



UNITED PARTNERS

Interim report for 12 months 2021

UPP Olaines OÜ



Interim report for 12 months 2021 (unaudited)

Reporting period: 01.01.2021 - 31.12.2021 ('12 months 2021')

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MANAGEMENT REPORT FOR 12 MONTHS 2021

General information

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

The management board is aware of no trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for the period after the reporting period of these financial statements outside the course of its regular business activities.

UPP Olaines OÜ is operating based on going concern.

Financial commentary for the fourth quarter and twelve months of 2021

Net rental income was 613 708 euros in 4Q 2021 (657 849 euros in 4Q 2020) and 2 478 829 euros for the twelve months of 2021 (2 637 007 euros for 12 months of 2020). Operating income was 582 177 euros in 4Q 2021 (618 950 euros in 4Q 2020) and 2 275 598 euros for the twelve months of 2021 (2 482 439 euros for 12 months of 2020). Net income was 335 878 euros in 4Q 2021 (251 417 euros in 4Q 2020) and 1 286 634 euros for the twelve months of 2021 (1 370 964 euros for 12 months 2020).

Decrease in Net rental income in 4Q was due to property repairs and investments the Group has undertaken in Olaines Logistics Park. The Group also incurred a loss in income due to lesse change and the related repair works in 1Q, which had impact on Net rental income for 2021. In 3Q the Group incurred an energy efficiency fee which had further impact on the Operating income for 2021. The general and administrative expenses were in line with expectations for 2021 and have had no impact on Group's financial results. Decrease in Net income is due to aforementioned factors. Overall the Group's financial results are in line with management expectations.

There were no extraordinary expenses or events during the reporting period, other than the aforementioned energy efficiency fee. Apart from energy efficiency and green energy investments that the Group is planning for 2022, the management is not aware of any circumstances that could severely impact the Group's financial results in 2022 as of the reporting date.

Key indicators of financial performance and position for 12 months 2021

(in EUR)	4Q 2021	4Q 2020	12 months 2021	12 months 2020
Net rental income	613 708	657 849	2 478 829	2 637 007
Operating income	582 177	618 950	2 275 598	2 482 439
Net income	335 878	251 417	1 286 634	1 370 964

(in EUR)	31.12.2021	31.12.2020
Investment property	31 320 000	30 909 000
Interest-bearing loans	26 358 361	27 428 630
Interest-bearing loans less shareholder's loan	23 416 333	24 480 330

	12 months 2021	12 months 2020
Net profit margin, % (Net income / Net rental income)	51.9%	52.0%
ROA (Net income / Average fixed assets)	4.10%	4.44%
Debt-to-EBITDA (Interest-bearing loans less shareholder's loan / Operating income)	10.3	10.3
LTV (Interest-bearing loans less shareholder's loan / Investment property)	74.8%	79.2%
DSCR (Operating income / Loan principal and interest payments on interest-bearing loans)	1.1	1.1

Management board and supervisory board

The management board of UPP Olaines OÜ has one member: Marko Tali, the chairman of the board. The management board of Olaines Logistics SIA has also one member: Siim Sild, chairman of the board.

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

No remuneration or other benefits have been allotted to the members of the management board and supervisory board of UPP Olaines OÜ. The member of board of Olaines Logistics SIA receives remuneration according to Latvian legislation.

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Condensed consolidated interim statement of comprehensive income

(in EUR)	Note	4Q 2021	4Q 2020	12 months 2021	12 months 2020
Net rental income	4	613 708	657 849	2 478 285	2 637 007
Other revenues		0	0	544	0
Net rental income		613 708	657 948	2 478 829	2 637 007
General and administrative expenses		(31 531)	(38 899)	(153 516)	(154 568)
Other operating expenses		0	0	(49 715)	0
Operating income		582 177	618 950	2 275 598	2 482 439
Financial income / (cost)		(246 299)	(367 533)	(988 964)	(1 111 475)
Profit before income tax		335 878	251 417	1 286 634	1 370 964
Income tax		0	0	0	0
Net income		335 878	251 417	1 286 634	1 370 964
Total comprehensive income for the period		335 878	251 417	1 286 634	1 370 964

Condensed consolidated interim statement of financial position

(in EUR)	Note	31.12.2021	31.12.2020
Cash and cash equivalents		722 947	676 373
Trade and other receivables		280 124	171 124
Total current assets		1 003 071	847 497
Investment property		31 320 000	30 909 000
Total non-current assets		31 320 000	30 909 000
TOTAL ASSETS		32 323 071	31 756 497
Trade and other payables		556 956	369 527
Financial derivatives		162 078	363 979
Loans and borrowings	5	23 416 333	1 064 004
Total current liabilities		24 135 367	1 797 510
Loans and borrowings	5	2 942 028	26 364 633
Total non-current liabilities		2 942 028	26 364 633
TOTAL LIABILITIES		27 077 395	28 251 136
Share capital		2 500	2 500
Retained earnings		5 243 176	3 591 861
TOTAL EQUITY		5 245 676	3 594 361
TOTAL EQUITY AND LIABILITIES		32 323 071	31 756 497

Condensed consolidated interim statement of cash flows

(in EUR)	Note	4Q 2021	4Q 2020	12 months 2021	12 months 2020
Profit before income tax		335 878	251 417	1 286 634	1 370 964
Financial cost/(income)		246 299	367 533	988 964	1 111 475
Operating income		582 177	618 950	2 275 598	2 482 439
Decrease / (increase) in receivables		(49 085)	214 346	(155 313)	111 624
Increase / (decrease) in payables		(3)	(4 108)	(18 398)	7 372
Paid income tax		0	0	0	(50)
Cash flows from operating activities		533 089	829 188	2 101 887	2 601 385
Loans issued and bonds purchased		0	0	0	0
Cash flows from investment activities		0	0	0	0
Repayments of loans and borrowings		(266 000)	(266 000)	(1 064 000)	(1 064 001)
Interest paid		(257 011)	(488 904)	(991 313)	(1 272 485)
Dividends paid		0	(150 000)	0	(150 000)
Cash flows from financing activities		(523 011)	(904 904)	(2 055 313)	(2 486 486)
Net increase / (decrease) in cash and equivalents		10 078	(75 716)	46 574	114 899
Cash and equivalents at the beginning of the period		712 869	752 089	676 373	561 474
Cash and cash equivalents at the end of the period		722 947	676 373	722 947	676 373

Condensed consolidated interim statement of changes in equity

(in EUR)	Share capital	Retained earnings	Equity
Balance at 31.12.2020	2500	3 591 861	3 594 361
Total comprehensive income		1 286 634	1 286 634
Balance at 31.12.2021	2500	5 243 176	5 245 676

(in EUR)	Share capital	Retained earnings	Equity
Balance at 31.12.2019	2 500	2 366 322	2 368 822
Total comprehensive income	0	1 370 964	1 370 964
Adjustment	0	4 575	4 575
Dividend payment	0	(150 000)	(150 000)
Balance at 31.12.2020	2 500	3 591 861	3 594 361

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 1 Corporate information

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

The structure of UPP Olaines OÜ as of 31.12.2021 is as follows:



NOTE 2 Summary of significant accounting policies

Basis of preparation

These unaudited condensed consolidated interim financial statements of UPP Olaines OÜ for 12 months 2021 have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31.12.2020. They do not include all of the information required for the complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the end of last annual financial statements.

Changes in significant accounting policies

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

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

NOTE 3 Critical accounting estimates and assumptions

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

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

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

NOTE 4 Reportable segments

Area of activity (in EUR)	External revenue			
	4Q 2021	4Q 2020	12 months 2021	12 months 2020
Net rental revenue	613 708	657 849	2 478 285	2 637 007
Total	613 708	657 849	2 478 285	2 637 007

Geographic area (in EUR)	External revenue			
	4Q 2021	4Q 2020	12 months 2021	12 months 2020
Latvia	613 708	657 840	2 478 285	2 637 007
Total	613 708	657 840	2 478 285	2 637 007

Geographic area (in EUR)	Investment property			
	31.12.2021	31.12.2020	31.12.2020	31.12.2019
Latvia	31 320 000	30 909 000	31 320 000	30 909 000
Total	31 320 000	30 909 000	31 320 000	30 909 000

NOTE 5 Loans and borrowings

31.12.2021 (in EUR)	Loans and borrowings by maturity				
	0-12 months	1-5 years	Total	Interest rate	Maturity
Bank loan	17 201 333	0	17 201 333	3m Euribor+2,4%	30.11.2022
Subordinated bonds	6 215 000	0	6 215 000	7%	10.11.2022
Shareholder's loan	0	2 942 028	2 942 028	7%	Termless
Total loan liabilities	23 416 333	2 942 028	26 358 361		

31.12.2020 (in EUR)	Loans and borrowings by maturity				
	0-12 months	1-5 years	Total	Interest rate	Maturity
Bank loan	1 064 004	17 201 326	18 265 330	3m Euribor+2,4%	30.11.2022
Subordinated bonds	0	6 215 000	6 215 000	7%	10.11.2022
Shareholder's loan	0	2 948 300	2 948 300	7%	Termless
Total loan liabilities	1 064 004	26 364 626	27 428 630		

NOTE 6 Fair value measurement

Financial assets and liabilities carried at fair value

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

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

31.12.2021 (in EUR)	Financial liabilities		
	Level 1	Level 2	Level 3
Derivative instruments		162 078	

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

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

31.12.2021 (in EUR)	Level 1	Level 2	Level 3	Carrying amount
Cash and cash equivalents	722 947			722 947
Trade and other receivables			280 124	280 124
Financial liabilities				
Interest-bearing loans and borrowings			26 358 361	26 358 361
Trade and other payables			556 956	556 956

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

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

NOTE 7 Transactions with related parties

Parent entities

The company is controlled by the following entities:

Name	Type	Residence	Ownership interest	
			31.12.2021	31.12.2020
UPP Logistics Properties OÜ	Immediate parent	Eesti	100%	0%
United Partners Property OÜ	Immediate parent	Eesti	0%	100%
United Partners Group OÜ	Ultimate parent and controlling entity	Eesti	72.95%	100%

Related party transactions and balances

During 12 months 2021, related party transactions occurred regarding the loan granted by UPP Logistics Properties OÜ to UPP Olaines OÜ, as detailed below:

Loans from UPP Logistics Properties OÜ (in EUR)	12 months 2021	12 months 2020*
Beginning of period loan balance	2 948 300	2 948 300
Interest expense	(205 941)	(277 730)
Interest paid	0	(144 487)
Balance correction	(6 272)	0
End of period loan balance	2 942 028	2 948 300

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

STATEMENT OF THE MANAGEMENT BOARD

The CEO and member of the management board confirms that financial and other information published in this interim report of UPP Olaines OÜ for the 12 months ended 31 December 2021 provides a true and fair view of the company's business development, financial performance and financial position.

According to the Terms and Conditions of UPP Olaines OÜ Subordinated Note Issue section 3.5.3 and 3.5.4, the Management confirms that the Company's debt service coverage ratio on consolidated level is greater or equal than 1.1 and that there has been no occurrence of an Extraordinary Early Redemption Event in 12 months 2021.

Signed digitally,

Marko Tali
Chairman of board of UPP Olaines OÜ
31.01.2022, Tallinn