UNITED PARTNERS

CONSOLIDATED ANNUAL REPORT 2020

UPP Olaines OÜ

Consolidated Annual Report 2020

Reporting period: 01.01.2020 – 31.12.2020

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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 the financing, acquisition and management of the investment property Olaines Logistics Park (buildings and registered immovable). Olaines Logistics Park is located in Šarlote, Olaines County, Olaines Municipality, Latvia, 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 was established solely for the purpose of the 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 are likely to 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 Group as at 31 December 2020 is as follows:

Bonds of UPP Olaines OÜ have been listed on the main list of the Nasdaq Tallinn Stock Exchange since 29 November 2018.

UPP Olaines OÜ is a going concern.

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

Coronavirus, which started spreading all over the world at the beginning of the financial year and caused a global recession in March 2020, also reached the Baltic States, which led to the closure of borders to foreign nationals and of 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 viral outbreak has had no direct impact on the economic activities of the Group. The virus has had an impact on the economic activities of companies that lease property to some extent, which may have an indirect impact on the Group's performance results. The best estimate of the management board is that if the viral 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 Group.

Management report

The total general administrative expenses of the reporting period were 151,122 (2019: 71,123) euros, which make up 5.74% (2019: 2.75%) of net lease income.

As of 31 December 2020, the Group's total assets comprised 32,121,185 (31 December 2019: 31,675,413) euros, incl. the investment property at fair value, which comprised 97.5% (31 December 2019: 97.6%) of assets. The net debt of the Group was 23,803,960 (31 December 2019: 24,982,851) euros. The net debt was calculated as follows: Cash and cash equivalents were subtracted from the Group's total loan and the subordinated loan received from the parent company, 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 2020 to 31 December 2020.

Financial overview of the year

The Group's net lease income in 2020 was 2,633,558 (2019: 2,589,379) euros. The increase in the net lease flow in the financial year in comparison with other financial years was caused by indexation and more efficient business activities.

The Group's operating profit for the financial year was 2,916,384 (2019: 2,649,256) euros. The increase in operating profit in comparison with other financial years was caused by a lack of extraordinary, one-off costs in 2020, and the income from the increase in the value of investment property was significantly larger than in the reference period.

The net profit for the financial year was 1,735,650 (2019: 1,399,103) euros. The increase in the net profit was partially caused by the aforementioned reasons; in addition, during the financial year, the Group earned more income from interest rate swaps than in the previous period.

The services of an independent attested assessor are used to determine the fair value of investment property, and profit from the revaluation of property in the amount of 346,688 euros was therefore recognised during the financial year (2019: 147,000 euros).

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

Events after the reporting date

Amendments to the Company's leases

On 15 January 2021, the lease entered into with Plesko Real Estate SIA was terminated. This company leased a total of 1573 m^2 of storage and administrative space in Olaines Logistics Park.

On 15 March 2021, the lease entered into with Premier Restaurants Latvija SIA was terminated. This company leased a total of 2382 m^2 of storage and administrative space in Olaines Logistics Park.

On 18 January 2021, Olaines Logistics SIA entered into a five-year lease with the company NNL LV SIA. NNL LV SIA leased a total of 2663 m^2 of storage and administrative space. This company offers 3PL services to renowned companies in the Baltic States, including Premia and Maxima.

On 16 April 2021, the lease entered into with Girtekos Logistika SIA was supplemented to provide them with an additional 1177 m^2 of storage and administrative space.

These amendments to leases do not have a significant impact on the Group's lease income in 2021 with the exception of the first quarter of 2021, in which the leased space was transferred and received.

Change in the structure of the logistics investments of United Partners Group OÜ

In March 2021, United Partners Group OÜ was internally restructured into a logistics investment group. The direct parent company of the Company had previously been United Partners Property OÜ, which included the housing development investments of United Partners Group OÜ. The logistics investments of United Partners Group OÜ, incl. the Company, now belong to UPP Logistics Properties OÜ, a management company completely owned by United Partners Property OÜ. The aim of restructuring was to create separate administrative units for the logistics property and housing property investments of United Partners Group OÜ.

Key financial reporting indicators of the financial year

(euros)	2020	2019
Net lease income	**2,633,558**	**2,589,379**
Operating profit	**2,916,384**	**2,649,256**
Profit for period	**1,735,650**	**1,399,103**

(euros)	31.12.2020	31.12.2019
Investment property	**31,320,000**	**30,909,000**
Interest-bearing loans	**27,428,633**	**28,492,625**
Interest-bearing loans excluding owner's loan	**24,480,333**	**25,544,325**

(euros)	2020	2019
Net profit margin, % (Net profit/Net lease income)	**65.9%**	**54.0%**
ROA, % (Net profit/Average assets)	**5.44%**	**4.4%**
ROE, % (Net profit/Average equity)	**54.9%**	**59.1%**
Liquidity ratio, times ((Current assets-supplies)/Current liabilities))	**0.45**	**0.41**
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 represents and warrants that the DSCR of UPP Olaines OÜ from 1 January 2020 to 31 December 2020 is larger than or equal to 1.1 and that no early redemption events have occurred from 1 January 2020 to 31 December 2020.

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 and Hallar Loogma. No remuneration or other benefits are provided to the members of the management or supervisory boards of the Group's parent company. However, remuneration has been calculated for the member of the subsidiary's management board. This amounted to 4466 euros with taxes in the reporting period and to 5340 euros in the previous financial year.

Other than the management board and the supervisory board, the Group has no employees.

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

/digitally signed/

Marko Tali

Chairman of the Management Board of UPP Olaines OÜ

30 April 2021, Tallinn

CONSOLIDATED FINANCIAL STATEMENTS OF UPP OLAINES OÜ

Consolidated statement of comprehensive income

(euros)	Note	2020	2019
Net lease income	6	2,633,558	2,589,379
Net lease income		**2,633,558**	**2,589,379**
General administrative expenses	7	(151,122)	(71,123)
Profit/(loss) from revaluation of investment properties	12	364,688	147,000
Other income/expenses		69,260	(16,000)
Operating profit		**2,916,384**	**2,649,256**
Financial income and expenses	8	(1,180,734)	(1,250,103)
Profit before tax		**1,735,650**	**1,399,153**
Income tax	9	0	(50)
Profit for financial year		**1,735,650**	**1,399,103**
Comprehensive income for period under review		**1,735,650**	**1,399,103**

The notes on pages 12 to 37 form an inseparable part of the consolidated financial statements.

Consolidated statement of financial position

(euros)	Note	31.12.2020	31.12.2019
Cash and cash equivalents	10	676,373	561,474
Trade receivables and other receivables	11	124,812	204,939
Total current assets		**801,185**	**766,413**
Investment property	12	31,320,000	30,909,000
Total fixed assets		**31,320,000**	**30,909,000**
TOTAL ASSETS		**32,121,185**	**31,675,413**
Trade creditors and other payables	13	369,491	358,762
Derivatives	16	363,979	455,204
Loans payable	15	1,064,004	1,064,000
Current liabilities		**1,797,474**	**1,877,966**
Loans payable	15	26,364,629	27,428,625
Total long-term liabilities		**26,364,629**	**27,428,625**
TOTAL LIABILITIES		**28,162,103**	**29,306,591**
Share capital	14	2500	2500
Retained earnings		2,220,932	967,219
Profit (loss) for financial year		1,735,650	1,399,103
TOTAL EQUITY		**3,959,082**	**2,368,822**
TOTAL LIABILITIES AND EQUITY		**32,121,185**	**31,675,413**

The notes on pages 12 to 37 form an inseparable part of the consolidated financial statements.

Consolidated cash flow statement

(euros)	Note	31.12.2020	31.12.2019
Profit before tax		**1,735,650**	**1,399,153**
Adjustment (financial income -, financial expenses +)	8	1,180,734	1,250,104
Adjustment with revaluation of investment property	12	(364,688)	(147,000)
Cash flow from operating activities before changes in working capital		**2,551,696**	**2,502,257**
Decrease/(Increase) in receivables	11	44,400	95,637
Increase/(Decrease) in debts		10,729	(200,728)
Other changes		4,670	0
Income tax paid		(50)	(50)
Total cash flow from operating activities		**2,611,445**	**2,397,116**
Improvements to investment properties	12	(46,312)	0
Total cash flow from investing activities		**(46,312)**	**0**
Dividends paid		(150,000)	0
Repayments of loans received and other debts		(1,064,004)	(1,164,000)
Interest paid		(1,236,230)	(1,098,333)
Total cash flow from financing activities		**(2,450,234)**	**(2,262,333)**
Change in cash and cash equivalents		**114,899**	**134,783**
Cash and cash equivalents at beginning of period	10	561,474	426,691
Cash and cash equivalents at end of period	**10**	**676,373**	**561,474**

The notes on pages 12 to 37 form an inseparable part of the consolidated financial statements.

Consolidated statement of changes in equity

(euros)	Share capital	Retained earnings	Total equity
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**
Total comprehensive income	0	1,735,650	1,735,650
Dividends paid	0	(150,000)	(150,000)
Other changes	0	4,610	4,610
Balance at 31.12.2020	**2,500**	**3,956,582**	**3,959,082**

The notes on pages 12 to 37 form an inseparable part of the consolidated financial statements.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS

Note 1. General information

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

The structure of UPP Olaines OÜ as at 31 December 2020 is as follows:

See Note 5 for further information about the subsidiary.

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

Note 2. Overview of accounting policies and procedures

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 2020 (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 2020:

IFRS 16 *Leases* (from 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 as 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 applies 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 Treatment*s (applicable 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 the expected value (the sum of probability-weighted amounts). An accountable entity must assume the tax authority will examine the position and will have full knowledge of all 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 (applicable 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 states 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 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 only be excluded from total general loan expenses 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.

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 input and a substantive process, which together contribute significantly to the capability to produce output. The new guidelines provide the framework for assessing when input and a substantive process exist, incl. in the case of companies in their early stages that have not generated output. The existence of organised workforce is required for classification as a business if there is no output. The definition of 'output' has been narrowed and 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. An accountable entity 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 is basically concentrated in one asset (or a set of similar assets).

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

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

The amendments explain the following: in the event of the 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.

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 diligence in the use of the resources entrusted to management, conservatism and measurement uncertainty.

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

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

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

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

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

The amendments are mandatory and apply to all risk management relationships that 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 to investors on their risk management relationships that are directly affected by these uncertainties.

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

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 2020 and have therefore not been applied in the preparation of this consolidated report. The Group intends to start applying them when it becomes mandatory to do so.

***Classification of Liabilities as Current or Non-current* – Amendments to IAS 1**
(applicable to reporting periods beginning on or after 1 January 2022; not yet adopted by the European Union). These amendments of a limited scope explain that liabilities are classified as current or non-current depending on existing rights at the end of the reporting period. Liabilities are non-current if the company has an essential right to postpone settlement for more than 12 months at the end of the reporting period. The instructions no longer require an unconditional right in this case. The management's intention to use or not to use the right to postpone settlement does not affect the classification of liabilities. The right of postponement only applies if the company fulfils the appropriate conditions as of the end of the reporting period. A liability is classified as current if a condition is violated at the end of the reporting period or before it, even if the lender agrees to waive this condition after the reporting period. On the contrary, a loan is classified as non-current if the special conditions of the loan contract are violated only after the reporting date. In addition, the amendments include an explanation concerning the requirements for the classification of a debt that can be satisfied by the company, turning it into equity. 'Settlement' has been defined as the payment of liabilities in cash, with other economic resources or the company's own equity instruments. An exception is made for convertible instruments that can be converted into equity, but only in the case of instruments where the conversion option is classified as a separate component of a compound financial instrument in an equity instrument.

***Classification of Liabilities as Current or Non-current, Postponement of Effective Date* – Amendments to IAS 1**
(applicable to reporting periods beginning on or after 1 January 2023; not yet adopted by the European Union). The amendment to IAS 1 in connection with the classification of liabilities as current or non-current was published in January 2020, with an initial effective date of 1 January 2022. However, in reaction to the COVID-19 pandemic, the effective date was postponed by one year to give companies more time to implement classification changes arising from the amended instructions.
The Group will analyse and disclose the impact of said amendment after its implementation.

Proceeds before Intended Use, Onerous Contracts – Cost of Fulfilling a Contract, Reference to the Conceptual Framework **– Amendments of a limited scope to IAS 16, IAS 37 and IFRS 3 and corrections in IFRS 2018-2020 – Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41**
(applicable to reporting periods beginning on or after 1 January 2022; not yet adopted by the European Union).
Amendments to IFRS 3 refer to the Conceptual Framework for Financial Reporting issued in 2018 to determine the definitions of an asset and a liability in a business combination. Before the amendment, IFRS 3 referred to the Conceptual Framework for Financial Reporting issued in 2001. In addition, a new exception related to liabilities and contingent liabilities has been added to the IFRS 3 standard. With this exception, it is specified that when recognising certain types of liabilities and contingent liabilities, according to the IFRS 3 standard, the company has to
refer to the IAS 37 or IFRIC 21 standard instead, not the Conceptual Framework for Financial Reporting issued in 2018. Without the new exception, the company would recognise certain liabilities under the business combination which would not be recognised according to the IAS 37 standard. Therefore, the company should have stopped recognising the liability immediately after the merger and should have recognised earnings that do not generate any economic gain. Furthermore, it was explained that the acquirer does not have to recognise contingent liabilities as of the date of acquisition as determined in IAS 37.
The amendment to IFRS 9 states which fees have to be taken into consideration when assessing the derecognition of financial liabilities, using the 10% test. The expenses or fees may have been paid to third parties or to a lender. According to the amendments, the expenses and fees paid to third parties are not taken into account in the 10% test.
The illustrative example (no. 13) included in IFRS 16 has been changed to remove the description of payments connected to improvements made to the lessor's leased assets. The reason for this amendment is to eliminate any potential confusion when dealing with lease incentives.
The requirement according to which companies exclude cash flow from taxation when measuring the fair value of IAS 41 has been cancelled. The aim of this amendment is to make the standard comply with the requirement to discount cash flow after tax.

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

2.4 Consolidation

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

Subsidiaries are economic entities whose activities are controlled by the parent 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 event of the fair value exceeding 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, which 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 reporting date at its 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 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 gain in the future. Profit and loss from the 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 of the day the change takes 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 reporting date the performance of which will probably require the assignment of assets in the future in an amount that can be reliably determined.

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

2.8 Lease accounting

Group as lessee

When entering into a contract, the Group assesses whether the contract is a lease or whether it includes a lease. A contract is a lease or includes a lease if it gives the right to control the use of certain property during a certain time for a fee. The tenant assesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is under their control and has an impact on whether they are reasonably certain that they will exercise an option that was not taken into consideration when determining the initial lease period or will not exercise an option that was taken into consideration when determining the initial lease period.

The Group currently has no such leases.

Group as lessor

Finance lease means lease transactions whereby all significant risks and benefits related to the right of ownership in the property transfer to the lessee. All other lease transactions are considered to be operating leases.

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

Purchases and sales of financial assets conducted on ordinary market conditions are recognised on the trade date – i.e. the date on which the Group commits to purchasing or selling 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 of 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 in 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 in the following categories as at 31 December 2020:

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 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.

2.11 Cash and cash equivalents

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

The cash flow from operating activities has been prepared using an indirect method. Cash flow arising from investment and financing activities has been recorded using the direct method, i.e. as gross receipts and payouts of the reporting period.

2.12 Financial liabilities

Financial liabilities are registered 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 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 reporting date or if the Group does not have the unconditional right to postpone payment for more than 12 months after the reporting date. Loan payables which are due within 12 months of the reporting date and which are refinanced as long-term after the reporting 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 or cancelled or expires.

2.13 Derivatives

The derivative which 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 laws of the Republic of Estonia, corporate earnings are not subject to tax in Estonia. Companies become liable for income tax when distributing profit, which is recognised as an expense (in the profit or loss of the period) upon the declaration of dividends. Due to the nature of the taxation system, a company registered in Estonia does not have any deferred income tax assets or liabilities with the exception of a potential deferred income tax liability with regard to the company's investments in its subsidiaries, associates and joint ventures as well as branches.

The deferred income tax liability of the Group arises in the case of companies located in countries where the profit for the financial year is subject to taxes. In addition, the Group is liable for deferred income tax with regard to investments in its subsidiaries and associates in Estonia and Latvia, unless the Group is able to control the timing of the reversal of taxable temporary differences and their reversal is not likely to happen in the foreseeable future. Examples of the reversal of taxable temporary differences are the payment of dividends, the sale or liquidation of an investment and other transactions. As the Group controls the dividend policy of its subsidiaries, it is also able to control the timing of the reversal of taxable temporary differences related to the investment in question. If the parent company has decided not to distribute the profit of its subsidiary in the foreseeable future, it will not recognise the deferred income tax liability. If the dividend will be paid in the foreseeable future according to the estimate of the parent company, the deferred income tax liability is measured to the extent of the planned dividend payment, provided that funds and equity for the payment of the dividend are sufficient as of the reporting date, so that profits can be distributed in the foreseeable future. When measuring the deferred income tax liability, the Group uses tax rates that, on the basis of tax rates in force on the reporting date, will presumably be applied to taxable temporary differences in the period when they are expected to be reversed. The income tax rate for companies in Estonia is 20% (the amount to be paid making up 20/80 of the net payout). Starting from 2019, a lower tax rate of 14% applies to regularly paid dividends (14/86 of the net payout). The lower tax rate can be applied to payouts of dividends and profit distributions in every calendar year to an extent that does not exceed the average amount of taxable dividends and other profit distributions paid out in the three previous calendar years and taxable equity payouts. The Group has recorded the change in accounting principles retrospectively.

Pursuant to the Income Tax Act, corporate earnings are not subject to tax in Estonia and the dividends paid out 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 the declaration of the dividends (when the obligation of payment emerges).

Latvian subsidiaries

The profit of Latvian companies was taxed 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.

According to the new Income Tax Act, starting from 1 January 2018, profit generated after 2017 is taxed at a rate of 20/80 when distributed. The transitional rules of the act allow for the reduction of profit payable on dividends if the company has unused tax losses or certain provisions as of 31 December 2017. 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 at the level of the Latvian subsidiaries. All deferred income tax assets and liabilities that had been recorded in previous periods were removed from the balance sheet in 2017 and the relevant income tax expense/revenue was recognised in the income statement or the statement of comprehensive income/equity in connection with the deferred income tax assets/liabilities that were recognised via the statement of comprehensive income/equity.

The deferred income tax is paid on account of retained earnings and other movements in the reserves of subsidiaries after acquisition, unless the group controls the dividend policy of the subsidiaries and it is likely that the difference will not disappear through dividends or in any other way in the near future.

As the Group controls the dividend policy of its subsidiaries, it is also able to control the timing of the reversal of taxable temporary differences related to the investment in question. The Group does not recognise deferred income tax liabilities in connection with such temporary differences, unless the management assumes that the temporary differences will recur in the near future.

According to the sole shareholder's decision adopted on 31 January 2021, which has been confirmed for the Group's dividend policy for the years 2021-2025, the Group's profits gained in Latvia are not distributed; therefore, deferred income tax liability is not recognised in the report in connection with retained earnings in Latvia.

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 stimuli given to tenants for entry into or the 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 a commission for the 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 the provision of services is recognised in the period when the service is provided.

Revenue is measured at the transaction price agreed upon in the lease. The amounts recognised as revenue include variable income and payments to clients that 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 the 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's risk management is carried out 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 which are mainly affected by changes in market prices are loans payable and interest rate derivatives. Interest rate risk is the main factor which 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 that fixes the floating 3-month Euribor interest rate component of the bank loan at 0.54%.

Interest rate swaps are recognised with changes through the income statement. The fair value of the interest rate swap as at 31 December 2020 was negative in the amount of 363,979 (31 December 2019: 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 the maintenance of an adequate cash balance and the sustainable financing of activities with various loan instruments.

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

The table below indicates the Group's financial liabilities as at 31 December 2020. The amounts in the table are non-discounted gross amounts which include contractual interest payments.

	<3 mon ths	3-12 mont hs	1-5 years	> 5 years	Total contractual cash flow	Net book value
(euros)						
Interest-bearing loans payable (Note 15)	266,001	798,003	23,416,329	2,948,300	31,784,619	27,428,633
Derivatives (Note 16)	0	0	363,979	0	363,979	363,979
Trade creditors and other payables (Note 13)	369,491	0	0	0	369,491	369,491
Total financial liabilities	**635,492**	**798,003**	**24,780,308**	**2,948,300**	**32,518,089**	**28,162,103**

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, there is a significant concentrated credit risk related to a single party. Irrespective of this, the Group does not consider this credit risk to be remarkable, as when selecting the investment property it was borne in mind that the anchor tenants should 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. Information concerning the maximum credit risk is presented in the table below.

	31.12.2020	31.12.2019
(euros)		
Cash and cash equivalents	676,373	561,474
Trade receivables and other receivables	124,812	204,939
Total credit risk	**801,185**	**766,413**

The fair value of cash and cash equivalents is close to their book value. The credit quality of trade receivables is illustrated in the following table:

	31.12.2020	31.12.2019
(euros)		
Not expired	**121,484**	**169,212**
Expired, incl.	**0**	**0**
< 30 days	0	0
30-90 days	0	0
> 90 days	0	0
Total credit risk	**121,484**	**169,212**

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:

	31.12.2020	31.12.2019
(euros)		
Aa2 rating (parent company of the Estonian bank)	5212	8148
Baa1 rating	671,161	553,326
Total cash and cash equivalents	**676,373**	**561,474**

Capital management

The Group's objective in capital management is to ensure its capability to continue operating in order to guarantee returns to shareholders and to perform its obligations to creditors. The Group monitors capital with the loan guarantee ratio. This is calculated by dividing the net loan amount by the property value amount. The 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.

	31.12.2020	31.12.2019
(euros)		
Net loan	24,480,333	24,982,625
Investment property	31,320,000	30,909,000
Capital loan repayment ratio	**78.16%**	**80.83%**

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 input used:

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.

31.12.2020	Level 1	Level 2	Level 3
(euros)			
Financial liabilities			
Derivatives		363,979	

Financial assets and liabilities not recognised at fair value whose fair value is disclosed

	Level 1	Level 2	Level 3	Net book value
(euros)				
Financial assets				
Cash and cash equivalents	676,373			676,373
Trade receivables and other receivables			124,812	124,812
Financial liabilities				
Interest-bearing loans and debts payable			27,428,633	27,428,633
Trade creditors and other payables			369,491	369,491

31.12.2019	Level 1	Level 2	Level 3
(euros)			
Financial liabilities			
Derivatives		455,204	

Financial assets and liabilities not recognised at fair value whose 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 Financial Statements, the management of the Group makes decisions and estimates about the future that will have an impact on the implementation of accounting policies and the recognised amount of assets, liabilities, income, expenses and disclosed contingent assets and liabilities.

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

The most important decisions of 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 reporting date and 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 premise of and input 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 and cleaning, security and accounting services)
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 because 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 dominant holding in the following companies:

Company name	Direct parent company	Country of location	Holding		Activities
			31.12.2020	**31.12.2019**	
Olaines Logistics SIA	UPP Olaines OÜ	Latvia	100%	100%	Asset-owning company

On 15 November 2017 UPP Olaines OÜ acquired Olaines Logistics SIA, a company which was 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 1800 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 **2020**	Income from third parties **2019**
(euros)		
Net lease income 2,633,558		2,589,379
Total 2,633,588		**2,589,379**

Geographical region	Income from third parties **2020**	Income from third parties **2019**
(euros)		
Latvia	2,633,558	2,589,379
Total	**2,633,558**	**2,589,379**

The Group has two major tenants in the case of whom the lease income received exceeds 10%: the lease income from Maxima Latvija SIA comprises 62% of the Group's total income, and the lease income received from Girtekos Logistikos SIA comprises 22% of the Group's total income.

Note 7. General administrative expenses

	2020	**2019**
(euros)		
Consultation services	(120,011)	(26,301)
Accounting services	(11,985)	(15,870)
Administrative expenses of securities	(10,521)	(9,473)
Personnel expenses, incl. taxes	(4,466)	(5,340)
Legal services	(2,454)	0
Banking services	(780)	(469)
Other	(905)	(13,670)
Total general administrative expenses	**(151,122)**	**(71,123)**

Note 8. Financial income (expenses)

	2020	**2019**
(euros)		
Interest expenses, incl.	**(1,271,955)**	**(1,039,162)**
Loan interest expenses	(559,175)	(596,649)
Bond interest expenses	(435,050)	(435,050)
Owner's loan interest expenses	(277,730)	(180,081)
Change in fair value of interest rate swap	91,221	(38,323)
Total financial income/(expenses)	**(1,180,734)**	**(1,250,103)**

Note 9. Income tax

(euros)	2020	2019
Income tax	**0**	**(50)**

Note 10. Cash and cash equivalents

(euros)	31.12.2020	31.12.2019
Cash at bank	676,373	561,474
Total cash and cash equivalents	**676,373**	**561,474**

Note 11. Trade receivables and other receivables

(euros)	31.12.2020	31.12.2019
Trade receivables	121,484	169,212
Other receivables	3,328	35,727
Total trade receivables and other receivables	**124,812**	**204,939**

Note 12. Investment property

The Group has invested in the following properties:

Name of site	Location	Area (m²)	Year built	Market value at 31.12.2020
(euros)				
Olaines Logistics Park	Olaine region, Riga, Latvia	37,204	2007	31,320,000

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

	Investment property
Balance at 31.12.2019	**30,909,000**
Improvements to investment properties	46,312
Profit/(loss) from change in fair value	364,688
Balance at 31.12.2020	**31,320,000**

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 5 February 2021.

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

31.12.2020					
Property	**Fair value**	**Appraisal method**	**Discount rate**	**Exit productivity**	**Annual average lease income**
Olaines Logistics Park	31,320,000	DCF	8.75%	7.75%	2,637,311

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 input used, as at 31 December 2020, 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 input**
Investment property	Discounted cash flow method	Exit productivity	6.75%-8.75%	Increase in the capitalisation rate of exiting the project, *ceteris paribus*, would reduce the value of the property.
		Discount rate	7.75%-9.75%	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 2020 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)		**6.75%**	**7.25%**	**7.75%**	**8.25%**	**8.75%**
Discount rate	**7.75%**	35,934	34,150	32,596	31,230	30,021
	8.25%	35,211	33,468	31,950	30,616	29,434
	8.75%	34,508	32,804	31,321	30,017	28,862
	9.25%	33,822	32,158	30,707	29,433	28,304
	9.75%	33,155	31,528	30,110	28,865	27,761

Operating lease payments

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

Payments from operating leases that cannot be terminated	**31.12.2020**	**31.12.2019**
(euros)		
Up to one year	2,625,938	2,585,033
From year two to year five	5,894,701	7,648,504
Total	**8,520,639**	**10,233,537**

Note 13. Trade creditors and other payables

	31.12.2020	**31.12.2019**
(euros)		
Trade creditors	114,349	116,107
Employee creditors	293	0
Taxes payable	46,202	33,959
Prepayments from clients	162,310	162,346
Interest payable	46,337	46,337
Other payables	0	13
Total trade creditors and other payables	**369,491**	**358,762**

Note 14. Share capital

The size of the registered share capital of UPP Olaines OÜ as at 31 December 2020 was one unit with a nominal value of 2500 (31. December 2019: 2500) euros per share. All shares have been paid for in full.

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

Note 15. Loans payable

31.12.2020	Current portion	Long-term portion	Total	Underlying currency	Interest rate	Due date
(euros)						
Bank loan	1,064,004	17,201,329	18,265,333	EUR	3m 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	9.42%	Unspecified term
Total loans payable	**1,064,004**	**26,364,629**	**27,428,633**			

31.12.2020	Loan collateral	Value of collateral
(euros)		
Bank loan	Rank I mortgage on Olaines Logistics Park	31,320,000
Derivative	Rank II mortgage on Olaines Logistics Park	31,320,000
Bond	Rank III mortgage on Olaines Logistics Park	31,320,000

31.12.2019	Current portion	Long-term portion	Total	Underlying currency	Interest rate	Due date
(euros)						
Bank loan	1,064,000	18,265,325	19,329,325	EUR	3 m Euribor,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%	Unspecified term
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	Rank II mortgage on Olaines Logistics Park	30,909,000
Bond	Rank III mortgage on Olaines Logistics Park	30,909,000

Note 16. Derivatives

(euros)	31.12.2020	31.12.2019
Interest rate swap liability	363,979	455,204

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 variation in 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 2020 were 3,956,582 (31 December 2019: 2,366,322) euros. The maximum potential income tax payable which may arise upon the payout of dividends is 791,316 (31 December 2019: 473,264) euros. Thus, total net dividends amount to 3,165,266 (31 December 2019: 1,893,058) euros.

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 2020.

Other contingent assets and liabilities

The Group had no contingent assets or liabilities as at 31 December 2020 and 31 December 2019.

Note 18. Transaction with related parties

Transactions have been entered into with related parties during the reporting period. The transactions entered into 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 transactions with related parties have been entered into at market prices.

Parent companies

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

Company name	Type	Location	Holding	
			31.12.2020	**31.12.2019**
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)	2020	2019
(euros)		
At beginning of period	**2,948,300**	**3,048,300**
Repayments of loans received	0	(100,000)
Interest expenses	(277,730)	(180,081)
Interest paid	(277,730)	(194,532)
At end of period	**2,948,300**	**2,948,300**

Note 19. Unconsolidated comprehensive income statement of parent company

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

(euros)	2020	2019
General administrative expenses	(14,817)	(10,833)
Other operating costs	0	(16,000)
Operating profit	**(14,817)**	**(26,833)**
Financial income and expenses	1,590,962	1,091,299
Profit for period	**1,576,145**	**1,064,416**
Comprehensive income for period	**1,576,145**	**1,064,416**

Note 20. Unconsolidated financial status report of parent company

(euros)	31.12.2020	31.12.2019
Cash and cash equivalents	5,212	8,148
Trade receivables and other receivables	92,317	35,725
Total current assets	**97,529**	**43,873**
Loans receivable	7,898,057	7,898,057
Shares in subsidiaries	5,177,132	3,808,441
Total fixed assets	**13,075,189**	**11,706,498**
TOTAL ASSETS	**13,172,718**	**11,750,371**
Trade creditors and other payables	50,331	54,129
Total current liabilities	**50,331**	**54,129**
Loans payable	9,163,300	9,163,300
Total long-term liabilities	**9,163,300**	**9,163,300**
TOTAL LIABILITIES	**9,213,631**	**9,217,429**
Share capital	2,500	2,500
Retained earnings	2,380,442	1,466,026
Profit (loss) for financial year	1,576,145	1,064,416
TOTAL EQUITY	**3,959,087**	**2,532,942**
TOTAL LIABILITIES AND EQUITY	**13,172,718**	**11,750,371**

Note 21. Unconsolidated cash flow statement of parent company

(euros)	2020	2019
Profit before tax	**1,576,145**	**1,064,416**
Adjustment (financial income -, financial expenses +)	(1,590,962)	(1,091,299)
Cash flow from operating activities before changes in working capital	**(14,817)**	**(26,883)**
Decrease/(Increase) in receivables related to business activities	(3,327)	12,151
Decrease/(Increase) in payables and prepayments relating to operating activities	3,695	(14,154)
Total cash flow from operating activities	**(14,449)**	**(28,886)**
Loans granted	(180,000)	(55,000)
Receipt of repayments of loans granted and of bonds	180,000	686,995
Dividends received	200,000	0
Interest received	435,051	0
Total cash flow from investing activities	**635,051**	**631,995**
Loans received	230,000	0
Repayments of loans received	(237,495)	(100,000)
Interest paid	(466,043)	(501,677)
Dividends paid	(150,000)	0
Total cash flow from financing activities	**(623,538)**	**(601,677)**
Change in cash and cash equivalents	**(2,936)**	**1,432**
Cash and cash equivalents at beginning of period	8,148	6,716
Cash and cash equivalents at end of period	**5,212**	**8,148**

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

(euros)	Share capital	Retained earnings	Total equity
Balance at 31.12.2018	**2,500**	**1,466,026**	**1,468,526**
Profit for financial year	0	1,064,416	1,064,416
Balance at 31.12.2019	**2,500**	**2,530,442**	**2,532,942**
Profit (loss) for financial year	0	1,576,145	1,576,145
Dividends paid	0	(150,000)	(150,000)
Balance at 31.12.2020	**2,500**	**3,956,587**	**3,959,087**

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

	31.12.2020	31.12.2019
(euros)		
Unconsolidated equity of parent company	3,959,087	2,532,942
Value of subsidiaries on parent company's unconsolidated balance sheet (minus)	(5,177,132)	(3,808,441)
Value of subsidiaries using equity method (plus)	5,277,132	3,808,441
Total	**3,959,087**	**2,532,942**

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of UPP Olaines OÜ

Opinion

We have audited the consolidated financial statements of UPP Olaines OÜ and its subsidiary (the Group), which comprise the consolidated balance sheet as at December 31, 2020, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement 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 at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia) (ISA (EE)s). 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 Company and of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics

Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Group are in accordance with the applicable law and regulations in the Republic of Estonia and that we have not provided non-audit services that are prohibited under § 591 of the Auditors Activities Act of the Republic of Estonia.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The consolidated financial statements of the Group contain the financial data of two separate companies. Based on our risk and materiality assessments, we determined which companies need to be fully audited, taking into account the relative impact of each company size on the Group and how all material items in the consolidated financial statements are covered.

The Group's audit team performed a full audit for UPP Olaines OÜ financial statements and SIA Grant Thornton Baltic Audit performed audit procedures for the subsidiary Olaines Logitics SIA for selected financial statement lines in accordance with the instructions received from the Group's auditors. We communicated regularly with the auditors of the Latvian subsidiary and reviewed the procedures and documentation as deemed necessary. The Group's audit team performed additional audit procedures on the selected financial statement lines for the subsidiary (mainly valuation of investment property), which provides us with sufficient evidence regarding the consolidated financial statements of the Group 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.

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Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
As of 31.12.2020, the Group had the investment property recognized at fair value in the amount of 31,320,000 euros and the related revaluation in the amount of 411,000 euros. Additional information is provided in consolidated financial statements Note 2 "Summary of significant accounting policies" and Note 12 "Investment property". We focused on investment properties, as its forms 98% of the Group's total assets and contains significant management estimates. Management uses independent certified valuator to assess the fair value of investment property by ordering an external valuation of the asset at least once a year. In determining the value of the property, valuator and management take into account object-based information such as current lease agreements and rental income. As described in Note 12 in the consolidated financial statements, the Group uses the discounted cash flow method to determine the fair value of investment property and the estimate of the fair value of investment property includes a number of sensitive inputs which are based on management's estimates.	Performing audit procedures, we read the valuation report and information about the inputs used in the valuation report and assessed whether the method used in valuing the object is in accordance with the IFRS fair value measurement principles. We found that the method complies with the requirements of IFRS. We assessed the qualifications and expertise of the external evaluator and found that the evaluator has performed his evaluation in accordance with professional evaluation standards and has significant experience in conducting evaluations. We found no evidence to suggest that the evaluators were not objective in their work. We compared significant input information used by the valuators, such as rentable area and the forecasted future cash flows related to existing leases, with the corresponding basic information and the actual results of the previous period. In conclusion, we found that the data and assumptions used by the management are reasonable and related to the actual results of the past period and the expected future prospects. In our opinion, the information disclosed regarding investment property in Note 12 under the consolidated financial statements is relevant and in accordance with the requirements of IFRS.

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 Management report 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 Management report and, in doing so, consider whether the Management report 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 in the Management report, 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 of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union., 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 ISA (EE)s 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 ISA (EE)s, 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Designate the auditor

We were first appointed as auditors of UPP Olaines OÜ, as a public interest entity, on 28 January 2021 when signing the audit agreement for the financial year ended 31 December 2020.

The engagement partner on the audit resulting in this independent auditor's report is Mart Nõmper.

Compliance with the report to the Audit Committee

Our audit opinion presented in this report is in accordance with the supplementary report prepared for the Audit Committee on April 30, 2021. We confirm that our audit opinion is in line with the additional report submitted to the Group audit committee and we have not provided the prohibited non-audit services to the Group referred to in Article 5 (1) of Regulation (EU) No 537/2014.

/digitally signed/

Mart Nõmper
Sworn Auditor 499
License number 3
Grant Thornton Baltic OÜ
License number 3
Pärnu mnt 22, 10141 Tallinn
April 30, 2021

PROFIT DISTRIBUTION PROPOSAL

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

(euros)	31.12.2020
Retained earnings	2,220,932
Profit for financial year	1,735,650
Total profit eligible for distribution	**3,956,582**
Dividends	0
Retained earnings after profit distribution	**3,956,582**

/digitally signed/

Marko Tali

Chairman of the Management Board of UPP Olaines OÜ

30 April 2021, Tallinn

DECLARATION OF MANAGEMENT BOARD

The Chairman of the Management Board confirms that the financial and other information recognised in the Financial Statements 2020 of UPP Olaines OÜ, which covers the period from 1 January 2020 to 31 December 2020, gives a true and fair view of the Company's operations, financial results and status.

/digitally signed/

Marko Tali

Chairman of the Management Board of UPP Olaines OÜ

30 April 2021, Tallinn