

Consolidated Interim report for the 3rd quarter and nine months ended 30 September 2022

(translation of the Estonian original)

EfTEN Real Estate Fund III AS
Commercial register number: 12864036

Beginning of financial period: 01.01.2022
End of financial period: 30.09.2022

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**EFTEN
REAL
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FUND III**



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MANAGEMENT REPORT

The fund manager's comments on the financial results of the first 9 months of 2022

The first 9 months of 2022 turned out to be successful for EFTEN Real Estate Fund III. The fund's revenue increased to EUR 10,600 million, i.e. 12.6%, compared to the last year's first nine months.

In the first nine months of the year the fund purchased two new investment properties –land plots for Valkla and Ermi care homes which are planned to accommodate up to 370 customers when finished. As of September 30, 2022 a total of EUR 2,389 million has been spent to purchase the care homes and to make initial investments.

In June 2022, the fund's subsidiaries EFTEN Laagri OÜ (Laagri Selver) and EFTEN Seljaku OÜ (Laagri Hortes) extended their bank loans for the next five years. When EFTEN Laagri OÜ interest margin stayed the same when extending the contract (1,4%), then EFTEN Seljaku OÜ interest margin increased from 1.55% to 2.0%. In the following 12 months, the fund's three loans that have mortgage on Saules Miestas shopping centre, Evolution office building and Piepilsetas logistics centre will meet their maturity dates. All investment properties that are set as collateral have strong rental cash flow and LTV is between 30% and 40%, due to which the management does not see risk related to extending the loan contracts when the maturity date arrives.

As of September 30, 2022, the fund has EUR 3,5 million uninvested capital that is planned to use for development of purchased care home land plots.

Financial overview

The consolidated revenue of EFTEN Real Estate Fund III AS for the third quarter of 2022 was EUR 3,612 million (2021 third quarter: EUR 3,458 million), increasing by 4.5% during the year.

The consolidated revenue of EFTEN Real Estate Fund III AS for the first nine months of 2022 was EUR 10,600 million (2021 first nine months: EUR 9,413 million), increasing by 12.6% compared to last year (EUR 1,187 million). The Group's net rental income of the first nine months of 2022 was EUR 10,135 million (2021: EUR 9,076 million), increasing by 11.7%. The Group's net profit for the same period was EUR 10,209 million (2021: EUR 7,744 million).

	9 months	
	2022	2021
<i>€ million</i>		
Rental revenue, other fees from investment properties	10,600	9,413
Expenses related to investment properties, incl. marketing costs	-0.465	-0.337
Net rental income	10,135	9,076
<i>Net rental income margin</i>	96%	96%
Interest expense and interest income	-1,297	-1,353
Net rental revenue less finance costs	8,838	7,723
Management fees	-0.879	-0.787
Other revenue and expenses	-0.464	-0.497
Profit before change in the value of investment property, fair value change of the interest rate swap and income tax expense	7,495	6,439

In the first nine months of 2022, the consolidated net rental income margin was 96% (2021: same), thus, the expenses directly related to the management of real

estate (incl. land tax, insurance, maintenance, and improvement costs) and marketing expenses accounted for 4% (2021: same) of revenue.

As of September 30, 2022, the volume of the Group's total assets was EUR 180,125 million (31.12.2021: EUR 176,401 million), incl. the fair value of the investment properties that accounted for 94% of the total assets (31.12.2021: 92%).

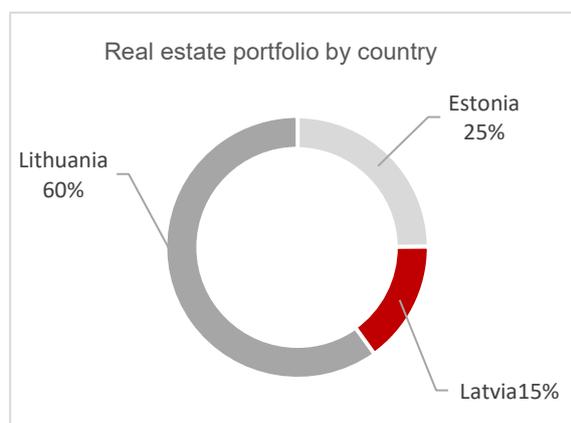
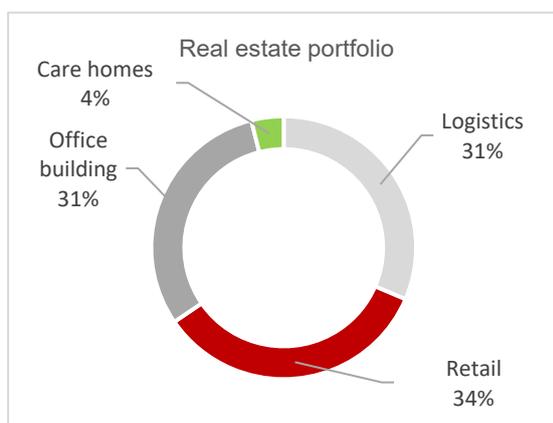
	30.09.2022	31.12.2021
<i>€ millions</i>		
Investment properties	168,830	161,961
Other non-current assets	0.132	0.147
Current assets, excluding cash	1,540	1,219
Net debt (cash and deposits minus short-term and long-term bank loans)	-58,864	-58,103
Net asset value (NAV)	103,065	96,914
EPRA net asset value (EPRA NAV)	109,630	102,708
Net asset value (NAV) per share, in euros	20.32	19.11
EPRA net asset value (EPRA NAV) per share, in euros	21.61	20.25

Key performance and liquidity ratios

9 months or as of September 30	2022	2021
ROE. % (net profit of the period / average equity of the period) x 100	10.2	9.5
ROA. % (net profit of the period / average assets of the period) x 100	5.7	4.8
ROIC. % (net profit of the period / average invested capital of the period) x 100	15.2	13.0
Revenue (€ thousands)	10,600	9,413
EBITDA (€ thousands)	8,828	7,837
EBITDA margin. %	83%	83%
EBIT (€ thousands)	12,493	9,812
EBIT margin. %	118%	104%
Liquidity ratio (current assets / current liabilities)	0.5	1.0
DSCR (EBITDA/(interest expenses + scheduled loan payments))	2.1	1.9

Real estate portfolio

As of September, 2022, the Group had 18 (31.12.2021: 16) commercial real estate investments with a fair value as of balance sheet date in the amount of EUR 168,830 million (31.12.2021: EUR 161,961 million) and acquisition cost of EUR 150,800 million (31.12.2021: EUR 147,633 million).



Main figures of the Group's real estate portfolio

Investment property as of 30.09.2022	Group's ownership	Fair value of investment properties, € thousands	Net leasable area	Rental revenue per annum, € thousands	Occupancy, %	Average length of rental agreements	Number of tenants
DSV logistics centre, Tallinn	100	13,690	16,014	1,044	100	4.1	1
DSV logistics centre, Riia	100	8,800	12,149	739	100	4.2	1
DSV logistics centre, Vilnius	100	9,566	11,751	726	100	4.1	1
Piepilsetas logistics centre, Kekava	100	8,892	13,380	731	100	1.9	7
Ramygalos logistics centre, Panevezys	100	10,710	20,126	814	100	14.6	1
Logistics total		51,658	73,420	4,054	100	5.8	11
Saules Miestas shopping centre, Šiauliai	100	35,445	20,126	3,166	99	4.9	125
Hortes gardening centre, Laagri	100	3,730	3,470	287	100	9.7	1
Laagri Selver, Tallinn	100	7,810	3,059	524	100	5.9	11
Hortes gardening centre, Tallinn	100	6,410	5,300	483	100	12.0	1
ABC Motors Autokeskus, Tallinn	100	3,380	2,149	294	100	6.4	1
Retail total		56,775	34,104	4,754	99	6.1	139
Ulonu office building, Vilnius	100	9,320	5,290	715	100	2.0	13
L3 office building, Vilnius	100	10,691	6,150	776	98	2.8	33
Evolution office building, Vilnius	100	11,836	6,614	875	98	3.3	26
airBaltic head office, Riia	100	6,890	6,217	504	100	3.4	1
Rutkausko office building, Vilnius	100	12,950	6,812	886	100	7.8	3
Office total		51,687	31,083	3,756	99	4.0	76
Pirita Pansionaat, Tallinn	100	6,320	5,983	447	100	8.2	1
Valkla Sūdamekodu, Valkla	100	2,155	2,759		100	9.6	1
Tartu Sūdamekodu, Tartu	100	235			in construction		
Care homes total		8,710	8,742	447	100	8.5	2
Real estate portfolio total		168,830	147,349	13,011	100	5.5	228

In April, the fund's subsidiary EFTEN Valkla OÜ acquired real estate located in Valklaranna tee 36, Valkla. The fund plans to remodel the building from care home to general care 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 thousand and in addition, the fund's subsidiary is required to carry out investments on the amount of EUR 2,000 thousand. Purchase of the real estate plot and investments are financed by the fund's own assets.

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 care 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 care home in 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 own assets.

In the first nine months of 2022, the Group earned rental revenue of EUR 9,995 million. Rental income calculated in comparative terms was EUR 9,331 million in the first nine months of 2022, which is 9% (EUR 752 thousand) more than in 2021 at the same time.

Comparative rental income by segments

€ thousands	Fair value as of 30.09.2022	9 months		Change	Change, %
		Rental income 2022	Rental income 2021		
Office	51,687	2,986	2,782	204	7%
Logistics	40,949	2,402	2,338	64	3%
Retail	56,775	3,631	3,147	484	15%
Care homes	6,319	312	312	0	0%
Total comparative assets and rental income	155,730	9,331	8,579	752	9%
Acquired assets and rental income	13,100	664	233	431	
Total real estate portfolio assets and rental income	168,830	9,995	8,812	1,183	13%

Comparative rental income by countries

€ thousands	Fair value as of 30.09.2022	9 months		Change	Change, %
		Rental income 2022	Rental income 2021		
Estonia	43,729	2,322	2,160	162	8%
Latvia	24,582	1,463	1,423	40	3%
Lithuania	100,519	6,210	5,229	981	19%
Total comparative assets and rental income	168,830	9,995	8,812	1,183	13%
Acquired assets and rental income	13,100	664	233	431	
Total real estate portfolio assets and rental income	181,930	10,659	9,045	1,614	18%

EFTEN Real Estate Fund III AS's largest tenants as of September 30, 2022

Tenant	Share of total rental income
DSV Estonia AS	7.7%
Adax UAB	6.0%
Hortes AS	5.7%
DSV Latvia SIA	5.5%
DSV Lithuania, UAB	5.4%
Atea, UAB	4.9%
AIR BALTIC CORPORATION AS	3.9%
Rimi Lietuva, UAB	3.8%
Pirita Sūdamekodu OÜ	3.3%
Selver AS	2.6%
Valstybinė energetikos reguliavimo taryba	2.3%
Others	48.9%

EPRA performance indicators

EPRA performance indicators

As of the balance sheet date	30.09.2022	30.09.2021	Change
EPRA profit, € thousands	7,280	6,277	16%
EPRA profit per share, in euros	1.44	1.37	5%
EPRA NRV (net reinstatement value), € thousands	109,630	96,741	13%
EPRA NRV per share, in euros	21.61	19.07	13%
EPRA NDV (net disposal value), € thousands	103,065	91,559	13%
EPRA NDV per share, in euros	20.32	18.05	13%
EPRA cost ratio, including direct vacancy costs	13%	12%	6%
EPRA cost ratio, excluding direct costs related to vacancy	12%	12%	7%
EPRA vacancy ratio	0.4%	0.6%	-24%

EPRA indicator calculations

EPRA net asset value indicators

As of 30.09.2022

€ thousands	EPRA NRV	EPRA NTA	EPRA NDV
Net asset value calculated in accordance with IFRS	103,065	103,065	103,065
Adjustments:			
Deferred income tax liability related to the change in the fair value of investment property and tax depreciation	6,644	6,644	-
Fair value of derivatives	-79	-79	-
Net asset value	109,630	109,630	103,065
Number of fully diluted shares	5,072,535	5,072,535	5,072,535
Net asset value per unit, in euros	21.61	21.61	20.32

As of 30.09.2021

€ thousands	EPRA NRV	EPRA NTA	EPRA NDV
Net asset value calculated in accordance with IFRS	91,559	91,559	91,559
Adjustments:			
Deferred income tax liability related to the change in the fair value of investment property and tax depreciation	5,031	5,031	-
Fair value of derivatives	151	151	-
Net asset value	96,741	96,741	91,559
Number of fully diluted shares	5,072,535	5,072,535	5,072,535
Net asset value per unit, in euros	19.07	19.07	18.05

EPRA profit

€ thousands	2022	2021
Net profit (IFRS)	10,209	7,744
Adjustments:		
Change in fair value of investment property	-3,701	-2,020
Change in fair value of financial instruments	-199	-95
Deferred income tax expense related to EPRA adjustments	971	648
EPRA profit	7,280	6,277
Weighted average number of shares during the period	5,072,535	4,572,535
EPRA earnings per share, in euros	1.44	1.37

EPRA vacancy rate

€ thousands	2022	2021
Estimated rental income from vacant premises	58	74
Estimated rental income for the entire real estate portfolio	13,389	12,934
EPRA vacancy rate	0.4%	0.6%

EPRA cost ratios

€ thousands	2022	2021
Cost of sales	-211	-193
Other sales revenue paid by tenants to cover expenses	605	601
Marketing costs	-254	-144
Operating costs	-1,391	-1,302
Total costs, including direct costs related to the vacancy	-1,251	-1,038
Direct vacancy costs	-21	-24
Total costs excluding direct costs related to the vacancy	-1,230	-1,014
Rental income (gross)	9,995	8,812
EPRA cost ratio, including direct vacancy costs	13%	12%
EPRA cost ratio, excluding direct costs related to vacancy	12%	12%

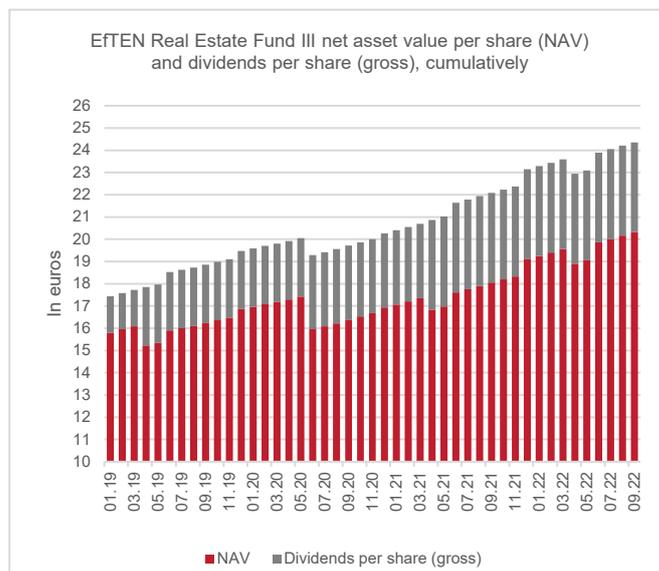
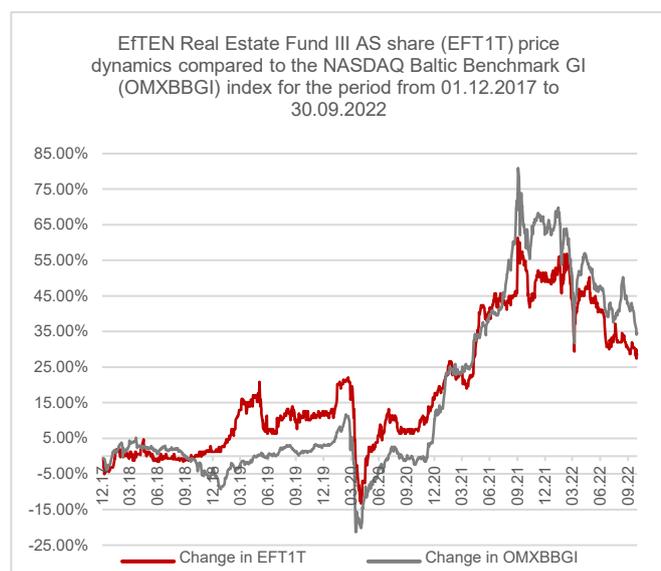
Financing

In the following 12 months, the Group's three subsidiaries' – Evolution office building, Saules Miestas shopping centre and Piepilsetas logistics centre – loan contracts will end, the balance of the loans as of 30 September, 2022 is EUR 20,160 thousand. The LTV of maturing loan contracts is 30%-40% and investment properties have stable strong rental cash flow, due to which the Group's management does not see risk related to extending the contracts.

The weighted average interest rate of the Group's loan agreements (incl. taking into account interest rate swap agreements) as of at the end of September is 2.9% (31.12.2021: same) and LTV (*Loan to Value*) is 41% (31.12.2021: 44%). All of the loan agreements of the fund's subsidiaries are linked to a floating interest rate. In order to hedge the risk of an increase in the interest rate of one loan agreement, where Euribor is fixed at 0.35% rate. The interest rate swap agreement expires in 2023 and it's fair value as of September 30, 2022 is EUR 79 thousand.

Information on shares

As of September 30, 2022, the net asset value per share (EPRA NDV) of EFTEN Real Estate Fund III AS was EUR 20.32 (31.12.2021: EUR 19.11). The net asset value per share of EFTEN Real Estate Fund III AS increased by 6.3% in nine months of 2022.



As of September 30, 2022, EFTEN Real Estate Fund III AS had 6,105 shareholders, of whom 16.9% were legal entities. Legal entities owned 78.83% of total fund's share capital. The distribution of shares is shown 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 states	1	1	2	19,050	531	19,581	0.3756%	0.0105%	0.3860%
United Arab Emirates	-	1	1	-	142	142	-	0.0028%	0.0028%
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	1,019	5,023	6,042	3,969,138	1,062,535	5,031,673	78.2476%	20.9468%	99.1944%
Spain	-	1	1	-	115	115	-	0.0023%	0.0023%
Holland	-	1	1	-	109	109	-	0.0021%	0.0021%
Ireland	-	1	1	-	23	23	-	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	7,529	6,406	13,935	0.1484%	0.1263%	0.2747%
Latvia	1	1	2	2,352	31	2,383	0.0464%	0.0006%	0.0470%
Malta	-	1	1	-	20	20	-	0.0004%	0.0004%
Norway	-	1	1	-	3	3	-	0.0001%	0.0001%
Oman	-	1	1	-	126	126	-	0.0025%	0.0025%
Portugal	-	1	1	-	100	100	-	0.0020%	0.0020%
Sweden	1	3	4	35	83	118	0.0007%	0.0016%	0.0023%
Germany	-	7	7	-	322	322	-	0.0063%	0.0063%
Finland	1	14	15	47	669	716	0.0009%	0.0132%	0.0141%
United Kingdom	-	4	4	-	678	678	-	0.0134%	0.0134%
Switzerland	-	2	2	-	82	82	-	0.0016%	0.0016%
Denmark	1	1	2	1	25	26	-	0.0005%	0.0005%
Total	1,030	5,075	6,105	3,998,818	1,073,717	5,072,535	78.83%	21.17%	100.00%

As of September 30, 2022, EFTEN Real Estate Fund III AS has three shareholders with more than 10% of ownership:

Entity	As of 30.09.2022	
	Number of shares	Ownership, %
Altius Capital OÜ	723,182	14.26
Järve Kaubanduskeskus OÜ	518,952	10.23
Hoiukonto OÜ	516,930	10.19

EFT1T share statistics	9 months	
	2022	2021
Opening price	23.1	19.0
Closing price	19.7	23.3
Minimum share price	19.4	18.8
Maximum share price	24.2	25.6
Volume of traded shares, thousands	204	227
Volume, € million	4,367	4,769
Market capitalization as at 30.09, € million	99,929	106,540
Profit per share, €	2.01	1.69
P/B (closing price / equity per share)	0.97	1.29
P/B EPRA (closing price / EPRA equity per share)	0.91	1.22

INTERIM FINANCIAL STATEMENTS OF THE CONSOLIDATION GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ thousands	Notes	3rd quarter		9 months	
		2022	2021	2022	2021
Revenue	3,4	3,612	3,458	10,600	9,413
Cost of sales	5	-80	-54	-211	-193
Gross profit		3,532	3,404	10,389	9,220
Marketing costs	6	-63	-54	-254	-144
General and administrative expenses	7	-488	-426	-1,391	-1,302
Gain / loss from revaluation of investment properties	12	-1	0	3,701	2,020
Other operating income and expense		5	12	48	18
Operating profit	3	2,985	2,936	12,493	9,812
Other finance income and expense	8	-376	-419	-1,098	-1,258
Profit before income tax		2,609	2,517	11,395	8,554
Income tax expense	9	-282	-243	-1,186	-810
Net profit for the financial year	3	2,327	2,274	10,209	7,744
Earnings per share	10				
- basic		1.17	0.45	2.01	1.69
- diluted		1.17	0.45	2.01	1.69

The notes on pages 13 to 28 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30.09.2022	31.12.2021
<i>€ thousands</i>			
ASSETS			
Cash and cash equivalents	15	9,623	13,074
Receivables and accrued income	11	1,496	876
Prepaid expenses		44	314
Inventory		0	29
Total current assets		11,163	14,293
Long-term receivables		2	4
Investment property	3,12	168,830	161,961
Property, plant and equipment		128	140
Intangible assets		2	3
Total non-current assets		168,962	162,108
TOTAL ASSETS		180,125	176,401
LIABILITIES AND EQUITY			
Borrowings	13	22,280	7,645
Derivative instruments	15	0	121
Payables and prepayments	14	949	1,349
Total current liabilities		23,229	9,115
Borrowings	13	46,117	63,440
Other long-term debt	14	1,007	987
Deferred income tax liability	9	6,707	5,945
Total non-current liabilities		53,831	70,372
Total liabilities		77,060	79,487
Share capital	16	50,725	50,725
Share premium		16,288	16,288
Statutory reserve capital		2,149	1,489
Retained earnings	17	33,903	28,412
Total equity		103,065	96,914
TOTAL LIABILITIES AND EQUITY		180,125	176,401

The notes on pages 13 to 28 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	3rd quarter		9 months	
		2022	2021	2022	2021
<i>€ thousands</i>					
Net profit		2,327	2,274	10,209	7,744
<i>Adjustments of net profit:</i>					
Finance income and expense	8	376	421	1,098	1,260
Gains / losses on revaluation of investment property	12	1	0	-3,701	-2,020
Depreciation and impairment losses	5,7	13	15	35	43
Income tax expense	9	282	243	1,186	810
Total adjustments with non-cash changes		672	679	-1,382	93
Cash flow from operations before changes in working capital		2,999	2,953	8,827	7,837
Change in receivables and payables related to operating activities		-334	882	-824	-170
Net cash flow generated from operating activities		2,665	3,835	8,003	7,667
Purchase of property, plant and equipment		19	-13	-31	-90
Purchase of investment property	12	-226	-239	-3,167	-11,147
Purchase of subsidiaries		0	-95	0	-95
Interest received		0	5	0	9
Net cash flow generated from investing activities		-207	-342	-3,198	-11,323
Loans received	13	0	0	0	6,300
Loan repayments refinancing	13	0	0	0	-4,000
Loan repayments scheduled	13	-893	-914	-2,690	-2,690
Interest paid		-430	-454	-1,298	-1,357
Issue of shares		0	0	0	15,130
Dividends paid	15	0	0	-4,058	-2,798
Income tax on dividends paid		-1	-169	-210	-169
Net cash flow generated from financing activities		-1,324	-1,537	-8,256	10,416
NET CASH FLOW		1,134	1,956	-3,451	6,760
Cash and cash equivalents at the beginning of period		8,489	9,932	13,074	5,128
Change in cash and cash equivalents		1,134	1,956	-3,451	6,760
Cash and cash equivalents at the end of period	15	9,623	11,888	9,623	11,888

The notes on pages 13 to 28 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>€ thousands</i>	<i>Share capital</i>	<i>Share premium</i>	<i>Statutory reserve capital</i>	<i>Retained earnings</i>	<i>Total</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	7,744	7,744
Total comprehensive income for the period	0	0	0	7,744	7,744
Balance as at 30.09.2021	50,725	16,288	1,489	23,057	91,559
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	10,209	10,209
Total comprehensive income for the period	0	0	0	10,209	10,209
Balance as at 30.09.2022	50,725	16,288	2,149	33,903	103,065

Additional information on share capital is provided in Note 16.

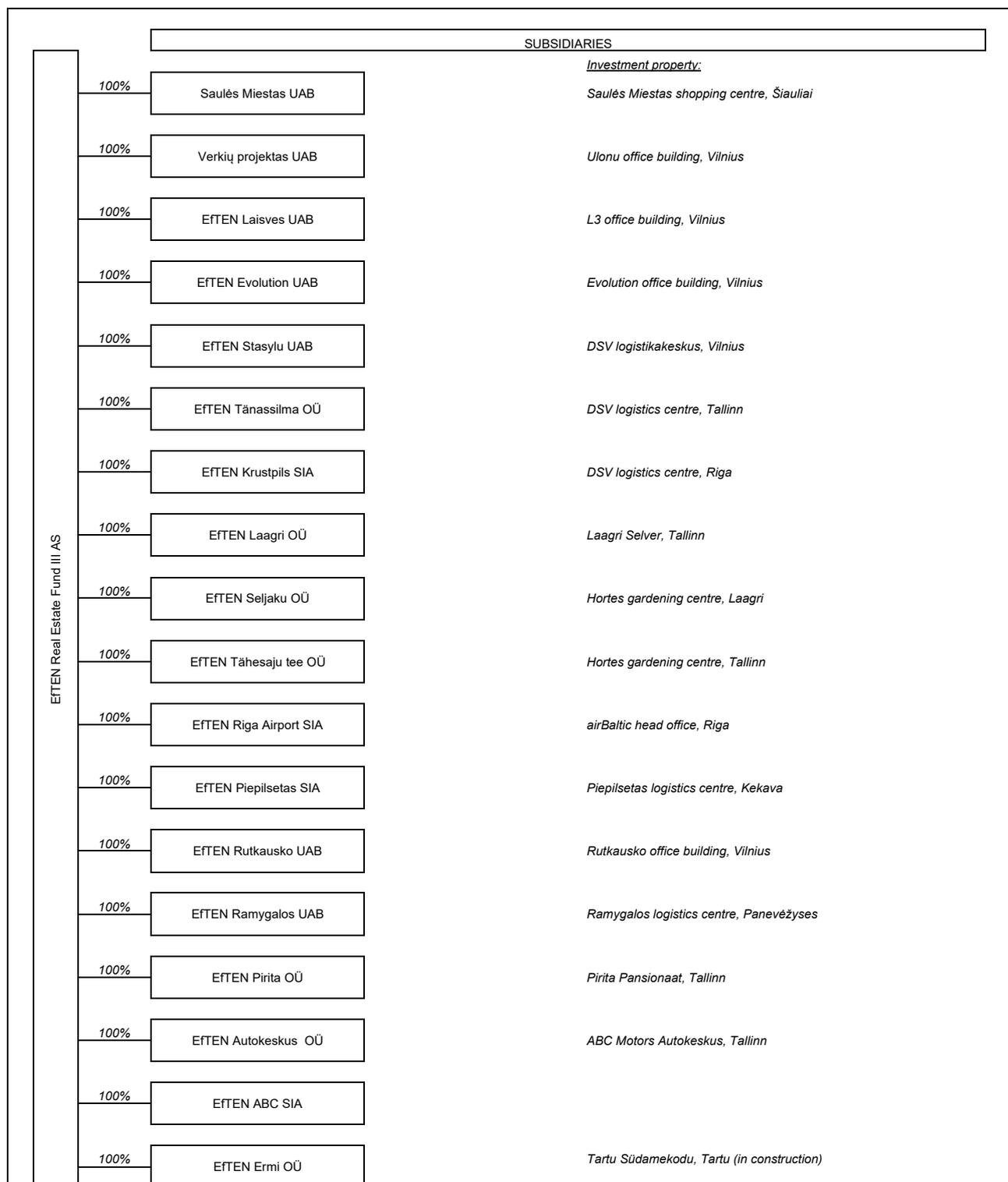
The notes on pages 13 to 28 form an integral part of these financial statements.

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 September 30, 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 third quarter and the first nine months of 2022 correctly and fairly reflects the financial results 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 the consolidated financial statements of the Group. The reporting currency is the euro. The consolidated interim financial statements have been prepared in thousands of euros and all figures have been rounded to the nearest thousand, unless otherwise stated.

2 Subsidiaries

Company name	Country of domicile	Investment property	The subsidiary's equity, € thousands		Group's ownership interest, %	
			30.09.2022	31.12.2021	30.09.2022	31.12.2021
Parent company						
EFTEN Real Estate Fund III AS	Estonia					
Subsidiaries						
Saules Miestas UAB	Lithuania	Saulės Miestas shopping centre, Šiauliai	20,269	18,990	100	100
Verkiu Projektas UAB	Lithuania	Ulonu office building, Vilnius	4,495	4,326	100	100
EFTEN Laisves UAB	Lithuania	L3 office building, Vilnius	5,878	5,375	100	100
EFTEN Stasyļu UAB	Lithuania	DSV logistics centre, Vilnius	5,250	5,106	100	100
EFTEN Tānassilma OÜ	Estonia	DSV logistics centre, Tallinn	8,204	7,729	100	100
EFTEN Krustpils SIA	Latvia	DSV logistics centre, Rīa	3,433	3,083	100	100
EFTEN Tāhesaju tee OÜ	Estonia	Hortes gardening centre, Tallinn	3,543	3,507	100	100
EFTEN Evolution UAB	Lithuania	Evolution office building, Vilnius	6,181	5,528	100	100
EFTEN Seljaku OÜ	Estonia	Hortes gardening centre, Laagri	2,473	2,374	100	100
EFTEN Laagri OÜ	Estonia	Laagri Selver, Tallinn	5,206	4,623	100	100
EFTEN Autokeskus OÜ	Estonia	ABC Motors Car Centre, Tallinn	1,957	1,996	100	100
EFTEN Piepilsetas SIA	Latvia	Piepilsetas logistics centre, Kekava	4,275	4,042	100	100
EFTEN Rīga Airport SIA	Latvia	airBaltic main building, Rīa	4,724	4,469	100	100
EFTEN Rutkauskos UAB	Lithuania	Rutkauskos office building, Vilnius	6,289	5,714	100	100
EFTEN Pirita OÜ	Estonia	Pirita Pansionaat, Tallinn	3,741	3,479	100	100
EFTEN Ramygalos UAB	Lithuania	Ramygalos logistics centre, Panevėžys	5,121	4,585	100	100
EFTEN ABC SIA	Latvia	-	3	0	100	0
EFTEN Valkla OÜ	Estonia	Valkla Südamekodu, Valkla	2,056	0	100	0
EFTEN Ermi OÜ	Estonia	Tartu Südamekodu, Tartu	238	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 wholly-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.

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, for nine months

	Office		Logistics		Retail		Care homes		Non-allocated		Total	
	9 months		9 months		9 months		9 months		9 months		9 months	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<i>€ thousands</i>												
Revenue (note 4), incl.	3,023	2,830	3,050	2,613	4,151	3,658	376	312	0	0	10,600	9,413
Estonia	0	0	789	763	1,189	1,094	376	312	0	0	2,354	2,169
Latvia	374	374	1,121	1,088	0	0	0	0	0	0	1,495	1,462
Lithuania	2,649	2,456	1,140	762	2,962	2,564	0	0	0	0	6,751	5,782
Net operating income, incl.	2,942	2,723	3,021	2,592	3,800	3,453	372	308	0	0	10,135	9,076
Estonia	0	0	789	763	1,170	1,084	372	308	0	0	2,331	2,155
Latvia	373	373	1,092	1,068	0	0	0	0	0	0	1,465	1,441
Lithuania	2,569	2,350	1,140	761	2,630	2,369	0	0	0	0	6,339	5,480
Operating profit, incl.	4,311	2,608	3,621	2,576	4,327	4,497	348	272	-114	-141	12,493	9,812
Estonia	0	0	962	695	1,339	1,617	348	272	-114	-141	2,535	2,443
Latvia	386	305	1,149	978	0	0	0	0	0	0	1,535	1,283
Lithuania	3,925	2,303	1,510	903	2,988	2,880	0	0	0	0	8,423	6,086
EBITDA, incl.	2,625	2,401	2,685	2,259	3,333	3,026	299	288	-114	-141	8,828	7,837
Estonia	0	0	721	695	1,029	946	299	288	-114	-141	1,935	1,788
Latvia	296	305	935	911	0	0	0	0	0	0	1,231	1,216
Lithuania	2,329	2,096	1,029	653	2,304	2,080	0	0	0	0	5,662	4,829
Operating profit											12,493	9,812
Net financial expense											-1,098	-1 258
Profit before income tax											11,395	8,554
Income tax expense (Note 9)											-1,186	-810
NET PROFIT FOR THE REPORTING PERIOD											10,209	7,744

SEGMENT RESULTS, for the 3rd quarter

	Office		Logistics		Retail		Care homes		Non-allocated		Total	
	III quarter		III quarter		III quarter		III quarter		III quarter		III quarter	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<i>€ thousands</i>												
Revenue, incl.	1,041	961	1 032	998	1,397	1,395	142	104	0	0	3,612	3,458
Estonia	0	0	269	256	405	380	142	104	0	0	816	740
Latvia	124	125	382	366	0	0	0	0	0	0	506	491
Lithuania	917	836	381	376	992	1,015	0	0	0	0	2,290	2,227
Net operating income, incl.	1,010	929	1 021	990	1,297	1,328	141	103	0	0	3,469	3,350
Estonia	0	0	269	256	400	378	141	103	0	0	810	737
Latvia	124	125	371	358	0	0	0	0	0	0	495	483
Lithuania	886	804	381	376	897	950	0	0	0	0	2,164	2,130
Operating profit, incl.	868	815	908	880	1,133	1,177	113	87	-37	-23	2,985	2,936
Estonia	0	0	247	234	354	334	113	87	-37	-23	677	632
Latvia	99	99	319	308	0	0	0	0	0	0	418	407
Lithuania	769	716	342	338	779	843	0	0	0	0	1,890	1,897
EBITDA, incl.	870	815	908	879	1,144	1,191	114	87	-37	-23	2,999	2,949
Estonia	0	0	247	234	354	334	114	87	-37	-23	678	632
Latvia	99	99	319	307	0	0	0	0	0	0	418	406
Lithuania	771	716	342	338	790	857	0	0	0	0	1,903	1,911
Operating profit											2,985	2,936
Net financial expense											-376	-419
Profit before income tax											2,609	2,517
Income tax expense											-282	-243
NET PROFIT FOR THE REPORTING PERIOD											2,327	2,274

SEGMENT ASSETS

As of September 30	Office		Logistics		Retail		Care homes		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<i>€ thousands</i>										
Investment property										
Estonia	0	0	13,690	13,132	21,330	19,967	8,709	6,200	43,729	39,299
Latvia	6,890	6,800	17,692	17,185	0	0	0	0	24,582	23,985
Lithuania	44,797	41,306	20,277	19,121	35,445	33,691	0	0	100,519	94,118
Total investment property (Note 12)	51,687	48,106	51,659	49,438	56,775	53,658	8,709	6,200	168,830	157,402
Other non-current assets									132	156
Net debt (liabilities less cash)									-67,437	-66,999
Other current assets									1,540	1,000
NET ASSETS									103,065	91,559

In the 9 months of 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 Group's largest customers are DSV Transport AS and AQ Wiring Systems, UAB, holding 7.7% and 6.0% of the Group's consolidated rental income, respectively. The share of income of other tenants in the consolidated income is less than 6%.

4 Revenue

Segments	9 months	
	2022	2021
<i>€ thousands</i>		
Rental income from office premises (Note 12)	2,986	2,782
Rental income from retail premises (Note 12)	3,631	3,147
Rental income from logistics premises (Note 12)	3,002	2,571
Rental income from care home premises (Note 12)	376	312
Other sales revenue	605	601
Total revenue by segments of activity (Iisa 3)	10,600	9,413

Revenue by geographic areas	9 months	
	2022	2021
<i>€ thousands</i>		
Estonia	2,354	2,169
Latvia	1,495	1,462
Lithuania	6,751	5,782
Total revenue by geographical area (Note 3)	10,600	9,413

5 Cost of services sold

Cost of services sold	9 months	
	2022	2021
€ thousands		
Repair and maintenance of rental premises	-30	-28
Improvement costs	-13	0
Property insurance	-4	-4
Land tax and real estate tax	-21	-51
Other costs of administrative activities	-8	-20
Utility costs of vacant premises	-4	-3
Wage costs, including taxes (Note 18)	-28	-24
Depreciation expenses	-1	-1
Other selling expenses	-102	-59
Allowance for doubtful accounts	0	-3
Total cost of services sold (Note 12)	-211	-193

6 Marketing costs

Marketing costs	9 months	
	2022	2021
€ thousands		
Commission expenses on rental premises	-17	-21
Advertising, advertising events ¹	-237	-123
Total marketing costs	-254	-144

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	9 months	
	2022	2021
€ thousands		
Management services (Note 18)	-879	-787
Office expenses	-29	-30
Wages and salaries, incl. Taxes (Note 18)	-166	-146
Depository costs, costs related to shares	-79	-114
Consulting expenses, legal expenses, accounting service	-136	-128
Valuation of real estate investments	-13	-17
Audit costs	-22	-11
Other general administrative expenses	-33	-27
Depreciation costs	-34	-42
Total administrative expense	-1,391	-1,302

8 Other financial income and expenses

Other financial income and expenses	9 months	
	2022	2021
€ thousands		
Interest expenses, incl.		
Interest expenses from loans	-1,297	-1,353
Interest expense from derivatives (-)/ cost reductions (+)	-1,228	-1,268
Change in fair value of interest swaps	-69	-85
	199	95
Total other financial income and expenses (Note 15)	-1,098	-1,258

9 Income tax

	9 months	
	2022	2021
€ thousands		
Deferred income tax expense for Lithuanian companies	-971	-648
Lithuanian corporate income tax expense on profits	-215	-162
Total income tax expense (Note 3)	-1,186	-810

	Deferred income tax liability related to real estate investments	Deferred income tax liability in respect of dividends	Total
€ thousands			
Balance as at 31.12.2021	5,673	272	5,945
Change in deferred income tax liability in the income statement for the 9 months of 2022	971	0	971
Income tax paid on dividends	0	-209	-209
Balance as at 30.09.2022	6,644	63	6,707

10 Earnings per share

Earnings per share	3rd quarter		9 months	
	2022	2021	2022	2021
Net profit for the period, € thousands	2,327	2,274	10,209	7,744
Dividend per share, euros	0.80	0.66	0.80	0.66
Weighted average number of shares over the period, in pc	5,072,535	5,072,535	5,072,535	4,572,535
Earnings per share, in euros	0.46	0.45	2.01	1.69

11 Receivables and accrued income

	30.09.2022	31.12.2021
€ thousands		
Receivables from customers		
Amounts outstanding from buyers	794	584
Allowance for doubtful accounts	-4	-7
Total receivables from customers	790	577

Other short term receivables		
Receivables from interest derivatives	79	0
Total other short term receivables	79	0
Accrued income		
Advances and refunds of VAT	29	0
Other tax prepayments	36	0
Other accrued income	562	299
Total accrued income	627	299
Total receivables and accrued income	1,496	876

Additional information on receivables and accrued income is provided in Note 15.

12 Investment properties

As of September 30, 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 30.09.2022	Increase in value	Share of market value of the Fund's asset
<i>€ thousands</i>								
Saules Miestas shopping centre	Saules Miestas, Lithuania	20,126	2007	08.2015	29,255	35,445	21%	20%
DSV logistics centre	Vilnius, Lithuania	11,751	2005	06.2016	8,519	9,566	12%	5%
DSV logistics centre	Tallinn, Estonia	16,014	2003	07.2016	12,366	13,690	11%	8%
DSV logistics centre	Riia, Latvia	12,149	2000	07.2016	8,837	8,800	0%	5%
L3 office building	Vilnius, Lithuania	6,150	2004	10.2016	8,828	10,691	21%	6%
Ulonu office building	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	3,730	19%	2%
Hortes gardening centre Tähesaju	Tallinn, Estonia	5,300	2019	05.2018	5,458	6,410	17%	4%
Laagri Selver	Tallinn, Estonia	3,059	2017	05.2017	6,279	7,810	24%	4%
Evolution office building	Vilnius, Lithuania	6,614	2009	05.2018	9,990	11,836	18%	7%
ABC Motors car centre	Tallinn, Estonia	2,149	2002	02.2019	3,479	3,380	-3%	2%
airBalticu office building	Riia, Latvia	6,217	recon. 2016	03.2020	7,100	6,890	-3%	4%
Piepilsetas logistics centre	Kekava, Latvia	13,380	2007	03.2020	8,787	8,892	1%	5%
Rutkausko office building	Vilnius, Lithuania	6,812	2014	08.2020	11,819	12,950	10%	7%
Pirita care home	Tallinn, Estonia	5,983	2020	12.2020	6,217	6,320	2%	4%
Ramygalos logistics centre	Panevėžys, Lithuania	20,126	2007	06.2021	10,011	10,710	7%	6%
Valkla Südamekodu	Valkla, Estonia	2,759	recon. 2022	04.2022	2,155	2,155	0%	1%
Tartu Südamekodu	Tartu, Estonia	In construction	2022-2023	04.2022	235	235	0%	0%
Total		147,349			150,800	168,830	12%	94%

In the nine months of 2022 and 2021 the following changes occurred in the Group's investment properties:

	Investment properties in development	Finished investment properties	Total investment properties
Balance as at 01.01.2021	0	144,235	144,235
Acquisition from business combinations	0	10,311	10,311
Capitalized improvements	0	836	836
Gain/loss form the change in fair value	0	2,020	2,020
Balance as at 30.09.2021	0	157,402	157,402
Balance as at 01.01.2022	0	161,961	161,961
Acquisitions and developments	2,390	0	2,390
Capitalized improvements	0	778	778
Gain/loss form the change in fair value	0	3,701	3,701
Balance as at 30.09.2022	2,390	166,440	168,830

Additional information regarding investment properties is provided in Note 3.

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

As of June 30 or the first half-year	9 months	
	2022	2021
Rental income from investment properties (Note 4)	9,995	8,812
Costs directly related to the management of investment properties (Note 5)	-211	-193
Book value of investment properties pledged as collateral for loan liabilities (Note 13)	166,440	157,402

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 September 30, 2022 has been obtained using the discounted cash flow method. The following assumptions have been used to determine fair value:

As of 30.09.2022:

Sector	Fair value	Evaluation method	Estimated rental income per year	Discount rate	Exit yield	Average rental price €/m2
<i>€ thousands</i>						
Office	51,687	Discounted cash flows	3,756	8.2%-8.45%	7.0%-7.8%	11.3
Logistics	51,658	Discounted cash flows	4,053	8.2%-9.3%	6.75%-7.25%	4.6
Retail	56,775	Discounted cash flows	4,754	7.8%-9.0%	6.5%-8.0%	12.0
Care homes	8,710	Discounted cash flows	447	7.8%	6.8%	6.2
Total	168,830		13,010			

As of 31.12.2021:

Sector	Fair value	Evaluation 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.

13 Borrowings

As at 30.09.2022, the Group has the following borrowings:

Lender	Country of lender	Loan amount as per agreement	Loan balance as at 30.09.2022	Contract term	Interest rate as at 30.09.2022	Loan collateral	Value of collateral	Loan balance's share of the fund's net asset value
Swedbank	Lithuania	14,616	12,772	13.08.23	2.98%	Mortgage - Saules Miestas shopping centre	35,445	12.4%
SEB	Lithuania	5,500	4,076	28.06.26	3.04%	Mortgage - DSV logistics centre	9,566	4.0%
SEB	Latvia	5,123	3,925	29.06.26	2.97%	Mortgage - DSV logistics centre	8,800	3.8%
SEB	Estonia	7,950	5,912	29.06.26	3.08%	Mortgage - DSV logistics centre	13,690	5.7%
SEB	Lithuania	5,620	4,212	27.10.26	3.09%	Mortgage L3 office building	10,691	4.1%
SEB	Lithuania	5,200	3,717	21.12.25	3.44%	Mortgage - Ulonu office building	9,320	3.6%
SEB	Lithuania	5,850	4,721	30.05.23	2.58%	Mortgage - Evolution office building	11,836	4.6%
Swedbank	Estonia	3,290	2,961	11.01.24	2.43%	Mortgage - Hortes gardening centre Tāhesaju	6,410	2.9%
SEB	Estonia	1,860	1,380	05.07.27	2.24%	Mortgage - Hortes gardening centre Laagri	3,730	1.3%
Swedbank	Estonia	3,700	2,840	29.06.27	2.07%	Mortgage - Laagri Selver	7,810	2.8%
LHV	Estonia	1,800	1,569	25.02.24	3.88%	Mortgage - ABC Motors car centre	3,380	1.5%
Luminor	Latvia	3,905	2,500	04.02.25	3.02%	Mortgage - airBaltic office building	6,890	2.4%
Swedbank	Latvia	3,201	2,667	05.02.23	2.80%	Mortgage - Piepilsetas logistics centre	8,892	2.6%
SEB	Lithuania	7,300	6,584	12.08.25	2.76%	Mortgage - Rutkausko office building	12,950	6.4%
Šiaulių bankas	Lithuania	6,000	5,706	13.06.26	2.68%	Mortgage - Ramygalos logistics centre	10,710	5.5%
Swedbank	Estonia	3,100	2,945	28.11.25	2.64%	Mortgage - Piritas care home, parent company's guarantee	6,320	2.9%
Total		84,015	68,487				166,440	66.5%

Short-term borrowings	30.09.2022	31.12.2021
€ thousands		
Repayments of long-term bank loans in the next period	22,316	7,677
Discounted contract fees for bank loans	-36	-32
Total short-term borrowings	22,280	7,645

Long-term borrowings	30.09.2022	31.12.2021
€ thousands		
Total long-term borrowings	68,397	71,085
incl. current portion of borrowings	22,280	7,645
incl. non-current portion of borrowings, incl.	46,117	63,440
Bank loans	46,171	63,500
Discounted contract fees on bank loans	-54	-60

Bank loans are divided as follows according to repayment date:

Repayments of bank loans by maturity	30.09.2022	31.12.2021
€ thousands		
Up to 1 year	22,316	7,677
2-5 years	46,171	63,500
Total repayments of bank loans	68,487	71,177

Cash flows of borrowings	9 months	
	2022	2021
€ thousands		
Balance at the beginning of the period	71,085	72,368
Bank loans received	0	6,300
Loan repayments for refinancing	0	-4,000
Annuity payments on bank loans	-2,690	-2,690
Change of discounted contract fees	2	2
Balance as at the end of period	68,397	71,980

Additional information on loan liabilities is also provided in Note 15.

14 Payables and prepayments

	30.09.2022	31.12.2021
<i>€ thousands</i>		
Other payables to suppliers	316	681
Total payables to suppliers	316	681
Other payables	20	25
Total other payables	20	25
VAT	213	252
Income tax on dividends	39	0
Land tax, real estate tax	12	103
Other tax liabilities	2	4
Total tax payables	266	359
Debts to employees	23	23
Interest payable	32	40
Tenants' security deposits	85	77
Other accrued liabilities	207	144
Total prepayments	347	284
Total payables and prepayments	949	1,349

	30.09.2022	31.12.2021
<i>€ thousands</i>		
Tenants' security deposits	1,007	985
Other long-term debts	0	2
Total other long-term payables	1,007	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

<i>€ thousands</i>	Notes	30.09.2022	31.12.2021
Financial assets – loans and receivables			
Cash and cash equivalents		9,623	13,074
Trade receivables	11	790	577
Total financial assets		10,413	13,651
Financial liabilities measured at amortised cost			
Borrowings	13	68,397	71,085
Trade payables	14	316	681
Tenant security deposits	14	1,092	1,062
Interest payables	14	32	40
Accrued expenses	14	230	167
Total financial liabilities measured at amortised cost		70,067	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		70,067	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 September 30, 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, 19% of floating rate contracts are linked to an interest rate swap, where the 3-month EURIBOR is fixed at 0.35%. During the first nine months of 2022, 3-month EURIBOR fluctuated from -0.576% to 1.228%, i.e. the maximum change during the 9 months was 0.652 basis points. 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 23st -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 30.09.2022 was positive in the amount of EUR 79 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 September 30, 2022, the share of the Group's interest-bearing debt liabilities in rental income generating investment properties was 41% (31.12.2021: 44%) and the average debt coverage ratio (DSCR) for the last 12 months was 2.1 (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 30.09.2022	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	298	895	21,125	46,169	0	68,487
Interest payments	173	515	1,224	3,044	0	4,956
Interest payables	32	0	0	0	0	32
Trade payables	316	0	0	0	0	316
Tenant security deposits	5	8	72	827	179	1,092
Accrued expenses	230	0	0	0	0	230
Total financial liabilities	1,054	1,418	22,421	50,040	179	75,113

Statement of working capital

	30.09.2022	31.12.2021
<i>€ thousands</i>		
Cash and cash equivalents	9,623	13,074
Receivables and accrued income (Note 11)	1,496	876
Prepaid expenses	44	314
Inventory	0	29
Total current assets	11,163	14,293
Short-term portion of long-term liabilities (Note 13)	-22,280	-7,645
Short-term payables and prepayments (Note 14)	-949	-1,470
Total current liabilities	-23,229	-9,115
Total working capital	-12,066	5,178

As at September 30, 2022 the Group's working capital is negative, i.e current liabilities exceed current assets by EUR 12,066 thousand. The working capital is negative in connection with three loan agreements ending in 12 months, that are refinanced as the when maturity of the loans arrive. All of the expiring loan agreements have strong operating cash flow and the LTV stays between 30% and 40%, due to which the management does not see any risk related to extending the loan agreements.

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:

	30.09.2022	31.12.2021
Undue	480	536
Past due, incl.	314	48
<i>Up to 30 days</i>	163	40
<i>30-60 days</i>	80	2
<i>More than 60 days</i>	71	6
Allowance for doubtful accounts	-4	-7
Total trade receivables (Note 11)	790	577

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

	30.09.2022	31.12.2021
<i>€ thousands</i>		
Cash and cash equivalents	9,623	13,074
Trade receivables (Note 11)	790	577
Total maximum credit risk	10,413	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). In May 2022, Eften Real Estate Fund III AS paid their investors (net)dividends in the amount of EUR 4,058 million (2021: EUR 2,798 million). The adjusted cash flow for the 9 months of 2022 is a total of EUR 4,625 million (2021 9 months: EUR 3,791 million), which is a 22% increase compared to previous year. As at 9 months 2022, estimated potential gross dividend, according to the fund's dividend policy, is 72.91 cents per share (2021 9 months: 57.24 cents per share). All loans were serviced as usual and no payment holiday was used by the subsidiaries in the first nine months of 2022.

Statement of capitalisation

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

	30.09.2022	31.12.2021
<i>€ thousands</i>		
Short-term liabilities guaranteed with mortgage (Note 13)	22,316	7,677
Unsecured short-term liabilities	913	1,438
Total short-term liabilities	23,229	9,115
Long-term liabilities guaranteed with mortgage (Note 13)	46,171	63,500
Unsecured long-term liabilities	7,660	6,872
Total long-term liabilities	53,831	70,372
Share capital and share premium (Note 16)	67,013	67,013
Reserves	2,149	1,489
Retained earnings (Note 17)	33,903	28,412
Total shareholder's equity	103,065	96,914
Total liabilities and equity	180,125	176,401

Statement of net debt

€ thousands	30.09.2022	31.12.2021
Cash	9,623	13,074
Total liquid assets	9,623	13,074
The short-term portion of long-term liabilities (Note 13)	22,316	7,677
Net short-term debt	12,693	-5,397
Long-term bank loans (long-term portion) (Note 13)	46,171	63,500
Total long-term debt	46,171	63,500
Total net debt	58,864	58,103

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 September 30, 2022 and December 31, 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 September 30, 2022 was EUR 50,725 thousand (31.12.2021: same). 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 September 30 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 30.09.2022	
	Number of shares	Ownership, %
Altius Capital 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 30.09.2022	
	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 Capital 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*

	30.09.2022	31.12.2021
<i>€ thousands</i>		
Retained earnings (Note 15)	33,903	28,412
Potential income tax liability	6,781	5,682
Dividends can be paid out	27,122	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 September 30, 2022 and December 31, 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 first nine months of 2022, the Group purchased management services from EFTEN Capital AS in the amount of EUR 879 thousand (2021 9 months: 787 thousand) (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 nine months of 2022 nor 2021.

As of September 30, 2022, the Group had a total of 10 employees, who were paid a total of EUR 194 thousand, including related taxes during the first nine months (2021 9 months: EUR 170 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 9 months of 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.

Management's declaration for Consolidated Interim Report for the 9 months of 2022

We hereby confirm that the Consolidated Interim Report for the 9 months of 2022 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/

Viljar Arakas

Member of the Management Board

/signed digitally/

Tõnu Uustalu

Member of the Management Board