



# EFTEN Real Estate Fund III

## Interim report for the 1st quarter of 2021

(translation of the Estonian original)

### EFTEN Real Estate Fund III AS

Commercial register number: 12864036

Beginning of financial period: 01.01.2021

End of financial period: 31.03.2021

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## MANAGEMENT REPORT

### Financial overview

Despite of accelerated spread of Covid-19 and increased restrictions, the fund's results for the first quarter of 2021 are beyond expectations good. The rental income of Saules Miestas shopping centre in Lithuania has decreased by 22% on average compared to the first quarter of previous year, due to temporary discounts, but the rental income of other properties was not materially affected by the crisis. At the same time, there are additional agreements in place with some of the tenants to postpone rental payments until May, which may have negative impact to fund's cash flows.

The consolidated revenue of EFTEN Real Estate fund III AS for the first quarter of 2021 was 2.867 million euros (2020 I quarter: 2.443 million euros), increased by 17.4% compared to previous year. The Group's net rental income in the first quarter of 2021 was 2.770 million euros (2020 I quarter: 2.262 million euros), increased by 22.5% compared to previous year. The Group's net profit for the same period was 1.795 million euros (2020: 1.368 million euros). Better profit indicators are mainly a result of added rental income from new real estate investments made in 2020, yet also due to a decrease in vacancy in office buildings in Lithuania. The negative effect of Covid-19 to the fund's rental income is approximately 150 thousand euros compared to the first quarter of previous year. Without the temporary Covid-19 discounts the fund's consolidated real estate portfolio would earn 8.3% higher revenue.

In the first quarter of 2021 new rental agreements were signed in Ulonu and Laisves office buildings in Lithuania, which decreased the fund's vacancy rate to 0.8%, i.e. out of the whole rental portfolio (124 thousand sqm) only 934 sqm of area was vacant at the end of March.

The margin of consolidated net rental income for the first quarter of 2021 was 97% (2020: 93%), thus, the expenses (incl. land tax, insurance, maintenance and repair cost and marketing expense) related to managing the buildings form 3% (2020: 7%) of the revenue. The fund's expenses were lower mainly due to corona crisis related restrictions implemented in shopping centres and resulted lower marketing cost.

	1 <sup>st</sup> quarter	
	2021	2020
<i>€ million</i>		
Rental revenue, other fees from investment properties	2.867	2.443
Expenses related to investment properties, incl. marketing costs	-0.097	-0.181
<b>Net rental income</b>	<b>2.770</b>	<b>2.262</b>
<i>Net rental income margin</i>	97%	93%
Interest expense and interest income	-0.451	-0.327
<b>Net rental revenue less finance costs</b>	<b>2.319</b>	<b>1.935</b>
Management fees	-0.246	-0.193
Other revenue and expenses	-0.135	-0.216
<b>Profit before change in the value of investment property, success fee, fair value change of the interest rate swap and income tax expense</b>	<b>1.938</b>	<b>1.526</b>

The total assets of the Group as of 31.03.2021 was 151.727 million euros (31.12.2020: 151.632 million euros), incl. the fair value of investment properties that formed 95% of the total assets (31.12.2020: same)

	31.03.2021	31.12.2020
<i>€ million</i>		
Investment properties	144.762	144.235
Other non-current assets	0.151	0.123
Current assets, excluding cash	1.112	2.146
Net debt (cash and deposits minus short-term and long-term bank loans)	-62.715	-63.834
Net asset value (NAV)	73.278	71.483
EPRA net asset value (EPRA NAV)	78.018	76.112
Net asset value (NAV) per share, in euros	17.35	16.93
EPRA net asset value (EPRA NAV) per share, in euros	18.48	18.03

**Key performance and liquidity ratios**

for 1 <sup>st</sup> quarter	2021	2020
ROE, % (net profit of the quarter / average equity of the period) * 100	2.5	1.9
ROA, % (net profit of the quarter / average assets of the period) * 100	1.2	1.0
ROIC, % (net profit of the quarter / average invested capital of the period) * 100 <sup>1</sup>	3.5	2.6
EBITDA (€ thousand)	2,402	1,865
EBITDA margin, %	84%	76%
EBIT (€ thousand)	2,389	1,853
EBIT margin, %	83%	76%
DSCR (EBITDA/(interest expenses + scheduled loan payments))	1.8	1.8

<sup>1</sup> The average invested capital of the period is the paid-in share capital of EFTEN Real Estate Fund III AS's equity, and the share premium. The indicator does not show the actual investment of the funds raised as equity

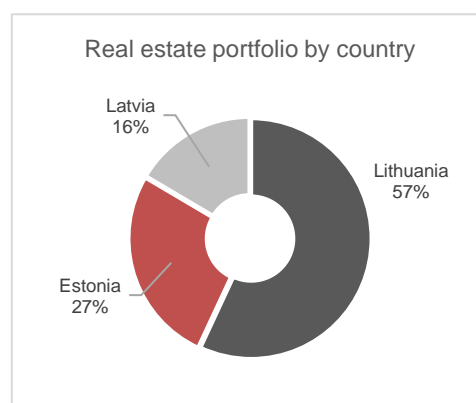
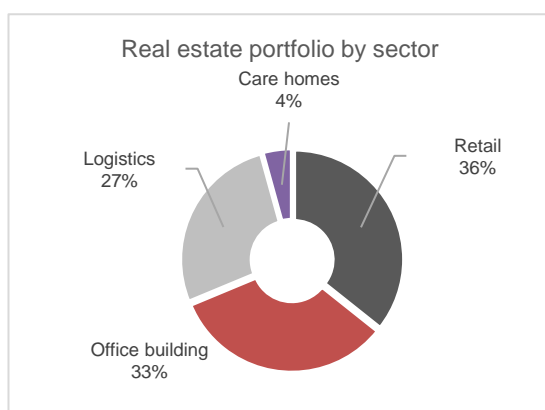
In the 1<sup>st</sup> quarter of 2021, the Group has earned free cash flow (EBITDA minus loan repayments and interest expense) 1.049 million euros (2020 1<sup>st</sup> quarter: 873 thousand euros). All of the loans were serviced as usual in the 1<sup>st</sup> quarter of 2021 and the subsidiaries of the fund did not use period of grace.

for 1 <sup>st</sup> quarter	2021	2020
€ thousand		
EBITDA	2,403	1,865
Interest expense	-451	-327
Repayments of principal on loans	-903	-665
<b>Total adjusted cash flow</b>	<b>1,049</b>	<b>873</b>

The weighted average interest rate of the Group's loan agreements (incl. interest swap agreements) is 2.3% as of the end of March (31.12.2020: same) and LTV (loan to value) is 50% (31.12.2020: same).

**Real estate portfolio**

As of the end of March, 2021, the Group has 15 (31.12.2020: same) commercial real estate investments, the fair value of which forms 144.762 million euros as of balance sheet date (31.12.2020: 144.235 million euros) and the acquisition cost is 136.757 million euros (31.12.2020: 136.349 million euros).



Main figures of the Group's real estate portfolio:

Investment property, as of 31.03.2021	Group's participation	Fair value of the investment property	Net leasable area	Rental revenue per annum, € thousand	Occupancy, %	Average length of rental agreements	Number of tenants
DSV Tallinn	100	13,080	16,014	1,025	100	5.6	1
DSV Riga	100	8,687	12,149	729	100	5.7	1
DSV Vilnius	100	8,860	11,687	712	100	5.6	1
Piepilsetas logistics centre, Kekava	100	8,425	13,327	691	99	2.8	5
<b>Total logistics</b>		<b>39,052</b>	<b>53,177</b>	<b>3,157</b>	<b>100</b>	<b>5.0</b>	<b>8</b>
Saules Miestas shopping centre	100	32,545	19,881	3,171	98	3.7	126
Hortes gardening centre, Laagri	100	3,510	3,470	269	100	11.2	1
Selver, Laagri	100	6,480	3,063	502	100	7.0	10
Hortes gardening centre, Tallinn	100	6,020	5,300	505	100	13.5	1
ABC Motors Car centre, Tallinn	100	3,121	2,149	259	100	7.9	1
<b>Total retail</b>		<b>51,676</b>	<b>33,863</b>	<b>4,706</b>	<b>99</b>	<b>5.5</b>	<b>139</b>
Ulonu office building, Vilnius	100	8,851	5,174	743	99	3.1	13
L3 office building, Vilnius	100	9,735	6,151	787	94	3.1	32
Evolution office building, Vilnius	100	10,641	6,172	810	100	3.4	50
airBaltic office building, Riga	100	6,800	6,217	495	100	4.9	1
Rutkausko office building, Vilnius	100	11,790	6,811	851	100	3.4	3
<b>Total office buildings</b>		<b>47,817</b>	<b>30,525</b>	<b>3,686</b>	<b>99</b>	<b>3.5</b>	<b>99</b>
Pirita Care home	100	6,217	6,045	442	100	9.7	1
<b>Total care homes</b>		<b>6,217</b>	<b>6,045</b>	<b>442</b>	<b>100</b>	<b>9.7</b>	<b>1</b>
<b>Total real estate portfolio</b>		<b>144,762</b>	<b>123,610</b>	<b>11,991</b>	<b>99</b>	<b>4,8</b>	<b>247</b>

EFTEN Real Estate Fund III revalues its investment properties twice a year – as of 31. December and as of 30. June. The main inputs for a fair value estimate are cash flow earned from the investment property, prognosis of vacancy, discount rate (WACC) and exit yield. All changes to rental agreements due to Covid-19 entered into by the Group companies are temporary (with term of 1-3 months mostly), thus, long-term cash flows are not affected by the current agreements. Discount rate and exit yield depend on market's as well as borrower's interest rates and the price level of transactions in real estate market. The Group's next real estate appraisals will be carried out of June, 2021.

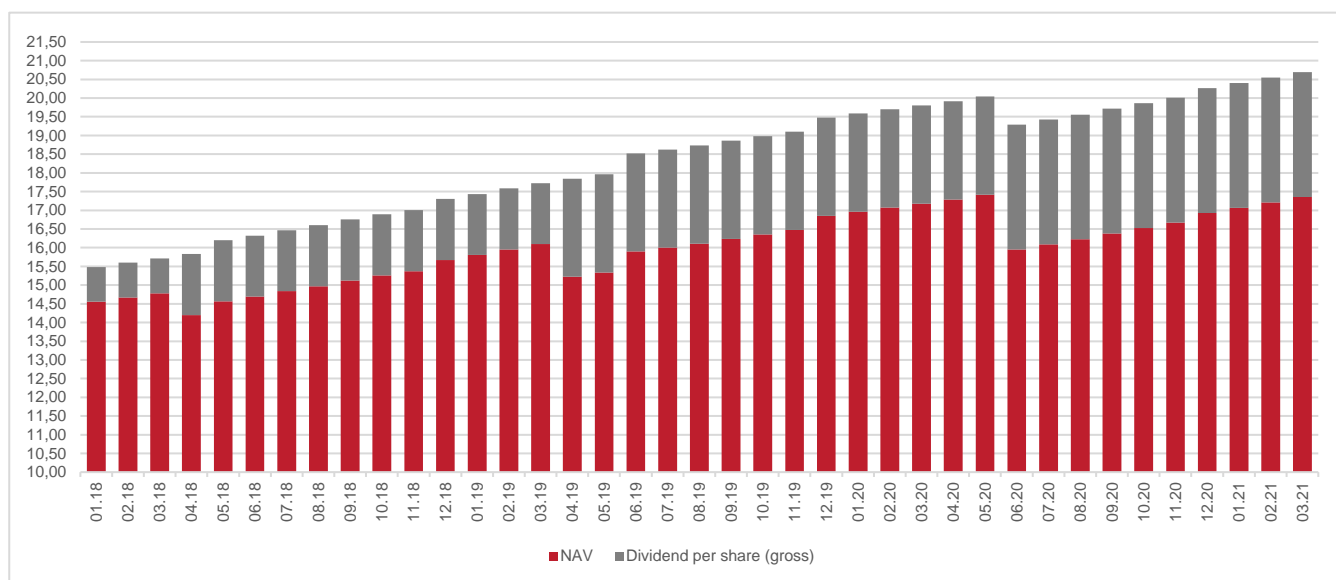
## Information on shares

EFTEN Real Estate Fund III net asset value as of 31.03.2021 was 17.35 euros (31.12.2020: 16.93 euros). The net asset value of EFTEN Real Estate fund increased by 2.5% in the first quarter of 2021 (2020 1<sup>st</sup> quarter: 1.9%).

In addition to the net asset value calculated above in accordance with the IFRS, EFTEN Real Estate Fund III AS also calculates the net asset value recommended by EPRA (European Public Real Estate Association) in order to offer the most appropriate net asset value to investors. EPRA's indicative guidance presumes a long-term economic strategy for real estate companies, so temporary differences in a situation where no sale of assets is likely to occur in the near future will obscure the transparency of the fair value of the fund's net assets. Therefore, the deferred income tax expense related to investment property and the fair value of financial instruments (interest rate swaps) are eliminated from the net asset value calculated in accordance with IFRS from the net asset value according to EPRA.

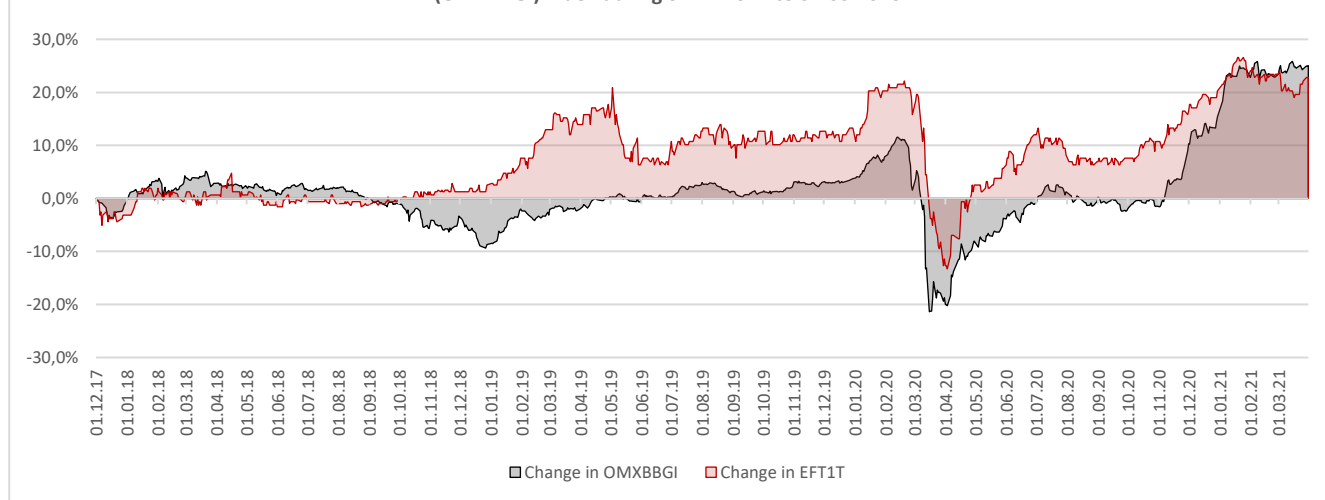
€ thousands	31.03.2021	31.12.2020	31.03.2020	31.12.2019
Net asset value calculated in accordance with IFRS	73,278	71,483	72,539	70,911
Exclusion of deferred income tax on investment property	4,524	4,383	4,375	4,274
Exclusion of the fair value of financial instruments	216	246	276	271
<b>EPRA net asset value</b>	<b>78,018</b>	<b>76,112</b>	<b>77,190</b>	<b>75,456</b>
Number of shares at the balance sheet date	4,222,535	4,222,535	4,222,534	4,222,534
<b>EPRA net asset value per share, in euros</b>	<b>18.48</b>	<b>18.03</b>	<b>18.28</b>	<b>17.87</b>
EPRA NAV growth, in euros	0.45		0.41	
<b>Period earnings per share, in euros</b>	<b>0.45</b>		<b>0.41</b>	
<b>Period earnings per share, increase</b>	<b>2.5%</b>		<b>2.3%</b>	

## EFTEN Real Estate Fund III net asset value and paid dividend (cumulative)



The shares of EFTEN Real Estate Fund III AS are freely tradeable on Tallinn Stock Exchange since December 1, 2017.

## EFTEN Real Estate Fund III AS share (EFT1T) price dynamics compared to NASDAQ Baltic Benchmark GI (OMXBBGI) index during 01.12.2017 to 31.03.2021



EFT1T share statistics	1 <sup>st</sup> quarter	
	2021	2020
Opening price	19	17.9
Closing price	19.4	13.8
Share price, the lowest	13.6	13.8
Share price, the highest	20.0	19.3
Traded shares, thousands	85	150
Turnover, EUR million	1.636	2.482
Market capitalisation as of 31.03, EUR million	81.917	58.271
Profit per share, euros	0.43	0.32
P/B (share closing price / equity per share <sup>1</sup> )	1.12	0.80
P/B EPRA (share closing price / EPRA equity per share <sup>1</sup> )	1.05	0.75

<sup>1</sup> Equity per share and EPRA equity per share are calculated by dividing equity and EPRA equity by average number of shares for the period

As of 31.03.2021 EFTEN Real Estate Fund III AS had 3 429 shareholders, of whom 19% were legal entities. At the same time legal entities owned a total of 79% of the fund's share capital. The distribution of shares is shown in the table below.

	Shareholders, pc			Number of shares			Ownership		
	Legal entities	Private individuals	Total shareholders	Legal entities	Private individuals	Total shares	Legal entities	Private individuals	Total ownership
Austria	-	1	1	-	1,255	1,255	-	0.0297%	0.0297%
Australia	-	1	1	-	5	5	-	0.0001%	0.0001%
China	-	1	1	-	75	75	-	0.0018%	0.0018%
Denmark	1	-	1	1	-	1	0.0000%	-	0.0000%
Estonia	625	2,766	3,391	3,327,829	874,206	4,202,035	78.8112%	20.7033%	99.5145%
Finland	1	8	9	182	1,375	1,557	0.0043%	0.0326%	0.0369%
Sweden	1	-	1	21	-	21	0.0005%	-	0.0005%
Germany	-	4	4	-	440	440	-	0.0104%	0.0104%
Ireland	-	1	1	-	6	6	-	0.0001%	0.0001%
Italy	-	1	1	-	75	75	-	0.0018%	0.0018%
Norway	-	1	1	-	145	145	-	0.0034%	0.0034%
Latvia	1	-	1	659	-	659	0.0156%	-	0.0156%
Lithuania	5	1	6	10,009	5,313	15,322	0.2370%	0.1258%	0.3629%
Netherlands	-	1	1	-	80	80	-	0.0019%	0.0019%
United Arab Emirates	-	1	1	-	68	68	-	0.0016%	0.0016%
Oman	-	1	1	-	85	85	-	0.0020%	0.0020%
Spain	-	1	1	-	85	85	-	0.0020%	0.0020%
South Africa	-	1	1	-	125	125	-	0.0030%	0.0030%
Switzerland	-	2	2	-	51	51	-	0.0012%	0.0012%
Great Britain	-	2	2	-	188	188	-	0.0045%	0.0045%
United States of America	1	-	1	257	-	257	0.0061%	-	0.0061%
<b>Total</b>	<b>635</b>	<b>2,794</b>	<b>3,429</b>	<b>3,338,958</b>	<b>883,577</b>	<b>4,222,535</b>	<b>79.07%</b>	<b>20.93%</b>	<b>100.00%</b>

As of 31.03.2021, EFTEN Real Estate Fund III AS has three shareholders with more than 10% ownership:

Company	As of 31.03.21	
	Number of shares	Ownership, %
Altius Energia OÜ	602,000	14.26
Järve Kaubanduskeskus OÜ	431,992	10.23
Hoiukonto OÜ	430,211	10.19

## INTERIM FINANCIAL STATEMENTS OF THE CONSOLIDATION GROUP

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ thousands	Notes	1 <sup>st</sup> quarter	
		2021	2020
Revenue	3,4	2,867	2,443
Cost of services sold	5	-66	-88
<b>Gross profit</b>		<b>2,801</b>	<b>2,355</b>
Marketing costs	6	-31	-93
General and administrative expenses	7	-384	-414
Other operating income and expense		3	5
<b>Operating profit</b>	<b>3</b>	<b>2,389</b>	<b>1,853</b>
Other finance income and expense	8	-421	-333
<b>Profit before income tax</b>		<b>1,968</b>	<b>1,520</b>
Income tax expense	9	-173	-152
<b>Net profit for the reporting period</b>	<b>3</b>	<b>1,795</b>	<b>1,368</b>
<b>Earnings per share</b>	10		
- basic		0.43	0.32
- diluted		0.43	0.32

The notes on pages 11 to 25 form an integral part of these interim financial statements.



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31.03.2021	31.12.2020
<i>€ thousands</i>			
<b>ASSETS</b>			
Cash and cash equivalents	15	5,702	5,128
Receivables and accrued income	11	1,063	2,018
Prepaid expenses		49	128
<b>Total current assets</b>		<b>6,814</b>	<b>7,274</b>
Long-term receivables		3	18
Investment property	3.12	144,762	144,235
Property, plant and equipment		145	101
Intangible assets		3	4
<b>Total non-current assets</b>		<b>144,913</b>	<b>144,358</b>
<b>TOTAL ASSETS</b>		<b>151,727</b>	<b>151,632</b>
<b>LIABILITIES AND EQUITY</b>			
Borrowings	13	28,460	28,781
Derivative instruments	15	216	246
Payables and prepayments	14	755	1,995
<b>Total current liabilities</b>		<b>29,431</b>	<b>31,022</b>
Borrowings	13	43,320	43,587
Other long-term debt	14	974	957
Deferred income tax liability	9	4,724	4,583
<b>Total non-current liabilities</b>		<b>49,018</b>	<b>49,127</b>
<b>Total liabilities</b>		<b>78,449</b>	<b>80,149</b>
Share capital	16	42,225	42,225
Share premium	16	9,658	9,658
Statutory reserve capital		1,323	1,323
Retained earnings	17	20,072	18,277
<b>Total equity</b>		<b>73,278</b>	<b>71,483</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>151,727</b>	<b>151,632</b>

The notes on pages 11 to 25 form an integral part of these interim financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	1 <sup>st</sup> quarter	
		2021	2020
<i>€ thousands</i>			
<b>Net profit</b>		<b>1,795</b>	<b>1,368</b>
<i>Adjustments of net profit:</i>			
Finance income and expense	8	421	333
Depreciation and impairment losses	7	14	12
Income tax expense	9	173	152
<b>Total adjustments with non-cash changes</b>		<b>607</b>	<b>497</b>
<b>Cash flow from operations before changes in working capital</b>		<b>2,403</b>	<b>1,865</b>
Change in receivables and payables related to operating activities		-204	-537
<b>Net cash flow generated from operating activities</b>		<b>2,199</b>	<b>1,328</b>
Purchase of property, plant and equipment		-57	-24
Purchase of investment property	12	-527	-321
Change in short-term deposits		0	6,000
Acquisition of subsidiaries		0	-8,615
Interest received		0	13
<b>Net cash flow generated from investing activities</b>		<b>-584</b>	<b>-2,947</b>
Loans received	13	300	0
Scheduled loan repayments	13	-903	-665
Interest paid		-438	-283
<b>Net cash flow generated from financing activities</b>		<b>-1,041</b>	<b>-948</b>
<b>NET CASH FLOW</b>		<b>574</b>	<b>-2,567</b>
<b>Cash and cash equivalents at the beginning of period</b>		<b>5,128</b>	<b>12,986</b>
Change in cash and cash equivalents		574	-2,567
<b>Cash and cash equivalents at the end of period</b>	15	<b>5,702</b>	<b>10,419</b>

The notes on pages 11 to 25 form an integral part of these interim financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ thousands	Share capital	Share premium	Statutory reserve capital	Retained earnings	Total
<b>Balance as at 31.12.2019</b>	<b>42,225</b>	<b>9,658</b>	<b>936</b>	<b>18,092</b>	<b>70,911</b>
Net profit for the reporting period	0	0	0	1,368	1,368
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,368</b>	<b>1,368</b>
<b>Balance as at 31.03.2020</b>	<b>42,225</b>	<b>9,658</b>	<b>936</b>	<b>19,460</b>	<b>72,279</b>
<b>Balance as at 31.12.2020</b>	<b>42,225</b>	<b>9,658</b>	<b>1,323</b>	<b>18,277</b>	<b>71,483</b>
Net profit for the reporting period	0	0	0	1,795	1,795
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,795</b>	<b>1,795</b>
<b>Balance as at 31.03.2021</b>	<b>42,225</b>	<b>9,658</b>	<b>1,323</b>	<b>20,072</b>	<b>73,278</b>

The additional information for the share capital is presented in Note 16.

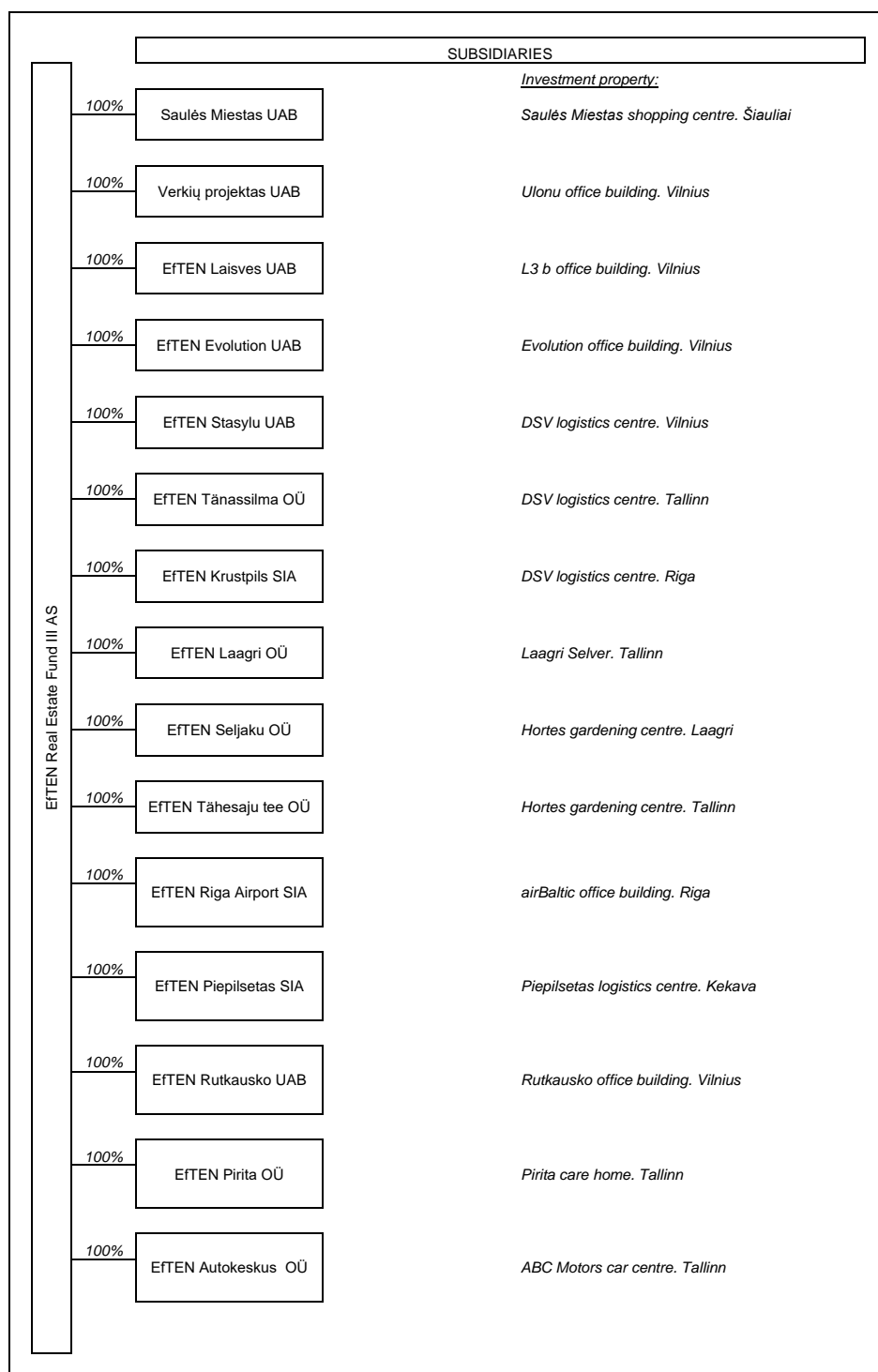
The notes on pages 11 to 25 form an integral part of these interim financial statements.

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1 Accounting policies and measurement bases used in the preparation of the interim consolidated financial statements

EFTEN Real Estate Fund III AS (Parent company) is a company registered in Estonia and operating in Estonia.

EFTEN Real Estate Fund III AS Group's structure as of 31.03.2021 is as follows (see also note 2):



The consolidated interim condensed financial statements of EFTEN Real Estate Fund III AS and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Current consolidated interim financial statements are prepared in accordance with the International Accounting Standard IAS 34: Interim Financial Reporting. The interim report have been prepared using the same accounting policies as the annual report for the period ended 31.12.2020. The interim report should be read in conjunction with the latest published annual report of 2020, which has been prepared in accordance with International Financial Reporting Standards (IFRS). According to the Management Board, the interim report for the 1<sup>st</sup> quarter 2021 of EFTEN Real Estate Fund III AS present a true and fair view of the Group's operating results in accordance with the continuity principle. Current interim financial statements have not been audited or otherwise checked by the auditors and contain only Group's consolidated reports. The reporting currency is the euro. The consolidated interim financial statements are prepared in thousands of euros and all figures are rounded to the nearest thousand, if not indicated otherwise.

## 2 Subsidiaries

Company name	Country of domicile	Investment property	The subsidiary's equity, EUR thousands		Group's ownership, %	
			31.03.2021	31.12.2020	31.03.2021	31.12.2020
<b>Parent company</b>						
EFTEN Real Estate Fund III AS	Estonia					
<b>Subsidiaries</b>						
Saules Miestas UAB	Lithuania	Shopping centre Saules Miestas	16,869	16,495	100	100
Verkiu projektas UAB	Lithuania	Ulonu office building. Vilnius	3,852	3,747	100	100
EFTEN Laisves UAB	Lithuania	L3 office building. Vilnius	4,927	4,816	100	100
EFTEN Stasyļu UAB	Lithuania	DSV Logistics centre. Vilnius	4,582	4,461	100	100
EFTEN Tānassilma OÜ	Estonia	DSV logistics centre. Tallinn	7,250	7,046	100	100
EFTEN Krustpils SIA	Latvia	DSV logistics centre. Riga	2,905	2,776	100	100
EFTEN Tāhesaju tee OÜ	Estonia	Hortes Gardening centre. Tallinn	2,965	2,880	100	100
EFTEN Evolution UAB	Lithuania	Evolution office building. Vilnius	4,721	4,593	100	100
EFTEN Seljaku OÜ	Estonia	Hortes Gardening centre. Saue	2,130	2,079	100	100
EFTEN Laagri OÜ	Estonia	Selver Shopping centre. Laagri	3,644	3,552	100	100
EFTEN Autokeskus OÜ	Estonia	Car centres Paldiski mnt 105. Tallinn	1,521	1,479	100	100
EFTEN Piepilsetas SIA	Latvia	Piepilsetas logistics centre. Kekava	3,609	3,509	100	100
EFTEN Riga Airport SIA	Latvia	airBaltic office building. Riga	1,167	1,121	100	100
EFTEN Rutkausko UAB	Lithuania	Rutkausko office building. Vilnius	4,840	4,711	100	100
EFTEN Pirita OÜ	Estonia	Pirita care home. Tallinn	3,203	3,116	100	100

All subsidiaries are engaged in the acquisition and rental of investment property. The shares of any subsidiary are not listed on the stock exchange.

### 3 Segment reporting

#### SEGMENT RESULTS

	Office		Logistics		Retail		Care home		Non-allocated		Total	
	1st quarter 2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<i>€ thousand</i>												
<b>Revenue (note 4), incl.</b>	<b>918</b>	<b>550</b>	<b>788</b>	<b>669</b>	<b>1,057</b>	<b>1,224</b>	<b>104</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,867</b>	<b>2,443</b>
Estonia	0	0	253	253	370	350	104	0	0	0	727	603
Latvia	125	0	358	241	0	0	0	0	0	0	483	241
Lithuania	793	550	177	175	687	874	0	0	0	0	1,657	1,599
<b>Net operating income, incl.</b>	<b>876</b>	<b>466</b>	<b>782</b>	<b>660</b>	<b>1,009</b>	<b>1,136</b>	<b>103</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,770</b>	<b>2,262</b>
Estonia	0	0	253	253	367	346	103	0	0	0	723	599
Latvia	124	0	353	232	0	0	0	0	0	0	477	232
Lithuania	752	466	176	175	642	790	0	0	0	0	1,570	1,431
<b>Operating profit, incl.</b>	<b>774</b>	<b>400</b>	<b>691</b>	<b>591</b>	<b>854</b>	<b>971</b>	<b>103</b>	<b>0</b>	<b>-33</b>	<b>-109</b>	<b>2,389</b>	<b>1,853</b>
Estonia	0	0	230	230	319	295	103	0	-33	-109	619	416
Latvia	104	0	300	201	0	0	0	0	0	0	404	201
Lithuania	670	400	161	160	535	676	0	0	0	0	1,366	1,236
<b>EBITDA, incl.</b>	<b>774</b>	<b>401</b>	<b>691</b>	<b>591</b>	<b>867</b>	<b>982</b>	<b>103</b>	<b>0</b>	<b>-33</b>	<b>-109</b>	<b>2,402</b>	<b>1,865</b>
Estonia	0	0	230	230	318	295	103	0	-33	-109	618	416
Latvia	104	0	300	201	0	0	0	0	0	0	404	201
Lithuania	670	401	161	160	549	687	0	0	0	0	1,380	1,248
<b>Operating profit</b>											<b>2,389</b>	<b>1,853</b>
Net financial expense											-421	-333
<b>Profit before income tax expense</b>											<b>1,968</b>	<b>1,520</b>
Income tax expense (Note 9)											-173	-152
<b>NET PROFIT FOR THE FINANCIAL PERIOD</b>											<b>1,795</b>	<b>1,368</b>

#### SEGMENT ASSETS

As at 31 <sup>st</sup> of March	Office		Logistics		Retail		Care home		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<i>€ thousand</i>										
<b>Investment property (Note 12)</b>										
Estonia	0	0	13,080	12,880	19,131	19,520	6,217	0	38,428	32,400
Latvia	6,800	7,100	17,112	8,710	0	0	0	0	23,912	15,810
Lithuania	41,017	30,028	8,860	17,500	32,545	33,394	0	0	82,422	80,922
<b>Total investment property</b>	<b>47,817</b>	<b>37,128</b>	<b>39,052</b>	<b>39,090</b>	<b>51,676</b>	<b>52,914</b>	<b>6,217</b>	<b>0</b>	<b>144,762</b>	<b>129,132</b>
Other non-current assets									151	126
Net debt									-72,747	-57,691
Other current assets									1,112	972
<b>NET ASSETS</b>									<b>73,278</b>	<b>72,539</b>

In 2020 and 2019, the business segments did not enter into transactions with each other. The main income of the Group is derived from investment properties located in the same countries as the subsidiary that owns the investment property.

The Group's largest customers are DSV Transport AS, Hortes AS, DSV SIA and DSV Transport UAB, forming 8.9%, 6.3% and 6.2%, respectively of the consolidated rental income of the Group. The share of income of other tenants in the consolidated income is less than 6%.

### 4 Revenue

Area of activity	1st quarter	
	2021	2020
<i>€ thousand</i>		
Rental income from office premises	903	546
Rental income from retail premises	914	1,047
Rental income from warehousing and logistics premises	779	664
Rental income from care home premises	104	0
Other sales revenue	167	186
<b>Total revenue by areas of activity (Note 12)</b>	<b>2,867</b>	<b>2,443</b>

Revenue by geographical area	1st quarter	
	2021	2020
<i>€ thousand</i>		
Estonia	727	603
Latvia	483	241
Lithuania	1,657	1,599
<b>Total revenue by geographical area (Note 3)</b>	<b>2,867</b>	<b>2,443</b>

## 5 Cost of services sold

Cost of services sold	1st quarter	
	2021	2020
<i>€ thousands</i>		
Repair and maintenance of rental premises	-1	-17
Property insurance	-1	-1
Land tax and real estate tax	-7	-3
Other administrative expenses	-24	-43
Improvement costs	0	-4
Wage costs, including taxes	-7	-12
Proportional costs of VAT	-12	0
Other cost of sales	0	-8
Allowance for doubtful accounts	-14	0
<b>Total cost of services sold (Note 12)</b>	<b>-66</b>	<b>-88</b>

## 6 Marketing costs

Marketing costs	1st quarter	
	2021	2020
<i>€ thousands</i>		
Commission expenses on rental premises	-9	-30
Advertising, advertising events <sup>1</sup>	-22	-63
<b>Total marketing costs</b>	<b>-31</b>	<b>-93</b>

<sup>1</sup> The cost of advertising and promotional events is largely comprised of the cost of shopping mall events that tenants cover as an agreed marketing fee.

## 7 General and administrative expenses

General and administrative expenses	1st quarter	
	2021	2020
<i>€ thousands</i>		
Management services (Note 18)	-246	-193
Office expenses	-5	-6
Wages and salaries, incl. taxes	-45	-52
Consulting expenses, legal expenses, accounting service, evaluation service	-37	-106
Audit costs	-10	-13
Regulator costs	-22	-22
Other general administrative expenses	-5	-10
Depreciation costs	-14	-12
<b>Total general and administrative expenses</b>	<b>-384</b>	<b>-414</b>

## 8 Other financial income and expense

Other financial income and expense	1st quarter	
	2021	2020
<i>€ thousands</i>		
Interest expenses, incl.		
Interest expense from loans	-451	-327
Interest expense from derivatives (-)/ cost reductions (+)	-423	-302
Change in fair value of interest swaps (Note 15)	-28	-25
	30	-6
<b>Total financial income and expense</b>	<b>-421</b>	<b>-333</b>

## 9 Income tax

	1st quarter	
	2021	2020
<i>€ thousands</i>		
Deferred income tax expense for Lithuanian companies	-141	-102
Lithuanian corporate income tax expense on profits	-32	-50
<b>Total income tax expense</b>	<b>-173</b>	<b>-152</b>

As of 31.03.2021, the Group has deferred income tax liability of 4,724 thousand euros (31.12.2020: 4,583 thousand euros) related to using tax amortisation of Lithuanian subsidiaries. The Group's obligation to pay / offset the deferred income tax arises after the end of tax amortisation period.

	Deferred income tax liability related to real estate investments	Deferred income tax liability in respect of dividends	Total
<i>€ thousands</i>			
<b>Balance as at 31.12.2020</b>	<b>4,383</b>	<b>200</b>	<b>4,583</b>
Change in deferred income tax liability in the income statement in the 1 <sup>st</sup> quarter of 2021	141	0	141
<b>Balance as at 31.03.2021</b>	<b>4,524</b>	<b>200</b>	<b>4,724</b>



## 10 Earnings per share

	1st quarter	
	2021	2020
<b>Earnings per share</b>		
Net profit for the period, in € thousands	1,795	1,368
Weighted average number of shares over the period, in pcs	4,222,535	4,222,534
<b>Earnings per share, in euros</b>	<b>0.43</b>	<b>0.32</b>

## 11 Receivables and accrued income

	31.03.2021	31.12.2020
<i>€ thousands</i>		
Receivables from customers	596	480
Allowance for doubtful accounts	-17	-59
<b>Total trade receivables</b>	<b>579</b>	<b>421</b>
Advances and refunds of VAT	9	1,316
Other accrued income	475	281
<b>Total accrued income</b>	<b>484</b>	<b>1,597</b>
<b>Total receivables</b>	<b>1,063</b>	<b>2,018</b>

## 12 Investment property

As of 31.03.2021, the Group has made investments in the following investment properties:

Name	Location	Net rental area (sqm)	Year of construction	Date of acquisition	Acquisition cost	Market value as at 31.03.2021	Increase in value	Share of market value of the fund's assets
<i>€ thousands</i>								
Saules Miestas shopping centre	Saules Miestas, Lithuania	19,881	2007	08.2015	28,722	32,545	13%	21%
DSV logistics centre	Vilnius, Lithuania	11,687	2005	06.2016	8,504	8,860	4%	6%
DSV logistics centre	Tallinn, Estonia	16,014	2003	07.2016	12,228	13,080	7%	9%
DSV logistics centre	Riga, Latvia	12,149	2000	07.2016	8,830	8,687	-2%	6%
L3 office building	Vilnius, Lithuania	6,151	2004	10.2016	8,743	9,735	11%	6%
Ulonu office building	Vilnius, Lithuania	5,174	2012	12.2015	8,275	8,851	7%	6%
Hortes gardening centre Laagri	Tallinn, Estonia	3,470	2006	05.2017	3,108	3,510	13%	2%
Hortes gardening centre Tähesaju	Tallinn, Estonia	5,300	2019	05.2018	5,458	6,020	10%	4%
Laagri Selver	Tallinn, Estonia	3,063	2017	05.2017	6,277	6,480	3%	4%
Evolution office building	Vilnius, Lithuania	6,172	2009	05.2018	9,731	10,641	9%	7%
ABC Motors car centre	Tallinn, Estonia	2,149	2002	02.2019	3,024	3,121	3%	2%
airBaltic headquarters	Riga, Latvia	6,217	recon. 2016	03.2020	7,100	6,800	-4%	4%
Piepilsetas logistics centre	Riga, Latvia	13,327	2007	03.2020	8,720	8,425	-3%	6%
Rutkauskos office building	Vilnius, Lithuania	6,811	2014	08.2020	11,819	11,790	0%	8%
Pirita care home	Tallinn, Estonia	6,045	2020	12.2020	6,217	6,217	0%	4%
<b>Total</b>		<b>123,610</b>			<b>136,757</b>	<b>144,762</b>	<b>6%</b>	<b>95%</b>

In the 1<sup>st</sup> quarter of 2021 and 2020, the following changes have taken place in the Group's investment properties:

	Finished investment properties	Total investment properties
<b>Balance as at 01.01.2020</b>	<b>113,011</b>	<b>113,011</b>
Acquisitions from business combinations	15,800	15,800
Capitalized improvements	321	321
<b>Balance as at 31.03.2020</b>	<b>129,132</b>	<b>129,132</b>
<b>Balance as at 01.01.2021</b>	<b>144,235</b>	<b>144,235</b>
Acquisitions and developments	300	300
Capitalized improvements	227	227
<b>Balance as at 31.03.2021</b>	<b>144,762</b>	<b>144,762</b>

The Group's income statement and balance sheet include the following income and expenses and balances related to investment properties:

	1st quarter	
As of 31. March 2021 or per quarter	2021	2020
Rental income from investment properties (Note 4)	2,700	2,257
Costs directly related to the management of investment properties (Note 5)	-66	-88
Book value of investment properties pledged as collateral for loan liabilities (Note 13)	144,762	129,132

#### Assumptions and basis for determining the fair value of investment properties

The Group's investment properties are valued by an independent appraiser. The fair value of all investment properties reported in the Group's financial statements as of 31.03.2021 have been obtained using the discounted cash flow method. The following assumptions have been used to determine fair value:

Sector	Fair value	Evaluation method	Estimated rental income per year	Discount rate	Exit yield	Average rental price €/ sqm2
<i>€ thousands</i>						
Office	47,817	Discounted cash flows	3,712	7.1%-8.2%	7.0%-8.0%	10.4
Logistics	39,052	Discounted cash flows	3,156	8.0%-8.6%	7.5%-7.9%	5.6
Retail	51,676	Discounted cash flows	4,707	8.5%-8.6%	7.5%-8.0%	11.5
Care home	6,217	Discounted cash flows	454	8.0%	7.3%	6.1
<b>Total</b>	<b>144,762</b>		<b>12,029</b>			

Independent expert estimates for the fair value of investment properties are based on the following:

- Rental income: prices and real growth rates resulting from existing leases are used;
- Vacancy: the actual vacancy of an investment property, taking into account the risks associated with the object;
- Discount rate: calculated on the basis of the weighted average cost of capital (WACC) related to investment property;
- Capitalisation rate: based on the estimated level of return at the end of the expected deposit period, taking into account the foreseeable market situation and the risks associated with the object.

### Fair value sensitivity analysis

The table below illustrates the sensitivity of the fair value of investment properties recognized in the Group's balance sheet as of 31.03.2021 to the most important valuation assumptions:

Sector	Fair value	Sensitivity to management estimate		Sensitivity in independent appraisal			
		Revenue +10%	Revenue -10%	Discount rate +50bp	Discount rate -50bp	Exit yield +50bp	Exit yield -50bp
<i>€ thousands</i>							
Office	47,817	5,040	-5,040	-970	980	-2,150	2,460
Logistics	39,052	4,147	-4,147	-777	793	-1,657	1,883
Retails	51,676	6,060	-6,060	-1,040	1,040	-2,170	2,430
Care home	6,217	630	-630	-120	130	-280	330
<b>TOTAL</b>	<b>144,762</b>	<b>15,877</b>	<b>-15,877</b>	<b>-2,907</b>	<b>2,943</b>	<b>-6,257</b>	<b>7,103</b>

Level three inputs have been used to determine the fair value of all of the Group's investment properties (Note 15).

### 13 Borrowings

As at 31.03.2021 the Group has following borrowings:

Lender	Country of lender	Loan amount as per agreement	Loan balance as at 31.03.2021	Contract term	Interest rate per loan contract as at 31.03.2021	Loan collateral	Value of collateral	Share of fund's net asset value
Swedbank	Lithuania	14,616	14,056	14.08.23	2.65%	Mortgage - Saules Miestas shopping centre	32,545	19.2%
SEB	Lithuania	5,500	4,333	28.06.21	1.55%	Mortgage - DSV building In Vilnius	8,860	5.9%
SEB	Latvia	5,123	4,192	29.06.21	1.55%	Mortgage - DSV building In Riga	8,687	5.7%
SEB	Estonia	7,950	6,304	29.06.21	1.55%	Mortgage - DSV building In Estonia	13,080	8.6%
SEB	Lithuania	5,620	4,520	27.10.21	1.90%	Mortgage - L3 office building In Vilnius	9,735	6.2%
SEB	Lithuania	5,200	3,962	21.12.25	2.25%	Mortgage - Ulonu office building In Vilnius	8,851	5.4%
SEB	Lithuania	5,850	5,142	30.05.23	2.00%	Mortgage - Evolution office building In Vilnius	10,641	7.0%
Swedbank	Estonia	3,290	3,158	11.01.24	1.95%	Mortgage - Hortes gardening centre Tähesaju	6,020	4.3%
SEB	Estonia	1,860	1,519	05.07.22	1.82%	Mortgage - Hortes gardening centre	3,510	2.1%
Swedbank	Estonia	3,700	3,031	29.06.22	1.40%	Mortgage - Laagri Selver	6,480	4.1%
LHV	Estonia	1,800	1,678	25.02.24	2.95%	Mortgage - Laagri Selver	3,121	2.3%
Luminor	Latvia	3,905	3,674	04.02.25	3.75%	Mortgage - airBaltic headquarters	6,800	5.0%
Swedbank	Latvia	3,201	2,987	05.02.23	2.80%	Mortgage - Piepilsetas logistics centre	8,425	4.1%
SEB	Lithuania	7,300	7,104	12.08.25	2.10%	Mortgage - ATEA office building	11,790	9.7%
Swedbank	Estonia	3,100	3,100	28.06.21	4.50%	-	,	4.2%
Swedbank	Estonia	3,100	3,100	28.11.25	1.95%	Mortgage - Pirita care home, parent company's guarantee	6,217	4.2%
<b>Total</b>		<b>81,115</b>	<b>71,860</b>				<b>144,762</b>	<b>98.1%</b>

Additional information on loan liabilities is also provided in Note 15 to the financial statement.

Short-term borrowings	31.03.2021	31.12.2020
<i>€ thousands</i>		
Recognition of the long-term portion of long-term bank loans as short-term <sup>1</sup>	3,443	3,501
Repayments of long-term bank loans in the next period	25,060	25,319
Discounted contract fees for bank loans	-43	-39
<b>Total short-term borrowings</b>	<b>28,460</b>	<b>28,781</b>

<sup>1</sup> As of 31.03.2021, the Group has recognized as a short-term loan liability of the subsidiary EFTEN Riga Airport SIA, the maturity date of which is 04.02.2025. Subsequent to the balance sheet date, during the preparation of the interim report, EFTEN Riga Airport SIA signed an additional agreement with Luminor bank related to fulfilment of special terms of the contract, according to which the subsidiary will decrease the loan liability by 900 thousand euros by 30<sup>th</sup> of June, 2021, the latest and the loan granted to subsidiary by the fund will be converted to non-monetary contribution to the share capital. The fund's subsidiary's financial indicators must be in compliance with the special terms of the loan contract starting the fourth quarter of 2021.

<b>Long-term borrowings</b>	<b>31.03.2021</b>	31.12.2020
<i>€ thousands</i>		
<b>Total long-term borrowings (Note 15)</b>	<b>71,780</b>	<b>72,368</b>
incl. current portion of borrowings	28,460	28,781
incl. non-current portion of borrowings, incl.	43,320	43,587
<i>Bank loans</i>	<i>43,357</i>	<i>43,643</i>
<i>Discounted contract fees on bank loans</i>	<i>-37</i>	<i>-56</i>

Bank loans are divided as follows according to repayment date:

<b>Repayments of bank loans by maturity</b>	<b>31.03.2021</b>	31.12.2020
<i>€ thousands</i>		
Up to 1 year	28,503	28,820
2-5 years	43,357	43,643

	<b>1<sup>st</sup> quarter</b>	
<b>Cash flows of borrowings</b>	<b>2021</b>	2020
<i>€ thousands</i>		
<b>Balance at the beginning of period</b>	<b>72,368</b>	<b>55,372</b>
Bank loans received through business combinations and acquisitions	0	7,164
Bank loans received	300	0
Annuity payments on bank loans	-903	-665
Change of discounted contract fees	15	-47
<b>Balance as at the end of period</b>	<b>71,780</b>	<b>61,824</b>

## 14 *Payables and prepayments*

<b>Short-term payables and prepayments</b>	<b>31.03.2021</b>	31.12.2020
<i>€ thousands</i>		
Other payables to suppliers	244	173
<b>Total payables to suppliers</b>	<b>244</b>	<b>173</b>
Debts from securities transactions	95	95
Debts from the acquisition of investment property	0	1,240
Other debts	9	12
<b>Total other debts</b>	<b>104</b>	<b>1,347</b>
VAT	212	228
Company income tax	32	0
Social security tax	2	0
Land tax, real estate tax	7	61
Other tax liabilities	2	2
<b>Total tax liabilities</b>	<b>255</b>	<b>291</b>
Payables to employees	18	14
Interest payable	29	29
Tenants' security deposits	52	45
Other accrued liabilities	53	96
<b>Total accrued liabilities</b>	<b>152</b>	<b>184</b>
<b>Total payables and prepayments</b>	<b>755</b>	<b>1,995</b>

Long-term payables	31.03.2021	31.12.2020
€ thousands		
Tenants security deposits	971	954
Other long-term debts	3	3
<b>Total other long-term payables</b>	<b>974</b>	<b>957</b>

For additional information on payables and prepayments, please see Note 15.

## 15 Financial instruments, management of financial risks

The main financial liabilities of the Group are borrowings that have been raised to finance the investment properties of the Group. The balance sheet of the Group also contains cash and short-term deposits, trade receivables, other receivables and trade payables. For additional information on the Group's finance costs, please see Note 8.

The table below indicates the division of the Group's financial assets and financial liabilities according to financial instrument type.

### Carrying amounts of financial instruments

€ thousands	Notes	31.03.2021	31.12.2020
<b>Financial assets - loans and receivables</b>			
Cash and cash equivalents		5,702	5,128
Trade receivables	11	579	421
<b>Total financial assets</b>		<b>6,281</b>	<b>5,549</b>
<b>Financial liabilities measured at amortised cost</b>			
Borrowings	13	71,780	72,368
Trade payables	14	244	173
Tenant security deposits	14	1,023	999
Interest payables	14	29	29
Accrued expenses	14	71	110
<b>Total financial liabilities measured at amortised cost</b>		<b>73,147</b>	<b>73,679</b>
<b>Financial liabilities measured at fair value</b>			
Derivative instruments (interest rate swaps)		216	246
<b>Total financial liabilities measured at fair value</b>		<b>216</b>	<b>246</b>
<b>Total financial liabilities</b>		<b>73,363</b>	<b>73,925</b>

The fair values of financial assets and financial liabilities carried at amortized cost in the table above do not differ materially from their fair values.

The Group's risk management is based on the principle that risks must be taken in a balanced manner, taking into account the rules established by the Group and implementing risk mitigation measures as appropriate, which achieves the Group's stable profitability and shareholder value growth. When making new investment decisions, the solvency of future customers, the length of lease agreements, the possibility of tenant substitutability and the risks of rising interest rates are carefully assessed. The terms of the financing agreements are adjusted to correspond to the net cash flow of a specific real estate object, which ensures the preservation and growth of sufficient free cash of the Group even after the fulfilment of financial obligations.

The investment of the Group's assets is based on the risk expectations of the Group's investors, therefore excessive risk-taking is unacceptable and appropriate measures must be applied to manage the risks.

The Group considers financial risk to be the risk that arises directly from investing in real estate, including market risk, liquidity risk and credit risk, thereby reducing the company's financial strength or reducing the value of investments.

### Market risk

Market risk is a risk involving change in the fair value of financial instruments due to changes in market prices. The Group's financial instruments most influenced by changes in market prices are borrowings and interest rate derivatives. The main factor influencing these financial instruments is interest rate risk.

### Interest rate risk

Interest rate risk is the risk of changes in the future cash flows of financial instruments due to changes in market interest rates. A change in market interest rates mainly influences the long-term floating rate borrowings of the Group.

As of 31 March 2021, 71% of the Group's loan agreements are based on floating interest (margin between 1.4% and 4.5% plus 1-month, 3-month and 6-month EURIBOR) and 29% of loan agreements bear fixed interest in the range of 1.55% up to 1.9%. In turn, 28% of floating interest rate contracts are linked to an interest rate swap, where the 3-month EURIBOR is fixed at 0.35%. The 3-month EURIBOR fluctuated between -0.556% and -0.530% during the first quarter 2021, i.e. the maximum change during the year was 0.026 basis points. All contracts in the loan portfolio of EFTEN Real Estate Fund III have a 0% floor to protect against negative EURIBOR, i.e. in the event of a negative EURIBOR, the loan margin on these loan liabilities does not decrease.

Due to the current low level of interest rates and market expectations that interest rates will remain in the near future, hedging interest rate risk is particularly important in the long run. The Fund's management estimates the most significant impact of a possible rise in interest rates in a 3-5-year perspective.

Due to the long-term nature of the Group's real estate investments and long-term loan liabilities related to investments, the management of EFTEN Real Estate Fund III AS decided in 2016 to cover the risk of long-term floating interest rate increase by fixing a partial floating interest rate (3-month EURIBOR). It was decided to hedge the risk with an interest rate swap agreement, where the floating interest rate of the subsidiary's loan agreement was exchanged for a fixed interest rate. It was decided to enter into interest rate swaps subject to the following three conditions:

- (1) The investment property that secures the loan agreement that the cash flow hedge applies to is unlikely to be sold in the 10-year perspective;
- (2) The total nominal values of swaps at the time of conclusion does not exceed 50% of the total consolidated loan portfolio of EFTEN Real Estate Fund III;
- (3) The loan agreements that the cash flow hedge applies to are being extended at maturity until the expiry date of the swap agreements in order for the cashflows of the loan agreements to coincide with the cash flows of the swap agreement settlement schedule.

For hedging the interest rate risk, an interest swap contract was concluded in 2016 in the total nominal amount of EUR 14,835 thousand by fixing the three-month EURIBOR at the level of 0.35%. The maturity of interest rate swaps contracts is in year 2023.

The Group recognizes interest rate swaps with a change in profit or loss. The fair value of interest rate swaps as at 31.03.2021 was negative in the amount of EUR 216 thousand (31.12.2020: 246 thousand euros). Additional information on determining the fair value of interest rate swaps is provided in the 'Fair value' section below.

### Liquidity risk

Liquidity risk arises from a potential change in financial position that would reduce the Group's ability to service its liabilities in a timely and correct manner. The Group's liquidity is primarily affected by the following factors:

- Decrease or volatility of rental income, reducing the Group's ability to generate positive net cash flows;
- Vacancy of rental property;
- Mismatch between the maturities of assets and liabilities and flexibility in changing them;
- Marketability of long-term assets;
- Volume and pace of real estate development activities;
- Financing structure.

The Group's objective is to manage net cash flows in such a way that no more than 65% of the acquisition cost of the investment property involves external debt and the Group's debt coverage ratio would be higher than 1.2. As at 31 March 2021, the share of the Group's interest-bearing debt liabilities in rental income generating investment properties was 50% (31 December 2020: 50%) and the average debt coverage ratio (DSCR) for the last 12 months was 1.8 (2020: 1.8)

The financing policy of the Group specifies that loan agreements for raising debt are entered into on a long-term basis, also taking into consideration the maximum duration of the lease agreements on these properties. The table below summarises the information on the maturities of the Group's financial liabilities (undiscounted cash flows):

As at 31.03.2021	Less than 1 month	2-4 months	4 to 12 months	2 to 5 years	Over 5 years	Total
<i>€ thousands</i>						
Interest-bearing liabilities	301	18,558	6,200	46,721	0	<b>71,780</b>
Interest payments	145	399	838	2,275	0	<b>3,657</b>
Interest payables	29	0	0	0	0	<b>29</b>
Trade payables	244	0	0	0	0	<b>244</b>
Tenant security deposits	0	6	46	857	114	<b>1,023</b>
Accrued expenses	71	0	0	0	0	<b>71</b>
<b>Total financial liabilities</b>	<b>790</b>	<b>18,963</b>	<b>7,084</b>	<b>49,853</b>	<b>114</b>	<b>76,804</b>

**Statement of working capital**

	31.03.2021	31.12.2020
<i>€ thousands</i>		
Cash and cash equivalents	5,702	5,128
Receivables and accrued income (Note 11)	1,063	2,018
Prepaid expenses	49	128
<b>Total current assets</b>	<b>6,814</b>	<b>7,274</b>
Short-term portion of long-term liabilities (Note 13)	-28,460	-28,781
Short-term payables and prepayments (Note 14)	-971	-2,241
<b>Total current liabilities</b>	<b>-29,431</b>	<b>-31,022</b>
<b>Total working capital</b>	<b>-22,617</b>	<b>-23,748</b>

As of 31.03.2021, the working capital of the Group is negative in the amount of 22,617 thousand euros (31.12.2020: 23,748 thousand euros).

As of 31.03.2021, working capital is negative due to the Group's five loan agreements ending in 2021 in the total amount of 22,449 thousand euros. Of this amount, 3,100 thousand euros is planned to be repaid from the share issue to be organized by the fund in spring 2021, and the remaining loan agreements will be extended in the usual manner. LTV of all maturing loans is less than 50% and investment properties have a strong rental cash flow, which means that the Group's management believes that there are no obstacles to extending loan agreements and that the Group's working capital is sufficient to cover short-term liabilities.

In addition, as of 31.12.2020, the Group has recognized EFTEN Riga Airport SIA loan liability as a short-term, the maturity date of which is 04.02.2025. The loan is recognized as short-term due to a decrease in the debt coverage ratio below the rate allowed in the special terms of the agreement (see also Note 13).

**Credit risk**

Credit risk is the risk that counterparties will fail to meet their obligations to the Group. The Group is exposed to credit risk due to its business activities (mainly trade receivables) and transactions with financial institutions, including cash in bank accounts and deposits.

The Group's action to prevent and minimize cash flow from credit risk is to monitor and direct the customer's payment behaviour on a day-to-day basis, enabling operational measures to be taken. Similarly, client contracts provide in most cases for payment of rent at the beginning of the calendar month, which gives sufficient time to monitor the payment discipline of the clients and to have sufficient liquidity in the cash accounts at the date of annuity payments on the finance contracts. To mitigate the risk, the Group has entered into an agreement with one of the anchor tenants under which the finance institution of the lessee is obliged to guarantee the lease payments throughout the lease period. Most leases also give rise to an obligation to pay a deposit, which the Group is entitled to settle as a result of the lessee's default.

Group companies generally only enter into lease agreements with counterparties previously recognized as creditworthy. The client's analysis of this is made before concluding the lease agreement.

An analysis of the client on this subject shall be made before the conclusion of the lease contract. If there is a risk that the lessee will become insolvent, the Group assesses each receivable individually and determines whether it is unlikely that the receivable will become receivable. In general, receivables that are overdue for more than 180 days are considered unlikely to be collected, unless the Group has a reasonable amount of receivables or has a payment schedule.

Accounts receivable are illustrated by the table below:

	31.03.2021	31.12.2020
Undue	251	330
<b>Past due, incl.</b>	<b>345</b>	<b>150</b>
<i>Up to 30 days</i>	168	121
<i>30-60 days</i>	55	16
<i>More than 60 days</i>	122	13
Allowance for doubtful accounts	-17	-59
<b>Total trade receivables (Note 11)</b>	<b>579</b>	<b>421</b>

The maximum credit risk of the Group is provided in the table below:

	31.03.2021	31.12.2020
<i>€ tuhandetes</i>		
Cash and cash equivalents	5 702	5 128
Debt receivables	579	421
<b>Maximum credit risk total</b>	<b>6 281</b>	<b>5 549</b>

## Capital management

The Group's objective in capital management is to secure the Group's ability to continue as a going concern in order to ensure return on investment for its shareholders and to maintain an optimal capital structure.

The Group invests in cash-generating real estate and raises equity to make investments. The Group's investment policy requires that at least 35% of the equity is invested in new real estate projects. The required amount of equity is calculated individually for each investment taking into account the volume and proportion of the net cash flows and loan payments of the particular investment.

After making the investment, the net operating profit on any cash-generating property cannot be less than 120% of the loan annuity.

In the 1<sup>st</sup> quarter of 2021, the Group has earned free cash flow (EBITDA minus loan payments and interest expense) of 1.048 million euros (1<sup>st</sup> quarter of 2020: 874 thousand euros). All of the loans were serviced as per usual and the subsidiaries of the fund did not use the period of grace.

## Report of capitalisation

	31.03.2021	31.12.2020
<i>€ thousands</i>		
Short-term liabilities guaranteed with mortgage (Note 13)	28,503	28,820
Unsecured short-term liabilities (Note 14)	928	2,202
<b>Total short-term liabilities</b>	<b>29,431</b>	<b>31,022</b>
Long-term liabilities guaranteed with mortgage (Note 13)	43,357	43,643
Unsecured long-term liabilities (Note 14)	5,661	5,484
<b>Total long-term liabilities</b>	<b>49,018</b>	<b>49,127</b>
Share capital and share premium (Note 16)	51,883	51,883
Reserves	1,323	1,323
Retained earnings	20,072	18,277
<b>Total shareholder's equity</b>	<b>73,278</b>	<b>71,483</b>
<b>Total liabilities and equity</b>	<b>151,727</b>	<b>151,632</b>

More detailed information on mortgages established as collateral for the obligations provided in the capitalisation report is available in Note 12 of the report.

## Report of net debt

<i>€ thousands</i>	31.03.2021	31.12.2020
Cash	5,702	5,128
<b>Total liquid assets</b>	<b>5,702</b>	<b>5,128</b>
The short-term portion of long-term liabilities (Note 13)	28,503	28,820
<b>Net short-term debt</b>	<b>22,801</b>	<b>23,692</b>
Long-term bank loans (long-term portion) (Note 13)	43,357	43,643
<b>Total long-term debt</b>	<b>43,357</b>	<b>43,643</b>
<b>Total net debt</b>	<b>66,158</b>	<b>67,335</b>

## Fair value

The valuation methods used to analyse the Group's assets and liabilities measured at fair value have been defined as follows:

Level 1 – quoted prices in active markets;

Level 2 – inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly;

Level 3 – unobservable inputs at the market.

As of 31.03.2021 and 31.12.2020, the Group does not have any assets at fair value that would belong to the Level 1 group upon finding the value. All of the Group's investment properties are carried at fair value and belong to the Level 3 group according to the valuation method (see Note 12). All of the Group's loan liabilities and derivative securities entered into to hedge interest rate risk belong to the Level 2 group.



To mitigate interest rate risk, the Group has entered into interest rate swaps, the fair value of which is obtained by discounting the cash flows of interest rate swaps so that, in accordance with EURIBOR market expectations, cash inflows and outflows are determined and discounted using a zero-rate. The Group uses information received from counterparty credit institutions to recognize interest rate swaps at fair value.

## 16 Share capital

The registered share capital of EFTEN Real Estate Fund III AS as of 31.03.2021 was 42,225 thousand euros (31.12.2020: the same). The share capital consisted of 4,222,535 shares (31.12.2020: the same) with a nominal value of 10 euros (31.12.2020: the same). Without amending the articles of association, the company has the right to increase the share capital to EUR 115,411 thousand. As of 31.03.2021, contributions to the share capital have been made in the total amount of EUR 51,883 thousand (31.12.2020: the same)

Subsequent to the balance sheet date, on the 15<sup>th</sup> of April, 2021, the fund's general meeting decided to increase share capital by 8,500 thousand euros (see Note 19).

### List of shareholders of EFTEN Real Estate Fund III AS with more than 5% ownership:

Company	As at 31.03.21	
	Number of shares	Ownership, %
Altius Energia OÜ	602,000	14.26
Järve Kaubanduskeskus OÜ	431,992	10.23
Hoiukonto OÜ	430,211	10.19

### Shares owned by EFTEN Real Estate Fund III AS Management or Supervisory Board members, their close relatives or companies under their control::

Company	As at 31.03.21	
	Number of shares	Ownership, %
Viljar Arakas, member of the Management Board	2,000	0.05
Miemma Holding OÜ, a company owned by Viljar Arakas, member of the Management Board	12,793	0.30
Tõnu Uustalu, member of the Management Board	12,281	0.29
Meeli Leis, a close relative of Tõnu Uustalu, member of the Management Board	2,046	0.05
Altius Capital OÜ, a company controlled by Arti Arakas, member of the Supervisory Board	602,000	14.26
Olav Miil, member of the Supervisory Board	32,312	0.77
Siive Penu, member of the Supervisory Board	1,282	0.03

## 17 Contingent liabilities

### Contingent income tax liability

	31.03.2021	31.12.2020
€ thousands		
Company's retained earnings	20,072	18,277
Potential income tax liability	4,014	3,655
Dividends can be paid out	16,058	14,622

The maximum possible income tax liability has been calculated on the assumption that the net dividends to be distributed and the income tax expense related to their payment may not exceed the distributable profit as at 31.03.2021 and 31.12.2020.

## 18 Related party transactions

EFTEN Real Estate Fund III AS considers the following as related parties:

- Management Board members and companies owned by the Management Board members of EFTEN Real Estate Fund III AS;
- Supervisory Board members and companies owned by the Supervisory Board members of EFTEN Real Estate Fund III AS;
- Employees and companies owned by the employees of EFTEN Real Estate Fund III AS;

-EFTEN Capital AS (the fund management company).

During the 1<sup>st</sup> quarter of 2021, the Group purchased management services from EFTEN Capital AS in the amount of 246 thousand euros (1<sup>st</sup> quarter of 2020: 193 thousand euros) (see Note 7).

EFTEN Real Estate Fund III AS did not buy or sell other goods or services from other related parties during the first quarter of 2021 of 2020.

As at 31.03.2021, the Group had a total of 12 employees, who were paid a total of 52 thousand euros during the 1<sup>st</sup> quarter of 2021, including related taxes (1<sup>st</sup> quarter of 2020: 64 thousand euros). No fees were calculated or paid to the members of the Group's Management Board or Supervisory Board during the first quarter of 2021 or 2020. The members of the Group's Management Board work for EFTEN Capital AS, a company providing management services to the Group, and expenses related to the activities of a member of the Management Board are included in the management services.

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## **19 Subsequent events**

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### **Increase of share capital**

The general meeting of EFTEN Real Estate Fund III AS decided on the 15<sup>th</sup> of April, 2021, to increase the share capital by 8,500 euros by issuing 850,000 ordinary shares with nominal value of 10 euros, as a result of which the new values of the share capital is 50,725,350 euros. The shares are issued with share premium. The reimbursement for one share is the nominal value, which is 10 euros, and share premium with minimum value of 7.5 euros, of which the higher value of share premium may be designated by the Supervisory Board by the beginning of subscription period the latest. Subscription and reimbursement of new shares takes place during the period of 14.05.2021-31.05.2021.

**Management Board's Declaration for the Consolidated Interim Report for the 1<sup>st</sup> quarter of 2021**

We hereby confirm that the Consolidated Interim Report for the 1<sup>st</sup> quarter of 2021 of EFTEN Real Estate Fund III AS gives true and fair view of the Group's assets, liabilities, financial position and includes the description of the main risks and developments of business activities and results of the companies included in a consolidation as a whole.

/signed digitally/

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Viljar Arakas

Member of the Management Board

/signed digitally/

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Tõnu Uustalu

Member of the Management Board