



EFTEN Real Estate Fund III

Consolidated Interim Report – 4th quarter and 12 months ended 31 December 2020

(translation of the Estonian original)

EFTEN Real Estate Fund III AS

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MANAGEMENT REPORT

Comment of the fund manager

The main economic event of 2020 was not an economic event – unexpected arrival and spread of coronavirus. The virus wave that reached the Baltics in February, 2020, closed the economy and put a significant strain on the fund's cash flows but only in short term. The fund's management found temporary solutions with the tenants, which usually resulted in a temporary rent discount for 3-4 months and an equivalent extension of the lease period.

The second wave of virus, which started in the fall was significantly worse in medical terms compared to the outbreak in spring, however, the companies had a much calmer attitude towards the second wave compared to the first wave. Coronavirus will definitely have an effect to fund's cash flows in the first quarter of 2021 but the positive news related to vaccine give hope that since the second quarter of 2021 we can hope for the permanent return of ordinary rhythm of life. Since the fund's portfolio does not include investments in hotels or entertainment segment the economic effect of Covid-19 to fund's cash flows was modest.

The temporary setback was mainly reflected in decrease of the fair value of fund's investment properties but European Commission's economic recovery plan, national measures of Baltic states and steps taken by European Central Bank give reason to predict that the setback in value of real estate is temporary and the real estate values will recover. This position is assured by the developments in residential real estate market in the Baltics where sales prices practically did not decrease and the effect of corona crisis was reflected in temporary, few-months long decrease in the number of transactions. Generally, the faster dynamics of residential real estate reflects in large-scale commercial real estate within delay of 3-4 quarters. As at the turn of the year, the average unleveraged net yield of the fund's underlying assets is 7.8%.

Despite the turmoil caused by coronavirus, the fund made four new investments during 2020: in February, two transactions were completed in Latvia by purchasing Piepilsetas logistics and production centre in Kekava near Riga and AirBaltic's headquarters in the territory of Riga airport. In August, 2020, the fund invested in the Rutkausko office building in Vilnius, where the Lithuanian subsidiary of IT-group ATEA, that is listed in Norwegian stock market, is a long-term anchor-tenant. In the last month of the year, the fund acquired its first care home in Tallinn, Pirita district. The care home segment in the Baltics has a very good outlook for growth and the fund plans to invest in the given segment moving forward. In 2020, total investments in new commercial buildings totalled to EUR 33.5 million.

In conclusion, the management of the fund is satisfied with the fund's performance in 2020. As at the end of the year, 99% of commercial areas are rented out.

Financial overview

The consolidated sales revenue of EFTEN Real Estate Fund III AS for 12 months of 2020 was EUR 10.731 million (12 months of 2019: EUR 9.512 million), which increased by 13% in a year. The Group's net rental income in 2020 totalled EUR 10.103 million (2019: 8,754 million euros), increasing by 15.4% year-on-year. The Group's net profit for the same period was EUR 3.317 million euros (2019 12 months: EUR 7.617 million). The lower net profit in 2020 is due to the revaluation of investment properties, which in turn was mainly due to a more conservative cash flow forecast.

In the fourth quarter of 2020, the fund earned a total sales revenue of EUR 3.033 million, which is 521 thousand euros (20.7%) more than in the same period last year. The increase in sales revenue in the fourth quarter by EUR 582 thousand is related to the increase in rental income from newly acquired investment properties, and rental income increase by EUR 96 thousand is due to a decrease in vacancies in the Evolution office building in Lithuania. In the fourth quarter, the Covid-19 crisis affected the rental income of the Saules Miestas shopping Centre the most, which is 178 thousand euros (19%) lower than last year.

In December 2020, Colliers International performed a regular valuation of the fund's real estate portfolio, as a result of which the value of the real estate portfolio as a whole increased by 611 thousand euros (0.4%). In 2020 as a whole, the value of the real estate portfolio decreased by a total of EUR 3.374 million euros (2.3%). The Fund's consolidated net profit for the fourth quarter was EUR 2.570 million euros (Q4 2019: 2.341 million euros).

	4th quarter		12 months	
	2020	2019	2020	2019
<i>EUR million</i>				
Rental revenue, other fees from investment properties	3.033	2.512	10.731	9.512
Expenses related to investment properties, incl. marketing costs	-0.200	-0.226	-0.628	-0.758
Net rental income	2.833	2.286	10.103	8.754
<i>Net rental income margin</i>	93%	91%	94%	92%
Interest expense and interest income	-0.355	-0.161	-1.322	-1.183
Net rental revenue less finance costs	2.478	2.125	8.781	7.571
Management fees	-0.246	-0.170	-0.899	-0.702
Other revenue and expenses	-0.192	-0.183	-0.701	-0.629
Profit before change in the value of investment property, fair value change of the interest rate swap and income tax expense	2.040	1.772	7.181	6.240

The consolidated net rental income margin in the 12 months of 2020 was 94% (12 months of 2019: 92%). Therefore, expenses directly related to management of properties (incl. land tax, insurance, maintenance and improvement costs) accounted for 6% (12 months of 2019: 8%) of the revenue. Interest expenses have increased in 2020 due to the addition of loans taken out for the acquisition of new real estate investments.

The volume of the Group's assets as of 31.12.2020 was EUR 151.632 million (31.12.2019: EUR 132.829 million), incl. the fair value of investment properties accounted for 95% of the volume of total assets (31.12.2019: 85%).

	31.12.2020	31.12.2019	31.12.2018	31.12.2017	31.12.2016
<i>EUR million</i>					
Investment properties	144.235	113.011	102.787	88.390	73.539
Other non-current assets	0.123	0.114	0.138	0.090	0.058
Current assets, excluding cash	2.146	6.717	0.719	0.678	0.444
Net debt (cash and deposits minus short-term and long-term bank loans)	-63.834	-36.431	-48.049	-37.712	-39.545
Net asset value (NAV)	71.483	70.911	50.354	46.385	30.320
EPRA net asset value (EPRA NAV)	76.112	75.456	54.179	49.307	32.804
Net asset value (NAV) per share (in euros)	16.93	16.78	15.63	14.39	12.71
EPRA net asset value (EPRA NAV) per share, in euros	18.03	17.93	16.81	15.30	13.75

The net asset value of EFTEN Real Estate Fund III AS increased by 0.4% during 2020. In May 2020, the fund paid dividends from the profit of 2019 in the total amount of EUR 2.745 million (spring 2019: EUR 3.061 million). Without the payment of dividends, the fund's NAV would have increased by 4.7% during 2020. The annual return on invested capital (ROIC) was 6.4% as a result of the 2020 financial year (2019 12 months: 17.1%).

Access to flexible financing terms helps to increase the Group's competitiveness. During 2020, the Group received bank loans in connection with the acquisition and development of new real estate investments in the total amount of EUR 5.9 million. The weighted average interest rate of the Group's loan agreements (incl. the interest rate swap agreements) at the end of December is 2.3% (31.12.2019: 1.8%) and LTV (*Loan to Value*) 50% (31.12.2019: 52%).

During 2020, the Group has earned free cash flow of EUR 3.747 million (2019 12 months: EUR 3.381 million). After deducting Lithuanian corporate income tax expense and calculating the estimated dividend income tax expense for Estonian and Latvian companies, EFTEN Real Estate Fund III could pay shareholders a net dividend of EUR 2.798 million (66 cents per share) from this year's profit in accordance with the established dividend policy.

Potential dividend payment calculation

	2020	2019
<i>EUR thousand</i>		
Operating profit	5,129	10,045
Adjustment for revaluation gains on investment property	3,374	-3,101
Adjustment for depreciation of fixed assets	50	40
Adjustment for profit on sale of investment property	3	0
Adjustment for non-monetary change in performance fee	0	479
EBITDA	8,556	7,463
Interest expense	-1,346	-1,115
Bank loan repayments	-3,282	-2,759
Income tax expense on profit (Lithuania)	-181	-208
Free cash flow	3,747	3,381
80% of the free cash flow	2,998	2,705
Potential dividend income tax expense	-200	-160
Potential net dividend according to dividend policy	2,798	2,545
Number of shares at the end of the period	4,222,535	4,222,535
Potential net dividends according to dividend policy per share (in EUR)	0.66	0.60
Potential Additional Cash Flow ¹	0	1,021
Dividend income tax on additional cash flows	0	-101
Potential net dividend with additional cash flow	2,798	3,465
Potential net dividend per share, in EUR	0.66	0.82

¹ The potential additional cash flow at the end of the reporting period includes funds accumulated in the accounts of the Fund and the subsidiaries of the Fund, which are not intended to be invested or used in daily business operations to ensure liquidity.

Key performance and liquidity ratios

12 months	31.12.2020	31.12.2019
ROE, % (net profit of the period / average equity of the period) x 100	5.4	12.7
ROA, % (net profit of the period / average assets of the period) x 100	2.6	6.4
ROIC, % (net profit of the period / average invested capital of the period) * 100 ¹	6.4	17.4
EBITDA (EUR thousand)	8,556	7,463
EBITDA margin, %	79.7	78.5
EBIT (EUR thousand)	5,129	10,045
Liquidity ratio (current assets / current liabilities) ²	0.2	0.9
DSCR (EBITDA/(interest expenses + scheduled loan payments))	1.9	1.8

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.

² The liquidity ratio calculated on the basis of the consolidated financial statements of EFTEN Real Estate Fund III is less than one in connection with loan agreements expiring in the next period, which are recognized in the balance sheet as short-term. As at 31 December 2020, current liabilities include five group loan agreements expiring in 2021 in the total amount of EUR 22,729 thousand. Of this amount, 3,100 thousand euros are planned to be repaid from the funds expected from the share issue to be organized in spring 2021, and the remaining loan agreements will be extended in the usual manner. All ending LTVs are less than 50% and investment properties have a strong rental cash flow, which means that the Group's management estimates that there are no obstacles to extending loan agreements and that the Group's working capital is sufficient to cover short-term liabilities. In addition, the Group has recognized as a short-term loan liability of the subsidiary EFTEN Riga Airport SIA, the maturity date of which is 04.02.2025. The loan is recognized as short-term due to a decrease in the debt coverage ratio below the rate allowed in the special terms of the agreement. At the time of preparing the report, the Group is negotiating with the lender to change the terms of the loan agreement.

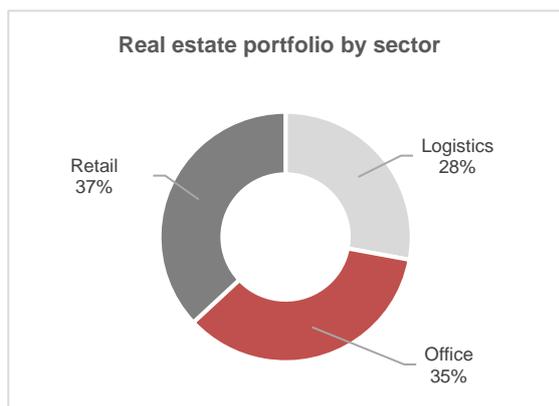
Real estate portfolio

In January 2020, EFTEN Real Estate Fund III AS entered into debt purchase agreements for the acquisition of the owner of the Air Baltic main building at Riga Airport and the owner of the production and warehouse building in Piepilsetas, Kekava, near Riga. The transactions were completed in March 2020 and the financial indicators of the two new subsidiaries have been consolidated line by line in the Group's financial statements as of March 1, 2020. A total of EUR 8.873 million was paid for the subsidiaries, including EUR 3.780 million in loan receivables from former owners. The transaction price is adjusted according to the agreement for changes in the working capital of subsidiaries during the period of concluding the transaction, and it is estimated that the Group will have to pay an additional 100 thousand euros for the acquisitions. The value of investment properties owned by subsidiaries totalled 15.800 million euros at the time of acquisition.

In August 2020, EFTEN Rutkauskio UAB acquired an office building in Vilnius with an acquisition cost of EUR 11.8 million. The anchor tenant of the office building is the IT company Atea UAB. The acquisition was financed with 39% of the equity, as a result of which the entire fund's last year emission of EUR 16 million has been invested.

In November 2020, EFTEN Real Estate Fund III AS established a 100% subsidiary EFTEN Pirita OÜ, paying 2.5 thousand euros for the share capital of the subsidiary. In December 2020, the fund paid an additional EUR 3.1 million euros into the subsidiary's equity, after which the subsidiary acquired the first real estate investment fund in the new, care home segment. The acquisition cost of the real estate investment was EUR 6.2 million euros and it will be operated by Pirita Kodu OÜ. The tenant will start paying the rent from 1 April 2021 and during the start-up period the rent will gradually increase, reaching full capacity from 1 January 2022.

As of the end of September 2020, the Group has 15 (31.12.2019: 11) commercial real estate investments with a fair value of EUR 144.235 million (31.12.2019: EUR 113.011 million) and an acquisition cost of EUR 136.349 million (31.12.2019: EUR 101.746 million).



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REAL ESTATE FUND III LARGEST TENANTS as of 31.12.2020

Tenant	Share of consolidated rental income
DSV Estonia AS	9.1%
Hortes AS	6.9%
DAV Latvia SIA	6.4%
DSV Lithuania UAB	6.3%
Atea UAB	5.5%
Air Baltic Corporation AS	4.3%
RIMI Lietuva UAB	4.3%
Selver AS	3.0%
State Energy Regulatory Council Lithuania	2.7%
Fristads Kansas Production SIA	2.3%
ABC Motors AS	2.3%
Others	46.7%
Total	100.0%

MAIN FIGURES OF THE GROUP'S REAL ESTATE PORTFOLIO

Investment property, as of 31.12.2020	Group's ownership	Acquisition cost, € thousands	Fair value of investment property, € thousands ¹	Net leasable area	Rental revenue per annum (EUR thousand)	Direct yield ²	Primary net yield ³	Occupancy, %	Average length of rental agreements	Number of tenants
DSV Tallinn	100	12,228	13,080	16,014	1,025	7.5%	7.0%	100	6.1	1
DSV Riga	100	8,830	8,687	12,149	729	7.4%	7.6%	100	6.1	1
DSV Vilnius	100	8,504	8,860	11,687	712	7.5%	7.2%	100	6.1	1
Piepilsetas logistics centre, Kekava	100	8,716	8,420	13,327	691	8.1%	8.4%	99	3.5	4
Total Logistics		38,278	39,047	53,177	3,157	7.7%	7.5%	100	5.5	7
Saules Miestas shopping centre	100	28,567	32,390	19,881	3,171	11.1%	9.8%	98	3.9	123
Hortes shopping centre, Laagri	100	3,108	3,510	3,470	269	7.5%	6.6%	100	11.7	1
Selver, Laagri	100	6,277	6,480	3,063	502	7.3%	7.1%	100	7.2	10
Hortes gardening centre, Tallinn	100	5,458	6,020	5,300	505	7.6%	6.9%	100	14.0	1
ABC Motors sales and service centre, Tallinn	100	3,023	3,120	2,149	259	8.3%	8.0%	100	8.4	1
Total retail		46,433	51,520	33,863	4,706	9.8%	8.8%	99	5.9	136
Ulonu office building, Vilnius	100	8,254	8,830	5,174	743	7.7%	7.2%	86	3.3	12
Evolution office building, Vilnius	100	9,819	10,610	6,172	810	6.6%	6.1%	100	4.0	45
L3 office building, Vilnius	100	8,729	9,721	6,151	787	8.9%	8.0%	100	2.5	33
airBaltic office building, Riga	100	7,100	6,800	6,217	495	7.0%	7.3%	100	5.4	1
Rutkausko office building, Vilnius	100	11,819	11,790	6,811	851	6.6%	6.6%	100	3.9	3
Total Office		45,721	47,751	30,525	3,686	7.3%	7.0%	97	3.7	94
Pirita Care home	100	5,917	5,917	6,045	442	7.0%	7.0%	100	10.0	1
Total Care home		5,917	5,917	6,045	442	7.0%	7.0%	100	10.0	1
Total real estate portfolio		136,349	144,235	123,610	11,991	8.2%	7.8%	99	5.0	238

¹ The fair value of the Fund's investment properties is the market price of the investment properties, which is determined on the basis of discounted cash flows.

The external appraiser of the fund's real estate portfolio is Colliers International.

² To find the direct yield, the net rental income is divided by the sum of the acquisition cost of the investment property and the subsequent capitalized expenses.

³ To find the primary net yield, the net rental income is divided by the market value of the investment property.

Information on shares

The net asset value of EFTEN Real Estate Fund III shares as of 31.12.2020 was 16.93 euros (31.12.2019: 16.85 euros). The net asset value of EFTEN Real Estate Fund III AS increased by 0.4% during 2020. In May 2020, the fund paid dividends from the profit of 2019 in the total amount of EUR 2.745 million (spring 2019: EUR 3.061 million). Without the payment of dividends, the fund's NAV would have increased by 4.7% during 2020. The lower increase in net asset value was due to the decline in rental income in 2020 due to the economic instability caused by Covid-19.

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

€ thousands	31.12.2020	31.12.2019
Net asset value calculated in accordance with IFRS	71,483	70,911
Exclusion of deferred income tax on investment property	4,383	4,274
Exclusion of the fair value of financial instruments	246	271
EPRA net asset value	76,112	75,456
Number of shares at the balance sheet date	4,222,534	4,222,534
EPRA net asset value per share, in euros	18.03	17.87
EPRA NAV growth, in euros	0.16	1.06
Declared dividend per share, in euros	0.65	0.95
Income tax on dividends paid per share, in euros	0.06	0.04
Period earnings per share, in euros	0.87	2.05
Period earnings per share, increase	4.9%	12.2%

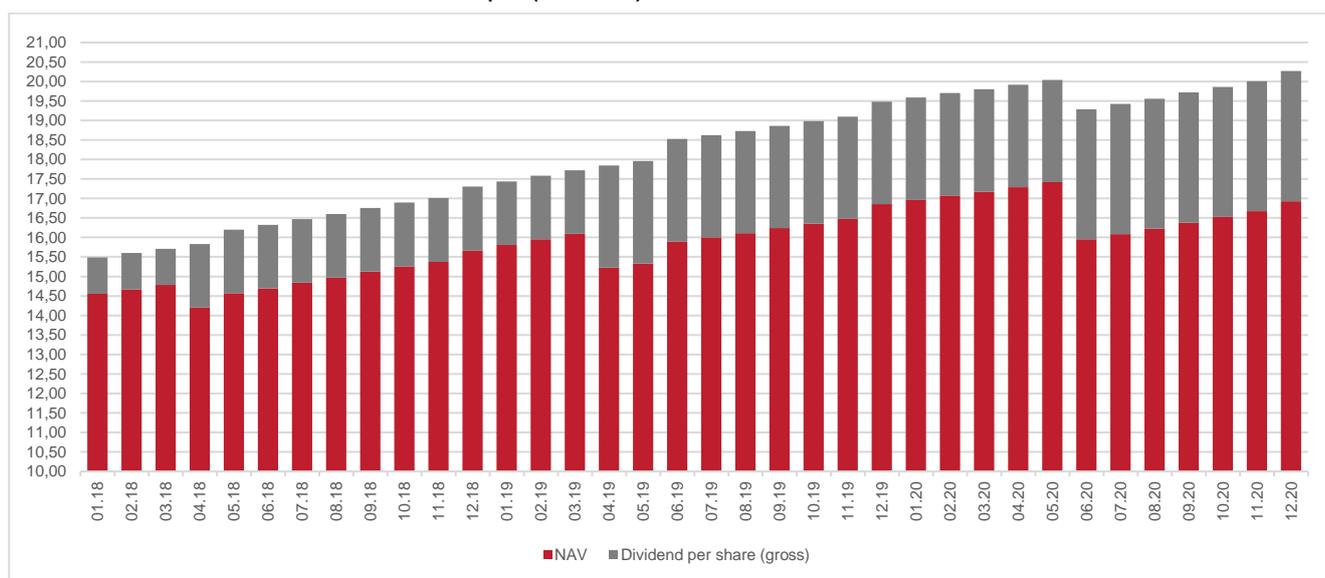
As of 31.12.2020, EFTEN Real Estate Fund III AS had 3,013 shareholders, of which 19.6% were legal entities. Legal entities owned a total of 79.7% of the total share capital of the fund. The distribution of shares is shown in the table below.

	Shareholders, pcs			Number of shares			Total shares	Ownership		Total ownership
	Legal entities	Private individuals	Total shareholders	Legal entities	Private individuals	Legal entities		Private individuals		
Austria	-	1	1	-	1,255	1,255	-	0.0297%	0.0297%	
China	-	1	1	-	75	75	-	0.0018%	0.0018%	
Denmark	1	1	2	1	6	7	0.0000%	0.0001%	0.0002%	
Estonia	581	2,399	2,980	3,358,046	849,096	4,207,142	79.5268%	20.1087%	99.6355%	
Finland	1	5	6	172	385	557	0.0041%	0.0091%	0.0132%	
Sweden	1	-	1	20	-	20	0.0005%	-	0.0005%	
Germany	-	2	2	-	149	149	-	0.0035%	0.0035%	
Hungary	-	1	1	-	80	80	-	0.0019%	0.0019%	
Italy	-	1	1	-	75	75	-	0.0018%	0.0018%	
Norway	-	2	2	-	161	161	-	0.0038%	0.0038%	
Latvia	1	-	1	649	-	649	0.0154%	-	0.0154%	
Lithuania	5	1	6	6,251	5,313	11,564	0.1480%	0.1258%	0.2739%	
Netherlands	-	1	1	-	80	80	-	0.0019%	0.0019%	
United Arab Emirates	-	1	1	-	68	68	-	0.0016%	0.0016%	
Oman	-	1	1	-	81	81	-	0.0019%	0.0019%	
Spain	-	1	1	-	80	80	-	0.0019%	0.0019%	
South Africa	-	1	1	-	125	125	-	0.0030%	0.0030%	
Switzerland	-	1	1	-	30	30	-	0.0007%	0.0007%	
Great Britain	-	2	2	-	77	77	-	0.0018%	0.0018%	
United States of America	1	-	1	260	-	260	0.0062%	-	0.0062%	
Total	591	2,422	3,013	3,365,399	857,136	4,222,535	79.70%	20.30%	100.00%	

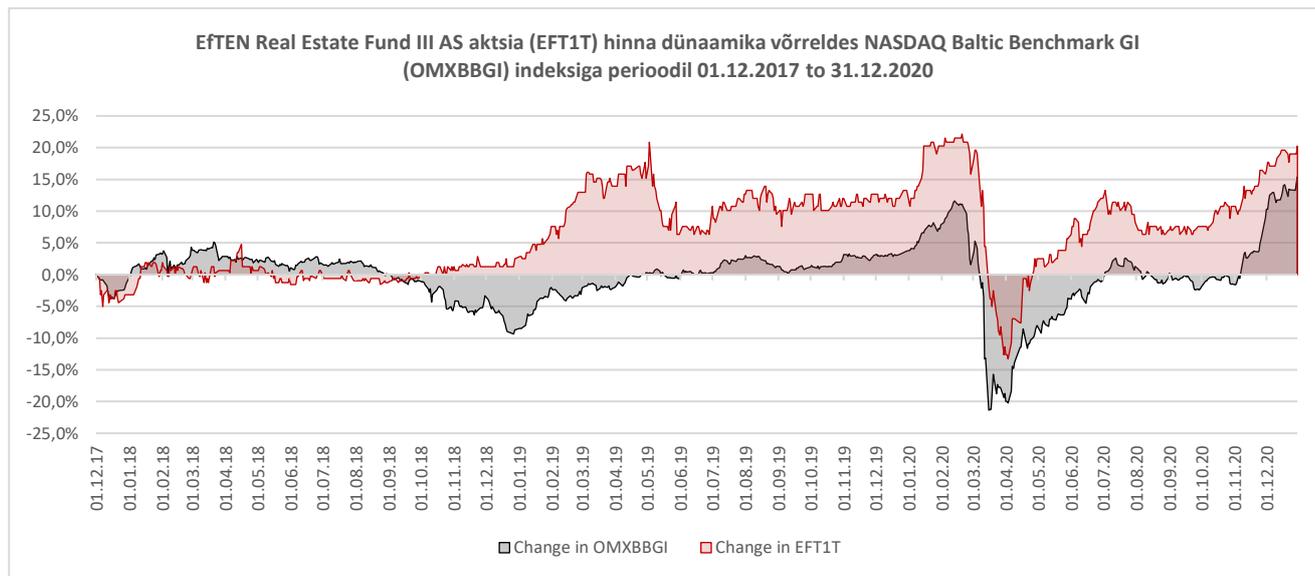
As of 31.12.2020, EFTEN Real Estate Fund III AS has three shareholders with more than 10% participation:

Company	As at 31.12.2020	
	Number of shares	Ownership, %
Altius Energia OÜ	602,000	14.26
Järve Kaubanduskeskus OÜ	431,992	10.23
HT Management OÜ	430,211	10.19

EFTEN Real Estate Fund III share value and dividends paid (cumulative)



EFTEN Real Estate Fund III AS share price (EFT1T) price dynamics compared to NASDAQ Baltic Benchmark GI (OMXBBGI) index in the period from 01.12.2017 to 31.12.2020



CONSOLIDATED INTERIM REPORT OF THE GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	IV quarter		12 months	
		2020	2019 ¹	2020	2019 ¹
<i>€ thousands</i>					
Revenue	3,4	3,033	2,512	10,731	9,512
Cost of services sold	5	-103	-100	-325	-329
Gross profit		2,930	2,412	10,406	9,183
Marketing costs	6	-97	-126	-303	-429
General and administrative expenses	7	-431	-870	-1,597	-1,847
Gain / loss on change in fair value of investment property	12	612	1,641	-3,374	3,101
Other operating income and expense		-7	38	-3	37
Operating profit	3	3,007	3,095	5,129	10,045
Interest income		0	0	0	14
Other financial income and expenses	8	-355	-161	-1,322	-1,197
Profit before income tax		2,652	2,934	3,807	8,862
Income tax expense	9	-82	-593	-490	-1,245
Total comprehensive income for the financial period	3	2,570	2,341	3,317	7,617
Earnings per share	10				
- Basic		0.61	0.56	0.79	2.01
- Diluted		0.61	0.56	0.79	2.01

¹ In the income statement for 2019, the income tax expense has been adjusted due to the change in accounting policy. Additional information on changes in accounting policies is provided in Note 1.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2020	31.12.2019 ¹
<i>€ thousands</i>			
ASSETS			
Cash and cash equivalents	15	5,128	12,986
Short-term deposits	15	0	6,000
Receivables and accrued income	11	2,018	667
Prepaid expenses		128	51
Total current assets		7,274	19,704
Long-term receivables		18	0
Investment property	3,12	144,235	113,011
Tangible assets		101	114
Intangible assets		4	0
Total fixed assets		144,358	113,125
TOTAL ASSETS		151,632	132,829
LIABILITIES AND EQUITY			
Borrowings	13	28,781	21,147
Derivatives	15	246	271
Debts and advances	14	1,995	1,132
Total current liabilities		31,022	22,550
Borrowings	13	43,587	34,225
Other long-term debt	14	957	609
Deferred income tax liability	9	4,583	4,534
Total non-current liabilities		49,127	39,368
Total liabilities		80,149	61,918
Share capital	16	42,225	42,225
Share premium	16	9,658	9,658
Statutory reserve capital		1,323	936
Retained earnings	17	18,277	18,092
Total equity		71,483	70,911
TOTAL LIABILITIES AND EQUITY		151,632	132,829

¹ In the statement of financial position for 2019, the deferred income tax liability has been changed due to the change in accounting policy. Additional information on changes in accounting policies is provided in Note 1.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	IV quarter		12 months	
		2020	2019 ¹	2020	2019 ¹
€ thousands					
Net profit		2,570	2,341	3,317	7,617
<i>Adjustments of net profit:</i>					
Finance costs and income	8	355	152	1,322	1,183
Gains / losses on revaluation of investment property	12	-612	-1,641	3,374	-3,101
Gain / loss on sale of investment property		3	-29	3	0
Depreciation and impairment of assets		13	41	51	41
Income tax expense	9	82	593	490	1,245
Total adjustments with non-cash changes		-159	-884	5,240	-632
Cash flow from operations before changes in working capital		2,411	1,457	8,557	6,985
Change in receivables and payables related to operating activities		-24	366	-525	301
Net cash flow generated from operating activities		2,387	1,822	8,032	7,285
Purchase of property, plant and equipment		-8	-4	-41	-41
Purchase of investment property	12	-6,148	-520	-18,798	-7,329
Change in short-term deposits		0	3,000	6,000	-6,000
Acquisition of subsidiaries	2	0	0	-8,615	0
Interest received		0	0	13	0
Net cash flow generated from investing activities		-6,156	2,476	-21,441	-13,370
Loans received	14	5,900	369	13,200	6,768
Scheduled loan repayments	14	-903	-698	-3,282	-4,259
Interest paid		-414	-275	-1,363	-1,096
Issue of shares		0	0	0	16,000
Dividends paid	15	0	0	-2,745	-3,061
Income tax on dividends paid		1	-1	-259	-140
Net cash flow generated from financing activities		4,584	-605	5,551	14,212
NET CASH FLOW		815	3,693	-7,858	8,127
Cash and cash equivalents at the beginning of period		4,313	9,293	12,986	4,859
Change in cash and cash equivalents		815	3,693	-7,858	8,127
Cash and cash equivalents at the end of period	15	5,128	12,986	5,128	12,986

¹ In the cash flow statement for 2019, net profit and net profit adjustments have been changed due to the change in accounting policy. Additional information on changes in accounting policies is provided in Note 1.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Statutory reserve capital	Retained earnings ¹	Total
<i>€ thousands</i>					
Balance as at 31.12.2018	32,225	3,658	621	13,850	50,354
Issue of shares	10,000	6,000	0	0	16,000
Dividends paid	0	0	0	-3,061	-3,061
Provisions for reserve capital	0	0	315	-315	0
Total transactions with owners	10,000	6,000	315	-3,376	12,939
Net profit for the financial period	0	0	0	7,617	7,617
Total comprehensive income for the period	0	0	0	7,617	7,617
Balance as at 31.12.2019	42,225	9,658	936	18,092	70,911
Dividends paid	0	0	0	-2,746	-2,746
Provisions for reserve capital	0	0	387	-387	0
Total transactions with owners	0	0	387	-3,133	-2,746
Net profit for the financial period	0	0	0	3,317	3,317
Total comprehensive income for the period	0	0	0	3,317	3,317
Balance as at 31.12.2020	42,225	9,658	1,323	18,277	71,483

¹ In the consolidated statement of changes in equity for 2019 as of 31.12.2018 and 31.12.2019, the figures of retained earnings have been adjusted due to the change in accounting policy. Additional information on changes in accounting policies is provided in Note 1.

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

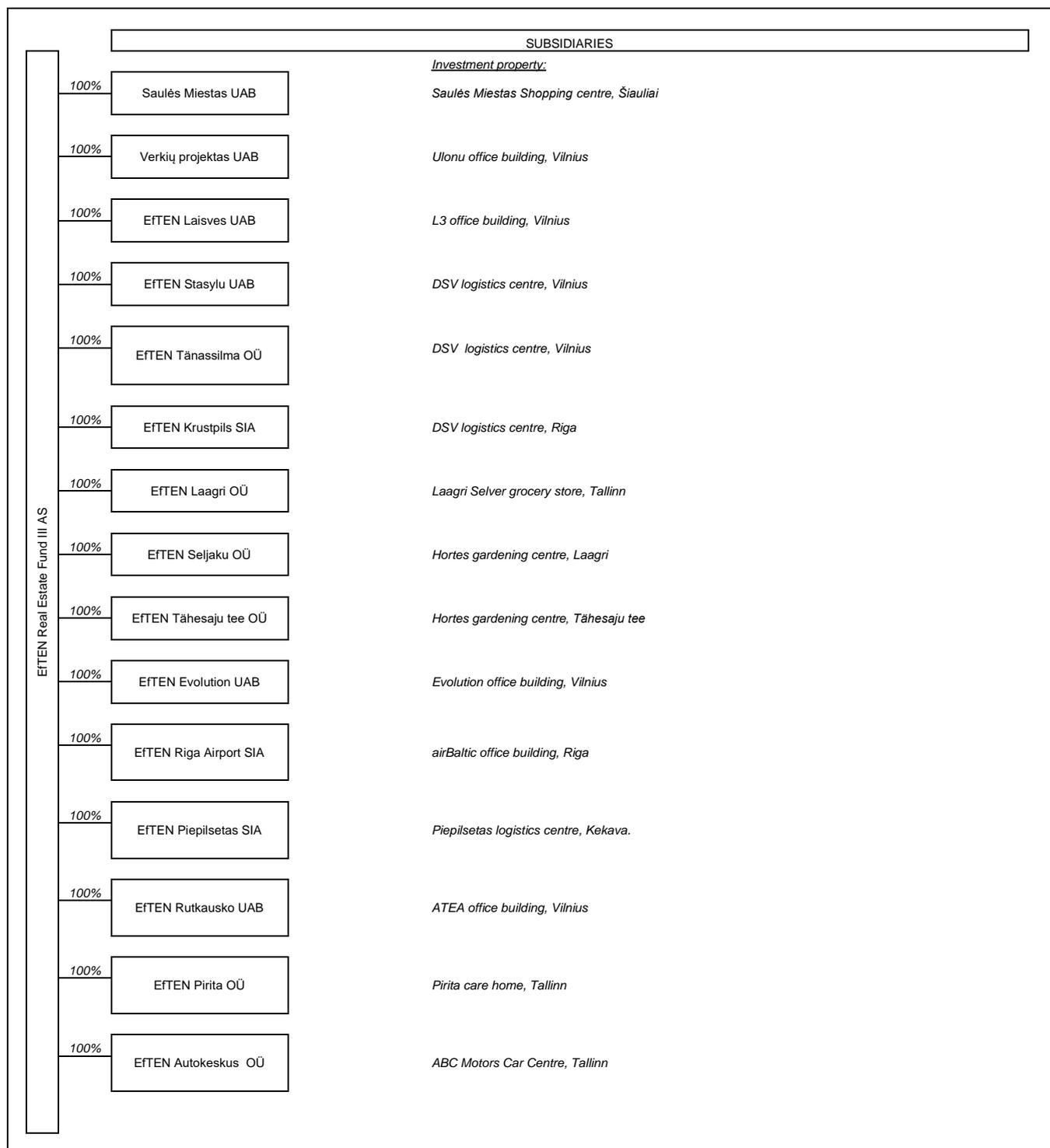
The notes on pages 13 to 28 form an integral part of these interim financial statements.

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 31.12.2020 is as follows (also see Note 2):



The consolidated interim financial statements of EFTEN Real Estate Fund III AS and its subsidiaries have been prepared in accordance with International Financial Reporting 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 31.12.2019. The interim report should be read in conjunction with the Group's latest published annual report for 2019, 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 fourth quarter and 12 months of 2020 correctly and fairly reflects the financial results of the Group in accordance with the principle of continuity. This interim report has not been audited or otherwise reviewed by auditors and contains 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 have been rounded to the nearest thousand, unless otherwise stated.

Changes in accounting policies

IAS 12.52A states that if income tax is paid on dividends rather than on profits, no income tax expense or liability is recognized until the profits are distributed (dividends are declared). In connection with the decision of the IFRS Interpretations Committee in June 2020, according to which, regardless of the article above, a deferred income tax liability for retained earnings in subsidiaries must be recognized in the consolidated financial statements, unless it is not planned to be distributed in the foreseeable future (IAS12.39-40). EFTEN Real Estate Fund III AS has a valid dividend policy, according to which 80% of the fund's consolidated cash flow is distributed annually as a (gross) dividend, therefore the Group has an obligation to recognize a deferred income tax liability on each balance sheet date in the amount resulting from applying dividend policy to distribute the annual profit. Due to the decision of the IFRS Interpretations Committee regarding the recognition of deferred income tax liability, the Group has made the following adjustments in the main financial statements of previous periods:

CONSOLIDATED CONDENSED INCOME STATEMENT

	IV quarter 2019			12 quarter 2019		
	Initial	Adjusted	Change	Initial	Adjusted	Change
<i>€ thousands</i>						
Operating profit	3,095	3,095	0	10,045	10,045	0
Profit before income tax	2,934	2,934	0	8,862	8,862	0
Income tax expense	-333	-593	-260	-1,125	-1,245	-120
Total comprehensive income for the reporting period	2,601	2,341	-260	7,737	7,617	-120
Earnings per share						
- Basic	0.62	0.56	-0.06	2.05	2.01	-0.04
- Diluted	0.62	0.56	-0.06	2.05	2.01	-0.04

CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION

	31.12.2019			01.01.2019		
	Initial	Adjusted	Change	Initial	Adjusted	Change
<i>€ thousands</i>						
Total current assets	19,704	19,704	0	5,578	5,578	0
Total non-current assets	113,125	113,125	0	102,925	102,925	0
TOTAL ASSETS	132,829	132,829	0	108,503	108,503	0
Total current liabilities	22,550	22,550	0	9,313	9,313	0
Total non-current liabilities	39,108	39,368	260	48,696	48,836	140
TOTAL LIABILITIES	61,658	61,918	260	58,009	58,149	140
TOTAL EQUITY	71,171	70,911	-260	50,494	50,354	-140
TOTAL LIABILITIES AND EQUITY	132,829	132,829	0	108,503	108,503	0

CONSOLIDATED CONDENSED CASH FLOW STATEMENT

	IV quarter 2019			12 months 2019		
	Initial	Adjusted	Change	Initial	Adjusted	Change
<i>€ thousands</i>						
Net profit	2,601	2,341	-260	7,737	7,617	-120
<i>Net profit adjustments:</i>						
Income tax expense	333	593	260	1,125	1,245	120
Other adjustments	-1,478	-1,478	0	-1,878	-1,878	0
Total cash flows from operating activities	1,822	1,822	0	7,285	7,285	0
Total cash flows from investing activities	2,476	2,476	0	-13,370	-13,370	0
Total cash flows from financing activities	-605	-605	0	14,212	14,212	0
TOTAL CASH FLOWS	3,693	3,693	0	8,127	8,127	0
Cash and cash equivalents at the beginning of the period	9,293	9,293	0	4,859	4,859	0
Change in cash and cash equivalents	3,693	3,693	0	8,127	8,127	0
Cash and cash equivalents at the end of the period	12,986	12,986	0	12,986	12,986	0

CONSOLIDATED ABBREVIATED STATEMENT OF CHANGES IN EQUITY

	31.12.2019			01.01.2019		
	Initial	Adjusted	Change	Initial	Adjusted	Change
<i>€ thousands</i>						
Share capital	42,225	42,225	0	32,225	32,225	0
Share premium	9,658	9,658	0	3,658	3,658	0
Statutory reserve capital	936	936	0	621	621	0
Retained earnings	18,352	18,092	-260	13,990	13,850	-140
Total equity	71,171	70,911	-260	50,494	50,354	-140

2 Subsidiaries

Company name	Country of domicile	Investment property	The subsidiary's equity, EUR thousand		Group's ownership interest, %	
			31.12.2020	31.12.2019	31.12.2020	31.12.2019
Parent company						
EFTEN Real Estate Fund III AS	Estonia					
Subsidiaries						
Saules Miestas UAB	Lithuania	Shopping centre Saules Miestas	16,495	16,140	100	100
Verkiu projektas UAB	Lithuania	Ulonu Office building, Vilnius	3,747	4,142	100	100
EFTEN Laisves UAB	Lithuania	L3 Office building, Vilnius	4,816	5,087	100	100
EFTEN Stasyļu UAB	Lithuania	DSV logistics centre, Vilnius	4,461	4,213	100	100
EFTEN Tānassilma OÜ	Estonia	DSV logistics centre, Tallinn	7,046	6,795	100	100
EFTEN Krustpils SIA	Latvia	DSV logistics centre, Riga	2,776	2,768	100	100
EFTEN Seljaku OÜ	Estonia	Hortes gardening centre, Saue	2,079	2,034	100	100
EFTEN Tāhesaju tee OÜ	Estonia	Hortes gardening centre, Tallinn	2,880	2,779	100	100
EFTEN Evolution UAB	Lithuania	Evolution Office building, Vilnius	4,593	4,511	100	100
EFTEN Laagri OÜ	Estonia	Evolution Office building, Vilnius	3,552	3,613	100	100
EFTEN Autokeskus OÜ	Estonia	ABC Motors car service shop, Tallinn	1,479	1,544	100	100
EFTEN Piepilsetas SIA	Latvia	Piepilsetas logistics centre, Kekava	3,509	0	100	0
EFTEN Rīga Airport	Latvia	airBaltic Office building, Riga	1,121	0	100	0
EFTEN Rutkauskos UAB	Lithuania	Rutkauskos office building, Vilnius	4,711	0	100	0
EFTEN Pirita OÜ	Estonia	Pirita care home, Tallinn	3,116	0	100	0

On 10 January 2020, EFTEN Real Estate Fund III AS entered into purchase agreements under the law of obligations for the acquisition of the owner of the Air Baltic main building at Riga Airport and the owner of the production and warehouse building in Piepilsetas near Kekava, Riga. The transactions were completed on March 12 and March 13, 2020, and the financial indicators of the two new subsidiaries have been consolidated line by line in the Group's financial statements since 1 March 2020. A total of EUR 8,873 thousand was paid for the subsidiaries, including loan receivables from the former owners in the amount of EUR 3,780 thousand. As the transaction price is adjusted according to the agreement for changes in the working capital of subsidiaries in the period of concluding the transaction (from mid-January to mid-March), it is estimated that the Group will have to pay 95 thousand euros for acquisitions. The value of investment properties owned by subsidiaries during the acquisition totalled EUR 15,800 thousand.

Fair value of EFTEN Rīga Airport (formerly NHC1) SIA 29.02.2020

	Fair value
<i>€ thousands</i>	
Cash	203
Receivables	245
Investment property (Note 12)	7,100
Bank loans	-3,941
Owners' loans	-2,030
Other liabilities	-304
Fair value of net assets	1,273
Acquisition cost	1,273
Goodwill	0

EFTEN Piepilsetas (previous NHC3) SIA fair value 29.02.2020

	Fair value
<i>€ thousands</i>	
Cash	54
Receivables	16
Investment property (Note 12)	8,700
Bank loans	-3,223
Owners' loans	-1,750
Other liabilities	-295
Fair value of net assets	3,502
Acquisition cost	3,502
Goodwill	0

On August 7, 2020, EFTEN Real Estate Fund III AS established a 100% subsidiary EFTEN Rutkausko UAB in Lithuania. After the establishment, the equity of the subsidiary was paid together with the initial capital in the amount of 4,560 thousand euros. In August 2020, the subsidiary acquired an office building in Vilnius at an acquisition cost of EUR 11,819 thousand.

On November 18, 2020, EFTEN Real Estate Fund III AS established a 100% subsidiary EFTEN Pirita OÜ in Tallinn. After the establishment, the equity of the subsidiary was paid together with the initial capital in the amount of EUR 3,103 thousand. In December 2020, the subsidiary acquired the property of the newly completed Pirita care home, the total cost of which is 6.2 million euros. Of this cost, EUR 5.9 million was paid immediately and the remaining EUR 0.3 million will be paid to the seller after the construction deficiencies have been remedied.

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

3 Segment reporting**SEGMENT RESULTS**

12 months	Office		Logistics		Retail		Care Home		Non-Allocated		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<i>€ thousands</i>												
Revenue (Note 4), incl.	2,971	2,177	2,880	2,408	4,864	4,927	16	0	0	0	10,731	9,512
Estonia	0	0	929	1,005	1,374	997	16	0	0	0	2,319	2,002
Latvia	415	0	1,271	711	0	0	0	0	0	0	1,686	711
Lithuania	2,556	2,177	680	692	3,490	3,930	0	0	0	0	6,726	6,799
Operating income, net, incl.	2,744	1,945	2,812	2,408	4,531	4,401	16	0	0	0	10,103	8,754
Estonia	0	0	922	1,005	1,358	970	16	0	0	0	2,296	1,975
Latvia	413	0	1,248	711	0	0	0	0	0	0	1,661	711
Lithuania	2,331	1,945	642	692	3,173	3,431	0	0	0	0	6,146	6,068
Operating profit, incl.	711	2,078	2,370	2,273	2,226	6,316	16	0	-194	-622	5,129	10,045
Estonia	0	0	1,031	944	731	1,751	16	0	-194	-622	1,584	2,073
Latvia	38	0	702	666	0	0	0	0	0	0	740	666
Lithuania	673	2,078	637	663	1,495	4,565	0	0	0	0	2,805	7,306
EBITDA, incl.	2,364	1,735	2,459	2,167	3,914	2,909	16	0	-194	-622	8,559	6,189
Estonia	0	0	831	914	1,173	0	16	0	-194	-622	1,826	292
Latvia	338	0	1,051	627	0	0	0	0	0	0	1,389	627
Lithuania	2,026	1,735	577	626	2,741	2,909	0	0	0	0	5,344	5,270
Operating profit											5,129	10,045
Net financial expense											-1,322	-1,183
Profit before income tax expense											3,807	8,862
Income tax expense (Note 9)											-490	-1,245
NET PROFIT FOR THE FINANCIAL PERIOD											3,317	7,617

IV quarter	Office		Logistics		Retail		Care home		Non-allocated		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<i>€ thousands</i>												
Revenue (Note 4), incl.	938	525	820	602	1,259	1,385	16	0	0	0	3,033	2,512
Estonia	0	0	253	251	367	285	16	0	0	0	636	536
Latvia	124	0	363	178	0	0	0	0	0	0	487	178
Lithuania	814	525	204	173	892	1,100	0	0	0	0	1,910	1,798
Operating income, net, incl.	889	441	782	602	1,146	1,243	16	0	0	0	2,833	2,286
Estonia	0	0	253	251	363	276	16	0	0	0	632	527
Latvia	124	0	356	178	0	0	0	0	0	0	480	178
Lithuania	765	441	173	173	783	967	0	0	0	0	1,721	1,581
Operating profit, incl.	111	471	1 394	540	1,516	2,582	16	0	-30	-498	3,007	3,095
Estonia	0	0	790	229	706	1,082	16	0	-30	-498	1,482	813
Latvia	29	0	329	159	0	0	0	0	0	0	358	159
Lithuania	82	471	275	152	810	1,500	0	0	0	0	1,167	2,123
EBITDA, incl.	762	404	683	539	978	227	16	0	-30	-498	2,409	672
Estonia	0	0	230	229	317	-565	16	0	-30	-498	533	-834
Latvia	99	0	298	155	0	0	0	0	0	0	397	155
Lithuania	663	404	155	155	661	792	0	0	0	0	1,479	1,351
Operating profit											3,007	3,095
Net financial expense											-355	-161
Profit before income tax expense											2,652	2,934
Income tax expense (Note 9)											-82	-593
IV QUARTER NET PROFIT											2,570	2,341

SEGMENT ASSETS

As at year end	Office		Logistics		Retail		Care Home		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<i>€ thousands</i>										
Investment property (Note 12)										
Estonia	0	0	13,080	12,880	19,130	19,520	5,917	0	38,127	32,400
Latvia	6,800	0	17,107	8,710	0	0	0	0	23,907	8,710
Lithuania	40,951	29,711	8,860	8,800	32,390	33,390	0	0	82,201	71,901
Total investment property	47,751	29,711	39,047	30,390	51,520	52,910	5,917	0	144,235	113,011
Other non - current assets									123	113
Net debt									-75,021	-48,932
Other current assets									2,146	6,719
NET ASSETS									71,483	70,911

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

The Group's largest customers are DSV Transport AS, Hortes AS, DSV SIA and DSV Transport UAB, owning 9.3%, 6.9%, 6.4% and 6.3%, respectively. Consolidated rental income of the Group. The share of income of other tenants in the consolidated income is less than 6%.

4 Revenue

Areas of activity	2020	2019
€ thousands		
Rental income from office premises	2,957	2,163
Rental income from retail premises	4,236	4,211
Rental income from warehousing and logistics premises	2,792	2,408
Rental income from care home premises	16	0
Other sales revenue	730	730
Total revenue by areas of activity (Note 3, 12)	10,731	9,512

Revenue by geographical area	2020	2019
€ thousands		
Estonia	2,319	2,002
Latvia	1,686	711
Lithuania	6,726	6,799
Total revenue by geographical area	10,731	9,512

5 Cost of services sold

	2020	2019
€ thousands		
Repair and maintenance of rental space	-23	-9
Property Insurance	-8	-15
Land tax and real estate tax	-56	-78
Other administrative expenses	-74	-58
Utility costs for vacant premises	-64	-81
Depreciation of property, plant and equipment	-1	-1
Improvement costs	-7	-28
Wage costs, including taxes	-40	-21
Proportional costs of VAT	-52	-37
Impairment of doubtful receivables	0	-1
Total cost of services sold (Note 12)	-325	-329

6 Marketing costs

	2020	2019
€ thousands		
Commission expenses on rental premises	-56	-8
Advertising, advertising events ¹	-247	-421
Total marketing costs	-303	-429

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

General and administrative expenses	2020	2019
€ thousands		
Management services (Note 18)	-899	-702
Office expenses	-35	-66
Wages and salaries, incl. taxes	-220	-257
Consulting expenses, legal expenses, due diligence	-249	-102
Audit costs	-46	-37
Regulator costs	-86	-118
Management company performance fee	0	-479
Other general administrative expenses	-12	-46
Depreciation costs	-50	-40
Total general and administrative expenses	-1,597	-1,847

8 Financial expenses

Other financial income and expenses	2020	2019
€ thousands		
Interest expenses, incl.	-1,346	-1,115
Interest expense from loans	-1,243	-1,016
Interest expense from derivatives (-)/ cost reductions (+)	-103	-99
Change in fair value of interest swaps (Note 15)	24	-82
Total finance costs	-1,322	-1,197

9 Income tax

	2020	2019
€ thousands		
Deferred income tax expense on dividends ¹	-200	-259
Deferred income tax expense for Lithuanian companies	-109	-778
Lithuanian corporate income tax expense on profits	-181	-208
Total income tax expense	-490	-1,245

¹ In connection with the IFRS Interpretations Committee's decision on the recognition of deferred income tax liability IAS12, the Group has made adjustments to the income tax expense of previous periods and the deferred income tax liability. See Note 1 for more details.

Changes in deferred income tax liabilities in 2020 and 2019 include the following changes:

	Deferred income tax liability related to real estate investments	Deferred income tax liability in respect of dividends	Total
€ thousands			
As at 31.12.2018	3,496	140	3,636
Change in deferred income tax liability in the income statement in 2019	778	260	1,038
Income tax paid on dividends	0	-140	-140
As at 31.12.2019	4,274	260	4,534
Change in deferred income tax liability in the income statement in 2020	109	200	309
Income tax paid on dividends	0	-260	-260
As at 31.12.2020	4,383	200	4,583

10 Earnings per share

Earnings per share	IV quarter		12 months	
	2020	2019	2020	2019
Net profit for the period, in € thousands	2,570	2,341	3,317	7,617
Dividends per share, in EUR	0	0	0.65	0.95
Weighted average number of shares over the period, in pcs	4,222,535	4,222,535	4,222,535	3,782,975
Earnings per share, in EUR	0.61	0.56	0.79	2.01

11 Receivables and accrued income

	31.12.2020	31.12.2019
€ thousands		
Receivables from customers	480	569
Doubtful amounts receivable	-59	0
Total trade receivables	421	569
Advances and refunds of VAT	1,316	76
Other accrued income	281	22
Total accrued income	1,597	98
Total claims	2,018	667

12 Investment property

As of 31.12.2020, the Group has made investments in the following investment properties:

Name	Location	Net rental area (m ²)	Year of construction	Date of acquisition	Acquisition cost	Market value at 30.12.2020	Increase in value	Share of market value of the Fund's assets
€ thousands								
Saules Miestas shopping centre	Saules Miestas, Lithuania	19,881	2007	08.2015	28,567	32,390	13%	21%
DSV logistics centre	Vilnius, Lithuania	11,687	2005	06.2016	8,504	8,860	4%	6%
DSV logistics centre	Tallinn, Estonia	16,014	2003	07.2016	12,228	13,080	7%	9%
DSV logistics centre	Riga, Latvia	12,149	2000	07.2016	8,830	8,687	-2%	6%
L3 office building	Vilnius, Lithuania	6,150	2004	10.2016	8,729	9,721	11%	6%
Ulonu office building	Vilnius, Lithuania	5,174	2012	12.2015	8,254	8,830	7%	6%
Hortes gardening centre in Laagri	Tallinn, Estonia	3,470	2006	05.2017	3,108	3,510	13%	2%
Hortes gardening centre in Tähesaju	Tallinn, Estonia	5,300	2019	05.2018	5,458	6,020	10%	4%
Selver grocery store in Laagri	Tallinn, Estonia	3,063	2017	05.2017	6,277	6,480	3%	4%
Evolution office building	Vilnius, Lithuania	6,172	2009	05.2018	9,819	10,610	8%	7%
ABC Motors sales and service centre	Tallinn, Estonia	2,149	2002	02.2019	3,023	3,120	3%	2%
airBaltic's headquarter	Riga, Latvia	6,217	renov. 2016	03.2020	7,100	6,800	-4%	4%
Piepilsetas logistics centre	Riga, Latvia	13,327	2007	03.2020	8,716	8,420	-3%	6%
Rutkauskos office building	Vilnius, Lithuania	6,811	2014	08.2020	11,819	11,790	0%	8%
Pirita care home	Tallinn, Estonia	6,045	2020	dets. 20	5,917	5,917	0%	4%
Total		123,609			136,349	144,235	6%	95%

Additional information regarding the investment properties is in Note 3 "Segment reporting".

In 2020 and 2019, the following changes have taken place in the Group's investment properties:

	Real estate investments under development	Ready real estate investments	Total real estate investments
As at 31.12.2018	1,636	101,151	102,787
Acquisitions and developments	3,822	3,018	6,840
Capitalized improvements	0	283	283
Reclassifications	-5,458	5,458	0
Gain / loss on change in fair value	0	3,101	3,101
As at 31.12.2019	0	113,011	113,011
Acquisitions and developments	0	17,736	17,736
Acquisitions from business combinations	0	15,800	15,800
Capitalized improvements	0	1,062	1,062
Gain / loss on change in fair value	0	-3,374	-3,374
As at 31.12.2020	0	144,235	144,235

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

As at 31 December or per year	2020	2019
Rental income from investment properties (Note 4)	10,001	8,782
Costs directly related to the management of investment properties (Note 5)	-325	-329
Outstanding amounts from the acquisition of investment property (Note 14)	1,240	0
Book value of investment properties pledged as collateral for loan liabilities	144,235	113,011

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

Payments under non - cancellable operating leases	31.12.2020	31.12.2019
<i>€ thousands</i>		
Up to 1 year	10,300	7,375
2-5 years	30,720	20,583
Over 5 years	21,735	15,032
Total	62,755	42,990

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 31.12.2020 and 31.12.2019 has been obtained using the discounted cash flow method. For the Pirita care home acquired in December 2020, the Group has recorded a transaction price close to the balance sheet date (there were no significant changes in the real estate market between the transaction date and the balance sheet date), but the transaction price is based on discounted cash flows. The following assumptions have been used to determine fair value:

As at 31.12.2020:

Sector	Fair value	Evaluation method	Estimated rental income per year	Discount rate	Capitalisation rate	Average rental price € /, m2
<i>€ thousands</i>						
Office	47,751	Discounted cash flows	3,712	7.1%-8.2%	7.0%-8.0%	10.4
Logistics	39,047	Discounted cash flows	3,156	8.0%-8.6%	7.5%-7.9%	5.6
Retail	51,520	Discounted cash flows	4,707	8.5%-8.6%	7.5%-8.0%	11.5
Care home	5,917	Discounted cash flows	454	8.0%	7.3%	6.1
Total	144,235		12,029			

As at 31.12.2019:

Sector	Fair value	Evaluation method	Estimated rental income per year	Discount rate	Capitalisation rate	Average rental price € /, m2
<i>€ thousands</i>						
Office	29,711	Discounted cash flows	2,106	7.9%	7.5%-8.0%	11.7
Logistics	30,390	Discounted cash flows	2,436	8.0%-8.6%	7.8%-8.0%	6.1
Retail	52,910	Discounted cash flows	4,535	8.25%-8.5%	7.5%-8.0%	11.7
Total	113,011		9,077			

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

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

Fair value sensitivity analysis

The table below illustrates the sensitivity of the fair value of investment properties recognized in the Group's balance sheet as of 31.12.2020 to the most important valuation assumptions:

Sector	Fair value	Sensitivity to management estimate		Sensitivity to discount rate and capitalisation rate			
		Revenue +10%	Revenue -10%	Discount rate +50bp	Discount rate -50bp	Capitalisation rate +50bp	Capitalisation rate -50bp
<i>€ thousands</i>							
Office	47,751	5,040	-5,040	-970	980	-2,150	2,460
Logistics	39,047	4,147	-4,147	-777	793	-1,657	1,883
Retail	51,520	6,060	-6,060	-1,040	1,040	-2,170	2,430
Care home	5,917	630	-630	-120	130	-280	330
TOTAL	144,235	15,877	-15,877	-2,907	2,943	-6,257	7,103

As at 31.12.2019

Sector	Fair value	Sensitivity to management estimate		Sensitivity to discount rate and capitalisation rate			
		Revenue +10%	Revenue -10%	Discount rate +50bp	Discount rate -50bp	Capitalisation rate +50bp	Capitalisation rate -50bp
<i>€ thousands</i>							
Office	29,711	2,410	-2,420	-601	619	-1,301	1,479
Logistics	30,390	2,430	-2,420	-593	617	-1,239	1,417
Retail	52,910	4,630	-4,650	-1,060	1,060	-2,190	2,470
Care home	-	-	-	-	-	-	-
TOTAL	113,011	9,470	-9,490	-2,254	2,296	-4,730	5,366

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

13 Borrowings

As at 31.12.2020, the Group has the following borrowings:

Lender	Country of lender	Loan amount as per agreement	Loan balance as at 31.12.2020	Contract term	Interest rate as at 31.12.2020	Loan collateral	Value of collateral	Loan balance's share of the fund's net asset value
Swedbank	Lithuania	14,617	14,267	14.08.23	2.65%	Mortgage - Saules Miestas Shopping centre	32,390	20.0%
SEB	Lithuania	5,500	4,397	29.06.21	1.55%	Mortgage - DSV building in Vilnius	8,860	6.2%
SEB	Latvia	5,123	4,253	29.06.21	1.55%	Mortgage - DSV building in Riga	8,687	5.9%
SEB	Estonia	7,950	6,396	29.06.21	1.55%	Mortgage - DSV building in Estonia	13,080	8.9%
SEB	Lithuania	5,620	4,583	30.09.21	1.90%	Mortgage - L3 office building in Vilnius	9,721	6.4%
SEB	Lithuania	5,200	4,002	21.12.25	2.25%	Mortgage - Ulonu office building in Vilnius	8,830	5.6%
SEB	Lithuania	5,850	5,210	30.05.23	2.00%	Mortgage - Evolution office building in Vilnius	10,610	7.3%
Swedbank	Estonia	3,290	3,191	11.01.24	1.95%	Mortgage - Hortes gardening centre Tähesaju	6,020	4.5%
SEB	Estonia	1,860	1,542	05.07.22	1.82%	Mortgage - Hortes gardening centre	3,510	2.2%
Swedbank	Estonia	3,700	3,066	26.06.22	1.40%	Mortgage - Selver grocery store in Laagri	6,480	4.3%
LHV	Estonia	1,800	1,695	25.02.24	2.95%	Mortgage - Selver grocery store in Laagri	3,120	2.4%
Luminor	Latvia	3,905	3,732	04.02.25	3.75%	Mortgage - airBaltic office building	6,800	5.2%
Swedbank	Latvia	3,201	3,041	05.02.23	2.80%	Mortgage - Piepilsetas logistics centre	8,420	4.3%
SEB	Lithuania	7,300	7,188	12.08.25	2.10%	Mortgage - ATEA office building	11,790	10.1%
Swedbank	Estonia	3,100	3,100	28.06.21	4.50%	-		4.3%
Swedbank	Estonia	2,800	2,800	28.11.25	1.95%	Mortgage - Piritä care home, parent company guarantee	5,917	3.9%
Total		80,816	72,463				144,235	101.4%

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

As at 31 December 2019, the Group had the following loan liabilities:

Lender	Country of lender	Loan amount as per agreement	Loan balance as at 30.12.2019	Contract term	Interest rate as at 30.12.2019	Loan collateral	Value of collateral	Loan balance's share of the fund's net asset value
Swedbank	Lithuania	16,500	15,141	14.08.20	1.70%	Mortgage - Saules Miestas Shopping centre	33,390	21.3%
SEB	Lithuania	5,500	4,649	29.06.21	1.55%	Mortgage - DSV building in Vilnius	8,800	6.5%
SEB	Latvia	3,323	4,491	29.06.21	1.55%	Mortgage - DSV building in Riga	12,880	6.3%
SEB	Estonia	7,950	6,757	29.06.21	1.55%	Mortgage - DSV building in Estonia	8,710	9.5%
SEB	Lithuania	5,620	4,832	30.09.21	1.90%	Mortgage L3 office building in Vilnius	10,181	6.8%
SEB	Lithuania	5,200	4,244	21.12.20	1.75%	Mortgage - Ulonu office building in Vilnius	9,180	6.0%
SEB	Lithuania	5,850	5,437	30.05.23	2.00%	Mortgage - Evolution office building in Vilnius	10,350	7.6%
Swedbank	Estonia	3,290	3,290	11.01.24	1.95%	Mortgage - Hortes gardening centre Tähesaju	6,180	4.6%
SEB	Estonia	1,860	1,635	05.07.22	1.82%	Mortgage - Hortes gardening centre	3,520	2.3%
Swedbank	Estonia	3,700	3,194	26.06.22	1.40%	Mortgage - Laagri Selver	6,630	4.5%
Swedbank	Estonia	1,800	1,747	25.02.24	2.95%	Mortgage - Laagri Selver	3,190	2.5%
Total		60,593	55,417				113,011	41.7%

Short-term borrowings	31.12.2020	31.12.2019
€ thousands		
Recognition of the long-term portion of long-term bank loans as short-term ¹	3,501	0
Repayments of long-term bank loans in the next period ²	25,319	21,171
Discounted contract fees for bank loans	-39	-24
Total short - term borrowings	28,781	21,147

¹ As of 31.12.2020, the Group has recognized as a short-term loan liability of the subsidiary EFTEN Riga Airport SIA, the maturity date of which is 04.02.2025. The loan is recognized as short-term due to a decrease in the debt coverage ratio below the rate allowed in the special terms of the agreement. At the time of preparing the report, the Group is negotiating with the lender to change the terms of the loan agreement.

² Repayments of long-term bank loans in the next period as of 31.12.2020 include five group loan agreements expiring in 2021 in the total amount of 22,729 thousand euros. Of this amount, 3,100 thousand euros are planned to be repaid from the funds expected from the share issue to be organized in spring 2021, and the remaining loan agreements will be extended in the usual manner. All ending LTVs are less than 50% and investment properties have a strong rental cash flow, which means that the Group's management estimates that there are no obstacles to extending loan agreements and that the Group's working capital is sufficient to cover short-term liabilities.

Long-term borrowings	31.12.2020	31.12.2019
€ thousands		
Total long-term borrowings (Note 15)	72,368	55,372
incl. current portion of borrowings	28,781	21,147
incl. non-current portion of borrowings, incl.	43,587	34,225
<i>Bank loans</i>	43,643	34,246
<i>Discounted contract fees on bank loans</i>	-56	-21

Bank loans are divided as follows according to repayment date:

Repayments of bank loans by maturity	31.12.2020	31.12.2019
€ thousands		
Up to 1 year	28,820	21,171
2-5 years	43,643	34,246

Cash flows of borrowings	2020	2019
€ thousands		
Balance at the beginning of period	55,372	52,848
Bank loans received through business combinations and acquisitions	7,164	0
Bank loans received	13,200	6,768
Annuity payments on bank loans	-3,282	-4,259
Change of discounted contract fees	-86	15
Balance as at the end of period	72,368	55,372

14 Payables and prepayments

Short-term payables and prepayments

	31.12.2020	31.12.2019
€ thousands		
Other payables to suppliers	173	642
Total payables to suppliers	173	642
Debts from securities transactions	95	0
Debts from fixed asset transactions	1,240	0
Other debts	12	2
Total other debts	1,347	2
VAT	228	205
Social tax	0	7
Land tax, real estate tax	61	31
Other tax liabilities	2	0
Total tax arrears	291	243
Debts to employees	14	54
Interest payable	29	9
Tenants' deposits	45	111
Other accrued liabilities	96	57
Total accrued liabilities	184	231
Prepayments received from buyers	0	14
Total advances	0	14
Total debts and advances	1,995	1,132

Long-term payables

	31.12.2020	31.12.2019
<i>€ thousands</i>		
Tenants security deposits	954	605
Other long-term payables	3	4
Total other long-term payables	957	609

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

Balance sheet values of financial instruments

	Notes	31.12.2020	31.12.2019
<i>€ thousands</i>			
Financial assets - loans and receivables			
Cash and cash equivalents		5,128	12,986
Short-term deposits		0	6,000
Trade receivables	11	421	569
Total financial assets		5,549	19,555
Financial liabilities measured at amortised cost			
Borrowings	13	72,368	55,372
Trade payables	14	173	642
Tenant security deposits	14	999	716
Interest payables	14	29	9
Accrued expenses	14	110	111
Total financial liabilities measured at amortised cost		73,679	56,850
Financial liabilities measured at fair value			
Derivative instruments (interest rate swaps)		246	271
Total financial liabilities measured at fair value		246	271
Total financial liabilities		73,925	57,121

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 of 31 December 2020, 71% of the Group's loan agreements are based on floating interest (margin between 1.4% and 4.5% plus 1-month, 3-month and 6-month EURIBOR) and 29% of loan agreements bear fixed interest in the range of 1.55% up to 1.9%. In turn, 28% of floating interest rate contracts are linked to an interest rate swap, where the 3-month EURIBOR is fixed at 0.35%. The 3-month EURIBOR fluctuated between -0.545% and -0.161% during 2020, i.e. the maximum change during the year was 0.384 basis points. All contracts in the loan portfolio of EFTEN Real Estate Fund III have a 0% floor to protect against negative EURIBOR, i.e. in the event of a negative EURIBOR, the loan margin on these loan liabilities does not decrease.

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

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

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

The Group recognizes interest rate swaps with a change in profit or loss. The fair value of interest rate swaps as at 31.12.2020 was negative in the amount of 246 thousand euros (31.12.2019: 271 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 December 2020, the share of the Group's interest-bearing debt liabilities in rental income-generating investment properties was 50% (31 December 2019: 49%) and the average debt coverage ratio (DSCR) for the last 12 months was 1.9 (2019: 1.8).

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

As at 31.12.2020	Less than 1 month	Between 2 and 4 months	Between 4 and 12 months	Between 2 and 5 years	Over 5 years	Total
<i>€ thousands</i>						
Interest-bearing liabilities	299	900	24,092	47,077	0	72,368
Interest payments	146	435	931	2,555	0	4,067
Interest payables	29	0	0	0	0	29
Trade payables	173	0	0	0	0	173
Tenant security deposits	12	9	25	707	247	999
Accrued expenses	110	0	0	0	0	110
Total financial liabilities	769	1,344	25,048	50,339	247	77,746

As at 31.12.2019	Less than 1 month	Between 2 and 4 months	Between 4 and 12 months	Between 2 and 5 years	Over 5 years	Total
<i>€ thousands</i>						
Interest-bearing debt	232	729	20,211	34,245	0	55,417
Interest payments	88	261	579	879	0	1,807
Interest liabilities	9	0	0	0	0	9
Debts to suppliers	642	0	0	0	0	642
Tenants' deposits	20	18	74	416	189	716
Accrued liabilities	111	0	0	0	0	111
Total financial liabilities	1,102	1,008	20,864	35,540	189	58,702

Statement of working capital

	31.12.2020	31.12.2019
<i>€ thousands</i>		
Cash and cash equivalents	5,128	12,986
Receivables and accrued income (Note 11)	2,018	667
Prepaid expenses	128	51
Total current assets	7,274	13,704
Short-term portion of long-term liabilities (Note 13)	-28,781	-21,147
Short-term payables and prepayments (Note 14)	-2,241	-1,403
Total current liabilities	-31,022	-22,550
Total working capital	-23,748	-8,846

As of 31 December 2020, the Group's working capital is negative in the amount of 23,748 thousand euros (31 December 2019: 3,735 thousand euros).

As of 31.12.2020, working capital is negative due to the five of Group's loan agreements ending in 2021 in the total amount of 22,729 thousand euros. Of this amount, 3,100 thousand euros is planned to be repaid from the funds expected from the share issue to be organized in spring 2021, and the remaining loan agreements will be extended in the usual manner. The LTV of all maturing loans is less than 50% and investment properties have a strong rental cash flow, which means that the Group's management believes that there are no obstacles to extending loan agreements and that the Group's working capital is sufficient to cover short-term liabilities.

In addition, as of 31.12.2020, the Group has recognized EFTEN Riga Airport SIA as a short-term loan liability, the maturity date of which is 04.02.2025. The loan is recognized as short-term due to a decrease in the debt coverage ratio below the rate allowed in the special terms of the agreement. At the time of preparing the report, the Group is negotiating with the lender to change the terms of the loan agreement.

As at 31 December 2019, the Group's working capital was negative due to the loan agreements of two subsidiaries Saules Miestas UAB and Verkiu projekts UAB (Ulonu office building) extended in 2020 in the total amount of 19,385 thousand euros. The loan agreements were extended upon their maturity.

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 money in accounts and deposits.

The Group's activities to prevent the decrease of cash flows arising from credit risk and to minimize such risk consist of daily monitoring and directing the payment behaviour of customers, which enables the implementation of operationally necessary measures. Also, customer agreements in most cases provide for the payment of rent payments at the beginning of the calendar month, which provides sufficient time to monitor customer payment discipline and to have sufficient liquidity in cash accounts on the day of annuity payments of financing agreements. To mitigate the risk, the Group has entered into an agreement with an anchor tenant, according to which the lessee's financial institution must guarantee the lease payments throughout the lease period. Most leases also impose 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.

Group companies generally enter into lease agreements only with parties who have previously been declared creditworthy. The client's analysis of this is made before concluding the lease agreement.

If it becomes apparent that there is a risk of the lessee becoming insolvent, the Group assesses each receivable individually and decides to record 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 entered into to receive the receivables.

Accounts receivable are illustrated by the table below:

	31.12.2020	31.12.2019
Undue	330	398
Past due, incl.	150	171
<i>up to 30 days</i>	121	160
<i>30-60 days</i>	16	9
<i>more than 60 days</i>	13	2
Doubtful accounts	-59	0
Total trade receivables	421	569

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

	31.12.2020	31.12.2019
<i>€ thousands</i>		
Cash and cash equivalents	5,128	12,986
Short-term deposits	0	6,000
Trade receivables	421	569
Total maximum credit risk	5,549	19,555

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 (including interest expense).

According to the Group's management, the Group's free cash flow allows to pay dividends to investors on average 80% of the adjusted cash flow for the calendar year (EBITDA minus interest expense minus loan payments). In July 2020, EFTEN Real Estate Fund III AS paid (net) dividends to the shareholders of 2.745 million euros (2019: 3.061 million euros). During 2020, the Group has earned free cash flow of 3.747 million euros (2019 12 months: 3.381 million euros). After deducting Lithuanian corporate income tax expense and calculating the estimated income tax expense on dividends in Estonian and Latvian companies, EFTEN Real Estate Fund III could pay shareholders a net dividend of 2.798 million euros (66 cents per share) from this year's profit in accordance with the established dividend policy.

Report of capitalisation

	31.12.2020	31.12.2019
<i>€ thousands</i>		
Short-term liabilities guaranteed with mortgage (Note 13)	28,820	21,171
Unsecured short-term liabilities (Note 14)	2,202	1,379
Total short-term liabilities	31,022	22,550
Long-term liabilities guaranteed with mortgage (Note 13)	43,643	34,246
Unsecured long-term liabilities (Note 14)	5,484	5,122
Total long-term liabilities	49,127	39,368
Share capital and share premium (Note 16)	51,883	51,883
Reserves	1,323	936
Retained earnings (Note 17)	18,277	18,092
Total shareholder's equity	71,483	70,911
Total liabilities and equity	151,632	132,829

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

Report of net debt

	31.12.2020	31.12.2019
<i>€ thousands</i>		
Cash (Note 12)	5,128	12,986
Short - term deposits	0	6,000
Tradable securities	0	0
Total liquid assets	5,128	18,986
The short-term portion of long-term liabilities (Note 13)	28,820	21,171
Short - term bank loans	0	0
Other current financial liabilities	0	0
Net short-term debt	23,692	2,185
Long-term bank loans (long-term portion) (Note 13)	43,643	34,246
Bonds issued	0	0
Other long - term loans	0	0
Total long-term debt	43,643	34,246
Total net debt	67,335	36,431

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 31.12.2020 and 31.12.2019, the Group does not have any assets at fair value that would belong to the Level 1 group upon finding the value. All of the Group's investment properties are carried at fair value and belong to the Level 3 group according to the valuation method (see Note 12). All of the Group's loan liabilities and derivative securities entered into to hedge interest rate risk belong to the Level 2 group.

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

16 Share capital

The registered share capital of EFTEN Real Estate Fund III AS as of 31.12.2020 was 42,225 thousand euros (31.12.2019: the same). As of 31.12.2020, the share capital consisted of 4,222,535 shares (31.12.2019: the same) with a nominal value of 10 euros (31.12.2019: the same). Without amending the articles of association, the company has the right to increase the share capital to 115,411 thousand euros. As of 31.12.2020, contributions to the share capital have been made in the total amount of 51,883 thousand euros (31.12.2019: the same).

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

Company	As at 31.12.2020	
	Number of shares	ownership, %
Altius Energia OÜ	602,000	14.26%
Järve Kaubanduskeskus OÜ	431,992	10.23%
Hoiukonto OÜ	430,211	10.19%

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

Company	As at 31.12.2020	
	Number of shares	ownership, %
Viljar Arakas, member of the Management Board	2,000	0.05%
Miemma Holding OÜ, a company owned by Viljar Arakas, member of the Management Board	12,793	0.30%
Tõnu Uustalu, member of the Management Board	12,281	0.29%
Meeli Leis, a close relative of Tõnu Uustalu, member of the Management Board	2,046	0.05%
Altius Energia OÜ, a company controlled by Arti Arakas, member of the Supervisory Board	602,000	14.26%
Olav Miil, member of the Supervisory Board	32,312	0.77%
Siive Penu, member of the Supervisory Board	1,282	0.03%

17 Contingent liabilities

Contingent tax liability

	31.12.2020	31.12.2019
€ thousands		
Retained earnings	18,277	18,092
Potential income tax liability	3,655	3,618
Dividends can be paid out	14,622	14,474

The maximum possible income tax liability has been calculated on the assumption that the net dividends to be distributed and the income tax expense related to their payment may not exceed the distributable profit as at 31.12.2020 and 31.12.2019.

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 2020, the Group purchased management services from EFTEN Capital AS in the amount of EUR 899 thousand (2019: EUR 702 thousand) (see Note 7). In addition to periodic management services, the Group calculated a success fee for the management company in 2019 in the amount of 479 thousand euros. No success fee was calculated for the management company for 2020.

EFTEN Real Estate Fund III AS did not buy or sell other goods or services from other related parties during 2020 or 2019.

As at 31 December 2020, the Group had a total of 12 employees, who were paid a total of 260 thousand euros, including related taxes (2019: 278 thousand euros). No fees were calculated or paid to the members of the Group's Management Board or Supervisory Board during 2020 or 2019. The members of the Group's Management Board work for EFTEN Capital AS, a company providing management services to the Group, and expenses related to the activities of a member of the Management Board are included in the management services.

Management Board Declaration for the Consolidated Interim Report for the Fourth Quarter and 12 Months of 2020

We hereby confirm that the consolidated interim report of EFTEN Real Estate Fund III AS for the 4th quarter and 12 months of 2020 provides a true and fair view of the Group's assets, liabilities, financial position and includes a description of key risks and business development and results of the companies included in the consolidation.

/digitally signed/

Viljar Arakas

Member of the Management Board

/digitally signed/

Tõnu Uustalu

Member of the Management Board