

Interim report for the 1st quarter of 2022

(translation of the Estonian original)

EfTEN Real Estate Fund III AS
Commercia register number: 12864036

Beginning of financial period: 01.01.2022
End of financial period: 31.03.2022

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**EFTEN
REAL
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FUND III**



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MANAGEMENT REPORT

Financial overview

EFTEN Real Estate Fund III AS's consolidated revenue for the first quarter of 2022 was 3.458 million euros (2021 I quarter: 2.867 million euros), increased by 21% compared to previous year. The Group's net rental income in the first quarter of 2022 was 3.324 million euros (2021: 2.770 million euros), increased by 20% compared to previous year. The Group's net profit for the same period was 2.278 million euros (2021: 1.795 million euros).

	I quarter	
	2022	2021
<i>€ million</i>		
Rental revenue, other fees from investment properties	3.458	2.867
Expenses related to investments incl. Marketing costs	-0.134	-0.097
Net rental income	3.324	2.770
<i>Net rental income margin</i>	96%	97%
Interest expense and interest income	-0.427	-0.451
Net rental revenue less finance costs	2.897	2.319
Management fees	-0.286	-0.246
Other income and other expenses	-0.143	-0.135
Profit before change in the value of investment property, fair value change of the interest rate swap and income tax expense	2.468	1.938

Consolidated net rental income margin for the first quarter of 2022 was 96% (2021: 97%), so costs directly related to property management (incl. land tax, insurance, maintenance and improvement costs) and marketing costs accounted for 4% (2021: 3%) of revenue.

The Group's total assets as at 31.03.2022 amounted for 177.293 million euros (31.12.2021: 176.401 million euros), including the fair value of investment properties forming 91% (31.12.2021: 92%) of the total assets.

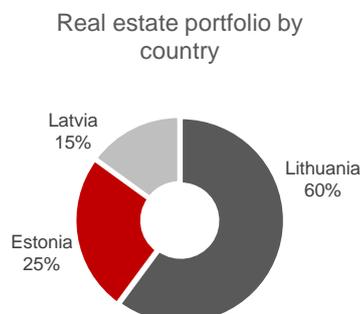
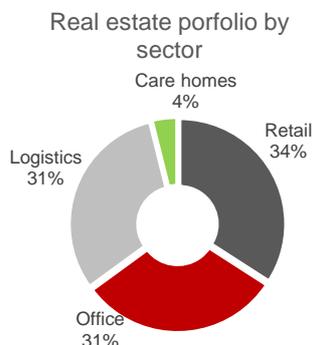
	31.03.2022	31.12.2021
<i>€ million</i>		
Investment properties	162.099	161.961
Other non-current assets	0.135	0.147
Current assets, excluding cash	1.308	1.219
Net debt (cash deposits minus short-term and long-term bank loans)	-56.526	-58.103
Net asset value (NAV)	99.192	96.914
EPRA net asset value (EPRA NAV)	105.099	102.708
Net asset value (NAV) per share, in euros	19.55	19.11
EPRA net asset value (EPRA NAV) per share, in euros	20.72	20.25

Key performance and liquidity ratios

For 1 st quarter	2022	2021
ROE, % (net profit of the period / average equity of the period) * 100	2.3	2.5
ROA, % (net profit of the period / average assets of the period) * 100	1.3	1.2
ROIC, % net profit of the period / average invested capital of the period) * 100 ¹	3.4	3.5
Revenue (€ thousands)	3,458	2,867
Rental income (€ thousands)	3,284	2,700
EBITDA (€ thousands)	2,907	2,402
EBITDA margin, %	84%	84%
EBIT (€ thousands)	2,895	2,389
EPRA profit (€ thousands)	2,391	1,906
Liquidity ratio (current assets / current liabilities)	1.4	0.2
DSCR (EBITDA / (interest expenses + scheduled loan payments))	2.0	1.8

Real estate portfolio

As of the end of March 2022 the Group has 16 (31.12.2021: same) commercial real estate investments, the fair value of which forms 162.099 million euros as of balance sheet date (31.12.2021: 161.961 million euros) and the acquisition cost is 147.771 million euros (31.12.2021: 147.633 million euros).



Main figures of the real estate portfolio:

Investment property, as of 31.03.2022	Group's participation	Fair value of the investment property, € thousands	Net leasable area	Prognosed rental revenue per annum, € thousands	Occupancy, %	Average length of rental agreements	Number of tenants
DSV logistis centre, Tallinn	100	13,370	16,014	1,003	100	4.6	1
DSV logistics centre, Riga	100	8,710	12,149	668	100	4.7	1
DSV logistics centre, Vilnius	100	9,380	11,687	698	100	4.6	1
Piepilsetas logistics centre, Kekava	100	8,738	13,380	690	100	2.4	7
Ramygalos logistics centre, Panevėžys	100	10,400	20,126	776	100	5.0	2
Total logistics		50,598	73,356	3,835	100	4.4	12
Saules Miestas shopping centre, Šiauliai	100	34,512	19,881	2,532	97	4.6	133
Hortes gardening centre, Laagri	100	3,680	3,470	272	100	10.2	1
Laagri Selver, Tallinn	100	7,340	3,059	494	100	6.2	12
Hortes gardeding centre, Tallinn	100	6,480	5,300	479	100	12.5	1
ABC Motors car centre, Tallinn	100	3,341	2,149	264	100	6.9	1
Total retail		55,353	33,859	4,041	98	6.1	148
Ulonu office building, Vilnius	100	9,115	5,174	698	100	2.2	20
L3 office building, Vilnius	100	10,293	6,150	760	100	3.0	35
Evolution office building, Vilnius	100	11,190	6,172	777	100	3.1	28
airBaltic office building, Riga	100	6,800	6,217	434	100	3.9	1
Rutkausko office building, Vilnius	100	12,480	6,812	829	100	8.3	3
Total office buildings		49,878	30,525	3,498	100	4.3	87
Pirita Care home, Tallinn	100	6,270	5,983	426	100	8.7	1
Total care homes		6,270	5,983	426	100	8.7	1
Total real estate portfolio		162,099	143,723	11,800	100	5.1	248

In March the Fund's subsidiary EFTEN Valkla OÜ entered into contract under the law of obligations for the acquisition of a real estate located in Valkla, Valklaranna road 36. The fund plans to convert the nursing home building into a general care home, which would accommodate up to 250 clients in the future. Renovation works will be carried out in stages. The sale price of the property is 2,005 thousand euros, which will be paid upon concluding a real estate contract, and in addition, the subsidiary of the fund undertakes to make investments in the amount up to 2,000 thousand euros. The purchase of real estate and investments are financed from the fund's own resources. To complete the transaction, the conclusion of a lease agreement and the consent of the Estonian Competition Authority are required, after which a real right agreement is entered into for the transfer of ownership of the registered immovable.

In March, EFTEN Ermi OÜ, a subsidiary of the Fund, entered a contract under the law of obligations for the acquisition of the right of superficies located at Ermi street 13 in Tartu County, Tartu County. The fund plans to build a care home for a minimum of 120 clients on the land used on the basis of the building right. The term of the right of superficies is 50 years, which can be extended up to 99 years by agreement with the landowner. To date, no construction procurement has been organized and it is planned to carry it out after signing the real right agreement. After the construction of a care home on the property, Sūdamekodud AS will lease it on the basis of a long-term lease agreement. The sale price of the right of superficies is 233 thousand euros. The purchase of the right of superficies and

investments are financed from the fund's own resources. In order to complete the transaction, the consent of Tartu municipality, the conclusion of a lease agreement and the consent of the Estonian Competition Authority are required, after which a real right agreement is entered into for the transfer of ownership of the superficies.

In the first quarter of 2022 the Group's rental income amounted to 3.284 million euros. Rental income calculated on a comparable basis in the first quarter of 2022 totalled 3.084 million euros, which is 14% more than the same period in 2021. The Group's discounts related to the Covid-19 crisis totalled 3 thousand euros in the first quarter of 2022 (first quarter of 2021: 237 thousand euros), i.e., without these discounts the Group's rental income in the first quarter of 2022 would have been 5.1% higher.

Comparable rental income by business segment

€ thousands	Fair value 31.03.2022	I quarter			
		Rental income 2022	Rental income 2021	Change	Change, %
Office	49,878	997	903	94	10%
Logistics	50,598	792	779	13	2%
Retail	55,353	1,191	914	277	30%
Care homes	6,270	104	104	0	0%
Total comparable assets and rental income	162,099	3,084	2,700	384	14%
Acquired assets and rental income	0	200	0	200	
Total real estate portfolio and rental income	162,099	3,284	2,700	584	22%

Comparable rental income by country

€ thousands	Fair value 31.03.2022	I quarter			
		Rental income 2022	Rental income 2021	Change	Change, %
Estonia	40,481	750	726	24	3%
Latvia	24,248	480	474	6	1%
Lithuania	97,370	1,854	1,500	354	24%
Total comparable assets and rental income	162,099	3,084	2,700	384	14%
Acquired assets and rental income	0	200	0	200	
Total real estate portfolio and rental income	162,099	3,284	2,700	584	22%

The largest tenants of EFTEN Real Estate Fund III AS as of 31.03.2022

Tenant	Share of total rental income
DSV Estonia AS	7.6%
AQ Wiring Systems, UAB	6.2%
Hortes AS	5.6%
DSV Latvia SIA	5.4%
DSV Lithuania, UAB	5.3%
Atea, UAB	4.8%
AIR BALTIC CORPORATION AS	3.9%
Rimi Lietuva, UAB	3.7%
Pirita Kodu OÜ	3.3%
Adax UAB	3.0%
Selver AS	2.6%
Others	48.7%
Total	100.0%

EPRA performance indicators

EPRA performance indicators

As of the balance sheet date	31.03.2022	31.03.2021	Change
EPRA profit, € thousands	2,391	1,906	25%
EPRA profit per share, in euros	0.47	0.45	4%
EPRA NRV (net reinstatement value), € thousands	105,099	78,018	35%
EPRA NRV per share, in euros	20.72	18.48	12%
EPRA NDV (net disposal value), € thousands	99,192	73,278	35%
EPRA NDV per share, in euros	19.55	17.35	13%
EPRA Topped-up NIY (adjusted net initial yield)	7.3%	7.5%	-2%
EPRA cost ratio, including direct vacancy costs	13%	12%	9%
EPRA cost ratio, excluding direct costs related to vacancy	13%	11%	12%
EPRA vacancy rate	0.3%	0.6%	-52%

EPRA indicator calculations

EPRA net asset value indicators

As at 31.03.2022

€ thousands	EPRA NRV	EPRA NTA	EPRA NDV
Net asset value calculated in accordance with IFRS	99,192	99,192	99,192
Adjustments:			
Deferred income tax liability related to the change in the fair value of investment property and tax depreciation	5,851	5,851	-
Fair value of derivatives	56	56	-
Net asset value	105,099	105,099	99,192
Number of fully diluted shares	5,072,535	5,072,535	5,072,535
Net asset value per unit, in euros	20.72	20.72	19.55

As at 31.03.2021

€ thousands	EPRA NRV	EPRA NTA	EPRA NDV
Net asset value calculated in accordance with IFRS	73,278	73,278	73,278
Adjustments:			
Deferred income tax liability related to the change in the fair value of investment property and tax depreciation	4,524	4,524	-
Fair value of derivatives	216	216	-
Net asset value	78,018	78,018	73,278
Number of fully diluted shares	4,222,535	4,222,535	4,222,535
Net asset value per unit, in euros	18.48	18.48	17.35

EPRA profit

€ thousands	2022	2021
Net profit (IFRS)	2,278	1,795
Adjustments:		
Change in fair value of investment property	0	0
Change in fair value of financial instruments	-65	-30
Deferred income tax expense related to EPRA adjustments	178	141
EPRA profit	2,391	1,906
Weighted average numbers of shares during the period	5,072,535	4,222,535
EPRA profit per share, in euros	0.47	0.45

EPRA vacancy rate

€ thousands	2022	2021
Estimated rental income from vacant premises	37	64
Estimated rental income for the entire real estate portfolio	13,539	11,329
EPRA vacancy rate	0.3%	0.6%

EPRA cost ratio

€ thousands	2022	2021
Cost of sales	-60	-66
Other sales revenue paid by tenants to cover expenses	174	167
Marketing costs	-74	-31
Operating costs	-455	-384
Total costs, including direct costs related to the vacancy	-415	-314
Direct vacancy costs	-1	-10
Total costs, excluding direct costs related to the vacancy	-414	-304
Rental income (gross)	3,284	2,700
EPRA cost ratio, including direct vacancy costs	13%	12%
EPRA cost ratio, excluding direct costs related to vacancy	13%	11%

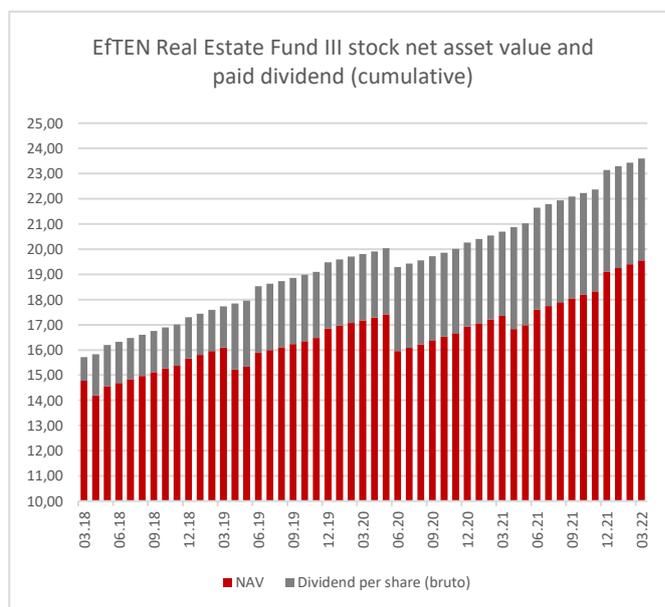
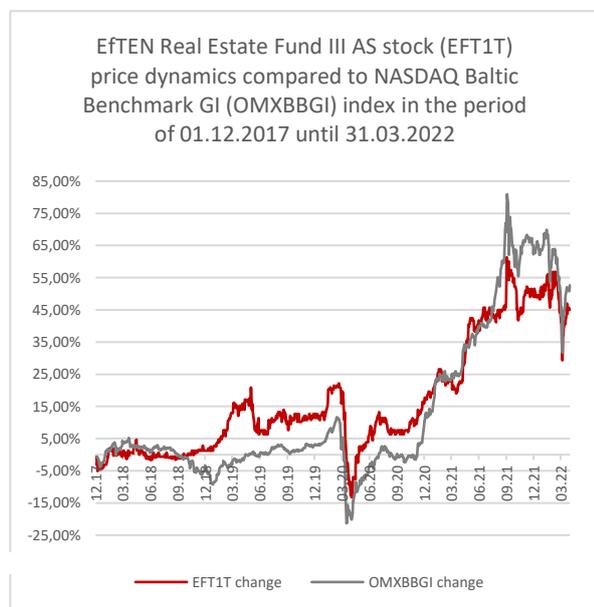
Financing

During the next 12 months, the loan agreements of the Group's three subsidiaries - Laagri Hortes, Laagri Selver and Piepilsetas logistics centre will expire, the balance of which is 7,092 thousand euros as of 31.03.2022. The LTV of the expiring loan agreements is 32% -39% and the real estate investments have a stable strong rental cash flow, which is why, according to the Group's management, there are no obstacles to extending the loan agreements.

The weighted average interest rate of the Group's loan agreements (incl. taking into account interest rate swap agreements) at the end of March is 2.3% (31.12.2021: same) and LTV (Loan to Value) 43% (31.12.2021: 44%). Most of the loan agreements of the fund's subsidiaries are linked to a floating interest rate and only one loan (accounting for 2% of the loan portfolio) has a fixed base interest rate. In order to hedge the risk of an increase in the interest rate of one loan agreement, an interest rate swap agreement has been entered, which expires in 2023.

Information on shares

The net asset value of the share of EFTEN Real Estate Fund III AS (EPRA NDV) as of 31.03.2022 was 19.55 euros (31.03.2021: 17.35 euros). The net asset value of EFTEN Real Estate Fund III AS increased by 12.7% in the first quarter of 2021 (first quarter of 2021: 2.5%).



As of 31.03.2022 EFTEN Real Estate Fund III AS had 5,989 shareholders, of whom 16.7% were legal entities. At the same time legal entities owned total of 78.7% of the fund's share capital. The distribution of shares is shown in the table below.

	Shareholders, pc		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	-	317	317	-	0.0062%	0.0062%
United States of America	1	-	1	271	-	271	0.0053%	-	0.0053%
United Arab Emirates	-	1	1	-	142	142	-	0.0028%	0.0028%
Australia	-	3	3	-	19	19	-	0.0004%	0.0004%
Austria	-	1	1	-	1,255	1,255	-	0.0247%	0.0247%
Estonia	992	4,937	5,929	3,977,297	1,071,325	5,048,622	78.4085%	21.1201%	99.5286%
Spain	-	1	1	-	115	115	-	0.0023%	0.0023%
Netherlands	-	1	1	-	109	109	-	0.0021%	0.0021%
Ireland	-	1	1	-	20	20	-	0.0004%	0.0004%
Italy	-	1	1	-	75	75	-	0.0015%	0.0015%
Cyprus	1	-	1	666	-	666	0.0131%	-	0.0131%
Lithuania	5	1	6	9,854	6,406	16,260	0.1943%	0.1263%	0.3205%
South Africa	-	1	1	-	228	228	-	0.0045%	0.0045%
Latvia	1	1	2	2,236	31	2,267	0.0441%	0.0006%	0.0447%
Malta	-	1	1	-	20	20	-	0.0004%	0.0004%
Norway	-	1	1	-	3	3	-	0.0001%	0.0001%
Oman	-	1	1	-	119	119	-	0.0023%	0.0023%
Portugal	-	1	1	-	100	100	-	0.0020%	0.0020%
France	-	1	1	-	5	5	-	0.0001%	0.0001%
Sweden	1	3	4	25	83	108	0.0005%	0.0016%	0.0021%
Germany	-	5	5	-	291	291	-	0.0057%	0.0057%
Finland	1	14	15	47	659	706	0.0009%	0.0130%	0.0139%
Great Britain	-	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	1,003	4,986	5,989	3,990,397	1,082,138	5,072,535	78.67%	21.33%	100.00%

As of 31.03.2022 EFTEN Real Estate Fund III AS had three shareholders with more than 10% ownership:

Company	As of 31.03.2022	
	Number of shares	Ownership, %
Altius Energia OÜ	723,182	14.26
Järve Kaubanduskeskus OÜ	518,952	10.23
Hoiukonto OÜ	516,930	10.19

EFT1T share statistics	1 st quarter	
	2022	2021
Opening price	23.1	19.0
Closing price	22.2	19.4
Share price, the lowest	19.5	13.6
Share price, the highest	24.2	20.0
Traded shares, thousands	93	85
Turnover, EUR million	2,057	1,636
Market capitalisation as of 31.03, EUR million	112,610	81,917
Profit per share, euros	0.45	0.43
P/B (share closing price / equity per share)	1.14	1.12
P/B EPRA (share closing price / EPRA equity per share)	1.07	1.05

INTERIM FINANCIAL STATEMENTS OF THE CONSOLIDATION GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ thousands	Notes	1 st quarter	
		2022	2021
Revenue	3,4	3,458	2,867
Cost of services sold	5	-60	-66
Gross profit		3,398	2,801
Marketing costs	6	-74	-31
General and administrative expenses	7	-455	-384
Other operating income and expense		26	3
Operating profit	3	2,895	2,389
Other finance income and expense	8	-362	-421
Profit before income tax		2,533	1,968
Income tax expense	9	-255	-173
Comprehensive income for the period	3	2,278	1,795
Earnings per share	10		
- basic		0.45	0.43
- diluted		0.45	0.43

The notes on pages 12-25 form an integral part of these interim financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31.03.2022	31.12.2021
<i>€ thousands</i>			
ASSETS			
Cash and cash equivalents	15	13,751	13,074
Receivables and accrued income	11	1,255	876
Prepaid expenses		53	314
Inventory		0	29
Total current assets		15,059	14,293
Long-term receivables		8	4
Investment property	3,12	162,099	161,961
Property, plant, and equipment		125	140
Intangible assets		2	3
Total non-current assets		162,234	162,108
TOTAL ASSETS		177,293	176,401
LIABILITIES AND EQUITY			
Borrowings	13	10,244	7,645
Derivative instruments	15	56	121
Payables and prepayments	14	722	1,349
Total current liabilities		11,022	9,115
Borrowings	13	59,949	63,440
Other long-term liabilities	14	1,007	987
Deferred income tax liability	9	6,123	5,945
Total non-current liabilities		67,079	70,372
Total liabilities		78,101	79,487
Share capital	16	50,725	50,725
Share premium	16	16,288	16,288
Statutory reserve capital		1,489	1,489
Retained earnings	17	30,690	28,412
Total equity		99,192	96,914
TOTAL LIABILITIES AND EQUITY		177,293	176,401

The notes on pages 12-25 form an integral part of these interim financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	1 st quarter	
		2022	2021
<i>€ thousands</i>			
Net profit		2,278	1,795
<i>Adjustments of net profit:</i>			
Finance income and expense	8	362	421
Depreciation and impairment losses	7	12	14
Income tax expense	9	255	173
Total adjustments with non-cash changes		629	608
Cash flow from operations before changes in working capital		2,907	2,403
Change in receivables and payables related to operating activities		-766	-204
Net cash flow generated from operating activities		2,141	2,199
Purchase of property, plant, and equipment		-4	-57
Purchase of investment property	12	-135	-527
Net cash flow generated from investing activities		-139	-584
Loans received	13	0	300
Scheduled loan repayments	13	-900	-903
Interest paid		-425	-438
Net cash flow generated from financing activities		-1,325	-1,041
NET CASH FLOW		677	574
Cash and cash equivalents at the beginning of period		13,074	5,128
Change in cash and cash equivalents		677	574
Cash and cash equivalents at the end of period		13,751	5,702

The notes on pages 12-25 form an integral part of these interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ thousands	Share capital	Share premium	Statutory reserve capital	Retained earnings	Total
Balance 31.12.2020	42,225	9,658	1,323	18,277	71,483
Net profit for the financial period	0	0	0	1,795	1,795
Total comprehensive income for the period	0	0	0	1,795	1,795
Balance 31.03.2021	42,225	9,658	1,323	20,072	73,278
Balance 31.12.2021	50,725	16,288	1,489	28,412	96,914
Net profit for the financial period	0	0	0	2,278	2,278
Total comprehensive income for the period	0	0	0	2,278	2,278
Balance 31.03.2022	50,725	16,288	1,489	30,690	99,192

Further information on the share capital can be found in note 16.

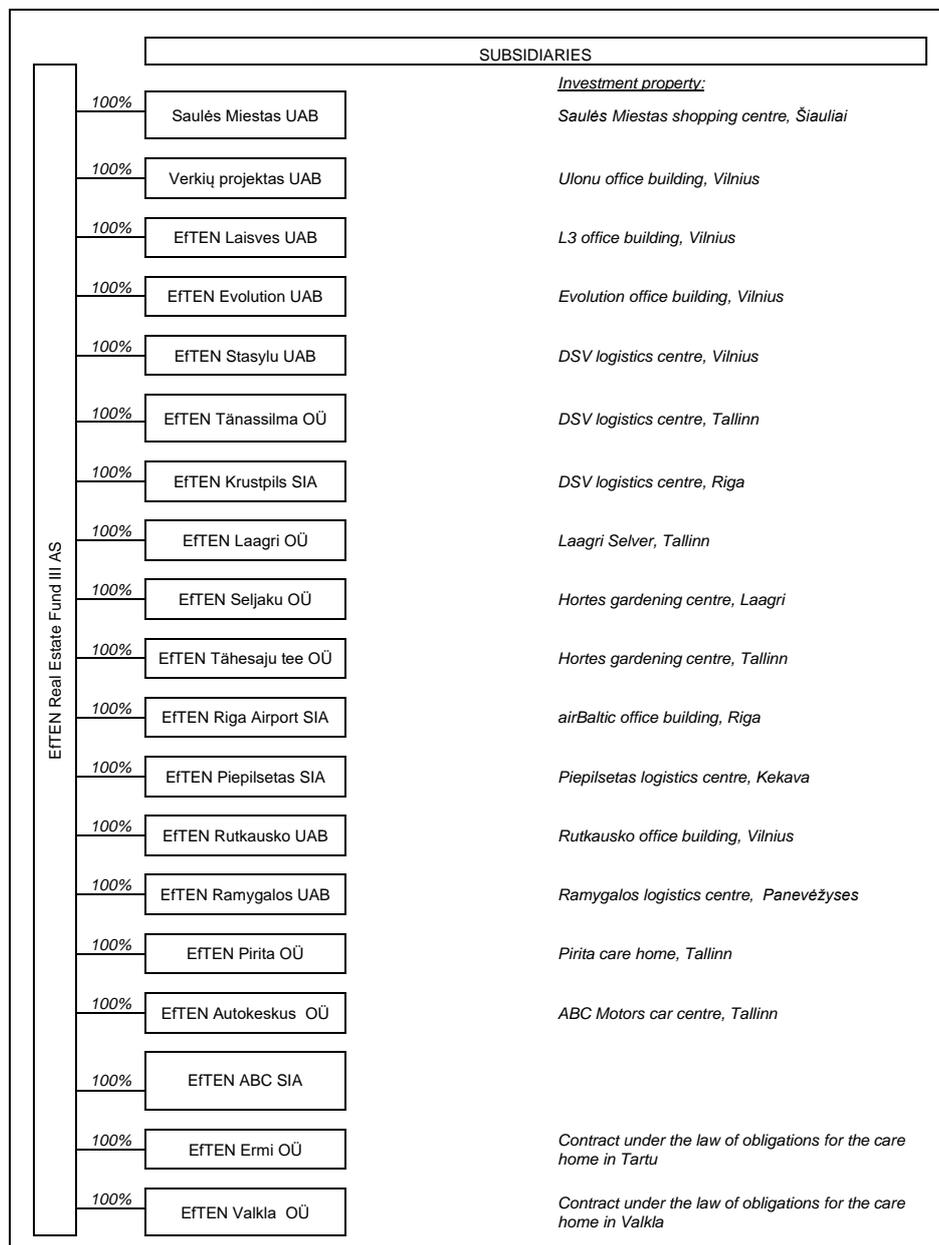
The notes on pages 12-25 form an integral part of these interim financial statements.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

EFTEN Real Estate Fund III AS Group's structure as of 31.03.2022 is as follows (see also note 2):



The consolidated interim financial statements of EFTEN Real Estate Fund III AS and its subsidiaries have been prepared in accordance with 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, which has been 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 first quarter of 2022 correctly and fairly reflects the financial results of the Group in accordance with the principle of continuity. These interim reports have not been audited or otherwise audited by auditors and include only the consolidated financial statements of the Group. The reporting currency is the euro. The consolidated interim financial statements are presented in thousands of euros and all figures are 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, %	
			31.03.2022	31.12.2021	31.03.2022	31.12.2021
Parent company						
EFTEN Real Estate Fund III AS	Estonia					
Subsidiaries						
Saules Miestas UAB	Lithuania	Saules Miestas shopping centre, Šiauliai	19,578	18,990	100	100
Verkiu Projektas UAB	Lithuania	Ulonu office building, Vilnius	4,456	4,326	100	100
EFTEN Laisves UAB	Lithuania	L3 office building, Vilnius	5,522	5,375	100	100
EFTEN Stasyļu UAB	Lithuania	DSV logistics centre, Vilnius	5,229	5,106	100	100
EFTEN Tānassilma OÜ	Estonia	DSV logistics centre, Tallinn	7,934	7,729	100	100
EFTEN Krustpils SIA	Latvia	DSV logistics centre, Riga	3,216	3,083	100	100
EFTEN Tāhesaju tee OÜ	Estonia	Hortes gardening centre, Tallinn	3,595	3,507	100	100
EFTEN Evolution UAB	Lithuania	Evolution office building, Vilnius	5,699	5,528	100	100
EFTEN Seljaku OÜ	Estonia	Hortes gardening centre, Laagri	2,428	2,374	100	100
EFTEN Laagri OÜ	Estonia	Laagri Selver, Tallinn	4,716	4,623	100	100
EFTEN Autokeskus OÜ	Estonia	ABC Motors car centre, Tallinn	2,045	1,996	100	100
EFTEN Piepilsetas SIA	Latvia	Piepilsetas logistics centre, Kekava	4,133	4,042	100	100
EFTEN Riga Airport SIA	Latvia	airBaltic office building, Riga	4,543	4,469	100	100
EFTEN Rutkauskos UAB	Lithuania	Rutkauskos office building, Vilnius	5,853	5,714	100	100
EFTEN Pirita OÜ	Estonia	Pirita care home, Tallinn	3,549	3,479	100	100
EFTEN Ramygalos UAB	Lithuania	Ramygalos logistics centre, Panevežys	4,706	4,585	100	100
EFTEN ABC SIA	Latvia	-	3	0	100	0
EFTEN Valkla OÜ	Estonia	-	1	0	100	0
EFTEN Ermi OÜ	Estonia	-	1	0	100	0

In February 2022, EFTEN Real Estate Fund III established a 100% subsidiary in Latvia, EFTEN ABC SIA, paying 2.8 thousand 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.

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

3 Segment reporting

SEGMENT RESULTS

	Office		Logistics		Retail		Care homes		Non-allocated		Total	
	1 st quarter		1 st quarter		1 st quarter		1 st quarter		1 st quarter		1 st quarter	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<i>€ thousands</i>												
Revenue (note 4), incl.	997	918	994	788	1,363	1,057	104	104	0	0	3,458	2,867
Estonia	0	0	258	253	389	370	104	104	0	0	751	727
Latvia	125	125	357	358	0	0	0	0	0	0	482	483
Lithuania	872	793	379	177	974	687	0	0	0	0	2,225	1,657
Net operating income, incl.	982	876	983	782	1,256	1,009	103	103	0	0	3,324	2,770
Estonia	0	0	258	253	380	367	103	103	0	0	741	723
Latvia	124	124	346	353	0	0	0	0	0	0	470	477
Lithuania	858	752	379	176	876	642	0	0	0	0	2,113	1,570
Operating profit, incl.	899	774	871	691	1,081	854	81	103	-37	-33	2,895	2,389
Estonia	0	0	234	230	331	319	81	103	-37	-33	609	619
Latvia	99	104	294	300	0	0	0	0	0	0	393	404
Lithuania	800	670	343	161	750	535	0	0	0	0	1,893	1,366
EBITDA, incl.	900	774	871	691	1,092	867	81	103	-37	-33	2,907	2,402
Estonia	0	0	234	230	331	318	81	103	-37	-33	609	618
Latvia	99	104	294	300	0	0	0	0	0	0	393	404
Lithuania	801	670	343	161	761	549	0	0	0	0	1,905	1,380
Operating profit											2,895	2,389
Net financial expense (Note 8)											-362	-421
Profit before income tax											2,533	1,968
Income tax expense (Note 9)											-255	-173
NET PROFIT FOR THE FINANCIAL PERIOD											2,278	1,795

SEGMENT ASSETS

As of 31 March	Office		Logistics		Retail		Care homes		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<i>€ thousands</i>										
Investment property										
Estonia	0	0	13,370	13,080	20,841	19,131	6,270	6,217	40,481	38,428
Latvia	6,800	6,800	17,448	17,112	0	0	0	0	24,248	23,912
Lithuania	43,078	41,017	19,780	8,860	34,512	32,545	0	0	97,370	82,422
Total investment property (Note 12)	49,878	47,817	50,598	39,052	55,353	51,676	6,270	6,217	162,099	144,762
Other non-current assets									135	151
Net debt (liabilities less cash)									-64,350	-72,747
Other current assets									1,308	1,112
NET ASSETS									99,192	73,278

In the first quarter 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 7.6% and 6.2% 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	I quarter	
	2022	2021
<i>€ thousands</i>		
Rental income from office premises	997	903
Rental income from retail premises	1,191	914
Rental income from logistics premises	992	779
Rental income from care home premises	104	104
Other sales revenue	174	167
Total revenue by segments of activity (Note 12)	3,458	2,867

Revenue by geographical area	I quarter	
	2022	2021
€ thousands		
Estonia	751	727
Latvia	482	483
Lithuania	2,225	1,657
Total revenue by geographical area (Note 3)	3,458	2,867

5 Cost of services sold

Cost of services sold	I quarter	
	2022	2021
€ thousands		
Repair and maintenance of rental premises	-9	-1
Property insurance	-1	-1
Land tax and real estate tax	-7	-7
Other administrative expenses	-15	-23
Utility costs of vacant premises	0	-1
Improvement costs	-6	0
Wage costs, including taxes (Note 18)	-9	-7
Proportional VAT costs	-13	-12
Impairment of doubtful receivables	0	-14
Total cost of services sold (Note 12)	-60	-66

6 Marketing costs

Marketing costs	I quarter	
	2022	2021
€ thousands		
Commission expenses on rental premises	-1	-9
Advertising, advertising events ¹	-73	-22
Total marketing costs	-74	-31

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	I quarter	
	2022	2021
<i>€ thousands</i>		
Management services (Note 18)	-286	-246
Office expenses	-15	-5
Wages and salaries, incl. taxes (Note 18)	-53	-45
Consulting expenses, legal expenses, accounting service, evaluation service	-36	-37
Audit costs	-19	-10
Regulator costs	-20	-22
Other general administrative expenses	-14	-5
Depreciation costs	-12	-14
Total administrative expense	-455	-384

8 Other financial income and expenses

Other financial income and expenses	I quarter	
	2022	2021
<i>€ thousands</i>		
Interest expenses, incl.		
Interest expense from loans	-427	-451
Interest expense from derivatives (-)/ cost reductions (+)	-399	-423
	-28	-28
Change in fair value of interest swaps	65	30
Total other financial income and expenses	-362	-421

9 Income tax

	I quarter	
	2022	2021
<i>€ thousands</i>		
Deferred income tax expense for Lithuanian companies	-178	-141
Lithuanian corporate income tax expense on profits	-77	-32
Total income tax expense (Note 3)	-255	-173

	Deferred income tax liability related to real estate investments	Deferred income tax liability in respect of dividends	Total
<i>€ thousands</i>			
Balance as at 31.12.2021	5,673	272	5,945
Change in deferred income tax liability in the income statement I quarter of 2022	178	0	178
Balance as at 31.03.2022	5,851	272	6,123

10 Earnings per share

Earnings per share	I quarter	
	2022	2021
Net profit for the period, € thousands	2,278	1,795
Weighted average number of shares over the period, in pc	5,072,535	4,222,535
Earnings per share, in euros	0.45	0.43

11 Receivables and accrued income

	31.03.2022	31.12.2021
€ thousands		
Receivables from customers	659	584
Allowance for doubtful accounts	-7	-7
Total trade receivables (Note 15)	652	577
Advances and refunds of VAT	26	23
Other accrued income	577	276
Total accrued income	603	299
Total receivables and accrued income (Note 15)	1,255	876

12 Investment properties

As of 31.03.2022, the Group has made investments in the following investment properties:

Name	Location	Net rental area (m2)	Year of construction	Date of acquisition	Acquisition cost	Market value as at 31.03.2022	Increase in value	Share of market value of the Fund's asset
€ thousands								
Saulės Miestas shopping centre	Saulės Miestas, Lithuania	19,881	2007	08.2015	29,039	34,512	19%	19%
DSV logistics centre	Vilnius, Lithuania	11,687	2005	06.2016	8,504	9,380	10%	5%
DSV logistics centre	Tallinn, Estonia	16,014	2003	07.2016	12,287	13,370	9%	8%
DSV logistics centre	Riga, Latvia	12,149	2000	07.2016	8,835	8,710	-1%	5%
L3 office building	Vilnius, Lithuania	6,150	2004	10.2016	8,828	10,293	17%	6%
Ulonu office building	Vilnius, Lithuania	5,174	2012	12.2015	8,315	9,115	10%	5%
Hortes gardening centre Laagri	Tallinn, Estonia	3,470	2006	05.2017	3,108	3,680	18%	2%
Hortes gardening centre Tāhesaju	Tallinn, Estonia	5,300	2019	05.2018	5,458	6,480	19%	4%
Laagri Selver	Tallinn, Estonia	3,059	2017	05.2017	6,279	7,340	17%	4%
Evolution office building	Vilnius, Lithuania	6,172	2009	05.2018	9,882	11,190	13%	6%
ABC Motors car centre	Tallinn, Estonia	2,149	2002	02.2019	3,330	3,341	0%	2%
airBalticu office building	Riga, Latvia	6,217	recon. 2016	03.2020	7,100	6,800	-4%	4%
Piepilsetas logistics centre	Kekava, Latvia	13,380	2007	03.2020	8,759	8,738	0%	5%
Rutkauskos office building	Vilnius, Lithuania	6,812	2014	08.2020	11,819	12,480	6%	7%
Pirita care home	Tallinn, Estonia	5,983	2020	12.2020	6,217	6,270	1%	4%
Ramygalos logistics centre	Panevėžys, Lithuania	20,126	2007	6.2021	10,011	10,400	4%	6%
Total		143,723			147,771	162,099	10%	91%

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

	Finished investment properties	Total investment properties
Balance as at 01.01.2021	144,235	144,235
Acquisitions from related parties	300	300
Capitalized improvements	227	227
Balance as at 31.03.2021	144,762	144,762
Balance as at 01.01.2022	161,961	161,961
Capitalized improvements	138	138
Balance as at 31.03.2022	162,099	162,099

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:

	I quarter	
As of 31 March, or per quarter	2022	2021
Rental income from investment properties (Note 4)	3,284	2,700
Costs directly related to the management of investment properties (Note 5)	-60	-66
Book value of investment properties pledged as collateral for loan liabilities (Note 13)	162,099	144,762

Assumptions and basis for determining the fair value of investment properties

The Group's investment properties are valued by an independent appraiser. The fair value of all investment properties reported in the Group's financial statements as of 31.03.2022 has been obtained using the discounted cash flow method. The following assumptions have been used to determine fair value:

Sector	Fair value	Evaluation method	Estimated rental income per year	Discount rate	Exit yield	Average rental price €/m ²
<i>€ thousands</i>						
Office	49,878	Discounted cash flows	3,759	8.2%-8.7%	6.8%-7.5%	10.9
Logistics	50,598	Discounted cash flows	3,978	8.2%-9.1%	7.2%-7.9%	4.5
Retail	55,353	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	162,099		12,786			

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

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

Fair value sensitivity analysis

The table below illustrates the sensitivity of the fair value of investment properties recognised in the Group's balance sheet as of 31.03.2022 to the most important valuation assumptions:

Sector	Fair value	Sensitivity to management estimate			Sensitivity to independent appraisal		
		Revenue +10%	Revenue -10%	Discount rate +50bp	Discount rate -50bp	Exit yield rate +50bp	Exit yield rate -50bp
<i>€ thousands</i>							
Office	49,878	5,970	-5,910	-980	1,050	-2,360	2,740
Logistics	50,598	5,310	-5,360	-1,020	1,020	-2,280	2,570
Retail	55,353	6,240	-6,240	-1,100	1,120	-2,340	2,660
Care homes	6,270	660	-650	-120	130	-310	360
Total	162,099	18,180	-18,160	-3,220	3,320	-7,290	8,330

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

13 Borrowings

As at 31.03.2022, the Group has the following borrowings:

Lender	Country of lender	Loan amount as per agreement	Loan balance as at 31.03.2022	Contract term	Interest rate as at 31.03.2022	Loan collateral	Value of collateral	Loan balance's share of the fund's net asset value
Swedbank	Lithuania	14,616	13,205	13.08.23	2.65%	Mortgage - Saules Miestas shopping centre	34,512	13.3%
SEB	Lithuania	5,500	4,162	28.06.26	1.85%	Mortgage - DSV logistics centre	9,380	4.2%
SEB	Latvia	5,123	4,008	29.06.26	1.85%	Mortgage - DSV logistics centre	8,710	4.0%
SEB	Estonia	7,950	6,036	29.06.26	1.85%	Mortgage - DSV logistics centre	13,370	6.1%
SEB	Lithuania	5,620	4,303	27.10.26	1.90%	Mortgage - L3 office building	10,293	4.3%
SEB	Lithuania	5,200	3,800	21.12.25	2.25%	Mortgage - Ulonu office building	9,115	3.8%
SEB	Lithuania	5,850	4,862	30.05.23	2.00%	Mortgage - Evolution office building	11,190	4.9%
Swedbank	Estonia	3,290	3,027	11.01.24	1.95%	Mortgage - Hortes gardening centre Tähesaju	6,480	3.1%
SEB	Estonia	1,860	1,426	05.07.22	1.82%	Mortgage - Hortes gardening centre Laagri	3,680	1.4%
Swedbank	Estonia	3,700	2,892	29.06.22	1.40%	Mortgage - Laagri Selver	7,340	2.9%
LHV	Estonia	1,800	1,606	25.02.24	2.95%	Mortgage - ABC Motors car centre	3,341	1.6%
Luminor	Latvia	3,905	2,586	04.02.25	3.75%	Mortgage - airBaltic office building	6,800	2.6%
Swedbank	Latvia	3,201	2,774	05.02.23	2.80%	Mortgage - Piepilsetas logistics centre	8,738	2.8%
SEB	Lithuania	7,300	6,758	12.08.25	2.10%	Mortgage - Rutkausko office building	12,480	6.8%
Šiaulių bankas	Lithuania	6,000	5,825	13.06.26	2.50%	Mortgage - Ramygalos logistics centre	10,400	
Swedbank	Estonia	3,100	3,007	28.11.25	1.95%	Mortgage - Pirita care home, parent company's guarantee	6,270	3.0%
Total		84,015	70,277				162,099	65.0%

Short-term borrowings	31.03.2022	31.12.2021
<i>€ thousands</i>		
Repayments of long-term bank loans in the next period	10,276	7,677
Discounted contract fees for bank loans	-32	-32
Total short-term borrowings	10,244	7,645

Long-term borrowings	31.03.2022	31.12.2021
<i>€ thousands</i>		
Total long-term borrowings	70,193	71,085
incl. current portion of borrowings	10,244	7,645
incl. non-current portion of borrowings, incl.	59,949	63,440
<i>Bank loans</i>	<i>60,001</i>	<i>63,500</i>
<i>Discounted contract fees on bank loans</i>	<i>-52</i>	<i>-60</i>

Bank loans are divided as follows according to repayment date:

Repayments of bank loans by maturity	31.03.2022	31.12.2021
<i>€ thousands</i>		
Up to 1 year	10,276	7,677
2-5 years	60,001	63,500
Total repayments of bank loans	70,277	71,177

	I quarter	
Cash flows of borrowings	2022	2021
<i>€ thousands</i>		
Balance at the beginning of the period	71,085	72,368
Bank loans received	0	300
Annuity payments on bank loans	-900	-903
Change of discounted contract fees	8	15
Balance as at the end of period	70,193	71,780

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

14 Payables and prepayments

Short-term payables and prepayments	31.03.2022	31.12.2021
<i>€ thousands</i>		
Payable from tangible assets transactions		
Other payables to suppliers	114	681
Total payables to suppliers	114	681
Other payables	26	25
Total other payables	26	25
VAT	252	252
Income tax	26	0
Land tax, real estate tax	3	103
Other tax liabilities	2	4
Total tax arrears	283	359
Payables to employees	23	23
Interest payable	35	40
Tenants' security deposits	56	77
Other accrued liabilities	184	144
Total accrued liabilities	298	284
Other prepayments	1	0
Total prepayments	1	0
Total payables and prepayments	722	1 349

Long-term payables	31.03.2022	31.12.2021
<i>€ thousands</i>		
Tenants' security deposits	1,006	985
Other long-term payables	1	2
Total other long-term payables	1,007	987

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

15 Financial instruments, management of financial risks

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

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

Carrying amounts of financial instruments

€ thousands	Notes	31.03.2022	31.12.2021
Financial assets - loans and receivables			
Cash and cash equivalents		13,751	13,074
Trade receivables	11	652	577
Total financial assets		14,403	13,651
Financial liabilities measured at amortised cost			
Borrowings	13	70,193	71,085
Trade payables	14	114	681
Tenant security deposits	14	1,062	1,062
Interest payables	14	35	40
Accrued expenses	14	207	167
Total financial liabilities measured at amortised cost		71,611	73,035
Financial liabilities measured at fair value			
Derivative instruments (interest rate swaps)		56	121
Total financial liabilities measured at fair value		56	121
Total financial liabilities		71,667	73,156

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

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

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

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

Market risk

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

Interest rate risk

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

As of 31.03.2022, 98% of the Group's loan agreements are based on floating interest (margin between 1.40% and 3.75% plus 1-month, 3-month and 6-month EURIBOR) and 2% of the loan agreements bear fixed interest in the range of 1.55%. In turn, 19% of the floating rate contracts are linked to an interest rate swap, where 3-month EURIBOR is fixed at 0.35%. The 3-month EURIBOR varied in the first quarter of 2022 between -0.567% and -0.458%, i.e., the maximum change during the quarter was 0.118 basis points. All contracts of EFTEN Real Estate Fund III have a 0% floor to protect against negative EURIBOR, i.e., in the event of a negative EURIBOR, the loan margin for these loan liabilities does not decrease.

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

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

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

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

The Group recognises interest rate swaps with the change in profit or loss. The fair value of interest rate swaps as at 31.03.2022 was negative in the amount of 56 thousand euros (31.12.2021: 121 thousand euros). Additional information on determining the fair value of interest rate swaps is provided in the 'Fair value' section below.

Liquidity risk

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

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

The Group's objective is to manage net cash flows in such a way that no more than 65% of the acquisition cost of the investment property involves external debt and the Group's debt coverage ratio would be higher than 1.2. As at 31.03.2022, the share of the Group's interest-bearing debt liabilities in rental income generating investment properties was 43% (31.12.2021: 44%) and the average debt coverage ratio (DSCR) for the last 12 months was 2.0 (2021: 1.9).

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

As at 31.03.2022	Less than 1 month	Between 2 and 4 months	Between 4 to 12 months	Between 2 to 5 years	Over 5 years	Total
<i>€ thousands</i>						
Interest-bearing liabilities	300	5,144	4,834	59,999	0	70,277
Interest payments	139	411	1,026	2,599	0	4,175
Interest payables	35	0	0	0	0	35
Trade payables	114	0	0	0	0	114
Tenant security deposits	1	0	55	844	162	1,062
Accrued expenses	207	0	0	0	0	207
Derivatives (interest rate swaps)	56	0	0	0	0	56
Total financial liabilities	796	5,555	5,915	63,442	162	75,870

Statement of working capital

	31.03.2022	31.12.2021
<i>€ thousands</i>		
Cash and cash equivalents	13,751	13,074
Receivables and accrued income (Note 11)	1,255	876
Prepaid expenses	53	314
Total current assets	15,059	14,264
Short-term portion of long-term liabilities (Note 13)	-10,244	-7,645
Short-term payables and prepayments	-778	-1,470
Total current liabilities	-11,022	-9,115
Total working capital	4,037	5,149

Credit risk

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

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

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

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

Trade receivables are illustrated by the table below:

	31.03.2022	31.12.2021
Undue	402	536
Past due, incl.	257	48
<i>up to 30 days</i>	198	40
<i>30-60 days</i>	51	2
<i>more than 60 days</i>	8	6
Allowance for doubtful accounts	-7	-7
Total trade receivables (Note 11)	652	577

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

	31.03.2022	31.12.2021
<i>€ thousands</i>		
Cash and cash equivalents	13,751	13,074
Trade receivables	652	577
Total maximum credit risk (Note 11)	14,403	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).

In the first quarter of 2022 the Group has earned free cash flow (EBITDA minus loan payments and interest expenses) 1,579 thousand euros (2021 I quarter: 1,048 thousand euros). All loans were serviced as usual in the first quarter of 2022 and no payment leave was taken by the fund's subsidiaries.

Report 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.

	31.03.2022	31.12.2021
<i>€ thousands</i>		
Short-term liabilities guaranteed with mortgage (Note 13)	10,276	7,677
Unsecured short-term liabilities	746	1,438
Total short-term liabilities	11,022	9,115
Long-term liabilities guaranteed with mortgage (Note 13)	60,001	63,500
Unsecured long-term liabilities	7,078	6,872
Total long-term liabilities	67,079	70,372
Share capital and share premium (Note 16)	67,013	67,013
Reserves	1,489	1,489
Retained earnings	30,690	28,412
Total shareholder's equity	99,192	96,914
Total liabilities and equity	177,293	176,401

Report of net debt

	31.03.2022	31.12.2021
<i>€ thousands</i>		
Cash	13,751	13,074
Total liquid assets	13,751	13,074
The short-term portion of long-term liabilities (Note 13)	10,276	7,677
Net short-term debt	-3,475	-5,397
Long-term bank loans (long-term portion) (Note 13)	60,001	63,500
Total long-term debt	60,001	63,500
Total net debt	56,526	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 31.03.2022 and 31.12.2021, the Group does not have any assets at fair value that would belong to the Level 1 group upon finding the value. All of the Group's investment properties are carried at fair value and belong to the Level 3 group according to the valuation method (see Note 12). All of the Group's loan liabilities and derivative securities entered into to hedge interest rate risk belong to the Level 2 group.

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

16 Share capital

The registered share capital of EFTEN Real Estate Fund III as at 31.03.2022 was 50,725 thousand euros (31.12.2021: same). The share capital consisted of 5,072,535 shares (31.12.2021: same). Without amending the articles of association, the company has the right to increase the share capital to 168,901 thousand euros. As of 31.03.2022, contributions to the share capital and share premium have been made in the total amount of 67,013 thousand euros (31.12.2021: same), see (Note 15).

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

Company	As at 31.03.2022	
	Number of shares	Ownership, %
Altius Energia OÜ	723,182	14.26
Järve Kaubanduskeskus OÜ	518,952	10.23
Hoiukonto OÜ	516,930	10.19

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

Company	As at 31.03.2022	
	Number of shares	Ownership, %
Member of Management Board Viljar Arakas	2,000	0.04
Miemma Holding OÜ, a company owned by Viljar Arakas, member of the Management Board	15,440	0.30
Member of Management Board Tõnu Uustalu	14,753	0.29
Meeli Leis, a close relative of Tõnu Uustalu, member of the Management Board	2,457	0.05
Altius Energia OÜ, a company under the significant control of Arti Arakas, member of the Supervisory Board	723,182	14.26
Member of Supervisory Board Olav Miil	38,933	0.77
Member of Supervisory Board Siive Penu	1,350	0.03

17 Contingent liabilities

	31.03.2022	31.12.2021
<i>€ thousands</i>		
Retained earnings	30,690	28,412
Potential income tax liability	6,138	5,682
Can be paid out in dividends	24,552	22,730

The maximum possible income tax liability has been calculated on the assumption that the net dividends to be distributed and the income tax expense related to their payment may not exceed the distributable profit as at 31.03.2022 and 31.12.2021.

18 Related party transactions

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

- Management Board members and companies owned by the Management Board members of EFTEN Real Estate Fund III AS;
- Supervisory Board members and companies owned by the Supervisory Board members of EFTEN Real Estate Fund III AS;
- Employees and companies owned by the employees of EFTEN Real Estate Fund III AS;
- EFTEN Capital AS (the fund management company).

During the first quarter of 2022, the Group purchased management services from EFTEN Capital AS in the amount of 286 thousand euros (first quarter of 2021: 246 thousand euros) (see Note 7).

EFTEN Real Estate Fund III AS did not purchase or sell other goods or services to other related parties during the first quarter of 2022 or 2021.

As of 31.03.2022, the Group had a total of 12 employees, who were paid a total of 62 thousand euros in the first quarter of 2022, including related taxes (Q1 2021: 52 thousand euros), see (Note 5.7). No remuneration was calculated or paid to the members of the Group's Management Board or Supervisory Board in the first quarter of 2022 or 2021. The members of the Group's Management Board work for EFTEN Capital AS, a company that provides 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 Board Declaration for the Consolidated Interim Report of 1st quarter of 2022

We hereby confirm that the Consolidated Interim Report for the 1st quarter 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