

CONSOLIDATED INTERIM REPORT

UPP & CO KAUNO 53 OÜ

Beginning of reporting period: October 1st, 2019
End of reporting period: December 31st, 2019

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MANAGEMENT REPORT

General information

UPP & CO Kauno 53 OÜ (hereafter 'the Company' and 'Group' when referred together with subsidiaries) 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.

UPP & CO Kauno 53 OÜ is a going concern.

The impact of COVID-19 on the Company's economic activity

The novel coronavirus outbreak started in early 2020 and caused a global economic downturn in March 2020. The COVID-19 also reached the Baltic states, causing border closures for foreign nationals, school closures and panic shopping for consumer staples. The full effect of the economic downturn caused by the pandemic remains to be seen.

The Company's economic activities are not directly affected by the virus outbreak. The outbreak has affected the economic activities of the Company's property leasing companies, which indirectly will affect the Company's financial performance. The magnitude of the impact of the COVID-19 outbreak and the consequent economic downturn on the Company's financial performance is difficult to assess because, at the time of writing, the extent of the pandemic is unknown and there are little to no signs of the outbreak slowing down. The Management Board's best estimate is that, in the event that the outbreak of the virus and the resulting economic downturn do not materially worsen, the effect of these circumstances on the Company's financial performance will be moderate, due to the area of activity of the Company's property leasing companies.

Important events

Apart from the COVID-19 outbreak, there were no significant events or changes in the Company or the Group during the year. There were no changes or major events in the logistics center or its tenants during the year.

No significant R&D projects or related expenditures are foreseen in the current or subsequent years. Nor has the Group entered into any commitments or guarantees that could materially affect the results of the next financial years.

As of the end of the reporting period the property is fully leased.

Comment on economic performance and management report

Net operating revenues were 320 222 euros for the fourth quarter of 2019, increased by 3,6% from 309 130 euros for the fourth quarter of 2018. Net operating revenues for the financial year 2019 were 1 287 781 euros, increased by 3,2% from 1 247 276 euros for the financial year 2018. The net

operating revenues are in line with the management expectations, the slight increase is due to the rental rate indexation which occurred in early 2019.

Adjusted net operating income was 307 625 euros for the fourth quarter of 2019, increased by 0,4% from 306 342 euros for the fourth quarter of 2018. Adjusted net operating income for the financial year 2019 was 1 239 897 euros, increased by 1% from 1 227 008 euros for the financial year 2018. The adjusted net operating income is in line with the management expectations.

Adjusted net income was 148 076 euros for the fourth quarter of 2019, increased by 20% from 122 679 euros for the fourth quarter of 2018. Adjusted net income for financial year 2019 was 536 688 euros, increased by 13,6% from 472 439 euros for the financial year 2018. The increase in adjusted net income is caused by the reduced taxable income for 2019, which resulted in less tax burden. The higher taxable income for 2018 was caused by the revaluation of the Investment Property, which added 350 000 euros to taxable income for 2018.

At the end of the reporting period the Company ordered the assessment of the fair value of the Investment property. The valuation was carried out by accredited real estate evaluators.

Financial ratios of the Group	2019 12 months	2018 12 months
Debt to equity ratio	11,18	16,65
Debt ratio	0,93	0,95
Long-term debt ratio	0,93	0,95
Return on equity %	31%	71%
Equity ratio	0,07	0,04
Return on assets %	2,15%	3,49%

Formulas for ratios

Debt to equity ratio = interest bearing liabilities/equity

Debt ratio = liabilities/(liabilities+ equity)

Long-term debt ratio = long-term liabilities/(long-term liabilities+ equity)

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

Equity ratio = equity/average assets (12 months)

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

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.

Member of Management Board

Marko Tali

CONSOLIDATED INTERIM ANNUAL ACCOUNTS

CONSOLIDATED BALANCE SHEET

(EUR)

	<u>31.12.2019</u>	<u>31.12.2018</u>
Cash	362 919	159 684
Receivables and prepayments	11 458	9 751
Total current assets	<u>374 377</u>	<u>169 435</u>
Investment properties	15 750 000	15 700 000
Tangible fixed assets	14 049	22 113
Goodwill	853 880	1 067 348
Total fixed assets	<u>16 617 929</u>	<u>16 789 461</u>
TOTAL ASSETS	<u>16 992 306</u>	<u>16 958 896</u>
Short-term loans payable	460 000	460 000
Payables and prepayments	143 297	132 512
Total current liabilities	<u>603 297</u>	<u>592 512</u>
Long-term loans payable	12 885 183	13 345 183
Long-term provisions	2 309 664	2 192 196
Total non-current liabilities	<u>15 194 847</u>	<u>15 537 379</u>
TOTAL LIABILITIES	<u>15 798 144</u>	<u>16 129 891</u>
Share capital	2 500	2 500
Retained earnings	1 191 662	826 505
TOTAL EQUITY	<u>1 194 162</u>	<u>829 005</u>
TOTAL LIABILITIES AND EQUITY	<u>16 992 306</u>	<u>16 958 896</u>

CONSOLIDATED INCOME STATEMENT

(EUR), per year

	<u>2019 12 months</u>	<u>2019 4Q</u>	<u>2018 12 months</u>	<u>2018 4Q</u>
Sales revenue	1 287 781	320 222	1 247 276	309 130
Other operating revenue	50 000	50 000	350 000	355 431
Other operating expenses	-46 255	-12 557	-18 320	-2 709
Staff costs	-292	-40	-1037	-79
Depreciation of fixed assets	-221 531	-55 207	-229 666	-217 352
Other costs	-1337	0	-911	0
Operating profit	1 068 366	302 418	1 347 342	444 421
Financial income (expenses)	-562 170	-140 076	-574 121	-143 019
Profit before income tax	506 196	162 342	773 221	301 402
Income tax	-141 039	-19 473	-180 448	-40 644
Net profit for financial year	365 157	142 869	592 773	260 758
including the share of the owners of the parent company in net profit	365 157	142 869	592 773	260 758

CONSOLIDATED CASH FLOW STATEMENT

(EUR), per year

	<u>2019 12 months</u>	<u>2019 4Q</u>	<u>2018 12 months</u>	<u>2018 4Q</u>
Operating profit (loss)	1 068 366	302 418	1 347 342	444 421
Adjustments (depreciation of fixed assets)	171 531	5 206	-122 834	-132 648
Change in receivables and prepayments related to operating activities	-1 965	-1 723	-907	68 031
Change in payables and prepayments related to operating activities	-24 003	10 373	672	4 871
Total cash flow from operating activities	1 213 929	316 274	1 224 273	384 675
Loans received and bonds issued	130 000	130 000	136 600	60 000
Repayments of loans received and redemption of bonds	-590 000	-245 000	-646 500	-199 500
Interest paid	-550 694	-138 886	-594 434	-142 232
Total cash flow from financing activities	-1 010 694	-253 886	-1 104 334	-281 732
Total cash flow	203 235	62 388	119 939	102 943
Cash at beginning of period	159 684	300 531	39 745	56 741
Change in cash	203 235	62 388	119 939	102 943
Cash at end of period	362 919	362 919	159 684	159 684

Statement of the Management Board

The financial and other additional information published in the Interim Report October – December 2019 is true and complete. Consolidated financial statements give a true and fair view of the actual financial position, results of operations and cash flows of the Company. According to the Terms and Conditions of the Note Issue, the Company confirms that during the interim report period there has been non-occurrence of an Extraordinary Early Redemption Event and according to Clause 3.4.12 of the Terms the Collateral is properly insured at all times.

Consolidated financial statements in the report for the period October – December 2019 are not audited.

Marko Tali
Member of the Management Board
Tallinn, 24.03.2020