Consolidated Interim Report – 3rd quarter and nine months ended 30 September 2018

(translation of the Estonian original)

EfTEN Real Estate Fund III AS

Commercial register number: 12864036

Beginning of financial period: 01.01.2018

End of financial period: 30.09.2018

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MANAGEMENT REPORT

Comment of the Fund manager

The most important economic event of EfTEN Real Estate Fund III AS in the third quarter of 2018 was the beginning of the construction of Hortes gardening centre on Tähesaju road in Tallinn. The gardening center serving eastern Tallinn and Viimsi is scheduled to open in the 4th quarter of 2019. In addition, a substantial renewal of the tenants' composition will be carried out at Saules Miestas shopping center. SportsDirect and Pepco will open the city's new flagship stores. The two anchor tenants will significantly increase the attractiveness of the second floor of the shopping center.

During the first nine months of the year, the potential dividend payout amounted to EUR 1.783 thousand, which is 55 euro cents per share. The Fund's dividend policy determines a dividend payment of 80% of the Fund's annual cash flow. The dividend payout from the 2018 profit will proceed after the general shareholders' meeting in spring 2019.

Financial overview

The consolidated sales revenue of EfTEN Real Estate Fund III AS for 9 months of 2018 was EUR 6.343 million (9 months of 2017: EUR 5.373 million), which increased by 18% in a year. The Group's profit before revaluation of investment properties, depreciation and financial income/ -costs and income tax expense (EBITDA) totalled EUR 4.282 million (9 months of 2017: EUR 3.703 million). The Group's net profit for the same period amounted to EUR 4.548 million (9 months of 2017: EUR 5.298 million). The smaller net profit is due to lower investment property revaluation profit, which in the first nine months of this year was EUR 962 thousand, but EUR 2.316 thousand last year.

The consolidated gross profit margin in the first nine months of 2018 was 97% (9 months of 2017: 98%). Therefore, expenses directly related to management of properties (incl. land tax, insurance, maintenance and improvement costs) accounted for only 3% (9 months of 2017: 2%) of the revenue. The Group's expenses related to properties, marketing costs, general expenses, other income and expenses accounted for 21.2% of the revenue in the first nine months of 2018. The respective indicator was 21.8% in the first nine months of 2017.

	9 months	
	2018	**2017**
EUR million		
Rental revenue, other fees from investment properties	6.343	5.373
Expenses related to investment properties, incl. marketing costs	-0.516	-0.437
Interest expense and interest income	-0.716	-0.501
Net rental revenue less finance costs	**5.111**	**4.435**
Management fees	-0.468	-0.400
Other revenue and expenses	-0.361	-0.332
Profit before change in the value of investment property, change in the success fee liability, fair value change of interest rate swap and income tax expense	**4.282**	**3.703**

As at 30.09.2018, the Group's total assets were in the amount of EUR 107.0 million (31.12.2017: 97.291 million), including fair value of investment property, which accounted for 95% (31.12.2017: 91%) of the total assets.

	30.09.2018	**31.12.2017**
EUR million		
Investment properties	101.308	88.390
Other non-current assets	0.026	0.090
Current assets. excluding cash	0.476	0.678
Net debt	-53.068	-42.773
Net asset value (NAV)	48.742	46.385
Net asset value (NAV) per share (in euros)	15.13	14.39

In the first nine months of the year, the net asset value of the share of EfTEN Real Estate Fund III AS increased by 5.1%. From the 2017 profit, EUR 2,191 thousand (in spring 2017: EUR 1,503 thousand) was paid out in dividends in April 2018. Without the dividend payment, the Fund's NAV would have increased by 9.4% in the first nine months of 2018. Return on invested capital (ROIC) was 16.4% in the first nine months of 2018 (9 months of 2017: 27.6%).

Access to flexible financing conditions will help to increase the Group's competitiveness. In the first nine months of 2018, the Group entered into new loan contracts in the total amount of EUR 9.492 million in connection with the acquisition of new investment properties. As at the end of the first nine months of 2018, the average interest rate on Group's loan agreements (including interest swap contracts) was 1.86% (31.12.2017: 1.73%) and the LTV (loan to value) ratio was 53% (31.12.2017: 52%).

The dividend policy of EfTEN Real Estate Fund III AS provides that the Group will pay out 80% of the free cash flow to shareholders as (gross) dividends in each accounting year. In April 2018, EfTEN Real Estate Fund III AS paid the shareholders (net) dividends in the amount of EUR 2.2 million (2017: EUR 1.5 million), which represents 6.1% (2017: 6.0%) of the share capital paid in.

During the first nine months of 2018, the Group earned a free cash flow of EUR 2.370 million (9 months of 2017: EUR 2.146 million). Following the deduction of Lithuanian income tax expense and the calculation of the dividend income tax expense in Estonian and Latvian companies, EfTEN Real Estate Fund III would be able to pay net dividends to the shareholders in the total amount of EUR 1.783 million (55 cents per share) from the profit earned in the first nine months of the year. For the entire previous year, the fund paid the shareholders a net dividend of 68 cents per share.

Potential dividend payment calculation

	9 month	
	2018	**2017**
EUR thousand		
EBITDA	**5,008**	**4,218**
Interest expense	-704	-563
Bank loan repayments	-1,764	-1,509
Income tax expense on profit (Latvia, Lithuania)	-170	-380
Free cash flow	2,370	1,766
80% of the free cash flow	1,896	1,413
Potential dividend income tax expense	-113	-62
Potential net dividend	1,783	1,351
Number of shares at the end of the period	3,222,535	2,885,263
Potential net dividends per share (in euros)	**0.55**	**0.47**

Key performance and liquidity ratios

12 months	**30.09.2018**	**31.12.2017**
ROE, % (*net profit of the period / average equity of the period) x 100*	13.6	17.1
ROA, % (*net profit of the period / average assets of the period) x 100*	5.8	7.5
ROIC, % *(net profit of the period / average invested capital of the period) x 100*[1]	16.4	21.6
ROCE, % *(operating profit / average invested capital of the period) *100*	22.4	32.2
Short-term coverage ratio (current assets / current liabilities)	1.6	2.2
Solvency multiplier ((cash + receivables from buyers) / current liabilities)	1.6	2.1
DSCR (EBITDA/*(interest expenses + scheduled loan payments)))*	2.0	2.0

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

Real estate portfolio

The Group invests in commercial real estate with a strong and long-term tenant base. At the end of the first nine months of 2018, the Group had 10 (31.12.2017: 8) commercial investment properties with a fair value as at the balance sheet date of EUR 101.3 (31.12.2017: EUR 88.4) million and acquisition cost of EUR 93.6 (31.12.2017: EUR 81.7) million.

The real estate portfolio of the Group is divided into following sectors:

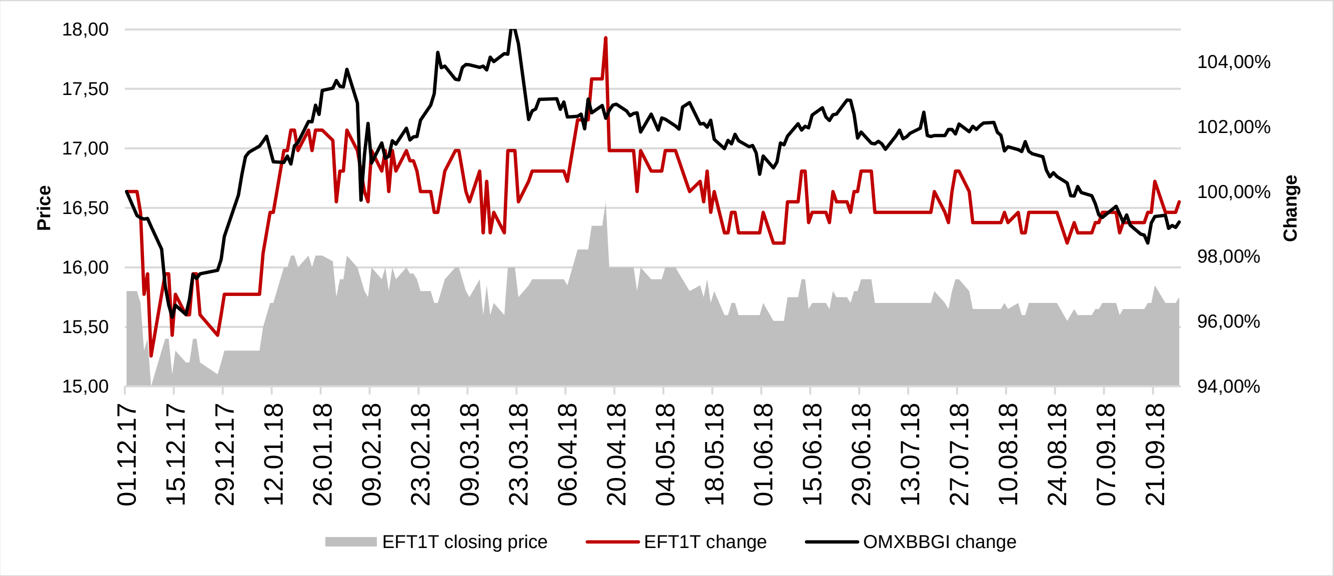
Investment property, as at 30.09.2018	Group's ownership	Fair value of investment property	Net leasable area	Rental revenue per annum (EUR thousand)	Occupancy, %	Average length of rental agreements	Number of tenants
DSV Tallinn	100	12,940	16,014	996	100	7.8	1
DSV Riga	100	8,632	5,398	697	100	7.8	1
DSV Vilnius	100	8,630	11,687	686	100	7.8	1
Total logistics		**30,202**	**33,099**	**2,379**	**100**	**7.8**	**3**
Saules Miestas shopping center	100	31,296	19,881	2,898	98	4.5	117
Hortes gardening center, Laagri	100	3,300	3,470	259	100	13.7	1
Hortes gardening center, Tähesaju	100	900			*development stage*		
Selver in Laagri	100	6,570	3,063	494	99	9.0	10
Total retail		**42,066**	**26,414**	**3,651**	**99**	**5.8**	**128**
Ulonu office building	100	9,220	5,174	691	95	3.0	14
Evolution office building	100	10,000	6,172	773	86	1.3	36
L3 office building	100	9,820	6,151	761	100	1.1	41
Total office		**29,040**	**17,497**	**2,225**	**94**	**1.8**	**91**
Total real estate portfolio		**101,308**	**77,010**	**8,255**	**98**	**5.3**	**222**

Information on shares

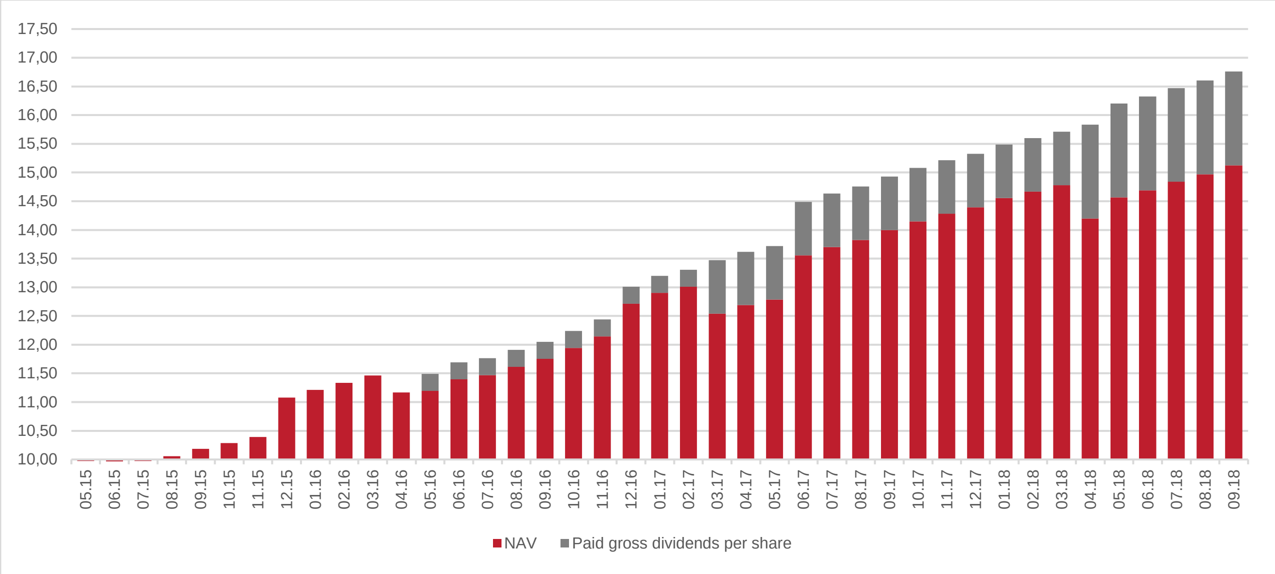
As at 30.09.2018, payments made to the share capital of EfTEN Real Estate Fund III AS total EUR 35.883 million (31.12.2017: the same) and the number of shares as at 30.09.2018 was 3,222,535 (31.12.2017: the same). EfTEN Real Estate Fund III AS listed its shares on NASDAQ Tallinn Stock Exchange in November 2017. The Fund has one type of registered shares with a nominal value of EUR 10 per share. Each share gives the Funds' shareholder one vote at the general meeting. As at 30.09.2018, the Fund has 1781 shareholders.

As at 30.09.2018, EfTEN Real Estate Fund III AS had three shareholders with ownership interest in excess of 10% – Altius Energia OÜ, with an ownership interest of 14.1%, Järve Kaubanduskeskus OÜ, with and ownership of 10.2% and Hoiukonto OÜ, with and ownership of 10.2%.

The Dynamics of EfTEN Real Estate Fund III AS stock price and trading volume on NASDAQ TALLINN stock exchange compared to NASDAQ Baltic Benchmark GI



The net asset value of EfTEN Real Estate Fund III share and paid dividends (cumulative)



CONDENSED INTERIM REPORT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		3rd quarter		9 months	
EUR thousand	Notes	**2018**	2017	**2018**	2017
Revenue	3,4	2,238	1,835	6,343	5,373
Cost of services sold	5	-99	-35	-184	-102
Gross profit		**2,139**	**1,800**	**6,159**	**5,271**
Marketing costs	6	-108	-119	-332	-335
General and administrative expenses	7	-269	-256	-836	-1,200
Gain / loss from revaluation of investment properties	12	0	0	962	2,316
Other operating income and expense		0	1	7	5
Operating profit	**3**	**1,762**	**1,426**	**5,960**	**6,057**
Interest income		0	0	3	0
Finance costs	8	-199	-243	-719	-501
Profit before income tax		**1,563**	**1,183**	**5,244**	**5,556**
Income tax expense	9	-164	84	-696	-258
Total comprehensive for the financial period	**3**	**1,399**	**1,267**	**4,548**	**5,298**
Earnings per share	10				
- Basic		0.43	0.46	1.41	2.05
- Diluted		0.43	0.46	1.41	2.05

The notes on pages 10-25 are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30.09.2018	31.12.2017
EUR thousand			
ASSETS			
Cash and cash equivalents		5,190	8,133
Receivables and accrued income	11	398	641
Prepaid expenses		78	37
Total current assets		**5,666**	**8,811**
Long-term receivables		0	49
Investment property	3,12	101,308	88,390
Property, plant and equipment		22	37
Intangible assets		4	4
Total non-current assets		**101,334**	**88,480**
TOTAL ASSETS		**107,000**	**97,291**
LIABILITIES AND EQUITY			
Borrowings	13	2,633	2,109
Derivative instruments	15	72	58
Payables and prepayments	14	798	1,848
Total current liabilities		**3,503**	**4,015**
Borrowings	13	50,875	43,667
Other long-term liabilities	14	555	360
Deferred income tax liability	9	3,325	2,864
Total non-current liabilities		**54,755**	**46,891**
Total liabilities		**58,258**	**50,906**
Share capital	16	32,225	32,225
Share premium	16	3,658	3,658
Statutory reserve capital		622	293
Retained earnings		12,237	10,209
Total equity		**48,742**	**46,385**
TOTAL LIABILITIES AND EQUITY		**107,000**	**97,291**

The notes on pages 10-25 are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	3rd quarter		9 months	
		2018	2017	**2018**	2017
EUR thousand					
Net profit		**1,399**	**1,267**	**4,548**	**5,298**
Adjustments:					
Finance costs	8	196	243	716	501
Gain (loss) from revaluation of investment properties	12	0	0	-962	-2,316
Change in success fee liability	7	0	1	0	463
Depreciation, amortisation and impairment		4	4	13	16
Gain (loss) from the sale of property, plant and equipment		0	0	-7	0
Income tax expense	9	164	-84	696	258
Total adjustments with non-cash changes		**364**	**164**	**456**	**-1,078**
Cash flow from operations before changes in working capital		**1,763**	**1,431**	**5,004**	**4,220**
Change in receivables and payables related to operating activities		-96	402	-312	-43
Net cash generated from operating activities		**1,667**	**1,833**	**4,692**	**4,177**
Purchase of property, plant and equipment		8	-2	-2	-2
Purchase of investment property	12	-76	-2,881	-12,309	-7,759
Sale of investment property		0	0	7	0
Acquisition of subsidiaries	2	-10	-3,143	-100	-3,983
Net cash generated from investing activities		**-78**	**-6,026**	**-12,404**	**-11,744**
Loans received	13	316	3,776	9,492	3,776
Scheduled loan repayments	13	-664	-469	-1,764	-1,493
Interest paid		-260	-210	-698	-566
Proceeds from issuance of shares	16	0	2,945	0	9,217
Dividends paid	15	0	0	-2,191	-1,503
Income tax paid on dividends		0	-26	-70	-35
Net cash generated from financing activities		**-608**	**6,016**	**4,769**	**9,396**
NET CASH FLOW		**981**	**1,823**	**-2,943**	**1,829**
Cash and cash equivalents at the beginning of period		**4,209**	**3,198**	**8,133**	**3,192**
Change in cash and cash equivalents		981	1,823	-2,943	1,829
Cash and cash equivalents at the end of period		**5,190**	**5,021**	**5,190**	**5,021**

The notes on pages 10-25 are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR thousand	Share capital	Share premium	Statutory reserve capital	Retained earnings	**Total**
Balance as at 31.12.2016	**23,853**	**1,038**	**75**	**5,355**	**30,321**
Issue of shares	5,000	1,272	0	0	**6,272**
Dividends paid	0	0	0	-1,503	**-1,503**
Transfers to statutory reserve capital	0	0	218	-218	**0**
Total transactions with owners	**5,000**	**1,272**	**218**	**-1,721**	**4,769**
Net profit for the financial period	0	0	0	5,298	**5,298**
Total comprehensive income for the period	**0**	**0**	**0**	**5,298**	**5,298**
Balance as at 30.09.2017	**28,853**	**2,310**	**293**	**8,932**	**40,390**
Balance as at 31.12.2017	**32,225**	**3,658**	**293**	**10,209**	**46,385**
Dividends paid	0	0	0	-2,191	**-2,191**
Transfers to statutory reserve capital	0	0	329	-329	**0**
Total transactions with owners	**0**	**0**	**329**	**-2,520**	**-2,191**
Net profit for the financial period	0	0	0	4,548	**4,548**
Total comprehensive income for the period	**0**	**0**	**0**	**4,548**	**4,548**
Balance as at 30.09.2018	**32,225**	**3,658**	**622**	**12,237**	**48,742**

For additional information on share capital, please see Note 16.

The notes on pages 10-25 are an integral part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Accounting policies and valuation principles used in compiling the consolidated interim report

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 30.09.2018 is as follows (also see Note 2):

EfTEN Real Estate Fund III AS		SUBSIDIARIES	*Investment property::*
	100%	Saulės Miestas UAB	*Saulės Miestas shopping center, Šiauliai*
	100%	Verkių projektas UAB	*Ulonu office building, Vilnius*
	100%	EfTEN Laisves UAB	*L3 office building, Vilnius*
	100%	EfTEN Evolution UAB	*Evolution office building, Vilnius*
	100%	EfTEN Stasylu UAB	*DSV logistics center, Vilnius*
	100%	EfTEN Tänassilma OÜ	*DSV logistics center, Tallinn*
	100%	EfTEN Krustpils SIA	*DSV logistics center, Riga*
	100%	EfTEN Laagri OÜ	*Laagri Selver grocery store, Tallinn*
	100%	EfTEN Tähesaju tee OÜ	*Tähesaju tee Hortes, Tallinn*
	100%	EfTEN Seljaku OÜ	*Hortes gardening center, Tallinn*

The condensed consolidated interim financial statements of EfTEN Real Estate Fund III AS and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Current consolidated interim financial statements are prepared in accordance with the International Accounting Standard IAS 34: Interim Financial Reporting. The interim financial statements have been prepared using the same accounting policies as in the financial statements for the year ended 31.12.2017. The interim financial statements should be read in conjunction with the latest disclosed financial statements of the Group for 2017, which is prepared in accordance with International Financial Reporting Standards (IFRS). According to the Management Board's estimate, EfTEN Real Estate Fund III AS interim financial statements for the third quarter and 9 months of 2018 present a true and fair view of the results of the Group's operations in accordance with the continuity principle. Current interim financial statements have not been audited or otherwise checked by the auditors and contain only Group's consolidated reports. The reporting currency is the euro. The consolidated interim financial statements are prepared in thousands of euros and all figures are rounded to the nearest thousand, if not indicated otherwise.

2 *Subsidiaries*

Company name	Country of domicile	Investment property	The subsidiary's equity, EUR thousand		Group's ownership interest, %	
			30.09.2018	31.12.2017	30.09.2018	31.12.2017
Parent company						
EfTEN Real Estate Fund III AS	Estonia					
Subsidiaries						
Saules Miestas UAB	Lithuania	Shopping center Saules Miestas	13,156	12,980	100	100
Verkiu projektas UAB	Lithuania	Ulonu office building, Vilnius	3,929	3,855	100	100
EfTEN Laisves UAB	Lithuania	L3 office building, Vilnius	4,493	4,286	100	100
EfTEN Stasylu UAB	Lithuania	DSV logistics center, Vilnius	3,849	3,683	100	100
EfTEN Tänassilma OÜ	Estonia	DSV logistics center, Tallinn	6,109	6,007	100	100
EfTEN Krustpils SIA	Latvia	DSV logistics center, Riga	2,385	2,134	100	100
EfTEN Tähesaju tee OÜ	Estonia	Hortes gardening center, Tallinn	1,565	-	100	-
EfTEN Evolution UAB	Lithuania	Evolution office building, Vilnius	4,119	-	100	-
EfTEN Seljaku OÜ	Estonia	Hortes gardening center, Saue	1,685	1,445	100	100
EfTEN Laagri OÜ	Estonia	Selver grocery store, Laagri	3,505	3,255	100	100

On April 19, 2018, EfTEN Real Estate Fund III founded a 100% owned subsidiary, EfTEN Tähesaju tee OÜ for the purpose of acquiring the Hortes gardening center in Tallinn, contributing EUR 2,500 to the company's share capital. In May 2018, additional EUR 1,080 was paid to company's share capital.

On May 30, 2018, EfTEN Real Estate Fund III acquired 100% ownership in the subsidiary EfTEN Evolution UAB with the aim of acquiring Evolution office building in Vilnius. The acquisition cost of the subsidiary was EUR 2,500 and the company's equity was equal to the purchase price at the time of the acquisition. After the acquisition, EfTEN Real Estate Fund III paid an additional EUR 3,205 thousand to the company's share capital. The funds received by the subsidiary were used as own investment to the Evolution Office building.

During the first nine months of 2018, EfTEN Real Estate Fund III AS paid the last instalment in the amount of EUR 100 thousand for the shares of EfTEN Laagri OÜ acquired in 2017.

3 *Segment reporting*

SEGMENT RESULTS

	Office		Logistics		Retail		Non-allocated		Total	
9 months	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
EUR thousand										
Revenue (Note 5), incl.	**1,347**	**1,110**	**1,736**	**1,548**	**3,260**	**2,715**	**0**	**0**	**6,343**	**5,373**
Estonia	0	0	742	732	554	85	0	0	1,296	817
Latvia	0	0	477	313	0	0	0	0	477	313
Lithuania	1,347	1,110	517	503	2,706	2,630	0	0	4,570	4,243
Operating income, net, incl.	**1,246**	**1,079**	**1,731**	**1,546**	**2,850**	**2,311**	**0**	**0**	**5,827**	**4,936**
Estonia	0	0	742	732	545	82	0	0	1,287	814
Latvia	0	0	477	313	0	0	0	0	477	313
Lithuania	1,246	1,079	512	501	2,305	2,229	0	0	4,063	3,809
Operating profit, incl.	**2,055**	**1,541**	**1,384**	**1,615**	**2,599**	**2,953**	**-78**	**-52**	**5,960**	**6,057**
Estonia	0	0	544	761	545	34	-78	-52	1,011	743
Latvia	0	0	347	298	0	0	0	0	347	298
Lithuania	2,055	1,541	493	556	2,054	2,919	0	0	4,602	5,016
EBITDA, incl.	**1,116**	**975**	**1,556**	**1,390**	**2,413**	**1,906**	**-78**	**-52**	**5,007**	**4,219**
Estonia	0		674	665	463	36	-78	-52	1,059	649
Latvia	0		419	273	0	0	0	0	419	273
Lithuania	1,116	975	463	452	1,950	1,870	0	0	3,529	3,297
Operating profit									**5,960**	**6,057**
Net financial expense									-716	-501
Profit before income tax expense									**5,244**	**5,556**
Income tax expense (Note 9)									-696	-258
NET PROFIT FORT HE FINANCIAL PERIOD									**4,548**	**5,298**

	Office		Logistics		Retail		Non-allocated		Total	
III quarter	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
EUR thousand										
Revenue (Note 5), incl.	**543**	**369**	**596**	**515**	**1 099**	**951**	**0**	**0**	**2,238**	**1,835**
Estonia	0	0	247	245	185	63	0	0	432	308
Latvia	0	0	175	104	0	0	0	0	175	104
Lithuania	543	369	174	166	914	888	0	0	1,631	1,423
Operating income, net, incl.	**487**	**361**	**592**	**514**	**952**	**806**	**0**	**0**	**2,031**	**1,681**
Estonia	0	0	247	245	183	61	0	0	430	306
Latvia	0	0	175	104	0	0	0	0	175	104
Lithuania	487	361	170	165	769	745	0	0	1,426	1,271
Operating profit, incl.	**438**	**322**	**535**	**461**	**810**	**657**	**-21**	**-14**	**1,762**	**1,426**
Estonia	0	0	225	223	153	28	-21	-14	357	237
Latvia	0	0	155	89	0	0	0	0	155	89
Lithuania	438	322	155	149	657	629	0	0	1,250	1,100
EBITDA, incl.	**438**	**322**	**534**	**461**	**818**	**660**	**-21**	**-52**	**1,769**	**1,391**
Estonia	0	0	225	223	153	30	-21	-52	357	201
Latvia	0	0	154	89	0	0	0	0	154	89
Lithuania	438	322	155	149	665	630	0	0	1,258	1,101
Operating profit									**1,762**	**1,426**
Net financial expense									-199	-243
Profit before income tax expense									**1,563**	**1,183**
Income tax expense (Note 9)									-164	84
NET PROFIT FORT HE FINANCIAL PERIOD									**1,399**	**1,267**

SEGMENT ASSETS

	Office		Logistics		Retail		Total	
As at 30 September	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
EUR thousand								
Investment property (Note 12)								
Estonia		0	12,940	12,790	10,770	8,250	23,710	21,040
Latvia		0	8,632	5,858	0	0	8,632	5,858
Lithuania	19,040	18,834	8,630	8,550	41,296	31,234	68,966	58,618
Total investment property	**19,040**	**18,834**	**30,202**	**27,198**	**52,066**	**39,484**	**101,308**	**85,516**
Other non-current assets							26	36
Net debt							-53,068	-45,646
Other short-term assets							476	481
NET ASSETS							**48,742**	**40,387**

In the first three quarters of 2018 and 2017, no transactions were made between business segments. The Group's main income is from investment property located in the same countries where the subsidiary that owns the investment property.

The Group's largest customers are DSV Transport AS, DSV SIA and DSV Transport UAB that account for 12.5%, 8.9% and 8.6% of the Group's consolidated rental income, respectively. The revenue from the rest of the tenants is less than 6% of consolidated revenue.

4 Revenue

	9 months	
Areas of activity	**2018**	2017
EUR thousand		
Rental income from office premises	1,314	1,085
Rental income from retail premises	2,762	2,208
Rental income from warehousing and logistics premises	1,729	1,549
Other sales revenue	538	531
Total revenue by areas of activity (Note 3, 12)	**6,343**	**5,373**

	9 months	
Revenue by geographical area	**2018**	2017
EUR thousand		
Estonia	1,296	817
Latvia	477	313
Lithuania	4,570	4,243
Total revenue by geographical area (Note 3, 12	**6,343**	**5,373**

5 Cost of services sold

	9 months	
Cost of services sold	**2018**	2017
EUR thousand		
Repair and maintenance of rental premises	-74	-78
Property insurance	-13	-12
Land tax and real-estate tax	-66	-21
Wages and salaries, incl. taxes	-7	0
Other sales costs	-20	0
Impairment losses of doubtful receivables	-4	9
Total cost of service sold	**-184**	**-102**

6 Marketing costs

	9 months	
Marketing costs	**2018**	2017
EUR thousand		
Commission expenses on rental premises	-7	-1
Advertising, promotional events[1]	-325	-334
Total marketing costs	**-332**	**-335**

[1]The cost of advertising and promotional events is largely comprised of the cost of shopping mall events that tenants cover as an agreed marketing fee.

7 General and administrative expenses

	9 months	
	2018	2017
EUR thousand		
Management services (Note 17)	-468	-400
Office expenses	-31	-45
Wages and salaries, incl. taxes	-167	-161
Consulting expenses, regulator costs	-62	-58
Depository's charges	-52	-18
Change in success fee liability	0	-463
Other general and administrative expenses	-43	-39
Depreciation	-13	-16
Total general and administrative expenses	**-836**	**-1,200**

8 Finance costs

	9 months	
Finance costs	**2018**	2017
EUR thousand		
Interest expenses, incl.	-705	-563
interest expense from loans	-654	-563
Interest expense from derivatives (-)/ cost reductions (+)	-51	0
Change in fair value of interest swaps (Note 15)	-14	62
Total finance costs	**-719**	**-501**

9 Income tax

	9 months	
	2018	2017
EUR thousand		
Income tax from dividends	-70	-35
Deferred income tax in Latvian and Lithuanian subsidiaries	-167	176
Income tax expense from Latvian and Lithuanian profit	-459	-399
Total income tax expense	**-696**	**-258**

As at 30.09.2018, the Group has a deferred tax liability in connection with the use of tax amortisation in Lithuania and Latvia in the amount of EUR 3,325 thousand (31.12.2017: EUR 2,864 thousand). Deferred tax expense payment / netting obligation arises after the expiration of the tax depreciation period.

10 Earnings per share

	9 months	
Earnings per share	**2018**	2017
Net profit of the period, *in EUR thousand*	**4,549**	5,297
Dividends per share, in euros	**0.68**	0.63
Weighted average number of shares over the period, in pcs	**3,222,535**	2,582,992
Earnings per share, in euros	**1.41**	2.05

11 Receivables and accrued income

Short-term receivables and accrued income

	30.09.2018	31.12.2017
EUR thousand		
Receivables from customers	309	480
Accrued income		
Prepaid taxes and receivables for reclaimed value-added tax	34	65
Other accrued income	55	96
Total accrued income	**89**	**161**
Total receivables	**398**	**641**

12 Investment property

As at 30.09.2018, the Group has made investments in the following investment properties:

Name	**Location**	**Area (m2)**	**Year of construction**	**Date of acquisition**	**Acquisition cost**	**Market value at 30.09.2018**	**Share of market value of the Fund's assets**
EUR thousand							
Saules Miestas shopping center	Saules Miestas, Lithuania	19,881	2007	08.2015	28,237	31,296	29%
DSV logistics center	Vilnius, Lithuania	11,687	2005	06.2016	8,470	8,630	8%
DSV logistics center	Tallinn, Estonia	16,014	2003	07.2016	12,227	12,940	12%
DSV logistics center	Riga, Latvia	5,398	2000	07.2016	8,658	8,632	8%
L3 office building	Vilnius, Lithuania	6,150	2004	10.2016	8,706	9,820	9%
Evolution office building	Vilnius, Lithuania	6,172	2009	05.2018	9,016	10,000	9%
Ulonu office building	Vilnius, Lithuania	5,174	2012	12.2015	8,072	9,220	9%
Hortes gardening center in Laagri	Laagri, Estonia	3,470	2006	05.2017	3,108	3,300	3%
Hortes gardening center in Tähesaju	Tallinn, Estonia	development in progress	2018	05.2018	900	900	1%
Selver grocery store in Laagri	Tallinn, Estonia	3,063	2017	05.2017	6,223	6,570	6%
Total		**77,009**			**93,617**	**101,308**	**95%**

For more information on investment property, please see Note 4 “Segment reporting”.

In the first nine months of 2018 and 2017, the following changes have occurred in the Group's investment property:

	Investment property in the development stage	Completed investment property	**Total investment property**
Balance as at 01.01.2017	**0**	**73,539**	**73,539**
Acquisitions	3,242	3,707	6,949
Additions from business combinations	1,900	0	1,900
Capitalised improvements	0	812	812
Gain (loss) on changes in the fair value (Note 7)	0	2,316	2,316
Balance as at 30.09.2017	**5,142**	**80,374**	**85,516**
Balance as at 01.01.2018	**0**	**88,390**	**88,390**
Acquisitions	900	11,056	**11,956**
Gain (loss) on changes in the fair value (Note 7)	0	962	**962**
Balance as at 30.09.2018	**900**	**100,408**	**101,308**

The income statement and balance sheet of the Group include, among other items, the following income and expenses and balances related to investment property:

	9 months	
As at 30 September or the period	**2018**	2017
Rental income earned on investment property (Note 4)	5,805	4,842
Expenses directly attributable to management of investment property (Note 5)	-184	-102
Carrying amount of investment property pledged as collateral to borrowings (Note 13)	100,408	80,374

Assumptions and basis for the calculation of fair value of investment property

An independent appraiser values the investment property of the Group. The fair value of all investment properties presented in the financial statements of the Group as at 30.09.2018 and 31.12.2017 was determined using the discounted cash flow method, excl. investment property in the development stage (Hortes gardening center in Tähesaju), where the transaction price was used at the balance sheet date (there were no significant changes in the real estate market between the transaction date and the balance sheet date). The following assumptions were used to determine fair value:

As at 30.09.2018:

Sector	**Fair value**	**Valuation method**	**First year rental income**	**Discount rate**	**Capitalisation rate**	**Average rent, €/m2**
EUR thousand						
Office premises	29,040	Discounted cash flows	2,074	7.9%	7.5%-8.0%	11.3
Storage and logistics premises	30,202	Discounted cash flows	2,378	8.0%-8.6%	7.8%-8.0%	6.0
Retail premises	41,166	Discounted cash flows	3,652	7.9%-8.6%	7.5%-8.0%	11.0
Total	**100,408**					

In 2017:

Sector	**Fair value**	**Valuation method**	**First year rental income**	**Discount rate**	**Capitalisation rate**	**Average rent, €/m2**
EUR thousand						
Office premises	18,960	Discounted cash flows	1,476	7.9%	7.5%-8.0%	11.2
Storage and logistics premises	28,650	Discounted cash flows	2,336	8.25%-8.6%	7.9%-8.0%	5.9
Retail premises	40,780	Discounted cash flows	3,636	7.9%-8.6%	7.5%-8.0%	11.1
Total	**88,390**					

Independent expert valuation as to the fair value of investment property is based on the following:

- Rental income: real growth rates and rents under current lease agreements are used;
- Vacancy rate: the actual vacancy rate of the investment properties, taking into account the risks associated with the property;
- Discount rate: calculated using the weighted average cost of capital (WACC) associated with the investment property;
- Capitalisation rate: based on the estimated level of return at the end of the estimated holding period, taking into consideration the forecasted market condition and risks associated with the property

Level three inputs are used to determine the fair value of all of the investment properties of the Group (Note 15).

13 Borrowings

As at 30.09.2018, the Group has the following borrowings:

Lender	Country of lender	Loan amount as per agreement	Loan balance as at 30.09.2018	Contract term	Interest rate as at 30.09.2018	Loan collateral	Value of collateral	Loan balance share of the fund's net asset value
Swedbank	Lithuania	16,500	16,246	14.08.20	1.70%	Mortgage – Saules Miestas shopping center	31,296	33.3%
SEB	Lithuania	5,500	4,956	29.06.21	1.55%	Mortgage – DSV building in Vilnius	8,630	10.2%
SEB	Latvia	3,323	4,603	29.06.21	1.55%	Mortgage - DSV building in Riga	8,632	9.4%
SEB	Estonia	7,950	7,202	29.06.21	1.55%	Mortgage - DSV building in Estonia	12,940	14.8%
SEB	Lithuania	5,620	5,135	30.09.21	1.90%	Mortgage-L3 office building in Vilnius	9,820	10.5%
SEB	Lithuania	5,200	4,550	21.12.20	1.75%	Mortgage - Ulonu office building in Vilnius	9,220	9.3%
SEB	Estonia	1,860	1,751	05.07.22	1.82%	Mortgage - Hortes gardening center	3,300	3.6%
Swedbank	Estonia	3,700	3,367	26.06.22	1.40%	Mortgage – Selver grocery store in Laagri	6,570	6.9%
SEB	Lithuania	5,850	5,762	30.05.23	2.00%	Mortgage - Evolution office building	10,000	11.8%
Total		**55,503**	**53,572**				**100,408**	**109.9%**

For additional information on borrowings, please see Note 15.

As at 31.12.2017, the Group has the following borrowings:

Lender	Country of lender	Loan amount as per agreement	Loan balance as at 31.12.2017	Contract term	Interest rate as at 31.12.2017	Loan collateral	Value of collateral	Loan balance share of the fund's net asset value
Swedbank	Lithuania	16,500	15,006	14.08.20	1.70%	Mortgage – Saules Miestas shopping center	30,990	32.4%
SEB	Lithuania	5,500	5,137	29.06.21	1.55%	Mortgage – DSV building in Vilnius	8,600	11.1%
SEB	Latvia	3,323	3,121	29.06.21	1.55%	Mortgage - DSV building in Riga	6,980	6.7%
SEB	Estonia	7,950	7,463	29.06.21	1.55%	Mortgage - DSV building in Estonia	13,070	16.1%
SEB	Lithuania	5,620	5,316	30.09.21	1.90%	Mortgage-L3 office building in Vilnius	9,760	11.5%
SEB	Lithuania	5,200	4,730	21.12.20	1.75%	Mortgage - Ulonu office building in Vilnius	9,200	10.2%
SEB	Estonia	1,860	1,821	05.07.22	1.82%	Mortgage - Hortes gardening center	3,210	3.9%
Swedbank	Estonia	3,700	3,251	26.06.22	1.40%	Mortgage – Selver grocery store	6,580	7.8%
Total		**49,653**	**45,845**				**88,390**	**98.8%**

Short-term borrowings	**30.09.2018**	31.12.2017
EUR thousand		
Repayments of long-term bank loans in the next period	2,661	2,129
Discounted contract fees on bank loans	-28	-20
Total short-term borrowings	**2,633**	**2,109**

Long-term borrowings	**30.09.2018**	31.12.2017
EUR thousand		
Total long-term borrowings	**53,508**	**45,776**
incl. current portion of borrowings	2,633	2,109
incl. non-current portion of borrowings, incl.	50,875	43,667
Bank loans	*50,914*	*43,716*
Discounted contract fees on bank loans	-39	*-49*

Bank loans are divided as follows according to repayment date:

Bank loan repayments by repayment terms	**30.09.2018**	31.12.2017
EUR thousand		
Less than 1 year	2,661	2,129
2-5 years	50,914	43,716

	9 months	
Cash flows of borrowings	**2018**	2017
EUR thousand		
Balance at the beginning of period	**45,776**	**42,667**
Bank loans received	9,492	3,776
Annuity payments on bank loans	*-1,764*	*-1,493*
Change of discounted contract fees	*4*	*-20*
Balance at the end of period	**53,508**	**44,947**

14 Payables and prepayments

Short-term payables and prepayments

	30.09.2018	31.12.2017
EUR thousand		
Trade payables from fixed asset transactions	178	503
Other trade payables	225	205
Total trade payables	**403**	**708**
Payables from securities transactions	0	100
Payables from fixed asset transactions	0	497
Total other payables	**0**	**597**
Value added tax	159	206
Corporate income tax	35	43
Social tax	5	8
Land tax and real-estate tax	48	50
Total tax liabilities	**247**	**307**
Payables to employees	34	25
Interest liabilities	7	4
Tenant security deposits	21	138
Other accrued liabilities	61	20
Total accrued expenses	**123**	**187**
Prepayments received from buyers	24	24
Other deferred income	1	25
Total prepayments	**25**	**49**
Total payables and prepayments	**798**	**1,848**

Long-term payables

	30.09.2018	31.12.2017
EUR thousand		
Tenants security deposits	555	360
Total other long-term payables	**555**	**360**

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

EUR thousand	Notes	30.09.2018	31.12.2017
Financial assets - loans and receivables			
Cash and cash equivalents		5,190	8,133
Trade receivables	11	309	480
Total financial assets		**5,499**	**8,613**
Financial liabilities measured at amortised cost			
Borrowings	13	53,508	45,776
Trade payables	14	403	708
Tenant security deposits	14	576	498
Interest payables	14	7	4
Accrued expenses	14	95	45
Total financial liabilities measured at amortised cost		**54,589**	**47,031**
Financial liabilities measured at fair value			
Derivative instruments (interest rate swaps)		72	58
Total financial liabilities measured at fair value		**72**	**58**
Total financial liabilities		**54,661**	**47,089**

The fair value of such financial assets and financial liabilities that are measured at amortised cost, presented in the table provided above, does not materially differ from their fair value.

Risk management of the Group is based on the principle that risks must be assumed in a balanced manner, by taking into consideration the rules established by the Group and by applying risk mitigation measures according to the situation, thereby achieving stable profitability of the Group and growth in the value of shareholder assets. In making new investments, extensive evaluation is undertaken on the solvency of potential customers, duration of lease contracts, possibility of replacing tenants and the risk of increases in the interest rates. The terms and conditions of financing agreements are adjusted to match the net cash flow of each property, ensuring the preservation of sufficient unrestricted cash for the Group and growth even after the financial liabilities have been met.

In investing the Group's assets, the risk expectations of the Group's investors are taken as a basis, therefore, excessive risk-taking is unacceptable and suitable measures need to be applied for the mitigation of risks.

The Group considers a financial risk to be risk that arises directly from making investments in real estate, including the market risk, liquidity risk and credit risk, thus reducing the company's financial capacity 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 at 30.09.2018, 56% of the Group's loan contracts were based on floating interest rate (margin range from 1.40% to 2.0% plus the 3-month and 1-month EURIBOR), and 44% of loan contracts carries fixed interest rate ranging from 1.55% to 1.9%. Of contracts based on floating interest rate, 54% are related to an interest rate swap contract in which the 3-month EURIBOR is in turn fixed at 0.35%. In the first 9 months of 2018, the 3-month EURIBOR fluctuated between -

0.329% and -0.317, i.e. the maximum change within the year was 1.2 basis points. All contracts in the loan portfolio of EfTEN Real Estate Fund III have a 0% limit (floor) as protection against negative EURIBOR, i.e. in case of negative EURIBOR the loan margin of these loan commitments does not decrease.

Due to the currently prevailing low level of interest rates and market expectations as to the persistence of such interest rates in the near future, the mitigation of interest rate risk is mainly important in the long-term perspective. The fund's management assesses the most significant impact arising from the potential increase in interest rates over the perspective of 3-5 years.

As a result of the long-term nature of the Group's real estate investments and the long-term borrowings associated with the investments, the management of EfTEN Real Estate Fund III AS decided in 2016 to mitigate the risk of an increase in the long-term floating interest rate applicable to the loan portfolio and hedge part of the loan portfolio by fixing the applicable floating interest rate (3-month

). It was decided to use interest rate swap agreements for the risk mitigation whereby the floating interest rate of a subsidiary's loan agreement was exchanged for a fixed interest rate. The decision was made to enter into the interest rate swap agreements considering the three following 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 cash flows 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, whereas quarterly payments of the interest rate swap contract will start in the spring of 2018.

The Group recognises interest rate swaps through profit or loss. The fair value of interest rate swap contracts as at 30.09.2018 was negative in the amount of EUR 72 thousand (31.12.2017: EUR 58 thousand). Additional information on finding the fair value of interest rate swaps is provided in the section "Fair value" below.

Liquidity risk

Liquidity risk arises from potential changes in the financial position, reducing the Group’s ability to meet its liabilities in due time and in a correct manner. Above all, the group’s liquidity is 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 objective of the Group is to manage its net cash flows, so as to not use debt in making real estate investments in excess of 65% of the cost of the investment and to maintain the Group's debt coverage ratio in excess of 1.2. As at 30.09.2018 the Group's interest-bearing liabilities accounted for 53% (31.12.2017: 52%) of rental income generating investment property and the average debt coverage ratio of the last 12 months was 2.0 (2017: the same).

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

As at 30.09.2018	Less than 1 month	Between 2 and 4 months	Between 4 and 12 months	Between 1 and 5 years	Over 5 years	**Total**
EUR thousand						
Interest-bearing liabilities	219	658	1,765	50,933	0	**53,575**
Interest payments	76	195	509	1,239	0	**2,019**
Interest payables	7	0	0	0	0	**7**
Trade payables	403	0	0	0	0	**403**
Tenant security deposits	0	0	21	490	65	**576**
Accrued expenses	95	0	0	0	0	**95**
Total financial liabilities	**800**	**853**	**2,295**	**52,662**	**65**	**56,675**

As at 31.12.2017	Less than 1 month	Between 2 and 4 months	Between 4 and 12 months	Between 1 and 5 years	Over 5 years	**Total**
EUR thousand						
Interest-bearing liabilities	165	484	1,298	43,898	0	**45,845**
Interest payments	66	195	510	1,651	0	**2,422**
Interest payables	4	0	0	0	0	**4**
Trade payables	205	0	0	0	0	**205**
Tenant security deposits	12	36	91	294	65	**498**
Accrued expenses	49	0	0	0	0	**49**
Total financial liabilities	**501**	**715**	**1,899**	**45,843**	**65**	**49,023**

Report of working capital

	30.09.2018	31.12.2017
EUR thousand		
Cash and cash equivalents	5,190	8,133
Receivables and accrued income (Note 11)	398	641
Prepaid expenses	78	37
Total current assets	**5,666**	**8,811**
Short-term portion of long-term liabilities (Note 13)	-2,633	-2,109
Short-term payables and prepayments (Note 14)	-870	-1,906
Total current liabilities	**-3,503**	**-4,015**
Total working capital	**2,163**	**4,796**

As at 30.09.2018, the Group's working capital was EUR 2,163 thousand (31.12.2017: EUR 4,796 thousand). The Group estimates that the working capital is sufficient for meeting the claims occurring in the Group's day-to-day business.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Group by failing to discharge an obligation. The Group is subject to credit risk due to its business operations (mainly arising from trade receivables) and transactions with financial institutions, including through cash on bank accounts and deposits.

The Group’s activity in preventing reduction of cash flows due to credit risk and minimising such risk lies in the daily monitoring and guiding of clients’ payment behaviour, so that appropriate measures could be applied on a timely basis. In addition, agreements with customers generally provide payment of rent at the beginning of the calendar month, giving sufficient time for monitoring the customers' payment discipline and ensuring existence of sufficient liquidity on bank accounts at the date of annuity payment of financing contracts. For hedging the risk, the Group has entered into a contract with one anchor tenant under which the tenant's financial institution has underwritten rental payments during the entire rent period. Most rent contracts also include the obligation to pay guarantee funds that entitle the Group to cover debts incurred in case of the tenant's insolvency.

The Group’s companies generally only enter into rental contracts with parties that have been determined to be eligible for credit. The corresponding analysis of customers is carried out before entering into a rental contract.

If it becomes evident that there is a risk of a tenant becoming insolvent, the Group assesses each receivable individually and decides whether the receivables should be classified as doubtful. In general, receivables that have exceeded the payment term by more than 180 days are classified as doubtful, except in cases where the Group has sufficient certainty as to the collectability of the receivable or there is a payment schedule in place for the payment of the receivables.

Accounts receivable are illustrated by the table below:

	30.09.2018	31.12.2017
EUR thousand		
Undue	211	332
Past due, incl.	**98**	**148**
up to 30 days	*78*	*134*
30-60 days	*20*	*6*
more than 60 days	*0*	*8*
Total trade receivables (Note 11)	**309**	**480**

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

	30.09.2018	31.12.2017
EUR thousand		
Cash and cash equivalents	5,190	8,133
Trade receivables	309	480
Total maximum credit risk	**5,499**	**8,613**

Capital management

The Group's capital includes borrowings and equity.

The aim of the Group in capital management is to ensure the Group's going concern status to provide an investment return to shareholders and maintain an optimal capital structure.

The Group continues to invest in real estate that generates cash flow and raises new equity for making investments. The investment policy of the Group prescribes that at least 35% of equity is invested in new real estate projects. The necessary equity level is calculated individually for each investment, taking into consideration the amount of net cash flows and loan payments of each investment and their proportion.

After making an investment, EBITDA on investment of any of the cash flow producing investment properties cannot be less than 120% of the loan annuity payments.

According to the Group's management estimate the free cash flow of the Group allows to pay out in the form of dividends an average of 80% of the annual corrected cash flows (EBITDA minus interest expenses minus loan payments). The corrected cash flow for the first 9 months of 2018 allows for the payment of net dividends in the amount of EUR 1,783 thousand (55 cents per share). For the entire previous year, the fund paid the shareholders a net dividend of 68 cents per share.

Report of capitalisation

	30.09.2018	31.12.2017
EUR thousand		
Mortgage guaranteed short-term liabilities (Note 13)	2,661	2,129
Unsecured short-term liabilities (Note 14)	842	1,886
Total short-term liabilities	**3,503**	**4,015**
Mortgage guaranteed long-term liabilities (Note 13)	50,914	43,716
Unsecured long-term liabilities (Note 14)	3,841	3,175
Total long-term liabilities	**54,755**	**46,891**
Share capital and share premium (Note 16)	35,883	35,883
Reserves	622	293
Retained earnings	12,237	10,209
Total shareholder's equity	**48,742**	**46,385**
Total liabilities and equity	**107,000**	**97,291**

More detailed information on mortgages established as collateral for the obligations provided in the capitalisation report is available in Note 13 of the report.

Report of net debt

EUR thousand	30.09.2018	31.12.2017
Cash	5,190	8,133
Cash equivalents	0	0
Tradeable securities	0	0
Total liquid assets	**5,190**	**8,133**
The short-term portion of long-term liabilities (Note 13)	2,661	2,129
Short-term bank loans	0	0
Other short-term financial liabilities	0	0
Net short-term debt	**-2,529**	**-6,004**
Long-term bank loans (long-term portion) (Note 13)	50,914	43,716
Issued debt securities	0	0
Other long-term loans	0	0
Total long-term debt	**50,914**	**43,716**
Total net debt	**48,385**	**37,712**

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 at 30.09.2018 nor 31.12.2017, the Group had no assets measured at fair value that would be included within Level 1 of the fair value hierarchy. All of the Group's investment properties are measured at fair value and according to the valuation method are included within Level 3 of the fair value hierarchy (see Note 12). All of the Group's borrowings and the derivative contracts entered into to mitigate the interest risk are included within Level 2 of the fair value hierarchy.

For hedging the 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 in a way incoming and outgoing cash flows are determined according to EURIBOR market expectations and they are discounted at zero rate. For recognising the fair value of interest rate swaps, the Group uses information received from credit institutions who are contract partners.

16 Share capital

As at 30.09.2018 the registered share capital of EfTEN Real Estate Fund III AS was EUR 32,225 thousand (31.12.2017: the same). As at 30.09.2018 the share capital consisted of 3,222,535 shares (31.12.2017: the same) with a nominal value of EUR 10 (31.12.2017: the same). Without amending the articles of association, the company may increase its share capital to EUR 39,440 thousand.

List of shareholders who own more than 5% of the shares in EfTEN Real Estate Fund III AS:

	As at 30.09.2018	
Company	**Number of shares**	**Ownership, %**
Altius Energia OÜ	455,439	14.1
Järve Kaubanduskeskus OÜ	329,692	10.2
Hoiukonto OÜ	328,167	10.2

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

	As at 30.09.2018	
Company	**Number of shares**	**Ownership, %**
Viljar Arakas, member of the Management Board	2,000	0.1
Miemma Holding OÜ, a company owned by Viljar Arakas, member of the Management Board	8,793	0.3
Tõnu Uustalu, member of the Management Board	9,184	0.3
Meeli Leis, a close relative of Tõnu Uustalu, member of the Management Board	1,209	0.04
Altius Energia OÜ, a company controlled by Arti Arakas, member of the Supervisory Board	455,439	14.1
Olav Miil, member of the Supervisory Board	24,229	0.8
Siive Penu, member of the Supervisory Board	975	0.03

17 Related party transactions

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

- Management Board members and companies owned by the Management Board members of EfTEN Real Estate Fund III AS;

- Supervisory Board members and companies owned by the Supervisory Board members of EfTEN Real Estate Fund III AS;

- Employees and companies owned by the employees of EfTEN Real Estate Fund III AS;

- EfTEN Capital AS (the fund management company).

The Group purchased management services from EfTEN Capital AS in the first nine months of 2018 in the amount of EUR 468 thousand (9 months of 2017: EUR 400 thousand), (see Note 7).

EfTEN Real Estate Fund III AS did not purchase from other related parties or sell to other related parties any other goods or services in the first nine months of 2018 nor in the first nine months of 2017.

In the first nine months of 2018, the Group had nine employees who were remunerated including taxes in the amount of EUR 174 thousand (first nine months of 2017: EUR 161 thousand). In the first nine months of 2018 and in the first nine months of 2017, no compensations were calculated nor paid to the management and supervisory board members of the Group. Members of the Group's management board are employed by EfTEN Capital AS, the company providing management services to the Group, and expenses related to management board members' activities are included in management services.

Declaration of the Management Board to the consolidated interim report for the third quarter and nine months of 2018

We hereby confirm that EfTEN Real Estate Fund III AS consolidated interim report for the third quarter and nine months of 2018 provides a true and fair overview of the Group's assets, liabilities, financial position and a description of the main risks and the development and results of the business activities of the consolidated entities as a whole.

/digitally signed/

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Viljar Arakas

Member of the Management Board

/digitally signed/

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Tõnu Uustalu

Member of the Management Board