5,702,467
Other income	43,215	604	5,563	10,557	515	367
Total revenue	3,068,289	3,018,573	2,873,891	2,819,847	3,691,325	5,702,834
Cost of goods sold	-1,931,836	-1,996,139	-1,967,015	-1,932,498	-2,875,376	-3,949,315
Administrative expenses	-287,086	-306,348	-300,734	-359,895	-419,862	-1,055,600
Labor expenses	-403,420	-423,571	-444,825	-503,890	-503,404	-509,693
Depreciation	-110,621	-109,304	-110,004	-130,121	-102,608	-97,578
Other expenses	-10,382	-5,240	-4,345	-3,909	-7,083	-5,724
Total operating exp	-2,743,345	-2,840,602	-2,826,923	-2,930,313	-3,908,333	-5,617,910
Operating profit	324,944	177,971	46,968	-110,466	-217,008	84,924
Financial income (-expenses)	556,134	436,761	204,796	407,192	353,300	1,183,391
EBT	881,078	614,732	251,764	296,726	136,292	1,268,315
Tax	-79,800	-26,582	-15,949	-15,949	0	0
Net income	801,278	588,150	235,815	280,777	136,292	1,268,315



Financial performance

United Partners Group: Balance sheet

BALANCE SHEET	2011	2012	2013	2014	2015	2016
ASSETS						
Current assets						
Cash and bank	1,514,971	1,437,876	660,969	514,863	680,337	538,027
Short-term investments	355,482	728,937	1,039,206	465,664	124,284	240,346
Accounts receivable	151,375	431,080	1,190,166	703,923	209,677	356,322
Stock	863,504	1,069,772	1,022,219	1,022,605	3,064,595	5,166,999
Total current assets	2,885,332	3,667,665	3,912,560	2,707,055	4,078,893	6,301,694
Long-term assets						
Intangible assets	0	0	0	0	1,759	1,916
Long-term investments	3,766,461	3,516,015	4,019,946	4,510,405	4,657,257	5,478,686
Long-term requisitions	0	0	0	0	430,000	467,421
Real estate investments	45,640	45,640	45,640	1,003,967	15,000	15,000
Property plant and equipment	608,113	582,934	540,964	599,719	534,396	508,887
Total long-term assets	4,420,214	4,144,589	4,606,550	6,114,091	5,638,412	6,471,910
TOTAL ASSETS	7,305,546	7,812,254	8,519,110	8,821,146	9,717,305	12,773,604
LIABILITIES						
Current liabilities						
Loans	109,052	304,825	752,384	698,277	671,798	613,644
Prepayments	285,423	205,756	345,920	316,472	481,558	738,457
Total current liabilities	394,475	510,581	1,098,304	1,014,749	1,153,356	1,352,101
Long-term liabilities						
Long-term debt	112,612	72,844	33,076	176,733	796,106	2,389,665
Long-term lease	7,875	0	0	26,397	18,284	9,967
Total long-term liabilities	120,487	72,844	33,076	203,130	814,390	2,399,632
TOTAL LIABILITIES	514,962	583,425	1,131,380	1,217,879	1,967,746	3,751,733
EQUITY						
Share capital	2,556	2,556	2,556	2,556	2,556	2,556
Reserve capital	256	256	256	256	256	256
Retained earnings	6,787,772	7,226,017	7,384,918	7,600,455	7,758,316	9,058,867
Parent equity stake	6,790,584	7,228,829	7,387,730	7,603,267	7,761,128	9,061,679
Minority stake	0	0	0	0	-11,569	-39,808
TOTAL EQUITY	6,790,584	7,228,829	7,387,730	7,603,267	7,749,559	9,021,871
TOTAL EQUITY AND LIABILITIES	7,305,546	7,812,254	8,519,110	8,821,146	9,717,305	12,773,604



Financial performance

Issuer financial forecast assumptions

- Current property income – EUR 97,584/month
 - From July 1st 2017 – EUR 99,462/month:
 - New tenant NASDAQ Vilnius Services UAB leases 386 m²;
 - New tenant Girteka Logistics leases 75 m²;
 - Girteka leases additional 154 m².
 - From February 2nd 2018 – EUR 100,898/month
 - Lease term is terminated with CAT Cargo Logistics 2,327 m²;
 - Rimi (Hakonlita) leases additional 1,925 m²;
 - Girteka leases additional 390 m²;
- Inflation 1%/year is assumed. Rimi lease contract indexation is capped at 2%.
- No development or additional acquisitions are currently foreseen. The property will keep operating as it is, generating cash-flow. Unless there is unexpected volatility in the macroeconomic environment, we don't expect severe fluctuations from the forecast. Excess cash flow is used for necessary CAPEX and for Note redemption.
- Senior loan refinanced during year 5.
- Refinancing used to redeem Notes during year 5 (early redemption from 17.04.2021; maturity 17.04.2022).



Financial performance

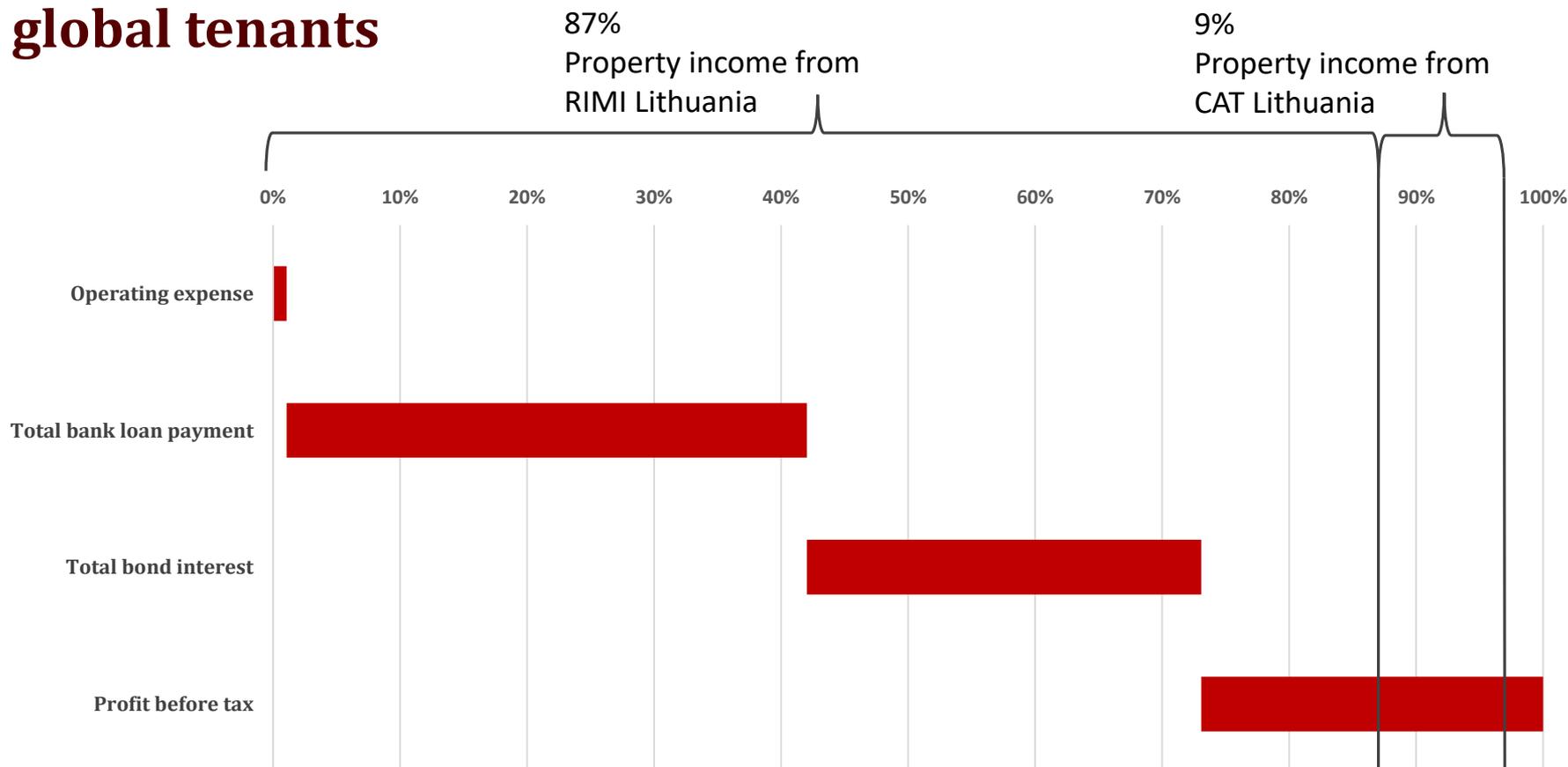
Project financial forecast

Income statement	Year	1	2	3	4	5	6	7	8	9	10	11
<i>Inflation</i>		1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Rental income (triple net)		1,208,823	1,222,880	1,235,109	1,247,460	1,259,934	1,272,534	1,285,259	1,298,111	1,311,093	1,324,204	1,337,446
Operating expenses		13,000	13,130	13,261	13,394	13,528	13,663	13,800	13,938	14,077	14,218	14,360
NOI		1,195,823	1,209,750	1,221,847	1,234,066	1,246,406	1,258,870	1,271,459	1,284,174	1,297,015	1,309,986	1,323,085
Interest expense 85%		456,450	449,608	442,765	435,923	429,080	189,951	183,108	176,266	169,423	162,581	121,738
EBT		739,373	760,142	779,082	798,143	817,326	1,068,920	1,088,351	1,107,908	1,127,592	1,147,405	1,201,347
<i>Tax Depreciation</i>		400,000	400,000	400,000	400,000	400,000	400,000	400,000	0	0	0	0
Tax		50,906	54,021	56,862	59,721	62,599	100,338	103,253	166,186	169,139	172,111	180,202
Interest expense 15%		80,550	79,343	78,135	76,928	75,720	33,521	32,313	31,106	29,898	28,691	21,483
Profit		607,917	626,778	644,085	661,494	679,007	935,061	952,785	910,616	928,555	946,603	999,662
Balance sheet												
Assets	15,500,000	15,647,917	15,814,695	15,998,780	16,200,275	15,803,367	16,278,428	16,771,213	17,221,829	17,690,384	17,676,988	18,216,650
Property value	15,500,000	15,500,000	15,500,000	15,500,000	15,500,000	15,500,000	15,500,000	15,500,000	15,500,000	15,500,000	15,500,000	15,500,000
Cash		147,917	314,695	498,780	700,275	303,367	778,428	1,271,213	1,721,829	2,190,384	2,176,988	2,716,650
Liabilities and equity	15,500,000	15,647,917	15,814,695	15,998,780	16,200,275	15,803,367	16,278,428	16,771,213	17,221,829	17,690,384	17,676,988	18,216,650
Liabilities	13,900,000	13,440,000	12,980,000	12,520,000	12,060,000	10,984,085	10,524,085	10,064,085	9,604,085	9,144,085	8,184,085	7,724,085
Loan	9,200,000	8,740,000	8,280,000	7,820,000	7,360,000	10,484,085	10,024,085	9,564,085	9,104,085	8,644,085	8,184,085	7,724,085
Bonds	4,700,000	4,700,000	4,700,000	4,700,000	4,700,000	500,000	500,000	500,000	500,000	500,000	0	0
Equity	1,600,000	2,207,917	2,834,695	3,478,780	4,140,275	4,819,282	5,754,343	6,707,128	7,617,744	8,546,299	9,492,902	10,492,564
Equity	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000
Retained earnings		607,917	1,234,695	1,878,780	2,540,275	3,219,282	4,154,343	5,107,128	6,017,744	6,946,299	7,892,902	8,892,564
Cash flows												
Cash flows from operating		1,144,917	1,155,728	1,164,985	1,174,344	1,183,807	1,158,532	1,168,206	1,117,988	1,127,877	1,137,875	1,142,883
Cash flows from financing		-997,000	-988,950	-980,900	-972,850	-1,580,715	-683,471	-675,421	-667,371	-659,321	-1,151,271	-603,221
Net cash flow		147,917	166,778	184,085	201,494	-396,907	475,061	492,785	450,616	468,555	-13,397	539,662
Remaining cash for period		147,917	166,778	184,085	201,494	-396,907	475,061	492,785	450,616	468,555	-13,397	539,662
<i>Senior Loan available</i>		1,335,000	1,895,750	2,457,508	3,020,283	3,584,085	564,841	1,130,730	1,697,678	2,265,696	2,834,794	3,404,983
Loan schedule												
Loan payments		621,000	612,950	604,900	596,850	588,800	643,471	635,421	627,371	619,321	611,271	603,221
Interest	1.75%	161,000	152,950	144,900	136,850	128,800	183,471	175,421	167,371	159,321	151,271	143,221
Principal	20	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000
Loan outstanding	9,200,000	8,740,000	8,280,000	7,820,000	7,360,000	6,900,000	10,024,085	9,564,085	9,104,085	8,644,085	8,184,085	7,724,085
<i>Property value</i>	15,500,000	15,500,000	15,655,000	15,811,550	15,969,666	16,129,362	16,290,656	16,453,562	16,618,098	16,784,279	16,952,122	17,121,643
<i>LTV 65%</i>		10,075,000	10,175,750	10,277,508	10,380,283	10,484,085	10,588,926	10,694,816	10,801,764	10,909,781	11,018,879	11,129,068
Refinance		0	0	0	0	3,584,085	0	0	0	0	0	0
Bond schedule												
Bond payments		376,000	376,000	376,000	376,000	5,076,000	40,000	40,000	40,000	40,000	540,000	0
Interest	8.0%	376,000	376,000	376,000	376,000	376,000	40,000	40,000	40,000	40,000	40,000	0
Principal	5	0	0	0	0	4,700,000	0	0	0	0	500,000	0
Bonds outstanding	4,700,000	4,700,000	4,700,000	4,700,000	4,700,000	500,000	500,000	500,000	500,000	500,000	0	0
DSCR		1.20	1.22	1.25	1.27	1.29	1.84	1.88	1.92	1.97	2.01	2.19
LTV	89.7%	85.9%	82.1%	78.3%	74.4%	69.5%	64.7%	60.0%	55.8%	51.7%	46.3%	42.4%



Financial performance

Sufficient coverage secured by long lease terms and strong global tenants



- **87% of property income** comes from **RIMI Lithuania**, (6+3) years left on the lease term with no early break clause.
- **9% of property income** comes from **CAT Lithuania**, no early break clause and it is a subsidiary of Europe's leading logistics company **CAT Group**.
- **Bank loan:** 20-year (2037 maturity) bank loan from OP Bank (former Pohjola)



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Bond issue

Terms and schedule

- Final bond terms are subject to agreements between the Issuer and Investors:
 - **Issuer:** UPP & CO Kauno 53 OÜ
 - **Issuer's share capital:** EUR 2,500.00
 - **Issue arranger:** United Partners Advisory OÜ
 - **Payment agent:** Issuer
 - **Legal advisor:** Ellex Raidla Advokaadibüroo OÜ (EE); Law Firm Ellex Valiunas ir partneriai (LT)
 - **Collateral agent:** K53 Collateral Agent OÜ (subsidiary of Advokaadibüroo TGS Baltic AS, former VARUL Law Firm)
 - **Securities:** Secured bond
 - **Collateral:**
 - Before the Merger: United Partners Property OÜ corporate guarantee
 - After the Merger: 2nd rank mortgage on RIMI LC, Kauno 53, Vievis
 - **Offering:** Non-public offering to Baltic institutional investors and HNWI-s. In 3 months notes will be admitted to trading on First North (multilateral trading facility)
 - **Issue size:** Up to EUR 4.7 million
 - **Nominal value of the bond:** EUR 1,000
 - **Initial issue price of the bond:** EUR 1,000 (Minimum investment EUR 100,00)
 - **Initial issue date:** April 17th, 2017
 - **Maturity date:** April 17th, 2022, bonds will be redeemed at nominal value
 - **Interest rate:** Fixed interest rate 8% p.a. paid quarterly
 - **Interest payment:** Fixed interest is paid out quarterly
 - **Early redemption provisions:** The Issuer has the right to redeem all bonds fully or in part but not before April 17th 2021; subject to notification 10 banking days in advance
 - **Subordination:** Bonds are subordinated to the bank loan
 - **Subscription period:** Until April 13th, 2017



Bond issue

Investor rights if the Issuer breaches its obligations*

- Investor shall have the right, but not the obligation, to demand immediate redemption of the Notes held by the Investor upon occurrence of any of the following circumstances (i.e. Extraordinary Early Redemption Event):
 - the Issuer has not paid interest payments in full amount for more than 5 Banking Days from the relevant Interest Payment Date;
 - the Issuer has not paid the payments to be made in the Early Redemption Date in full amount for more than 5 Banking Days from the relevant Early Redemption Date;
 - an insolvency claim has been submitted in respect of the Issuer or Promalita UAB and the competent Estonian court has accepted the insolvency claim or the competent Lithuanian court has decided to initiate the bankruptcy proceedings;
 - the Issuer breaches any of the covenants set for in Section 3.4 of the Terms and Conditions;
 - the Issuer or Promalita UAB has filed for liquidation with the appropriate state authorities of Estonia or Lithuania, as applicable;
 - the Collateral Provider fails to enter into Collateral Agreement within the term specified in Section 11.1 of the Terms and Conditions;
 - the Issuer has not provided its quarterly report to the Investors and the Collateral Agent in accordance with Section 3.5.1 of the Terms and Conditions and the Issuer has not remedied the breach in 7 Banking Days as of receipt of the breach notice.

* The slide presents a short and fractional summary of certain sections of the Terms and Conditions of the bond issue. The Terms and Conditions are an inseparable part of this Company Description and they should be always viewed together. For full overview please refer to the Terms and Conditions.

Bond issue

Certified adviser

- **Advokaadibüroo TGS Baltic** acts as the First North Certified Adviser for UPP & CO Kauno 53 OÜ
 - **Official name:** Advokaadibüroo TGS Baltic AS (former Advokaadibüroo VARUL AS)
 - **Registration number:** 10288628
 - **Main field of activity:** Law services
 - **Address:** Ahtri tn. 6A, 10151 Tallinn, Estonia
 - **Web page:** <http://tgsbaltic.com/>

- **Representative:**



Mr. Marko Kairjak

E-mail: marko.kairjak@tgsbaltic.com

Phone: +372 626 4300

- **TGS Baltic** is advising UPP & CO Kauno 53 with the preparation of admission documents. The agreement is valid from the day of submitting the Application for Admission to trading on First North to NASDAQ Tallinn AS until the actual first trading day of the Notes on First North platform.



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Risk factors

Most significant Issuer risk factors

- **Macroeconomic risk**
 - Significant economic downturn can set downward pressure on rental rates. Adverse change in economic conditions might also affect Issuer's ability to refinance its debt liabilities
- **High concentration risk**
 - The Issuer has focused on one large-scale industrial real estate project. Anchor tenant RIMI provides 90% of property income
- **Interest rate risk**
 - The interest rate on the senior bank loan taken by Issuer is based on EURIBOR base rate. Increases in the EURIBOR base rate will lead to a corresponding increase in the financial costs of the Issuer. This risk is hedged by embedded collar where we have fixed interest for the loan period (5 years)
- **Competitive market risk**
 - Issuer operates in a highly competitive market. The highly competitive business environment of the real estate sector may have adverse effect on the results of operations and profitability of the Issuer
- **Financing risk**
 - The Issuer's ability to duly serve its debt obligations depends on its ability to attract financing. Poor investor relations or failure to attract new sources of financing may lead to violation of its financial obligations

Risk factors

Most significant Note risk factors

- **Price risk**
 - Losses stemming from adverse movement in the market price of the Notes
- **Regulatory risk**
 - Losses stemming from changes in the current legislation, e.g. changes in tax rates or imposing extra costs to investors, thus altering investor's potential total returns
- **Early redemption risk**
 - Risk the Notes will be redeemed before maturity in a falling rate environment, as a result the investors might have to reinvest the proceeds at a lower rate of return
- **Liquidity risk**
 - The risk that the investor will not be able to find a buyer for its bonds, or will have to sell it at a substantial discount to attract a buyer
- **Interest rate risk**
 - Potential decrease in investment's value due to a change in the market level of interest rates
- **Credit risk**
 - Potential loss in case the Issuer is unable to make the required payments on its debt obligations



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