

Company EfTEN Real Estate Fund AS
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Attachments:

- EfTENReal-10003136711-en.pdf (<http://oam.fi.ee/en/download?id=4263>)
- EfTENReal-10003136712-en.pdf (<http://oam.fi.ee/en/download?id=4264>)
- EfTENReal-10003136714-et.pdf (<http://oam.fi.ee/en/download?id=4265>)
- EfTENReal-10003136715-et.pdf (<http://oam.fi.ee/en/download?id=4266>)

Currency

Title EfTEN Real Estate Fund III AS and EfTEN Kinnisvarafond AS concluded a merger agreement

On 14 January 2020 EfTEN Real Estate Fund III AS as an acquiring fund and EfTEN Kinnisvarafond AS as a fund being acquired concluded a merger agreement with the aim of merging EfTEN Kinnisvarafond AS with EfTEN Real Estate Fund III AS without liquidation proceedings. Upon entry into force of the merger, i.e. as of making a merger entry in the commercial register, EfTEN Kinnisvarafond AS dissolves. Approvals from the general meetings of both funds is one of the preconditions for the merger.

Fund being acquired - EfTEN Kinnisvarafond AS

EfTEN Kinnisvarafond AS (registry code 11505393; located at Tallinn, A. Lauteri 5), which shall be merged with EfTEN Real Estate Fund III AS, is a closed-ended non-public alternative investment fund founded as a public limited company on 2008. Upon entry into force of the merger, the management contract concluded between EfTEN Kinnisvarafond AS and fund manager EfTEN Capital AS shall be terminated and on account of the success fee deriving from the management contract (counted up to 29 February 2020) shares in EfTEN Kinnisvarafond AS shall be placed to the fund manager. From thereon no success fee shall be calculated under the management contract and EfTEN Kinnisvarafond AS shall only pay the base fee to the fund manager until the merger takes effect. Furthermore, the depositary contract concluded between EfTEN Kinnisvarafond AS and the depositary shall be terminated upon entry into force of the merger. LHV pension funds have informed of their intention to decrease their shareholding in EfTEN Kinnisvarafond AS by 25 million euros before the merger takes effect and divest a significant part of the shareholding to co-founders of the fund manager and other institutional investors. The list of shareholders of EfTEN Kinnisvarafond AS, whose shares in the fund shall be exchanged with the shares of EfTEN Real Estate Fund III AS upon the merger, shall be determined as of 31 March 2020.



Reasons for the merger

The merging funds' management boards consider the broader market sentiment for retail investments to remain positive. Upon the merger, the resulting fund will have ca 350 million euros worth of assets, including 29 commercial buildings across the Baltic states. As a result of the merger, diversification of assets is increased, incl. geographically, and the weight of individual investments as well as the risks stemming therefrom to the merging funds as well as their investors (shareholders) is decreased. The opportunistic and value-adding investment strategy of EftEN Kinnisvarafond AS is identical to the investment strategy of EftEN Real Estate Fund III AS. The investment strategy and risk profile of EftEN Real Estate Fund III AS will not be changed in the course of the merger.

Due to a greater market capitalisation, the merger will bring along better visibility, incl. amongst foreign investors, which in turn provides a more solid foundation for increasing market liquidity and financing and developing real estate investments.

The merger and calculating the exchange ratio

In order to carry out the merger, the share capital of EftEN Real Estate Fund III AS shall be increased on account of the totality of assets of EftEN Kinnisvarafond AS transferred to EftEN Real Estate Fund III AS (non-monetary contribution), the value of which shall be the EPRA Net Asset Value (NAV) of EftEN Kinnisvarafond AS as at 31 March 2020. Having regard to the fact that the tax regimes of various countries differ widely (including in the Baltic states), the European Public Real Estate Association has recommended the use of EPRA NAV, which differs from the net asset value calculated in accordance with International Financial Reporting Standards (IFRS) by excluding the deferred income tax liabilities and interest derivatives related to the real estate investment from the calculation of the net asset value. Considering the long-term business strategy of the funds where divestment of assets in the near future is unlikely and temporary differences in financial assets or liabilities obscure the transparency of the fair value of the net assets of the fund, EPRA NAV is considered as suitable and appropriate for the purposes of the merger.

The extent of the increase of share capital of EftEN Real Estate Fund III AS as well as the number of shares to be issued upon the increase shall be calculated on the basis and in accordance with the principles specified in the merger agreement annexed to this notice and the number of shares used for the exchange and the increase of share capital of EftEN Real Estate Fund III AS shall be approved with the resolution of the supervisory board of EftEN Real Estate Fund III AS. The calculation of the exchange ratio shall be verified by the depositary.

Upon the increase of share capital of EftEN Real Estate Fund III AS in connection with the merger, other shareholders will not have a pre-emptive right for the acquisition of the shares. The shareholders of EftEN Real Estate Fund III AS and EftEN Kinnisvarafond AS do not have the right to demand redemption of the fund's shares.



In accordance with applicable law, the merging funds are not required to prepare a merger report or interim balance sheet. The merger agreement shall be reviewed by the depositary, which shall prepare a report in which it shall indicate whether the depositary approves the merger. Furthermore, the merger is subject to the authorisation from the Financial Supervision Authority. Upon issue of the authorisation, the merging funds shall publish a respective notice together with information on the merger addressed to the shareholders.

The approval from the depositary, the authorisation from the Financial Supervision Authority and the approval of the merger agreement by the general meetings of the merging funds are all preconditions for the completion of the merger.

Post-merger, EFTEN Real Estate Fund III AS will continue operating under the business name EFTEN Real Estate Fund AS.

The indicative timetable of the merger is the following:

14 January 2020	Signing of the merger agreement
On or about 15 January 2020	Approval from the depositary
On or about 16 March 2020	Authorisation from the Financial Supervision Authority and publication of a respective notice together with information on the merger addressed to shareholders
17 March 2020	General meeting of EFTEN Kinnisvarafond AS for the approval of the merger
24 March 2020	General meeting of EFTEN Real Estate Fund III AS for the approval of the merger
1 April 2020	Balance sheet date of the merger. The final balance sheet of EFTEN Kinnisvarafond AS will be prepared as at the day preceding the balance sheet date of the merger, i.e. as at 31 March 2020
13 April 2020	Resolution of the supervisory board of EFTEN Real Estate Fund III AS for the approval of the increase of share capital and number of exchanged shares calculated in accordance with the formula specified in the merger agreement
On or about 25 May 2020	On the calculation of the exchange ratio an additional report on merger conditions by the depositary



10 June 2020	General meeting of EftEN Kinnisvarafond AS for the approval of the final balance sheet
On or about 17 June 2020	Expected effective date of the merger (entry in the commercial register of the merger and increase of share capital)
On or about 22 June 2020	Date when trading is expected to commence with the new shares on the regulated market operated by Nasdaq Tallinn AS (on the Baltic Main List of Nasdaq Tallinn Stock Exchange)

The merger agreement is annexed to this notice and available also on the website of EftEN Real Estate Fund III AS www.eref.ee (<http://www.eref.ee>) and on the website of the fund manager of the funds EftEN Capital AS www.eften.ee (<http://www.eften.ee>). In addition to the merger agreement, a summary of the merger in a presentation format has been annexed to this notice.

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