

Company UPP Olaines OÜ
Type Company Release
Category Annual financial report
Disclosure time 14 Jun 2019 15:00:31 +0300

Attachments:

- UPPOlaines-10001976691-en.pdf (<http://oam.fi.ee/en/download?id=3967>)
- UPPOlaines-10001976693-et.pdf (<http://oam.fi.ee/en/download?id=3968>)

Currency

Title UPP Olaines OÜ Audited Annual Report 2018

MANAGEMENT REPORT

General information

UPP Olaines OÜ (hereafter 'the Company') was established for the purpose of funding, acquiring and managing the real estate investment of Olaines Logistics Park: (buildings and land) located at "Sharlotes", Olaines county, Olaines parish, Latvia, cadastre number 8080 003 0029, registered in the Land Register compartment No.5439 of the city of Olaine parish. The Company was established on 24.08.2017 and had no economic activity until 15.12.2017, when it acquired the cold storage warehouse Olaines Logistics Park.

The business performance is not affected by seasonal factors. The activities of the Company have no environmental or social impact.

As the Company has been established solely for the purpose of funding, acquiring and managing the property, no strategic changes in the business are planned.

The management board is aware of no trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for the period after the reporting period of these financial statements outside the course of its regular business activities.

UPP Olaines OÜ is operating based on going concern.

Management commentary for the period 24.08.2017 - 31.12.2018

The first and successful reporting period of the Group was marked by two important events: acquisition of the investment property Olaines Logistics Park and the successful listing of UPP Olaines OÜ bonds on Nasdaq Tallinn Bond



List.

UPP Olaines OÜ completed the acquisition of the investment property Olaines Logistics Park on 15.12.2017. The property was chosen due to its fit with the investment theme of United Partners Property OÜ, the parent company of UPP Olaines OÜ: logistics real estate in an attractive location coupled with long-term lease contracts with lessees who have a leading or dominant position within their sector.

To finance the acquisition of the property, the Company issued secured subordinated bonds in the total nominal value of 6.215 million euros. After a non-public offering to Baltic institutional investors and high-net worth individuals, the bonds were successfully listed and admitted to trading on Nasdaq Tallinn Bond List on 29.11.2018.

Additionally, on 13.09.2018, a meeting of the shareholders and board of UPP Olaines OÜ was held where it was decided to change the composition of the management and supervisory board of UPP Olaines OÜ and its subsidiary, Olaines Logistics SIA. The previous supervisory board member, Marko Tali, was appointed as the chairman of the management board of UPP Olaines OÜ and Olaines Logistics SIA, while both of the previous members of the management board, Hallar Loogma and Kevin Soon, were discharged from their positions. Hallar Loogma was appointed on the supervisory board of the Company. The changes in the management and supervisory board of UPP Olaines OÜ were completed by 05.10.2018.

Marko Tali has been the head of investments in United Partners Investments OÜ, the direct investment arm of United Partners Group OÜ. These changes were part of the efforts to streamline the management of United Partners Group's investments.

Financial overview

The consolidated net rental income for the period 24.08.2017 - 31.12.2018 was 2,607,869 EUR. During the same period the company generated 2,651,520 EUR in net operating profit and 967,219 EUR in net profit. Due to the fact the company acquired the investment company Olaines Logistics Parks and this is the first audited consolidated report, the financial results can not be compared to previous audited annual reports.

The administrative expenses amounted to 221,480 EUR which accounted for 8.5% of the net rental income. The administrative expenses include expenses with one-off nature, such as remuneration of transaction costs to the United Partners group company in the amount of 100,000 EUR under consulting service expense, and the cost of escrow account, establishment of mortgage and the loan disbursement fee in the total amount of 32,627 EUR under banking services expense.

The company used independent appraisers to evaluate the fair value of Olaines Logistics Park investment property and during the reporting period gained 362,000 EUR from revaluation of investment property.



The majority of the expense under 'Other income / (cost)' in the amount of 96,869 EUR occurred during 2016 and 2017 when UPP Olaines OÜ was not yet owner of the investment company Olaines Logistics Parks SIA. The expense is of one-off nature and was mainly caused by the deferred corporate income tax liability that was accumulated on the balance sheets in anticipation of changes in calculation and payment procedures of CIT that came with the new CIT legislation in Latvia in 2018.

As at 31.12.2018, the company's total assets were in the amount of 31,489,267 EUR, including fair value of investment property, which accounted for 97.7% of the total assets. As at 31.12.2018 the company's net debt was in the amount of 26,181,642 EUR. Net debt is calculated by the company's total borrowings less cash and cash equivalents, and the subordinated loan granted by the parent company United Partners Property OÜ.

No other significant events occurred in the period 24.08.2017 - 31.12.2018 and all regular operations of the premise are running smoothly, including duly and timely collection of rental and utilities payments from the tenants.

As of the end of 2018, there is no vacancy in the premises.

Compliance with bond terms

According to the Terms and Conditions of UPP Olaines OÜ Subordinated Note Issue section 3.5.3 and 3.5.4, the Management confirms that the Group's debt service coverage ratio on consolidated level is greater or equal than 1.1 for the period 24.08.2017 - 31.12.2018 and that there has been no occurrence of an Extraordinary Early Redemption Event in 10.11.2017 - 31.12.2018.

/Signed digitally/

Marko Tali

Chairman and Member of the Management Board of UPP Olaines OÜ

14.06.2019, Tallinn

Management board and supervisory board

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

The supervisory board of UPP Olaines OÜ has three members: Mart Tooming, Tarmo Rooteman, Hallar Loogma.

No remuneration or other benefits have been allotted to the members of the management board and supervisory board.



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

Key indicators of financial performance and position for period 24.08.2017 - 31.12.2018

(in EUR)	24.08.2017 - 31.12.2018
Net rental income	2,607,869
Operating profit	2,651,520
Profit for the period	967,219

(in EUR)	31.12.2018	24.08.2017
Investment property	30,762,000	0
Interest-bearing loans	29,656,633	0
Interest-bearing loans less shareholder loan	26,608,333	0

	24.08.2017 - 31.12.2018
Net profit margin, % (Net profit / Net rental income)	37.1%
ROA (Net profit / Average total assets)	6.1%
DSCR (Operating profit / Loan principal and interest payments on interest-bearing loans less shareholder loan principal and interest payments)	1.3

CONSOLIDATED FINANCIAL STATEMENTS OF UPP OLAINES OÜ

Consolidated statement of comprehensive income

(in EUR)	Note	24.08.2017 - 31.12.2018
Net rental income	6	2,607,869



Net rental income		2,607,869
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General and administrative expenses	7	(221,480)
Gain / (loss) from revaluation of investment property	12	362,000
Other income / (cost)		(96,869)
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Operating profit		2,651,520
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Financial income / (cost)	8	(1,720,477)
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Profit before income tax		931,043
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Income tax	9	36,176
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Profit for the period		967,219
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Total comprehensive income for the period		967,219
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The notes on pages 12 - 36 are an integral part of the financial statements.

Consolidated statement of financial position

(in EUR)	Note	31.12.2018	24.08.2017
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Cash and cash equivalents	10	426,691	2,500
Trade and other receivables	11	300,576	0
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Total current assets		727,267	2,500
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Investment property	12	30,762,000	0
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Total non-current assets		30,762,000	0
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TOTAL ASSETS		31,489,267	2,500



Trade and other payables	13	446,036	0
Financial derivatives	16	416,879	0
Loans and borrowings	15	1,064,004	0
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Total current liabilities		1,926,919	0
Loans and borrowings	15	28,592,629	0
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Total non-current liabilities		28,592,629	0
TOTAL LIABILITIES		30,519,548	0
Share capital	14	2,500	2,500
Retained earnings		967,219	0
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TOTAL EQUITY		969,719	2,500
TOTAL EQUITY AND LIABILITIES		31,489,267	2,500
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The notes on pages 12 - 36 are an integral part of the financial statements.

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