

Commercial, cash-flow generating properties

EftEN Capital: The largest commercial real estate
fund and private portfolio manager in the Baltics



EfTEN Capital

Disclaimer

EfTEN Capital is authorized and regulated by Estonian Financial Supervision Authority.

Disclaimer

This presentation has been prepared by EfTEN Capital AS ("EfTEN Capital") and for the sole purpose of providing the recipient with background information on EfTEN Capital, EfTEN Kinnisvarafond AS („Fund I”), EfTEN Kinnisvarafond II AS („Fund II”) and EfTEN Real Estate Fund III AS („Fund III” or “Fund”).

The purpose of this presentation is to provide background information for further discussions. This presentation is not intended to form the basis of a decision to purchase securities or any other investment decision and does not constitute an offer, invitation or recommendation for the purchase of securities. Neither the information contained in this presentation nor any further information made available by EfTEN Capital or the Fund in connection with the subject matter contained herein will form the basis of any contract.

Some information contained in this presentation has been obtained from public sources and has not been verified by EfTEN Capital, or any other person. While the information herein is believed to be accurate, no representation or warranty is given with respect to, and EfTEN Capital as well as its employees disclaim any and all liability for, the contents of, errors in or omissions from this presentation and for any written or oral communication transmitted or made available to a prospective purchaser or its advisers. In addition, this presentation might include forward-looking statements which reflect the current view of EfTEN Capital and/or the Fund. All forward-looking statements address matters that involve risks and uncertainties. Furthermore, these forward-looking statements speak only as of the date of this presentation. Accordingly, there are or will be important factors that could cause the Fund's actual results to differ materially from those indicated in these statements. EfTEN Capital and the Fund undertake no obligation to review or update any forward-looking statement, whether as a result of new information, future developments or otherwise.

In furnishing this presentation, EfTEN Capital and the Fund undertake no obligation to provide the recipient with access to any additional information or to update this presentation or to correct any inaccuracies that may become apparent. This presentation does not purport to be comprehensive or to contain all the information regarding the Fund.

This presentation may not be photocopied, reproduced or distributed to any other person. If you have not received this document directly from EfTEN Capital or if your receipt or possession of this presentation contravenes any legal restrictions in any relevant jurisdiction, your receipt is unauthorised. Please return this presentation to EfTEN Capital immediately.



The largest commercial real estate fund manager in Baltic States

Company

- ▶ Founded in 2008
- ▶ Local presence: the real estate fund manager with teams in all Baltic States
- ▶ Three real estate funds; private portfolio management
- ▶ Real estate **AUM over €500 million**
- ▶ 42 commercial properties, over 900 tenants, 460 th m² leasable area
- ▶ Wide institutional investor base, incl. HNWI-s and regional pension funds; over 300 private investors
- ▶ Team of **46 professionals** (20 in Estonia, 19 in Latvia and 7 in Lithuania)
- ▶ Solid track record for all ongoing funds (see table below)

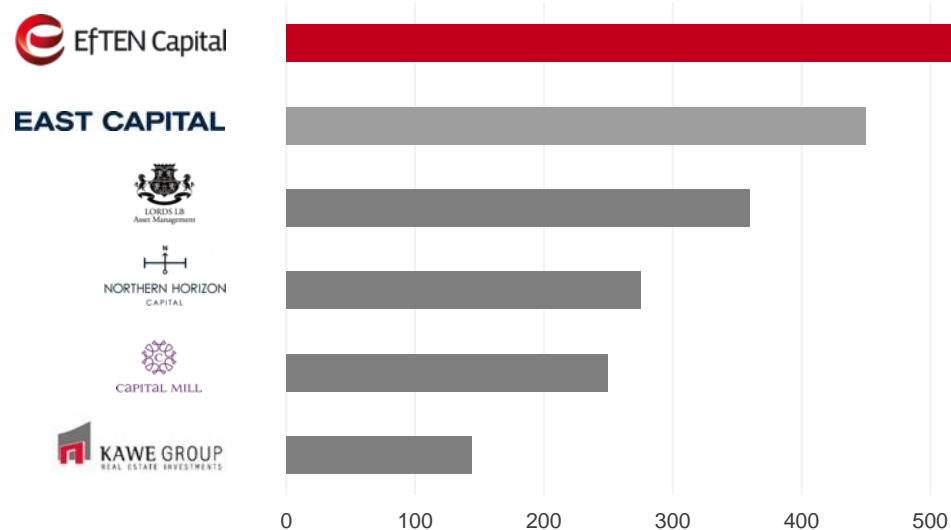
Track Record (as of Sept'17)

FUND NAME	INCEPTION	INVEST-MENTS	EXITS TO DATE	NAV GROWTH SINCE INCEPTION	ROIC*
Fund I	2009	28	9	176%	22%
Fund II	2015	5		23%	18%
Fund III	2015	8		38%	28%

* - Return on Invested Capital. ROIC = net profit of the period / average invested capital of the period

The largest commercial real estate fund manager in Baltic States

Assets under management (€, million)



Assets under management by country

€ 267 M | 53%

€ 175 M | 35%

€ 63 M | 12%



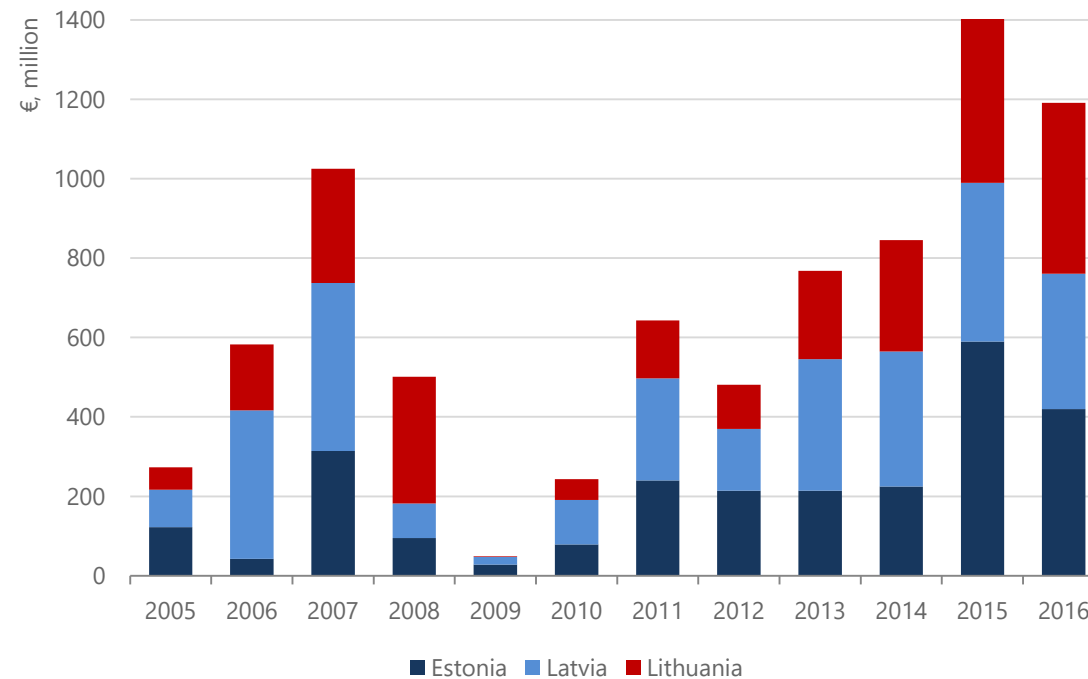
Market Opportunity

Baltic markets provide an attractive risk-return profile

The Baltic markets

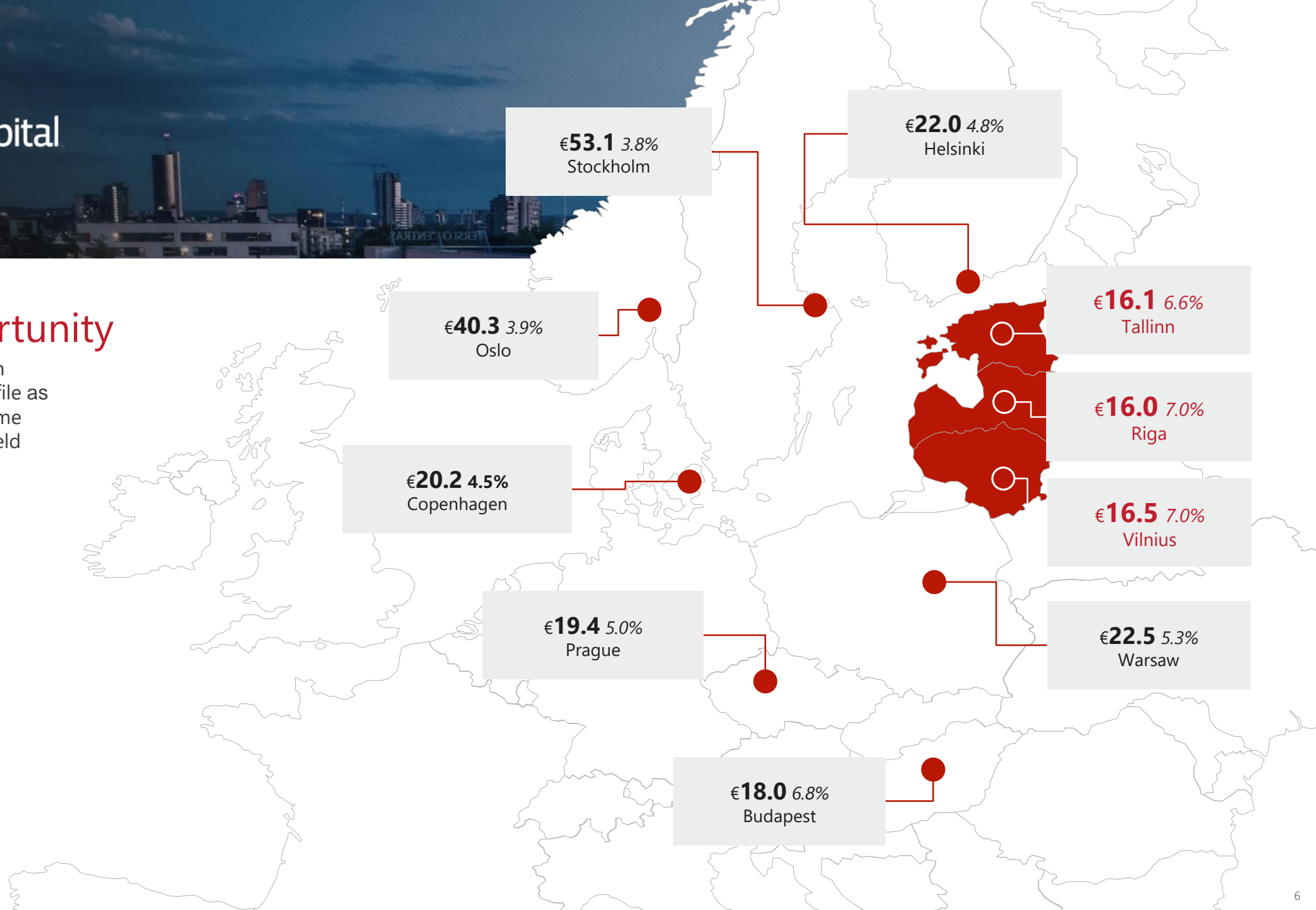
- ▶ Fastest growing region in eurozone
- ▶ Lending rates as low as in Scandinavian markets
- ▶ Significant yield gap compared to the Western countries
- ▶ The market provides attractive yields at 6-8% and low vacancy rates
- ▶ Stabilised rental rates which are substantially lower than in Scandinavia

Real estate investments, 2005 – 2016 (€, million)



Market Opportunity

- ▶ Baltic markets provide an attractive risk-return profile as demonstrated by the prime office rental price and yield comparison on the right

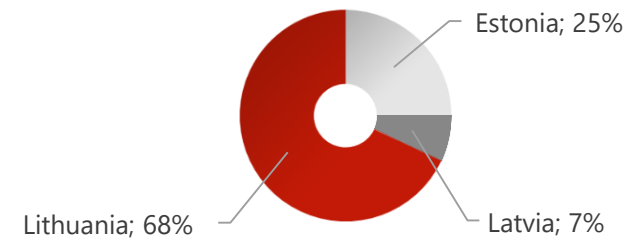


Overview: Cash flow generating commercial properties in Baltic states

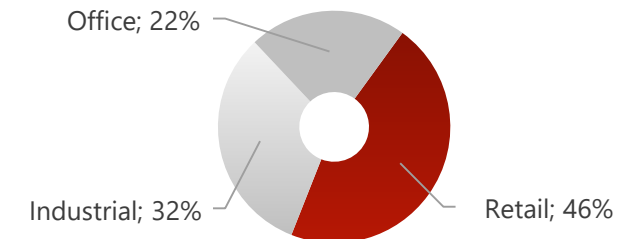
About the Fund

- ▶ EfTEN Real Estate Fund III AS was founded in 2015 as a public closed alternative investment fund: over 300 private investors
- ▶ Cash flow generating commercial properties in Baltic states using value added and opportunistic investment strategy
- ▶ Primarily aimed at retail investors focusing on value added segment and offering compelling opportunities at an attractive risk-reward ratio
- ▶ The current portfolio includes 8 properties (including Selver) in Tallinn, Riga, Vilnius and Šiauliai with leasable area of 70.8 thousand m²
- ▶ Total value of investment properties €85.5 million (plus €5.1 million under construction)
- ▶ ROIC in September 2017 is 27.6%; NAV per share €14; Average EBITDA margin 76%

Portfolio by countries

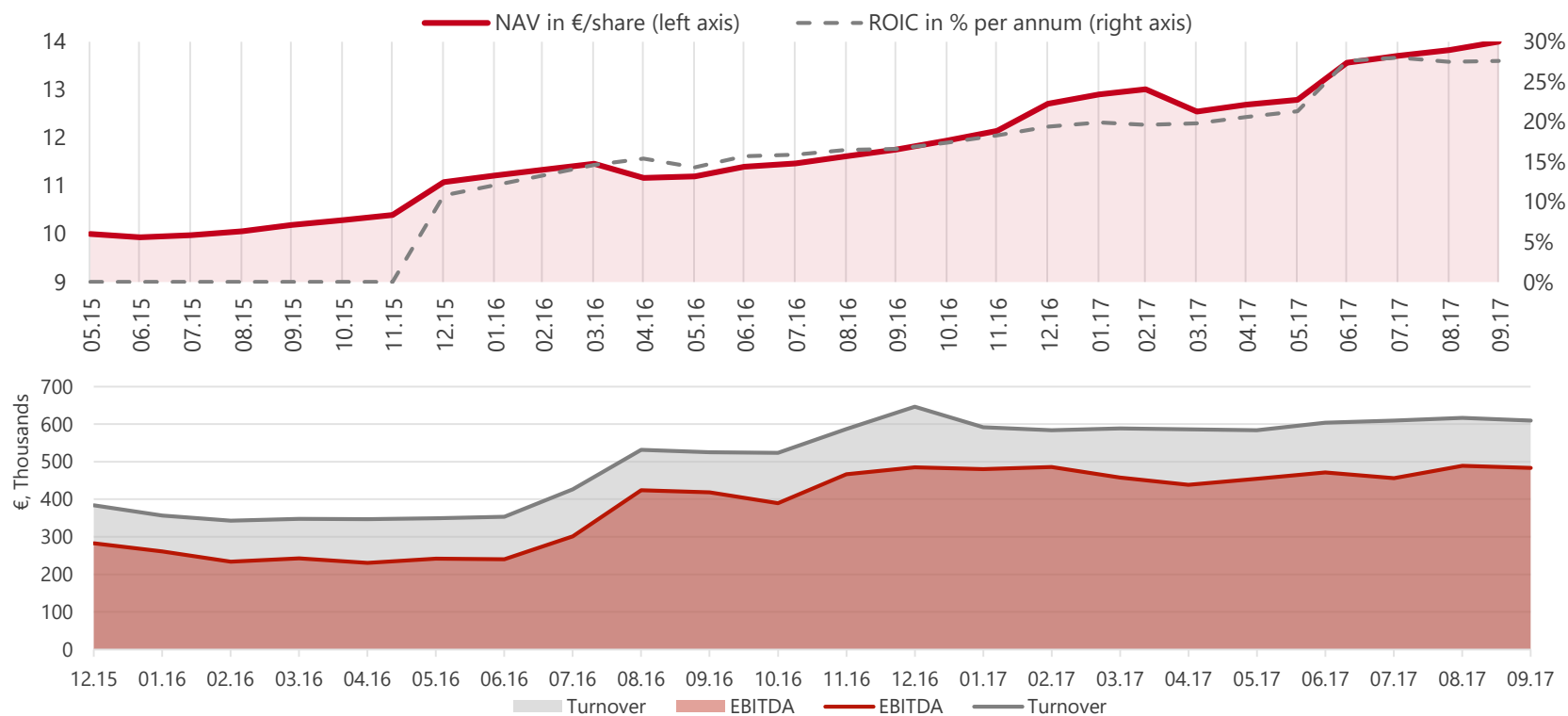


Portfolio by sectors



Overview: Cash flow generating commercial properties in Baltic states

Performance since inception



Portfolio: Shopping centres



Saules Miestas retail centre in Šiauliai

- ▶ Acquired in August 2015
- ▶ Vacancy < 5%
- ▶ Leasable area 19.8 th m²
- ▶ Full facade renovation completed in Sept 2017
- ▶ Value increase since acquisition 12.3%



Hortes gardening centre in Tallinn

- ▶ Acquired in 2017
- ▶ Leasable area 3.4 th m²
- ▶ Currently valued at cost
- ▶ Vacancy 0%



SELVER retail centre in Tallinn

- ▶ Will be opened in December 2017
- ▶ Leasable area 3 th m²
- ▶ Rental agreements signed for 99,1% of the leasable area

Portfolio: Office buildings



Ulonu Office building in Vilnius

- ▶ Acquired in December 2015
- ▶ High quality tenants: Columbus, PST, Synergium
- ▶ Leasable area 5.1 th m²
- ▶ Vacancy 0%



Laisves 3 Office building in Vilnius

- ▶ Acquired in October 2016
- ▶ Value increase over 12% since acquisition
- ▶ Leasable area 6.1 th m²
- ▶ Vacancy 0%
- ▶ High quality tenant mix: AVIS, Merko, Novaturas



DSV logistics centres in Tallinn, Riga, Vilnius

- ▶ Acquired in July 2016 in all three Baltic States
- ▶ Leasable area: Tallinn 16 th m², Riga 5.4 th m², Vilnius 11.7 th m²
- ▶ Vacancy 0%, all buildings rented by DSV
- ▶ Single tenant risk mitigated by high quality global logistics player, market leader in the Baltics, and ten-year rental agreements

Financials

Key Financial Indicators (in €, if not stated otherwise). 30 Sept 2017 vs 31 Dec 2016



Assets

91,1m

+17,9%

Sales Income

9 months 2017: 5,4m

12 months 2016: 5,3m

NAV

14,00

+10,1% (+12,7% without dividend payment)

Loans to Value

53%

31.12.2016: 58%

EBITDA

9 months 2017: 4,2m

12 months 2016: 3,9m

Net Profit

9 months 2017: 5,3m

12 months 2016: 4,3m

Investment Properties

85,5m

+16,2%

Value growth of Investment Properties

2,8%

2016: 3,3%

Net Revaluation of Investment Properties

9 months 2017: 1,9m

2016: 1,9m

Equity

40,4m

+33,2%

Net Dividends

1,5m

2016: 0,4m

Dividends per Share

63 cents

2016: 29,7 cents

Terms

Legal structure

Fund name	▶ EFTEN Real Estate Fund III AS (Ltd.)
Legal structure	▶ Public limited liability company (Estonia)
Regulation	▶ Regulated by Estonian FSA, AIF fund
Fund manager	▶ EFTEN Capital AS
Term	▶ 10 years (3 years investment period + 5 years holding and 2 years exit period)
Investment committee	▶ 4 members
Auditor	▶ PwC

Investments

Investment style	▶ Value added / opportunistic
Risk level	▶ Moderate risk ▶ Development projects included with limited risk
Investment profile	▶ Cash flow generating commercial real estate ▶ Limited development exposure built to suite projects ▶ Diversified portfolio
Investment size	▶ Minimum investment of €3 million per single object
Structuring	▶ All investments in separate SPV's ▶ Project based risks limited to specific SPV

Fund size and targeted returns

Fund size	▶ Equity capital of €40,4 million ▶ Total assets of €91,1 million
Leverage	▶ Up to 65%
Targeted returns	▶ Equity IRR of 15% per annum (not guaranteed)
Dividend policy	▶ 5-8% dividend yield to invested capital, AGM decision

Fees

Entry and exit fee	▶ None
Subscription fee	▶ Up to 1% securities account holder (e.g. bank)
Management fee	▶ Annual fee of 2% on invested equity
Success fee	▶ 20% of the difference between the closing prices of the last trading days of the reporting year vs year before (high watermark)

Corporate governance

Supervisory board	▶ Arti Arakas (chairman), Olav Miil, Sander Rebane, Siive Penu
Management board	▶ Viljar Arakas (fund manager), Tõnu Uustalu (CIO)
Decision threshold	▶ €250 000

Key people

Management and Supervisory Board



Management Board



Viljar Arakas

Fund Manager
Member of the Management Board
viljar.arakas@efTEN.ee



Tõnu Uustalu

Investment Manager
Member of the Management Board
tonu.uustalu@efTEN.ee

Supervisory Board



Arti Arakas

Chairman of the Supervisory Board



Siive Penu

Member of the Supervisory Board



Olav Miil

Member of the Supervisory Board



Sander Rebane

Member of the Supervisory Board

IPO:

Initial Public Offering on Nasdaq Tallinn



- ▶ After the listing the Fund will become termless (i.e. evergreen)
- ▶ Dividend policy: 80% of the free cash flow will be paid out to dividends
 - ▶ Net dividends paid to date:
 - ▶ For the period of year 2015 Aug-dec: €0,4 million
 - ▶ For the financial year 2016: €1,5 million
- ▶ Offering period: **30 October 2017 - 10 November 2017**
- ▶ Share issue: 338 272 new shares
 - ▶ The fund manager has the right to subscribe 87 272 shares (direct issue)
 - ▶ 250 000 shares will be offered to public investors
 - ▶ We guarantee maximum 75 shares to each new investor. In case of over subscription the fund manager has the right to prefer existing shareholders
- ▶ Shares can be subscribed only by investors with the **Nasdaq CSD SE Estonian affiliate securities account** (previously Estonian Central Depository)
- ▶ Issue price: **€14 per share** (30.09 NAV)
- ▶ Start of trading: target date is **1 December 2017**. The actual dates depends on the share increase approval date in the Business Register
- ▶ Use of proceeds: mainly for the development and construction the new Hortes gardening centre in Lasnamäe (Tallinn, Estonia) and for completing the reconstruction of DSV logistics centre in Riga, Latvia