

Company EfTEN Real Estate Fund AS
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Attachments:

- EfTENReal-10003997811-en.pdf (<http://oam.fi.ee/en/download?id=4762>)
- EfTENReal-10003997813-et.pdf (<http://oam.fi.ee/en/download?id=4763>)

Currency

Title EfTEN Real Estate Fund III unaudited results for 2nd quarter and 1st half-year 2020

EfTEN Real Estate Fund III AS's consolidated sales revenue for the second quarter of 2020 totaled 2.422 million euros (2nd quarter of 2019: 2.321 million euros), increasing by 4.4%. The sales revenue of the two properties acquired at the end of February 2020 (airBaltic office building and Kekava logistics center in Riga) and Tāhesaju Hortes completed at the end of last year totaled 386 thousand euros in the second quarter of 2020, ie sales revenue in the second quarter of the 2020 of new real estate investments accounted for 16.6%. The sales revenue of other investment properties decreased mainly due to the negative economic impact of Covid-19 and the concluded lease reduction agreements.

EfTEN Real Estate Fund III AS's consolidated sales revenue for the first half of 2020 was 4.865 million euros (first half of 2019: 4.636 million euros), increasing by 4.9%. The Group's profit before revaluations of investment properties, changes in the fair value of interest rate swaps and income tax expense totaled 3.132 million euros in the first half of 2020 (first half of 2019: 2.882 million euros), increasing by 8.7%. Due to the economic uncertainty caused by Covid-19, the expected decrease in cash flows and the resulting decrease in the fair value of investment properties, the Group earned the first net loss of its operating period in the total amount of 1.065 million euros.

In the first half of 2020, the fund earned consolidated EBITDA of 3.8 million euros (first half of 2019: 3.6 million euros). From the EBITDA growth, 0.3 million euros is related to the addition of airBaltic's office building and Kekava logistics building and 0.2 million euros is related to the addition of Tāhesaju Hortes rental income to the fund's real estate portfolio. Because of the Covid-19 crisis and the resulting temporary discounts, the EBITDA has decreased by 0.2 million euros compared to the previous year. All temporary discounts will end no later than September of this year. According to the fund's management, the negative economic impact of the Covid-19 crisis on the fund's



results is smaller than initially expected, partly due to the well-diversified real estate portfolio of EFTEN Real Estate Fund III AS by sectors and countries, strong tenant base, good capitalization and conservative financing strategy.

During the first half of 2020, the Group has earned a free cash flow of 1.7 million euros (6 months of 2019: the same), of which the cash flow from investment properties added this year amounts to 234 thousand euros. Discounts on leases caused by the special situation arising from Covid-19 totaled 254 thousand euros in the first half of 2020, ie due to temporary special agreements with tenants, the Group's free cash flow in the first half of 2020 has decreased by 13%.

In June 2020, Colliers International conducted a regular valuation of the fund's real estate portfolio, this time even more conservative than before due to the economic uncertainty arising from Covid-19. While yield rates as an input to valuations did not change for any investment property, the discount rates for most properties have risen by 0.3 percentage points due to the expected rise in interest rates. However, the lower cash flow forecast had an even more significant effect on the values of real estate investments, where Colliers International estimates that in the 1 to 1.5 year plan, rental income could be expected to decrease by approximately 4% from its normal level for some properties. Overall, the value of the fund's real estate portfolio decreased by 3.99 million euros (3.1%) as a result of valuations.

As at end of June 2020, the Group has 13 (31.12.2019: 11) commercial investment properties with a fair value as at the balance sheet date of EUR 125.328 million (31.12.2019: EUR 113.011 million) and acquisition cost of EUR 118.053 million (31.12.2019: EUR 101.746 million).

As at 30.06.2020, the Group's total assets were in the amount of EUR 137.676 million (31.12.2019: EUR 132.829 million), including fair value of investment property, which accounted for 91% (31.12.2019: 85%) of the total assets.

The net asset value of the share of EFTEN Real Estate Fund III as at 30.06.2020 was EUR 15.95 (31.12.2019: EUR 16.85). The net asset value of the share of EFTEN Real Estate Fund III AS decreased by 5.4% in the first half of 2020. The net asset value of the share decreased by 5.6%, mainly due to the economic instability caused by Covid-19 and the resulting change in the fair value of the Group's investment properties. Due to the declaration of dividends in the amount of 2,745 thousand euros in June 2020, the net asset value of the share decreased by an additional 4.2%. Without the change in the value of real estate investments and profit distribution, the net asset value of EFTEN Real Estate Fund III would have increased by 4.4% in the first half of 2020.

During the next 12 months, there will be deadlines for several loan agreements of the Group subsidiaries. Most of the Group's borrowings are concluded with a term of 5 years, which is refinanced upon termination of the loan agreement. Over the next 12 months, 34.285 million euros, meaning 56.1% of the total loan portfolio, will be refinanced from the Group's loan liabilities. As at



30.06.2020, the average interest rate of the Group's loan agreements (considering interest rate swap agreements) is 2.01% (31.12.2019: 1.84%) and LTV (Loan to Value) is 54% (31.12.2019: 52%).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousands	II quarter		I half of 2020	
	2020	2019	2020	2019
Revenue	2,422	2,321	4,865	4,636
Cost of services sold	-59	-71	-147	-147
Gross profit	2,363	2,250	4,718	4,489
Marketing costs	-43	-134	-136	-220
General and administrative expenses	-358	-376	-772	-664
Loss on change in fair value of investment property	-3,986	1,460	-3,986	1,460
Other operating income and expense	-5	0	0	-1
Operating profit	-2,029	3,200	-176	5,064
Finance costs	-345	-392	-678	-730
Profit before income tax	-2,374	2,808	-854	4,334
Income tax expense	-59	-479	-211	-636
Total comprehensive income for the financial period	-2,433	2,329	-1,065	3,698
Earnings per share				
- Basic	-0.58	0.68	-0.25	1.11
- Diluted	-0.58	0.68	-0.25	1.11



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30.06.2020	31.12.2019
EUR thousands		
ASSETS		
Cash and cash equivalents	10,920	12,986
Short-term deposits	0	6,000
Receivables and accrued income	1,199	667
Prepaid expenses	55	51
Total current assets	12,174	19,704
Investment property	125,328	113,011
Property, plant and equipment	170	114
Intangible assets	4	0
Total non-current assets	125,502	113,125
TOTAL ASSETS	137,676	132,829
LIABILITIES AND EQUITY		
Borrowings	37,147	21,147
Derivative instruments	284	271
Payables and prepayments	4,062	1,132
Total current liabilities	41,493	22,550
Borrowings	23,882	34,225
Other long-term liabilities	790	609
Deferred income tax liability	4,150	4,274



Total non-current liabilities	28,822	39,108
Total liabilities	70,315	61,658
Share capital	42,225	42,225
Share premium	9,658	9,658
Statutory reserve capital	1,323	936
Retained earnings	14,155	18,352
Total equity	67,361	71,171
TOTAL LIABILITIES AND EQUITY	137,676	132,829

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