

Company EfTEN Real Estate Fund AS
Type Company Release
Category Management interim statement or quaterly financial report
Disclosure time 14 Feb 2019 08:05:00 +0200

Attachments:

- EfTENReal-10001480691-en.pdf (<http://oam.fi.ee/en/download?id=3693>)
- EfTENReal-10001480693-et.pdf (<http://oam.fi.ee/en/download?id=3694>)

Currency

Title Unaudited consolidated interim accounts for the fourth quarter and twelve months of 2018

During 2018, the Group earned a free cash flow of EUR 3.151 million (12 months of 2017: EUR 2.408 million). Following the deduction of Lithuanian income tax expense and the calculation of the dividend income tax expense in Estonian and Latvian companies, EfTEN Real Estate Fund III would be able to pay net dividends according to the fund's dividend policy (80% from free cashflow as brutto dividends) to the shareholders in the total amount of EUR 2.378 million (74 cents per share) from the profit earned in this year. However, the Group's cash balance at the end of 2018 allows to pay more dividends than the dividend policy establishes, which is why the Management Board of the Fund proposes to the Council and to the General Meeting of Shareholders in the spring of 2019 to pay a dividend of EUR 3.055 million (95 cents per share), which is 28% higher dividend than sets the fund's the dividend policy. For the entire previous year, the fund paid the shareholders a net dividend of 68 cents per share.

Financial overview

The consolidated sales revenue of EfTEN Real Estate Fund III AS for 12 months of 2018 was EUR 8.672 million (12 months of 2017: EUR 7.300 million), which increased by 19% in a year. The Group's profit before revaluation of investment properties, cost of performance fee, depreciation and financial income/-costs and income tax expense in 2018 totalled EUR 6.763 million (12 months of 2017: EUR 5.659 million), which increased by 19.5% in a year. The Group's net profit for the same period amounted to EUR 6.299 million (12 months of 2017: EUR 6.574 million). The smaller net profit in 2018 is due to lower investment property revaluation profit, which in the current year was EUR 1.562 million, but EUR 2.855 million last year.

The consolidated gross profit margin in the 12 months of 2018 was 96% (12 months



of 2017: 98%). Therefore, expenses directly related to management of properties (incl. land tax, insurance, maintenance and improvement costs) accounted for 4% (12 months of 2017: 2%) of the revenue. The Group's expenses related to properties, marketing costs, general expenses, other income and expenses accounted for 22.3% of the revenue in 2018. The respective indicator was 22.8% in the 12 months of 2017.

As at 31.12.2018, the Group's total assets were in the amount of EUR 108.503 million (31.12.2017: 97.291 million), including fair value of investment property, which accounted for 95% (31.12.2017: 91%) of the total assets.

During 2018, the net asset value of the share of EfTEN Real Estate Fund III AS increased by 8.9%. From the 2017 profit, EUR 2.191 million (in spring 2017: EUR 1.503 million) was paid out in dividends in April 2018. Without the dividend payment, the Fund's NAV would have increased by 13.7% in 2018. Return on invested capital (ROIC) was 17.6% in the 2018 financial year (12 months of 2017: 21.6%).

In 2018, the Group entered into new loan contracts in the total amount of EUR 7.692 million in connection with the acquisition of new investment properties. In addition, the subsidiary which owns the Saules Miestas shopping center in Lithuania refinanced its loan, receiving EUR 1.8 million of additional funds that the Group used for investments in new projects. As at the end December, the average interest rate on Group's loan agreements (including interest swap contracts) was 1.8% (31.12.2017: 1.73%) and the LTV (Loan to Value) ratio was 52% (31.12.2017: the same).

The dividend policy of EfTEN Real Estate Fund III AS provides that the Group will pay out 80% of the free cash flow to shareholders as (gross) dividends in each accounting year. In April 2018, EfTEN Real Estate Fund III AS paid the shareholders (net) dividends in the amount of EUR 2.191 million (2017: EUR 1.5 million).

Real estate portfolio

The Group invests in commercial real estate with a strong and long-term tenant base. At the end of 2018, the Group had 10 (31.12.2017: 8) commercial investment properties with a fair value as at the balance sheet date of EUR 102.787 million (31.12.2017: EUR 88.4 million) and acquisition cost of EUR 94.627 million (31.12.2017: EUR 81.7 million).

After the balance sheet date, on 6 February, 2019, the Group's subsidiary EfTEN Kolmas OÜ acquired the properties of ABC Motor's sales and service center on Paldiski highway. The acquisition cost of the properties is EUR 3 million and a loan agreement was entered into in the amount of EUR 1.8 million for the acquisition.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	4th quarter		12 months	
	2018	2017	2018	2017

EUR thousand				
Revenue	2,329	1,965	8,672	7,300
Cost of services sold	-135	-91	-319	-167
Gross profit	2,194	1,874	8,353	7,133
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Marketing costs	-103	-109	-435	-444
General and administrative expenses	-389	-361	-1,225	-1,556
Gain / loss from revaluation of investment properties	600	539	1,562	2,855
Other operating income and expense	-4	32	3	45
Operating profit	2,298	1,975	8,258	8,033
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Finance costs	-380	-189	-1,096	-691
Profit before income tax	1,918	1,786	7,162	7,342
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Income tax expense	-167	-510	-863	-768
Total comprehensive income for the financial period	1,751	1,276	6,299	6,574

Earnings per share				
- Basic	0.54	0.42	1.96	2.39
- Diluted	0.54	0.42	1.96	2.39



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31.12.2018	31.12.2017
EUR thousand		
ASSETS		
Cash and cash equivalents	4,859	8,133
Receivables and accrued income	673	641
Prepaid expenses	46	37
Total current assets	5,578	8,811
Long-term receivables	24	49
Investment property	102,787	88,390
Property, plant and equipment	114	37
Intangible assets	0	4
Total non-current assets	102,925	88,480
TOTAL ASSETS	108,503	97,291
LIABILITIES AND EQUITY		
Borrowings	8,105	2,109
Derivative instruments	189	58
Payables and prepayments	1,019	1,848
Total current liabilities	9,313	4,015
Borrowings	44,743	43,667
Other long-term liabilities	457	360
Deferred income tax liability	3,496	2,864



Total non-current liabilities	48,696	46,891
Total liabilities	58,009	50,906
Share capital	32,225	32,225
Share premium	3,658	3,658
Statutory reserve capital	621	293
Retained earnings	13,990	10,209
Total equity	50,494	46,385
TOTAL LIABILITIES AND EQUITY	108,503	97,291

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Attachment

- * EFTEN_Real_Estate_Fund_III_12months_IV quarter_interim_report_2018_ENG
 (https://ml-eu.globenewswire.com/Resource/Download/660db579-cee0-4326-a938-d673e17a8c84)

