

Consolidated Interim Report – 4th quarter and 12 months ended 31 December 2022

EfTEN Real Estate Fund III AS
Commercial register number: 12864036

Beginning of financial period: 01.01.2022
End of financial period: 31.12.2022

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**EFTEN
REAL
ESTATE
FUND III**



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MANAGEMENT REPORT

Fund manager's comment on the 2022 financial results

In 2022, major changes took place in the European and Baltic commercial real estate market. The rapid acceleration of the inflation rate prompted the central banks to end the so-called zero interest policy that had lasted for almost ten years. While at the beginning of 2022, the EURIBOR rate used as the basis for most loans issued in euro was negative, by the end of the year the 6-month EURIBOR rose to 2.7% and the 1-month EURIBOR to 1.9%. In the real estate sector, where investments are usually made with financial leverage, this meant a significant increase in borrowing costs and a decrease in transaction activity.

In the real estate market of the Baltic countries, the use of leverage has generally been lower compared to the so-called developed European countries. Mainly because of this, the rise in interest rates here did not immediately lead to a fall in real estate prices. In particular, the increase in interest rates was accompanied by a significant decrease in the number of real estate transactions in this region. The uncertainty and low transaction activity of the commercial real estate market in the Baltic countries will probably remain in the first half of 2023.

In December 2022, the shareholders of EFTEN Real Estate Fund III AS approved the fund's merger with EFTEN Kinnisvarafond AS (the fund being acquired), resulting in the largest commercial real estate fund in the Baltic States. The balance sheet date of the merger was 01.01.2023, and after the merger, the consolidated assets of EFTEN Real Estate Fund III AS will increase more than twice. After the merger, the business name of EFTEN Real Estate Fund III AS will be EFTEN Real Estate Fund AS. At the beginning of this year, one of the important priorities of the management company is to correctly close the legal merger of the funds.

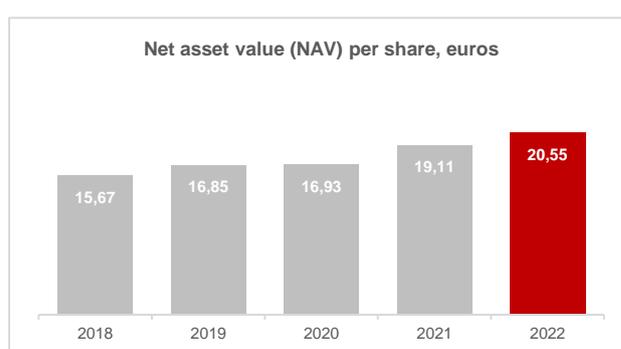
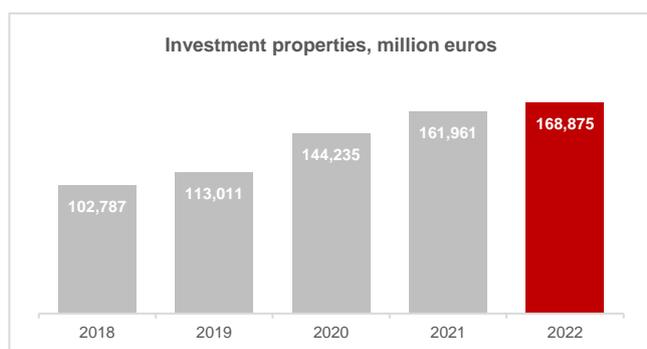
Financial overview

The consolidated sales revenue of EFTEN Real Estate Fund III AS for the 12 months of 2022 was 14.299 million euros (2021 12 months: 12.921 million euros), increasing by 10.7% during the year. The Group's net rental income in 2022 totalled to 13.665 million euros in 2022 (2021: 12.412 million euros), increasing by 10.1%. The Group's net profit for the same period was 11.408 million euros (2021 12 months: 13.099 million euros). The decreased net profit is related to the smaller revaluation of real estate investments, which was 3.119 million euros this year and 6.442 million euros in 2021. The Fund earned a total revenue of 3.699 million euros in the fourth quarter of 2022, up 191 thousand euros compared to the same period last year. The Fund's net rental income for the fourth quarter of 2022 amounted to 2.948 million euros, an increase of 1.1% compared to the same period last year. The Fund's consolidated net profit for Q4 was 1.199 million euros (2021 Q4: 5.355 million euros).

	4th quarter		12 months	
	2022	2021	2022	2021
<i>€ million</i>				
Rental revenue, other fees from investment properties	3,699	3,508	14,299	12,921
Expenses related to investment properties, incl. marketing costs	-0,169	-0,172	-0,634	-0,509
Net rental income	3,530	3,336	13,665	12,412
<i>Net rental income margin</i>	95%	95%	96%	96%
Interest expense and interest income	-0,582	-0,420	-1,854	-1,804
Net rental revenue less finance costs	2,948	2,916	11,811	10,608
Management fees	-0,299	-0,287	-1,178	-1,074
Success fee	0,000	-0,537	0,000	-0,537
Other revenue and expenses	-0,251	-0,217	-0,715	-0,714
Profit before change in the value of investment property, fair value change of the interest rate swap and income tax expense	2,398	1,875	9,918	8,283

Consolidated net rental income for the 12 months of 2022 margin was 96% (2021 12 months: same), so costs directly related to property management (including land tax, insurance, maintenance, and improvement costs) and marketing costs accounted for 4% (2021: same) of revenue.

The Group's total assets as at 31.12.2022 was 181,956 million euros (31.12.2021: 176,401 million euros), incl. the fair value of the investment properties that accounted for 93% of the total assets (31.12.2021: 92%).



	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018
<i>€ millions</i>					
Investment properties	168,875	161,961	144,235	113,011	102,787
Other non-current assets	0,179	0,147	0,123	0,114	0,138
Current assets, excluding cash	1,571	1,219	2,146	6,717	0,719
Net debt (cash and deposits minus short-term and long-term bank loans)	-56,730	-58,103	-67,335	-36,431	-48,049
Net asset value (NAV)	104,264	96,914	71,483	70,911	50,354
EPRA net asset value (EPRA NAV)	111,123	102,708	76,112	75,456	54,179
Net asset value (NAV) per share, in euros	20.55	19.11	16.93	16.85	15.67
EPRA net asset value (EPRA NAV) per share, in euros	21.91	20.25	18.03	17.93	16.81

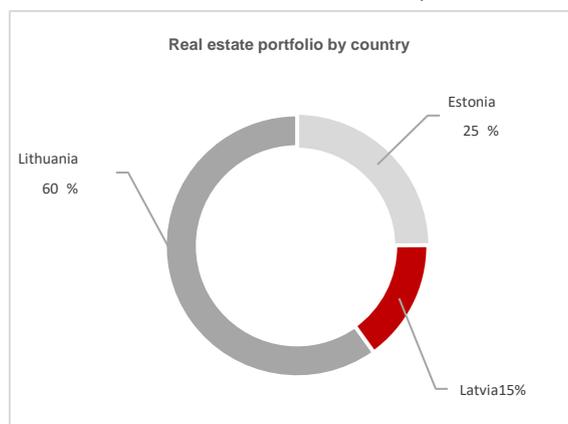
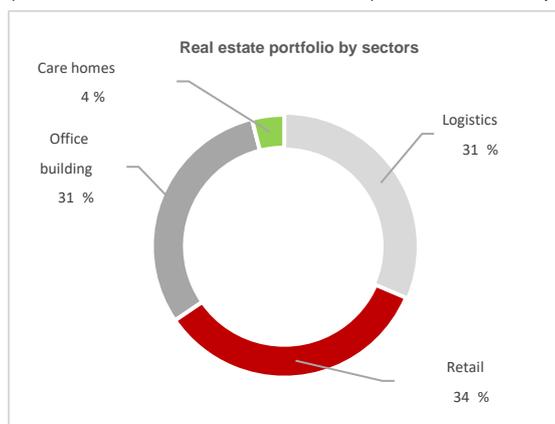
Key performance and liquidity ratios

12 months	31.12.2022	31.12.2021
ROE. % (net profit of the period / average equity of the period) x 100	11.3	15.6
ROA. % (net profit of the period / average assets of the period) x 100	6.4	8.0
ROIC. % (net profit of the period / average invested capital of the period) x 100 ¹	17.0	22.0
Revenue (€ thousands)	14,299	12,921
Rent income (€ thousands)	13,489	12,165
EBITDA (€ thousands)	11,819	10,163
EBITDA margin, %	83%	79%
EBIT (€ thousands)	14,891	16,529
EPRA's profit (€ thousands)	9,354	7,821
Liquidity ratio (current assets / current liabilities)	0.5	1.6
DSCR (EBITDA/(interest expenses + scheduled loan payments))	2.2	1.9

¹The average invested capital for the period is the paid-in share capital and share premium of the equity of EFTEN Real Estate Fund III AS. The indicator does not take into account the actual investment of funds raised as equity.

Investment portfolio

At the end of December 2022, the Group has 18 (31.12.2021: 16) commercial property investments with a fair value at the balance sheet date of 168.875 million euros (31.12.2021: 161.961 million euros) and an acquisition cost of 151.426 million euros (31.12.2021: 147.633 million euros).



Main indicators of the Group's investment portfolio

Investment property as of 31.12.2022	Group's ownership	Acquisition cost, in € thousands	Fair value of investment properties, € thousands ¹	Net leasable area	Rental revenue per annum, € thousands	Direct return ²	Net primary production ³	Occupancy, %	Average length of rental agreements	Number of tenants
DSV logistics centre, Tallinn	100	12,366	13,610	16,014	1,062	8.6%	7.8%	100	3.9	1
DSV logistics centre, Riia	100	8,837	8,830	12,149	745	8.4%	8.4%	100	3.9	1
DSV logistics centre, Vilnius	100	8,519	9,470	11,751	732	8.6%	7.7%	100	3.8	1
Piepilsetas logistics centre, Kekava	100	8,789	8,730	13,380	751	8.5%	8.6%	100	1.7	7
Ramygalos logistics centre, Panevezys	100	10,011	10,660	20,126	826	8.3%	7.7%	100	14.3	1
Logistics total		48,522	51,300	73,420	4,116	8.5%	8.0%	100	5.5	11
Saules Miestas shopping centre, Šiauliai	100	29,308	36,280	20,282	3,267	11.1%	9.0%	99	4.8	131
Hortes gardening centre, Laagri	100	3,138	3,720	3,470	294	9.4%	7.9%	100	9.4	1
Laagri Selver, Tallinn	100	6,279	7,810	3,059	514	8.2%	6.6%	100	5.5	11
Hortes gardening centre, Tallinn	100	5,458	5,600	5,300	428	7.8%	7.6%	100	14.8	1
ABC Motors Autokeskus, Tallinn	100	3,479	3,410	2,149	300	8.6%	8.8%	100	6.1	1
Retail total		47,662	56,820	34,260	4,803	10.1%	8.5%	99	6.1	145
Ulonu office building, Vilnius	100	8,327	9,320	5,290	717	8.6%	7.7%	100	2.7	13
L3 office building, Vilnius	100	10,005	11,780	6,614	903	9.0%	7.7%	95	2.6	26
Evolution office building, Vilnius	100	8,836	10,771	6,150	787	8.9%	7.3%	100	3.2	34
airBaltic head office, Riia	100	7,112	6,920	6,217	530	7.5%	7.7%	100	3.2	1
Rutkauskos office building, Vilnius	100	11,819	13,010	6,812	914	7.7%	7.0%	100	7.6	3
Office total		46,099	51,801	31,083	3,851	8.4%	7.4%	100	4.0	77
Pirita Pansionaat, Tallinn	100	6,217	6,320	5,983	363	5.8%	5.7%	100	7.9	1
Valkla Sūdamekodu, Valkla	100	2,692	2,400	2,759	268	10.0%	11.2%	100	9.3	1
Tartu Sūdamekodu, Tartu	100	234	234				in construction			
Care homes total		9,143	8,954	8,742	631	6.9%	7.0%	100	8.3	2
Real estate portfolio total		151,426	168,875	147,505	13,401	8.8%	7.9%	100	5.4	235

¹ The fair value of the investment property of the Fund is the market price of the investment property, calculated on a discounted cash flow basis. The external valuer of the Fund's real estate portfolio is Colliers International.

² The direct yield is calculated by dividing the Net rental income by the sum of the cost of the investment property and the subsequent capitalised costs.

³ Net initial rate of return is calculated by dividing the net rental income by the market value of the investment property.

In April, the Fund's subsidiary EFTEN Valkla OÜ acquired real estate located in Valklaranna tee 36, Valkla. The Fund plans to reconstruct the building from nursery home to general nursery home that could accommodate up to 250 customers in the future. Renovation work is performed in stages. The purchase price of the real estate plot was EUR 2.005 million and in addition, the Fund's subsidiary is required to carry out investments on the amount of EUR 2.000 million. Purchase of the real estate plot and investments are financed by the Fund's equity.

In April, the Fund's subsidiary EFTEN Ermi OÜ acquired building rights located in Ermi tn 13, Tila village, Tartu parish in Tartu county. The Fund plans to develop a nursery home for minimum of 120 customers on the land plot used based on the building rights. The building rights' maturity date is 50 years, which is possible to extend up to 99 years in agreement with the landowner. After developing a nursery home on the land plot, it will be leased to Sūdamekodud AS based on a long-term lease contract. The purchase price of the building rights was EUR 233 thousand. Purchase of the building rights and investments are financed by the Fund's equity.

In June 2021, EFTEN Real Estate Fund III AS established a 100% owned subsidiary EFTEN Ramygalos UAB, which after its establishment acquired production and warehouse buildings located in Panevešys, Lithuania. The total cost of the real estate investment, including transaction costs, reached 10.011 million euros. The Fund invested 4.036 million euros in the equity capital of the subsidiary before the transaction.

In 2022, the Group earned a total rental income of 13.489 million euros. The rental income calculated on a comparable basis was a total of 12.588 million euros in 2022, which is a 7% increase compared to 2021.

Like-for-like rental income by segments					
€ thousands	Fair value as of 31.12.2022	Rental income 2022	Rental income 2021	Change	Change, %
Office	51,801	3,982	3,785	197	5%
Logistics	40,640	3,207	3,117	90	3%
Retail	56,820	4,983	4,413	570	13%
Care homes	6,320	416	416	0	0%
Total comparable assets and rental income	155,581	12,588	11,731	857	7%
Acquired assets and rental income	13,294	901	434	467	
Total real estate portfolio assets and rental	168,875	13,489	12,165	1,324	11%

Like-for-like rental income by countries					
€ thousands	Fair value as of 31.12.2022	Rental income 2022	Rental income 2021	Change	Change, %
Estonia	40,470	2,960	2,896	64	2%
Latvia	13,820	1,956	1,897	59	3%
Lithuania	101,291	7,672	6,938	734	11%
Total comparable assets and rental income	155,581	12,588	11,731	857	7%
Acquired assets and rental income	13,294	901	434	467	
Total real estate portfolio assets and rental	168,875	13,489	12,165	1,324	11%

EFTEN Real Estate Fund III AS's largest tenants as of 31.12.2022

Tenant	Share of total rental income
DSV Estonia AS	7,8%
Adax UAB	6,0%
DSV Latvia SIA	5,5%
DSV Lithuania, UAB	5,4%
Hortes AS	5,4%
Atea, UAB	4,9%
AIR BALTIC CORPORATION AS	4,2%
Rimi Lietuva, UAB	3,8%
Pirita Sūdamekodu OÜ	3,3%
Selver AS	2,7%
Valstybinė energetikos reguliavimo taryba	2,3%
Others	48,5%

EFTEN Real Estate Fund III AS revalued its investment properties twice this year - in June and December. In connection with the planned merger with EFTEN Kinnisvarafond AS, the Fund also evaluated investment property as of 30.11.2022. As of 31.12.2022, the fair value of the Fund's real estate portfolio is 168.875 million euros. In 2022, the value of the Fund's investments increased by 1.9% as a result of revaluations, and the fund received a total profit of 3.119 million euros from fair value changes. The value of investment property increased mainly as a result of higher expected rental cash flow driven by increased inflation. Due to the increase in EURIBOR and investors' return expectations, the discount rates used to calculate the present value of cash flows in appraisal increased in almost all investment objects in 2022.

EPRA performance indicators

EPRA performance indicators

As of the balance sheet date or for the year	31.12.2022	31.12.2021	Change
EPRA profit, € thousands	9,354	7,821	20%
EPRA profit per share, in euros	1.84	1.66	11%
EPRA NRV (net reinstatement value), € thousands	111,123	102,708	8%
EPRA NRV per share, in euros	21.91	20.25	8%
EPRA NDV (net disposal value), € thousands	104,264	96,914	8%
EPRA NDV per share, in euros	20.55	19.11	8%
EPRA NIY (primary net income)	7.3%	7.3%	0%
EPRA Topped-up NIY (adjusted primary net income)	7.8%	7.3%	6%
EPRA cost ratio, including direct vacancy costs	13%	17%	-25%
EPRA cost ratio, excluding direct costs related to vacancy	13%	17%	-24%
EPRA vacancy ratio	0.5%	0.2%	131%

EPRA indicator calculations**EPRA net asset value indicators**

As of 31.12.2022

€ thousands	EPRA NRV	EPRA NTA	EPRA NDV
Net asset value calculated in accordance with IFRS	104,264	104,264	104,264
Adjustments:			
Deferred income tax liability related to the change in the fair value of investment	6,912	6,912	-
Fair value of derivatives	-53	-53	-
Net asset value	111,123	111,123	104,264
Number of fully diluted shares	5,072,535	5,072,535	5,072,535
Net asset value per unit, in euros	21.91	21.91	20.55

As of 31.12.2021

€ thousands	EPRA NRV	EPRA NTA	EPRA NDV
Net asset value calculated in accordance with IFRS	96,914	96,914	96,914
Adjustments:			
Deferred income tax liability related to the change in the fair value of investment property and tax	5,673	5,673	-
Fair value of derivatives	121	121	-
EPRA Net asset value	102,708	102,708	96,914
Number of fully diluted shares	5,072,535	5,072,535	5,072,535
EPRA Net asset value per unit, in euros	20.25	20.25	19.11

EPRA profit

€ thousands	2022	2021
Net profit (IFRS)	11,408	13,099
Adjustments:		
Change in fair value of investment property	-3,119	-6,442
Change in fair value of financial instruments	-174	-126
Deferred income tax expense related to EPRA adjustments	1,239	1,290
EPRA profit	9,354	7,821
Weighted average number of shares during the period	5,072,535	4,698,909
EPRA earnings per share, in euros	1.84	1.66

EPRA net yield

€ thousands	2022	2021
Investment property	168,875	161,961
Finished investment property	168,875	161,961
Annualized rental income from leases in force at the reporting date	13,401	13,022
Costs related to investment property not covered by tenants	-1,071	-1,223
Annualized net rental income	12,330	11,799
Nominal impact of the end of rent exemptions or other rental incentives	766	0
Adjusted annualized net rental income	13,096	11,799
EPRA initial net yield (NIY)	7.3%	7.3%
EPRA adjusted initial net yield (Topped-up NIY)	7.8%	7.3%

EPRA vacancy rate

€ thousands	2022	2021
Estimated rental income from vacant premises	63	26
Estimated rental income for the entire real estate portfolio	13,556	12,856
EPRA vacancy rate	0.5%	0.2%

EPRA cost ratios

€ thousands	2022	2021
Cost of sales	-267	-241
Other sales revenue paid by tenants to cover expenses	810	756
Marketing costs	-367	-268
Operating costs	-1,916	-2,326
Total costs, including direct costs related to the vacancy	-1,740	-2,079
Direct vacancy costs	-25	-32
Total costs excluding direct costs related to the vacancy	-1,715	-2,047
Rental income (gross)	13,489	12,165
EPRA cost ratio, including direct vacancy costs	13%	17%
EPRA cost ratio, excluding direct costs related to vacancy	13%	17%

Financing

In the following 12 months, the loan agreements of the Group's three subsidiaries - Evolution office building, Saules Miestas shopping center and Piepilsetas logistics center - will expire, the balance of the loans as at 31.12.2022 is 19.841 million euros. The LTV of the expiring loan agreements is 30%-40%, and investment properties have a stable and strong rental cash flow, therefore, according to the Group's management, no complications is expected in extending the loan agreements.

The weighted average interest rate of the Group's loan agreements (including taking into account interest rate swap agreements) due to the increase in EURIBOR is 3.7% (31.12.2021: 2.3%) and LTV (Loan to Value) 40% (31.12.2021: 44%) as of the end of December. All loan agreements of the Fund's subsidiaries are linked to a floating interest rate. In order to mitigate the risk of an increase in the interest rate of one loan agreement, an interest rate swap agreement has been concluded, where the Euribor is fixed at 0.35%. The swap agreement expires in 2023, and its fair value is 53 thousand euros as of 31.12.2022.

Information on shares

The net value of the share of EFTEN Real Estate Fund III AS as of 31.12.2022 was 20.55 euros (31.12.2021: 19.11 euros). The net value of EFTEN Real Estate Fund III AS shares increased by 7.5% during 2022. In May 2022, the Fund paid dividends from the profit of 2021 in the total amount of 4.058 million euros (in June 2021: 2.798 million euros). Without the payment of dividends, the net value of the Fund's shares would have increased by 12.0% during 2022.

During 2022, the Group has earned a free cash flow of 6.182 million euros (12 months 2021: 4.550 million euros), of which, according to the Fund's dividend policy, the total amount of net dividends would be 4.638 million euros (2021: 3.401 million euros). Taking into account the obligation to keep a minimum cash balance resulting from the special conditions of the loan of the fund's subsidiaries and the short-term need for liquidity, as well as the possibility of increasing the loan amount by 1 million euros due to the current loan agreement of the Fund's subsidiary EFTEN Laagri OÜ, the Fund's board proposes to the council to pay dividends for 2022 more than the dividend policy stipulates - in total 5.438 million euros.

In connection with the merger of EFTEN Real Estate Fund III AS (the acquiring fund) and EFTEN Kinnisvarafond AS (the fund being acquired), in addition to the dividends of EFTEN Real Estate Fund III AS, the free cash flow of EFTEN Kinnisvarafond AS will also be paid out of the Fund in the spring of 2023. Insofar as EFTEN Real Estate Fund III AS makes a share issue for the shareholders of EFTEN Kinnisvarafond AS in accordance with the share exchange ratio and the number of EFTEN Real Estate Fund III AS shares increases as a result of the issue, the exact net dividend per share will be announced through the stock exchange system in March 2023.

Calculation of the potential dividend payment

	12 months	
	2022	2021
€ thousands		
Operating profit	14,891	16,529
Adjustment for valuation gains on investment property	-3,119	-6,442
Adjustment for depreciation and write-downs of fixed assets	47	76
EBITDA	11,819	10,163
Interest expense	-1,854	-1,804
Repayments of bank loans	-3,493	-3,586
Income tax expense on profits (Lithuania)	-290	-222
Free cash flow	6,182	4,551
80% of free cash flow	4,946	3,641
Gross dividend adjustment	-34	0
Dividend tax expense	-274	-240
Potential net dividend according to dividend policy	4,638	3,401
Potential incremental cash flow ¹	1,000	700
Income tax charge on dividends from incremental cash flow	-200	-42
Potential net dividend with incremental cash flow	5,438	4,059
Number of shares at the end of the period	5,072,535	5,072,535
Potential net dividend per share, euros	1.07	0.80

¹Potential additional cash flows include cash accumulated in the accounts of the fund's subsidiaries at the end of the reporting period, which is not planned to be invested or held in day-to-day business operations to ensure liquidity.

EFT1T share statistics	2022	2021
Opening price	23.1	19.0
Closing price	19.65	22.8
Minimum share price	19.2	18.8
Maximum share price	24.2	25.6
Volume of traded shares, thousands	262	282
Volume, € million	5,501	6,026
Market capitalization as at 31.12, € million	99,929	107,135
Profit per share, €	2.25	2.79
P/B (closing price / equity per share)	0.96	1.19

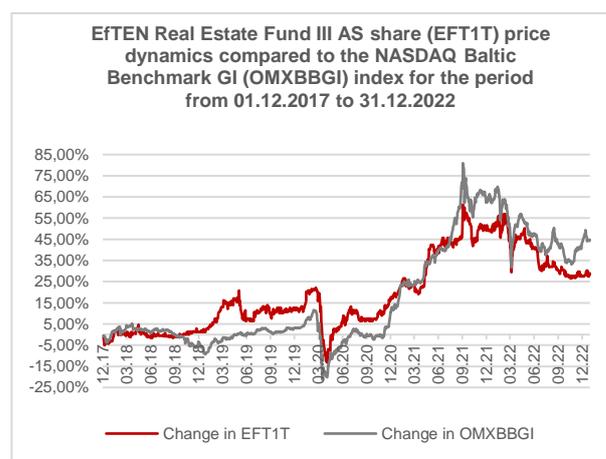
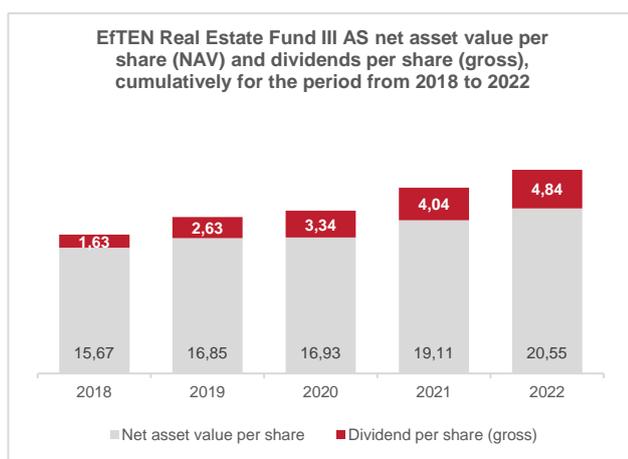
P/B EPRA (closing price / EPRA equity per share)	0.90	1.13
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As of 31.12.2022, EFTEN Real Estate Fund III AS had 6,172 shareholders, of whom 16.8% were legal entities. Legal entities owned a total of 76.9% of the entire share capital of the fund. The distribution of shares is given in the table below.

	Shareholders, pcs		Total shareholders	Number of shares		Total shares	Ownership		Total ownership
	Legal entities	Private individuals		Legal entities	Private individuals		Legal entities	Private individuals	
Afghanistan	-	1	1	-	16	16	-	0.0003%	0.0003%
Albania	-	1	1	-	15	15	-	0.0003%	0.0003%
Algeria	-	1	1	-	327	327	-	0.0064%	0.0064%
United Arab Emirates	1	1	2	19,000	531	19,531	0.3746%	0.0105%	0.3850%
Australia	-	4	4	-	24	24	-	0.0005%	0.0005%
Austria	-	1	1	-	1,255	1,255	-	0.0247%	0.0247%
Belgium	-	1	1	-	5	5	-	0.0001%	0.0001%
Estonia	1,027	5,082	6,109	3,872,815	1,159,037	5,031,852	76.3487%	22.8493%	99.1980%
Spain	-	1	1	-	120	120	-	0.0024%	0.0024%
Holland	-	1	1	-	109	109	-	0.0021%	0.0021%
Ireland	-	1	1	-	27	27	-	0.0005%	0.0005%
Italy	-	1	1	-	75	75	-	0.0015%	0.0015%
Cyprus	-	1	1	-	666	666	-	0.0131%	0.0131%
Lithuania	5	1	6	7,730	6,406	14,136	0.1524%	0.1263%	0.2787%
Latvia	1	1	2	2,120	31	2,151	0.0418%	0.0006%	0.0424%
Malta	-	1	1	-	20	20	-	0.0004%	0.0004%
Norway	-	1	1	-	5	5	-	0.0001%	0.0001%
Portugal	-	1	1	-	100	100	-	0.0020%	0.0020%
Sweden	1	3	4	25	83	108	0.0005%	0.0016%	0.0021%
Germany	-	7	7	-	332	332	-	0.0065%	0.0065%
Finland	1	15	16	42	676	718	0.0008%	0.0133%	0.0142%
United Kingdom	-	4	4	-	693	693	-	0.0137%	0.0137%
Switzerland	-	2	2	-	82	82	-	0.0016%	0.0016%
Denmark	1	1	2	1	25	26	0.0000%	0.0005%	0.0005%
Total	1,037	5,135	6,172	3,901,733	1,170,802	5,072,535	76.92%	23.08%	100.00%

As of 31.12.2022, EFTEN Real Estate Fund III AS has three shareholders with more than 10% stake:

Entity	As of 31.12.2022	
	Number of	Ownership, %
Altius Energia OÜ	723,182	14.26%
Järve Kaubanduskeskus OÜ	518,952	10.23%
Hoiukonto OÜ	516,930	10.19%



INTERIM FINANCIAL STATEMENTS OF THE CONSOLIDATION GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ thousands	Notes	4th quarter		12 months	
		2022	2021	2022	2021
Revenue	3,4	3,699	3,508	14,299	12,921
Cost of services sold	5	-56	-48	-267	-241
Gross profit		3,643	3,460	14,032	12,680
Marketing costs	6	-113	-124	-367	-268
General and administrative expenses	7	-525	-1,024	-1,916	-2,326
Gain / loss from valuation of investment properties	12	-582	4,422	3,119	6,442
Other operating income and expense		-25	-17	23	1
Operating profit	3	2,398	6,717	14,891	16,529
Other finance income and expense	8	-582	-420	-1,680	-1,678
Profit before income tax		1,816	6,297	13,211	14,851
Income tax expense	9	-617	-942	-1,803	-1,752
Net profit for the financial year	3	1,199	5,355	11,408	13,099
Earnings per share	10				
- basic		0.24	1.06	2.25	2.79
- diluted		0.24	1.06	2.25	2.79

The notes on pages 14-32 are integral parts of the interim financial report

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2022	31.12.2021
<i>€ thousands</i>			
ASSETS			
Cash and cash equivalents	15	11,331	13,074
Receivables and accrued income	11	1,522	876
Prepaid expenses		49	314
Inventory		0	29
Total current assets		12,902	14,293
Long-term receivables		61	4
Investment property	3,12	168,875	161,961
Property, plant and equipment		116	140
Intangible assets		2	3
Total non-current assets		169,054	162,108
TOTAL ASSETS		181,956	176,401
LIABILITIES AND EQUITY			
Borrowings	13	22,058	7,645
Derivative instruments	15	0	121
Payables and prepayments	14	1,461	1,349
Total current liabilities		23,519	9,115
Borrowings	13	45,917	63,440
Other long-term debt	14	1,008	987
Deferred income tax liability	9	7,248	5,945
Total non-current liabilities		54,173	70,372
Total liabilities		77,692	79,487
Share capital	16	50,725	50,725
Share premium	16	16,288	16,288
Statutory reserve capital		2,149	1,489
Retained earnings	17	35,102	28,412
Total equity		104,264	96,914
TOTAL LIABILITIES AND EQUITY		181,956	176,401

The notes on pages 14-32 are integral parts of the interim financial report

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	4th quarter		12 months	
		2022	2021	2022	2021
€ thousands					
Net profit		1,199	5,355	11,408	13,099
<i>Adjustments of net profit:</i>					
Finance income and expense	8	582	418	1,680	1,678
Gains / losses on valuation of investment property	12	582	-4,422	-3,119	-6,442
Depreciation and impairment losses	5,7	12	11	47	54
Profit / loss from the sale of fixed assets		0	21	0	21
Income tax expense	9	617	942	1,803	1,752
Total adjustments with non-cash changes		1,793	-3,030	411	-2,937
Cash flow from operations before changes in working capital		2,992	2,325	11,819	10,162
Change in receivables and payables related to operating activities		71	359	-775	167
Net cash flow generated from operating activities		3,063	2,684	11,044	10,329
Purchase of property, plant and equipment		-1	1	-32	-89
Purchase of investment property	12	-381	-159	-3,526	-11,284
Purchase of subsidiaries		0	0	0	-95
Acquisition of other investments		-86	0	-86	0
Interest received		0	3	0	12
Net cash flow generated from investing activities		-468	-155	-3,644	-11,456
Loans received	13	377	0	377	6,300
Loan repayments refinancing	13	0	0	0	-4,000
Loan repayments scheduled	13	-803	-896	-3,493	-3,586
Interest paid		-462	-447	-1,760	-1,804
Issue of shares		0	0	0	15,130
Dividends paid	15	0	0	-4,058	-2,798
Income tax on dividends paid		1	0	-209	-169
Net cash flow generated from financing activities		-887	-1,343	-9,143	9,073
NET CASH FLOW		1,708	1,186	-1,743	7,946
Cash and cash equivalents at the beginning of period		9,623	11,888	13,074	5,128
Change in cash and cash equivalents		1,708	1,186	-1,743	7,946
Cash and cash equivalents at the end of period	15	11,331	13,074	11,331	13,074

The notes on pages 14-32 are integral parts of the interim financial report

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Statutory reserve capital	Retained earnings	Total
<i>€ thousands</i>					
Balance as at 31.12.2020	42,225	9,658	1,323	18,277	71,483
Issue of shares	8,500	6,630	0	0	15,130
Dividends declared	0	0	0	-2,798	-2,798
Provision for reserve capital	0	0	166	-166	0
Total transactions with owners	8,500	6,630	166	-2,964	12,332
Net profit for the financial period	0	0	0	13,099	13,099
Total comprehensive income for the period	0	0	0	13,099	13,099
Balance as at 31.12.2021	50,725	16,288	1,489	28,412	96,914
Dividends declared	0	0	0	-4,058	-4,058
Provision for reserve capital	0	0	660	-660	0
Total transactions with owners	0	0	660	-4,718	-4,058
Net profit for the financial period	0	0	0	11,408	11,408
Total comprehensive income for the period	0	0	0	11,408	11,408
Balance as at 31.12.2022	50,725	16,288	2,149	35,102	104,264

Additional information on share capital is provided in Note 16.

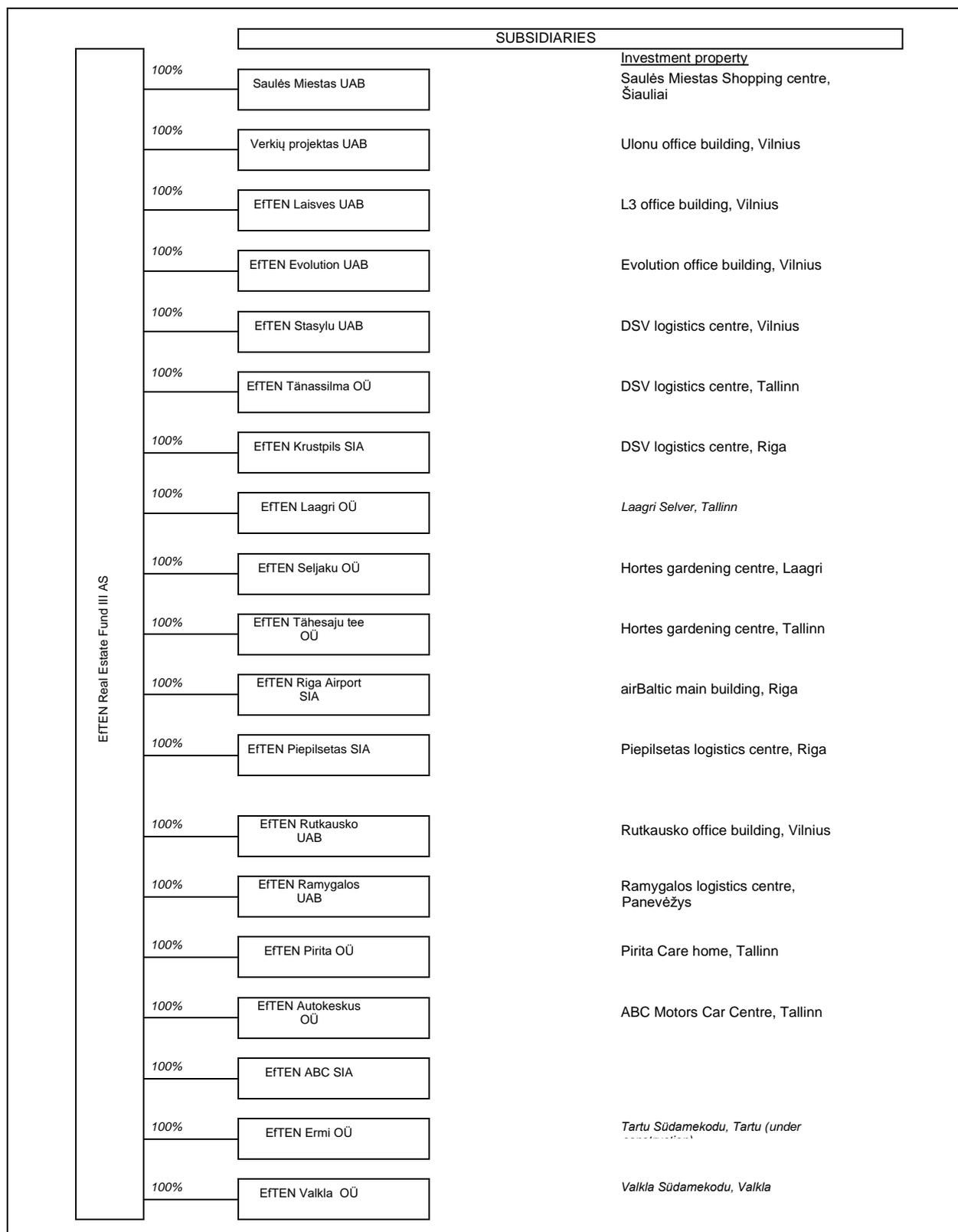
The notes on pages 14-32 are integral parts of the interim financial report

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

The structure of EFTEN Real Estate Fund III AS Group as at 31.12.2022 is as follows (also see Note 2):



The consolidated interim financial statements of EFTEN Real Estate Fund III AS and its subsidiaries have been prepared in accordance with the International

Standards as adopted by the European Union (IFRS EU). These consolidated interim financial statements have been prepared in accordance with International Accounting Standard IAS 34: Interim Financial Reporting. The interim report has been prepared using the same accounting methods as in the annual report for the year ended 31.12.2021. The interim report should be read in conjunction with the Group's most recently published annual report for 2021, prepared in accordance with International Financial Reporting Standards (IFRS). In the opinion of the management board, the interim report of EFTEN Real Estate Fund III AS for the fourth quarter and 12 months of 2021 correctly and fairly reflects the financial performance of the group in accordance with the principle of continuity. This interim report has not been audited or otherwise verified by auditors and contains only consolidated reports of the group. The reporting currency is the euro. The interim consolidated financial statements are prepared in thousands of euros and all figures are rounded to the nearest thousand, unless otherwise indicated.

2 Subsidiaries

Company name	Country of domicile	Investment property	The subsidiary's equity, € thousands		Group's ownership Interest, %	
			31.12.2022	31.12.2021	31.12.2022	31.12.2021
Parent company						
EFTEN Real Estate Fund III AS	Estonia					
Subsidiaries						
Saules Miestas UAB	Lithuania	Saulės Miestas shopping centre, Šiauliai	21,601	18,990	100	100
Verkiu Projektas UAB	Lithuania	Ulonu office building, Vilnius	4,612	4,326	100	100
EFTEN Laisves UAB	Lithuania	L3 office building, Vilnius	6,062	5,375	100	100
EFTEN Stasylu UAB	Lithuania	DSV logistics centre, Vilnius	5,278	5,106	100	100
EFTEN Tānassilma OÜ	Estonia	DSV logistics centre, Tallinn	8,249	7,729	100	100
EFTEN Krustpils SIA	Latvia	DSV logistics centre, Riia	3,516	3,083	100	100
EFTEN Tāhesaju tee OÜ	Estonia	Hortes gardening centre, Tallinn	2,724	3,507	100	100
EFTEN Evolution UAB	Lithuania	Evolution office building, Vilnius	6,249	5,528	100	100
EFTEN Seljaku OÜ	Estonia	Hortes gardening centre, Laagri	2,504	2,374	100	100
EFTEN Laagri OÜ	Estonia	Laagri Selver, Tallinn	5,257	4,623	100	100
EFTEN Autokeskus OÜ	Estonia	ABC Motors Car Centre, Tallinn	2,017	1,996	100	100
EFTEN Piepilsetas SIA	Latvia	Piepilsetas logistics centre, Kekava	4,216	4,042	100	100
EFTEN Rīga Airport SIA	Latvia	airBaltic main building, Riia	4,796	4,469	100	100
EFTEN Rutkauskos UAB	Lithuania	Rutkauskos office building, Vilnius	6,464	5,714	100	100
EFTEN Pirita OÜ	Estonia	Pirita Pansionaat, Tallinn	3,779	3,479	100	100
EFTEN Ramygalos UAB	Lithuania	Ramygalos logistics centre, Panevežys	5,188	4,585	100	100
EFTEN ABC SIA	Latvia	-	3	0	100	0
EFTEN Valkla OÜ	Estonia	Valkla Sūdamekodu, Valkla	1,784	0	100	0
EFTEN Ermi OÜ	Estonia	Tartu Sūdamekodu, Tartu	237	0	100	0

In February 2022, EFTEN Real Estate Fund III established a 100% subsidiary in Latvia, EFTEN ABC SIA, paying 2,800 euros for the share capital of the subsidiary. The transaction did not succeed and thus, at the moment there are no plans to purchase an investment property to the founded subsidiary.

In March 2022, the Fund established two 100% owned subsidiaries to acquire two care homes in Valkla and Tartu County - EFTEN Valkla OÜ and EFTEN Ermi OÜ, respectively. Upon the establishment of subsidiaries, the Fund paid 2,500 euros for the share capital of both companies. The subsidiaries acquired real estate plots in the amount of EUR 2,244 thousand to develop care homes shortly after the establishment.

In June 2021, EFTEN Real Estate Fund III AS established a 100% owned subsidiary EFTEN Ramygalos UAB, which after its establishment acquired production and warehouse buildings located in Panevežys, Lithuania. The total cost of the real estate investment, including transaction costs, reached 10,011 thousand euros. The Fund invested 4,036 thousand euros in the equity capital of the subsidiary before the transaction.

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

3 Segment reporting

SEGMENT RESULTS

	Office		Logistics		Retail		Care homes		Non-allocated		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
12 months												
<i>€ thousands</i>												
Revenue (note 4), incl.	4,015	3,794	4,072	3,606	5,694	5,105	518	416	0	0	14,299	12,921
Estonia	0	0	1,049	1,018	1,532	1,477	518	416	0	0	3,099	2,911
Latvia	499	498	1,502	1,450	0	0	0	0	0	0	2,001	1,948
Lithuania	3,516	3,296	1,521	1,138	4,162	3,628	0	0	0	0	9,199	8,062
Net operating income, incl.	3,914	3,674	4,030	3,571	5,209	4,756	512	411	0	0	13,665	12,412
Estonia	0	0	1,049	1,013	1,512	1,462	512	411	0	0	3,073	2,886
Latvia	497	497	1,460	1,421	0	0	0	0	0	0	1,957	1,918
Lithuania	3,417	3,177	1,521	1,137	3,697	3,294	0	0	0	0	8,635	7,608
Operating profit, incl.	5,220	5,108	4,142	4,549	5,516	7,155	165	427	-152	-710	14,891	16,529
Estonia	0	0	1,118	1,153	842	2,678	165	427	-152	-710	1,973	3,548
Latvia	497	401	1,324	1,500	0	0	0	0	0	0	1,821	1,901
Lithuania	4,723	4,707	1,700	1,896	4,674	4,477	0	0	0	0	11,097	11,080
EBITDA, incl.	3,455	3,228	3,567	3,116	4,541	4,155	408	374	-152	-710	11,819	10,163
Estonia	0	0	957	922	1,321	1,277	408	374	-152	-710	2,534	1,863
Latvia	389	401	1,245	1,207	0	0	0	0	0	0	1,634	1,608
Lithuania	3,066	2,827	1,365	987	3,220	2,878	0	0	0	0	7,651	6,692
Operating profit											14,891	16,529
Net financial expense											-1,680	-1,678
Profit before income tax											13,211	14,851
Income tax expense (Note 9)											-1,803	-1,752
NET PROFIT FOR THE REPORTING PERIOD											11,408	13,099

	Office		Logistics		Retail		Care homes		Non-allocated		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
4th quarter												
<i>€ thousands</i>												
Revenue, incl.	992	964	1,022	993	1,543	1,447	142	104	0	0	3,699	3,508
Estonia	0	0	260	255	343	383	142	104	0	0	745	742
Latvia	125	124	381	362	0	0	0	0	0	0	506	486
Lithuania	867	840	381	376	1,200	1,064	0	0	0	0	2,448	2,280
Net operating income, incl.	972	951	1,009	979	1,409	1,303	140	103	0	0	3,530	3,336
Estonia	0	0	260	250	342	378	140	103	0	0	742	731
Latvia	124	124	368	353	0	0	0	0	0	0	492	477
Lithuania	848	827	381	376	1,067	925	0	0	0	0	2,296	2,128
Operating profit, incl.	909	2,500	521	1,973	1,189	2,658	-183	155	-38	-569	2,398	6,717
Estonia	0	0	156	458	-497	1,061	-183	155	-38	-569	-562	1,105
Latvia	111	96	175	522	0	0	0	0	0	0	286	618
Lithuania	798	2,404	190	993	1,686	1,597	0	0	0	0	2,674	4,994
EBITDA, incl.	830	827	882	857	1,208	1,129	109	86	-38	-569	2,991	2,330
Estonia	0	0	236	227	292	331	109	86	-38	-569	599	75
Latvia	93	96	310	296	0	0	0	0	0	0	403	392
Lithuania	737	731	336	334	916	798	0	0	0	0	1,989	1,863
Operating profit											2,398	6,717
Net financial expense											-582	-420
Profit before income tax											1,816	6,297
Income tax expense											-617	-942
NET PROFIT FOR THE REPORTING PERIOD											1,199	5,355

SEGMENT ASSETS

As of the end of the year	Office		Logistics		Retail		Care homes		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
€ thousands										
Investment property										
Estonia	0	0	13,610	13,370	20,540	20,770	8,954	6,270	43,104	40,410
Latvia	6,920	6,800	17,560	17,440	0	0	0	0	24,480	24,240
Lithuania	44,881	43,031	20,130	19,780	36,280	34,500	0	0	101,291	97,311
Total investment property (Note 12)	51,801	49,831	51,300	50,590	56,820	55,270	8,954	6,270	168,875	161,961
Other non-current assets									179	147
Net debt (liabilities less cash)									-66,361	-66,413
Other current assets									1,571	1,219
NET ASSETS									104,264	96,914

In 2022 and 2021, the business segments did not make any 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 largest customers of the Group are DSV Estonia AS, Adax UAB, DSV Latvia SIA, DSV Lithuania UAB and Hortes AS, having respectively 7.8%, 6.0%, 5.5%, 5.4% and 5.4% of the group's consolidated rental income. The share of the income of the other tenants in the consolidated income is less than 5%.

4 Revenue

Segments	2022	2021
€ thousands		
Rental income from office premises (Note 12)	3,981	3,786
Rental income from retail premises (Note 12)	4,983	4,413
Rental income from logistics premises (Note 12)	4,007	3,550
Rental income from care home premises (Note 12)	518	416
Other sales revenue	810	756
Total revenue by segments of activity (Note 3)	14,299	12,921
Revenue by geographic areas	2022	2021
€ thousands		
Estonia	3,099	2,911
Latvia	2,001	1,948
Lithuania	9,199	8,062
Total revenue by geographical area (Note 3)	14,299	12,921

5 Cost of services sold

Cost of services sold	2022	2021
€ thousands		
Repair and maintenance of rental premises	-48	-34
Property insurance	-5	-5
Land tax and real estate tax	-28	-60
Other costs of administrative activities	-10	-64
Utility costs of vacant premises	0	-5
Depreciation expenses	-2	-1
Improvement costs	-13	-1
Wage costs, including taxes (Note 18)	-39	-32
Proportional costs of VAT	-42	-35
Other selling expenses	-80	0
Allowance for doubtful accounts	0	-4
Total cost of services sold (Note 12)	-267	-241

6 Marketing costs

Marketing costs	2022	2021
€ thousands		
Commission expenses on rental premises	-25	-27
Advertising, advertising events ¹	-342	-239
Corporate marketing	0	-2
Total marketing costs	-367	-268

¹ Expenditure on advertising and promotional events consists to a large extent of the costs of marketing events in shopping centres, which are covered by **tenants through agreed marketing fees**.

7 General and administrative expenses

General and administrative expenses	2022	2021
<i>€ thousands</i>		
Management services (Note 18)	-1,178	-1,074
Office expenses	-41	-36
Wages and salaries, incl. Taxes (Note 18)	-228	-213
Consulting expenses, legal expenses, accounting service	-207	-185
Audit costs	-73	-60
Regulator costs	-112	-135
Management fees	0	-537
Other general administrative expenses	-32	-32
Depreciation costs	-45	-54
Total administrative expense	-1,916	-2,326

8 Other financial income and expenses

Other financial income and expenses	2022	2021
<i>€ thousands</i>		
Interest expenses, incl.	-1,854	-1,804
Interest expenses from loans	-1,809	-1,691
Interest expense from derivatives (-)/ cost reductions (+)	-45	-113
Change in fair value of interest swaps	174	126
Total other financial income and expenses (Note 3, 15)	-1,680	-1,678

9 Income tax

	2022	2021
<i>€ thousands</i>		
Deferred income tax expense on dividends ¹	-274	-240
Lithuanian corporate deferred income tax expense	-1,239	-1,290
Lithuanian corporate income tax expense on profits	-290	-222
Total income tax expense (Note 3)	-1,803	-1,752

¹In connection with the decision of the IFRS Interpretations Committee regarding the recognition of deferred income tax liability in IAS12, the group has made corrections to the income tax expense of previous periods and the deferred income tax liability.

Changes in deferred income tax liability in 2022 and 2021 include the following changes:

	Deferred income tax liability related to real estate investments	Deferred income tax liability in respect of dividends	Total
<i>€ thousands</i>			
Balance as at 31.12.2020	4,383	200	4,583
Change in deferred income tax liability in the income statement in 2021	1,290	240	1,530
Income tax paid on dividends	0	-168	-168
Balance as at 31.12.2021	5,673	272	5,945
Change in deferred income tax liability in the income statement in 2022	1,239	273	1,512
Income tax paid on dividends	0	-209	-209
Balance as at 31.12.2021	6,912	336	7,248

10 Earnings per share

	4th quarter		12 months	
	2022	2021	2022	2021
Earnings per share				
Earnings per share	1,199	5,355	11,408	13,099
Net profit for the period, <i>€ thousands</i>	0.80	0.55	0.80	0.55
Dividend per share, euros	5,072,535	5,072,535	5,072,535	4,698,909
Weighted average number of shares over the period, in pc	0.24	1.06	2.25	2.79

11 Receivables and accrued income

	31.12.2022	31.12.2021
<i>€ thousands</i>		
Amounts outstanding from buyers	765	584
Allowance for doubtful accounts	-6	-7
Total receivables from customers (note 15)	759	577
Other short-term receivables		
Receivables from interest derivatives	53	0
Total other short-term receivables	27	0
Total other short-term receivables	80	0
Accrued income		
Advances and refunds of VAT	111	0
Other accrued income	572	299
Total accrued income	683	299
Total receivables and accrued income (note 15)	1,522	876

12 Investment properties

As of December 31, 2022, the Group has made investments in the following investment properties:

Name	Location	Net rental area (m2)	Year of construction	Date of acquisition	Acquisition cost	Market value as at 31.12.2022	Increase in value	Share of market value of the Fund's asset
<i>€ thousands</i>								
Saules Miestas shopping centre	Saules Miestas, Lithuania	20,282	2007	08.2015	29,308	36,280	24%	20%
DSV logistics centre	Vilnius, Lithuania	11,751	2005	06.2016	8,519	9,470	11%	5%
DSV logistics centre	Tallinn, Estonia	16,014	2003	07.2016	12,366	13,610	10%	7%
DSV logistics centre	Rīga, Latvia	12,149	2000	07.2016	8,837	8,830	0%	5%
L3 office building	Vilnius, Lithuania	6,150	2004	10.2016	8,836	10,771	22%	6%
Ulonu office building	Vilnius, Lithuania	5,290	2012	12.2015	8,327	9,320	12%	5%
Hortes gardening centre Laagri	Tallinn, Estonia	3,470	2006	05.2017	3,138	3,720	19%	2%
Hortes gardening centre Tähesaju Laagri Selver	Tallinn, Estonia	5,300	2019	05.2018	5,458	5,600	3%	3%
Evolution office building	Tallinn, Estonia	3,059	2017	05.2017	6,279	7,810	24%	4%
Evolution office building	Vilnius, Lithuania	6,614	2009	05.2018	10,005	11,780	18%	6%
ABC Motors car centre	Tallinn, Estonia	2,149	2002	02.2019	3,479	3,410	-2%	2%
airBalticu office building	Rīga, Latvia	6,217	recon. 2016	03.2020	7,112	6,920	-3%	4%
Piepilsetas logistics centre	Kekava, Latvia	13,380	2007	03.2020	8,789	8,730	-1%	5%
Rutkausko office building	Vilnius, Lithuania	6,812	2014	08.2020	11,819	13,010	10%	7%
Pirita care home	Tallinn, Estonia	5,983	2020	12.2020	6,217	6,320	2%	3%
Ramvagalos logistics centre	Panevėžys, Lithuania	20,126	2007	06.2021	10,011	10,660	6%	6%
Valkla Südamekodu	Valkla, Estonia	2,759	recon. 2022	04.2022	2,692	2,400	-11%	1%
Tartu Südamekodu	Tartu, Estonia	construction	2022-2023	04.2022	234	234	0%	0%
Total		147,505			151,426	168,875	12%	93%

Additional information on investment properties is provided in Note 3 'Segment reporting'.

The following changes have occurred in the Group's investment properties in 2021 and 2020:

	Investment property under development	Ready investment property	Total investment property
Balance as at 01.01.2021	0	144,235	144,235
Acquisition from business combinations	0	10,311	10,311
Capitalized improvements	0	973	973
Gain/loss form the change in fair value	0	6,442	6,442
Balance as at 01.01.2022	0	161,961	161,961
Acquisitions and developments	2,926	0	2,926
Capitalized improvements	0	869	869
Gain/loss form the change in fair value	-292	3,411	3,119
Balance as at 31.12.2022	2,634	166,241	168,875

The Group's income statement and balance sheet reflect, among other things, the following income and expenses and balances related to investment properties:

As of December 31, or for the year	2022	2021
Rental income from investment properties (note 4)	13,489	12,165
Costs directly related to the management of investment properties (note 5)	-267	-241
Outstanding amounts from the acquisition of real estate investments (note 14) ¹	268	0
Book value of investment properties pledged as collateral for loan liabilities	168,641	161,961

¹As of 31.12.2022, the Group had outstanding payments to vendors for the construction of the Valkla Sūdamekodu from the acquisition of investment property in the amount of 268 thousand euros.

The lease agreements concluded between EFTEN Real Estate Fund III AS and the tenants comply with the conditions of unbreakable operating lease agreements. The income from these leases is distributed as follows:

Payments from perpetual operating leases	31.12.2022	31.12.2021
<i>€ thousands</i>		
Up-to 1 year	12,184	11,041
2-5 years	28,791	27,776
More than 5 years	21,847	19,540
Total	62,822	58,357

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 property reflected in the Group's reports as of 31.12.2022 and 31.12.2021 has been obtained using the discounted cash flow method. The following assumptions have been used in finding the fair value:

As of 31.12.2022:

Sector	Fair value	Valuation method	Estimated rental income per year	Discount rate	Exit yield	Average rental price €/m ²
<i>€ thousands</i>						
Office	51,801	Discounted cash flows	3,851	8.8%	6.75%-7.5%	11.5
Logistics	51,300	Discounted cash flows	4,116	8.2%-9.6%	7.1%-7.9%	4.7
Retail	56,820	Discounted cash flows	4,803	7.8%-9.6%	6.5%-8.0%	12.2
Care homes	8,954	Discounted cash flows	631	8.0%-9.0%	6.8%-8.0%	5.0
Total	168,875		13,401			

As of 31.12.2021:						
Sector	Fair value	Valuation method	Estimated rental income per year	Discount rate	Exit yield	Average rental price €/m2
<i>€ thousands</i>						
Office	49,831	Discounted cash flows	3,759	8.2%-8.7%	6.8%-7.5%	10.9
Logistics	50,590	Discounted cash flows	3,978	8.2%-9.1%	7.2%-7.9%	4.5
Retail	55,270	Discounted cash flows	4,606	7.8%-9.0%	6.8%-8.0%	11.8
Care homes	6,270	Discounted cash flows	443	7.8%	6.8%	6.1
Total	161,961		12,786			

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, considering the risks associated with the object;
- Discount rate: calculated based on the weighted average cost of capital (WACC) related to investment property;
- Exit yield: based on the estimated level of return at the end of the expected deposit period, considering 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 31.12.2022 to the most important valuation assumptions:

Sector	Fair value	Sensitivity to management estimate		Sensitivity to independent appraisal			
		Revenue +10%	Revenue -10%	Discount rate +50bp	Discount rate -50bp	Exit yield rate +50bp	Exit yield rate -50bp
<i>€ thousands</i>							
Office	51,801	5,630	-5,640	-1,040	1,040	-2,500	2,870
Logistics	51,300	5,380	-5,370	-1,010	1,010	-2,300	2,640
Retail	56,820	6,390	-6,410	-1,130	1,130	-2,420	2,760
Care homes	8,954	980	-1,040	-220	220	-460	470
Total	168,875	18,380	-18,460	-3,400	3,400	-7,680	8,740

As at 31.12.2021

Sector	Fair value	Sensitivity to management estimate		Sensitivity to independent appraisal			
		Revenue +10%	Revenue -10%	Discount rate +50bp	Discount rate -50bp	Exit yield rate +50bp	Exit yield rate -50bp
<i>€ thousands</i>							
Office	49,831	5,970	-5,910	-980	1,050	-2,360	2,740
Logistics	50,590	5,310	-5,360	-1,020	1,020	-2,280	2,570
Retail	55,270	6,240	-6,240	-1,100	1,120	-2,340	2,660
Care homes	6,270	660	-650	-120	130	-310	360
Total	161,961	18,180	-18,160	-3,220	3,320	-7,290	8,330

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

13 Borrowings

As at 31.12.2022, the Group has the following borrowings:

Lender	Country of lender	Loan amount as per agreement	Loan balance as at 31.12.22	Contract term	Interest rate as at 31.12.22	Loan collateral	Value of collateral	Loan balance's share of the fund's net asset value
Swedbank	Lithuania	14,616	12,554	13.08.23	4.79%	Mortgage - Saules Miestas shopping centre	36,280	12.0%
SEB	Lithuania	5,500	4,047	28.06.26	3.04%	Mortgage - DSV logistics centre	9,470	3.9%
SEB	Latvia	5,123	3,884	29.06.26	3.98%	Mortgage - DSV logistics centre	8,830	3.7%
SEB	Lithuania	5,620	4,181	27.10.26	3.09%	Mortgage L3 office building	10,771	4.0%
SEB	Estonia	7,950	5,849	29.06.26	3.08%	Mortgage - DSV logistics centre	13,610	5.6%
SEB	Lithuania	5,200	3,690	21.12.25	3.44%	Mortgage - Ulonu office building	9,320	3.5%
SEB	Lithuania	5,850	4,673	30.05.23	3.95%	Mortgage - Evolution office building	11,780	4.5%
Swedbank	Estonia	3,833	2,814	29.06.27	3.30%	Mortgage - Laagri Selver	7,810	2.7%
SEB	Estonia	1,860	1,356	05.07.27	2.24%	Mortgage - Hortes gardening centre Laagri	3,720	1.3%
Swedbank	Estonia	3,290	2,928	11.01.24	3.56%	Mortgage - Hortes gardening centre Tähesaju	5,600	2.8%
LHV	Estonia	1,800	1,551	25.02.24	3.88%	Mortgage - ABC Motors car centre	3,410	1.5%
Swedbank	Latvia	4,000	2,614	05.02.23	5.21%	Mortgage - Piepilsetas logistics centre	8,730	2.5%
Luminor	Latvia	3,905	2,457	04.02.25	4.39%	Mortgage - airBaltic office building	6,920	2.4%
Swedbank	Estonia	3,100	2,914	28.11.25	3.85%	Mortgage - Piritä care home, parent company's guarantee	6,320	2.8%
Swedbank	Estonia	2,250	377	25.09.27	3.85%	Mortgage - Valklaranna tee 36	2,400	0.4%
Šiaulių bankas	Lithuania	6,000	5,646	13.06.26	5.02%	Mortgage - Ramvaalos logistics centre	10,660	5.4%
SEB	Lithuania	7,300	6,526	12.08.25	2.76%	Mortgage - Rutkauskos office building	13,010	6.3%
Total		87,197	68,061				168,641	65.3%

As at 31.12.2021, the Group has the following borrowings:

Lender	Country of lender	Loan amount as per agreement	Loan balance as at 31.12.21	Contract term	Interest rate as at 31.12.21	Loan collateral	Value of collateral	Loan balance's share of the fund's net asset value
Swedbank	Lithuania	14,616	13,422	13.08.23	2.65%	Mortgage - Saules Miestas shopping centre	34,500	13.8%
SEB	Lithuania	5,500	4,204	28.06.26	1.85%	Mortgage - DSV logistics centre	9,380	4.3%
SEB	Latvia	5,123	4,049	29.06.26	1.85%	Mortgage - DSV logistics centre	8,710	4.2%
SEB	Lithuania	5,620	4,349	27.10.26	1.90%	Mortgage L3 office building	10,281	4.5%
SEB	Estonia	7,950	6,098	29.06.26	1.85%	Mortgage - DSV logistics centre	13,370	6.3%
SEB	Lithuania	5,200	3,841	21.12.25	2.25%	Mortgage - Ulonu office building	9,080	4.0%
SEB	Lithuania	5,850	4,932	30.05.23	2.00%	Mortgage - Evolution office building	11,190	5.1%
Swedbank	Estonia	3,700	2,927	29.06.27	1.40%	Mortgage - Laagri Selver	7,340	3.0%
SEB	Estonia	1,860	1,449	05.07.27	1.82%	Mortgage - Hortes gardening centre Laagri	3,680	1.5%
Swedbank	Estonia	3,290	3,060	11.01.24	1.95%	Mortgage - Hortes gardening centre Tähesaju	6,480	3.2%
LHV	Estonia	1,800	1,624	25.02.24	2.95%	Mortgage - ABC Motors car centre	3,270	1.7%
Swedbank	Latvia	3,201	2,827	05.02.23	2.80%	Mortgage - Piepilsetas logistics centre	8,730	2.9%
Luminor	Latvia	3,905	2,630	04.02.25	3.75%	Mortgage - airBaltic office building	6,800	2.7%
Swedbank	Estonia	3,100	3,038	28.11.25	1.95%	Mortgage - Piritä care home, parent company's guarantee	6,270	3.1%
Šiaulių bankas	Lithuania	6,000	5,883	13.06.26	2.50%	Mortgage - Ramvaalos logistics centre	10,400	6.1%
SEB	Lithuania	7,300	6,844	12.08.25	2.10%	Mortgage - Rutkauskos office building	12,480	7.1%
Total		84,015	71,177				161,961	73.4%

Short-term borrowings	31.12.2022	31.12.2021
<i>€ thousands</i>		
Repayments of long-term bank loans in the next period ²	22,093	7,677
Discounted contract fees for bank loans	-35	-32
Total short-term borrowings	22,058	7,645

² Repayments of long-term bank loans in the next period as of 31.12.2022 include the balance of the loan obligations of three subsidiaries expiring within the next 12 months in the amount of 19,841 thousand euros. The LTV of the expiring loan agreements is in the 30-40% range, and the investment property have a stable, strong rental cash flow, so according to the Group's management, there will be no obstacles to the extension of the loan agreements.

Long-term borrowings	31.12.2022	31.12.2021
<i>€ thousands</i>		
Total long-term borrowings	67,975	71,085
incl. current portion of borrowings	22,058	7,645
incl. non-current portion of borrowings, incl.	45,917	63,440
<i>Bank loans</i>	<i>45,968</i>	<i>63,500</i>
<i>Discounted contract fees on borrowings</i>	<i>-51</i>	<i>-60</i>

Borrowings are divided as follows according to repayment date:

Repayments of borrowings by maturity	31.12.2022	31.12.2021
<i>€ thousands</i>		
Up to 1 year	22,093	7,677
2-5 years	45,968	63,500
Total repayments of borrowings	68,061	71,177

Cash flows of borrowings	2022	2021
<i>€ thousands</i>		
Balance at the beginning of the period	71,085	72,368
Bank loans received	377	6,300
Loan repayments for refinancing	0	-4,000
Annuity payments on bank loans	-3,493	-3,586
Change of discounted contract fees	6	3
Balance as at the end of period	67,975	71,085

Additional information on borrowings is also provided in Note 15.

14 Payables and prepayments

	31.12.2022	31.12.2021
<i>€ thousands</i>		
Other payables to suppliers (note 12)	268	0
Other debts to suppliers	228	681
Total payables to suppliers	496	681
Other payables	4	25
Total other payables	4	25
VAT	272	252
Income tax on dividends	62	0
Land tax, real estate tax	64	103
Other tax liabilities	5	4
Total tax payables	403	359
Debts to employees	27	23
Interest payable	123	40
Tenants' security deposits	82	77
Other accrued liabilities	326	144
Total prepayments	558	284
Total payables and prepayments	1,461	1,349
Long-term debts		
	31.12.2022	31.12.2021
<i>€ thousands</i>		
Tenants' security deposits	1,008	985
Other long-term debts	0	2
Total other long-term payables	1,008	987

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	31.12.2022	31.12.2021
Financial assets – loans and receivables			
Cash and cash equivalents		11,331	13,074
Trade receivables	11	759	577
Total financial assets		12,090	13,651
Financial liabilities measured at amortised cost			
Borrowings	13	67,975	71,085
Trade payables	14	496	681
Tenant security deposits	14	1,090	1,062
Interest payables	14	123	40
Accrued expenses	14	353	167
Total financial liabilities measured at amortised cost		70,037	73,035
Financial liabilities measured at fair value			
Derivative instruments (interest rate swaps)		0	121
Total financial liabilities measured at fair value		0	121
Total financial liabilities		70,037	73,156

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 31.12.2022, 100% of the Group's loan agreements are based on floating interest rate (margin between 1.4% and 2.95% plus 1-month, 3-month and 6-month EURIBOR). In turn, 18% of floating rate contracts are linked to an interest rate swap, where the 3-month EURIBOR is fixed at 0.35%. All contracts in the loan portfolio of EFTEN Real Estate Fund III AS have a 0% floor to protect against negative EURIBOR, i.e. in the event of a negative EURIBOR, the loan margin for these loan liabilities does not decrease.

Due to the long-term nature of the Group's real estate investments and long-term borrowings 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 3-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 31.12.2022 was positive in the amount of EUR 53 thousand (31.12.2021: negative EUR 121 thousand). 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 of December 31, 2022, the share of the Group's interest-bearing debt liabilities in rental income generating investment properties was 40% (31.12.2021: 44%) and the average debt coverage ratio (DSCR) for the last 12 months was 2.2 (2021: 1.9).

The Group's financing policy stipulates that loan agreements to raise borrowed capital are entered into on a long-term basis, taking into account the maximum length of leases encumbering real estate properties. The table below summarizes the timeliness of the Group's financial liabilities (undiscounted cash flows):

As at 31.12.2022	Less than 1 month	Between 2 and 4 months	Between 5 and 12 months	Between 2 and 5 years	Over 5 years	Total
<i>€ thousands</i>						
Interest-bearing liabilities	371	3,453	18,266	45,971	0	68,061
Interest payments	226	655	1,337	3,365	0	5,583
Interest payables	123	0	0	0	0	123
Trade payables	496	0	0	0	0	496
Tenant security deposits	2	16	64	836	172	1,090
Accrued expenses	353	0	0	0	0	353
Total financial liabilities	1,571	4,124	19,667	50,172	172	75,706

As at 31.12.2021	Less than 1 month	Between 2 and 4 months	Between 5 and 12 months	Between 2 and 5 years	Over 5 years	Total
<i>€ thousands</i>						
Interest-bearing liabilities	299	899	6,478	63,501	0	71,177
Interest payments	141	420	1,060	2,976	0	4,597
Interest payables	40	0	0	0	0	40
Trade payables	681	0	0	0	0	681
Tenant security deposits	5	8	64	853	133	1,062
Accrued expenses	167	0	0	0	0	167
Total financial liabilities	1,333	1,327	7,602	67,330	133	77,724

Statement of working capital

	31.12.2022	31.12.2021
<i>€ thousands</i>		
Cash and cash equivalents	11,331	13,074
Receivables and accrued income (Note 11)	1,522	876
Prepaid expenses	49	314
Total current assets	12,902	14,293
Short-term portion of long-term liabilities (Note 13)	-22,058	-7,645
Short-term payables and prepayments	-1,461	-1,470
Total current liabilities	-23,519	-9,115
Total working capital	-10,617	5,178

As at 31.12.2022 the Group's working capital is negative, i.e. current liabilities exceed current assets by EUR 10,617 thousand (31.12.2021: positive 5,149). The working capital is negative in connection with three loan agreements ending in 12 months, in total 19,841 thousand.

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 activities to prevent and minimize the decrease in cash flows arising from credit risk are to monitor and direct the payment behaviour of customers on a daily basis, which enables the implementation of operationally necessary measures. Customer agreements also provide for the payment of rent payments at the beginning of the calendar month in most cases, which provides sufficient time to monitor customers' payment discipline and to have sufficient liquidity in cash accounts on the day of the annuity payments of financing agreements. The terms of most leases give rise to an obligation to pay a security deposit, at the expense of which the Group has the right to write off debts arising from the insolvency of the lessee. For some leases, the deposit may be replaced by a bank guarantee.

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.

If it becomes apparent that there is a risk that the lessee will become insolvent, the Group assesses each receivable individually and decides to recognize the receivables as doubtful. In general, receivables that are overdue for more than 180 days are considered unlikely to be collected, unless the Group has sufficient assurance that the receivable will be received, or a payment schedule has been agreed for the receivables.

Trade receivables are illustrated by the table below:

	31.12.2022	31.12.2021
Undue	717	536
Past due, incl.	48	48
<i>Up to 30 days</i>	33	40
<i>30-60 days</i>	6	2
<i>More than 60 days</i>	9	6
Allowance for doubtful accounts	-6	-7
Total trade receivables (Note 11)	759	577

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

	31.12.2022	31.12.2021
<i>€ thousands</i>		
Cash and cash equivalents	11,331	13,074
Trade receivables (Note 11)	759	577
Total maximum credit risk	12,090	13,651

Capital management

The Group treats borrowings and equity as capital.

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

After making an investment, the EBITDA of any cash-generating property must not be less than 120% of the loan's annuity payments (including interest expense).

According to the Group's management, the Group's free cash flow allows to pay dividends to investors on average 80% of the adjusted cash flow for the calendar year (EBITDA minus interest expense minus loan payments and Lithuanian corporate income tax expense). During 2022, the group has earned a free cash flow of 6.182 million euros (2021 12 months: 4.550 million euros), of which, according to the Fund's dividend policy, the total amount of net dividends would be 4.638 million euros (2021: 3.401 million euros). Taking into account the obligation to keep a minimum cash balance resulting from the special conditions of the loan of the fund's subsidiaries and the short-term need for liquidity, as well as the possibility of increasing the loan amount by 1 million euros due to the current loan agreement of the Fund's subsidiary EFTEN Laagri OÜ, the Fund's board proposes to the council to pay dividends for 2022 more than the dividend policy stipulates - in total 5.438 million euros.

Statement of capitalization

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

	31.12.2022	31.12.2021
<i>€ thousands</i>		
Short-term liabilities guaranteed with mortgage (Note 13)	22,093	7,677
Unsecured short-term liabilities	1,426	1,438
Total short-term liabilities	23,519	9,115
Long-term liabilities guaranteed with mortgage (Note 13)	45,968	63,500
Unsecured long-term liabilities	8,205	6,872
Total long-term liabilities	54,173	70,372
Share capital and share premium (Note 16)	67,013	67,013
Reserves	2,149	1,489
Retained earnings (Note 17)	35,102	28,412
Total shareholder's equity	104,264	96,914
Total liabilities and equity	181,956	176,401

Statement of net debt

	31.12.2022	31.12.2021
<i>€ thousands</i>		
Cash	11,331	13,074
Total liquid assets	11,331	13,074
The short-term portion of long-term liabilities (Note 13)	22,093	7,677
Net short-term debt	10,762	-5,397
Long-term bank loans (long-term portion) (Note 13)	45,968	63,500
Total long-term debt	45,968	63,500
Total net debt	56,730	58,103

Fair value

The valuation methods used to analyze 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 31.12.2022 and 31.12.2021 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 at 31.12.2022 was EUR 50,725 thousand (31.12.2021: same). As of 31.12.2022 the share capital consisted of 5,072,535 shares (31.12.2021: same) with a nominal value of 10 euros (31.12.2021: the Without amending the articles of association, the company has the right to increase the share capital to EUR 168,901 thousand. As of 31.12.2022 contributions to the share capital and share premium have been made in the total amount of EUR 67,013 thousand (31.12.2021: same), see (Note 15).

List of shareholders of EFTEN Real Estate Fund III AS with more than 10% ownership:

Company	As at 31.12.2022	
	Number of shares	Ownership, %
Altius Energia OÜ	723,182	14.26%
Järve Kaubanduskeskus OÜ	518,952	10.23%
Hoiukonto OÜ	516,930	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 31.12.2022	
	Number of shares	Ownership, %
Viljar Arakas, member of the Management Board	2,000	0.04
Miemma Holding OÜ, a company owned by Viljar Arakas, member of the Management Board	15,440	0.30
Tõnu Uustalu, member of the Management Board	14,753	0.29
Meeli Leis, a close relative of Tõnu Uustalu, member of the Management Board	2,457	0.05
Altius Energia OÜ, a company under the significant control of Arti Arakas, member of the Supervisory Board	723,182	14.26
Olav Miil, member of the Supervisory Board	38,933	0.77
Siive Penu, member of the Supervisory Board	1,350	0.03

17 Contingent liabilities

	31.12.2022	31.12.2021
€ thousands		
Retained earnings (Note 15)	35,102	28,412
Potential income tax liability	7,020	5,682
Dividends can be paid out	28,082	22,730

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 31.12.2022 and 31.12.2021.

18 Transactions with related parties

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 year of 2022, the Group purchased management services from EFTEN Capital AS in the amount of EUR 1,178 thousand (2021:1,074 thousand) (see Note 7).

EFTEN Real Estate Fund III AS did not purchase or sell other goods or services from other related parties during the 2022 nor 2021.

As of December 31, 2022, the Group had a total of 10 employees, who were paid a total of EUR 194 thousand (2021: EUR 245 thousand), (see Note 5,7). No fees were calculated or paid to the members of the Group's Management Board or Supervisory Board during the 2022 nor 2021. 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.

19 Events after the balance sheet date

EFTEN Real Estate Fund III AS and EFTEN Kinnisvarafond AS signed a merger agreement on 19.09.2022, according to which EFTEN Kinnisvarafond AS (the merging party) will merge with EFTEN Real Estate Fund III AS (the merging party) without liquidation proceedings. The balance sheet date of the merger is 01.01.2023, i.e. from this day on, all assets, liabilities, income and expenses of EFTEN Kinnisvarafond AS will be reflected in the financial statements of EFTEN Real Estate Fund III.

The expected impact of the merger on the assets, liabilities and equity of EFTEN Real Estate Fund III is shown in the table below:

	EFTEN Real Estate Fund III AS	EFTEN Kinnisvarafond AS	Transactions upon merger	Merged company 01.01.2023
€ thousands				
Cash and cash equivalents	11,331	11,621	0	22,952
Other current assets	1,571	462	0	2,033
Total current assets	12,902	12,083	0	24,985
Real estate investments	168,875	196,292	0	365,167
Parts of associated companies	0	2,577	0	2,577
Other fixed assets	179	84	0	263
Total fixed assets	169,054	198,953	0	368,007
TOTAL ASSETS	181,956	211,036	0	392,992
Short-term borrowings	22,058	26,875	0	48,933
Other short-term liabilities	1,461	831	0	2,292
Total short-term liabilities	23,519	27,706	0	51,225
Long-term borrowings	45,917	55,528	0	101,445
Deferred income tax liability	7,248	1,791	0	9,039
Other long-term liabilities	1,008	795	0	1,803
Total long-term liabilities	54,173	58,114	0	112,287
TOTAL LIABILITIES	77,692	85,820	0	163,512
Share capital and premium rate	67,013	54,154	71,752	192,919
Mandatory reserve capital	2,149	4,734	-4,734	2,149
Retained earnings	35,102	66,328	-67,018	34,412
Total equity	104,264	125,216	0	229,480
TOTAL LIABILITIES AND EQUITY	181,956	211,036	0	392,992

Declaration of the board for the consolidated interim report for the fourth quarter and 12 months of 2022

We hereby confirm that the consolidated interim report of EFTEN Real Estate Fund III AS for the fourth quarter and 12 months of 2022 provides a correct and fair overview of the group's assets, liabilities, financial status and includes a description of the main risks and the development and results of the business activities of the companies included in the consolidation as a whole.

/signed digitally/

Viljar Arakas

Member of the Management Board

/signed digitally/

Tõnu Uustalu

Member of the Management Board