



UNITED PARTNERS

Interim report for 6 months 2021

UPP Olaines OÜ



Interim report for 6 months 2021 (unaudited)

Reporting period: 01.01.2021 - 30.06.2021 ('6 months 2021')

Company name: UPP Olaines OÜ

Registration number: 14318601

Address: Pärnu mnt 141, Tallinn, 11314, Estonia

Telephone: +372 6616 450

E-mail: property@unitedpartners.ee

MANAGEMENT REPORT FOR 6 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 second quarter and six months of 2021

Net rental income was 638 000 euros in 2Q 2021 (651 646 euros in 2Q 2020) and 1 238 198 euros for the six months of 2021 (1 308 860 euros for 6 months of 2020). Operating profit was 588 383 euros in 2Q 2021 (608 349 euros in 2Q 2020) and 1 150 490 euros for the six months of 2021 (1 228 263 euros for 6 months of 2020). Net income was 349 591 euros in 2Q 2021 (328 545 euros in 2Q 2020) and 653 092 euros for the six months of 2021 (657 652 euros for 6 months 2020).

Decrease in net rental income and operating profit was due to the changes in the lease agreements which the management also reflected upon in the 1Q 2021 commentary. During the transition period, the premises subject to the changes in the lease agreements did not produce lease income for the period of two weeks. On top of the collection loss, the Group also made minor operational works and installed LED lights for the new tenant, which had additional impact on net rental income and operating profit.

Net income was not affected by these events compared to the previous reporting period. That is because the decrease in financial costs, which is due to the repaid principal in between the reporting periods, absorbed the loss of income and operational costs related to the changes in lease agreements. This also contributed to the higher net income in 2Q 2021 when compared to 2Q 2020.

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 2021

(in EUR)	2Q 2021	2Q 2020	6 months 2021	6 months 2020
Net rental income	638 000	651 646	1 238 198	1 308 860
Operating profit	588 383	608 349	1 150 492	1 228 263
Profit for the period	349 591	328 545	653 092	657 652

(in EUR)	30.06.2021	30.06.2020
Investment property	31 320 000	30 909 000
Interest-bearing loans	26 890 361	28 226 632
Interest-bearing loans less shareholder's loan	23 948 333	25 278 332

	6 months 2020	6 months 2020
Net profit margin, % (Total comprehensive income / Net rental revenue)	52,8%	50,2%
ROA (Net profit / Average fixed assets)	4,17%	4,25%
LTV (Interest-bearing loans less shareholder's loan / Investment property)	76,6%	81,8%
DSCR (Operating profit / Loan principal and interest payments on interest-bearing loans)	1,1	1,2

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	2Q 2021	2Q 2020	6 months 2021	6 months 2020
Net rental income	4	638 000	651 646	1 238 198	1 308 860
Net rental income		638 000	651 646	1 238 198	1 308 860
General and administrative expenses		(49 617)	(43 297)	(87 706)	(80 624)
Operating profit		588 383	608 349	1 150 492	1 228 236
Financial income / (cost)		(238 792)	(279 804)	(497 400)	(570 584)
Profit before income tax		349 591	328 545	653 092	657 652
Income tax		0	0	0	0
Profit for the period		349 591	328 545	653 092	657 652
Total comprehensive income for the period		349 591	328 545	653 092	657 652

Condensed consolidated interim statement of financial position

(in EUR)	Note	30.06.2021	30.06.2020
Cash and cash equivalents		707 233	555 735
Trade and other receivables		213 135	392 830
Total current assets		920 368	948 565
Investment property		31 320 000	30 909 000
Total non-current assets		31 320 000	30 909 000
TOTAL ASSETS		32 240 368	31 857 565
Trade and other payables		463 717	431 635
Financial derivatives		274 156	434 250
Loans and borrowings	5	1 064 004	1 064 004
Total current liabilities		1 801 877	1 929 889
Loans and borrowings	5	25 826 357	26 896 627
Total non-current liabilities		25 826 357	26 896 627
TOTAL LIABILITIES		27 628 234	28 826 516
Share capital		2 500	2 500
Retained earnings		4 609 634	3 028 549
TOTAL EQUITY		4 612 134	3 031 049
TOTAL EQUITY AND LIABILITIES		32 240 368	31 857 565

Condensed consolidated interim statement of cash flows

(in EUR)	Note	2Q 2021	2Q 2020	6 months 2021	6 months 2020
Operating profit		588 383	608 349	1 150 492	1 228 236
Decrease / (increase) in receivables		(2 983)	(79 254)	(74 770)	(84 791)
Increase / (decrease) in payables		(39 125)	8 058	(23 444)	15 951
Paid income tax		0	0	0	0
Cash flows from operating activities		546 275	537 153	1 052 278	1 159 396
Repayments of loans and borrowings		(266 000)	(266 001)	(532 001)	(532 002)
Interest paid		(244 536)	(249 760)	(489 417)	(503 083)
Cash flows from financing activities		(510 536)	(515 761)	(1 021 418)	(1 035 085)
Net increase / (decrease) in cash and equivalents		35 739	21 392	30 860	(5 739)
Cash and equivalents at the beginning of the period		671 494	534 343	676 373	561 474
Cash and cash equivalents at the end of the period		707 233	555 735	707 233	555 735

Condensed consolidated interim statement of changes in equity

(in EUR)	Share capital	Retained earnings	Retained earnings
Balance at 31.12.2020	2500	3 956 542	3 959 042
Total comprehensive income		653 092	653 092
Balance at 30.06.2021	2500	4 609 634	4 612 134

(in EUR)	Share capital	Retained earnings	Retained earnings
Balance at 31.12.2019	2 500	2 370 897	2 373 397
Total comprehensive income		657 652	657 652
Balance at 30.06.2020	2 500	3 028 549	3 031 049

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 30.06.2021 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 6 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			
	2Q 2021	2Q 2020	6 months 2021	6 months 2020
Net rental revenue	638 000	651 646	1 238 198	1 308 860
Total	638 000	651 646	1 238 198	1 308 860

Geographic area (in EUR)	External revenue			
	2Q 2021	2Q 2020	6 months 2021	6 months 2020
Latvia	638 000	651 646	1 238 198	1 308 860
Total	638 000	651 646	1 238 198	1 308 860

Geographic area (in EUR)	Investment property			
	30.06.2021	30.06.2020	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

30.06.2021 (in EUR)	Loans and borrowings by maturity				
	0-12 months	1-5 years	Total	Interest rate	Maturity
Bank loan	1 064 004	16 669 329	17 733 333	3m Euribor+2,4%	30.11.2022
Subordinated bonds	0	6 215 000	6 215 000	7%	10.11.2022
Shareholder's loan	0	2 942 028	2 942 028	7%	Termless
Total loan liabilities	1 064 004	25 826 357	26 890 361		

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	17 201 329	18 265 333	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	26 364 629	27 428 633		

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).

30.06.2021 (in EUR)	Financial liabilities		
	Level 1	Level 2	Level 3
Derivative instruments		274 156	

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

30.06.2021 (in EUR)	Level 1	Level 2	Level 3	Carrying amount
	Financial assets			
Cash and cash equivalents	707 233			707 233
Trade and other receivables			213 135	213 135
Financial liabilities				
Interest-bearing loans and borrowings			26 890 361	26 890 361
Trade and other payables			463 717	463 717

31.12.2020 (in EUR)	Level 1	Level 2	Level 3	Carrying amount
	Financial assets			
Cash and cash equivalents	676 373			676 373
Trade and other receivables			124 812	124 812
Financial liabilities				
Interest-bearing loans and borrowings			27 428 633	27 428 633
Trade and other payables			369 491	369 491

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	
			30.06.2021	31.12.2020
UPP Logistics Properties OÜ	Immediate parent	Eesti	85.7%	0%
United Partners Property OÜ	Immediate parent	Eesti	0%	100%
United Partners Group OÜ	Ultimate parent and controlling entity	Eesti	85,7%	100%

Related party transactions and balances

During 6 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)	6 months 2021	6 months 2020*
Beginning of period loan balance	2 948 300	2 948 300
Interest expense	(102 971)	(88 449)
Interest paid	0	(35 725)
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 6 months 2020 is accounted for United Partners Property OÜ, while the 'Related party transactions and balances' for 6 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 6 months ended 30 June 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 6 months 2021.

Signed digitally,

Marko Tali
Chairman of board of UPP Olaines OÜ
26.07.2021, Tallinn