CONSOLIDATED ANNUAL REPORT 2019

UPP Olaines OÜ

Consolidated Annual Report 2019

Reporting period: 01.01.2019 – 31.12.2019

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MANAGEMENT REPORT

General information

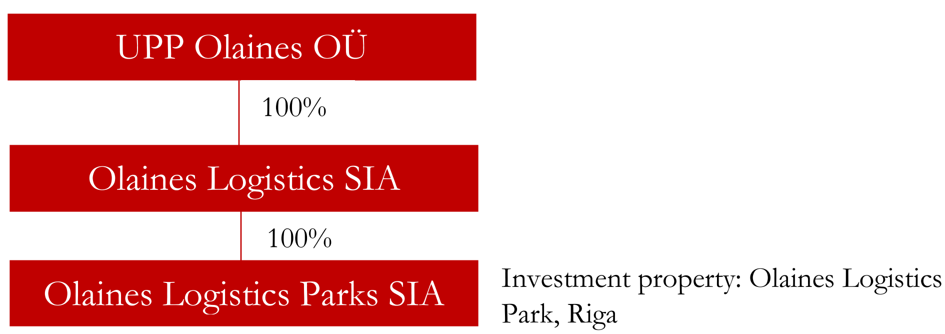
UPP Olaines OÜ (hereinafter the Company and jointly with its subsidiaries the Group) was established for the purpose of financing, acquisition and management of the investment property Olaines Logistics Park (buildings and registered immovable). Olaines Logistics Park is located in Latvia, Šarlote, Olaines County, Olaines Municipality, cadastral reference 8080 003 0029, registered in the Olaine Land Cadastre under number 5439. The Company was established on 24 August 2017 and it had no economic activities until 15 December 2017, when the cold storage facility of Olaines Logistics Park was acquired.

The commercial activities of the Company are not affected by seasonal factors. The commercial activities of the Company have no social or environmental impact.

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

The management does not have 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 structure of UPP Olaines OÜ as at 31 December 2019 is as follows:



UPP Olaines OÜ is acting based on going concern.

Impact of COVID-19 on the economic activities of the Company

The coronavirus, which started spreading all over the world in early 2020 and caused a global economic recession in March 2020, also reached the Baltic States, which led to the closure of borders to foreign nationals and schools, and panic buying of convenience goods. The scope of the consequences of the recession caused by the pandemic is unclear, but there is no doubt that they will be serious.

The virus outbreak has had no direct impact on the economic activities of the Company. The virus has had an impact on the economic activities of the companies that lease the property acquired by the Company, which may have an indirect impact on the Company’s performance results. Some signs of stabilisation of the

COVID-19 outbreak could be seen at the time this report was prepared, but the scope and impact of the recession on the Group's performance results is still difficult to assess. The best estimate of the management board is that if the virus outbreak and the resulting recession do not worsen significantly, the impact of these circumstances on the Group's performance results will be moderate due to the area of activities of the companies that lease property from the Company.

Management report

General administrative expenses amounted to 71,123 euros, which comprise 2.7% of net lease income.

The company's assets comprised 31,675,413 euros as at 31 December 2019, incl. the investment property at fair value, which comprised 97.6% of assets. The net debt of the company as at 31 December 2019 was 24,982,851 euros. The net debt was calculated as follows: cash and cash equivalents were subtracted from the Company's total loan and the subordinated loan granted by United Partners Property OÜ was then subtracted from the result.

No significant events other than regular operating activities, including the timely receipt of rent and utility charges, took place from 1 January 2019 to 31 December 2019.

Financial overview of the year

The total net lease income of the Group in 2019 amounted to 2,589,379 euros. The total net lease income calculated in the Group from 24 August 2017 to 31 December 2018 amounted to 2,607,869 euros. The increase in the net lease flow in the financial year in comparison with other financial year was caused by indexation and more efficient business activities.

The total operating profit of the Group in 2019 amounted to 2,649,256 euros. The operating profit of the Group from 24 August 2017 to 31 December 2018 amounted to 2,651,520 euros. The increase in operating profit in comparison of financial years was caused by the lack of one-off transaction-related costs in 2019 and the Group being more efficient in its business activities.

The Group increased its net profit in 2019 to 1,399,103 euros in comparison with the net profit of 967,219 euros earned from 24 August 2017 to 31 December 2018. The increase in the net profit in 2019 was caused by the lack of large one-off expenses and income in 2019, the Group earned income from an interest rate swap for the first time, and was also more efficient in its business activities during the financial year.

The Group used the services of an independent attested assessor to recognise the property of Olaines Logistics Park at its fair value as of the reporting date and profit from revaluation of property in the amount of 147,000 euros was therefore recognised during the financial year.

There are no vacancies on the investment property as at 31 December 2019.

Key financial indicators of the financial year

(euros)	31.12.2019	24.08.2017-31.12.2018
Net lease income	**2,589,379**	**2,607,869**
Operating profit	**2,649,256**	**2,651,520**
Profit for the period	**1,399,103**	**967,219**

(euros)	31.12.2019	31.12.2018
Investment property	**30,909,000**	**30,762,000**
Interest-bearing loans	**28,492,625**	**29,656,633**
Interest-bearing loans excluding owner's loan	**25,544,325**	**26,608,333**

(euros)	31.12.2019	24.08.2017-31.12.2018
Net profit margin, % **(Net profit / Net lease income)**	**54.0%**	**37.1%**
ROA **(Net profit / Average assets)**	**4.4%**	**6.1%**
DSCR **(Operating profit / Principal repayments and interest payments of interest-bearing loans, excl. principal and interest payments of owner's loan)**	**1.3**	**1.3**

Compliance with bond rules

Pursuant to clauses 3.5.3 and 3.5.4 of the bond rules of UPP Olaines OÜ, the management confirmes that the DSCR of UPP Olaines OÜ from 1 January 2019 to 31 December 2019 is larger than or equal to 1.1 and that no early redemption events have occurred from 1 January 2019 to 31 December 2019.

Management board, supervisory board and audit committee

The management board of UPP Olaines OÜ has one member: Marko Tali, 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 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.

In 2020 UPP Olaines OÜ formed an audit committee, which has three members.

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Marko Tali

Chairman of the Management Board of UPP Olaines OÜ

30 April 2020, Tallinn

CONSOLIDATED FINANCIAL STATEMENTS OF UPP OLAINES OÜ

Consolidated statement of comprehensive income

(euros)	Note	31.12.2019	24.08.2017-31.12.2018
Net lease income	6	2,589,379	2,607,869
Net lease income		**2,589,379**	**2,607,869**
General administrative expenses	7	(71,123)	(221,480)
Profit / (loss) from revaluation of investment properties	12	147,000	362,000
Other income/(expenses)		(16,000)	(96,869)
Operating profit		**2,649,256**	**2,651,520**
Financial income and expenses	8	(1,250,103)	(1,720,477)
Profit before income tax		**1,399,153**	**931,043**
Income tax	9	(50)	36,176
Net profit for the financial year		**1,399,103**	**967,219**
Total comprehensive income for the period		**1,399,103**	**967,219**

The Notes on pages 11 to 36 are an inseparable part of the financial statements.

Consolidated statement of financial position

(euros)	Note	31.12.2019	31.12.2018
Cash and cash equivalents	10	561,474	426,691
Trade receivables and other receivables	11	204,939	300,576
Total current assets		**766,413**	**727,267**
Investment property	12	30,909,000	30,762,000
Total non-current assets		**30,909,000**	**30,762,000**
TOTAL ASSETS		**31,675,413**	**31,489,267**
Trade creditors and other payables	13	358,762	446,036
Derivatives	16	455,204	416,879
Loans payable	15	1,064,000	1,064,004
Current liabilities		**1,877,966**	**1,926,919**
Loans payable	15	27,428,625	28,592,629
Total long-term liabilities		**27,428,625**	**28,592,629**
TOTAL LIABILITIES		**29,306,591**	**30,519,548**
Share capital	14	2,500	2,500
Retained earnings		967,219	0
Profit for the financial year		1,399,103	967,219
TOTAL EQUITY		**2,368,822**	**969,719**
TOTAL LIABILITIES AND EQUITY		**31,675,413**	**31,489,267**

The Notes on pages 11 to 36 are an inseparable part of the financial statements.

Consolidated cash flow statement

(euros)	Note	31.12.2019	31.12.2018
Profit before income tax		**1,399,153**	**931,043**
Financial income /(expenses)	8	1,250,103	1,720,477
Profit / (loss) from revaluation of investment property	12	(147,000)	(362,000)
Cash flow from operating activities before changes in working capital		**2,502,256**	**2,289,520**
Decrease / (increase) in receivables	11	95,637	(142,576)
Increase / (decrease) in debts		(200,738)	385,248
Income tax paid		(54)	(91,688)
Total cash flow from operating activities		**2,397,101**	**2,440,504**
Acquisition of subsidiaries	5	0	(20,819,865)
Loans granted		0	(3,175,000)
Interest received	8	2	19
Total cash flow from/ (used in) investing activities		**2**	**(23,994,846)**
Loans received and other debts		0	27,856,300
Repayments of loans received and other debts		(1,164,000)	(4,413,865)
Interest paid		(1,098,333)	(1,463,902)
Contribution to share capital	14	0	2,500
Total cash flow from/ (used in) financing activities		**(2,262,333)**	**21,981,033**
Change in cash and cash equivalents		**134,770**	**426,691**
Cash and cash equivalents at the beginning of the period	10	**426,691**	0
Cash and cash equivalents at the end of the period	**10**	**561,461**	**426,691**

The Notes on pages 11 to 36 are an inseparable part of the financial statements.

Consolidated statement of changes in equity

(euros)	Share capital	Retained earnings	Total equity
Balance at 24.08.2017	2,500	0	2,500
Total comprehensive income	0	967,219	967,219
Balance at 31.12.2018	**2,500**	**967,219**	**969,719**
Total comprehensive income	0	1,399,103	1,399,103
Balance at 31.12.2019	**2,500**	**2,366,322**	**2,368,822**

The Notes on pages 11 to 36 are an inseparable part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. General information

UPP Olaines OÜ is a company established on 24 August 2017 and registered in Estonia.

The structure of UPP Olaines OÜ as at 31 December 2019 is as follows:

See Note 5 for further information about subsidiaries.

UPP Olaines OÜ and its subsidiaries are jointly referred to as the “Group” in the financial statements.

Note 2. Summary of accounting principles

2.1 General basis of preparation of financial statements

The financial statements of UPP Olaines OÜ and its subsidiaries for the financial year ended on 31 December 2019 (hereinafter the Financial Statements) have been prepared in compliance with the International Financial Reporting Standards (IFRS) as adopted by the European Commission.Acquisition cost has been used upon the preparation of the Financial Statements unless stated otherwise. The financial statements are presented in euros.

2.2 Implementation of new or amended standards and interpretations

The following new or amended standards and interpretations became mandatory for the Group as of 1 January 2019:

IFRS 16 *Leases* (since 1 January 2019)

IFRS 16 *Leases* was published in January 2016. Pursuant to IFRS 16, almost all leases are recognised on the balance sheet, because the classification of leases into operating and finance leases will be eliminated. According to the new standard, assets (the right to use leased assets) and the financial liability of lease payments will be recognised.

Short-term leases and leases where the value of the leased assets is small are exceptions. Accounting will not change significantly for lessors. IFRS 16 is applied to reporting periods starting on or after 1 January 2019.

The implementation of the amendment did not have any impact on the Group's financial report.

IFRIC 23 Uncertainty over Income Tax Treatments (applied to reporting periods starting on or after 1 January 2019)

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency. Under IFRIC 23, the key test is whether it is probable that the tax authority will accept the entity's chosen tax treatment. If it is probable that the tax authorities will accept the uncertain tax treatment then the tax amounts recorded in the financial statements are consistent with the tax return with no uncertainty reflected in measuring current and deferred income taxes. Otherwise, the taxable income (or tax loss), tax bases and unused tax losses shall be determined in a way that better predicts the resolution of the uncertainty using either the single most likely amount or expected (sum of probability weighted amounts) value. An entity must assume the tax authority will examine the position and will have full knowledge of all the relevant information.

The application of the interpretation had no impact on the Group's financial reports, as the Group does not have any uncertain tax positions.

Amendments to IFRS from 2015 to 2017 (applied to reporting periods starting on or after 1 January 2019)

Amendments of a limited scope have an impact on four standards. IFRS 3 explained that the acquirer must revalue its earlier holding in the jointly controlled activity if they gain control over this. On the contrary, IFRS 11 now clearly stated that an investor may not revalue their earlier holding if they gain or lose control over the jointly controlled activity. The amended IAS 12 explains that the income tax impact of dividends must be recognised according to how distributable profit has emerged, e.g. in the income statement or in another statement of comprehensive income. It is now clear that this requirement applies in all situations where payments made from financial instruments classified as equity can be regarded as profit distribution and not only if the tax impact is caused by the different tax rates applied to distributed and non-distributed profit. The amended IAS 23 now includes clear instructions that loans taken for financing the construction of a specific property must be excluded from total general loan expenses only until the construction of said property has been completed.

The implementation of the amendment did not have any impact on the Group's financial report.

IAS 28 *Investments in Associates and Joint Ventures* (applied to reporting periods starting on or after 1 January 2019)

The amendment to IAS 28 *Investments in Associates and Joint Ventures* has an impact on companies that finance such units with preference shares or loans the repayment of which is not expected in the near future ('long-term investments'). The amendment covers two types of application of IAS 28 and IFRS 9 *Financial Instruments*.

The amendment and the example therein point out that a long-term investment is covered by both IFRS 9 and IAS 28 and explain how to apply the standards.

The implementation of the amendment did not have any impact on the Group's financial report.

IAS 19 *Plan Amendment, Curtailment or Settlement* (applied to reporting periods starting on or after 1 January 2019)

The amendments explain the following: in the event of an amendment, curtailment or settlement of a plan with a determined benefit, the company uses the new actuary presumptions to determine the cost of its regular work-related earnings and the net interest rate of the period; and the impact of the maximum rate of assets on the calculation of the profit or loss emerging upon the settlement of the plan is not taken into account and it is recognised separately in other comprehensive income.

The implementation of the amendment did not have any impact on the Group's financial report.

Note 2.3 New standards, amendments and interpretations not yet adopted

The following new standards, interpretations and amendments were not yet applicable to the reporting period ended on 31 December 2019 and have therefore not been applied in the preparation of this consolidated report. The Group intends to start applying them when it becomes mandatory.

***Definition of a business* – Amendments to IFRS 3 (applicable to accounting periods beginning on or after 1 January 2020)**

The definition of a business has been corrected with the amendment. A business must have inputs and a substantive process, which together contribute significantly to the capability to produce outputs. The new guidelines provide the framework for assessing when an input and substantive process exist, incl. in the case of companies in their early stages, which have not generated outputs. The existence of organised workforce is required for classification as a business if there are no outputs. The definition of 'output' has been narrowed and it now focuses on the goods and services provided to clients and on earning investment and other income; the term no longer covers cost savings and other economic gains. Also, it is no longer necessary to assess whether the market participants can replace the missing parts or integrate the acquired activities and assets. A company can perform a concentration test – the acquired assets do not correspond to the definition of a business if the entire value of the acquired gross assets basically concentrates on one asset (or a set of similar assets).

The Group will analyse and disclose the impact of said amendment after its implementation.

Amendments to the conceptual framework of financial reporting (applicable to accounting periods beginning on or after 1 January 2020)

The amended conceptual framework includes a new chapter on measuring, guidelines on reporting financial results, updated definitions and guidelines (e.g. the definition of 'liability) and explanations of the role of important areas in financial reporting, such as the diligence of the use of the resources entrusted to the management, conservatism, measurement uncertainty.

The Group will analyse and disclose the impact of said amendment after its implementation.

Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (applied to accounting periods starting on or after 1 January 2020)

The amendments explain and harmonise the term ‘significant’ and provide guidelines for improving the consistency of application of this term whenever it is used in the IFRS.

The Group will analyse and disclose the impact of said amendment after its implementation.

Amendments to IFRS 9 *Financial Instruments,* IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures* (applied to reporting periods starting on or after 1 January 2020)

The amendments are mandatory and apply to all risk management relationships, which are directly affected by the uncertainty arising from the reform of the interbank lending rate (IBOR). The amendments permit a temporary exception from the implementation of the special requirements of risk management accounting, which is why the use of risk management accounting should generally not end upon the implementation of the IBOR reform. The amendments permit the following main exceptions: Receivable ‘very probably’ Risk components Forward-looking information Retrospective efficiency test (in the case of IAS 39) Reuse of cash flow risk management reserve. The amendments also require companies to submit additional information on their risk management relationships, which are directly affected by these uncertainties, to investors.

The Group will analyse and disclose the impact of said amendment after its implementation.

Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Affiliate or Joint Venture* (the European Commission decided to postpone the approval of the amendments indefinitely)

The amendments explain that the scope of profit and recognition of profit in the case of a transaction of an affiliate or related to an affiliate depends on whether the assets sold or transferred form a business, so that: full gain or loss is recognised when a transaction between an investor and its affiliate or joint venture involves the transfer of an asset or assets that constitute a business (whether it is housed in a subsidiary or not), whilst partial gain or loss is recognised if the transaction between the investor and their affiliate or joint venture only covers the assets that do not comprise a business (even if these assets are located in a subsidiary). The quantitative impact of the adoption of the amendment can be evaluated only in the year of initial application of the amendment. The Group will analyse and disclose the impact of said amendment after its implementation.

Any other new or amended standards and interpretations that have not yet entered into force do not presumably have a significant impact on the Group.

2.4. Consolidation

The consolidated financial statements include the financial indicators of the parent company and the subsidiaries, consolidated on a line-by-line basis.

Subsidiaries are economic entities whose activities are controlled by the Company. The Company controls an economic entity if it can obtain or is entitled to profit arising from participating in the economic entity and can affect the size of the profit by exercising its influence over the economic entity.

Subsidiaries use the same accounting principles in their reports as the parent company. Any receivables, liabilities and transactions, incl. unrealised profit and loss arising from transactions between the parent company and the subsidiaries, have been fully eliminated in the consolidated financial statements.

Business combinations are recognised in the consolidated financial statements 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. In the case that the fair value exceeds the acquisition cost, the difference (negative goodwill) is immediately recognised as a gain for the period in full.

Investments in subsidiaries are recognised in the separate financial status report of the parent company (Note 20) by the equity method.

2.5 Segment reporting

The economic activity of the Group is to earn lease income from an investment property and this property is located in a single geographical location, so the Group only has one business segment (property lease) and one geographical segment (Latvia). This division is based on the same principles that are used in the Group's accounting and reporting.

Note 6 provides more information on the disclosures required by IFRS 8.

2.6 Investment property

Investment property means land and buildings that are held or developed either for the purpose of earning lease income or with a view to an increase in their market value and that are not used in the company's economic activities or sale in regular economic activities.

An investment property is initially recognised on the balance sheet at its acquisition cost, which includes the transaction fees directly attributable to acquisition: notary fees, state fees, payments to advisers and other expenses required for the purchase transaction. Thereafter, the investment property is recognised on each balance sheet date at their fair value. The fair value of an investment property is determined using the expert appraisal of attested appraisers. Fair value is the price that will be obtained upon the sale of the property on the day of measurement in an ordinary transaction between the market participants.

Fair value is determined using the discounted cash flow method. In order to calculate the value of discounted cash flow, the assessor must forecast the future lease income generated by the property (incl. lease per square metre and occupancy) and the property's operating costs. Depending on the conditions and possibility of termination of leases by tenants, the appraiser selects either the existing cash flow or the average cash flow existing on the market for analysis. In order to find the present value of net cash flow, it is also necessary to select a suitable discounting rate that best describes the market trends of the present value of cash and the specific risks related to the property; The discounted cash flow method is used upon the determination of the value of properties with a stable lease flow.

Gains and losses arising from changes in value are recognised in the income statement under profit / (loss) from revaluation of investment properties.

Recognition of an investment property on the balance sheet is discontinued when the property is sold or removed from use and the property is not expected to generate any economic gains in the future. Profits and losses from discontinued recognition of investment properties are reported in the income statement for the period in which they were de-recognised under other operating revenue or other operating charges.

An investment property is reclassified on the balance sheet if the purpose for which it is used changes. Accounting policies and procedures applicable to the group of assets where the property is reclassified will be applied to the property as from the day the change took place. If property previously accounted for as an investment property is reclassified as plant, property and equipment, the new acquisition cost of the property derived as of the date of reclassification is the fair value thereof.

2.7 Provisions and contingent liabilities

Provisions are only recognised on the balance sheet if the Group had a legal or factual obligation arising from an event that occurred by the balance sheet date the performance of which will probably require assignment of assets in the future in an amount that can be reliably determined.

Liabilities arising from events that have occurred by the balance sheet date the materialisation of which is unlikely in the opinion of the management are also recognised as contingent liabilities.

2.8 Lease accounting

Finance lease means lease transactions whereby all significant risks and benefits related to the right of ownership to the property transfer to the lessee.

IFRS 16 *Leases* (applied to reporting periods starting on or after 1 January 2019)

When entering into a contract, the Group assesses whether the contract is a lease or whether the contract includes a lease. A contract is a lease (or includes a lease) if it gives the right to control and use certain property during a certain time for a fee. In order to assess whether a contract gives the right to control and use property, the Group uses the definition of a lease given in IFRS 16.

Group as lessee

When a contract that includes the component of lease is entered into or amended, the Group divides the fee included in the contract between each component of lease on the prices of its separate price. The Group recognises the right of use asset and the lease liability at the start date of the lease. The right of use asset is initially measured at its acquisition cost, which consists of the initial amount of the lease liability. The initial amount of the lease liability is adjusted by the prepayments made, the direct expenses incurred and the restoration expenses (which arise from the disassembly and restoration of assets). The lease benefits received have been subtracted from the amount received.

The right of use asset is depreciated by the linear method from the start date of the lease until the end of the lease period, unless the title to the asset is transferred to the Group with the lease at the end of the lease period or if the residual value of the right of use asset indicates that the Group intends to use the option to buy out the asset. In this case, the right of use asset is depreciated during the entire useful life of the underlying asset, which will be determined on the same basis as in the case of the respective plant, property and equipment owned by the Group. The right of use asset is also reduced in the case of losses arising from impairment. The right of use asset is also adjusted when the lease liability is revalued.

The lease liability is initially measured at the net present value of the lease payments not paid by the start date of the lease relationship, using the internal interest rate of lease of, if this rate cannot be determined, an alternative loan interest rate. In general, the Group uses an alternative loan interest rate as the discount rate.

The Group finds the alternative interest rate using various sources of financing. The received inputs are adjusted considering the lease conditions and the type of the leased asset in order to find the alternative loan interest rate suitable for the leased asset.

The lease liability is measured at adjusted acquisition cost. This is recalculated if there are changes in future lease payments, which arise from an index or rate, if the estimate of the sum of the guaranteed residual value changes or if the Group changes its opinion of whether it wants to use to use the option to buy out the asset, or extend or terminate the lease. The lease liability is also remeasured if the fixed payments change (including substantively fixed lease payments).

If the lease liability is revalued due to the reasons listed above, the relevant adjustment will be made in the book value of the right of use asset. The impact of the change of lease liability is recognised in the income statement until the book value of the right of use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group does not recognise right of use assets and lease liabilities in the case of leases of low-value assets and short-term leases. The Group recognises the lease payments related to these leases in a linear manner during the lease period.

2.9 Financial assets

Classification

The Group classifies financial assets into the following measurement categories:

a) financial assets recognised at fair value (either with changes through comprehensive profit or loss or through profit and loss);
b) those that are recorded at adjusted acquisition cost.

The classification depends on the Group's business model in the management of financial assets and the contractual terms and conditions of cash.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flow from the financial assets have expired or have been transferred and the Group has transferred all the risks and rewards of ownership.

Measuring

When first recognised, financial assets are recognised at fair value to which the transaction costs directly related to the acquisition are added, except for financial assets that are recognised at fair value with changes through profit and loss. The transaction fees of financial assets recognised at fair value with changes through profit and loss are recognised as an expense in the income statement.

Further recognition of debt instruments depends on the Group's business model in the management of financial assets and the contractual terms and conditions of cash flow. The Group classifies all debt instruments into the adjusted acquisition cost-measuring category, because these assets are held for collection of contractual cash flow and their cash flow only represents payments of principal and interest calculated on the outstanding principal. The interest income earned on these assets is recognised in financial income by the internal interest rate method. Upon derecognition, the profit or loss earned is recognised in the income statement under other income / expenses.

The Group will derecognise financial assets when its rights to the cash flow arising from the financial asset end and when it assumes the obligation to transfer this cash flow without undue delay to a third party to whom the risks and benefits associated with the financial asset are transferred.

The Group's financial assets were classified into the following categories as at 31 December 2019:

a) cash and cash equivalents
b) trade receivables

Impairment

The Group assesses the expected credit loss of the debt instruments recognised at adjusted acquisition cost on the basis of future information. The implemented impairment methodology depends on whether the credit risk has increased significantly.

Trade receivables and other receivables and cash and cash equivalents are the only financial assets of the Group that are covered by the implementation of the expected credit loss model of IFRS 9. The Group applies the simplified approach permitted according to IFRS 9 to trade receivables and calculates write-downs of receivables upon the initial recognition of the receivables as the expected credit loss of the term of receivables. The Group uses the discount matrix where the discount is calculated for receivables on the basis of various expiry and delay periods.

2.10 Trade receivables

Trade receivables are initially recognised only at fair value and thereafter measured at adjusted acquisition cost. The Group maintains trade receivables in order to receive contractual cash flow.

2.11 Cash and cash equivalents

Cash and cash equivalents are cash and highly liquid short-term (up to three months as of the moment of acquisition) investments, which can be changed into a known amount of money in up to three months proceeding from the actual deadline of the transaction and whereby the risk of a significant change in market value is insignificant.

2.12 Financial liabilities

The Group registers financial liabilities as of the moment when the Group becomes a party to the contractual rights and obligations.

All financial liabilities (trade creditors, loans received, accrued expenses, and other short-term and long-term debt) are initially recognised at their acquisition cost, which also includes all of the direct expenses relating to acquisition. Financial assets and liabilities are thereafter recognised at the adjusted acquisition cost.

All loans payable, incl. bonds, are initially recognised at the fair value of the fee received minus the direct transaction expenses. After initial registration, interest-bearing loans payable are recognised at the adjusted acquisition cost using the effective interest rate method. The interest expenses of financial liabilities are recognised on the accrual basis under interest expenses in the income statement.

A financial liability is classified as short-term if its due date arrives within 12 months of the balance sheet date or if the Group does not have the unconditional right to postpone payment for more than 12 months after the balance sheet date. Loan payables that are due within 12 months as of the balance sheet date and that are refinanced as long-term after the balance sheet date but before the approval of the annual report are recognised as short-term liabilities.

Financial liabilities are derecognised when the contractual obligation is performed, cancelled or expires.

2.13 Derivatives

The derivative that the Group may use is the interest rate swap in order to reduce the risks related to changes in the interest rates of financial liabilities. Such financial derivatives are initially recognised at their fair value on the date of entry into the contract and are later revalued according to the change in the fair value of the instrument by the balance sheet date. A derivative with a positive fair value is recognised as an asset, and as a liability in the opposite case. The fair value of an interest rate swap is found on the basis of the quotations of banks on the balance sheet date. Gains or losses arising from the increase or decrease in the fair value of a derivative are recognised in the income statement.

2.14 Taxation

Taxation in Estonia

Pursuant to the Income Tax Act, corporate earnings are not subject to tax in Estonia and the dividends distributed are taxed instead. The tax rate on (net) dividends is 20/80. Income tax arising from the disbursement of dividends is reported under expenses in the income statement upon declaration of the dividends (when the obligation of payment emerges).

Latvian subsidiaries

The profit of Latvian companies was taxed at a rate of 15% according to the Income Tax Act that was in force until 2017. Therefore, the deferred income tax on the temporary differences between the taxation base of the assets and liabilities of the Latvian subsidiaries and their book value was recognised in the consolidated report.

Legal entities do not have to pay income tax on the profits according to the new Income Tax Act of the Republic of Latvia that was published in 24 July 2017 and entered into force on 1 January 2018. Corporate income tax is paid on distributed profit and ostensibly distributed profit. A 20% income tax rate, i.e. 20/80 of the net payout, is applied to distributed and ostensibly distributed gross profit as of 1 January 2018. The corporate income tax on dividends is recognised as an expense in the income statement during the reporting period when the dividends were declared, and other ostensibly distributed profit is recognised at the moment the respective expenses emerged.

There are no differences between the taxation and book values of assets and liabilities as a result of the implementation of the new act and deferred income tax assets and liabilities are not recognised in respect of the Latvian subsidiaries any more after 1 January 2018.

2.15 Revenue recognition

Revenue includes lease income and income from service fees.

The lease income earned on the basis of operating leases, which consists of the lease amounts receivable from clients, is recognised as income during the lease period on a linear basis. The benefits given to tenants for entry into or extension of leases during the lease period are recognised as inseparable parts of lease income.

Income from service fees is recognised as gross amounts in the income statement if the Group does not operate on behalf of a third party and charge commission for mediation of invoices. Revenue is presented as a gross amount if the Group enters into a lease with a third-party service provider and assumes the risks arising from the lease. Revenue from provision of services is recognised in the period when the service is provided.

Revenue is measured at the transaction price agreed on the lease. The amounts recognised as revenue include variable income and payments to clients, which are not for specific services. For example, this variable income may include retail and wholesale discounts, returns and amounts collected on behalf of third parties.

If the Group acts as an agent on behalf of third parties, the amounts received from tenants for goods and services are recognised according to IFRS 15 at net amounts in the income statement and the income from resubmission of the invoices is recognised in the amount of the commission earned.

Financing component

The Group has no contracts where the period between the transfer of the goods or services promised to a client and the receipt of the client's payment is longer than a year. Therefore, the Group does not adjust the transaction price in respect of the impact of the time value of money.

Note 3. Financial risk management

3.1 Risk management

The Group performs risk management via the risk management function of United Partners Property OÜ. United Partners Property OÜ is the parent company of UPP Olaines OÜ. The financial risks arise from financial instruments associated with the Group during the reporting period or at the end of the reporting period. Financial risk includes market risk, interest rate risk, credit risk and liquidity risk. The main objective of financial risk management is to establish risk limits and then guarantee that these are not in contravention of the established limits. Regular reviews, amendments and updates are also performed and initiated.

Market risk

Market risk is the risk of change in the fair value of financial instruments arising from changes in market prices. The Group's financial instruments that are mainly affected by changes in market prices are loans payable and interest rate derivatives. Interest rate risk is the main factor that affects said financial instruments.

Interest rate risk

The Group's interest rate risk mainly arises from long-term loans payable. Loans payable with a floating interest rate expose the Group to the interest rate risk related to cash flow. The Group's operating principle is to fix the interest rate of loans payable with floating interest rates via the respective swap in order to reduce the cash flow risk. In 2018 the Group entered into an interest rate swap, which fixes the floating 3 months Euribor interest rate component of the bank loan at 0.54%.

The Group recognises interest rate swaps with charges through profit and loss. The fair value of the interest rate swap as at 31 December 2019 was negative in the amount of 455,204 euros. Additional information about the methodology of the fair value of the interest rate swap is described below under fair value measurement.

Effective interest rates are close to the nominal interest rates.

Liquidity risk

Liquidity risk management requires maintaining an adequate cash balance and sustainable financing of activities with various loan instruments.

The Group makes every effort to guarantee adequate liquidity for the Group via efficient cash management and raising long-term capital.

The table below indicates the Group's financial liabilities as at 31 December 2019. The amounts in the table are non-discounted gross amounts, which also include contractual interest payments.

	<3 months	3-12 months	1-5 years	> 5 years	Total contractual cash flow	Book value
(euros)						
Interest-bearing loans payable (note 15)	568,985	1,706,957	27,171,738	2,948,300	32,395,980	28,492,625
Derivatives (Note 16)	0	0	455,204	0	455,204	455,204
Trade creditors and other payables (Note 13)	358,762	0	0	0	358,762	358,762
Total financial liabilities	**927,747**	**1,706,957**	**27,626,942**	**2,948,300**	**33,209,946**	**29,306,591**

Credit risk

Credit risk means the risk that arises from the inability of a transaction counterparty to perform their obligations to the Group. As the Group has an investment property with a large anchor tenant whose lease income is more than 60% of the net lease income, the Group is exposed to significant concentrated credit risk related to a single party. Irrespective of this, the Group does not consider this credit risk to be remarkable, as the Group kept in mind when selecting the investment property that its anchor tenants must be the market leaders in their fields and have strong credit profiles.

In addition to carefully selected anchor tenants with strong credit profiles, the group will reduce its credit risk by collecting rent deposits and setting a 30-day payment period for the invoices submitted to tenants. Receivables that are overdue for more than 180 days are generally deemed doubtful.

The maximum credit risk equals the sum of the book values of all of the financial assets recognised in the financial status report. The maximum credit risk as at 31 December 2019 was as follows:

	31.12.2019	31.12.2018
(euros)		
Cash and cash equivalents	561,474	426,691
Trade receivables and other receivables	204,939	300,576
Total credit risk	**766,413**	**727,267**

The fair value of cash and cash equivalents as at 31 December 2019 is close to their book value.

The credit quality of trade receivables is illustrated in the following table:

	31.12.2019	31.12.2018
(euros)		
Not expired	**169,212**	**134,724**
Expired, incl.	**0**	**0**
<30 days	0	0
30-90 days	0	0
> 90 days	0	0
Total credit risk	**169,212**	**134,724**

The account balances recognised among the Group's cash and cash equivalents are located in two banks whose credit rating (Moody's long-term) is as follows:

	31.12.2019	31.12.2018
(euros)		
Aa2 rating (parent company of the Estonian bank)	8,148	6,716
Baa1 rating	553,326	419,975
Total cash and cash equivalents	**561,474**	**426,691**

Capital management

The Group's objective in capital management is to ensure the Group's capability to continue operating in order to guarantee returns to shareholders and perform the obligations to creditors.

The Group monitors capital with the loan guarantee ratio. It is calculated by dividing the net loan amount by the property value amount. Net loan is calculated by subtracting the amount of cash and cash equivalents and the subordinated loan received from United Partners Property OÜ from the total amount of the loans payable.

	31.12.2019	31.12.2018
(euros)		
Net loan	24,982,625	26,181,642
Investment property	30,909,000	30,762,000
Capital loan guarantee ratio	**80.8%**	**85.1%**

3.2 Fair value measurement

Financial assets and liabilities recognised at fair value

The financial instruments recognised at fair value are classified according to the valuation technique in the table below. Different valuation techniques are defined as follows according to the used inputs:

a) Level 1: (Unadjusted) listed prices of assets or liabilities on active markets;
b) Level 2: Valuation techniques whose lowest level input, which is important from the viewpoint of the entire measuring, can be directly or indirectly monitored;
c) Level 3: Valuation techniques whose lowest level input, which is important from the viewpoint of the entire measuring, cannot be monitored.

	Level 1	Level 2	Level 3
(euros)			
Financial liabilities			
Derivatives		455,204	

Financial assets and liabilities not recognised at fair value that´s fair value is disclosed

	Level 1	Level 2	Level 3	Net book value
(euros)				
Financial assets				
Cash and cash equivalents	561,474			561,474
Trade receivables and other receivables			204,939	204,939
Financial liabilities				
Interest-bearing loans and debts payable			28,492,625	28,492,625
Trade creditors and other payables			358,762	358,762

Assets and liabilities are recognised at adjusted acquisition cost in the table above and their book value is close to their fair value.

Note 4. Significant accounting estimates and decisions

Upon the preparation of the Group's Financial Statements, the management of the Group makes decisions and estimates about the future, which will have an impact on the implementation of accounting policies and the recognised amount of assets, liabilities, income, expenses and the disclosed contingent assets and liabilities.

Although the decisions and estimates are consistently reviewed and they are based on earlier experience and their best knowledge of future events likely to occur, the actual results may differ from those anticipated.

The most important decisions of the management, which affect the information reported in the Financial Statements, have been described as follows:

Determination of fair value of property

The fair value of an investment property is determined on each balance sheet date. The investment property of the Group is appraised by an independent property appraiser. The property appraiser determines the value of the investment property using the discounted cash flow method. Further information about the premises and inputs used to determine the value of the investment property can be found in Note 12.

Business combinations

The Group has acquired a holding in a subsidiary whose principal activity is to hold investment properties. If the acquisition of a subsidiary cannot be regarded as "an integrated set of activities and assets" as stipulated in IFRS 3, the acquisition of the subsidiary is recognised as an acquisition of assets where the acquisition cost is divided between the acquired assets and liabilities on the basis of their relative fair values and the goodwill and deferred income tax assets and liabilities are not recognised upon the division of the acquisition cost.

Classification as a business combination is based on the following criteria:

a) Assets include several plots of land and buildings;
b) Assets include leases with existing tenants;
c) Additional services are provided to tenants (e.g. maintenance, cleaning, security and accounting services, etc.);
d) There are employees for operating processes (incl. all relevant administrative activities, such as submission of invoices, receipt of payments, provision of management information to the owners of the company and processing the data of tenants);
e) The process of management of the acquired investment properties is complex.

The Group regards the acquired property as a business combination, as leases with existing tenants with the additional services provided to the tenants were acquired with the property.

Note 5. Subsidiaries

UPP Olaines OÜ has a controlling stake in the following companies:

Company name	Direct parent company	Country of location	Participation		Activity
			31.12.2019	**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-owning company

On 15 November 2017 UPP Olaines OÜ acquired Olaines Logistics SIA, which is a company established and registered in Latvia in 2012. Olaines Logistics SIA was acquired in order to acquire Olaines Logistics Parks SIA. Olaines Logistics SIA was acquired for the purchase price of 1,800 euros. The value of the net assets of Olaines Logistics SIA at the moment of purchase was 885 euros. The resulting goodwill was 915 euros, which was written off as trivial.

Note 6. Segment reporting of sales revenue

Area of activity	Income from third parties **31.12.2019**	Income from third parties **24.08.2017 - 31.12.2018**
(euros)		
Net lease income	2,589,379	2,607,869
Total	**2,589,379**	**2,607,869**

Geographical region	Income from third parties **31.12.2019**	Income from third parties **24.08.2017 - 31.12.2018**
(euros)		
Latvia	2,589,379	2,607,869
Total	**2,589,379**	**2,607,869**

The Group has two major tenants in whose case the lease income received exceeds 10%: lease income from tenant 1 comprises 64% of the Group's total income and lease income received from tenant 2 comprises 22.5% of the Group's total income.

Note 7. General administrative expenses

	31.12.2019	**31.12.2018**
(euros)		
Consultation services	(26,301)	(130,187)
Legal services	0	(16,938)
Accounting services	(15,870)	(10,453)
Expenses of securities	(9,473)	(14,502)
Personnel expenses, incl. taxes	(5,340)	(2,157)
Banking services	(469)	(32,627)
Other	(13,670)	(14,616)
Total general administrative expenses	**(71,123)**	**(221,480)**

Note 8. Financial income (expenses)

	31.12.2019	24.08.2017 - 31.12.2018
(euros)		
Interest expenses, incl.	**(1,039,162)**	**(1,366,881)**
Loan interest expenses	(596,649)	(690,114)
Bond interest expenses	(435,050)	(481,888)
Owner's loan interest expenses	(180,081)	(194,879)
Change in fair value of interest rate swap	(38,325)	(416,879)
Other financial income	2	63,283
Total financial income / (expenses)	**(1,250,103)**	**(1,720,477)**

Note 9. Income tax

	31.12.2019	24.08.2017 - 31.12.2018
(euros)		
Income tax	**(50)**	**36,176**

Note 10. Cash and cash equivalents

	31.12.2019	31.12.2018
(euros)		
Cash at bank	561,474	426,691
Total cash and cash equivalents	**561,474**	**426,691**

Note 11. Trade receivables and other receivables

	31.12.2019	31.12.2018
(euros)		
Trade receivables	169,212	134,724
Prepaid expenses	0	165,852
Other receivables	35,727	0
Total trade receivables and other receivables	**204,939**	**300,576**

Note 12. Investment property

As at 31 December 2019, the Company has invested in the following properties:

Name of site	Location	Area (m2)	Year built	Market value at 31.12.2019
(euros)				
Olaines Logistics Park	Olaine region, Riga, Latvia	37,204	2007	30,909,000

The following changes occurred in the Group's investment property during the reporting period:

	Investment property
Balance at 31.12.2018	**30,762,000**
Profit / (loss) from change in fair value	147,000
Balance at 31.12.2019	**30,909,000**

Basis and method for determination of fair value of investment property

The fair value of the investment property is based on the appraisal report prepared by an attested property appraiser on 31 January 2020.

The estimates of the independent appraiser upon the calculation of the fair value of investment properties are based on the following:

31.12.2019					
Property	**Fair value**	**Appraisal method**	**Discount rate**	**Exit productivity**	**Annual average lease income**
Olaines Logistics Park	30,909,000	DCF	8.6%	8%	2,598,733

a) Lease income: the prices arising from effective leases and real growth rates are used
b) Discount rate: calculated on the basis of the weighted average cost of capital (WACC) related to the investment property
c) Exit productivity: based on the estimated level of returns at the end of the deposit period, considering the projected market situation and the risks related to the object.

The table below contains information about important unobservable inputs, which as at 31 December 2019 were used in the fair value hierarchy for measuring the value of investment properties classified at level 3.

Asset type	**Appraisal method**	**Significant unobservable input**	**Assessment range**	**Sensitivity of fair value to unobservable inputs**
Investment property	Discounted cash flow method	Exit productivity	7.75%-9.5%	Increase in the capitalisation rate of exiting the project, *ceteris paribus*, would reduce the value of the property.
		Discount rate	7.6%-9,6%	Increase in the discount rate, *ceteris paribus*, would reduce the value of the property.
		Increase in lease price per year	0-3 %	Increase in lease price, *ceteris paribus,* would increase the value of the property.
		Long-term vacancy rate	0-5%	Increase in the long-term vacancy rate, *ceteris paribus*, would reduce the value of the property.

Sensitivity analysis

Sensitivity analysis of the fair value of the investment property as at 31 December 2019 on the basis of the possible changes in the capitalisation rate of exiting the project and the discount rate (WACC):

Fair value		**Exit productivity**				
(thousand euros)		**7.00%**	**7.50%**	**8.00%**	**8.50%**	**9.00%**
Discount rate	**7.60%**	35,370	33,773	32,377	31,145	30,049
	8.10%	34,542	32,990	31,631	30,433	29,368
	8.60%	33,740	32,230	30,909	29,743	28,706
	9.10%	32,961	31,492	30,207	29,073	28,065
	9.60%	32,206	30,777	29,526	28,423	27,442

Operating lease payments

The leases entered into between the Group and the tenants comply with the terms and conditions of the operating leases that cannot be terminated. Income from said leases divides as follows:

Payments from operating leases that cannot be terminated	31.12.2019	31.12.2018
(euros)		
Up to one year	2,585,033	2,497,949
From year two to year five	7,648,504	9,099,671
After year five	0	718,709
Total	**10,233,537**	**12,316,329**

Note 13. Trade creditors and other payables

	31.12.2019	31.12.2018
(euros)		
Trade creditors	116,107	164,308
Taxes payable	33,959	56,313
Prepayments from clients	162,346	162,347
Interest payable	46,337	60,788
Other payables	13	2,280
Total trade creditors and other payables	**358,762**	**446,036**

Note 14. Share capital

The registered share capital of UPP Olaines OÜ as at 31 December 2019 was 1 unit with a nominal value of 2,500 euros per share. All shares have been paid for in full.

United Partners Property OÜ has a 100% holding in UPP Olaines OÜ.

This information about share capital was also valid on 31 December 2018.

Note 15. Loans payable

31.12.2019	Current portion	Long-term portion	Total	Currency	Interest rate	Due date
(euros)						
Bank loan	1,064,000	18,265,325	19,329,325	EUR	3 months Euribor + 2.4%	30.11.2022
Bonds	0	6,215,000	6,215,000	EUR	7%	10.11.2022
Owner's loan	0	2,948,300	2,948,300	EUR	6%	15.11.2022
Total loans payable	**1,064,000**	**27,428,625**	**28,492,625**			

31.12.2019	Loan collateral	Value of collateral
(euros)		
Bank loan	Rank I mortgage on Olaines Logistics Park	30,909,000
Derivative instrument	Rank II mortgage on Olaines Logistics Park	30,909,000
Bonds	Rank III mortgage on Olaines Logistics Park	30,909,000

31.12.2018	Current portion	Long-term portion	Total	Currency	Interest rate	Due date
(euros)						
Bank loan	1,064,000	19,329,329	20,393,333	EUR	3 months Euribor + 2.4%	30.11.2022
Bonds	0	6,215,000	6,215,000	EUR	7%	10.11.2022
Owner's loan	0	3,048,300	3,048,300	EUR	6%	15.11.2022
Total loans payable	**1,064,000**	**28,592,629**	**29,656,633**			

31.12.2018	Loan collateral	Value of collateral
(euros)		
Bank loan	Rank I mortgage on Olaines Logistics Park	30,762,000
Derivative instrument	Rank II mortgage on Olaines Logistics Park	30,762,000
Bonds	Rank III mortgage on Olaines Logistics Park	30,762,000

Note 16. Derivatives

	31.12.2019	31.12.2018
(euros)		
Interest rate swap liability	455,204	416,879

The Group has entered into an interest rate swap with the bank.

The purpose of the interest rate swap is to reduce the cash flow risk arising from the variation of the floating part of the interest rate of the bank loan. According to the documentation of the interest rate swap, the Group will pay the bank fixed interest rate payments and will receive floating interest rate payments in return.

The Group will not apply the hedge accounting arising from IFRS 9.

Note 17. Contingent assets and liabilities

Contingent income tax liability

The retained earnings of the Group as at 31 December 2019 were 2,366,322 euros (967,219 euros in 2018). The maximum potential income tax payable that may arise upon the payout dividends is 473,264 euros (193,444 euros in 2018). Thus, total net dividends amount to 1,893,058 euros (773,775 euros in 2018).

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 31 December 2019.

Other contingent assets and liabilities

The Group had no contingent assets or liabilities as at 31 December 2019.

Note 18. Transaction with related parties

The Group concluded transactions with related parties in the reporting period. The transactions concluded with related parties and their balances at the end of the period are given below. Parties are related if one of them controls the other (dominant influence) or has significant influence over the financial or business decisions of the other party. All transaction with related parties are concluded at market prices.

Parent companies

The following companies have a controlling holding in UPP Olaines OÜ:

Company name	Type	Location	Holding	
			31.12.2019	**31.12.2018**
United Partners Property OÜ	Direct parent company	Estonia	100%	100%
United Partners Group OÜ	Final parent company and controlling party	Estonia	100%	100%

Related transactions and balances

The balance of the Group concerning the loan from United Partners Property OÜ is given in the table below:

Loan from United Partners Property OÜ (Note 15)	31.12.2019	24.08.2017 - 31.12.2018
(euros)		
At beginning of the period	**3,048,300**	**0**
Loans received	0	3,048,300
Repayments of loans received	(100,000)	0
Interest expenses	(180,081)	(194,688)
Interest paid	(194,532)	(180,237)
Interest payable	0	14,642
At end of the period	**2,948,300**	**3,048,300**

UPP Olaines OÜ made a prepayment for future interest payments in the amount of 158,000 euros to United Partners Property OÜ in period from 24 August 2017 to 31 December 2018. The prepayment was offset in terms of interest payments in the amount of 122,275 euros during the financial year from 1 January 2019 to 31 December 2019. The prepayment balance as at 31 December 2019 was 35,725 euros.

Note 19. Unconsolidated comprehensive income statement of parent company

Pursuant to the Accounting Act of the Republic of Estonia, the unconsolidated financial statements of the consolidating entity (parent company) must be disclosed in the notes.

Investments in subsidiaries have been recognised using the equity method in the separate main statements of the parent company, which are given as notes to these consolidated financial statements.

(euros)	31.12.2019	24.08.2017 - 31.12.2018
General administrative expenses	(10,883)	(14,974)
Other operating costs	(16,000)	0
Operating profit	**(26,883)**	**(14,974)**
Financial income and expenses	1,091,299	1,481,000
Profit for the period	**1,064,416**	**1,466,026**
Total comprehensive income for the period	**1,064,416**	**1,466,026**

Note 20. Unconsolidated statement of financial position of parent company

(euros)	31.12.2019	31.12.2018
Cash and cash equivalents	8,148	6,716
Trade receivables and other receivables	35,725	161,328
Total current assets	**43,873**	**168,044**
Loans receivable	7,898,057	8,522,557
Shares in subsidiaries	3,808,441	2,102,013
Total non-current assets	**11,706,498**	**10,624,570**
TOTAL ASSETS	**11,750,371**	**10,792,614**
Trade creditors and other payables	54,129	60,788
Total current liabilities	**54,129**	**60,788**
Loans payable	9,163,300	9,263,300
Total long-term liabilities	**9,163,300**	**9,263,300**
TOTAL LIABILITIES	**9,217,429**	**9,324,088**
Share capital	2,500	2,500
Retained earnings	1,466,026	0
Profit for the financial year	1,064,416	1,466,026
TOTAL EQUITY	**2,532,942**	**1,468,526**
TOTAL LIABILITIES AND EQUITY	**11,750,371**	**10,792,614**

Note 21. Unconsolidated cash flow statement of parent company

(euros)	31.12.2019	24.08.2017 - 31.12.2018
Profit before income tax	**1,064,416**	**1,466,026**
Financial income and expenses	(1,091,299)	(1,481,000)
Cash flow used in operating activities before changes in working capital	**(26,883)**	**(14,974)**
Decrease / (increase) in receivables related to business activities	12,151	(3,327)
Decrease / (increase) in payables and prepayments relating to operating activities	(14,154)	0
Total cash flow used in operating activities	**(28,886)**	**(18,301)**
Subsidiaries acquired	0	(1,803)
Loans granted	(55,000)	(6,430,500)
Receipt of repayments of loans granted and bonds	686,995	957,943
Interest received	2	57,366
Total cash flow from/(used in) investing activities	**631,997**	**(5,416,994)**
Loans received	0	6,576,300
Loan repayments	(100,000)	(363,000)
Interest paid	(501,679)	(773,789)
Contributions to share capital	0	2,500
Total cash flow from/ (used in) financing activities	**(601,679)**	**5,442,011**
Change in cash and cash equivalents	**1,432**	**6,716**
Cash and cash equivalents at the beginning of the period	6,716	0
Cash and cash equivalents at the end of the period	**8,148**	**6,716**

Note 22. Unconsolidated statement of changes in equity of parent company

(euros)	Share capital	Retained earnings	Total equity
Balance at 24.08.2017	**2,500**	**0**	**2,500**
Profit for financial year	0	1,466,026	1,466,026
Balance at 31.12.2018	**2,500**	**1,466,026**	**1,468,526**
Profit (loss) for financial year	0	1,064,416	**1,064,416**
Balance at 31.12.2019	**2,500**	**2,530,442**	**2,532,942**

The adjusted unconsolidated equity of the parent company (in order to account for the conformity to the requirements established in the Commercial Code) is as follows:

	31.12.2019	**31.12.2018**
(euros)		
Unconsolidated equity of parent company	2,532,942	1,468,526
Value of subsidiaries on parent company's unconsolidated balance sheet (minus)	(3,808,441)	(2,102,013)
Value of subsidiaries using equity method (plus)	3,808,441	2,102,013
Total	**2,532,942**	**1,468,526**

Note 23. Subsequent events

In 2019 the Group launched the merger of two subsidiaries, i.e. Olaines Logistics SIA and Olaines Logistics Parks SIA, in order to facilitate the management of the Group. The merger contract was signed on 24 April 2019. The merger will not have any impact on the operating and financial results of the Group. The merger was completed in the register on 22 January 2020.

The World Health Organization (WHO) received the first notices about the new coronavirus (COVID-19) from China in December 2019. The virus has spread all over the world in the first months of 2020 and the WHO declared the virus outbreak a pandemic on 11 March 2020. Many countries have declared a state of emergency. The pandemic has caused significant problems for the economy and companies.

The management considers the coronavirus pandemic a non-adjusting subsequent event. As the situation is unstable and rapidly changing, it would be unreasonable for the management to propose any quantitative estimates of the possible impact of the pandemic. At the time this report was prepared, the management had no information that would suggest that the impact of the coronavirus was likely to jeopardise the sustainability of the Company's operations within 12 months.

INDEPENDENT CERTIFIED AUDITOR'S REPORT

[Translation of the Estonian original]

To the shareholder of UPP Olaines OÜ

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of UPP Olaines OÜ and its subsidiaries (hereinafter the Group), which comprise the consolidated statement of financial position as of 31 December 2019, and the consolidated statement of comprehensive income for the year ended on 31.12.2019, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Commission.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Independence

We are independent of the Group in accordance with the ethical requirements of the Auditor's Activities Act of the Republic of Estonia and with the Code of Ethics for Professional Accountants (Estonia), as set in the same act, and we have fulfilled our other ethical responsibilities in accordance with the requirements of Code of Ethics for Professional Accountants (Estonia).

Our audit approach

As part of designing our audit, we determined materiality and assessed risks of material misstatements in the consolidated financial statements. In particular, we considered areas where the Management Board has made estimates that are based on assumptions and future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

Based on our professional judgement we determined certain quantitative thresholds for the consolidated financial statements as a whole that together with qualitative considerations helped us to determine the scope of our audit, and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the consolidated financial statements as a whole.

We determine as the Group materiality 316 thousand EUR that makes up 1% of total assets. We used total assets as this is the key indicator that is monitored by the Management Board and investors.

Audit scope
As we are solely responsible for our audit opinion, we are also responsible for the direction, supervision and performance of the group audit. In this respect, we have determined the type of work to be performed for Group entities (components) based on their financial significance.

As Group auditors we determined as significant all three entities belonging to the Group which were subject to full scope audit.

We, as group auditors, performed the procedures for UPP Olaines OÜ, subsidiaries Olaines Logistics SIA and Olaines Logistics Parks SIA audits were performed by the auditor of subsidiaries in Latvia Orients Audit & Finance SIA based on our instructions. We had regular communications with component auditors and executed audit documentation reviews, when we considered it necessary.

By performing the procedures mentioned above over the Group entities and at the Group level, we have been able to obtain sufficient and appropriate audit evidence to form an opinion on the consolidated financial statements as a whole.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters

The key audit matter	How the matter was addressed in our audit
Valuation of investment property	
As of 31.12.2019 the fair value of the investment property in the Group amounted to 30 909 thousand EUR and related revaluation amounted to 147 thousand EUR. Additional information is disclosed in Note 2 “Summary of significant accounting policies” and Note 12 “Investment property”. We focused on the matter as the value of the investment property makes up 98% of total group assets and involves significant management estimates. The management uses independent appraisers to evaluate the fair values by engaging an external valuation at least once per year. In determining the fair value of the investment property, appraisers and the management take into account property-specific information such as the current tenancy agreements and rental income. As disclosed in consolidated financial statements Note 12, the Group measures the fair value of the investment property using the discounted cash flow method and the fair value measurement involves several significant inputs that are based on management judgements.	During our audit procedures we obtained and read the valuation report and information regarding the inputs and assessed whether the valuation approach was in accordance with the principles of measuring fair value under IFRS. We found the method to be consistent with the guidance in IFRS. We assessed the qualifications and expertise of the external appraisers and we found that the appraisers performed their evaluation in accordance with the respective professional valuation standards and that they have considerable experience in evaluations. We found no evidence to suggest that the objectivity of the appraisers was compromised. We compared the major assumptions used by the appraisers such as leased area and prognosed future cash flows of valid lease agreements to the respective source information and actual results for the previous period. We concluded that information and assumptions used by the management are justified and in accordance with previous period results and future prospective. We assessed that the disclosed information in Note 12 to the consolidated financial statements is adequate and in accordance with IFRS requirements.

Other Information

Management is responsible for the other information. The other information comprises the management report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (EE) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs (EE), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease

to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors´ report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

We were first appointed by those charged with governance on 25 November 2018 to audit the financial statements of UPP Olaines OÜ for the periods ended 31 December 2018 to 31 December 2019. We provide audit services to the Group for the second year.

We confirm that our audit opinion is consistent with the additional report presented to the Group Audit Committee and we have not provided to the Group the prohibited non-audit services referred to in local equivalent of Article 5(1) of EU Regulation (EU) No 537/2014. We remained independent of the audited Group in conducting the audit.

30 April 2020

/signed digitally/

Kersti Ruut
Certified auditor no 604
Ruut & Partnerid Audiitorbüroo OÜ
License no 283
Kasesalu 12, 76505 Saue,
Harjumaa, Estonia

PROFIT DISTRIBUTION PROPOSAL

The Chairman of the Management Board presents the following profit distribution proposal to the shareholders of UPP Olaines OÜ:

(euros)	31.12.2019
Retained earnings	967,219
Profit for the financial year	1,399,103
Total profit eligible for distribution	**2,366,322**
Dividends	0
Retained earnings after profit distribution	**2,366,322**

/Digitally signed/

Marko Tali

Chairman of the Management Board of UPP Olaines OÜ

30 April 2020, Tallinn

DECLARATION OF THE MANAGEMENT BOARD

The Chairman of the Management Board confirms that the financial and other information recognised in the Financial Statements 2019 of UPP Olaines OÜ, which covers the period from 1 January 2019 to 31 December 2019, gives a true and fair view of the Company's operations, financial results and position.

/digitally signed/

Marko Tali

Chairman of the Management Board of UPP Olaines OÜ

30 April 2020, Tallinn