

## **UPP & CO KAUNO 53 OÜ**

Consolidated interim report  
concerning the reporting  
period ended on 30  
September 2019 (unaudited)

**CONSOLIDATED INTERIM REPORT****UPP & CO KAUNO 53 OÜ**

Beginning of reporting period: 1 January 2019  
End of reporting period: 30 September 2019

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## MANAGEMENT REPORT

### General information

UPP & CO Kauno 53 OÜ (hereinafter the Company) was founded for the purpose of financing, acquisition and management of the investment property Vievis Logistics Park (buildings and registered immovable). The location of Vievis Logistics Park is Kauno 53, Vievis, Republic of Lithuania, cadastral register number 4400-1185-1420. The Company was founded on 30.01.2017 and it did not engage in economic activities until 17.04.2017 when the warehouse of Vievis Logistics Park was acquired.

The commercial activities of the Company are not affected by seasonal factors and lack any social or environmental impact.

The Company has been founded solely for the purpose of financing, acquisition and management of Vievis Logistics Park; therefore no strategic changes in the commercial activities of the Company have been planned.

The management is not in possession of any information concerning trends, uncertainties, claims, obligations or events that could likely have a significant impact on the prospects of the Company in the period following the reporting period outside the regular commercial activities of the Company.

The commercial activities of the Company constitute collecting income from rent, managing the real estate object, and servicing loan obligations. Loan obligations comprise bonds with a fixed interest rate and an investment loan whose interest is also fixed with a derivative contract. In terms of income, there is stable triple net lease income from lessees that is for the most part fixed with medium to long-term contracts and indexed according to inflation. Arising from the commercial activities of the Company, its economic activities and financial results are generally not easily affected by various external factors.

### Comment on economic performance and management report

During the Q3 2019 the company achieved EUR 256,037 in operating profit and for the first three quarters of 2019 the company achieved EUR 765,948 in total operating profit. Compared with same reporting periods from the previous year, the third quarter operating profit has decreased by 16% and operating profit for first three quarters of 2019 has decreased by 15% in total. The lower operating profit for the reporting period was caused due to increased depreciation of fixed assets. Upon the acquisition of the subsidiary Promalita UAB, the Company acquired goodwill and, due to the depreciation thereof, the depreciation of fixed assets has increased which has had effect on the company's bottom line.

In other aspects, the company's financial results are stable and have remained similar to the compared reporting period. The Company is profitable and the accumulation of retained earnings ensures the required flexibility for bond redemption in the future. The Company is not planning to disburse the retained earnings before bond redemption. The Company has gradually reduced its obligation towards OP Bank, which strengthens the cash flow of the Company and provides the

fundamentals for increase in profitability in the future. The value of the investment property of the Company has increased by 2.3%.

No significant events other than regular operating activities, including the timely receipt of rent and utility charges, took place as of the end of the third quarter of 2019.

There are no vacancies on the investment property as of the end of the reporting period.

### Management board and Supervisory board

The management board of UPP & CO Kauno 53 OÜ consists of one member: Marko Tali, Chairman of the Management Board.

The supervisory board of UPP & CO Kauno 53 OÜ consists of 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.

UPP & CO Kauno 53 OÜ is a going concern.

<b>Financial ratios of the Group</b>	<b>2019</b>	<b>2018</b>
	<b>9 months</b>	<b>9 months</b>
Profit margin %	22,97%	38,16%
Quick ratio	53,66	29,00
Return on equity %	23%	59%
Equity ratio	0,06	0,03
ROA %	1,31%	2%

#### Formulas for ratios

Profit margin % = net profit/net sales\*100

Quick ratio = (current assets – inventories)/current liabilities

Return on equity % = (net profit/average equity for 12 months)\*100

Equity ratio = equity/average assets (12 months)

Return on assets (ROA, %) = net profit/assets\*100

Member of Management Board

Marko Tali

**CONSOLIDATED INTERIM ANNUAL ACCOUNTS****CONSOLIDATED BALANCE SHEET**

(EUR)

	<u>30.09.2019</u>	<u>30.09.2018</u>	<u>Note</u>
Cash	300 531	56 741	2
Receivables and prepayments	11 226	13 276	
<b>Total current assets</b>	<b><u>311 757</u></b>	<b><u>70 017</u></b>	
Investment properties	15 700 000	15 350 000	4
Tangible fixed assets	15 888	25 995	
Goodwill	907 247	1 280 818	5
<b>Total fixed assets</b>	<b><u>16 623 135</u></b>	<b><u>16 656 813</u></b>	
<b>TOTAL ASSETS</b>	<b><u>16 934 892</u></b>	<b><u>16 726 830</u></b>	
Short-term loans payable	460 000	115 000	6
Payables and prepayments	120 981	122 483	7
<b>Total current liabilities</b>	<b><u>603 213</u></b>	<b><u>575 812</u></b>	
Long-term loans payable	13 000 189	13 765 183	6
Long-term provisions	2 281 949	2 131 689	8
<b>Total non-current liabilities</b>	<b><u>15 282 138</u></b>	<b><u>15 896 872</u></b>	
<b>TOTAL LIABILITIES</b>	<b><u>15 863 119</u></b>	<b><u>16 134 355</u></b>	
Share capital	2 500	2 500	9
Retained earnings	1 069 273	589 975	
<b>TOTAL EQUITY</b>	<b><u>1 071 773</u></b>	<b><u>592 475</u></b>	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b><u>16 934 892</u></b>	<b><u>16 726 830</u></b>	

The notes set out on pages 10 to 24 serve as integral parts of the interim financial statements.

**CONSOLIDATED INCOME STATEMENT**

(EUR), per year

	2019 9 months	2019 3Q	2018 9 mons	2018 3Q	Note
Sales revenue	967 559	320 908	927 604	312 924	10
Other operating revenue	0	0	6716	0	
Other operating expenses	-35 035	-9 467	-16 410	-3 466	11
Staff costs	-252	-84	-957	-81	
Depreciation of fixed assets	-166 324	-55 320	-12 316	-3 895	5
<b>Operating profit</b>	<b>765 948</b>	<b>256 037</b>	<b>904 637</b>	<b>305 482</b>	
<b>Financial income (expenses)</b>	<b>-422 094</b>	<b>-141 390</b>	<b>-430 710</b>	<b>-142 074</b>	12
<b>Profit before income tax</b>	<b>343 854</b>	<b>114 647</b>	<b>473 927</b>	<b>163 408</b>	
Income tax	-121 566	-38 524	-119 940	-40 498	13
<b>Net profit for financial year</b>	<b>222 288</b>	<b>76 123</b>	<b>353 987</b>	<b>122 910</b>	
including the share of the owners of the parent company in net profit	222 288	76 123	353 987	122 910	

The notes set out on pages 10 to 24 serve as integral parts of the interim financial statements.



**CONSOLIDATED CASH FLOW STATEMENT**

(EUR), per year

	<b>2019 9 months</b>	<b>2019 3Q</b>	<b>2018 9 months</b>	<b>2018 3Q</b>	<b>Note</b>
Operating profit (loss)	765 948	256 037	904 637	305 482	
Adjustments (depreciation of fixed assets)	166 324	55 320	12 316	3 895	
Change in receivables and prepayments related to operating activities	-1790	-792	-4 534	1 419	
Change in payables and prepayments related to operating activities	-33 758	-32 522	-8 305	4 606	
<b>Total cash flow from operating activities</b>	<b>896 724</b>	<b>278 043</b>	<b>904 114</b>	<b>315 402</b>	
Loans received and bonds issued	0	0	76 600	2 000	
Repayments of loans received and redemption of bonds	-345 000	-153 333	-511 500	-221 500	6
Interest paid	-410 877	-141 390	-452 218	-139 909	
<b>Total cash flow from financing activities</b>	<b>-755 877</b>	<b>-294 723</b>	<b>-887 118</b>	<b>-359 409</b>	
<b>Total cash flow</b>	<b>140 847</b>	<b>-16 680</b>	<b>16 996</b>	<b>-44 007</b>	
Cash at beginning of period	159 684	317 211	39 745	100 748	2
Change in cash	140 847	-16 680	16 996	-44 007	
Cash at end of period	<b>300 531</b>	<b>300 531</b>	<b>56 741</b>	<b>56 741</b>	2

The notes set out on pages 10 to 24 serve as integral parts of the interim financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

(EUR)

	Share capital	Retained earnings	Equity Total
<b>As of 31.12.2017</b>	<b>2,500</b>	<b>235,987</b>	<b>238,487</b>
Profit for reporting period	0	353 988	<b>353 475</b>
<b>As of 30.09.2018</b>	<b>2 500</b>	<b>589 975</b>	<b>592 475</b>
Profit for reporting period	0	382 175	<b>382 175</b>
Other changes in equity	0	-2 255	<b>-2 255</b>
<b>As of 31.12.2018</b>	<b>2 500</b>	<b>846 985</b>	<b>849 485</b>
Profit for reporting period	0	222 288	<b>222 288</b>
<b>As of 30.09.2019</b>	<b>2 500</b>	<b>1069 273</b>	<b>1 071 773</b>

More detailed information on share capital and changes therein is available in Note 9.

The notes set out on pages 10 to 24 serve as integral parts of the interim financial statements.

## NOTES TO INTERIM CONSOLIDATED ANNUAL ACCOUNTS

### Note 1 Accounting policies and procedures

OÜ UPP & CO Kauno 53 (hereinafter the Parent Company) is a company registered and operating in Estonia. The interim consolidated annual accounts reflect the consolidated assets, liabilities, equity, economic results and cash flow of the Parent Company and UAB Promalita, its Lithuanian subsidiary (hereinafter jointly referred to as the Group).

The interim consolidated annual accounts of OÜ UPP & CO Kauno 53 for 2019 have been prepared in compliance with the Estonian Financial Reporting Standard. The Estonian Financial Reporting Standard is based on internationally acknowledged principles of accounting and reporting, the primary requirements of which are provided for in the Accounting Act, which are supplemented by guidelines issued by the Accounting Standards Board of the Republic of Estonia.

The interim consolidated financial statements have been prepared in euros.

A description of the significant accounting policies and procedures as well as bases for evaluation is provided below.

#### A. Consolidation

The interim consolidated annual accounts contain the financial indicators of OÜ UPP & CO Kauno 53 and its subsidiaries, which have been consolidated on a line-by-line basis. Subsidiaries are consolidated from the date dominant influence or joint control was transferred to the group and its consolidation is terminated from the date the group loses dominant influence or joint control.

Subsidiaries are companies controlled by the parent company. A subsidiary is deemed to be under the control of the parent company if the parent company holds either directly or indirectly more than 50% of the voting shares of the subsidiary or is in some other manner able to control the management and financial policies of the subsidiary.

Subsidiaries use the same accounting principles in their reports as the parent company. All intra-group transactions, receivables and payables as well as unrealised gains and losses from transactions concluded between the group companies have been eliminated from the interim and annual accounts in full. Unrealised losses are not eliminated if they essentially represent impairment.

Minority shareholding, which is the part of the subsidiary's profit or loss and net assets that does not belong to the group, is recorded on a separate line in the consolidated income statement and balance sheet (under equity).

New subsidiaries are reported on the consolidated interim and annual accounts using the purchase method. The acquisition cost of companies recorded by the purchase method is divided by the fair value of the assets, liabilities and contingent liabilities as of the acquisition date. The share of the acquisition cost that exceeds the fair value of assets, liabilities and contingent liabilities acquired is recognised as goodwill.

#### B. Investments in subsidiaries and affiliates in the unconsolidated balance sheet of the parent company

Pursuant to the Estonian Financial Reporting Standard, the primary unconsolidated accounts of the consolidating unit (parent company) must be separately presented in the notes to the financial statements. The primary accounts of the parent company have been prepared using the same accounting policies as

applied in preparing the consolidated annual accounts, except for investments in subsidiaries that have been recognised in the unconsolidated balance sheet at acquisition cost.

Dividends paid out by subsidiaries and affiliates are recognised as financial income as of the moment the parent company becomes entitled to these dividends, excluding the part of dividends paid out on account of the available equity earned by the subsidiary or affiliate before the acquisition of the company by the group. The respective proportion of the dividends is recognised as a reduction of the investment.

### C. Cash

Bank account balances and cash in hand are recognised under the balance sheet entry “Cash”. Cash flow from operating activities has been calculated using the indirect method. Cash flow from investment and financing activities is recognised by using the direct method, i.e. presented as the gross earnings and payments in the reporting period.

### D. Financial assets

All financial assets are initially registered at their acquisition cost, which is equal to the fair value of the consideration paid for the financial asset in question. The initial acquisition cost also includes all the costs directly attributable to the acquisition of financial assets, including the fees payable to agents and advisers, the non-refundable taxes attributable to the transaction and other similar costs, and excluding the costs attributable to the acquisition of such financial assets that are recognised at fair value with changes through profit or loss.

All purchases and sales of financial assets under regular market conditions are recognised on the relevant transaction dates, i.e. on the date when the group enters into the obligation (e.g. enters into a contract) for the purchase or sale of certain financial assets. Purchases and sales performed under regular market conditions mean such purchases and sales, in the event of which the financial asset purchased or sold is transferred from the seller to the buyer during the period that has been established on the market or required under the relevant market regulations.

All financial assets are recognised at their fair value after they have been initially registered, except:

- a) receivables from other parties, which the group has not acquired for resale and held-to-maturity financial investments – these are recognised at the adjusted acquisition cost;
- b) investments in shares and other equity instruments whose fair value cannot be reliably determined (including derivatives related to such assets) – these are recognised at their acquisition cost.

#### Financial assets recognised at fair value

Financial assets recognised at fair value are revalued on each balance sheet date at the fair value of the moment from which the potential transaction costs attributable to the realisation of the assets have not been subtracted. The fair value of securities listed on the stock exchange is based on the closing prices of the balance sheet date and the official exchange rates of the European Central Bank. The fair value found on the basis of all information available to the group about the value of the investment is used for securities not listed on the stock exchange.

Profits and losses arising from changes in the fair value are recorded in the income statement under “Financial income and expenses”. Profits and losses arising from realisation of financial assets reported at the fair value as well as the interest and dividends on the corresponding securities are recorded in the income statement under “Financial income and expenses”.

Changes in the fair value of the financial assets acquired for trading are recognised as profit or loss in the income statement of the accounting period. Changes in the fair value of other financial assets recognised at fair value are recognised consistently (i.e. under equal conditions as of the moment of acquisition of the assets until the realisation of the assets) in equity in the fixed assets revaluation reserve. Differences in

revaluation caused due to changes in exchange rates of financial assets in foreign currencies, interest income calculated on the basis of the internal interest rate and dividend income received on equity instruments are immediately recognised in the income statement.

Securities (shares, bonds, debenture bonds, fund units, etc.) that will probably not be sold in the next twelve months (excluding investments in subsidiaries and affiliates) and securities with a fixed maturity date of more than twelve months after the balance sheet date and loans granted with a maturity date of more than twelve months after the balance sheet date are recognised as long-term financial investments (other long-term investments in shares and securities and long-term receivables).

An evaluation is done every balance sheet date to determine whether there are any circumstances suggesting possible impairment of assets. If such circumstances exist, financial assets are written down as follows:

- a) A financial asset recognised at amortised cost (such as a receivable or a held-to-maturity debt security) is written down to the present value of its estimated future cash flows (discounted at the asset's original effective interest rate);
- b) A financial asset recognised at acquisition cost (such as shares or other equity instruments whose fair value cannot be measured reliably) is written down to the present value of its estimated future cash flow (discounted at the current average market rate of return for a similar financial asset);
- c) A financial asset recognised at fair value is written down to its fair value.

An impairment loss is recognised as an expense in the income statement. In the case of financial assets that are recognised at fair value with changes via the equity revaluation reserve, the negative revaluation reserve that has thus far been recognised in equity will be transferred to the income statement upon the identification of impairment characteristics.

Reversal of impairment losses:

- (a) If the value of a financial asset recognised at amortised cost that has been written down in a previous period increases, the previously recognised impairment loss is reversed, resulting in the carrying amount of the asset to be the lower of (1) the present value of the asset's estimated future cash flow and (2) the balance sheet residual value using the amortised cost of the asset that would have been measured had the impairment loss not been recognised. Reversals of impairment losses are recognised in the income statement.
- (b) Write-downs of assets that are recognised at acquisition cost because their fair value cannot be reliably determined are not cancelled.
- (c) Upon the reversal of impairment losses of financial assets at fair value with changes that are recognised via the equity revaluation reserve, the following will be used as the basis: upon the reversal of impairment losses of shares and other equity instruments, the increase in value will be recognised in the equity revaluation reserve; upon the reversal of impairment losses of bonds and other debt instruments, the increase in value will be recognised in the income statement.

#### Receivables and financial investments held until redemption date

Accounts receivable that the group has not acquired for resale, and held-to-maturity financial assets, are recorded at the adjusted acquisition cost thereof, using the effective interest rate. The adjusted acquisition cost is calculated for the entire term of the financial asset and any discounts or premiums that have occurred upon the acquisition and the costs directly attributable to the transaction are taken into account.

Financial assets recognised using the adjusted acquisition cost method are written down if their recoverable amount is likely to remain below their book value. The recoverable amount of financial assets recognised at the adjusted acquisition cost is the present value of future cash flow derived from the financial assets discounted with the effective interest rate fixed at the moment of initial recognition. Write-downs of financial assets related to operations are recognised in the income statement as operating charges under "Other operating expenses" and write-downs of financial assets related to investment activities are recognised in the income statement under "Financial income and expenses".

Impairment of individually important financial assets is determined separately for each asset. Based on historical experience, receivables are treated as uncollectible to the extent of 50% (i.e. a write-down is recorded for the receivables) if they are overdue for more than 90 days, and uncollectible to the extent of 100% if they are overdue for more than 180 days.

Receivables are also recorded as uncollectible in other events that imply that the recoverable amount of the receivable falls short of its book value. Upon the recovery of a receivable that was previously written down or in case of other events that indicate that the write-down is no longer justified, the reversal of the write-down is recognised in the income statement as a decrease in the expenses where the write-down was initially recognised.

Interest income from receivables is recorded in the income statement under "Financial income and expenses".

#### **E. Trade receivables**

Current receivables incurred by the group in the course of its daily business activities are recognised as trade receivables. Trade receivables are recognised at the adjusted acquisition cost (i.e. nominal value less repayments and any necessary write-downs).

Discounts on receivables are represented whenever there is objective evidence of the fact that the total amount of receivables will not be received in accordance with the initial contractual terms and conditions pertaining to receivables. The circumstances referring to a possible decrease in the value of receivables are the bankruptcy of a debtor or their significant financial difficulties and failure to stick to deadlines. An impairment of individually important receivables (i.e. the need for a write-down) is evaluated separately regarding each buyer proceeding from the present value of the amounts to be presumably received in the future. In the case of such receivables that are not individually significant, and in relation to which it is not directly known that their value has been decreased, the decrease in the value is assessed as a total, with due consideration of the experience for previous years pertaining to outstanding receivables. The write-down amount of doubtful accounts is the difference in the book value of such accounts and the present value of future cash flows using the internal interest rate method. The book value of the receivables is reduced by the amount of doubtful accounts and the loss from the write-down is recorded in the income statement. The receivable and its write-down are written off the balance sheet if the receivable is deemed to be uncollectible. Collection of doubtful receivables that have previously been written down is recognised as a decrease in the expenses of doubtful receivables.

#### **F. Investment properties**

Investment property is a real estate object held by the group first and foremost for the purpose of earning operating income and increase in value rather than using it upon the production of goods or services, for administrative purposes, or for sale in the course of regular business activities.

Investment properties are recognised using the fair value method. When applying the fair value method, the investment property is recognised by the group on every balance sheet date at fair value proceeding from the discounted cash flow method.

Fair value is adjusted only upon the increase or decrease of value by more than 2% compared to the respective value in the previous year. Gains and losses on changes in the value are reported in the income statement under "Other operating revenue" and "Other operating charges".

#### **G. Tangible fixed assets**

Assets that cost 200 euros and more and whose useful lives exceed one year are deemed to be tangible fixed assets. Assets whose useful lives exceed 1 year but whose acquisition cost is less than 200 euros are recognised as low-value inventory (under inventories) until taken into use and transferred into expenses in

the extent of 100% at the time they are taken in use. Expensed low-value inventory is reported off the balance sheet.

Tangible fixed assets are registered at their acquisition cost, which comprises the purchase price and expenses directly attributable to the acquisition.

Tangible fixed assets are subsequently recognised in the balance sheet at their acquisition cost less accumulated depreciation and any possible write-downs resulting from impairment.

If an item of tangible fixed assets consists of distinguishable components with different useful lives, such components are registered in accounting as separate items of assets and different depreciation rates are assigned to them according to their useful lives.

Later expenses on recognised tangible fixed assets (e.g. the replacement of certain parts of an asset) are added to the book value of the assets if the following criteria have been met: (a) it is likely that as a result, the group will receive economic benefit in the future; and (b) their acquisition cost can be reliably measured. Replaced parts are written off the balance sheet. All other expenditure is recognised as expenses in the period when the expenses were incurred.

Straight-line method is used for the depreciation of tangible fixed assets. Depreciation rates are established separately for each item of tangible fixed assets on the basis of its useful life. Annual depreciation rates for classes of fixed assets are as follows:

• Land	0%
• Buildings and structures	2-15%
• Machinery and equipment	8-50%
• Means of transport	15-25%
• Other fixtures, fittings, tools and equipment	20-40%

Depreciation of assets is discontinued if the final value of the assets which equals a sum that the group would receive upon transfer of the assets today, if the assets were of the same age and in the same state as they are expected to appear at the end of their useful life, exceeds the book value of the assets. The depreciation methods, rates and final values of tangible fixed assets are reviewed at least at the end of each financial year and if new estimates differ from the previous ones, the variations are recognised as changes in accounting estimates, i.e. they are carried forward.

Possible impairment of tangible fixed assets is assessed if certain events or developments imply that the recoverable amounts of the assets may be smaller than their book value. If such developments exist, the group will carry out an evaluation of the recoverable amount of the assets. If the estimated recoverable amount of the assets is below their book value, the assets or assets constituting a cash-generating unit are written down to their recoverable amount, which is equal to the higher of the present value (or value in use) of the future cash flow from the assets or the fair value of the assets less costs to sell. The fair value of assets is determined by independent experts, if necessary. The write-down is recorded as an expense of the accounting period on the same row of the income statement where the depreciation on the written down assets or the assets belonging to a cash generating unit has been recorded.

If later the recoverable amount of the assets increases, exceeding its book value, the write-down will be cancelled and the book value of the assets will be increased, but not in excess of the book value of the assets that would have been recorded if the assets had not been written down. Cancellation of a write-down of assets is recognised in the income statement on the same account where the previous write-down was recognised.

Recognition of tangible fixed assets is discontinued upon their transfer or if the group does not expect fiscal advantages from their use or sales. Gains and losses on discontinued recognition of tangible fixed assets

are recognised in the income statement under “other operating revenue” or “other operating charges” for the period when recognition was discontinued.

#### **H. Intangible fixed assets**

Intangible fixed assets are registered at their acquisition cost, which comprises the purchase price and expenses directly attributable to the acquisition. Intangible fixed assets are subsequently recognised in the balance sheet at their acquisition cost less accumulated depreciation and any possible write-downs resulting from impairment. Depreciation is calculated using the straight-line method.

#### **I. Impairment of assets**

Impairment of intangible assets of undefined useful lives (including goodwill) is checked once a year by comparing the carrying amount of the assets with the recoverable amount.

The occurrence of circumstances referring to possible impairment is assessed in the event of tangible fixed assets with unlimited useful lives and depreciable assets. If such circumstances exist, the recoverable amount of the assets is measured and it is compared with the carrying amount.

The loss caused by impairment is recognised in the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset item is the fair value of the asset item from which the costs to sell or the value in use, whichever is higher, have been deducted. To assess the extent of impairment, the recoverable amount is assessed either with regard to individual asset items or the smallest possible groups of assets for which it is possible to differentiate the cash flow. Write-downs of assets are recognised as expenses for the financial year.

Once an asset item has been written down, it is assessed on every subsequent balance sheet date whether it may be likely that the recoverable amount of the asset item has increased in the meantime (excluding goodwill whose write-downs are not cancelled). Any previous write-downs are cancelled if the impairment test shows that the recoverable amount of an asset item or a group of assets (cash generating unit) has increased to over the carrying amount and the carrying amount of the asset item is increased to the amount that would have emerged considering normal depreciation during the years in-between. Cancellations of write-downs are recognised in the income statement of the annual period as a reduction of the cost of write-downs of fixed assets.

#### **J. Financial liabilities**

All financial liabilities (trade creditors, loans raised, accrued expenses, bonds issued and other short-term and long-term payables) are initially registered at their acquisition cost, which also includes all the expenses directly attributable to acquisition. Any further recognition takes place pursuant to the adjusted acquisition cost method (except the financial liabilities acquired for the purpose of resale and derivative instruments of negative fair value that are recognised at the fair value thereof).

The adjusted acquisition cost of short-term financial liabilities is generally equal to their nominal value and therefore short-term financial liabilities are recognised in the balance sheet in the amounts subject to payment. In order to calculate the adjusted acquisition cost of long-term financial liabilities, they are initially recognised at the fair value of the amounts received (less any transaction costs), considering the interest expenses to be incurred on the liability in future periods, using the internal interest rate method.

A financial liability is classified as current if its payment term is within twelve months as of the balance sheet date or if the group does not have the unconditional right to postpone the payment of the obligation for more than twelve months after the balance sheet date. Loans payable that are due within 12 months as of the balance sheet date, but which are refinanced as long-term after the balance sheet date, but before the approval of the financial statements, are recognised as current liabilities. Loans payable that the lender had the right to recall on the balance sheet date due to a breach of the terms and conditions provided for in the loan agreement are also recognised as current liabilities.

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Promises, guarantees and other obligations that may turn to liabilities under certain conditions in the future, but the likelihood of whose realisation in the opinion of the management of the parent company is smaller than the likelihood of non-realisation, have been disclosed as contingent liabilities in the notes to the financial statements.

#### **K. Revenue**

Revenue from the sale of services is recognised in the period in which the service is provided if the revenue gained from providing the service can be reliably measured, the proceeds arising from the transaction are likely to be collected, and the expenses related to the transaction can be reliably assessed. Revenue from the sale of goods is recognised when all significant risks related to ownership have been transferred to the buyer, the proceeds arising from the sale are likely to be collected, and the expenses related to the sales revenue and the transaction can be reliably determined.

Sales revenue reflects the sale of services and goods related to the principal activity. Other operating revenue comprises irregular revenue not directly related to the principal activity.

Interest income is recognised on an accrual basis once it is likely that the group will gain economic benefit from the transaction and the amount of interest income can be reliably measured.

#### **L. Expenses**

Expenses are recognised on an accrual basis, i.e. at the moment when the economic transaction actually occurs, not when the liability is paid.

Expenses are recognised in the same period as the revenue associated with them. Expenses that are likely to participate in generating economic benefits in future periods are recognised on the balance sheet as assets at the moment of their emergence and as expenses in the period(s) when the expenses associated with them emerge.

Expenses of services and goods purchased directly for the purpose of the principal activity are recognised in the income statement under "Goods, raw materials and services". Other operating expenses comprise expenses that are not regarded directly as costs of provision of services. Other operating revenue comprises irregular expenses not related to the principal activity.

Interest expenses are recognised as financial expenses of the reporting period on the accrual basis.

#### **M. Corporate income tax**

Pursuant to the currently applicable Income Tax Act, a company registered in Estonia does not pay income tax on the profit earned, and profit distributed by way of a bonus issue is also not taxed. Companies pay income tax on profit distributed as dividends or other profit distributions, including disbursements from equity, that exceed the monetary and non-monetary contributions to the equity of the company upon the disbursement thereof by monetary or non-monetary means. On the basis of the abovementioned Act, profit distributed by the company as dividends or by other means is taxed with income tax at the rate of 20/80.

Pursuant to the tax legislation applicable in Estonia, the company is not able to disburse all its available equity without additional expenses; instead, a part of equity will be used to cover the income tax on dividends. Provisions in respect of future income tax payable on dividends are not formed before the declaration of dividends, but the relevant information is disclosed in the notes to the accounts.

Corporate income tax related to the disbursement of dividends or the making of other payments that reduce equity is recognised as a liability and an expense at the moment of announcing the dividends or other payments that reduce equity.

Income tax on dividends is recognised in the income statement under income tax expenses during the same period when the dividends are announced, regardless of the period for which they have been announced or when they are actually disbursed.

Taxation of subsidiaries registered in a foreign country.

Pursuant to the Income Tax Act, the net profit of the company, as adjusted with the temporary and permanent differences provided in the Income Tax Act, is subject to income tax in Lithuania, with the tax rate being 15%.

Deferred tax has been recognised in the accounting pursuant to the liability method on all temporary differences as of the balance sheet date between the tax base and book value of the assets and liabilities. Deferred tax assets are only recognised if it is likely that gains will be earned in the future on whose account the deferred tax assets can be used.

#### **N. Lease accounting**

Lease transactions where all significant risks and benefits related to the ownership of the assets are transferred to the lessee are recognised as financial lease. Other lease transactions are treated as operating lease.

The Company leases its assets under operating lease conditions and therefore recognises assets in the balance sheet under regular conditions and similarly to other assets recognised in the balance sheet.

The lessor recognises the rental income received from operating lease during the rental period as revenue in the income statement. The payments made to the lessor are structured such as to increase together with the expected general inflation based on the published indexes in order to compensate for the expected increase in the expenses of the lessor in relation to inflation.

#### **O. Events after the balance sheet date**

The interim and annual accounts reflect the material circumstances that influence the evaluation of assets and liabilities and which occurred between the balance sheet date and the preparation date of the financial statements, but which are related to transactions that took place during the accounting period or earlier.

Events after the balance sheet date that have not been considered in the evaluation of assets and liabilities, but that considerably affect the result of the next financial year are disclosed in the financial statements.

#### **P. Impact of the global economy**

It is impossible for the management to offer reliable forecasts as to what the impact of potential future unstable conditions in the global economy would be on the group's activities and financial position. The management believes that it has taken all measures required to guarantee the group's sustainability and growth in the current conditions.

#### **Q. Related parties**

Parties are considered to be related if one party either controls the other party or has significant influence on the business decisions made by the other party, including the parent company and other companies belonging to the same group, members of the supervisory board and the management board, their family members and companies that are controlled by said persons or where said persons have significant influence.

**Note 2 Cash**  
(EUR)

	<b>30.09.2019</b>	<b>30.09.2018</b>
Cash at bank	300 531	56 741
Total cash	<b>300 531</b>	<b>56 741</b>

The Group has bank accounts in Swedbank and OP Corporate Bank Lithuanian Branch. Cash payments are not accepted.

**Note 3 Subsidiaries**  
Group shareholding

<b>Name</b>	<b>Country of location</b>	<b>Holding % as of 30.09.2019</b>	<b>Holding % as of 30.09.2018</b>
Promalita UAB	Lithuania	100%	100%

The shares of the subsidiary are not listed on the stock exchange.

**Note 4 Investment properties**  
(EUR)

	<b>Built-up registered immovable</b>	<b>Total</b>
<b>Balance 31.12.2017</b>	<b>15 350 000</b>	<b>15 350 000</b>
<b>Balance 30.09.2018</b>	<b>15 350 000</b>	<b>15 350 000</b>
Change in fair value	350,000	350,000
<b>Balance 31.12.2018</b>	<b>15 700 000</b>	<b>15 700 000</b>
<b>Balance 30.09.2019</b>	<b>15 700 000</b>	<b>15 700 000</b>

Investment properties have been recognised at fair value.  
Colliers International Advisors UAB served as the independent evaluator.

**Note 5 Intangible fixed assets**  
(EUR)

	<b>Goodwill</b>	<b>Total</b>
<b>Balance 31.12.2017</b>		
Acquisition cost	1 280 818	1 280 818
<b>Residual value</b>	<b>1 280 818</b>	<b>1 280 818</b>
<b>Balance 30.09.2018</b>		
Acquisition cost	1 280 818	1 280 818
<b>Residual value</b>	<b>1 280 818</b>	<b>1 280 818</b>
Depreciation costs	-213 470	-213 470
<b>Balance 31.12.2018</b>		
Acquisition cost	1 280 818	1 280 818
Accumulated depreciation	-213 470	-213 470
<b>Residual value</b>	<b>1 067 348</b>	<b>1 067 348</b>
Depreciation costs	-160 101	-160 101
<b>Balance 30.09.2019</b>		
Acquisition cost	1 280 818	1 280 818
Accumulated depreciation	-373 571	-373 571
<b>Residual value</b>	<b>907 247</b>	<b>907 247</b>

**Note 6 Loans payable**  
(EUR)

	<b>30.09.2019</b>	<b>Current part</b>	<b>Long-term part</b>	<b>Liability total</b>
Long-term bank loans *		460 000	7 628 339	8 088 339
Long-term shareholder loan		0	671 850	671 850
Long-term bonds		0	4 700 000	4 700 000
<b>Total loans payable</b>		<b>460 000</b>	<b>13 000 189</b>	<b>13 460 189</b>
	<b>30.09.2018</b>	<b>Current part</b>	<b>Long-term part</b>	<b>Liability total</b>
Long-term bank loans *		460 000	8 433 333	8 893 333
Long-term shareholder loan		0	631 850	631 850
Long-term bonds		0	4 700 000	4 700 000
<b>Total loans payable</b>		<b>460 000</b>	<b>13 765 183</b>	<b>14 225 183</b>

\* OP Corporate Bank Lithuanian Branch has issued the loan to the Group.  
The underlying currency of all the loans is the euro.  
See Note 14 for further information about collateral.

**Note 7 Payables and prepayments**  
(EUR)

	<b>30.09.2019</b>	<b>30.09.2018</b>
Trade creditors	4 370	5 588
Payables to employees	125	99
Prepayments received	35 854	36 675
Interest payable	80 632	80 121
<b>Total payables and prepayments</b>	<b>120 981</b>	<b>122 483</b>

**Note 8 Long-term provisions**

The long-term provisions comprises the deferred income tax liability of the Lithuanian subsidiary.

**Note 9 Share capital**

	<b>30.09.2019</b>	<b>30.09.2018</b>
Share capital (EUR)	2 500	2 500
Number of shares (pcs)	1	1

Potential income tax liability of the Group

The retained earnings of the company as of 30 September 2019 amounted to EUR 1 069 273 (30.09.2018: EUR 589 975). The maximum amount of income tax payable upon disbursement of all retained profit as dividends is EUR 213 855 (30.09.2018: EUR 117 995). Therefore, EUR 855 418 (30.09.2018: EUR 471 980) can be disbursed as dividends.

The maximum potential income tax liability has been calculated on the assumption that the total distributed net dividends and income tax expense associated with their payment may not exceed distributable profits as of 30.09.2019.

**Note 10 Sales revenue**  
(EUR), per year

Sales revenue of the Group by geographical regions:

<b>Geographical regions</b>	<b>2019 9</b>	<b>2018 9</b>
	<b>months</b>	<b>months</b>
Lithuania	967 559	927 604
<b>Total</b>	<b>967 559</b>	<b>927 604</b>

Sales revenue of the Group by fields of activity:

<b>Fields of activity</b>	<b>2019 9</b>	<b>2018 9</b>
	<b>months</b>	<b>months</b>
Lease of warehouse premises	967 559	927 604
<b>Total</b>	<b>967 559</b>	<b>927 604</b>

**Note 11 Other operating expenses**

(EUR), per year

	<b>2019 9</b>	<b>2018 9</b>
	<b>months</b>	<b>months</b>
Administration and office expenses	-32 801	-14 262
Securities management expenses	-2 226	-2 244
Expenses of legal and other consultations	-8	0
<b>Total</b>	<b>-35 035</b>	<b>-16 506</b>

**Note 12 Financial revenue and expenses**

(EUR), per year

	<b>2019 9</b>	<b>2018 9</b>
	<b>months</b>	<b>months</b>
Interest expenses on bonds	-282 000	-282 000
Interest expenses on loans	-140 094	-148 709
<b>Total financial revenue and expenses</b>	<b>-422 094</b>	<b>-430 709</b>

**Note 13 Income tax**

The calculated income tax expenses of the Group have arisen due to the tax liability of the Lithuanian subsidiary.

**Note 14 Contingent liabilities and off-balance-sheet assets and liabilities**

The collateral for the loans and issued bonds is as follows:

- Mortgage in the first ranking on the registered immovable of RIMI LC in the amount of 11,960,000 euros with the market value of the real estate being at least 15,300,000 euros;
- Mortgage in the second ranking on the registered immovable of RIMI LC in the amount of 6,110,000 euros for the benefit of the collateral agent as the pledgee (established pursuant to a collateral agent contract and terms and conditions for the benefit of the investors).

**Note 15 Transactions with related parties**

(EUR)

The following were deemed as related parties when the financial statements were prepared:

- owners (parent company and persons who control or have a significant influence over the parent company);
- executive management and senior management; and
- close relatives of the aforementioned persons and the companies being controlled by them or being under the significant influence of such persons.

As of 30.09.2018 and 30.09.2019, there were no receivables from related parties of the Group.

<b>Payables</b>	<b>30.09.2019</b>	<b>30.09.2018</b>
Parent company and persons who control the parent company	671 850	631 850
<b>Total</b>	<b>671 859</b>	<b>631 850</b>

Interest in the amount of EUR 30 233 has been calculated in the reporting period on loans received from related parties (2018: EUR 33 103).

Remuneration and other benefits in the total amount of 252 euros has been calculated for the members of the executive and senior management in the reporting period (2018: EUR 957). No remuneration was paid and no benefits were granted to the members of the supervisory board in the accounting period or the reference period. Premature termination of service contracts with members of the management board and the supervisory board would result in no liability to pay a severance bonus for the Group.

**Note 16 Unconsolidated balance sheet of Parent Company**  
(EUR)

	<b>30.09.2019</b>	<b>30.09.2018</b>
Cash	82 632	38 010
Receivables and prepayments	36 009	36 018
<b>Total current assets</b>	<b>118 641</b>	<b>74 028</b>
Long-term financial investments	3 200	3 200
Long-term receivables	5 356 350	5 356 350
<b>Total fixed assets</b>	<b>5 359 550</b>	<b>5 359 550</b>
<b>TOTAL ASSETS</b>	<b>5 478 191</b>	<b>5 433 578</b>
Payables and prepayments	80 632	79 849
<b>Total current liabilities</b>	<b>80 632</b>	<b>79 849</b>
Long-term loans payable	5 371 850	5 331 850
<b>Total non-current liabilities</b>	<b>5 371 850</b>	<b>5 331 850</b>
<b>TOTAL LIABILITIES</b>	<b>5 452 482</b>	<b>5 411 699</b>
Share capital	2 500	2 500
Retained earnings	23 209	19 379
<b>TOTAL EQUITY</b>	<b>25 709</b>	<b>21 879</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>5 478 191</b>	<b>5 433 578</b>

**Note 17 Unconsolidated income statement of Parent Company**

(EUR), per year

	<u>2019 9 months</u>	<u>2018 9 months</u>
Operating expenses	-11 988	-6 174
<b>Operating profit (loss)</b>	<u>-11 988</u>	<u>-6 174</u>
<b>Financial income (expenses)</b>	<u>12 722</u>	<u>16 026</u>
<b>Profit before income tax</b>	<u>734</u>	<u>9 852</u>
<b>Net profit (loss) for financial year</b>	<u>734</u>	<u>9 852</u>

**Note 18 Unconsolidated cash flow statement of Parent Company**

(EUR), per year

	<u>2019 9 months</u>	<u>2018 9 months</u>
Operating profit	-2 454	-2 020
Change in receivables and prepayments related to operating activities	0	295
Change in payables and prepayments related to operating activities	300	0
<b>Total cash flow from operating activities</b>	<u>-2 154</u>	<u>-1 725</u>
Loans granted	0	132 350
Interest received	109 508	74 824
<b>Total cash flow from investing activities</b>	<u>109 508</u>	<u>207 174</u>
Loans raised	0	2 000
Repayments of loans raised	0	-106 500
Interest paid	-104 077	-101 748
<b>Total cash flow from financing activities</b>	<u>-104 077</u>	<u>-206 248</u>
<b>Total cash flow</b>	<u>3 277</u>	<u>-799</u>
<b>Cash at beginning of period</b>	<u>79 355</u>	<u>38 809</u>
Change in cash	3 277	-799
<b>Cash at end of period</b>	<u>82 632</u>	<u>38 010</u>



## Note 19 Statement of changes in equity of Parent Company

	Share capital	Retained profit	Equity Total
As of 31.12.2017	2,500	9,527	12,027
Profit for reporting period	0	9 852	9 852
As of 30.09.2018	2 500	19 379	21 879
Profit for reporting period	0	7 442	7 442
As of 31.12.2018	2 500	22 475	24 975
Profit for reporting period	0	734	734
As of 30.09.2019	2 500	23 209	25 709

**UPP & CO Kauno 53 OÜ****LIST OF SHAREHOLDERS**

as of 30 September 2019

No.	Name and personal identification code or registry code of owner	Address	Value of share	Date of acquisition of share	Basis of acquisition of share
1.	United Partners Property OÜ	Tallinn	EUR 2,500	30.01.2017	Purchase and sale

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Member of Management Board  
Marko Tali