



# UNITED PARTNERS

## INTERIM REPORT 9 MONTHS 2019

UPP Olaines OÜ



**INTERIM REPORT FOR 9 MONTHS 2019 (UNAUDITED)**

**Reporting period: 01.01.2019 – 30.09.2019 ('9 months 2019')**

**Company name:** UPP Olaines OÜ

**Registration number:** 14318601

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## **MANAGEMENT REPORT FOR 9 MONTHS 2019**

### **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 "Šarlotēs", 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.

UPP Olaines OÜ is operating based on going concern.

### **Management commentary for the third quarter of 2019 ('Q3 2019')**

During Q3 2019 the company made 634,901 EUR in operating income and during the first 9 months of 2019 the operating income amounted to 1,879,700 EUR in total. Compared to Q3 2018 the operating income has increased by 6.3% and compared to first 9 months of 2018 the operating income has increased by 7.6%. The difference in operating income on quarterly basis is mainly due to adjustment made in Q3 2018 to correct mistakes of the previous quarters of 2018. 9 month results outperform comparative period of 2018 mainly due to rent indexation and decrease in administrative costs.

During Q3 2019 the company's financial costs amounted to 323,574 EUR and during 9 months of 2019 the financial costs amounted to 1,111,940 EUR in total. Compared to Q3 2019 the financial expenses have increased by 60% and compared to 9 months of 2018 the financial expenses have decreased by 6.6%. The increase of nearly 60% YoY in financial costs in Q3 is caused by the abnormally low financial costs in Q3 2018 which were affected by significant changes in the current value of the interest rate swap agreement. Since the financial cost takes into account the current balance of the interest rate swap agreement, it can affect the quarterly financial income and expenses significantly. Comparing longer periods gives a better indication for trends in company's cost of financing.

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.

As of reporting date all regular business operations of the company are running smoothly, including duly and timely collection of rental and utilities payments from the tenants.

As of the end of Q3 2019, there is no vacancy in the premises.

### **Management board and supervisory board**

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

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

**Key indicators of financial performance and position for 9 months 2019**

(in EUR)	Q3 2019	Q3 2018	9 months 2019	9 months 2018
<b>Net rental income</b>	<b>642,452</b>	<b>599,759</b>	<b>1,933,970</b>	<b>1,877,856</b>
<b>Operating profit</b>	<b>634,901</b>	<b>596,731</b>	<b>1,879,700</b>	<b>1,745,645</b>
<b>Profit for the period</b>	<b>311,327</b>	<b>392,785</b>	<b>767,760</b>	<b>557,274</b>

(in EUR)	30.09.2019	31.12.2018
<b>Investment property</b>	<b>30,762,000</b>	<b>30,762,000</b>
<b>Interest-bearing loans</b>	<b>28,958,633</b>	<b>29,656,633</b>
<b>Interest-bearing loans less shareholder loan</b>	<b>25,910,333</b>	<b>26,608,333</b>

	9 months 2019
<b>Net profit margin</b> (Total comprehensive income for the period / Net rental income)	<b>40%</b>
<b>ROA</b> (Net profit for the period / Average total assets for the period)	<b>2.4%</b>
<b>DSCR</b> (Operating profit / Loan principal and interest payments on interest-bearing loans)	<b>1.3</b>

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

(in EUR)	Note	Q3 2019	Q3 2018	9 months 2019	9 months 2018
Net rental income	5	642,452	599,759	1,933,970	1,877,856
<b>Net rental income</b>		<b>642,452</b>	<b>599,759</b>	<b>1,933,970</b>	<b>1,877,856</b>
General and administrative expenses		(7,551)	(3,028)	(39,270)	(132,211)
Other income / (cost)		0	0	(15,000)	0
<b>Operating profit</b>		<b>634,901</b>	<b>596,731</b>	<b>1,879,700</b>	<b>1,745,645</b>
Financial income / (cost)		(323,574)	(203,946)	(1,111,940)	(1,188,371)
<b>Profit before income tax</b>		<b>311,327</b>	<b>392,785</b>	<b>767,760</b>	<b>557,274</b>
<b>Profit for the period</b>		<b>311,327</b>	<b>392,785</b>	<b>767,760</b>	<b>557,274</b>
<b>Total comprehensive income for the period</b>		<b>311,327</b>	<b>392,785</b>	<b>767,760</b>	<b>557,274</b>

**Condensed consolidated interim statement of financial position**

(in EUR)	Note	30.09.2019	31.12.2018
Cash and cash equivalents		719,578	426,691
Trade and other receivables		206,490	300,576
<b>Total current assets</b>		<b>926,068</b>	<b>727,267</b>
Investment property		30,762,000	30,762,000
<b>Total non-current assets</b>		<b>30,762,000</b>	<b>30,762,000</b>
<b>TOTAL ASSETS</b>		<b>31,688,068</b>	<b>31,489,267</b>
Trade and other payables		376,757	446,036
Financial derivatives		615,204	416,879
Loans and borrowings	6	1,064,004	1,064,004
<b>Total current liabilities</b>		<b>2,055,961</b>	<b>1,926,919</b>
Loans and borrowings	6	27,894,629	28,592,629
<b>Total non-current liabilities</b>		<b>27,894,629</b>	<b>28,592,629</b>
<b>TOTAL LIABILITIES</b>		<b>29,950,590</b>	<b>30,519,548</b>
Share capital		2,500	2,500
Retained earnings		1,734,979	967,219
<b>TOTAL EQUITY</b>		<b>1,737,479</b>	<b>969,719</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>31,688,068</b>	<b>31,489,267</b>

**Condensed consolidated interim statement of cash flows**

(in EUR)	Note	Q3 2019	Q3 2018	9 months 2019	9 months 2018
<b>Profit before income tax</b>		<b>311,327</b>	<b>392,785</b>	<b>767,760</b>	<b>557,274</b>
Financial cost / (income)		(323,574)	(203,946)	(1,111,940)	(1,188,371)
<b>Operating results before changes in working capital</b>		<b>634,901</b>	<b>596,731</b>	<b>1,879,700</b>	<b>1,745,645</b>
Decrease / (increase) in trade and other receivables related to operating activities		106,827	149,999	16,244	91,863
Increase / (decrease) in trade and other payables related to operating activities		(196,921)	(66,171)	(54,828)	(170,164)
Paid income tax		0	(100)	0	(100)
<b>Total cash flows from / used in operating activities</b>		<b>544,807</b>	<b>680,459</b>	<b>1,841,116</b>	<b>1,667,244</b>
Received interests		0	46,507	0	46,509
<b>Total cash flow from / used in investing activities</b>		<b>0</b>	<b>46,507</b>	<b>0</b>	<b>46,509</b>
Proceeds from loans and borrowings		100,000	268,000	100,000	268,000
Repayments of loans and borrowings		(266,000)	(642,001)	(798,000)	(1,031,669)
Interests paid		(257,725)	(263,644)	(850,230)	(912,540)
<b>Total cash flow from / used in financing activities</b>		<b>(423,725)</b>	<b>(637,645)</b>	<b>(1,548,230)</b>	<b>(1,676,209)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>121,082</b>	<b>89,321</b>	<b>292,886</b>	<b>37,544</b>
Cash and cash equivalents at the beginning of the period		598,495	329,560	426,691	381,336
<b>Cash and cash equivalents at the end of the period</b>		<b>719,578</b>	<b>418,881</b>	<b>719,578</b>	<b>418,881</b>



**Condensed consolidated interim statement of changes in equity**

(in EUR)	Share capital	Retained earnings	Total equity
Balance at 31.12.2018	2,500	967,219	969,719
Total comprehensive income	0	767,760	767,760
<b>Balance at 30.09.2019</b>	<b>2,500</b>	<b>1,734,979</b>	<b>1,737,479</b>

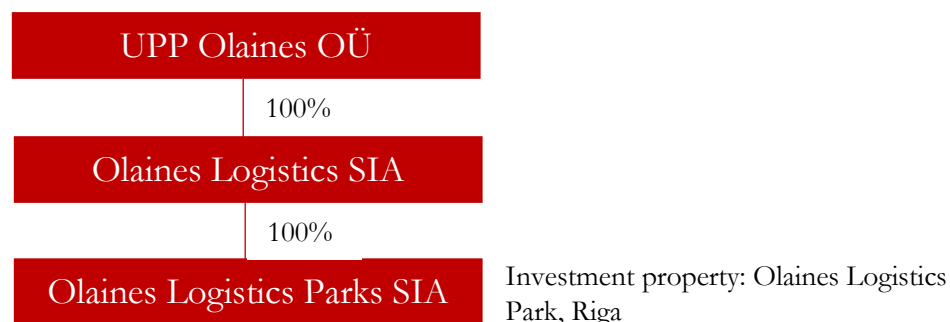
(in EUR)	Share capital	Retained earnings	Total equity
Balance at 31.12.2017	2,500	160,767	163,267
Total comprehensive income	0	557,274	557,274
<b>Balance at 30.09.2018</b>	<b>2,500</b>	<b>718,041</b>	<b>720,541</b>

## 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 30.09.2019 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 9 months 2019 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 31.12.2018. 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
			30.09.2019	31.12.2018	
Olaines Logistics SIA	UPP Olaines OÜ	Latvia	100%	100%	Holding company
Olaines Logistics Parks SIA	Olaines Logistics SIA	Latvia	100%	100%	Asset holding company

#### 5. Reportable segments

Area of activity	External revenue			
	Q3 2019	Q3 2018	9 months 2019	9 months 2018
(in EUR)				
Net rental income	642,452	599,759	1,933,970	1,877,856
<b>Total</b>	<b>642,452</b>	<b>599,759</b>	<b>1,933,970</b>	<b>1,877,856</b>

Geographic area	External revenue			
	Q3 2019	Q3 2018	9 months 2019	9 months 2018
(in EUR)				
Latvia	642,452	599,759	1,933,970	1,877,856
<b>Total</b>	<b>642,452</b>	<b>599,759</b>	<b>1,933,970</b>	<b>1,877,856</b>

Geographic area	Investment property	
	30.09.2019	31.12.2018
(in EUR)		
Latvia	30,762,000	30,762,000
<b>Total</b>	<b>30,762,000</b>	<b>30,762,000</b>

## 6. Loans and borrowings

30.09.2019	Short-term part	Long-term part	Total	Currency	Interest rate	Due date
(in EUR)						
Bank loan	1,064,004	18,531,329	19,595,333	EUR	<sup>3m</sup> Euribor+2,4%	30.11.2022
Bonds	0	6,215,000	6,215,000	EUR	7%	10.11.2022
Shareholder loan	0	3,148,300	3,148,300	EUR	6%	15.11.2022
<b>Total loan liabilities</b>	<b>1,064,004</b>	<b>27,894,629</b>	<b>28,958,633</b>			

31.12.2018	Short-term part	Long-term part	Total	Currency	Interest rate	Due date
(in EUR)						
Bank loan	1,064,000	19,329,329	20,393,333	EUR	<sup>3m</sup> Euribor+2,4%	30.11.2022
Bonds	0	6,215,000	6,215,000	EUR	7%	10.11.2022
Shareholder loan	0	3,048,300	3,048,300	EUR	6%	15.11.2022
<b>Total loan liabilities</b>	<b>1,064,000</b>	<b>28,592,629</b>	<b>29,656,633</b>			

## 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 30.09.2019	Level 1	Level 2	Level 3
(in EUR)			
<b>Financial liabilities</b>			
Derivative instruments		615,204	

As of 31.12.2018	Level 1	Level 2	Level 3
(in EUR)			
<b>Financial liabilities</b>			
Derivative instruments		416,879	

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

<b>As of 30.09.2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Carrying amount</b>
<i>(in EUR)</i>				
<b>Financial assets</b>				
Cash and cash equivalents	719,578			719,578
Trade and other receivables			206,490	206,490
<b>Financial liabilities</b>				
Interest-bearing loans and borrowings			28,958,633	28,958,633
Trade and other payables			376,757	376,757
<hr/>				
<b>As of 31.12.2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Carrying amount</b>
<i>(in EUR)</i>				
<b>Financial assets</b>				
Cash and cash equivalents	426,691			426,691
Trade and other receivables			300,576	300,576
<b>Financial liabilities</b>				
Interest-bearing loans and borrowings			29,656,633	29,656,633
Trade and other payables			446,036	446,036

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:

<b>Name</b>	<b>Type</b>	<b>Place of incorporation</b>	<b>Ownership interest</b>	
			<b>30.09.2019</b>	<b>31.12.2018</b>
United Partners Property OÜ	Immediate parent entity	Estonia	100%	100%
United Partners Group OÜ	Ultimate parent entity and controlling party	Estonia	100%	100%

During 9 months 2019, related party transactions occurred regarding the loan granted by United Partners Property OÜ to UPP Olaines OÜ, as detailed below:

<b>Loans from United Partners Property OÜ</b>	<b>9 months 2019</b>
(in EUR)	
Beginning of the period loan balance (31.12.2018)	3,048,300
Loan received	100,000
Interest charged	(135,823)
Interest paid	(72,258)
End of the period loan balance (30.09.2019)	3,148,300

## **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 9 months ended 30th September 2019 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 for the 9 months 2019 and that there has been no occurrence of an Extraordinary Early Redemption Event in 9 months 2019.

Signed digitally,

Marko Tali

Chairman and Member of the Management Board of UPP Olaines OÜ

7.11.2019, Tallinn