



EFTEN Real Estate Fund III

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Merger of
EFTEN Kinnisvarafond AS and
EFTEN Real Estate Fund III AS





Disclaimer

This presentation has been prepared for the shareholders of EFTEN Real Estate Fund III AS and EFTEN Kinnisvarafond AS for the purpose of providing an overview of the planned merger of EFTEN Real Estate Fund III AS and EFTEN Real Estate Fund AS by forming EFTEN Real Estate Fund AS.

Any information published in regard to the assets, volumes or value of shares of EFTEN Real Estate Fund III AS and EFTEN Kinnisvarafond AS (including the merged EFTEN Real Estate Fund AS) and any other information disclosed in this presentation shall not be interpreted as investment advice, investment recommendations or any other investment or ancillary service.

Forward-looking statements on the assets and volumes of EFTEN Real Estate Fund III AS and EFTEN Kinnisvarafond AS (including the merged EFTEN Real Estate Fund AS) speak only as of the date of publication of this presentation or date stated in this presentation and are not guarantees of future performance. These forward-looking statements include, among other, matters that are not historical facts. They appear in a number of places throughout this presentation and include statements regarding the beliefs or current expectations in regard to the planned merger of EFTEN Real Estate Fund III AS and EFTEN Real Estate Fund AS by forming EFTEN Real Estate Fund AS. EFTEN Real Estate Fund III AS and EFTEN Real Estate Fund AS disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this presentation unless required to do so by applicable law.

The rate of return achieved by EFTEN Real Estate Fund III AS and EFTEN Kinnisvarafond AS in past periods does not guarantee the rate of return in future periods for EFTEN Real Estate Fund AS that is formed as a result of the merger.

Why merge?

- ▶ Better diversification of underlying assets
- ▶ Matching portfolios of assets
- ▶ Identical dividend policy
- ▶ Total assets of 350 million, 29 commercial properties across the Baltics
- ▶ Two funds have the same investment strategy
- ▶ Better visibility among foreign investors – higher liquidity
- ▶ Clear acceleration for increasing the business volume
- ▶ Wider opportunities for real estate development
- ▶ Both portfolios have been composed and managed by the same team



How to execute the merger?

The share exchange ratio will be determined by the EPRA NAV* of 31 March 2020.

The acquiring fund is the publicly listed EfTEN Real Estate Fund III AS, the fund being acquired is EfTEN Kinnisvarafond AS

Valuations of the real estate investments are carried out by an external valuator (Colliers) who has valued the assets of all EfTEN's funds since 2013

* NAV – Net Asset Value, EPRA NAV explanation available on slides 14 and 17

The effect of the merger

Merged portfolio

Real estate investments over 310 million euro

Annual expected free cash flow over 10 million euro

283 th sqm of rental area

Annual NOI 23,3 million euro

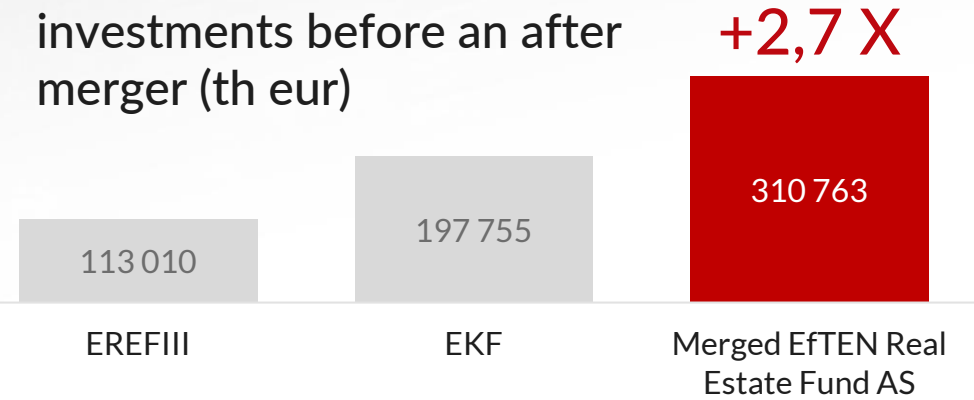
NOI before and after merger (th eur)



Free cash flow* before and after merger (th eur)



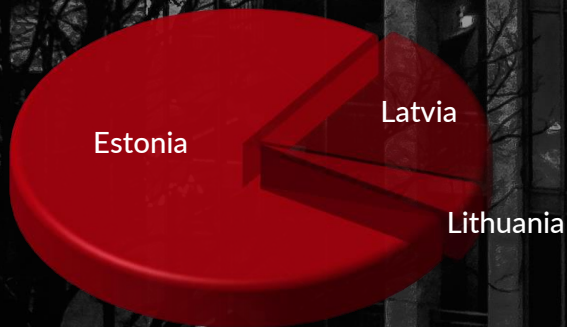
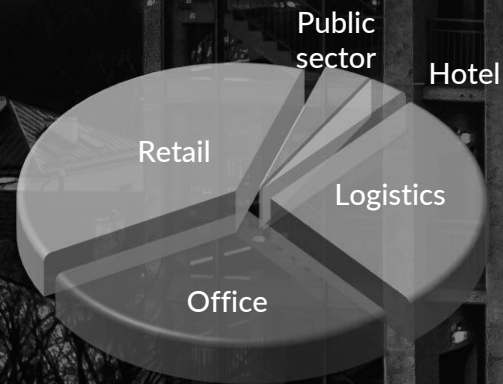
Value of real estate investments before an after merger (th eur)



* As of 31.12.2019. Portfolio values may change during the first quarter of 2020.

After the merger

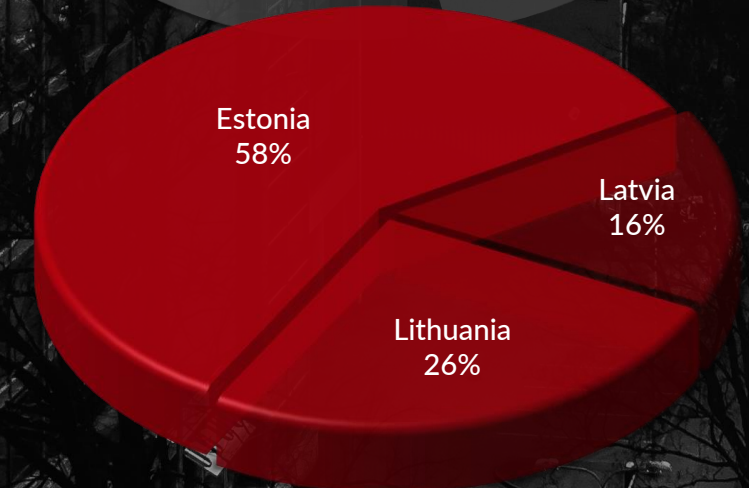
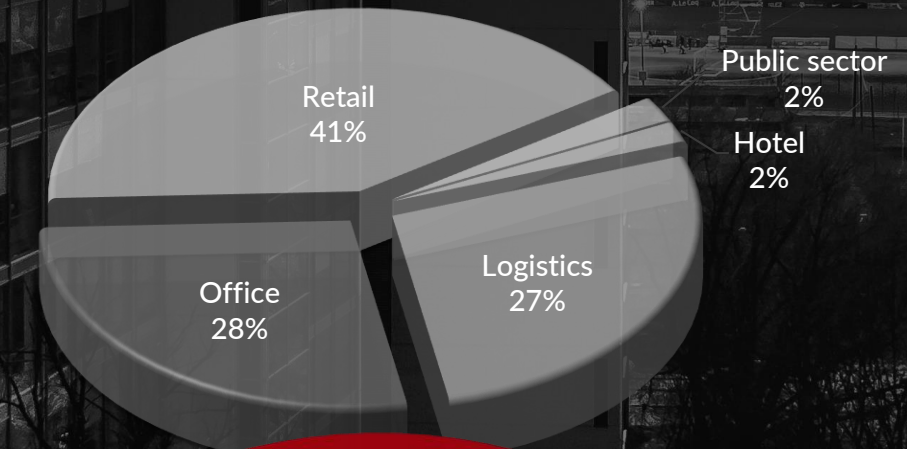
EfTEN
Kinnisvarafond AS



EfTEN
Real Estate Fund III AS



Merged EfTEN
Real Estate Fund AS



Portfolio **running yield**

	Fair value of the portfolio 31.12.2019	NOI forecast for 2020	Yield
EfTEN Kinnisvarafond AS	197 745	15 149	7,7%
EfTEN Real Estate Fund III AS	113 010	8 165	7,2%
Merged EfTEN Real Estate Fund AS	310 755	23 314	7,5%

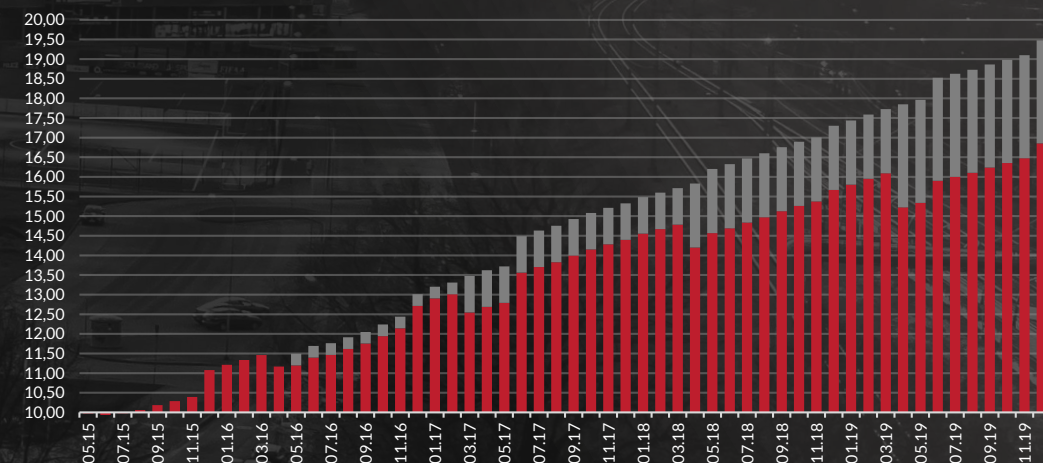
* EfTEN Kinnisvarafond AS figures include 50% of the value and NOI of Hotel Palace

Balance Sheet and NAV

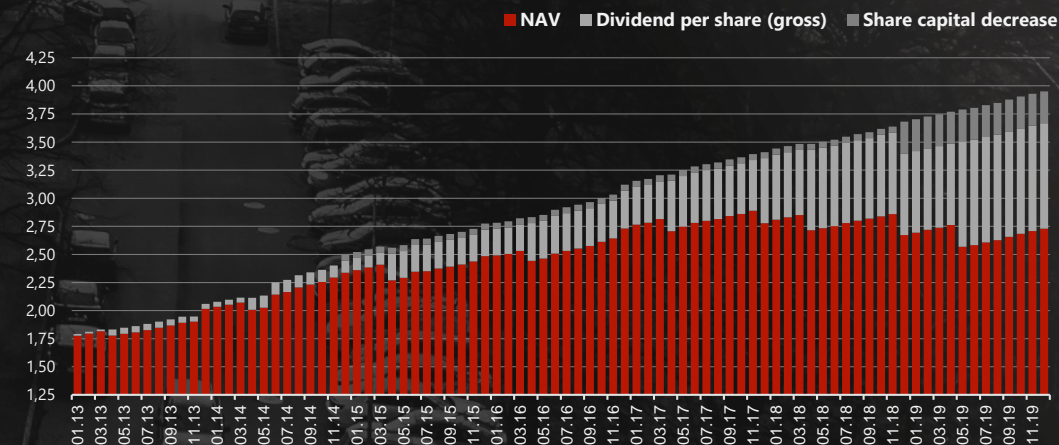
Unaudited consolidated balance sheet, as of 31.12.2019

eur, th	EfTEN Real Estate Fund III AS	EfTEN Kinnisvarafond AS	Total
Investment properties	113 011	194 528	307,539
Investments in joint ventures	0	3 558	3 558
Cash and cash equivalents, term deposits	18 987	9 892	28 879
Other assets	831	492	1 323
TOTAL ASSETS	132 829	208 470	341 299
Loans	55 417	93 037	148 454
Deferred tax liabilities	4 274	478	4 752
Interest rate swap liabilities	271	1 151	1 422
Other liabilities	1 697	6 276	7 973
TOTAL LIABILITIES	61 659	100 942	162 601
Share capital and premium	51 884	52 071	103 955
Reserves	936	2 933	3 869
Retained earnings	18 350	52 524	70 874
TOTAL EQUITY	71 170	107 528	178 698
TOTAL LIABILITIES AND EQUITY	132 829	208 470	341 299
Number of shares	4 222 535	39 391 371	
Net asset value per share (NAV)	16.85	2.73	
EPRA net asset value per share (EPRA NAV)	17.93	2.77	
Loan to value (LTV)	49%	48%	48%

EfTEN Real Estate Fund III



EfTEN Kinnisvarafond AS



Why is the merger beneficial?




Real estate business is primarily a business of volume where size matters. The merger of two funds will create a fund with assets worth about EUR 350 million, comprising a total of 29 commercial buildings across the Baltics. The equity of the joint fund will be about EUR 175 million, which means the fund is expected to enter the TOP 10 of the companies in Nasdaq Baltic Main List.

With its higher market capitalization, a joint fund would achieve a greater visibility among foreign investors as well. This development provides a better basis for increasing the liquidity of the joint fund.

From the investor's perspective, the merger ensures better diversification of underlying assets. While 60% of the third fund's portfolio is today invested in commercial properties in Lithuania, 75% of the assets of EfTEN Kinnisvarafond AS are in Estonia. The Baltic economic area is so small that all three economies are following a similar macroeconomic trend. In our opinion, geographical diversification is not as important as dispersion between different buildings - in the joint fund, the share of each individual property is in overall, smaller than it would be in two separate funds.





— **The underlying assets of both funds are performing flawlessly:** the vacancy rate of 18 properties of EfTEN Kinnisvarafond AS remains under 2%, similar to the vacancy rate of EfTEN Real Estate Fund III.

— **With assets of the two funds no major capex investments are expected** in the near future, except for the office property at Kadaka tee 63, Tallinn, which will be rebuilt to meet the needs of smaller tenants after Elektrilevi leaves the building. In addition, EfTEN Kinnisvarafond AS owns a landslot in Jelgava, suitable for commercial development.

— **Both funds have been created with identical investment strategy,** being of opportunistic and value adding kind. EfTEN Kinnisvarafond AS was EfTEN's first fund, which started investment activities in 2008 and stopped investing in new commercial buildings in 2014 when the fund's target volume was reached. Since its inception in 2015, EfTEN Real Estate Fund III AS has followed an opportunistic and value-added strategy as well. The commercial terms of the third fund were essentially overlapping with those of the first fund. Two funds are of uniform nature because they are created by the same team, with the same investment philosophy. Simply the time horizon of investments has been different.

The dividend policy of both funds has been identical - at least 80% of the free cash flow earned in the previous financial year is paid out as dividends. We have paid dividends every year and will continue this good tradition in the future. EfTEN Real Estate Fund III positions itself as a dividend stock and we do not plan any changes in this respect.

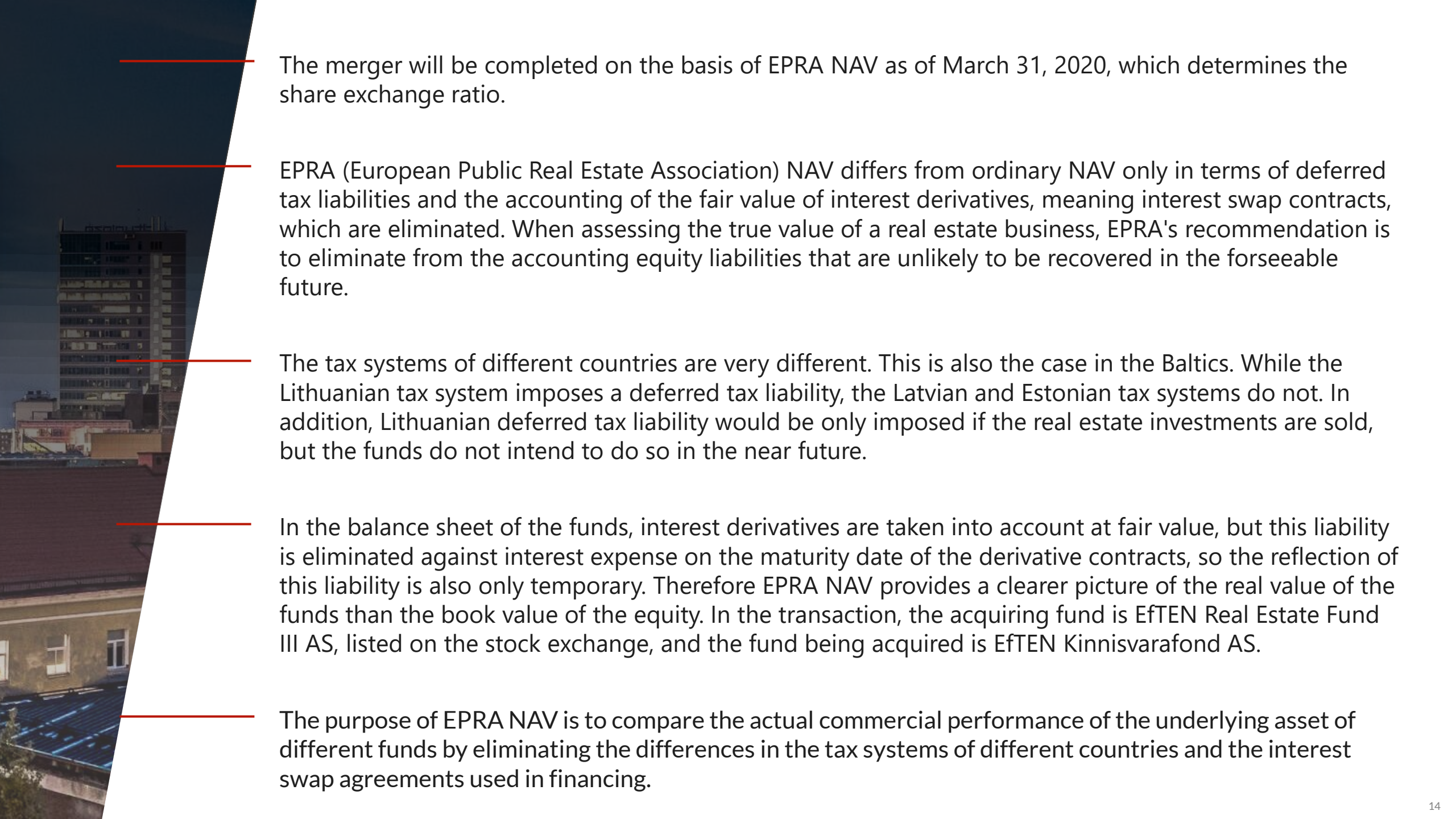
The joint fund has greater opportunities than before to engage in real estate development or in its forward financing.

Historically, the properties of the development portfolio have been the most productive for investors.





Completion of the merger



The merger will be completed on the basis of EPRA NAV as of March 31, 2020, which determines the share exchange ratio.

EPRA (European Public Real Estate Association) NAV differs from ordinary NAV only in terms of deferred tax liabilities and the accounting of the fair value of interest derivatives, meaning interest swap contracts, which are eliminated. When assessing the true value of a real estate business, EPRA's recommendation is to eliminate from the accounting equity liabilities that are unlikely to be recovered in the foreseeable future.

The tax systems of different countries are very different. This is also the case in the Baltics. While the Lithuanian tax system imposes a deferred tax liability, the Latvian and Estonian tax systems do not. In addition, Lithuanian deferred tax liability would be only imposed if the real estate investments are sold, but the funds do not intend to do so in the near future.

In the balance sheet of the funds, interest derivatives are taken into account at fair value, but this liability is eliminated against interest expense on the maturity date of the derivative contracts, so the reflection of this liability is also only temporary. Therefore EPRA NAV provides a clearer picture of the real value of the funds than the book value of the equity. In the transaction, the acquiring fund is EfTEN Real Estate Fund III AS, listed on the stock exchange, and the fund being acquired is EfTEN Kinnisvarafond AS.

The purpose of EPRA NAV is to compare the actual commercial performance of the underlying asset of different funds by eliminating the differences in the tax systems of different countries and the interest swap agreements used in financing.

Since 2013, the assets of all EfTEN funds have been valued by Colliers International whereas many other funds are using different valuation companies for different assets.

In the context of both regular comparability and current merger, it is particularly important that all assets of both funds are valued on the basis of a common approach and the same methodology. At the moment, it is not so important whether another appraiser is more optimistic or more pessimistic about the assets of both funds, the similar basis and approach of valuation of the two funds is important, which also ensures a fair exchange ratio for the merger.



Merger Structure

EfTEN Kinnisvarafond
AS shareholders

EfTEN Real Estate Fund
III AS shareholders

ca. 60%

100%

100%

ca. 40%

EfTEN
Real Estate Fund III AS

SHARE
EXCHANGE

EfTEN
Kinnisvarafond AS

EfTEN Real Estate Fund AS (merged)

Sample calculation of EPRA NAV

- EPRA - European Public Real Estate Association
- EPRA the recommended guideline expects a long-term economical strategy from the real estate companies. Temporary discrepancies in situations where the sale of asset is unlikely to be carried out in the near term decrease the transparency of the fair value of the fund's NAV. Postponed income tax obligations and the fair value of financial derivatives (e.g. Interest swaps) are eliminated from the IFRS-based NAV.

	EfTEN Real Estate Fund III AS	EfTEN Kinnisvarafond AS
NAV according to IFRS rules	71 265	111 713
+ Elimination of postponed deferred tax liabilities from real estate investments	4 115	453
+ Elimination of the fair value of interest derivatives (swaps)	327	1 263
= EPRA net asset value	75 707	113 428
Number of shares on balance sheet day (pc)	4 222 535	40 866 505
EPRA NAV per share in euro	17,93	2,78

Sample calculation of share EXCHANGE ratio

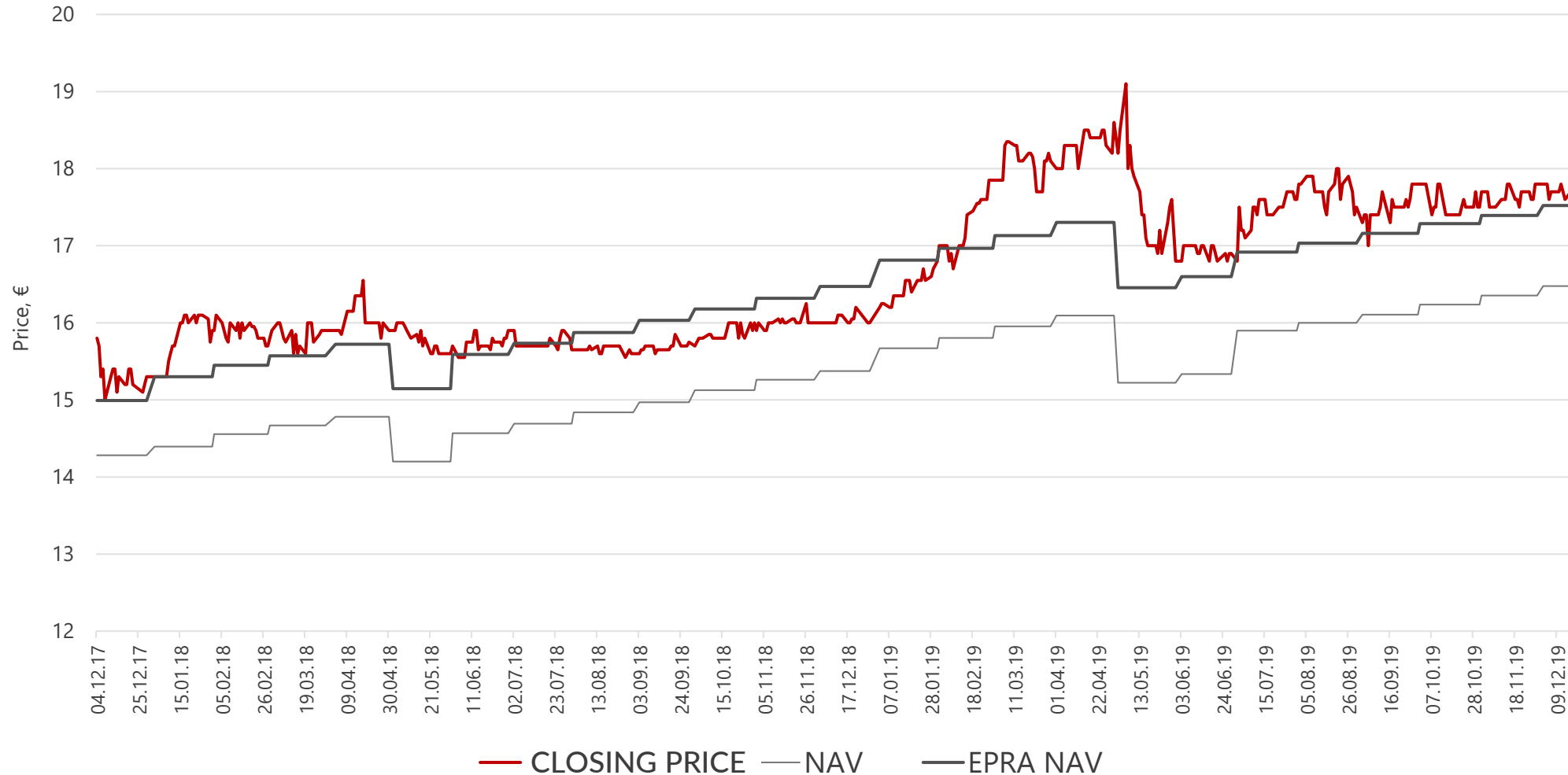
Due to the merger, the share capital of EfTEN Real Estate Fund III AS will be increased for the shareholders of EfTEN Kinnisvarafond AS, where the volume of the share issue equals the EPRA NAV of EfTEN Kinnisvarafond AS and the stock price equals the EPRA NAV per share of EfTEN Real Estate Fund III AS. The following is an example and the actual values will be calculated as of 31.03.2020.

Number of shares targeted to EfTEN Kinnisvarafond AS	=	EPRA NAV of EfTEN Kinnisvarafond AS	÷	EPRA NAV per share of EfTEN Real Estate Fund III AS
6 326 th shares	=	113 428 th euro	÷	17,93 euro
Share exchange ratio	=	EPRA NAV per share of EfTEN Kinnisvarafond AS	÷	EPRA NAV per share of EfTEN Real Estate Fund III AS
0,15	=	2,78 euro	÷	17,93 euro

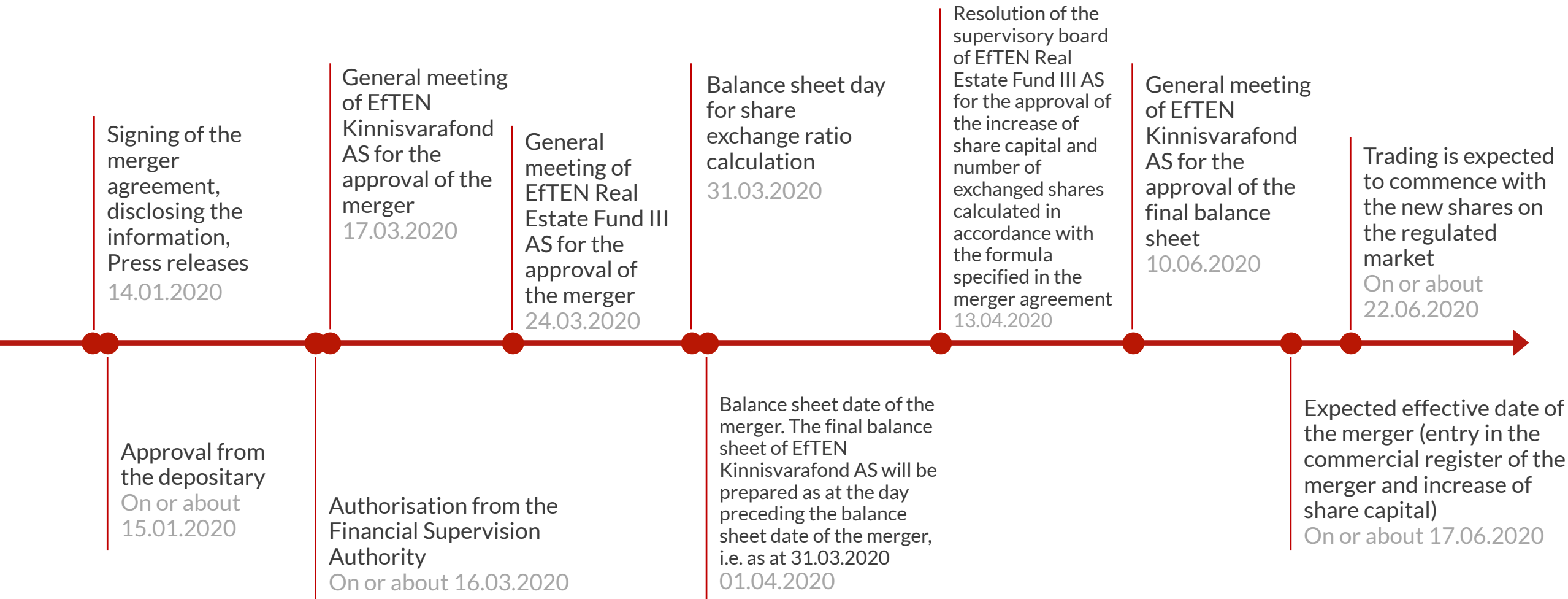
Forecasted data. Portfolio values may change during the first quarter of 2020.

Why EPRA NAV?

EFT1T closing price, NAV and EPRA NAV; historically the fund has traded near the EPRA NAV.



Expected timeline of the merger



EFTEN
Kinnisvarafond AS
Portfolio



Estonia



Kadaka office building

Kadaka tee 63, Tallinn

Fair value 31.12.2019: 8 990 th euro

Forecasted NOI 2020: 705 th euro



Pärnu mnt 105 office building

Pärnu mnt 105, Tallinn

Fair value 31.12.2019: 7 800 th euro

Forecasted NOI 2020: 585 th euro



Pärnu mnt 102 office building

Pärnu mnt 102c / Jalgpalli tn 1, Tallinn

Fair value 31.12.2019: 16 130 th euro

Forecasted NOI 2020: 1 178 th euro

Estonia



Lauteri office building

A. Lauteri 5, Tallinn

Fair value 31.12.2019: 5 190 th euro
Forecasted NOI 2020: 373 th euro



Hotell Palace

Vabaduse väljak 3 / Pärnu mnt 14, Tallinn

Fair value 31.12.2019: 11 100 th euro, from which the fund owns 50%, i.e. 5 550 th euro
Forecasted 50% of the NOI 2020: 370 th euro

Estonia



K-Rauta DIY centre
A.H. Tammsaare tee 49, Tallinn
Fair value 31.12.2019: 14 770 th euro
Forecasted NOI 2020: 1 215 th euro

UKU Shopping centre
Tallinna 41, Viljandi
Fair value 31.12.2019: 12 390 th euro
Forecasted NOI 2020: 936 th euro

Mustika centre
Karjavälja 4, Tallinn
Fair value 31.12.2019: 36 500 th euro
Forecasted NOI 2020: 2 739 th euro

Estonia



Logistika Plus logistics centre
Punane 73 / Kuuli 10, Tallinn

Fair value 31.12.2019: 10 470 th euro
Forecasted NOI 2020: 807 th euro



Betooni 6 logistics centre
Betooni 6, Tallinn

Fair value 31.12.2019: 8 970 th euro
Forecasted NOI 2020: 691 th euro



DHL logistics centre
Betooni 1a, Tallinn

Fair value 31.12.2019: 7 890 th euro
Forecasted NOI 2020: 643 th euro

Estonia



K-Rauta DIY store
F. R. Kreutzwaldi 89, Võru
Fair value 31.12.2019: 2 880 th euro
Forecasted NOI 2020: 233 th euro

Police and rescue centre
Kreutzwaldi 5a, Rakvere
Fair value 31.12.2019: 6 910 th euro
Forecasted NOI 2020: 572 th euro

Premia cold storage
Betooni 4, Tallinn
Fair value 31.12.2019: 6 500 th euro
Forecasted NOI 2020: 535 th euro

Latvia



Terbatas Biznesa Centrs office building
Lāčplēša 20A, Riga

Fair value 31.12.2019: 9 308 th euro
Forecasted NOI 2020: 624 th euro



Jūrkalne Technology Park
Jūrkalnes 15/25, Riga

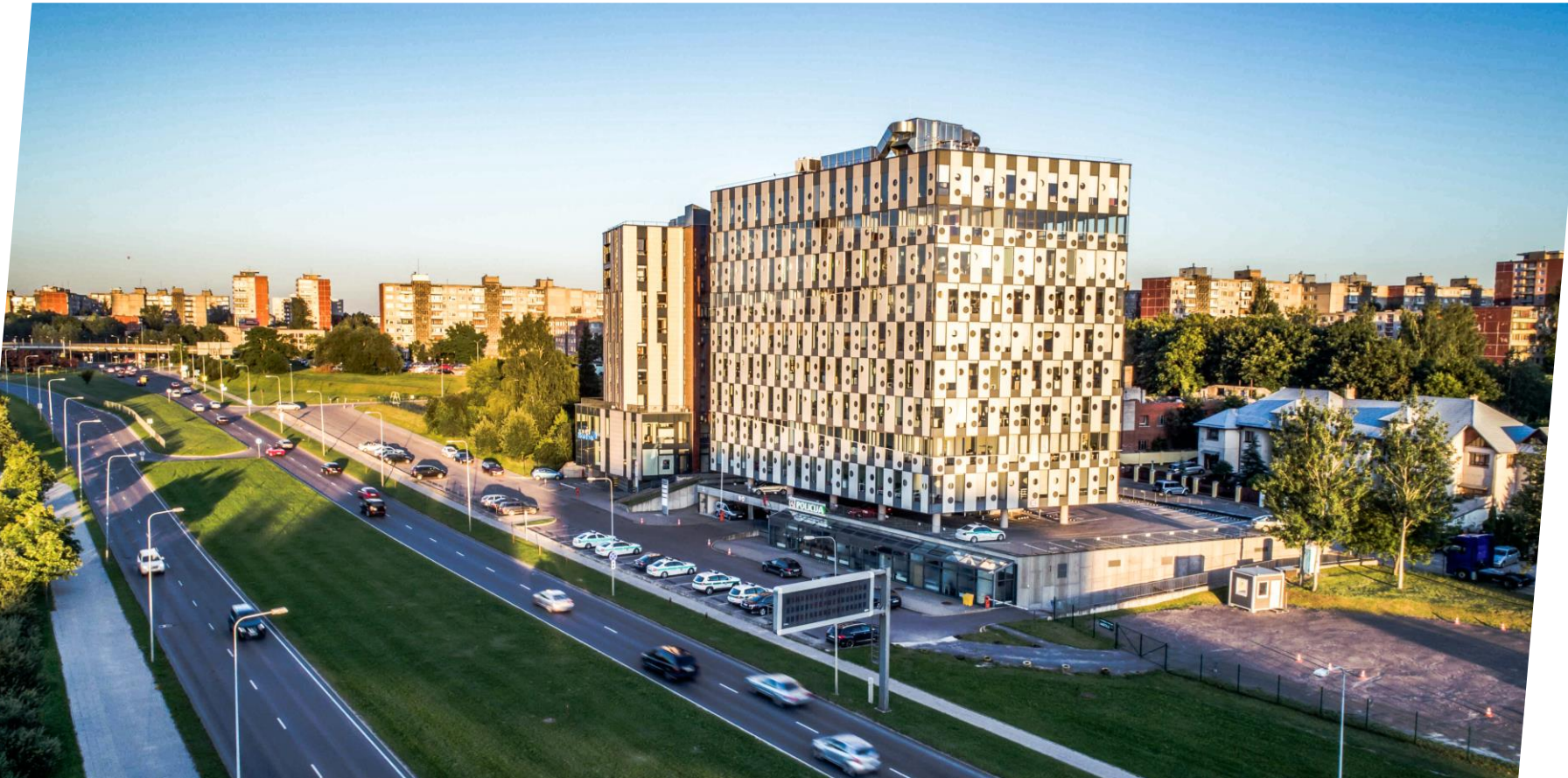
Fair value 31.12.2019: 20 747 th euro
Forecasted NOI 2020: 1 753 th euro



RAF Centrs shopping centre
Rigas 48, Jelgava

Fair value 31.12.2019: 8 900 th euro
Forecasted NOI 2020: 627 th euro

Lithuania



Menulio office building

Menulio 11, Vilnius

Fair value 31.12.2019: 7 850 th euro

Forecasted NOI 2020: 562 th euro

EFTEN Real
Estate Fund III AS
Portfolio



Estonia



DSV logistics centre

Pärnu mnt 535, Tallinn

Fair value 31.12.2019: 12 880 th euro

Forecasted NOI 2020: 986 th euro



Laagri Selver shopping centre

Pärnu mnt 554, Tallinn

Fair value 31.12.2019: 6 630 th euro

Forecasted NOI 2020: 485 th euro



HORTES gardening centre

Seljaku 4b ja 2a, Laagri, Harjumaa

Fair value 31.12.2019: 3 520 th euro

Forecasted NOI 2020: 263 th euro

Estonia



ABC Motors car dealership centre

Paldiski mnt 105, Tallinn

Fair value 31.12.2019: 3 190 th euro

Forecasted NOI 2020: 240 th euro



Tähesaju Hortes gardening centre

Tähesaju tee 5, Tallinn

Fair value 31.12.2019: 6 180 th euro

Forecasted NOI 2020: 378 th euro

Latvia



DSV logistics centre

Krustpils 31, Riga

Fair value 31.12.2019: 8 710 th euro

Forecasted NOI 2020: 655 th euro

Lithuania



Laisves 3 office building

Laisves 3, Vilnius

Fair value 31.12.2019: 10 180 th euro

Forecasted NOI 2020: 704 th euro



Ulonu office building

Verkiu 25C, Vilnius

Fair value 31.12.2019: 9 180 th euro

Forecasted NOI 2020: 575 th euro

Lithuania



Evolution business centre
Ukmerges 223, Vilnius

Fair value 31.12.2019: 10 350 th euro
Forecasted NOI 2020: 637 th euro



Saules Miestas Shopping centre
Tilžės 109, Šiauliai

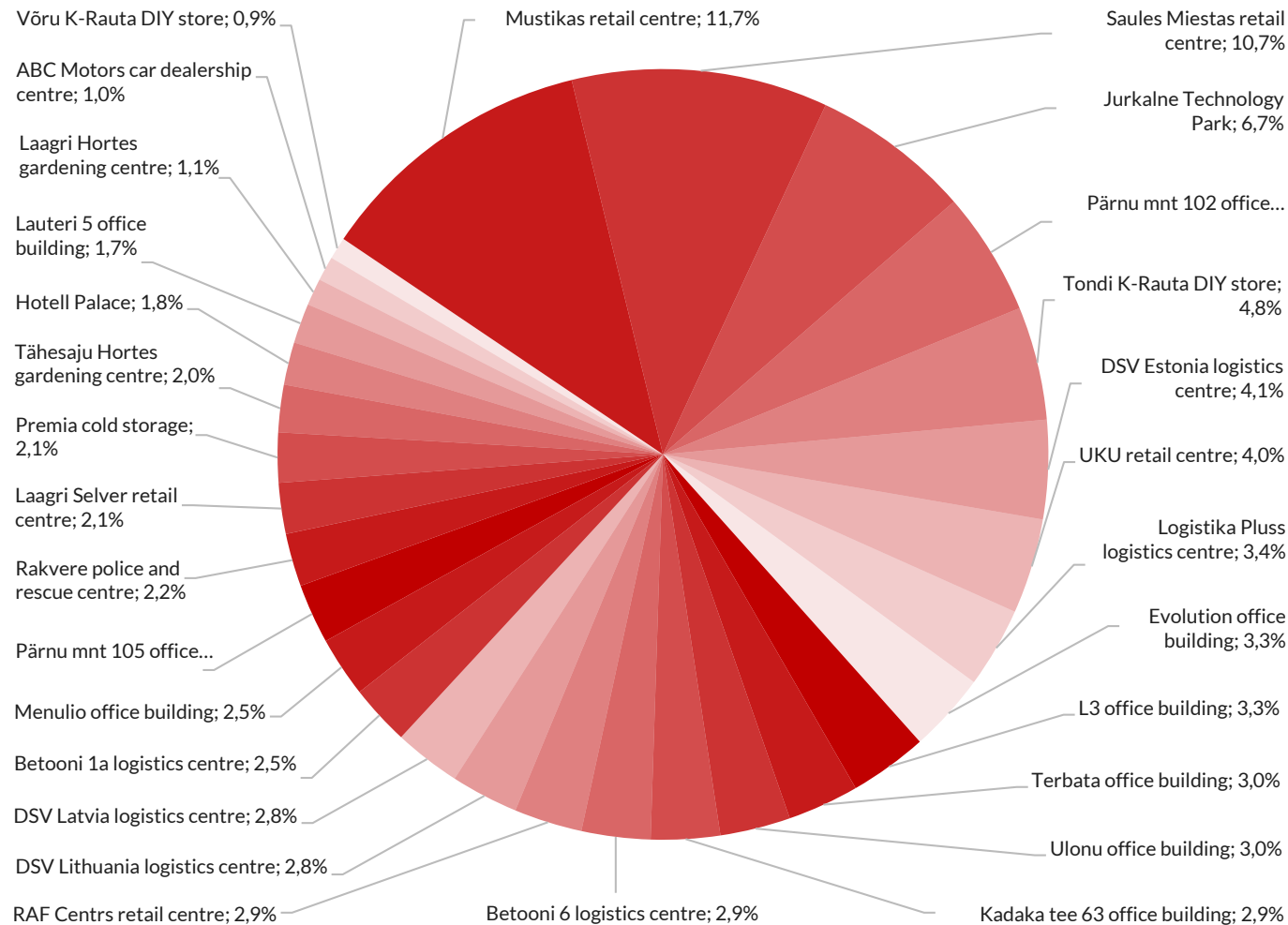
Fair value 31.12.2019: 33 390 th euro
Forecasted NOI 2020: 2 557 th euro



DSV logistics centre
Stasyļu 21, Vilnius

Fair value 31.12.2019: 8 800 th euro
Forecasted NOI 2020: 683 th euro

Merged portfolio



Property	Value as of 31.12.2019 eur, th	Share in portfolio
Mustikas retail centre	36 500	11.7%
Saules Miestas retail centre	33 390	10.7%
Jurkalne Technology Park	20 747	6.7%
Pärnu mnt 102 office building	16 130	5.2%
Tondi K-Rauta DIY store	14 770	4.8%
DSV Estonia logistics centre	12 880	4.1%
UKU retail centre	12 390	4.0%
Logistika Pluss logistics centre	10 470	3.4%
Evolution office building	10 350	3.3%
L3 office building	10 180	3.3%
Terbata office building	9 308	3.0%
Ulonu office building	9 180	3.0%
Kadaka tee 63 office building	8 990	2.9%
Betooni 6 logistics centre	8 970	2.9%
RAF Centrs retail centre	8 900	2.9%
DSV Lithuania logistics centre	8 800	2.8%
DSV Latvia logistics centre	8 710	2.8%
Betooni 1a logistics centre	7 890	2.5%
Menulio office building	7 850	2.5%
Pärnu mnt 105 office building	7 800	2.5%
Rakvere police and rescue centre	6 910	2.2%
Laagri Selver retail centre	6 630	2.1%
Premia cold storage	6 500	2.1%
Tähesaju Hortes gardening centre	6 180	2.0%
Hotell Palace	5 550	1.8%
Lauteri 5 office building	5 190	1.7%
Laagri Hortes gardening centre	3 520	1.1%
ABC Motors car dealership centre	3 190	1.0%
Võru K-Rauta DIY store	2 880	0.9%
Total	310 755	100%



EfTEN Capital

About the company

The largest commercial real estate fund manager in the Baltics

- ▶ Founded in 2008
- ▶ All management board members are also the co-founders and current shareholders: **Viljar Arakas** (CEO), **Tõnu Uustalu** (CIO), **Maie Talts** (CLO), **Marilyn Hein** (CFO)
- ▶ The only commercial real estate fund manager with dedicated teams in all three Baltic States, altogether 55 team members
 - ▶ Real estate is a local business; hence we deem the local presence extremely important
- ▶ Four real estate funds and private portfolio management
- ▶ Largest commercial real estate fund manager in the Baltics with approximately 750 million euro of assets under management
- ▶ 49 real estate investments, over 1200 tenants, more than 600 th sqm of rentable area
- ▶ Wide investor base, including Baltic pension funds, insurances, EBRD and over 2000 retail investors

Key personnel



Viljar Arakas

Fund Manager, CEO of EFTEN Capital

- ▶ Founder and CEO since 2008
- ▶ Fund Manager for EFTEN's funds I, II, III and IV
- ▶ Previously CEO of Arco Vara, Arco Transport
- ▶ 18 years of RE industry experience



Tõnu Uustalu

Chief Investment Officer

- ▶ Co-founder (since 2008) and Investment Manager of EFTEN's funds I, II, III and IV
- ▶ Previously Portfolio and Investment Manager at East Capital. Worked at SEB Bank's corporate Banking and real estate units
- ▶ 25 years of financial and RE industry experience



Marilyn Hein

Chief Financial Officer

- ▶ Co-founder and CFO since 2008
- ▶ Previously Chief Accountant at Arco Vara and Luiga Mody Hääl Borenius law firm
- ▶ 25 years of financial and RE Industry experience



Maie Talts

Chief Legal Officer

- ▶ Co-founder, head of the legal team since 2008
- ▶ Previously lawyer and head of the legal team at Arco Vara
- ▶ 24 years of financial and RE industry experience



Viktors Savins

CEO of EFTEN Capital SIA

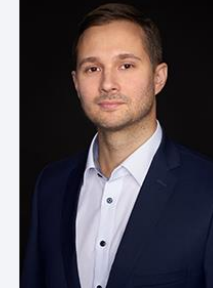
- ▶ Latvian country manager, CEO of EFTEN Capital SIA since 2013
- ▶ Previously CoB of Arco Development and SIA Arco Real Estate's real estate brokerage
- ▶ 17 years of RE industry experience



Laurynas Žilys

CEO of EFTEN Capital Lietuva UAB

- ▶ Lithuanian country manager and CEO of EFTEN Capital Lietuva UAB since 2015
- ▶ Previously Partner at CREalty Advisors, head of the investment department at Colliers Lithuania
- ▶ 15 years of RE industry experience



Indrek Kaldoja

Head of Investor Relations, Fund Manager

- ▶ Manager of the Luxembourg subsidiary EC Private Equity Partners, head of investor relations for Fund IV
- ▶ Previously CFO of Skeleton Technologies, Partner at Essentia Capital, Fund Manager at Swedbank
- ▶ 16 years of financial industry experience