

EfTEN Real Estate Fund III AS

Portfolio Valuation
Condensed Report

July 09, 2021

Prepared by: Colliers International

BRIEF SUMMARY OF THE VALUATION RESULT

- ❖ The market value of EfTEN Real Estate Fund III AS portfolio is 147,150,000 (one hundred forty-seven million one hundred and fifty thousand) Euros as of date of valuation June 30, 2021. Reported value does not include new acquisition in Panevežys, which balance sheet value as of 30.06.2021 was 10,011,000 euros.
- ❖ The portfolio under valuation consists of 15 objects - 6 in Estonia, 3 in Latvia and 6 in Lithuania.
- ❖ Versus to the valuation performed in December 2020 there was one new acquisition: logistic center in Panevėžys, Lithuania.
- ❖ The total growth in market value of the property portfolio resulting from the valuation compared to December 31, 2020, corresponds to 1.4% or approx. 2.02 million euros (excluding new acquisition; increase of value does not include investments to existing objects in 1HY 2021).

	Sector	Quantity	Market Value, €	Market Value, €/sqm	WA Initial Yield
Estonia	Mixed-use	6	39,090,000	1,114	7.53%
Latvia	Mixed-use	3	23,980,000	739	7.61%
Lithuania	Mixed-use	6	84,080,000	974	7.37%
Total/ Average	Mixed-use	15	147,150,000	954	7.40%

BRIEF SUMMARY OF THE VALUATION RESULT

No	Property	Sector	Date of Inspection	Market Value, €	Market Value, €/sqm	Initial Yield
1	Pärnu Rd. 535, Saku parish, Estonia	Logistics		13,080,000	817	7.57%
2	Seljaku Str. 4b, 4a, 2a, Laagri, Estonia	Retail	11.01.2021	3,550,000	1,023	7.32%
3	Pärnu Rd 554, Tallinn, Estonia	Retail	11.01.2021	6,910,000	1,896	6.96%
4	Paldiski Rd. 105, Tallinn	Retail	15.01.2021	3,140,000	1,461	7.68%
5	Tähesaju Rd 5, Tallinn	Retail	11.01.2021	6,210,000	1,463	8.09%
6	Hunditubaka tee 12, Tallinn	Social		6,200,000	1,026	6.26%
7	Krustpils 31, Riga, Latvia	Logistics	24.11.2020	8,680,000	713	8.19%
8	"Piepilsētas", Krustkalni, Latvia	Logistics	25.11.2020	8,500,000	605	7.70%
9	Tehnikas iela 3, Riga, Latvia	Office	19.11.2020	6,800,000	1,094	6.75%
10	Tilžės 109, Šiauliai, Lithuania	Retail	06.01.2021	33,690,000	821	7.58%
11	Verkiu 25C, Vilnius, Lithuania	Office	08.01.2021	8,860,000	1,311	7.69%
12	Stasyļu 21, Vilnius, Lithuania	Logistics	13.01.2021	9,110,000	755	7.60%
13	Laisves 3, Vilnius, Lithuania	Office	07.01.2021	10,000,000	1,471	6.92%
14	Ukmerges 223, Vilnius, Lithuania	Office	07.01.2021	10,620,000	817	7.12%
15	J. Rutkausko 6, Vilnius, Lithuania	Office	12.02.2021	11,800,000	1,698	6.99%
TOTAL AVERAGE				147,150,000	954	7.40%

- ❖ This table does not include new acquisition in Lithuania.
- ❖ The Weighted Average Effective rent (EUR/sqm/month) – In Estonia around 6.63 EUR/sqm, in Latvia 5.06 EUR/sqm and in Lithuania 9.06 EUR/sqm.
- ❖ The average actual Vacancy rates were 0.0%, 0.5% and 0.3% in Estonia, Latvia and Lithuania accordingly.

BRIEF SUMMARY OF THE VALUATION RESULT 1/2

The increase in the market value, not considering new acquisition is mainly resulting from the changes in lease agreement indexations, adjusted discount rates and exit yields and changed vacancy.

No	Property	Market Value, €	Comments
1	Pärnu Rd. 535, Saku parish, Estonia	13,080,000	❖ No change in market value
2	Seljaku Str. 4b, 4a, 2a, Laagri, Estonia	3,550,000	❖ Market value has increased, more optimistic outlook, less discounts and lower exit yield
3	Pärnu Rd 554, Tallinn, Estonia	6,910,000	❖ Market value increased; discount rate adjusted from 8.5% to 8.2% and exit yield from 7.5% to 7%.
4	Paldiski Rd. 105, Tallinn	3,140,000	❖ No significant change in market value
5	Tähesaju Rd 5, Tallinn	6,210,000	❖ Market value slightly increased. Exit yield adjusted from 7.7% to 7.5%.
6	Hunditubaka tee 12, Tallinn	6,200,000	❖ First evaluation
7	Krustpils 31, Riga, Latvia	8,680,000	❖ No significant change in market value
8	"Piepilsētas", Krustkalni, Latvia	8,500,000	❖ Slight increase on market value, new lease agreement on the property.
9	Tehnikas iela 3, Riga, Latvia	6,800,000	❖ No significant change in market value
10	Tilžės 109, Šiauliai, Lithuania	33,690,000	❖ Market value has increased by 4%. New leasable area added to the property.
11	Verkiu 25C, Vilnius, Lithuania	8,860,000	❖ Slight increase in market value (0.34%) as vacancy decreased from 10.7% to 0%.
12	Stasyļu 21, Vilnius, Lithuania	9,110,000	❖ Market value increased by 2.8%. Exit yield was adjusted downwards – from 7.75% to 7.5%.

BRIEF SUMMARY OF THE VALUATION RESULT 2/2

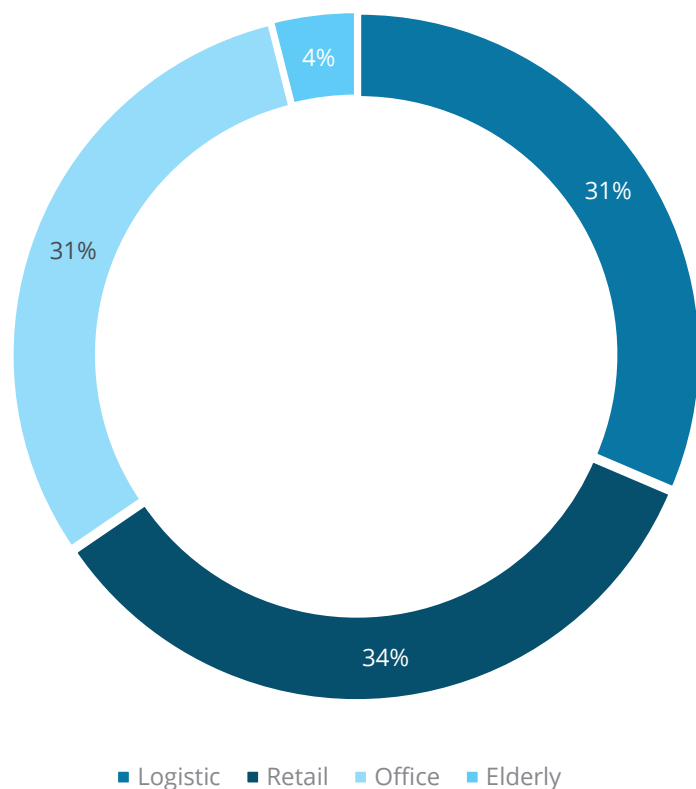
The increase in the market value, not considering new acquisition is mainly resulting from the changes in lease agreement indexations, adjusted discount rates and exit yields and changed vacancy.

No	Property	Market Value, €	Comments
13	Laisves 3, Vilnius, Lithuania	10,000,000	❖ Market value increased by 2.9%. The increase is mostly caused by change vacancy – from 8.5% to 2.7%. Also, exit yield decreased from 8% to 7.75%
14	Ukmerges 223, Vilnius, Lithuania	10,620,000	❖ No significant change in market value
15	J. Rutkausko 6, Vilnius, Lithuania	11,800,000	❖ No significant change in market value
16	Ramygalos g. 190E, Panevėžys	10,011,000	❖ New acquisition. The Property was not valued by Colliers as of 30.06.2021

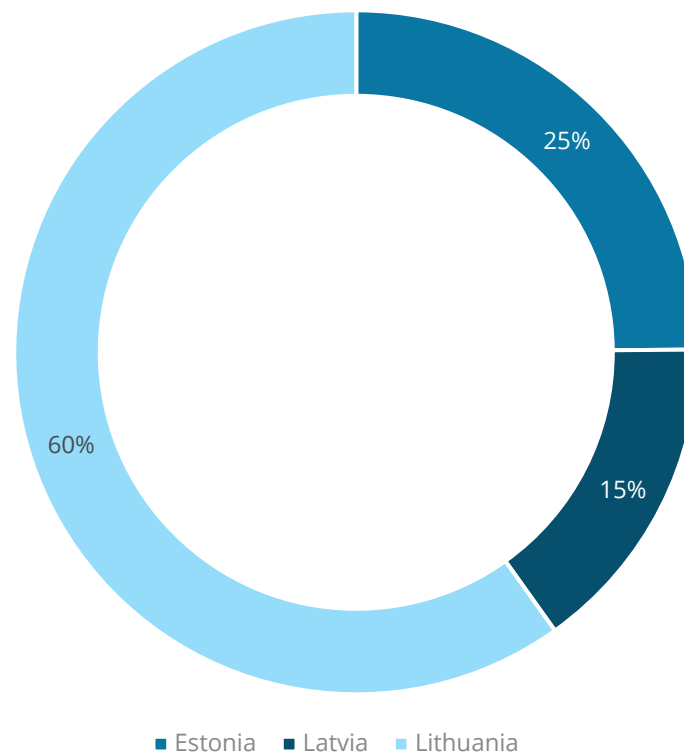
- ❖ Currently the overall sentiment in most market segments is that the Covid-19 crisis has bottomed out and the markets are experiencing a rapid recovery, both from operational and investment perspective. Yield compression positively affects capital values. Subsequently the valuation accuracy in the context of whole portfolio shall be considered around +/- 5%. While for a fraction of the properties in the portfolio still suffering as a consequence of the Covid-19 pandemic, in particular hotels, less certainty and a higher degree of caution should be attached to the valuation result, hence accuracy bracket should be considered wider at +/- 15%. While markets and economies overall return to a more evident and longer-term state of normal, it is recommended for the terminal user of this document to keep the valuations of this property portfolio under frequent review.

BRIEF SUMMARY OF THE VALUATION RESULT*

Portfolio Market Value by Sectors



Portfolio Market Value Division by Regions



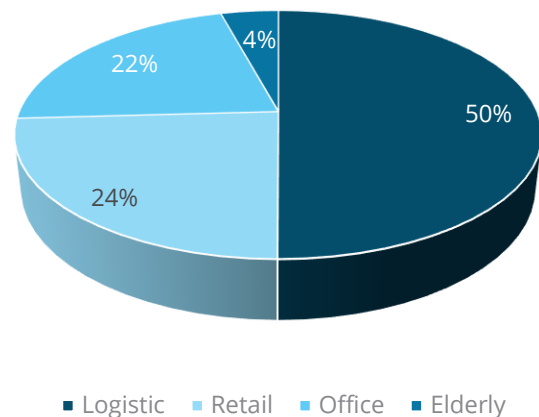
- ❖ The largest share (34%) of the total market value takes retail sector, which used to be one of the most liquid sectors, although the liquidity has decreased due to the COVID-19 situation, which is followed by office and logistic sector (both 31%).
- ❖ The largest share (60%) of the total market value are forming the objects located in Lithuania

* New acquisition in Lithuania Panevežys included with balance sheet value of 10,011,000 euros

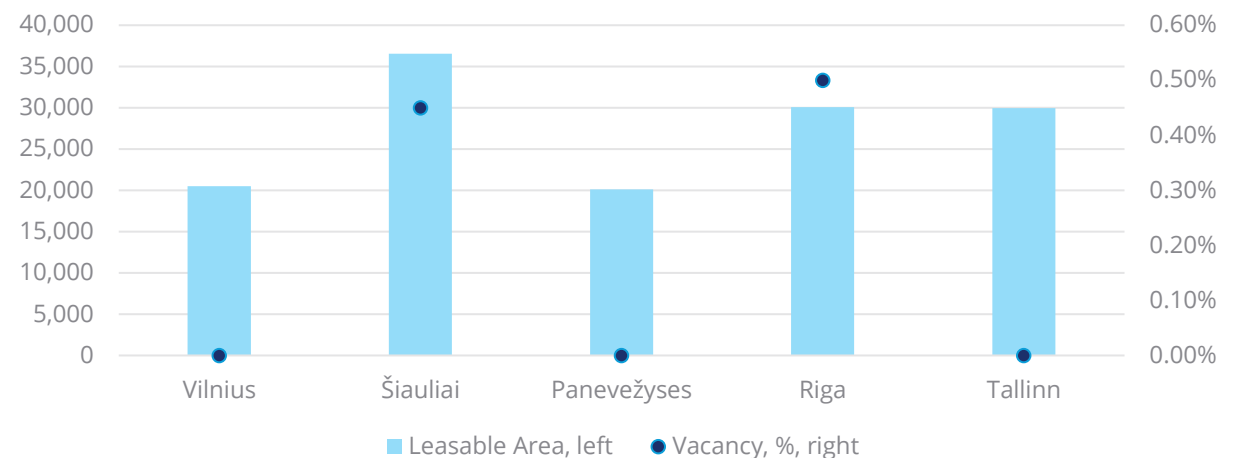
BRIEF SUMMARY OF THE VALUATION RESULT

- ❖ The object of the valuation was the **EfTEN Real Estate Fund III AS portfolio**, consisting of **15 properties**.
- ❖ **6 objects** are located in **Estonia** (Tallinn, Saku and Saue parish, suburb areas of Tallinn), **3** in **Latvia** (Riga) and **6** in **Lithuania** (5 in Vilnius and 1 in Šiauliai).
- ❖ The total **closed net area** of the portfolio is **174.4 thousand sqm** and total **leasable area approx. 143.7 thousand sqm**, including new acquisition in Lithuania.
- ❖ The **dominant objects** of the portfolio are shopping center **Saules Miestas in Šiauliai** (14% of the total leasable area and 21% of the total portfolio Market Value) and **DSV Logistic in Tallinn suburb area** (11% of the total leasable area and 8% of the total portfolio Market Value). New acquisition in Panevėžys was not a subject of the valuation in 2021 mid-year but considering the NLA of 20,125 it is the second largest property in the portfolio (14%).

Portfolio Leasable Area by Sectors



Portfolio Leasable Area and Vacancy Division by Regions



INITIAL TASK AND MAIN PRINCIPLES

1

The **Client** of valuation is **EfTEN Real Estate Fund III AS** (hereinafter **EfTEN**) and the **executor Colliers International Advisors OÜ** (hereinafter **Colliers**) together with Colliers Latvia and Lithuania

2

The **objective** of the valuation was to determine the **market value of EfTEN Real Estate Fund III AS portfolio's relevant properties** (hereinafter **Object**) as of **June 30, 2021**

3

The valuation process was carried out according to the initial task in **June 2021**

4

The valuation process was carried out by the **valuation experts (incl. experts with local or international certification)** of **Colliers' Estonia, Latvia and Lithuania**

5

In determining the market value, the main principles (incl. the unambiguous definition of market value) of **Estonian standards EVS 875, Latvian standards LVS 401:2013, Lithuanian regulations and international standards IVS 2017 and RICS Valuation – Global Standards 2017** were taken into account

6

Colliers assures that it has performed the valuation process as an **independent external valuer**, without any direct or indirect interests related to the valued Object

INITIAL TASK AND MAIN PRINCIPLES

- 7 Colliers assures that it has the **essential experience, competence and market information** to determine adequately the market value of the Object
- 8 The valuation was based on the **aggregated data of the Object** presented by EfTEN – incl. aggregated lease data, area data of the Object (incl. gross area and leasable area), cost information, done and planned investments and other relevant data that can influence the market value
- 9 Colliers did not perform any measuring, constructional examinations, surveys of possible hidden defects or threats (e.g., pollution) of the Object. Nor did Colliers perform legal or economic in-depth analysis of the lease agreements
- 10 All inputs and the determined market value are **without VAT**
- 11 For mid-year period, valuation is indicative and was not formalized in a Valuation reports but actualized previous reports: Estonia: No 19/E/21 (as of January 28, 2021); Latvia: No. 2741/VD/20 (as of January 18, 2021) and Lithuania: VD/459/20 (as of December 7, 2020), No VD/460-8/20 (as of January 18, 2021); VD/460-9/20 (as of January 18, 2021)

VALUATION METHODOLOGY

1

Discounted Cash Flow (DCF) Method was used to determine the market value of the Object. The cash flow period of 5+1 years was applied

2

Income from existing lease agreements and the estimated market-based income from vacant premises were used to determine the Potential Gross Income (PGI)

3

Vacancy loss from the real vacancy and from the estimated vacancy arising from ending agreements (i.e., higher than real vacancy) was deducted from the PGI to determine the Effective Gross Income (EGI)

4

The owner's costs (incl. the estimated capex) of the Object were deducted from EGI to determine the Net Operating Income (NOI). Costs presented by EfTEN and in addition estimated market-based costs were considered

5

The exit values were determined based on 6th year NOI and the estimated exit yields

6

The market values were determined by summing the discounted annual NOI's and exit values

7

Discount rates were determined based on weighted average cost of capital (WACC)

8

The exit yields were determined based on the valuers' experience and cognition, considering the market information and the specific risks associated with the objects

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