

UPP & CO KAUNO 53 OÜ

Consolidated interim report
concerning the reporting
period ended on 30 June 2021
(unaudited)

CONSOLIDATED INTERIM REPORT**UPP & CO KAUNO 53 OÜ**

Beginning of reporting period: 1 January 2021
End of reporting period: 30 June 2021

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MANAGEMENT REPORT

General information

UPP & CO Kauno 53 OÜ, the parent company of the consolidation group, was founded in order to acquire and manage investment property and involve additional capital for these transactions.

In 2017, the company acquired 100% holding in Promalita UAB, a company registered in the Republic of Lithuania, which owns a logistics centre near Vilnius. The net internal area of the centre is 21,232 m² and it is fully rented out. Rimi retail chain is the anchor tenant.

The group considers the general (macroeconomic) condition of the operating environment to be good and its impact on economic performance is neutral. Likewise, the business operations of the group are not affected by seasonality as the economic activity is not cyclical by nature. The activities of the company have no major environmental and social impacts.

No risks related to fluctuations in currency exchange, interest and stock exchange rates have emerged during the financial year and the period of preparation of the report. Since the consolidation group was created solely for its current activities, there are no planned structural changes in business operations.

The management is not in possession of any information concerning trends, uncertainties, claims, obligations or events that could likely have a significant impact on the prospects of the Company in the period following the reporting period outside the regular commercial activities of the consolidation group.

The commercial activities of the consolidation group constitute collecting income from rent, managing the real estate object, and servicing loan obligations. Loan obligations comprise bonds with a fixed interest rate and an investment loan whose interest is also fixed with a derivative contract. In terms of income, there is stable triple net lease income from lessees that is for the most part fixed with medium to long-term contracts and indexed according to inflation. Arising from the commercial activities of the consolidation group, its economic activities and financial results are generally not easily affected by various external factors.

Important events

Amendments to Final Terms of the Note Issue

On May 25th, 2021 UPP & CO Kauno 53 OÜ (the Issuer) asked for the consent of the Majority Investors of the ISIN EE3300111152 note issue (the Note Issue) to change the following final terms of the Note Issue:

- Interest Rate as set out in Section 2 Subsection 7.12 of the Final Terms to be changed to 6% starting from 18th July 2021 (included);
- Maturity Date as set out in Section 2 Subsection 7.14 of the Final Terms to be changed to 17th July 2024.

As of June 17th, 2021 the Issuer had received the necessary consents from the Majority Investors and the Collateral Agent to change the final terms accordingly. With the Issuer's June 17th, 2021 announcement to the First North, the amended final terms came into force. The amended final terms will result in annual decrease in financial costs and improved liquidity by a minimum of 94,000 euros.

With the amendments in force, the Issuer had to buy back some of the notes from the investors who did not wish to continue in the Note Issue under the amended terms. Due to that the Issuer asked its subsidiary, Promalita UAB to repay 450,000 euros of the shareholder's loan issued by the Issuer to Promalita UAB for the acquisition of Vievis Logistics Centre.

Comment on 2Q and 6 months of 2021 economic performance

Net rental income was 327,504 euros in 2Q 2021 (326,520 euros in 2Q 2020) and 657,303 euros for the six months of 2021 (654,089 euros for 6 months of 2020). Operating profit was 256,608 euros in 2Q 2021 (249,744 euros in 2Q 2020) and 499,048 euros for the six months of 2021 (503,046 euros for 6 months of 2020). Net income was 98,309 euros in 2Q 2021 (110,421 euros in 2Q 2020) and 183,975 euros for the six months of 2021 (193,467 euros for 6 months 2020).

The economic performance is in line with management's expectations. The slight decrease in net income for 2Q 2021 and 6 months of 2021 is due to the abnormally low income tax in the previous reporting period.

The company's sole business activity is to collect rental revenue, manage the Vievis Logistics Centre and service its liabilities to lenders and investors. Liabilities include the subordinated bonds with a fixed interest rate and the investment loan which' rate is also fixed with an interest rate swap agreement. On the revenue side the company earns stable triple-net rental income from reputable tenants, which is fixed with medium-term agreements but is subject to indexation. Due to the economically fixed nature of the company, there needs to be major event in the overall economy or in the company's business activities for them to have significant effect on the company's financial results.

Financial ratios of the Group	2021 6 months	2020 6 months
Debt to equity ratio	7.34	9.45
Debt ratio	0.90	0.94
Long-term debt ratio	0.89	0.90
Return on equity %	11.83%	13.94%
Equity ratio	0.10	0.08
Return on assets %	1.09%	1.14%

Formulas for ratios

Debt to equity ratio = interest bearing liabilities/equity

Debt ratio = liabilities/(liabilities+ equity)

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

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

Equity ratio = equity/average assets (12 months)

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

Management board and Supervisory board

The management board of UPP & CO Kauno 53 OÜ consists of one member: Marko Tali, Chairman of the Management Board.

The supervisory board of UPP & CO Kauno 53 OÜ consists of three members: Mart Tooming, Tarmo Rooteman, Hallar Loogma.

No remuneration or other benefits are provided to the members of the management board and the supervisory board.

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

UPP & CO Kauno 53 OÜ is a going concern.

Member of Management Board
Marko Tali

CONSOLIDATED INTERIM ANNUAL ACCOUNTS**CONSOLIDATED BALANCE SHEET**

(EUR)

	<u>30.06.2021</u>	<u>30.06.2020</u>	<u>Note</u>
Cash	510,426	302,999	2
Receivables and prepayments	10,232	149,321	
Total current assets	<u>520,658</u>	<u>452,320</u>	
Investment properties	15,750,000	15,750,000	4
Tangible fixed assets	5,345	10,371	
Goodwill	533,678	747,146	5
Total fixed assets	<u>16,289,023</u>	<u>16,507,517</u>	
TOTAL ASSETS	<u>16,809,681</u>	<u>16,959,837</u>	
Short-term loans payable	460,000	460,000	6
Payables and prepayments	148,564	157,211	7
Total current liabilities	<u>608,564</u>	<u>617,211</u>	
Long-term loans payable	12,195,184	12,655,184	6
Long-term provisions	2,282,822	2,300,058	8
Total non-current liabilities	<u>14,478,006</u>	<u>14,955,242</u>	
TOTAL LIABILITIES	<u>15,086,570</u>	<u>15,572,453</u>	
Share capital	2,500	2,500	9
Retained earnings	1,720,611	1,384,884	
TOTAL EQUITY	<u>1,723,111</u>	<u>1,387,384</u>	
TOTAL LIABILITIES AND EQUITY	<u>16,809,681</u>	<u>16,959,837</u>	

The notes set out on pages 10 to 24 serve as integral parts of the interim financial statements.

CONSOLIDATED INCOME STATEMENT

(EUR), per year

	<u>2021</u> <u>Q2</u>	<u>2021</u> <u>6 months</u>	<u>2020</u> <u>Q2</u>	<u>2020</u> <u>6 months</u>	<u>Note</u>
Sales revenue	327,504	657,303	326,520	654,089	10
Other operating expenses	-16,301	-48,759	-21,490	-40,471	11
Staff costs	-96	-193	-80	-160	
Depreciation of fixed assets	-54,499	-109,096	-55,206	-110,412	5
Operating profit	<u>256,608</u>	<u>499,048</u>	<u>249,744</u>	<u>503,046</u>	
Financial income (expenses)	-139,991	-280,123	-138,666	-277,843	12
Profit before income tax	116,617	219,132	111,078	225,203	
Income tax	-18,308	-35,157	-657	-31,736	13
Net profit for financial year	<u>98,309</u>	<u>183,975</u>	<u>110,421</u>	<u>193,467</u>	
including the share of the owners of the parent company in net profit	<u>98,309</u>	<u>183,975</u>	<u>110,421</u>	<u>193,467</u>	

The notes set out on pages 10 to 24 serve as integral parts of the interim financial statements.

CONSOLIDATED CASH FLOW STATEMENT

(EUR), per year

	2021 2Q	2021 6 months	2020 2Q	2020 6 months	Notes
Operating profit (loss)	256,608	499,255	249,744	503,046	
Adjustments (depreciation of fixed assets)	54,499	109,096	55,206	110,412	
Change in receivables and prepayments related to operating activities	-2,258	-3,749	-4,127	-141,109	
Change in payables and prepayments related to operating activities	-64,709	-70,628	-21,079	-24,429	
Total cash flow from operating activities	244,140	533,974	279,744	447,920	
Repayments of loans received and redemption of bonds	-115,000	-230,000	-115,000	-230,000	6
Interest paid	-131,037	-271,169	-138,665	-277,840	
Total cash flow from financing activities	-246,037	-501,169	-253,665	-507,840	
Total cash flow	-1,897	32,805	26,079	-59,920	
Cash at beginning of period	512,323	477,621	276,920	362,919	2
Change in cash	-1,897	32,805	26,079	-59,920	
Cash at end of period	510,426	510,426	302,999	302,999	2

The notes set out on pages 10 to 24 serve as integral parts of the interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR)

	Share capital	Retained earnings	Equity Total
As of 31.12.2020	2,500	1,536,636	1,539,136
Profit for reporting period	0	183,975	183,975
As of 30.06.2021	2,500	1,720,611	1,723,111
As of 31.12.2019	2,500	1,142,868	1,145,368
Profit for reporting period	0	193,467	193,467
As of 30.06.2020	2,500	1,384,884	1,387,384

More detailed information on share capital and changes therein is available in Note 9.

The notes set out on pages 10 to 24 serve as integral parts of the interim financial statements.

NOTES TO INTERIM CONSOLIDATED ANNUAL ACCOUNTS

Note 1 Accounting policies and procedures

OÜ UPP & CO Kauno 53 (hereinafter the Parent Company) is a company registered and operating in Estonia. The interim consolidated annual accounts reflect the consolidated assets, liabilities, equity, economic results and cash flow of the Parent Company and UAB Promalita, its Lithuanian subsidiary (hereinafter jointly referred to as the Group).

The interim consolidated annual accounts of OÜ UPP & CO Kauno 53 for 6 months 2021 have been prepared in compliance with the Estonian Financial Reporting Standard. The Estonian Financial Reporting Standard is based on internationally acknowledged principles of accounting and reporting, the primary requirements of which are provided for in the Accounting Act, which are supplemented by guidelines issued by the Accounting Standards Board of the Republic of Estonia.

The interim consolidated financial statements have been prepared in euros.

A description of the significant accounting policies and procedures as well as bases for evaluation is provided below.

A. Consolidation

The interim consolidated annual accounts contain the financial indicators of OÜ UPP & CO Kauno 53 and its subsidiaries, which have been consolidated on a line-by-line basis. Subsidiaries are consolidated from the date dominant influence or joint control was transferred to the group and its consolidation is terminated from the date the group loses dominant influence or joint control.

Subsidiaries are companies controlled by the parent company. A subsidiary is deemed to be under the control of the parent company if the parent company holds either directly or indirectly more than 50% of the voting shares of the subsidiary or is in some other manner able to control the management and financial policies of the subsidiary.

Subsidiaries use the same accounting principles in their reports as the parent company. All intra-group transactions, receivables and payables as well as unrealised gains and losses from transactions concluded between the group companies have been eliminated from the interim and annual accounts in full. Unrealised losses are not eliminated if they essentially represent impairment.

Minority shareholding, which is the part of the subsidiary's profit or loss and net assets that does not belong to the group, is recorded on a separate line in the consolidated income statement and balance sheet (under equity).

New subsidiaries are reported on the consolidated interim and annual accounts 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.

B. Investments in subsidiaries and affiliates in the unconsolidated balance sheet of the parent company

Pursuant to the Estonian Financial Reporting Standard, the primary unconsolidated accounts of the consolidating unit (parent company) must be separately presented in the notes to the financial statements. The primary accounts of the parent company have been prepared using the same accounting policies as

applied in preparing the consolidated annual accounts, except for investments in subsidiaries that have been recognised in the unconsolidated balance sheet at acquisition cost.

Dividends paid out by subsidiaries and affiliates are recognised as financial income as of the moment the parent company becomes entitled to these dividends, excluding the part of dividends paid out on account of the available equity earned by the subsidiary or affiliate before the acquisition of the company by the group. The respective proportion of the dividends is recognised as a reduction of the investment.

C. Cash

Bank account balances and cash in hand are recognised under the balance sheet entry “Cash”. Cash flow from operating activities has been calculated using the indirect method. Cash flow from investment and financing activities is recognised by using the direct method, i.e. presented as the gross earnings and payments in the reporting period.

D. Financial assets

All financial assets are initially registered at their acquisition cost, which is equal to the fair value of the consideration paid for the financial asset in question. The initial acquisition cost also includes all the costs directly attributable to the acquisition of financial assets, including the fees payable to agents and advisers, the non-refundable taxes attributable to the transaction and other similar costs, and excluding the costs attributable to the acquisition of such financial assets that are recognised at fair value with changes through profit or loss.

All purchases and sales of financial assets under regular market conditions are recognised on the relevant transaction dates, i.e. on the date when the group enters into the obligation (e.g. enters into a contract) for the purchase or sale of certain financial assets. Purchases and sales performed under regular market conditions mean such purchases and sales, in the event of which the financial asset purchased or sold is transferred from the seller to the buyer during the period that has been established on the market or required under the relevant market regulations.

All financial assets are recognised at their fair value after they have been initially registered, except:

- a) receivables from other parties, which the group has not acquired for resale and held-to-maturity financial investments – these are recognised at the adjusted acquisition cost;
- b) investments in shares and other equity instruments whose fair value cannot be reliably determined (including derivatives related to such assets) – these are recognised at their acquisition cost.

Financial assets recognised at fair value

Financial assets recognised at fair value are revalued on each balance sheet date at the fair value of the moment from which the potential transaction costs attributable to the realisation of the assets have not been subtracted. The fair value of securities listed on the stock exchange is based on the closing prices of the balance sheet date and the official exchange rates of the European Central Bank. The fair value found on the basis of all information available to the group about the value of the investment is used for securities not listed on the stock exchange.

Profits and losses arising from changes in the fair value are recorded in the income statement under “Financial income and expenses”. Profits and losses arising from realisation of financial assets reported at the fair value as well as the interest and dividends on the corresponding securities are recorded in the income statement under “Financial income and expenses”.

Changes in the fair value of the financial assets acquired for trading are recognised as profit or loss in the income statement of the accounting period. Changes in the fair value of other financial assets recognised at fair value are recognised consistently (i.e. under equal conditions as of the moment of acquisition of the assets until the realisation of the assets) in equity in the fixed assets revaluation reserve. Differences in

revaluation caused due to changes in exchange rates of financial assets in foreign currencies, interest income calculated on the basis of the internal interest rate and dividend income received on equity instruments are immediately recognised in the income statement.

Securities (shares, bonds, debenture bonds, fund units, etc.) that will probably not be sold in the next twelve months (excluding investments in subsidiaries and affiliates) and securities with a fixed maturity date of more than twelve months after the balance sheet date and loans granted with a maturity date of more than twelve months after the balance sheet date are recognised as long-term financial investments (other long-term investments in shares and securities and long-term receivables).

An evaluation is done every balance sheet date to determine whether there are any circumstances suggesting possible impairment of assets. If such circumstances exist, financial assets are written down as follows:

- a) A financial asset recognised at amortised cost (such as a receivable or a held-to-maturity debt security) is written down to the present value of its estimated future cash flows (discounted at the asset's original effective interest rate);
- b) A financial asset recognised at acquisition cost (such as shares or other equity instruments whose fair value cannot be measured reliably) is written down to the present value of its estimated future cash flow (discounted at the current average market rate of return for a similar financial asset);
- c) A financial asset recognised at fair value is written down to its fair value.

An impairment loss is recognised as an expense in the income statement. In the case of financial assets that are recognised at fair value with changes via the equity revaluation reserve, the negative revaluation reserve that has thus far been recognised in equity will be transferred to the income statement upon the identification of impairment characteristics.

Reversal of impairment losses:

- (a) If the value of a financial asset recognised at amortised cost that has been written down in a previous period increases, the previously recognised impairment loss is reversed, resulting in the carrying amount of the asset to be the lower of (1) the present value of the asset's estimated future cash flow and (2) the balance sheet residual value using the amortised cost of the asset that would have been measured had the impairment loss not been recognised. Reversals of impairment losses are recognised in the income statement.
- (b) Write-downs of assets that are recognised at acquisition cost because their fair value cannot be reliably determined are not cancelled.
- (c) Upon the reversal of impairment losses of financial assets at fair value with changes that are recognised via the equity revaluation reserve, the following will be used as the basis: upon the reversal of impairment losses of shares and other equity instruments, the increase in value will be recognised in the equity revaluation reserve; upon the reversal of impairment losses of bonds and other debt instruments, the increase in value will be recognised in the income statement.

Receivables and financial investments held until redemption date

Accounts receivable that the group has not acquired for resale, and held-to-maturity financial assets, are recorded at the adjusted acquisition cost thereof, using the effective interest rate. The adjusted acquisition cost is calculated for the entire term of the financial asset and any discounts or premiums that have occurred upon the acquisition and the costs directly attributable to the transaction are taken into account.

Financial assets recognised using the adjusted acquisition cost method are written down if their recoverable amount is likely to remain below their book value. The recoverable amount of financial assets recognised at the adjusted acquisition cost is the present value of future cash flow derived from the financial assets discounted with the effective interest rate fixed at the moment of initial recognition. Write-downs of financial assets related to operations are recognised in the income statement as operating charges under "Other operating expenses" and write-downs of financial assets related to investment activities are recognised in the income statement under "Financial income and expenses".

Impairment of individually important financial assets is determined separately for each asset. Based on historical experience, receivables are treated as uncollectible to the extent of 50% (i.e. a write-down is recorded for the receivables) if they are overdue for more than 90 days, and uncollectible to the extent of 100% if they are overdue for more than 180 days.

Receivables are also recorded as uncollectible in other events that imply that the recoverable amount of the receivable falls short of its book value. Upon the recovery of a receivable that was previously written down or in case of other events that indicate that the write-down is no longer justified, the reversal of the write-down is recognised in the income statement as a decrease in the expenses where the write-down was initially recognised.

Interest income from receivables is recorded in the income statement under “Financial income and expenses”.

E. Trade receivables

Current receivables incurred by the group in the course of its daily business activities are recognised as trade receivables. Trade receivables are recognised at the adjusted acquisition cost (i.e. nominal value less repayments and any necessary write-downs).

Discounts on receivables are represented whenever there is objective evidence of the fact that the total amount of receivables will not be received in accordance with the initial contractual terms and conditions pertaining to receivables. The circumstances referring to a possible decrease in the value of receivables are the bankruptcy of a debtor or their significant financial difficulties and failure to stick to deadlines. An impairment of individually important receivables (i.e. the need for a write-down) is evaluated separately regarding each buyer proceeding from the present value of the amounts to be presumably received in the future. In the case of such receivables that are not individually significant, and in relation to which it is not directly known that their value has been decreased, the decrease in the value is assessed as a total, with due consideration of the experience for previous years pertaining to outstanding receivables. The write-down amount of doubtful accounts is the difference in the book value of such accounts and the present value of future cash flows using the internal interest rate method. The book value of the receivables is reduced by the amount of doubtful accounts and the loss from the write-down is recorded in the income statement. The receivable and its write-down are written off the balance sheet if the receivable is deemed to be uncollectible. Collection of doubtful receivables that have previously been written down is recognised as a decrease in the expenses of doubtful receivables.

F. Investment properties

Investment property is a real estate object held by the group first and foremost for the purpose of earning operating income and increase in value rather than using it upon the production of goods or services, for administrative purposes, or for sale in the course of regular business activities.

Investment properties are recognised using the fair value method. When applying the fair value method, the investment property is recognised by the group on every balance sheet date at fair value proceeding from the discounted cash flow method.

Fair value is adjusted only upon the increase or decrease of value by more than 2% compared to the respective value in the previous year. Gains and losses on changes in the value are reported in the income statement under “Other operating revenue” and “Other operating charges”.

G. Tangible fixed assets

Assets that cost 200 euros and more and whose useful lives exceed one year are deemed to be tangible fixed assets. Assets whose useful lives exceed 1 year but whose acquisition cost is less than 200 euros are recognised as low-value inventory (under inventories) until taken into use and transferred into expenses in

the extent of 100% at the time they are taken in use. Expensed low-value inventory is reported off the balance sheet.

Tangible fixed assets are registered at their acquisition cost, which comprises the purchase price and expenses directly attributable to the acquisition.

Tangible fixed assets are subsequently recognised in the balance sheet at their acquisition cost less accumulated depreciation and any possible write-downs resulting from impairment.

If an item of tangible fixed assets consists of distinguishable components with different useful lives, such components are registered in accounting as separate items of assets and different depreciation rates are assigned to them according to their useful lives.

Later expenses on recognised tangible fixed assets (e.g. the replacement of certain parts of an asset) are added to the book value of the assets if the following criteria have been met: (a) it is likely that as a result, the group will receive economic benefit in the future; and (b) their acquisition cost can be reliably measured. Replaced parts are written off the balance sheet. All other expenditure is recognised as expenses in the period when the expenses were incurred.

Straight-line method is used for the depreciation of tangible fixed assets. Depreciation rates are established separately for each item of tangible fixed assets on the basis of its useful life. Annual depreciation rates for classes of fixed assets are as follows:

• Land	0%
• Buildings and structures	2-15%
• Machinery and equipment	8-50%
• Means of transport	15-25%
• Other fixtures, fittings, tools and equipment	20-40%

Depreciation of assets is discontinued if the final value of the assets which equals a sum that the group would receive upon transfer of the assets today, if the assets were of the same age and in the same state as they are expected to appear at the end of their useful life, exceeds the book value of the assets. The depreciation methods, rates and final values of tangible fixed assets are reviewed at least at the end of each financial year and if new estimates differ from the previous ones, the variations are recognised as changes in accounting estimates, i.e. they are carried forward.

Possible impairment of tangible fixed assets is assessed if certain events or developments imply that the recoverable amounts of the assets may be smaller than their book value. If such developments exist, the group will carry out an evaluation of the recoverable amount of the assets. If the estimated recoverable amount of the assets is below their book value, the assets or assets constituting a cash-generating unit are written down to their recoverable amount, which is equal to the higher of the present value (or value in use) of the future cash flow from the assets or the fair value of the assets less costs to sell. The fair value of assets is determined by independent experts, if necessary. The write-down is recorded as an expense of the accounting period on the same row of the income statement where the depreciation on the written down assets or the assets belonging to a cash generating unit has been recorded.

If later the recoverable amount of the assets increases, exceeding its book value, the write-down will be cancelled and the book value of the assets will be increased, but not in excess of the book value of the assets that would have been recorded if the assets had not been written down. Cancellation of a write-down of assets is recognised in the income statement on the same account where the previous write-down was recognised.

Recognition of tangible fixed assets is discontinued upon their transfer or if the group does not expect fiscal advantages from their use or sales. Gains and losses on discontinued recognition of tangible fixed assets

are recognised in the income statement under “other operating revenue” or “other operating charges” for the period when recognition was discontinued.

H. Intangible fixed assets

Intangible fixed assets are registered at their acquisition cost, which comprises the purchase price and expenses directly attributable to the acquisition. Intangible fixed assets are subsequently recognised in the balance sheet at their acquisition cost less accumulated depreciation and any possible write-downs resulting from impairment. Depreciation is calculated using the straight-line method.

I. Impairment of assets

Impairment of intangible assets of undefined useful lives (including goodwill) is checked once a year by comparing the carrying amount of the assets with the recoverable amount.

The occurrence of circumstances referring to possible impairment is assessed in the event of tangible fixed assets with unlimited useful lives and depreciable assets. If such circumstances exist, the recoverable amount of the assets is measured and it is compared with the carrying amount.

The loss caused by impairment is recognised in the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset item is the fair value of the asset item from which the costs to sell or the value in use, whichever is higher, have been deducted. To assess the extent of impairment, the recoverable amount is assessed either with regard to individual asset items or the smallest possible groups of assets for which it is possible to differentiate the cash flow. Write-downs of assets are recognised as expenses for the financial year.

Once an asset item has been written down, it is assessed on every subsequent balance sheet date whether it may be likely that the recoverable amount of the asset item has increased in the meantime (excluding goodwill whose write-downs are not cancelled). Any previous write-downs are cancelled if the impairment test shows that the recoverable amount of an asset item or a group of assets (cash generating unit) has increased to over the carrying amount and the carrying amount of the asset item is increased to the amount that would have emerged considering normal depreciation during the years in-between. Cancellations of write-downs are recognised in the income statement of the annual period as a reduction of the cost of write-downs of fixed assets.

J. Financial liabilities

All financial liabilities (trade creditors, loans raised, accrued expenses, bonds issued and other short-term and long-term payables) are initially registered at their acquisition cost, which also includes all the expenses directly attributable to acquisition. Any further recognition takes place pursuant to the adjusted acquisition cost method (except the financial liabilities acquired for the purpose of resale and derivative instruments of negative fair value that are recognised at the fair value thereof).

The adjusted acquisition cost of short-term financial liabilities is generally equal to their nominal value and therefore short-term financial liabilities are recognised in the balance sheet in the amounts subject to payment. In order to calculate the adjusted acquisition cost of long-term financial liabilities, they are initially recognised at the fair value of the amounts received (less any transaction costs), considering the interest expenses to be incurred on the liability in future periods, using the internal interest rate method.

A financial liability is classified as current if its payment term is within twelve months as of the balance sheet date or if the group does not have the unconditional right to postpone the payment of the obligation for more than twelve months after the balance sheet date. Loans payable that are due within 12 months as of the balance sheet date, but which are refinanced as long-term after the balance sheet date, but before the approval of the financial statements, are recognised as current liabilities. Loans payable that the lender had the right to recall on the balance sheet date due to a breach of the terms and conditions provided for in the loan agreement are also recognised as current liabilities.

Promises, guarantees and other obligations that may turn to liabilities under certain conditions in the future, but the likelihood of whose realisation in the opinion of the management of the parent company is smaller than the likelihood of non-realisation, have been disclosed as contingent liabilities in the notes to the financial statements.

K. Revenue

Revenue from the sale of services is recognised in the period in which the service is provided if the revenue gained from providing the service can be reliably measured, the proceeds arising from the transaction are likely to be collected, and the expenses related to the transaction can be reliably assessed. Revenue from the sale of goods is recognised when all significant risks related to ownership have been transferred to the buyer, the proceeds arising from the sale are likely to be collected, and the expenses related to the sales revenue and the transaction can be reliably determined.

Sales revenue reflects the sale of services and goods related to the principal activity. Other operating revenue comprises irregular revenue not directly related to the principal activity.

Interest income is recognised on an accrual basis once it is likely that the group will gain economic benefit from the transaction and the amount of interest income can be reliably measured.

L. Expenses

Expenses are recognised on an accrual basis, i.e. at the moment when the economic transaction actually occurs, not when the liability is paid.

Expenses are recognised in the same period as the revenue associated with them. Expenses that are likely to participate in generating economic benefits in future periods are recognised on the balance sheet as assets at the moment of their emergence and as expenses in the period(s) when the expenses associated with them emerge.

Expenses of services and goods purchased directly for the purpose of the principal activity are recognised in the income statement under "Goods, raw materials and services". Other operating expenses comprise expenses that are not regarded directly as costs of provision of services. Other operating revenue comprises irregular expenses not related to the principal activity.

Interest expenses are recognised as financial expenses of the reporting period on the accrual basis.

M. Corporate income tax

Pursuant to the currently applicable Income Tax Act, a company registered in Estonia does not pay income tax on the profit earned, and profit distributed by way of a bonus issue is also not taxed. Companies pay income tax on profit distributed as dividends or other profit distributions, including disbursements from equity, that exceed the monetary and non-monetary contributions to the equity of the company upon the disbursement thereof by monetary or non-monetary means. On the basis of the abovementioned Act, profit distributed by the company as dividends or by other means is taxed with income tax at the rate of 20/80.

Pursuant to the tax legislation applicable in Estonia, the company is not able to disburse all its available equity without additional expenses; instead, a part of equity will be used to cover the income tax on dividends. Provisions in respect of future income tax payable on dividends are not formed before the declaration of dividends, but the relevant information is disclosed in the notes to the accounts.

Corporate income tax related to the disbursement of dividends or the making of other payments that reduce equity is recognised as a liability and an expense at the moment of announcing the dividends or other payments that reduce equity.

Income tax on dividends is recognised in the income statement under income tax expenses during the same period when the dividends are announced, regardless of the period for which they have been announced or when they are actually disbursed.

Taxation of subsidiaries registered in a foreign country.

Pursuant to the Income Tax Act, the net profit of the company, as adjusted with the temporary and permanent differences provided in the Income Tax Act, is subject to income tax in Lithuania, with the tax rate being 15%.

Deferred tax has been recognised in the accounting pursuant to the liability method on all temporary differences as of the balance sheet date between the tax base and book value of the assets and liabilities. Deferred tax assets are only recognised if it is likely that gains will be earned in the future on whose account the deferred tax assets can be used.

N. Lease accounting

Lease transactions where all significant risks and benefits related to the ownership of the assets are transferred to the lessee are recognised as financial lease. Other lease transactions are treated as operating lease.

The Company leases its assets under operating lease conditions and therefore recognises assets in the balance sheet under regular conditions and similarly to other assets recognised in the balance sheet.

The lessor recognises the rental income received from operating lease during the rental period as revenue in the income statement. The payments made to the lessor are structured such as to increase together with the expected general inflation based on the published indexes in order to compensate for the expected increase in the expenses of the lessor in relation to inflation.

O. Events after the balance sheet date

The interim and annual accounts reflect the material circumstances that influence the evaluation of assets and liabilities and which occurred between the balance sheet date and the preparation date of the financial statements, but which are related to transactions that took place during the accounting period or earlier.

Events after the balance sheet date that have not been considered in the evaluation of assets and liabilities, but that considerably affect the result of the next financial year are disclosed in the financial statements.

P. Impact of the global economy

It is impossible for the management to offer reliable forecasts as to what the impact of potential future unstable conditions in the global economy would be on the group's activities and financial position. The management believes that it has taken all measures required to guarantee the group's sustainability and growth in the current conditions.

Q. Related parties

Parties are considered to be related if one party either controls the other party or has significant influence on the business decisions made by the other party, including the parent company and other companies belonging to the same group, members of the supervisory board and the management board, their family members and companies that are controlled by said persons or where said persons have significant influence.

Note 2 Cash

(EUR)

	30.06.2021	30.06.2020
Cash at bank	510,426	317,211
Total cash	510,426	317,211

The Group has bank accounts in Swedbank and OP Corporate Bank Lithuanian Branch. Cash payments are not accepted.

Note 3 Subsidiaries

Group shareholding

Name	Country of location	Holding % as of 30.06.2020	Holding % as of 30.06.2019
Promalita UAB	Lithuania	100%	100%

The shares of the subsidiary are not listed on the stock exchange.

Note 4 Investment properties

(EUR)

	Built-up registered immovable	Total
Balance 31.12.2020	15,750,000	15,750,000
Change in fair value	0	0
Balance 30.06.2021	15,700,000	15,700,000
Balance 31.12.2019	15,750,000	15,750,000
Change in fair value	0	0
Balance 30.06.2020	15,750,000	15,750,000

Investment properties have been recognised at fair value.
Colliers International Advisors UAB served as the independent evaluator.

Note 5 Intangible fixed assets
(EUR)

	Goodwill	Total
Balance 31.12.2020		
Acquisition cost	1,280,818	1,280,818
Accumulated depreciation	-638,044	-638,044
Residual value	642,774	642,774
Depreciation costs	-109,096	-109,096
Balance 30.06.2021		
Acquisition cost	1,280,818	1,280,818
Accumulated depreciation	-747,140	-747,140
Residual value	533,678	533,678
Balance 31.12.2019		
Acquisition cost	1,280,818	1,280,818
Accumulated depreciation	-426,938	-426,938
Residual value	853,880	853,880
Depreciation costs	-106,734	-106,734
Balance 30.06.2020		
Acquisition cost	1,280,818	1,280,818
Accumulated depreciation	-533,672	-533,672
Residual value	747,146	747,146

Note 6 Loans payable
(EUR)

	30.06.2021	Current part	Long-term part	Liability total
Long-term bank loans*	460,000	460,000	6,823,334	7,283,334
Long-term shareholder loan	0	0	671,850	671,850
Long-term bonds	0	0	4,700,000	4,700,000
Total loans payable	460,000	460,000	12,195,184	12,655,184
	31.06.2020	Current part	Long-term part	Liability total
Long-term bank loans*	460,000	460,000	7,283,334	7,743,334
Long-term shareholder loan	0	0	671,850	671,850
Long-term bonds	0	0	4,700,000	4,700,000
Total loans payable	460,000	460,000	12,655,184	13,115,184

* OP Corporate Bank Lithuanian Branch has issued the loan to the Group.
The underlying currency of all the loans is the euro.
See Note 14 for further information about collateral.

Note 7 Payables and prepayments
(EUR)

	30.06.2021	30.06.2020
Trade creditors	1,901	2,259
Payables to employees	34	98
Prepayments received	60,398	74,222
Interest payable	86,231	80,632
Total payables and prepayments	148,564	157,211

Note 8 Long-term provisions

The long-term provisions comprises the deferred income tax liability of the Lithuanian subsidiary.

Note 9 Share capital

	30.06.2021	30.06.2020
Share capital (EUR)	2,500	2,500
Number of shares (pcs)	1	1

Potential income tax liability of the Group

The retained earnings of the company as of 30 June 2021 amounted to EUR 1,720,611 (30.06.2020: EUR 1,384,884). The maximum amount of income tax payable upon disbursement of all retained profit as dividends is EUR 344,122 (30.06.2019: EUR 276,977). Therefore, EUR 1,376,489 (30.06.2019: EUR 1,107,907) can be disbursed as dividends.

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 30.06.2021.

Note 10 Sales revenue
(EUR)

Sales revenue of the Group by geographical regions:

Geographical regions	2021 6 months	2020 6 months
Lithuania	657,303	654,089
Total	657,303	654,089

Sales revenue of the Group by fields of activity:

Fields of activity	2021 6 months	2020 6 months
Lease of warehouse premises	657,303	654,089
Total	657,303	654,089

Note 11 Other operating expenses
(EUR)

	2021 6	2020 6
	months	months
Administration and office expenses	-37,336	-29,016
Securities management expenses	-3,474	-3,523
Expenses of legal and other consultations	-7,949	-7,932
Total	-48,759	-40,471

Note 12 Financial revenue and expenses
(EUR)

	2021 6	2020 6
	months	months
Interest expenses on bonds	-188,000	-188,000
Interest expenses on loans	-83,169	-89,843
Total financial revenue and expenses	-271,169	-277,843

Note 13 Income tax

The calculated income tax expenses of the Group have arisen due to the tax liability of the Lithuanian subsidiary.

Note 14 Contingent liabilities and off-balance-sheet assets and liabilities

The collateral for the loans and issued bonds is as follows:

- Mortgage in the first ranking on the registered immovable of RIMI LC in the amount of 11,960,000 euros with the market value of the real estate being at least 15,750,000 euros;
- Mortgage in the second ranking on the registered immovable of RIMI LC in the amount of 6,110,000 euros for the benefit of the collateral agent as the pledgee (established pursuant to a collateral agent contract and terms and conditions for the benefit of the investors).

Note 15 Transactions with related parties
(EUR)

The following were deemed as related parties when the financial statements were prepared:

- owners (parent company and persons who control or have a significant influence over the parent company);
- executive management and senior management; and
- close relatives of the aforementioned persons and the companies being controlled by them or being under the significant influence of such persons.

As of 30.06.2020 and 30.06.2021, there were no receivables from related parties of the Group.

Payables	30.06.2021	30.06.2020
Parent company and persons who control the parent company	671,850	671,850
Total	671,850	671,850

Interest in the amount of EUR 26,874 has been calculated in the reporting period on loans received from related parties (2020 6 months: EUR 20,156).

Remuneration and other benefits in the total amount of 193 euros has been calculated for the members of the executive and senior management in the reporting period (2020 6 months: 160 euros). No remuneration was paid and no benefits were granted to the members of the supervisory board in the accounting period or the reference period. Premature termination of service contracts with members of the management board and the supervisory board would result in no liability to pay a severance bonus for the Group.

Note 16 Unconsolidated balance sheet of Parent Company
(EUR)

	30.06.2021	30.06.2020
Cash	475,990	45,311
Receivables and prepayments	34,409	73,508
Total current assets	510,399	118,819
Long-term financial investments	1,764,444	1,364,696
Long-term receivables	4,906,350	5,356,350
Total fixed assets	6,670,794	6,721,046
TOTAL ASSETS	7,181,193	6,839,865
Payables and prepayments	86,232	80,632
Total current liabilities	80,632	80,632
Long-term loans payable	5,371,850	5,371,850
Total non-current liabilities	5,371,850	5,371,850
TOTAL LIABILITIES	5,458,082	5,452,482
Share capital	2,500	2,500
Retained earnings	1,720,611	1,384,883
TOTAL EQUITY	1,723,111	1,387,383
TOTAL LIABILITIES AND EQUITY	7,181,193	6,839,865

Note 17 Unconsolidated income statement of Parent Company
(EUR)

	<u>2021 6</u> <u>months</u>	<u>2020 6</u> <u>months</u>
Operating expenses	-12,391	-8,034
Operating profit (loss)	<u>-12,390</u>	<u>-8,034</u>
Financial income (expenses)	<u>196,366</u>	<u>201,500</u>
Profit before income tax	<u>183,975</u>	<u>193,466</u>
Net profit (loss) for financial year	<u>183,975</u>	<u>193,466</u>

Note 18 Unconsolidated cash flow statement of Parent Company
(EUR)

	<u>2021 6</u> <u>months</u>	<u>2020 6</u> <u>months</u>
Operating profit	-12,391	-8,034
Change in assets related to operating activities	-900	-900
Change in assets related to liabilities	6	-3,660
Total cash flow from operating activities	<u>-13,285</u>	<u>-12,594</u>
Repayments of loans and bonds	450,000	0
Interest received	178,544	180,925
Total cash flow from investing activities	<u>628,544</u>	<u>180,925</u>
Interest paid	-205,915	-208,153
Total cash flow from financing activities	<u>-205,915</u>	<u>-208,153</u>
Total cash flow	<u>409,344</u>	<u>-39,822</u>
Cash at beginning of period	<u>66,646</u>	<u>85,133</u>
Change in cash	409,344	-39,822
Cash at end of period	<u>475,990</u>	<u>45,311</u>

Note 19 Statement of changes in equity of Parent Company
(EUR)

	Share capital	Retained profit	Equity Total
As of 31.12.2020	2,500	1,536,636	1,539,136
Profit for reporting period	0	183,975	183,975
As of 30.06.2021	2,500	1,720,611	1,723,111
As of 31.12.2019	2,500	1,191,417	1,193,917
Profit for reporting period	0	193,466	193,466
As of 30.06.2020	2,500	1,384,883	1,387,383

UPP & CO Kauno 53 OÜ**LIST OF SHAREHOLDERS**

as of 30 June 2021

No.	Name and personal identification code or registry code of owner	Address	Value of share	Date of acquisition of share	Basis of acquisition of share
1.	UPP Logistics Properties OÜ	Tallinn	EUR 2,500	24.03.2021	Purchase and sale

Member of Management Board
Marko Tali