



UNITED PARTNERS

INTERIM REPORT 6 MONTHS 2020

UPP Olaines OÜ



INTERIM REPORT FOR 6 MONTHS 2020 (UNAUDITED)

Reporting period: 01.01.2020 – 30.06.2020 ('6 months 2020')

Company name: UPP Olaines OÜ

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MANAGEMENT REPORT FOR 6 MONTHS 2020

General information

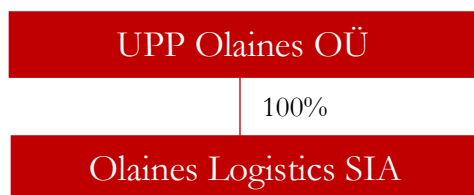
UPP Olaines OÜ (hereafter ‘the Company’) was established for the purpose of funding, acquiring and managing the real estate investment of Olaines Logistics Park: (buildings and land) located at “Šarlotes”, Olaines county, Olaines parish, Latvia, cadastre number 8080 003 0029, registered in the Land Register 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.

The structure of UPP Olaines OÜ as of 30.06.2020 is as follows:



UPP Olaines OÜ is operating based on going concern.

Management commentary for the 6 months of 2020

Net rental income was 1 308 860 euros for the 6 months of 2020 (2019 6 months: 1 291 518). Operating profit was 1 228 236 euros for the 6 months of 2020 (2019 6 months: 1 244 800). Net income was 627 652 euros for the 6 months of 2020 (2019 6 months: 454 710).

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

Key indicators of financial performance and position for 6 months 2019

(in EUR)	Q2 2020	Q2 2019	6 months 2020	6 months 2019
Net rental income	651,646	639,720	1,308,860	1,291,518
Operating profit	608,349	600,653	1,228,236	1,244,800
Profit for the period	328,545	187,237	657,652	454,710

(in EUR)	30.06.2020	31.12.2019
Investment property	30,909,000	30,909,000
Interest-bearing loans	27,960,000	28,492,625
Interest-bearing loans less shareholder loan	25,012,331	25,544,325

	6 months 2020
Net profit margin (Total comprehensive income for the period / Net rental income)	50%
ROA (Net profit for the period / Average total assets for the period)	2.1%
DSCR (Operating profit / Loan principal and interest payments on interest-bearing loans)	1.2

Management board, supervisory board and audit committee

The management board of UPP Olaines OÜ has one member: Marko Tali, 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 are provided to the members of the management board and the supervisory board.

Other than the management board and the supervisory board, the Company has no employees.

In 2020 UPP Olaines OÜ formed an audit committee, which has three members.

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

(in EUR)	Note	Q2 2020	Q2 2019	6 months 2020	6 months 2019
Net rental income	5	651,646	639,720	1,308,860	1,291,518
Net rental income		652,646	639,720	1,308,860	1,291,518
General and administrative expenses		(43,297)	(24,067)	(80,624)	(31,718)
Other income / (cost)		0	(15,000)	0	(15,000)
Operating profit		608,349	600,653	1,228,236	1,244,800
Financial income / (cost)		(279,804)	(413,416)	(570,584)	(790,090)
Profit before income tax		328,545	187,237	657,652	454,710
Profit for the period		328,545	187,237	657,652	454,710
Total comprehensive income for the period		328,545	187,237	657,652	454,710

Condensed consolidated interim statement of financial position

(in EUR)	Note	30.06.2020	31.12.2019
Cash and cash equivalents		555,735	561,474
Trade and other receivables		392,830	204,939
Total current assets		948,565	766,413
Investment property		30,909,000	30,909,000
Total non-current assets		30,909,000	30,909,000
TOTAL ASSETS		31,857,565	31,675,413
Trade and other payables		431,635	358,749
Financial derivatives		434,250	455,217
Loans and borrowings	6	1,064,004	1,064,000
Total current liabilities		1,929,889	1,877,966
Loans and borrowings	6	26,896,627	27,428,625
Total non-current liabilities		26,896,627	27,428,625
TOTAL LIABILITIES		28,826,516	39,306,591
Share capital		2,500	2,500
Retained earnings		3,028,549	2,366,322
TOTAL EQUITY		3,031,049	2,368,822
TOTAL EQUITY AND LIABILITIES		31,857,565	31,675,413

Condensed consolidated interim statement of cash flows

(in EUR)	Note	Q2 2020	Q2 2019	6 months 2020	6 months 2019
Profit before income tax		328,545	187,237	657,652	454,710
Adjustment:					
Financial cost / (income)		279,894	413,416	570,584	790,090
Operating results before changes in working capital		608,349	600,653	1,228,236	1,244,800
Decrease / (increase) in trade and other receivables related to operating activities		(79,254)	156,857	(84,791)	167,793
Increase / (decrease) in trade and other payables related to operating activities		8,058	(129,571)	15,951	(119,125)
Total cash flows from / used in operating activities		627,939	495,911	1,293,468	951,785
Repayments of loans and borrowings		(266,001)	(266,001)	(532,002)	(532,002)
Interests paid		(249,760)	(286,613)	(503,083)	(589,662)
Total cash flow from / used in financing activities		(515,761)	(552,614)	(1,035,085)	(1,121,664)
Net increase / (decrease) in cash and cash equivalents		21,392	75,325	(5,739)	171,804
Cash and cash equivalents at the beginning of the period		534,343	523,170	561,474	426,691
Cash and cash equivalents at the end of the period		555,735	598,495	555,735	598,495

Condensed consolidated interim statement of changes in equity

(in EUR)	Share capital	Retained earnings	Total equity
Balance at 30.06.2020	2,500	2,370,897	2,373,397
Total comprehensive income	0	657,652	657,652
Balance at 30.06.2020	2,500	3,028,549	3,031,049

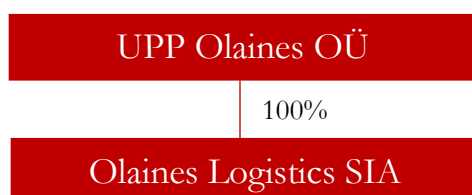
(in EUR)	Share capital	Retained earnings	Total equity
Balance at 31.12.2019	2,500	967,219	969,719
Total comprehensive income	0	454,710	454,710
Balance at 30.06.2019	2,500	1,421,929	1,424,429

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 30.06.2020 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 6 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
			30.06.2020	31.12.2019	
Olaines Logistics SIA	UPP Olaines OÜ	Latvia	100%	100%	Holding company

On January 22nd 2020 Olaines Logistics Parks SIA was merged with its parent company Olaines Logistics SIA. The merger was the parent company and the company will continue to operate under the name Olaines Logistics SIA.

5. Reportable segments

Area of activity	External revenue			
	Q2 2020	Q2 2019	6 months 2020	6 months 2019
(in EUR)				
Net rental income	651,646	639,720	1,308,860	1,291,518
Total	651,646	639,720	1,308,860	1,291,518

Geographic area	External revenue			
	Q2 2020	Q2 2019	6 months 2020	6 months 2019
(in EUR)				
Latvia	651,646	639,720	1,308,860	1,291,518
Total	651,646	639,720	1,308,860	1,291,518

Geographic area	Investment property	
	30.06.2020	31.12.2019
(in EUR)		
Latvia	30,909,000	30,909,000
Total	30,909,000	30,909,000

6. Loans and borrowings

30.06.2020	Short-term part	Long-term part	Total	Currency	Interest rate	Due date
(in EUR)						
Bank loan	1,064,004	17,733,327	18,797,331	EUR	Euribor+2,4% ^{3m}	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	26,896,627	27,960,631			

31.12.2019	Short-term part	Long-term part	Total	Currency	Interest rate	Due date
(in EUR)						
Bank loan	1,064,000	18,265,325	19,329,325	EUR	Euribor+2,4% ^{3m}	30.11.2022
Bonds	0	6,215,000	6,215,000	EUR	7%	10.11.2022
Shareholder loan	0	2,948,300	2,948,300	EUR	6%	15.11.2022
Total loan liabilities	1,064,000	27,428,625	28,492,625			

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 30.06.2020	Level 1	Level 2	Level 3
(in EUR)			
Financial liabilities			
Derivative instruments		434,250	

As of 31.12.2019	Level 1	Level 2	Level 3

(in EUR)

Financial liabilities

Derivative instruments	455,217
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Financial assets and liabilities not carried at fair value but for which fair value is disclosed

As of 30.06.2020	Level 1	Level 2	Level 3	Carrying amount
(in EUR)				
Financial assets				
Cash and cash equivalents	555,735			555,735
Trade and other receivables			392,830	392,830
Financial liabilities				
Interest-bearing loans and borrowings			27,960,631	27,960,631
Trade and other payables			431,635	431,635
<hr/>				
As of 31.12.2019	Level 1	Level 2	Level 3	Carrying amount
(in EUR)				
Financial assets				
Cash and cash equivalents	561,474			561,474
Trade and other receivables			204,939	204,939
Financial liabilities				
Interest-bearing loans and borrowings			28,492,625	28,492,625
Trade and other payables			358,749	358,749

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	
			30.06.2020	31.12.2019
United Partners Property OÜ	Immediate parent entity	Estonia	100%	100%

During the reporting and reference period, 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	6 months 2020	6 months 2019
(in EUR)		
Beginning of the period loan balance (31.12.2018)	2,948,300	3,048,300
Interest charged	(88,449)	(91,449)
Interest paid	(35,725)	(72,257)
End of the period loan balance (30.06.2019)	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 6 months ended 30th June 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 1.2 for the 6 months 2020 and that there has been no occurrence of an Extraordinary Early Redemption Event in 6 months 2020.

Signed digitally,

Marko Tali

Chairman and Member of the Management Board of UPP Olaines OÜ

31.07.2020, Tallinn