



EfTEN Real Estate Fund III AS portfolio valuation condensed report

July 01, 2020

Accelerating success.

MATERIAL VALUATION UNCERTAINTY DUE TO CORONAVIRUS (COVID – 19)



The outbreak of the Coronavirus (COVID-19), declared by the World Health Organisation as a “global health emergency” on the 30th January 2020, has impacted global financial markets. While in most countries throughout Europe the general state of emergency is cancelled and with that also the previously implemented travel restrictions and mandatory social distancing regulations have been lifted, most countries, including Baltics, have not by far returned to the previous state of economic activity. In Baltics, as at the valuation date, the quantum of transaction volumes of comparable market evidence in the specific market segment of the valued property, upon which to base opinions of value, was inadequate. At current stage, the crisis is regarded to have a short- to mid-term effect on the property market, subsequently within this valuation assignment alterations (compared to pre-crisis) have been made only to those considerations and inputs that can be supported by up-to-date market evidence. Consequently, less certainty – and a higher degree of caution – should be attached to this valuation than would normally be the case. Given the unknown impact that COVID-19 might have on the real estate market in the longer term, it is recommended for the terminal user of this document to keep the valuation of this property portfolio under frequent review.

BRIEF SUMMARY OF THE VALUATION RESULT



- ❖ The **market value** of **EfTEN Real Estate Fund III AS portfolio** is 125,320,000 (one hundred twenty-five million three hundred and twenty thousand) Euros as of date of valuation June 30, **2020**. Market value includes compared to last valuation also newly purchased properties as „Air Baltic office building“ and “Piepilsetas Logistics” in Riga, Latvia.
- ❖ The portfolio under valuation consists of 13 objects - 5 in Estonia, 3 in Latvia and 5 in Lithuania.
- ❖ Versus to the valuation performed in December 31, 2019 there was two new acquisitions in Latvia („Air Baltic office building“ and “Piepilsetas Logistics”).
- ❖ The total property portfolio market value drop due to the valuation, compared to December 31, 2020, corresponds 2.61% or approx. 2.95 million euros, excluding new acquisitions.
- ❖ Due to the outbreak of the Coronavirus (COVID-19), the valuation class accuracy, in the context of whole portfolio is up +/- 5%. For some properties in portfolio as retail valuation accuracy may achieve up to +/- 10%. Given the unknown impact that COVID-19 might have on the real estate market in the longer term, it is recommended for the terminal user of this document to keep the valuation of this property portfolio under frequent review.

| | Sector | Quantity | Market Value, € | Market Value, €/sqm | WA Initial Yield |
|-----------------|-----------|----------|-----------------|---------------------|------------------|
| Estonia | Mixed-use | 5 | 31,210,000 | 1,057 | 7.53% |
| Latvia | Mixed-use | 3 | 23,917,000 | 737 | 7.26% |
| Lithuania | Mixed-use | 5 | 70,200,000 | 884 | 7.49% |
| Total / Average | | 13 | 125,327,000 | 887 | 7.45% |

BRIEF SUMMARY OF THE VALUATION RESULT



| No | Property | Sector | Market Value, € | Date of inspection | Market Value, €/sqm | Initial Yield |
|------------------------|---|-----------|--------------------|--------------------|---------------------|---------------|
| 1 | Pärnu Rd. 535, Saku parish, Estonia | Logistics | 12,520,000 | 13.01.2020 | 782 | 7.71% |
| 2 | Seljaku Str. 4b, 4a, 2a, Laagri, Estonia | Retail | 3,360,000 | 13.01.2020 | 968 | 7.37% |
| 3 | Pärnu Rd 554, Tallinn, Estonia | Retail | 6,320,000 | 13.01.2020 | 1,734 | 7.27% |
| 4 | Paldiski Rd. 105, Tallinn, Estonia | Retail | 3,160,000 | 21.01.2020 | 1,470 | 7.86% |
| 5 | Tähesaju Rd 5, Tallinn, Estonia | Retail | 5,850,000 | 26.01.2020 | 1,378 | 7.36% |
| 6 | Krustpils 31, Riga, Latvia | Logistics | 8,647,000 | 02.12.2019 | 710 | 7.26% |
| 7 | Tehnikas iela 3, Lidosta "Rīga", Latvia | Office | 6,870,000 | 11.06.2020 | 1,105 | 6.72% |
| 8 | Krustkalni, Ķekavas pag., Ķekavas nov. Latvia | Logistics | 8,400,000 | 25.05.2020 | 598 | 7.69% |
| 9 | Tilžės 109, Šiauliai, Lithuania | Retail | 32,040,000 | 18.12.2019 | 786 | 7.55% |
| 10 | Verkiu 25C, Vilnius, Lithuania | Office | 8,860,000 | 08.01.2020 | 1,311 | 7.50% |
| 11 | Stasyļu 21, Vilnius, Lithuania | Logistics | 8,740,000 | 09.01.2020 | 744 | 7.67% |
| 12 | Laisves 3, Vilnius, Lithuania | Office | 10,040,000 | 09.01.2020 | 1,477 | 7.07% |
| 13 | Ukmerges 223, Vilnius, Lithuania | Office | 10,520,000 | 08.01.2020 | 791 | 7.53% |
| TOTAL / AVERAGE | | | 125,327,000 | | 887 | 7.45% |

- ❖ The Weighted Average Effective rent (EUR/sqm/month) – In Estonia around 6.72 EUR/sqm, in Latvia 6.87 EUR/sqm and in Lithuania 10.0 EUR/sqm.
- ❖ The average actual Vacancy rates are 0.0%, 0.5% and 1.91% in Estonia, Latvia and Lithuania accordingly.

BRIEF SUMMARY OF THE VALUATION RESULT



The decrease in the market value, not considering new acquisition, is mainly resulting from the changes in macro economical climate, slight increase of discount rates and higher short term (1-2 years) vacancy forecast.

The increase of bank's interest margins on 0.25 - 0.5 bsp, have effect on WACC that slightly increased a discount rate used in valuation. The increase of discount rate has also negatively effected on valuation result.

| No | Property | Market Value, € | Main Reason of changes |
|----|------------------------------------|--------------------|--|
| 1 | Tilžės 109, Šiauliai, Lithuania | 32,040,000 | <ul style="list-style-type: none">DR increased. Lower inflation forecasts. Covid-19 discounts applied. Leasable area decreased (premises only, excl. temporary stands). Vacancy increased (temporary stands). |
| 2 | Verkiu 25C, Vilnius, Lithuania | 8,860,000 | <ul style="list-style-type: none">DR increased. Lower inflation forecasts. Vacancy decreased from 16% to 10% (part of PST vacated areas leased to new and existing tenants). New measurements of some leasable areas performed. |
| 3 | Stasyļu 21, Vilnius, Lithuania | 8,740,000 | <ul style="list-style-type: none">Lower inflation forecasts. Covid-19 discount applied. Occupancy 100% (single tenant). |
| 4 | Laisves 3, Vilnius, Lithuania | 10,040,000 | <ul style="list-style-type: none">DR increased. Vacancy increased from 0% to 2%. |
| 5 | Ukmergės 223, Vilnius | 10,520,000 | <ul style="list-style-type: none">TBA and GLA changed: 2019-12-19 New Cadastral measurements performed (1st floor premises splited). DR increased. Lower inflation forecasts. New Lease Agreements signed, vacancy decreased from 30% to 3.5%. |

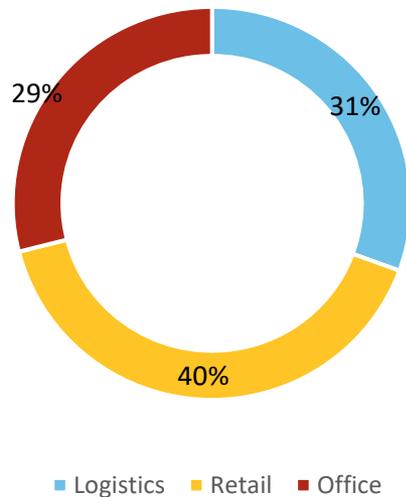
BRIEF SUMMARY OF THE VALUATION RESULT



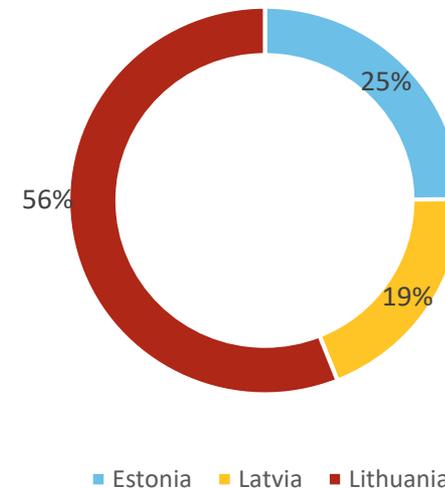
| No | Property | Market Value, € | Main Reason of changes |
|----|---|-----------------|--|
| 6 | Krustpils 31, Riga, Latvia | 8,647,000 | <ul style="list-style-type: none"> MV slightly decreased due to applied Covid-19 discount, and lowered inflation forecasts. NLA decreased by 880 sqm due to taking out common-use and technical premises, which would not be leased out in a multi-tenant scenario. |
| 7 | Tehnikas iela 3, Lidosta "Rīga", Latvia | 6,870,000 | <ul style="list-style-type: none"> New acquisition |
| 8 | Krustkalni, Ķekavas pag., Ķekavas nov. Latvia | 8,400,000 | <ul style="list-style-type: none"> New acquisition |
| 9 | Pärnu Rd. 535, Saku parish, Estonia | 12,520,000 | <ul style="list-style-type: none"> MV slightly decreased due to DR increased, lower inflation forecast and Covid-19 discount applied for 4 months. |
| 10 | Seljaku Str. 4b, 4a, 2a, Laagri, Estonia | 3,360,000 | <ul style="list-style-type: none"> MV decreased due to DR increased, lower inflation forecast and Covid-19 discount applied. Also applied Covid-19 discount -25% for 6 months. |
| 11 | Pärnu Rd 554, Tallinn, Estonia | 6,320,000 | <ul style="list-style-type: none"> MV decreased due to DR increased, lower inflation forecast. Increased credit loss risk for smaller retailers in short-mid term prospecting. |
| 12 | Paldiski mnt 105, Tallinn | 3,160,000 | <ul style="list-style-type: none"> MV slightly decreased due to DR increased, lower inflation forecast. |
| 13 | Tähesaju Rd 5, Tallinn | 5,850,000 | <ul style="list-style-type: none"> MV slightly decreased due to DR increased, lower inflation forecast. Applied Covid-19 discount -25% for 6 months. |

BRIEF SUMMARY OF THE VALUATION RESULT

Portfolio market value division by sectors



Portfolio market value division by regions



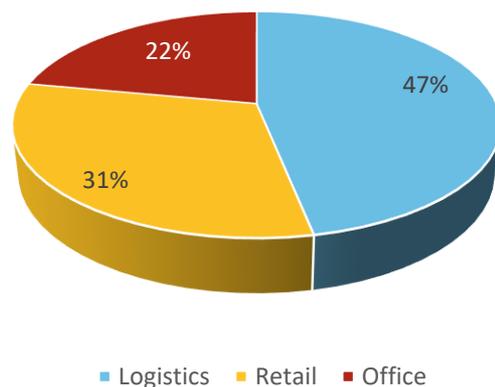
- ❖ The largest share (40%) of the total market value are taking the objects of retail sector, which can be considered also the one of the most effected by the pandemic situation, in addition the financing conditions for retail properties have become more conservative over the past few years.
- ❖ The largest share (56%) of the total market value are forming the objects located in Lithuania.

BRIEF DESCRIPTION OF THE PORTFOLIO

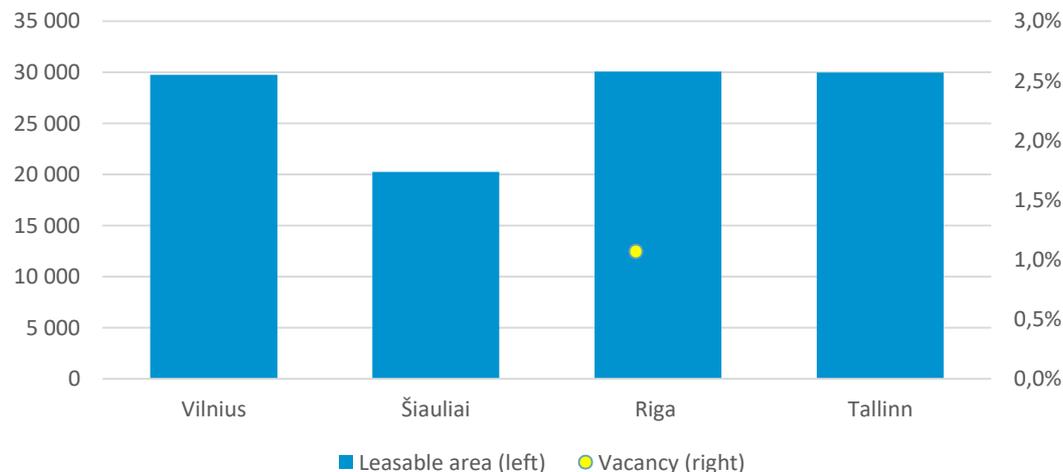


- ❖ The object of the valuation was the EfTEN Real Estate Fund III AS portfolio, consisting of 13 properties.
- ❖ 5 objects are located in Estonia (Tallinn, Saku and Saue parish, suburb areas of Tallinn), 3 in Latvia (2 in Riga, 1 in Kekavas nov.) and 5 in Lithuania (4 in Vilnius and 1 in Šiauliai).
- ❖ The total closed net area of the portfolio is 141.3 thousand sqm and total leasable area approx. 110 thousand sqm.
- ❖ The dominant objects of the portfolio are shopping center Saules Miestas in Šiauliai (18% of the total leasable area and 26% of the total portfolio Market Value) and **DSV Logistic in Tallinn suburb area** (15% of the total leasable area and 10% of the total portfolio Market Value).

Portfolio leasable area by sectors



Portfolio leasable area and vacancy division by regions



INITIAL TASK AND MAIN PRINCIPLES



- ❖ 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.
- ❖ 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, 2020.
- ❖ The valuation process was carried out according to the initial task in June 2020.
- ❖ The valuation process was carried out by the valuation experts (incl. experts with local or international certification) of Colliers' Estonia, Latvia and Lithuania.
- ❖ 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 2020 and RICS Valuation – Global Standards 2020 were taken into account.
- ❖ 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.

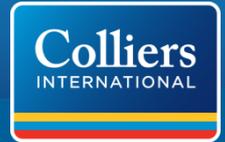
INITIAL TASK AND MAIN PRINCIPLES



- ❖ Colliers assures that it has the **essential experience, competence and market information** to determine adequately the market value of the Object.
- ❖ 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.
- ❖ 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.
- ❖ All inputs and the determined market value are without VAT.
- ❖ For mid-year period, valuation is indicative and was not formalized in a Valuation reports but actualized previous reports: No 03/E/20 (as of January 31, 2020); Latvia: No. 2545/VD/19-06 (as of January 17, 2020) and Lithuania: No VD/425-1/19, VD/425-3/19, VD/425-4/19, VD/425-5/19, VD/425-7/19 (as of January 17, 2019).
- ❖ Less certainty – and a higher degree of caution – should be attached to this valuation than would normally be the case. Given the unknown impact that COVID-19 might have on the real estate market in the longer term, it is recommended for the terminal user of this document to keep the valuation of this property portfolio under frequent review.

- ❖ 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.
- ❖ Income from existing lease agreements and the estimated market based income from vacant premises were used to determine the Potential Gross Income (PGI).
- ❖ 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).
- ❖ 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 taken into account.
- ❖ The exit values were determined on the basis of 6th year NOI and the estimated exit yields.
- ❖ The market values were determined by summing the discounted annual NOI's and exit values.
- ❖ Discount rates were determined on the basis of weighted average cost of capital (WACC).
- ❖ The exit yields were determined based on the valuers' experience and cognition, taking into account the market information and the specific risks associated with the objects.

COMPILERS AND VERIFIERS OF THE VALUATION



COMPILERS:

A handwritten signature in blue ink, appearing to read "A. Sibul".

Aleksander Sibul

MRICS, Head of Valuation
Certified valuer (cert. No. 116137)
Colliers Estonia

A handwritten signature in blue ink, appearing to read "J. Ozols".

Jānis Ozols

MRICS,
Acting director | Head of Valuation
Certified valuer (cert. No. 98)
Colliers Latvia

A handwritten signature in blue ink, appearing to read "A. Kalev".

Aleksej Kalev

Valuation Department Director
Certified Lithuanian Real Property Valuer
(cert. No. A000356)
Colliers Lithuania

Colliers International Advisors OÜ

Valukoja 8, 11415 Tallinn

Phone: +372 6160 777 | E-mail: colliers.estonia@colliers.com