Consolidated Interim Report – Six months ended 30 June 2017

(translation of the Estonian original)

EfTEN Kinnisvarafond II AS

Commercial register number: 12781528

Beginning of reporting period: 01.01.2017
End of reporting period: 30.06.2017
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MANAGEMENT REPORT

In the first half of 2017, EfTEN Kinnisvarafond II AS did not make any new investments and focused on managing existing investments. The main focus was on the reconstruction of Domina shopping center in Riga. As a result of the rebuilding of the former Prisma store site, 25 new stores were opened in the shopping center, incl. SportsDirect and JYSK. The first phase of the rebuilded center was opened in March this year, and the process of reconstruction will end on 17 August, when Maxima XXX grocery store will open its doors in Domina. The financial results of the Fund's other investments, Duntes office building and Magistral shopping center met management's expectations and for Radisson Sky hotel the financial results exceeded the expectations of fund managers. After the balance sheet date, the Fund made its first investment in Lithuania by acquiring the Kaunas Terminal logistics center. This is the first investment of the Fund in the logistics segment. At the time of purchase, there were 4,500 m2 of vacant warehouse space in the acquired logistics center, the fulfilment of which will be the Fund's main priority in the second half of the year.

The investment period of EfTEN Kinnisvarafond II AS will run until 2020. Thus, the Fund continues to search new suitable investment opportunities that meet the Fund's conservative investment criteria. Given the rapid growth of the commercial property market in the Baltic countries, it is increasingly more difficult to find investments with a suitable ratio of risk and yield. For this reason, EfTEN Kinnisvarafond II is not making any specific investment plans. We will continue actively monitoring suitable investment objects, and we are ready to make transactions if we can find a suitable investment object.

For Radisson Blu Sky hotel the financial results exceeded the expectations of fund managers

Financial overview

The consolidated sales revenue of EfTEN Kinnisvarafond II AS for the first six months of 2017 was EUR 11 million and net profit was EUR 5.4 million. The consolidated gross profit margin was 70%.

The Group's expenses related to properties, marketing costs, general expenses, other income and expenses accounted for 47% of the revenues in first half of 2017.

	First half of the year	
	2017	2016
EUR million		
Revenue	10,961	5,701
Expenses related to investment properties, incl. marketing costs	-3,938	-2,415
Interest expense and interest income	-0,688	-0,358
Net revenue less finance costs	**6,335**	**2,928**
Management fees	-0,473	-0,230
Other revenue and expenses	-0,736	-0,461
Profit before change in the value of investment property, change in the succes fee liability and income tax expense	**5,126**	**2,237**

EfTEN Kinnisvarafond II AS has a 100% ownership interest in Astlanda Hotelli AS, the operator of the Radisson Blu Sky Hotel. The operating results of the hotel are consolidated in the Fund's report.

As at 30.06.2017, the Group's total assets were in the amount of EUR 196.4 million, including investment property at fair value and fixed assets, which accounted for EUR 181.6 million of the total assets.

	30.06.2017	31.12.2016
EUR million		
Investment property	135,141	129,891
Property, plant and equipment	46,466	46,379
Other non-current assets	0,012	0,013
Current assets, excluding cash	1,113	0,805
Net debt	-87,046	-83,314
Net asset value (NAV)	95,686	93,774
Net asset value (NAV) per share (in euro cents)	11,8544	11,6175

Net asset value of the share of EfTEN Kinnisvarafond II AS increased by 2% in the first half of year, including the dividend payment made in April 2017, and the related income tax expense totaling EUR 4.6 million. Without dividends the NAV would have increased by 7%. Return on invested capital (ROIC) was 15.8%. The weighted average interest rate of the Group's borrowings (including interest swap contracts) was 1.41% at the end of the accounting period.

For 12 months	30.06.2017	31.12.2016
ROE, % (net profit of the period / average equity of the period)x100	14,2	16,0
ROA, % (net profit of the period / average assets of the period)x100	6,8	7,8
ROIC, % (net profit of the period / average invested capital of the period)x100[1]	15,8	17,8
DSCR (EBITDA/(interest expenses + scheduled loan payments))	3,5	3,8

[1] The average invested capital of the period is the paid-in share capital and share premium of EfTEN Kinnisvarafond II AS's equity. The indicator does not show the actual investment of the funds raised as equity.

Real estate portfolio

As at 30.06.2017, the Group holds four investments:

Premises	Address	Type	Net leasable area (m^2)	Acquisition time
Radisson Blu Sky hotel	Rävala pst 3/ Kuke tn 2, Tallinn, Estonia	hotel	24 499	01.2015
Duntes Biroji office building	Duntes 6, Riga, Latvia	office building	12 650	11.2015
Magistral shopping center	Sõpruse pst 201/203, Tallinn, Estonia	shopping center	11 720	02.2016
Domina shopping center	Ieriku 3, Riga, Latvia	shopping center	47 493	07.2016
Total			**96 362**	

Weighted average expiry of rent agreements of investment property of the Group is 3.9 years (31.12.2016: 3.5 years), and as at 30.06.2017, the Group has a total of 358 (31.12.2016: 342) rent contracts. Rental income from none of the rent contracts exceeds 10% of consolidated rental income.

Magistral shopping center

Valuation of investment property

EfTEN Kinnisvarafond II AS revalues its investment properties twice a year – in the month of June and in the month of December. In 2017 and 2016, the Group's investment property was valued by Colliers International Advisors OÜ.

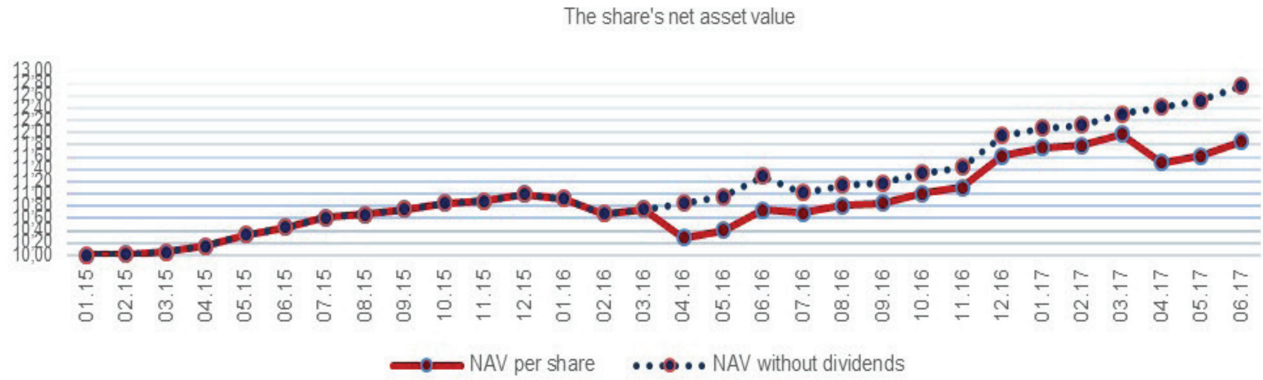
The independent appraiser of the Group values the investment properties on an individual basis using the discounted cash flow method. The estimates of the cash flows of all properties have been updated to determine the fair value and the discount rates and exit yields have been differentiated depending on the location of the properties, their technical condition and the tenant risk level.

The Group uses the hotel and office building acquired in January 2015 located at Rävala pst.3 / Kuke tn.2 in its operations and therefore classifies it as property, plant and equipment.

Information on shares

As at 30.06.2017, payments made to the share capital of EfTEN Kinnisvarafond II AS total EUR 83.039 million:

	30.06.2017	31.12.2016
Number of shares outstanding at the beginning of the period	**8 071 756**	**3 424 254**
Issue of shares during the period	0	4 647 502
Number of shares outstanding at the end of the period	**8 071 756**	**8 071 756**



The dividend policy of EfTEN Kinnisvarafond II AS provides that the Group will pay out 80% of the free cash flow to shareholders as (gross) dividends in each accounting year. In 2017, the shareholders were paid dividends in the amount of EUR 4 million (2016: 2.1 EUR million).

Management

On 11.04.2017 a general annual meeting of shareholders was held in the course of which the 2016 annual report was approved and it was decided to pay out EUR 4,000,000 in net dividend. No extraordinary general meetings of shareholders were held in the first half of 2017.

There are no changes in Fund management, including members of the Fund's Supervisory Board and Management Board. Since its foundation, the Fund's Supervisory Board is comprised of: Arti Arakas (Chairman of the Supervisory Board), Siive Penu, Sander Rebane and Olav Miil, and the Management Board memebrs of the Fund are Viljar Arakas (fund manager) and Tõnu Uustalu (investments manager of the fund).

According to the management contract and the Fund's articles of association, the Fund's assets are managed and controlled by the fund management company EfTEN Capital AS.

FINANCIAL STATEMENTS OF THE CONSOLIDATION GROUP FOR THE FIRST HALF OF 2017

CONSOLIDATED INCOME STATEMENT

	Notes	First half of the year 2017	2016
EUR thousand			
Revenue	4	10,961	5,701
Cost of services and goods sold	5	-3,279	-2,173
Gross profit		**7,682**	**3,528**
Marketing costs	6	-659	-242
General and administrative expenses	7	-1,377	-991
Other income	8	1,242	1,802
Other expenses	8	-184	-305
Operating profit		**6,704**	**3,792**
Finance income		1	0
Finance costs	9	-689	-358
Profit before income tax		**6,016**	**3,434**
Income tax expense	10	-616	-609
Net profit for the accounting period		**5,400**	**2,825**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	First half of the year 2017	2016
EUR thousand			
Net profit for the financial year		5,400	2,825
Other comprehensive income/loss:			
Revaluation of property, plant and equipment	15	-22	75
Loss from revaluation of hedging instruments	19	534	-881
Total other comprehensive income/loss		**512**	**-806**
Total comprehensive income for the financial year		**5,912**	**2,019**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30.06.2017	31.12.2016
EUR thousand			
ASSETS			
Cash and cash equivalents	11	13,634	16,890
Receivables and accrued income	12	946	663
Prepaid expenses	13	61	56
Inventories		106	86
Total current assets		**14,747**	**17,695**
Long-term receivables		0	1
Long-term investments in securities		12	12
Investment property	14	135,141	129,891
Property, plant and equipment	15	46,466	46,379
Total non-current assets		**181,619**	**176,283**
TOTAL ASSETS		**196,366**	**193,978**
LIABILITIES AND EQUITY			
Borrowings	16	2,305	2,299
Derivative instruments	19	726	1,260
Payables and prepayments	17	2,706	2,773
Total current liabilities		**5,737**	**6,332**
Borrowings	16	91,487	90,481
Other long-term liabilities	17	1,246	1,029
Success fee liability	18	1,239	1,041
Deferred income tax liability	10	971	1,321
Total non-current liabilities		**94,943**	**93,872**
Total liabilities		**100,680**	**100,204**
Share capital	21	80,718	80,718
Share premium	21	2,321	2,321
Statutory reserve capital		676	151
Hedging reserve	19	-726	-1,260
Revaluation reserve	15	573	595
Retained earnings	22	12,124	11,249
Total equity		**95,686**	**93,774**
TOTAL LIABILITIES AND EQUITY		**196,366**	**193,978**

CONSOLIDATED STATEMENT OF CASH FLOWS

		First half of the year	
	Notes	2017	2016
EUR thousand			
Net profit		**5,400**	**2,825**
Adjustments:			
Interest income		-1	0
Finance costs	9	689	358
Gains/losses from investment property revaluation	14	-1,088	-1,496
Change in success fee liabilty	7	198	299
Depreciation	15	158	149
Income tax expense	10	616	608
Total adjustments with non-cash changes		**572**	**-82**
Cash flow from operations before changes in working capital		**5,972**	**2,743**
Change in receivables and payables related to operating activities		-86	16
Change in inventories		-20	8
Net cash generated from operating activities		**5,866**	**2,767**
Purchase of property, plant and equipment	15	-267	-61
Purchase of investment property	14	-4,549	-22
Acquisition of subsidiaries		0	-11,593
Interest received		1	0
Net cash generated from investing activities		**-4,815**	**-11,676**
Loans received	16	2,160	0
Scheduled loan repayments	16	-1,168	-377
Interest paid		-668	-367
Proceeds from issuance of shares	21	0	18,458
Dividends paid		-4,000	-2,127
Income tax paid on dividends		-631	-532
Net cash generated from financing activities		**-4,307**	**15,055**
NET CASH FLOW		**-3,256**	**6,146**
Cash and cash equivalents at the beginning of the period		**16,890**	**6,661**
Change in cash and cash equivalents		-3,256	6,146
Cash and cash equivalents at the end of the period		**13,634**	**12,807**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Statutory reserve capital	Hedging reserve	Revaluation reserve	Retained earnings	**Total**
EUR thousand							
Balance as at 31.12.2015	**34,243**	**782**	**0**	**-526**	**138**	**3,019**	**37,656**
Issue of shares	13,477	203	0	0	0	0	**13,680**
Transfers to reserve capital	0	0	151	0	0	-151	**0**
Dividends paid	0	0	0	0	0	-2,127	**-2,127**
Total transactions with owners	**13,477**	**203**	**151**	**0**	**0**	**-2,278**	**11,553**
Net profit for the financial year	**0**	**0**	**0**	**0**	**0**	**2,825**	**2,825**
Revaluation of property, plant and equipment	0	0	0	0	75	0	**75**
Loss from revaluation of hedging instruments	0	0	0	-881	0	0	**-881**
Total comprehensive income	**0**	**0**	**0**	**-881**	**75**	**2,825**	**2,019**
Balance as at 30.06.2016	**47,720**	**985**	**151**	**-1,407**	**213**	**3,566**	**51,228**
Balance as at 31.12.2016	**80,718**	**2,321**	**151**	**-1,260**	**595**	**11,249**	**93,774**
Transfers to reserve capital	0	0	525	0	0	-525	**0**
Dividends paid	0	0	0	0	0	-4,000	**-4,000**
Total transactions with owners	**0**	**0**	**525**	**0**	**0**	**-4,525**	**-4,000**
Net profit for the period	**0**	**0**	**0**	**0**	**0**	**5,400**	**5,400**
Revaluation of property, plant and equipment	0	0	0	0	-22	0	**-22**
Loss from revaluation of hedging instruments	0	0	0	534	0	0	**534**
Total comprehensive income	**0**	**0**	**0**	**534**	**-22**	**5,400**	**5,912**
Balance as at 30.06.2017	**80,718**	**2,321**	**676**	**-726**	**573**	**12,124**	**95,686**

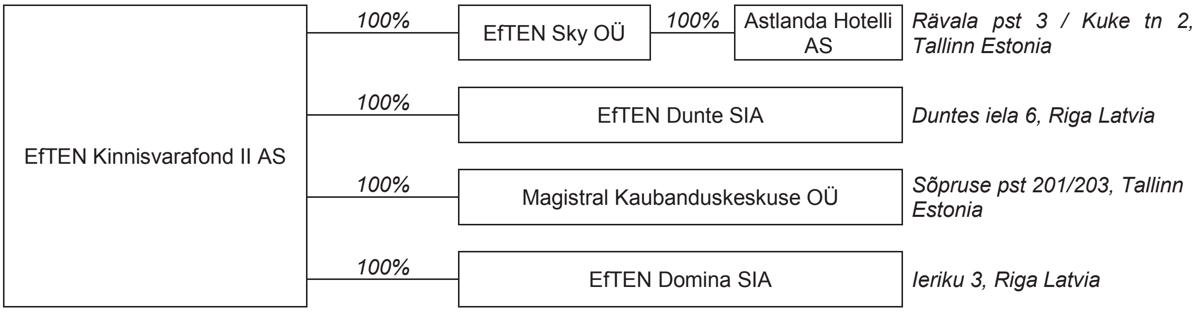
More information on share capital and changes in equity is provided in Notes 19, 21 and 22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General principles used in preparing the financial statements

EfTEN Kinnisvarafond II AS (Parent company) is a company registered and operating in Estonia.

The structure of EfTEN Kinnisvarafond II AS Group as at 30.06.2017 is as follows:



The consolidated financial statements of EfTEN Kinnisvarafond II AS and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The financial statements of the Group are presented in thousands of euros.

The financial statements have been prepared under the historical cost convention, except for land and buildings that have been revalued and measured using the revaluation model as described in the respective accounting policies and except for investment property that has been measured at fair value.

1.1 Summary of the most important accounting principles

Management's critical estimates and judgements

The preparation of consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses, and the disclosure of contingent assets and contingent liabilities.

Although estimates and underlying assumptions are reviewed by the management on an ongoing basis and they are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances, actual results may differ from the estimates.

Information about management's critical judgements and estimates that have a material effect on the amounts reported in the financial statements is provided below.

Estimation uncertainty

The estimates made by management are based on historical experience and the information that has become available by the date of preparation of the financial statements. Therefore there is a risk with the assets and liabilities presented at the balance sheet date, and the related revenue and expenses, that the estimates applied need to be revised in the future. The key sources of estimation uncertainty that have a significant risk of causing material restatements to the financial statements are described below.

a) Valuation of property, plant and equipment measured using the revaluation model

Management has evaluated as at 30.06.2017 the value of property, plant and equipment measured using the revaluation model (fair value less subsequent depreciation and impairment) based upon an appraisal provided by an independent valuation specialist for the market value of the asset. The Group owns land and buildings (Radisson Blu Sky Hotel) that are measured using the revaluation model. The appraisal provided by Colliers International Advisors OÜ as to the market value of the hotel has been used in the estimation of fair value. Independent valuation specialist of the Group has valued the assets using the discounted cash flows method, taking into account the location, condition and wear and tear of the assets and prevailing market conditions. The carrying amount of the property, plant and equipment measured using the revaluation model as at 30.06.2017 is provided in Note 15.

a) Property, plant and equipment: assets with a significant residual value

Group management considers it very likely that the Radisson Blu Sky Hotel building is sold at the end of the 10-year term of the EfTEN Kinnisvarafond II AS fund. Management estimates that the residual value of the building in ten years' time is at least as high as the cost, therefore it has been decided to divide the cost of the hotel building into two components - the non-depreciable portion and the depreciable portion. Using as a basis the assumption that the annual estimated capital expenditures required to maintain the present condition of the hotel building amount to EUR 150 thousand, the management defined EUR 1,500 thousand as the depreciable cost component of the building to be depreciated over ten years. The remaining portion of the cost of the building is allocated to the non-depreciable component.

In case of items with a significant residual value, only the depreciable portion of the difference between the cost and the residual value is depreciated into an expense over their useful lives. The appraisal provided by Colliers International Advisors OÜ as to the market value of the hotel has been used in the estimation of residual value. Independent valuation specialist of the Group has valued the assets using the discounted cash flows method, taking into account the location, condition and wear and tear of the assets and market conditions. If residual value has substantially declined by the balance sheet date, the management of the Group will review the estimates that have been made regarding the applied depreciation rates, depreciation methods and estimated residual value and modify them if necessary. Any impact from a change in depreciation rate, depreciation method or residual value is accounted for as a change in accounting estimates.

b) Determination of the fair value of investment property

At each balance sheet date, investment properties are measured at their fair values. The Group's investment property is valued by Colliers International Advisors OÜ. The independent appraiser of the Group values the investment properties on an individual basis using the discounted cash flow method.

More information on the assumptions used in valuation of fair value is provided in Note 14.

c) Judgments concerning the existence of control or significant influence over other entities

The Group owns 100% of all of its subsidiaries and the members of the management board of the Group's parent entity are included in governance bodies of subsidiaries. Hence, the Group has full control over its subsidiaries in its distribution of profit and adoption of management decisions.

Classification of real estate

Items of real estate (properties) are classified as investment property or property, plant and equipment both on initial recognition and on any subsequent reclassification based on management's intentions regarding further use of the properties. Implementation of plans may require additional decisions independent of the Group (changing the intended purpose of land, approving a detailed plan, issuing building permits, etc.), reducing the accuracy of asset classification.

The purpose of acquisition of properties is to hold it for long-term rental yields or for capital appreciation. In addition, properties that are held for a longer period and that have several possible purposes of use, are classified as investment property.

Investment company

The Group's management has assessed their compliance with the definition of an investment company, and finds that EfTEN Kinnisvarafond II AS does not meet the definition of an investment company, since it has characteristics of a real estate company rather than of a purely investment firm. Although also the investors of EfTEN Kinnisvarafond II AS expect their capital investment to both increase asset value and generate profit from current economic activity, EfTEN Kinnisvarafond II AS in its investments assumes significant development risks that are characteristic to more traditional real estate company. Also, in accordance with IFRS 10, an investment firm should make direct investments in companies, which are valued at fair value. In case of the parent company of EfTEN

Kinnisvarafond II AS, the fair value is assessed indirectly - assets that are in the subsidiaries of EfTEN Kinnisvarafond II AS are assessed for fair value, thereby obtaining the fair value of the subsidiary which may not necessarily be the final market price of the subsidiary. It also assesses the Group's business activities on the basis of rental income, profit margins, volume of assets and other financial ratios characteristic to real estate companies which cannot be made only no the basis of a fair value of the subsidiary.

Consolidation

The consolidated financial statements present the financial information of EfTEN Kinnisvarafond II AS and its subsidiaries, consolidated on a line-by-line basis. The subsidiaries are consolidated from the date on which control or joint control is transferred to the Group, and subsidiaries are deconsolidated from the date that control or joint control ceases.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The subsidiaries use the same accounting policies in preparing their financial statements as the parent company. All inter-company transactions, receivables and payables and unrealised gains and losses from transactions between the Group companies have been fully eliminated in the financial statements. Unrealised losses are not eliminated if it constitutes asset impairment by substance.

Business combinations are accounted for in the consolidated financial statements using the acquisition method.

The cost of a business combination accounted for using the acquisition method is allocated to the fair value of assets, liabilities and contingent liabilities as at the date of acquisition. The difference between the cost of the acquisition and the fair value of acquired assets, liabilities and contingent liabilities is recognised as goodwill. If fair value exceeds cost, the difference (negative goodwill) is immediately recognised as income of the period.

Segment reporting

The Group allocates raised capital and available resources for investments in accordance with the Group's investment policy, analysing the reasonable allocation of risks by real estate sector.

In disclosing information on segments the Group adheres to the principles of grouping used in the Group's internal accounting and reporting. Independent business segments are sub-sectors of commercial real estate which differentiate from one another by type of rented space and have different yield rates (rental income per sqm, acquisition price of one sqm. capitalisation rates).

The Group's four business segments and three geographical segments are presented in the following table:

Premises / Country	**Estonia**	**Latvia**
Retail premises	Sõpruse pst 201/203, Tallinn	Ieriku 3, Riga
Office premises		Duntes iela 6, Riga
Hotels and restaurants premises	Rävala pst 3 / Kuke tn 2, Tallinn	

The main indicators used by the management in making business decisions is sales revenue, net operating income (net sales less the cost of sales and marketing costs), EBITDA and operating profit. It is also important to monitor the volume of property investments by segments. The Group analyzes all indicators on a monthly basis.

Investments in subsidiaries in the separate balance sheet of the Parent company

In the separate balance sheet of the parent company (presented in Note 25), the investments in subsidiaries are measured at fair value. Dividends paid by subsidiaries are recognised at the moment when the parent company obtains the right to these dividends.

Revenue recognition

Revenue from the sale of goods and from services rendered in the ordinary course of business is measured at the fair value of the consideration received or receivable. Revenue is recognised only when the amount of revenue can be measured reliably, it is probable that future economic benefits attributable to the transaction will flow to the group, significant risks and rewards of ownership have been transferred from the seller to the buyer. The amount of revenue is considered to be reliably measureable only when all circumstances related to the transaction are unambiguous.

Rental income from investment properties is recognised on a straight-line basis over the lease term.

Income from intermediation of services (utility fees of subtenants, sublease, and other intermediated services) is offset against the expense on services purchased.

Finance income

Interest income is recognised on an accrual basis, using the effective interest rate method. Dividend income is recognised when the right to receive payment has been established.

Cash and cash equivalents

Cash and cash equivalents are cash and short-term (up to 3 months from the moment of acquisition) high-liquidity investments that are readily convertible into a known amount of cash for up to three months from the actual transaction date and which are subject to an insignificant risk of changes in market value. Such assets are cash, demand deposits and term deposits with a maturity of up to three months.

Financial assets

All financial assets are initially recognised at cost which is the fair value of the consideration paid for the financial asset. Acquisition costs are any costs that are directly attributable to the acquisition of the financial asset, including fees and commissions paid to agents and advisers, as well as any non-recoverable levies, taxes and duties. An exception is financial assets measured at fair value through profit or loss, the additional expenses related to the acquisition are recognised as an expense in the income statement.

A regular way purchase or sale of financial assets is recognised using trade date accounting. A trade date is the date at which the Group commits itself to purchase or sell a certain financial asset. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established by regulation or convention in the marketplace concerned.

Upon initial recognition, financial assets are classified in one of the following four categories of financial assets (see below). The following principles are used for measurement of financial assets in each category:

- Financial assets at fair value through profit or loss – fair value;
- Held-to-maturity investments – amortised cost;
- Loans and receivables – amortised cost;
- Available-for-sale financial assets – fair value or cost in case of equity instruments, the fair value of which cannot be reliably measured.

In the years 2017 and 2016, the Group only had financial assets in the "Loans and receivables" category.

Loans and receivables from other parties

After initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method. Amortised cost is calculated for the whole term of useful life of the financial asset, including any discount or premium arising upon acquisition and any directly attributable transaction costs.

If there is objective evidence, which indicates that an impairment loss on a financial asset carried at amortised cost has been incurred, the carrying amount of the financial asset is written down by the difference between the book value and the recoverable amount. The recoverable amount is the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Financial assets that are individually significant are assessed for impairment on an individual basis. If 180 days or more has passed from the due date of the receivable, the amount receivable is classified as a doubtful receivable and written off as an expense to the extent of 100%. If a decrease in the value of assets becomes evident more quickly, the receivables are written down earlier.

If a receivable that has been written down is collected or any other event occurs which reverses an impairment loss that has been recognised, the reversal is recognised by reducing the line item in the income statement within which the impairment loss was originally recognised.

Interest income from receivables is recognised in the income statement on the line "Finance income".

Financial assets are derecognised when the company loses the right to cash flows from the financial assets and also when a liability arises to transfer these cash flows in full extent and without significant delay to third parties, to whom most of the risks and benefits related to the financial assets are transferred.

Derivative instruments

The risk policy of the Group specifies that company may use interest rate swaps from among derivative instruments to hedge the risks related to change in interest rates of financial liabilities. Such derivative instruments are initially recognised in the balance sheet at their fair value at the date of entering into a contract and subsequently remeasured in accordance with the change in the fair value of the instruments at the balance sheet date. A derivative instrument with a positive fair value is recognised as an asset and a derivative instrument with a negative fair value is recognised as a liability. In determining the fair value of interest rate swaps, bank quotations at the balance sheet date are used as a basis.

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Cash flow hedge

The effective portion of changes in the fair value of derivative instruments that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement on the line item "Finance income" or "Finance costs". Amounts accumulated in equity are reclassified in the income statement in the periods when the hedged item affects profit or loss. The gain or loss that is related to the effective portion of an instrument that hedges a credit risk with a variable interest rate is recognised in the income statement on the line item “Interest expense”. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss accumulated in equity at that time remains in equity and is classified in the income statement when the forecast transaction takes place. If the future transaction is no longer expected, the cumulative gain or loss recognised in equity is immediately recognised in the income statement.

Property, plant and equipment

Property, plant and equipment are tangible assets with a useful life of over one year when it is probable that future benefits attributable to them will flow to the Group.

Land and buildings are measured using the revaluation model: land and buildings are measured after initial recognition at the revalued amount, which is equal to the fair value of the assets at the date of revaluation less accumulated depreciation and any accumulated impairment losses. Appraisals are carried out regularly by independent real estate specialists. Previously accumulated depreciation is eliminated on the date of revaluation and the former cost of the asset is replaced with its fair value at the date of revaluation.

If a revaluation of land and buildings results in an increase in the carrying amount of such land and buildings, it is credited to other comprehensive income and accumulated in equity under the heading "revaluation surplus". The reversal of a revaluation decrease of the same asset previously recognised as an expense is recognised in profit or loss. A decrease arising as a result of a revaluation is recognised as an expense to the extent that it exceeds any amount previously credited to the revaluation surplus relating to the same asset. The difference in depreciation arising from the difference between the initial cost and revaluation amount of the assets is transferred on an annual basis from the heading "revaluation surplus" to the heading "retained earnings".

Other property, plant and equipment is carried in the balance sheet at cost less accumulated depreciation and any accumulated impairment losses. Other property, plant and equipment is initially recognised at its cost, comprised of its purchase price and any expenditure directly attributable to the acquisition.

When an item of property, plant and equipment takes a substantial period of time to get ready for its intended use, the borrowing costs attributable to it are capitalized in the cost of the asset. Capitalization of borrowing costs is terminated when the asset is ready for its intended use to a material extent or its active development has been suspended for a substantial period of time.

Subsequent expenditures incurred on an item of property, plant and equipment are capitalized as non-current assets if it is probable that the company will obtain future economic benefits related to the item and if the cost of the item can be measured reliably. All other repair and maintenance costs are recognised as an expense during the financial period in which they are incurred.

The straight-line method is used for depreciation. A depreciation rate is assigned to each non-current asset individually depending on its useful life.

The ranges of depreciation rates for groups of property, plant and equipment are the following:

Buildings	2.5-10%
Machinery and equipment	7-10%
Fixtures	15-20%
Computers	20-33%

Depreciation begins when the asset is available for use for the purposes intended by management and continues until the residual value of the asset exceeds its carrying amount, when the asset is retired from use or when the asset is reclassified as "non-current assets held for sale". At each balance sheet date, the validity of applied depreciation rates, the depreciation method and the residual values applicable to assets is assessed.

At each balance sheet date, management estimates whether there is any evidence of impairment. If there are known facts which may cause impairment of non-current assets, management calculates the recoverable amount of non-current assets (i.e. higher of the two following indicators: an asset's fair value less costs to sell and value in use). If the recoverable amount is lower than the carrying amount, the items of property, plant and equipment are written down to their recoverable amount. An impairment loss recognised in previous periods is reversed if a change has occurred in the estimates that were used as a basis for the determination of recoverable amount and if the recoverable amount has increased.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and they are included in the income statement under other operating income and expenses.

Investment property

Investment property is property (land or a building or both) held or developed to earn rental income or for capital appreciation rather than for use in the production or supply of goods or services for administrative purposes. In addition, investment property includes properties which are held over an extended period for an undetermined future use.

An investment property is initially recognised in the balance sheet at cost, including any directly attributable expenditure (e.g. notary fees, property transfer taxes, professional fees for legal services, and other transaction costs without which the transaction would not have taken place). After initial recognition, investment property is measured at fair value at each balance sheet date. The fair value of investment property reflects market conditions at the balance sheet date.

The fair value of investment property is determined based on the valuation performed by qualified appraisers. In determining the fair value, the method of discounted cash flows is used. In order to calculate the present value of a property's future cash flows, the appraiser has to forecast the property's future rental income and operating expenses. Depending on the terms of the lease (whether and how easily the lease can be terminated by the lessee), the appraiser will base the projections on either the property's existing cash flows or the market's current average cash flows for similar properties. The present value of the future net cash flow is found by applying a discount rate which best reflects the current market assessments of the time value of money and the risks specific to the asset. The discount rate is selected based on the market's average capital structure, not asset structure. The discounted cash flow method is used to determine the value of investment properties that generate stable rental income. Gains and losses arising from changes in the value of investment property are recognised in profit or loss in the period in which they arise (in other income and other expenses, respectively).

An investment property is derecognised from the balance sheet on disposition or when the property is permanently withdrawn from use and the asset is expected to generate no future economic benefits. Gains and losses arising from the derecognition of investment property are recognised in profit or loss in the period of derecognition (in other income and other expenses, respectively).

When the purpose of use of an investment property changes, the asset is reclassified in the balance sheet. From the date of the change, the accounting policies of the group where the item has been transferred are applied. For a transfer from investment property to property, plant and equipment, the property's deemed cost for subsequent accounting is its fair value at the date of transfer.

Financial liabilities

All financial liabilities (trade payables, borrowings, accrued expenses, bonds issued and other current and non-current liabilities) are initially measured at cost that also includes all directly attributable expenditure incurred in the acquisition. Subsequent measurement is at amortised cost. Exceptions are financial liabilities acquired for the purpose of resale that are measured in fair value.

The amortised cost of current financial liabilities generally equals their nominal value; therefore current financial liabilities are carried in the balance sheet in their net realisable value. For determining the amortised cost of non-current financial liabilities they are initially recognised at the fair value of the consideration received (less transaction costs), and subsequently interest expense is recognised on the liabilities using the effective interest rate method. Interest expenses on financial liabilities are recognised on the line "finance income" and "finance costs" in the income statement on an accrual basis. Interest expenses on financing the development of assets from the start of the development period until the acceptance of completed assets (real estate projects carried as inventories, investment properties, and items of property, plant and equipment) are capitalized and added to the carrying amount of the asset as borrowing costs.

A financial liability is classified as current if it is due within 12 months from the balance sheet date or if the company does not have an unconditional right to postpone payment of the liability more than 12 months after the balance sheet date. Loans with due date within 12 months after the balance sheet date which are refinanced as non-current after the balance sheet date but before the financial statements are authorised for issue, are recognised as current. Borrowings that the lender has the right to recall at the balance sheet date as a consequence of a breach of contractual terms are also recognised as current.

A financial liability is removed from the statement of financial position when it is discharged or cancelled or expires.

Success fee liability

EfTEN Kinnisvarafond II AS and EfTEN Capital AS have entered into a management contract according to which EfTEN Capital AS is entitled to receive a success fee in the amount of 20% of the gain on sale of an investment or aggregate of investments above a hurdle rate of 7% on an annual basis. If the actual return of an investment is lower than 7% per annum during the lifetime of the investment, the difference between the actual return and the hurdle rate is also deducted from the sale price of the investment, so that the return before success fees would be at least 7% per annum. According to the management contract, the success fee is payable upon termination of the fund.

The basis for accounting for success fees on an accrual basis is the fair value estimates of investment property. Period expenses from the change in success fees are included in the general and administrative expenses of the Group.

Provisions and contingent liabilities

A provision is recognised in the balance sheet only when the company has a present legal or factual obligation as a result of an event that occurred before the balance sheet date, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Present obligations arising from events that occurred before the balance sheet date, the realisation of which according to management's judgement is improbable, are also disclosed as contingent liabilities.

Leases

Leases which transfer substantially all the risks and rewards incidental to ownership to the lessee are classified as finance leases. Other leases are classified as operating leases.

Assets subject to operating leases are recognised in the lessor's balance sheet. Operating lease payments received and made are recognised as income and expenses, respectively, on a straight-line basis over the period of the lease.

Statutory reserve capital

According to the Estonian Commercial Code, the statutory reserve capital of a company has to amount to at least 10% of its share capital. Based on that, the parent company shall allocate at least 5% of the net profit to the statutory reserve capital annually. Transfers are continued until the required level has been achieved. The statutory reserve capital may not be paid out as dividends but it may be used for covering accumulated losses if there is an insufficient amount of unrestricted equity to cover the losses. The statutory reserve capital may also be used to increase equity through issuing new shares.

Income tax

Parent company and subsidiaries registered in Estonia

According to the Income Tax Act, the annual profit earned by entities is not taxed in Estonia. Corporate income tax is paid on dividends. The tax rate on (net) dividends is 20/80. Income tax arising from dividend distribution is expensed when dividends are declared.

Subsidiaries in Latvia

The net profit of companies is taxed with a 15% income tax in Latvia. Taxable income is calculated from the company’s profit before income tax, adjusted in income tax returns by temporary or permanent income or expense adjustments under the requirements of the local income tax legislation.

For foreign subsidiaries, the deferred income tax assets or liabilities are determined for all temporary differences between the tax bases of assets and liabilities and their carrying amounts at the balance sheet date. Deferred tax assets are recognised in the balance sheet only when it is probable that future taxable profit will be available against which the deductions can be made.

2 *Subsidiaries*

Company name	Country of domicile	Investment property	Group’s ownership interest, %	
			30.06.2017	31.12.2016
Parent company				
EfTEN Kinnisvarafond II AS	Estonia			
Subsidiaries				
EfTEN Sky OÜ	Estonia	Rävala pst 3 / Kuke tn 2, Tallinn, Estonia	100	100
Astlanda Hotelli As	Estonia	Hotelli operaator company, Rävala pst 3 / Kuke tn 2, Tallinn, Estonia	100	100
EfTEN Dunte SIA	Latvia	Duntes 6, Riga, Latvia	100	100
Magistral Kaubanduskeskuse OÜ	Estonia	Sõpruse pst 201/203, Tallinn, Estonia	100	100
EfTEN Domina SIA	Latvia	Ieriku 3, Riga, Latvia	100	100

No shares of a subsidiary are publicly listed.

3 Segment reporting

SEGMENT INCOME

	Retail		Office		Hotels and restaurants		Unallocated		Total	
	First half of the year		First half of the year		First half of the year		First half of the year		First half of the year	
EUR thousand	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenue (Note 4), incl.	**5,162**	**764**	**919**	**869**	**4,880**	**4,068**	**0**	**0**	**10,961**	**5,701**
Estonia	1,307	764	0	0	4,880	4,068	0	0	6,187	4,832
Latvia	3,855	0	919	869	0	0	0	0	4,774	869
Net revenue, incl.	**3,992**	**728**	**887**	**792**	**2,143**	**1,766**	**0**	**0**	**7,022**	**3,286**
Estonia	1,215	728	0	0	2,143	1,766	0	0	3,358	2,494
Latvia	2,777	0	887	792	0	0	0	0	3,664	792
Operating profit, incl.	**4,285**	**2,087**	**866**	**490**	**1,631**	**1,286**	**-78**	**-71**	**6,704**	**3,792**
Estonia	988	2,087	0	0	1,631	1,286	-78	-71	2,541	3,302
Latvia	3,297	0	866	490	0	0	0	0	4,163	490
EBITDA, incl.	**3,490**	**647**	**794**	**734**	**1,766**	**1,434**	**-78**	**-71**	**5,972**	**2,744**
Estonia	1,100	647	0	0	1,766	1,434	-78	-71	2,788	2,010
Latvia	2,390	0	794	734	0	0	0	0	3,184	734
Operating profit									**6,704**	**3,792**
Net finance expenses									**-688**	**-358**
Profit before income tax									**6,016**	**3,434**
Income tax expenses (Note 10)									-616	**-609**
Net profit for the financial year									**5,400**	**2,825**

SEGMENT ASSETS

	Retail		Office		Hotels and restaurants		Total	
EUR thousand	30.06.2017	31.12.2016	30.06.2017	31.12.2016	30.06.2017	31.12.2016	30.06.2017	31.12.2016
Investment property (Note 14)								
Estonia	26,180	26,320	0	0	0	0	26,180	26,320
Latvia	85,351	80,051	23,610	23,520	0	0	108,961	103,571
Total investment property	**111,531**	**106,371**	**23,610**	**23,520**	**0**	**0**	**135,141**	**129,891**
Non-current assets (Note 15)								
Estonia	3	2	0	0	46,410	46,350	46,413	46,352
Latvia	40	27	13	0	0	0	53	27
Total non-current assets	**43**	**29**	**13**	**0**	**46,410**	**46,350**	**46,466**	**46,379**
Other non-current assets							12	13
Net debt							-87,046	-83,314
Other current assets							1,113	805
NET ASSETS							**95,686**	**93,774**

4 Revenue

Areas of activity	First half of the year 2017	2016
EUR thousand		
Rental income from office premises	1,002	959
incl. investment property rental income	*867*	*830*
incl. fixed assets rental income	*135*	*129*
Rental income from retail premises	4,335	700
incl. investment property rental income	4,260	659
incl. fixed assets rental income	75	41
Other revenue from rental premises	966	145
Hotel revenue from rooms	3,179	2,685
Hotel revenue from food and beverage	883	783
Hotel other revenue	595	427
Other sales revenue	1	2
Total revenue by areas of activity	**10,961**	**5,701**

EUR 6,187 thousand of the revenue of the Group was generated in Estonia and EUR 4,774 thousand in Latvia in the first half of the year (2016 first half of the year: EUR 4,832 thousand in Estonia and EUR 869 thousand in Latvia).

5 Cost of goods and services sold

Cost of services sold	First half of the year 2017	2016
EUR thousand		
Hotel direct costs from rooms	-406	-266
Hotel direct costs from food and beverage	-427	-333
Hotel royalty fees	-148	-153
Other direct costs related to hotel operation	-25	-61
Wages and salaries related to hotel operation, incl. taxes	-885	-730
Administrative expenses related to hotel operation	-364	-318
Repair and maintenance of leasable area	-529	-81
Property insurance	-37	-16
Land tax	-227	-41
Other administrative expenses	-50	-15
Improvement costs	-23	-10
Amortization expense (Note 15)	-158	-149
Total cost of services sold	**-3,279**	**-2,173**

6 Marketing costs

Marketing costs	First half of the year 2017	2016
EUR thousand		
Commission expenses on rental property	-1	-1
Wages and salaries, incl. taxes	-84	-76
Advertising, promotional events	-449	-39
Corporate marketing	-125	-126
Total marketing costs	**-659**	**-242**

7 General and administrative expenses

General and administrative expenses	First half of the year 2017	2016
EUR thousand		
Management services (Note 23)	-473	-230
Office expenses	-114	-54
Wages and salaries, incl. taxes	-427	-226
Consulting expenses	-134	-131
Change in success fee liability (Note 18)	-198	-299
Other general and administrative expenses	-31	-51
Total general and administrative expenses	**-1,377**	**-991**

8 Other income and other expenses

Other income	First half of the year 2017	2016
EUR thousand		
Gain on changes in the fair value of investment property (Note 14)	1,228	1,800
Contractual penalties and late payment fees received	13	0
Other income	1	2
Total other income	**1,242**	**1,802**

Other expenses	First half of the year 2017	2016
EUR thousand		
Loss on changes in the fair value of investment property (Note 14)	-140	-304
Other expenses	-44	-1
Total other expenses	**-184**	**-305**

9 Finance costs

Finance costs	First half of the year 2017	2016
EUR thousand		
Interest expenses, incl.	-689	-358
Interest expense on borrowings	-523	-249
Interest expense on derivative instruments (-)/ expense reduction (+)	-166	-108
Total finance costs	**-689**	**-358**

10 Income tax

	First half of the year 2017	2016
EUR thousand		
Income tax on dividends	-631	-532
Income tax expense of Latvian subsidiaries (-)/ expense reduction (+)	15	-77
Total income tax expenses	**-616**	**-609**

As at 30.06.2017, the Group has a deferred tax liability in the amount of EUR 971 (31.12.2016: EUR 1,321) thousand in connection with the profit from the change of fair value of property investments in Latvia. The Group will incur a deferred income tax liability upon sale of the investment property.

11 Cash and cash equivalents

	30.06.2017	31.12.2016
EUR thousand		
Demand deposits	13,564	16,821
Cash in hand	70	69
Total cash and cash equivalents	**13,634**	**16,890**

12 Receivables and accrued income

Short-term receivables

	30.06.2017	31.12.2016
EUR thousand		
Trade receivables		
Receivables from customers	735	611
Allowance for doubtful trade receivables	-39	-29
Total trade receivables	**696**	**582**
Other short-term receivables		
Other short-term receivables	10	19
Total other short-term receivables	**10**	**19**
Accrued income		
Prepaid taxes and receivables for reclaimed value-added tax	188	0
Other accrued income	52	62
Total accrued income	**240**	**62**
Total receivables	**946**	**663**

	30.06.2017	31.12.2016
EUR thousand		
Undue	379	360
Expired, incl.	**356**	**251**
Up to 30 days	*215*	*142*
30-60 days	*30*	*56*
More than 60 days	*111*	*53*
Allowance for doubtful receivables	-39	-29
Total trade receivables	**696**	**582**

13 Prepayments

	30.06.2017	31.12.2016
EUR thousand		
Prepayments to suppliers	2	2
Prepayments of insurance	5	9
Prepayments of utility fees intermediation	4	20
Deferred expenses	50	25
Total prepayments	**61**	**56**

14 Investment property

As at 30.06.2017, the Group owns one investment property in Estonia and two in Latvia:

Name of the property	Location	Net leasable area (m2)	Date of acquisition	Acquisition cost	Market value at 30.06.2017	Share of market value of the fund's assets
EUR thousand						
Duntes Biroji office building	Duntes 6, Riga Latvia	12,650	11.2015	23,746	23,610	12%
Magistral shopping center	Sõpruse pst 201/203 Tallinn Estonia	11,720	02.2016	24,000	26,180	13%
Domina shopping center	Ieriku 3, Riga Latvia	47,493	07.2016	74,500	85,181	44%
Total		**71,863**		**122,246**	**134,971**	**69%**

In 2017, the following changes have occurred in the Group's investment property:

	Completed investment property	Prepayments for investment property	**Total investment property**
EUR thousand			
Balance as at 31.12.2016	**129,590**	**301**	**129,891**
Capitalized improvements	4,162	0	**4,162**
Reclassification	131	-131	**0**
Gain/loss on changes in the fair value (Note 8)	1,088	0	**1,088**
Balance as at 30.06.2017	**134,971**	**170**	**135,141**

In 2016, the following changes occurred in the Group's investment property:

	Completed investment property	Prepayments for investment property	**Total investment property**
EUR thousand			
Balance as at 31.12.2015	**23,746**	**0**	**23,746**
Acquisition and development	8	15	**22**
Acquisition from business combinations	24,000	0	**24,000**
Gain/loss on changes in the fair value (Note 8)	1,496	0	**1,496**
Balance as at 30.06.2016	**49,250**	**15**	**49,265**

The income statement and balance sheet of the Group include, among other items, the following income and expenses and balances related to investment property:

	First half of the year	
	2017	2016
Rental income earned on investment property	5,127	1,489
Expenses directly attributable to management of investment property	-768	-140
Prepayments for investment property	170	15
Carrying amount of investment property pledged as collateral to borrowings as at June 30	134,971	49,250

Investment property is pledged as collateral to long-term bank loans.

The terms of lease agreements between the Group and tenants correspond to the terms of non-cancellable operating leases. Income from the aforementioned lease agreements is divided as follows:

Payments receivable under non-cancellable operating lease agreements	30.06.2017	31.12.2016
EUR thousand		
up to 1 year	9,515	9,155
2-5 years	22,420	21,971
Over 5 years	6,638	7,050
Total	**38,573**	**38,176**

Assumptions and basis for the calculation of fair value of investment property

An independent appraiser values the investment property of the Group. The fair value of all investment properties presented in the financial statements of the Group was determined using the discounted cash flow method.

The following assumptions are used to determine fair value:

	Fair value	Valuation method	Rental income per annum	Discount rate	Capitalization rate	Average rent €/,m2
EUR thousand						
Office premises	23,610	Discounted cash flows	1,684	7.60%	7.0%	11.66
Retail premises	111,361	Discounted cash flows	9,436	8.5%-8.6%	7.8%-8.0%	13.84
Total	**134,971**					

The fair value of investment property is based on the following:

- Rental income: real growth rates and rents under current lease agreements are used;
- Vacancy rate: the actual vacancy rate of the investment properties, taking into account the risks associated with the property;
- Discount rate: calculated using the weighted average cost of capital (WACC) associated with the investment property;
- Capitalization rate: based on the estimated level of return at the end of the estimated holding period, taking into consideration the forecasted market conditions and risks associated with the property.

Fair value sensitivity analysis

The table provided below illustrates the sensitivity of the fair value of investment property included in the balance sheet of the Group to the most significant management's assumptions which were made on the acquisition:

	Sensitivity to management estimates			Sensitivity to discount rate and capitalization rate				
	Assess-ment	Effect of decrease to value	Effect of increase to value			Change in discount rate		
						-0.5%	0.0%	0.5%
EUR thousand							*Fair value*	
Office premises	Change in rental income +/- 10%	*-2,500*	*2,490*	Change in the capitalization rate	-0.5%	*25,440*	*24,920*	*24,410*
					0.0%	*24,100*	*23,610*	*23,130*
					0.5%	*22,940*	*22,480*	*22,030*
Retail premises	Change in rental income +/- 10%	*-12,590*	*12,490*	Change in the capitalization rate	-0.5%	*118,981*	*116,581*	*114,241*
					0.0%	*113,641*	*111,361*	*109,131*
					0.5%	*108,931*	*106,751*	*104,641*

Level three inputs are used to determine the fair value of all of the investment properties of the Group.

15 Property, plant and equipment

	Land and buildings[1]	Depreciated buildings	Machinery and equipment	Other property, plant and equipment	Advance payments	Total
Carrying amount 31.12.2015	**44,082**	**1,362**	**247**	**324**	**10**	**46,025**
Cost 31.12.2015	*44,082*	*1,362*	*356*	*793*	*10*	*46,603*
Accumulated depreciation 31.12.2015	*0*	*0*	*-109*	*-468*	*0*	*-577*
Purchases	0	0	41	11	9	61
Reclassification	0	0	0	10	-10	0
Revaluation through comprehensive income	75	0	0	0	0	75
Depreciation charge	0	-75	-33	-40	0	-149
Carrying amount 30.06.2016	**44,157**	**1,287**	**255**	**305**	**9**	**46,013**
Cost 30.06.2016	44,157	1,287	397	814	9	*46,664*
Accumulated depreciation 30.06.2016	0	0	*-142*	*-508*	*0*	*-651*
Carrying amount 31.12.2016	**44,540**	**1,212**	**248**	**321**	**58**	**46,379**
Cost 31.12.2016	44,540	1,212	394	898	58	*47,102*
Accumulated depreciation 31.12.2016	0	0	*-146*	*-576*	*0*	*-722*
Purchases	0	0	52	183	32	267
Reclassification	0	0	30	17	-47	0
Revaluation through comprehensive income	-22	0	0	0	0	-22
Depreciation charge	0	-75	-21	-62	0	-158
Carrying amount 30.06.2017	**44,518**	**1,137**	**309**	**460**	**42**	**46,466**
Cost 30.06.2017	44,518	1,137	477	1,098	42	*47,271*
Accumulated depreciation 30.06.2017	0	0	*-167*	*-638*	*0*	*-805*

[1] Radisson Blu Sky Hotel, the sole asset in the land and buildings category, is measured using the revaluation method as an investment in property, plant and equipment. According to the management estimate, the asset contained in the land and buildings category is of a substantial residual value and therefore it is a non-depreciable asset. Gains and losses of revaluation of property, plant and equipment are recognised in Group equity as a reserve.

If the cost method had been used, the residual value of land and buildings would have been as follows:

	Land and buildings	Depreciated buildings
Carrying amount 31.12.2016	**43,944**	**1,212**
Cost 31.12.2016	43,944	1,500
Accumulated depreciation 31.12.2016	0	-288
Depreciation charge	0	-75
Carrying amount 30.06.2017	**43,944**	**1,137**
Cost 30.06.2017	43,944	1,500
Accumulated depreciation 30.06.2017	0	-363

The property, plant and equipment of the Group is divided into two categories:

1) Property, plant and equipment of insignificant residual value whereby the cost is depreciated to profit and loss over the useful life of the asset;

2) Property, plant and equipment with a significant residual value, for which only the depreciable portion of the difference between the cost and the residual value is depreciated into an expense over their useful lives.

The group owns Radisson Blu Sky Hotel, which is subject to appraisal of its residual value at each balance sheet date. The appraisal provided by Colliers International Advisors OÜ as to the market value of the hotel has been used in the estimation of residual value. Independent valuation specialist of the group has valued the assets using the discounted cash flows method, taking into account the location, condition and wear and tear of the assets and market conditions. As a result of the appraisal of residual value that was carried out, it was concluded that the asset is not sold at a significantly lower value compared to its carrying amount as at 30.06.2017 because it is very favourably located in central Tallinn and the hotel is new and does not require major capital expenditure. If the cost model had been used, the carrying amount of land and buildings as at 30.06.2017 would have amounted to EUR 43,944 (as at 31.12.2016: 43,944) thousand.

Assumptions and basis for the calculation of fair value of land and buildings

Radisson Blu Sky Hotel, the Group's sole asset in the land and buildings category, is appraised by an independent valuation specialist. The fair value of the land and buildings as provided in the Group's financial statements as at 30.06.2017 has been determined through the use of the discounted cash flows method. The following assumptions were used to determine fair value:

	Fair value [1]	Valuation method	Rental income per annum	Discount rate	Capitalization rate	Average rent €/,m2
EUR thousand						
Radisson Blu Sky hotel	46,350	Discounted cash flows	3,273	8.1%	7.0%	13.39
Total	**46,350**					

[1] Fair value includes hotels' other non-current assets in the amount of EUR 695 thousand.

Fair value sensitivity analysis

The table provided below illustrates the sensitivity of the fair value of land and buildings included in the balance sheet of the Group as at 30.06.2017 to the most significant assumptions:

	Sensitivity to management estimates			Sensitivity to discount rate and capitalization rate				
	Assess-ment	Effect of decrease to value	Effect of increase to value			Change in discount rate		
						-0.5%	0.0%	0.5%
EUR thousand						*Fair value*		
Radisson Blu Sky hotel	Change in rental income +/-10%	*-4,910*	*4,910*	Change in the capitalization rate	-0.5%	*49,940*	*48,920*	*47,930*
					0.0%	*47,310*	*46,350*	*45,420*
					0.5%	*45,030*	*44,120*	*43,240*

The income statement and balance sheet of the Group include, among other items, the following income and expenses and balances related to non-current assets:

	First half of the year	
	2017	2016
Revenue from hotel operation	4,657	3,895
Direct costs related to hotel operation	-2,388	-1,959
Rental income from property, plant and equipment	210	170
Direct costs attributable to management of property, plant and equipment	-49	-54
Depreciation expense on property, plant and equipment	-158	-149
Carrying amount of property, plant and equipment provided as collateral to secure borrowings as at 30 June	46,350	45,444

The terms of lease agreements between the Group and tenants correspond to the terms of non-cancellable operating lease. Income from the aforementioned lease agreements is divided as follows:

Payments received under non-cancellable operating lease agreements	30.06.2017	31.12.2016
EUR thousand		
up to 1 year	436	401
2-5 years	813	817
Over 5 years	296	242
Total	**1,545**	**1,460**

16 Borrowings

As at 30.06.2017, the Group has the following borrowings:

Lender	Country of lender	Loan amount as per agreement, EUR thousand	Loan balance as at 30.06.2017	Contract term	Interest rate as at 30.06.2017	Loan collateral (Note 13, 14)	Value of collateral	Loan balance share of the fund's net asset value
SEB	Estonia	23,000	23,000	28.01.19	0.703%	mortgage - Rävala 3, Astlanda Hotelli AS warranty	46,350	24.0%
SEB	Latvia	4,420	4,182	30.11.20	1.30%	mortgage - Duntes iela 6, Riga Latvia	23,610	4.4%
SEB	Latvia	9,780	9,202	30.11.20	1.30%			9.6%
Danske	Estonia	12,000	11,456	25.02.21	1.35%	mortgage - Sõpruse pst 201/203, Tallinn Estonia	26,180	12.0%
Nordea	Latvia	27,360	26,744	25.06.21	1.30%	mortgage - Ieriku 3, Riga Latvia	85,181	28.0%
Nordea	Latvia	20,640	19,336	25.06.21	1.30%			20.2%
Total		**97,200**	**93,920**				**181,321**	**98.2%**

Short-term borrowings	30.06.2017	31.12.2016
EUR thousand		
Short-term bank loans	0	0
Repayments of long-term bank loans in the next period	2,345	2,339
Discounted contract fees on bank loans	-40	-40
Total short-term borrowings	**2,305**	**2,299**

Long-term borrowings	30.06.2017	31.12.2016
EUR thousand		
Total long-term borrowings	**93,793**	**92,781**
Incl. current portion of borrowings	2,305	2,299
Bank loans	2,345	*2,339*
Discounted contract fees on bank loans	-40	*-40*
Incl. non-current portion of borrowings, incl.	91,487	90,481
Bank loans	91,575	90,589
Discounted contract fees on bank loans	-88	-107

Bank loans are divided as follows according to repayment date:

Repayment of bank loans by maturity dates	30.06.2017	31.12.2016
EUR thousand		
Less than 1 year	2,345	2,339
2-5 years	91,575	90,589

Cash flows related to bank loans in the first half of the year 2017:

Lender	Loan balance as at 31.12.2016	Loans received	Loan repayments	Loan balance as at 30.06.2017
EUR thousand				
SEB	23,000	0	0	23,000
SEB	4,257	0	-76	4,182
SEB	9,370	0	-168	9,202
Danske Bank	11,661	0	-205	11,456
Nordea	44,640	2,160	-720	46,080
Total	**92,928**	**2,160**	**-1,168**	**93,920**

17 Payables and prepayments

Short-term payables and prepayments

	30.06.2017	31.12.2016
EUR thousand		
Other trade payables	1,008	1,224
Total trade payables	**1,008**	**1,224**
Tax liabilities		
Value added tax	228	189
Corporate income tax	184	264
Personal income tax	58	49
Social tax	121	103
Other tax liabilities	32	12
Total tax liabilities	**624**	**617**
Accrued expenses		
Interest payable	9	15
Payables to employees	220	168
Tenant security deposits	286	368
Other accrued liabilities	468	316
Total accrued expenses	**982**	**868**
Prepayments		
Prepayments received from buyers	88	57
Other deferred income	4	8
Total prepayments	**93**	**65**
Total payables and prepayments	**2,706**	**2,773**

Long-term payables

	30.06.2017	31.12.2016
EUR thousand		
Tenant security deposits	1,246	1,029
Total other long-term payables	**1,246**	**1,029**

18 Success fee liability

As at 30.06.2017, the Group has accounted for a success fee liability in the amount of EUR 1,239 (31.12.2016: EUR 1,041) thousand. The basis for accrual-based calculation of the success fee is the fair value assessment of investment property as at the balance sheet date. The change of the success fee liability is recorded among the Group's general administration expenses (Note 7).

19 Derivative instruments

As at 30.06.2017, the Group had two effective interest rate swap agreements fixing the interest rate on long-term borrowings at notional value of EUR 49,744 (31.12.2016: two agreements at notional value of EUR 50,360) thousand.

The terms and payment schedule of the interest rate swap transactions correspond to the loan repayment schedule of the loan that is subject to the hedge and has been accounted for as a cash flow hedging instrument.

The derivative instruments will expire in the year 2021 and 2022, the base interest rate is the 1-month EURIBOR. The Group's floating interest rate is fixed at the level of 0-0.65% according to the interest rate swap agreement.

The basis for the fair value of the derivative instruments is the quotation provided by the banks that are contractual partners, the fair value of the derivative position as at 30.06.2017 was negative in the amount of EUR 726 (31.12.2016: negative in the amount of EUR 1,260) thousand.

The Group's interest expense attributable to the interest rate swap transactions in the first six months of 2017 was EUR 166 (first half of the year in 2016: EUR 108) thousand (Note 9).

More information on derivative instruments is provided in Note 20.

20 Financial instruments, management of financial risks

The main financial liabilities of the Group are borrowings that have been raised to finance the investments of the Group. The Group's balance sheet also includes cash, accounts receivable, other receivables, accounts payable and liabilities related to interest rate derivatives used for the mitigation of interest rate risk.

The table below indicates the division of the Group's financial assets and financial liabilities according to financial instrument type.

Carrying amounts of financial instruments

	Notes	30.06.2017	31.12.2016
EUR thousand			
Financial assets - loans and receivables			
Cash and cash equivalents	11	13,634	16,890
Trade receivables	12	696	582
Total financial assets		**14,330**	**17,472**
Financial liabilities			
Borrowings	16	93,793	92,781
Trade payables	17	1,008	1,224
Tenant security deposits	17	1,532	1,397
Accrued expenses	17	468	316
Financial liabilities measured at amortised cost		**96,800**	**95,718**
Derivative instruments (interest derivatives)	19	726	1,260
Financial liabilities measured at fair value		**726**	**1,260**
Total financial liabilities		**97,526**	**96,978**

The fair value of such financial assets and financial liabilities that are measured at amortised cost, presented in the table provided above, does not materially differ from their fair value.

Risk management of the Group is based on the principle that risks must be assumed in a balanced manner, by taking into consideration the rules established by the Group and by applying risk mitigation measures according to the situation, thereby achieving stable profitability of the Group and growth in the value of shareholder assets. In making new investments, extensive evaluation is undertaken on the solvency of potential customers, duration of lease contracts, possibility of replacing tenants and the risk of increases in the interest rates. The terms and conditions of financing agreements are adjusted to match the net cash flow of each property, ensuring the preservation of sufficient unrestricted cash for the Group and growth even after the financial liabilities have been met.

In investing the Group’s assets, the risk expectations of the Group’s investors are taken as a basis, therefore excessive risk-taking is unacceptable and suitable measures need to be applied for the mitigation of risks.

The Group considers a financial risk to be risk that arises directly from making investments, including the market risk, liquidity risk and credit risk, thus reducing the company’s financial capacity or reducing the value of investments.

Market risk

Market risk is a risk involving change in the fair value of financial instruments due to changes in market prices. The Group’s financial instruments most influenced by changes in market prices are borrowings and interest rate derivatives. The main factor influencing these financial instruments is interest rate risk.

Interest rate risk

Interest rate risk is the risk of changes in the future cash flows of financial instruments due to changes in market interest rates. A change in market interest rates mainly influences the long-term floating rate borrowings of the Group.

As at 30.06.2017, all of the Group’s borrowings bear an interest on the basis of a floating interest rate and are linked to the 1-month EURIBOR. In the first half of 2017 the 1-month EURIBOR fluctuated within the range of -0.368% to -0.374% (in the first half of 2016: -0.210% to -0.371%). The covenants of the Group’s loan agreements require the Group to maintain a debt coverage ratio in excess of 3.0. As at 30.06.2017, the Group's debt coverage ratio was 3.5 (31.12.2016: 3.8).

Due to the currently prevailing low level of interest rates and market expectations as to the persistence of such interest rates in the near future, the mitigation of interest rate risk is mainly important in the long-term perspective. The Group's management assesses the most significant impact arising from the potential increase in interest rates over the perspective of 4-7 years.

As a result of the long-term nature of the Group's investments and the long-term borrowings associated with the investments, the management of EfTEN Kinnisvarafond II AS decided in 2015 to mitigate the risk of an increase of the long-term floating interest rate applicable to the loan portfolio by fixing the applicable floating interest rate (1-month EURIBOR). It was decided to use interest rate swap agreement for the risk mitigation whereby the floating interest rate loan agreement was exchanged for a fixed interest rate. The decision was made to enter into the interest rate swap agreement considering the following conditions:

(1) The asset that secures the loan agreement that the cash flow hedge applies to is unlikely to be sold prior to the maturity of the fund (i.e. before the year 2025);

(2) The loan agreement that the cash flow hedge applies to is being extended at maturity until the expiry date of the swap agreement in order for the cash flows of the loan agreements to coincide with the cash flows of the swap agreement settlement schedule.

For hedging the interest rate risk, two interest rate swap contracts have been concluded: a contract in nominal value of EUR 23,000 thousand expiring in 2022 in which one-month EURIBOR is fixed at 0.65%, and a contract for the nominal value of EUR 26,744 thousand expiring in 2021 in which one-month EURIBOR is fixed at 0%. As at 30.07.2017 the borrowings related to interest rate swap agreements made up 53% of all the Group’s borrowings (31.12.2016: 54%).

The group accounts for the interest rate swap agreements based on the principle of hedge accounting. The total fair value of the Group's interest rate swap agreements as at 30.06.2017 was negative in the amount of EUR 726 (31.12.2016: negative in the amount of EUR 1,260) thousand (Note 19).

Liquidity risk

Liquidity risk arises from potential changes in the financial position, reducing the Group's ability to meet its liabilities in due time and in a correct manner. Above all, the group's liquidity is affected by the following factors:

- Decrease or volatility of rental- and accommodation income, reducing the Group's ability to generate positive net cash flows;
- Vacancy of rental property;
- Hotel utility rate;
- Mismatch between the maturities of assets and liabilities and flexibility in changing them;
- Financing structure.

The objective of the Group is to manage its net cash flows, so as to not use debt in making investments in excess of 60% of the cost of the investment.

The financing policy of the Group specifies that loan agreements for raising debt are entered into on a long-term basis, also taking into consideration the maximum duration of the lease agreements on these investment objects. The table below summarises the information on the maturities of the Group's financial liabilities (undiscounted cash flows):

As at 30.06.2017	Less than 1 month	2-4 months	Between 4 and 12 months	Between 2 and 5 years	Over 5 years	**Total**
EUR thousand						
Interest-bearing liabilities	192	575	1,538	91,487	0	**93,792**
Interest payments	111	334	878	2,877	0	**4,200**
Interest derivatives liabilities	0	0	0	45	681	**726**
Interest payable	9	0	0	0	0	**9**
Trade payables	1,008	0	0	0	0	**1,008**
Tenant security deposits	16	154	116	1,113	133	**1,532**
Accrued expenses	468	0	0	0	0	**468**
Total financial liabilities	**1,804**	**1,063**	**2,532**	**95,522**	**814**	**101,735**

As at 31.12.2016	Less than 1 month	2-4 months	Between 4 and 12 months	Between 2 and 5 years	Over 5 years	**Total**
EUR thousand						
Interest-bearing liabilities	191	574	1,534	90,481	0	**92,780**
Interest payments	111	330	872	3,230	0	**4,543**
Interest derivatives liabilities	0	0	0	263	996	**1,259**
Interest payable	15	0	0	0	0	**15**
Trade payables	1,224	0	0	0	0	**1,224**
Tenant security deposits	4	63	301	799	230	**1,397**
Accrued expenses	316	0	0	0	0	**316**
Total financial liabilities	**1,862**	**967**	**2,706**	**94,774**	**1,226**	**101,534**

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the group by failing to discharge an obligation. The Group is subject to credit risk due to its business operations (mainly arising from trade receivables) and transactions with financial institutions, including through cash on bank accounts and deposits.

The Group's activity in preventing reduction of cash flows due to credit risk and minimising such risk lies in the daily monitoring and guiding of clients' payment behaviour, so that appropriate measures could be applied on a timely basis.

The Group's companies generally only enter into co-operation and rental agreements with parties that have been determined to be eligible for credit. The corresponding analysis of customers is carried out before entering into a contract.

If it becomes evident that there is a risk of a client or tenant becoming insolvent, the Group assesses each receivable individually and decides whether the receivables should be classified as doubtful. In general, receivables that have exceeded the payment term by more than 180 days are classified as doubtful, except in cases where the Group has sufficient certainty as to the collectibility of the receivable or there is a payment schedule in place for the payment of the receivables.

Accounts receivable are illustrated by the table below:

	30.06.2017	31.12.2016
Undue	379	360
Past due	**356**	**251**
up to 30 days	*215*	*142*
30-60 days	*30*	*56*
more than 60 days	*111*	*53*
Allowance for doubtful receivables	-39	-29
Total trade receivables	**696**	**582**

The maximum credit risk of the Group is provided in the table below:

	30.06.2017	31.12.2016
EUR thousand		
Cash and cash equivalents	13,634	16,890
Trade receivables	696	582
Total maximum credit risk	**14,330**	**17,472**

Capital management

The aim of the Group in capital management is to ensure the Group's going concern status to provide an investment return to shareholders and maintain an optimal capital structure. The Group's capital includes borrowings and equity.

The Group invest in real estate that generates cash flow in Estonia and Latvia. The investment policy of the group stipulates that no more than 30% of the asset value of the fund can be invested in any one investment. The necessary equity level is calculated individually for each investment, taking into consideration the amount of net cash flows and loan payments of each investment and their proportion.

Fair value

The table below analyses assets and liabilities measured at fair value by valuation methods. The valuation methods have been defined as follows:

Level 1 – quoted prices in active markets;

Level 2 – inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly;

Level 3 – unobservable inputs at the market.

As at 30.06.2017, the Group has no assets measured at fair value that would be included within Level 1 of the fair value hierarchy. All of the Group's investment properties (Note 14) and property, plant and equipment measured at revaluation method (Note 15) are measured at fair value and according to the valuation method are included within Level 3 of the fair value hierarchy. All of the Group's borrowings and the derivative contracts entered into to mitigate the interest risk are included within Level 2 of the fair value hierarchy.

The group has entered into interest rate swap agreements (Note 19) for the mitigation of interest rate risk. The fair value of such agreements is determined through the discounting of cash flows from interest rate swap agreements by determining the cash inflows and outflows according to market expectations with regard to EURIBOR and such cash flows are discounted using the zero-rate. The group uses information sourced from credit institutions used as counterparties for the fair value accounting of interest rate swap agreements.

21 Share capital

The amount of registered share capital of EfTEN Kinnisvarafond II AS as at 30.06.2017 is EUR 80,718 thousand. The share capital consisted of 8,071,756 shares as at 30.06.2017 with nominal value of EUR 10. Without amending the articles of association, the company may increase its share capital to EUR 100,100 thousand.

In the accounting period EUR 525 thousand of the net profit was allocated to the statutory reserve.

More information on share capital is provided in Note 27.

22 Contingent liabilities

Contingent income tax liability

	30.06.2017	31.12.2016
EUR thousand		
The company's retained earnings	12,124	11,249
Potential income tax liability	2,425	2,250
The amount that can be paid out as dividends	9,699	8,999

The calculation of the maximum potential income tax liability is based on the assumption that the net dividends distributed and the arising income tax expense in total cannot exceed the profit eligible for distribution as at 30.06.2017 and 31.12.2016.

Potential liabilities arising from the tax audit

Estonia

The tax authorities have neither started nor performed any tax audits or individual case audits in any of the Group companies. The tax authorities have the right to verify the company’s tax records up to 5 years from the time of filing the tax return and upon finding errors, impose additional taxes, interest and fines. The management estimates that there are not any circumstances which may lead the tax authorities to impose additional significant taxes on the Group.

Latvia

The management estimates that there are no circumstances which may lead the tax authorities to impose additional significant taxes on the Group.

23 Related party transactions

EfTEN Kinnisvarafond II AS considers the following as related parties:

- persons who own more than 10% of the share capital of EfTEN Kinnisvarafond II AS;
- management board members and companies owned by the management board members of EfTEN Kinnisvarafond II AS;
- supervisory board members and companies owned by the supervisory board members of EfTEN Kinnisvarafond II AS;
- employees and companies owned by the employees of EfTEN Kinnisvarafond II AS;
- EfTEN Capital AS (fund management company).

The Group purchased management services from EfTEN Capital AS in the accounting period in the amount of EUR 473 (2016 first six months: 230) thousand (Note 7) and accounting and intermediary services in the amount of EUR 16 (2016 first six months: EUR 13) thousand from the subsidiaries and affiliated companies of EfTEN Capital AS. In the accounting period, the Group had 131 (2016 first six months 113) employees who were remunerated including taxes in the amount of EUR 1,396 (2016 first six months: 1,032) thousand. In the accounting period no compensations were calculated or paid to the management and supervisory board members of the Group. Members of the Group's management board are employed by EfTEN Capital AS, the company providing asset management services to the Group, and expenses related to management board members' activities are included in management services.

24 Parent company's separate income statement

Pursuant to the Accounting Act of the Republic of Estonia, information of the unconsolidated financial statements (primary statements) of the consolidating entity (Parent Company) shall be disclosed in the notes to the consolidated financial statements. In preparing the primary financial statements of the Parent Company the same accounting policies have been used as in preparing the consolidated financial statements. The accounting policy for reporting subsidiaries has been amended in the separate primary financial statements disclosed as supplementary information in the annual report in conjunction with IAS 27, Consolidated and Separate Financial Statements.

In the parent separate primary financial statements, disclosed to these consolidated financial statements (Supplementary disclosures), investments in subsidiaries are measured at fair value.

	First half of the year	
	2017	2016
EUR thousand		
Revenue	432	216
Gross profit	**432**	**216**
General and administrative expenses	-510	-288
Operating profit	**-78**	**-72**
Gain from subsidiaries	1,893	-258
Dividend income	4,000	2,127
Interests income	97	223
Profit before income tax	**5,912**	**2,019**
Total comprehensive income for the financial year	**5,912**	**2,019**

25 Parent company's separate balance sheet

	30.06.2017	31.12.2016
EUR thousand		
ASSETS		
Cash and cash equivalents	7,185	7,436
Receivables and accrued income	746	476
Total current assets	**7,931**	**7,912**
Non-current assets		
Shares of subsidiaries	82,353	77,960
Long-term receivables	5,408	7,908
Total non-current assets	**87,761**	**85,868**
TOTAL ASSETS	**95,693**	**93,781**
LIABILITIES AND EQUITY		
Current liabilities		
Payables	7	7
Total current liabilities	**7**	**7**
Total liabilities	**7**	**7**
Equity		
Share capital	80,718	80,718
Share premium	2,321	2,321
Statutory reserve capital	676	151
Retained earnings	11,971	10,584
Total equity	**95,686**	**93,774**
TOTAL LIABILITIES AND EQUITY	**95,693**	**93,781**

26 Parent company's separate statement of cash flows

	First half of the year	
	2017	2016
EUR thousand		
Cash flows from operating activities		
Net profit	**5,912**	**2,019**
Adjustments to net profit:		
Interest income and costs	-97	-223
Gain/-loss on the fair value adjustment of subsidiaries	-1,893	258
Dividends received	-4,000	-2,127
Total adjustments with non-cash changes	**-5,990**	**-2,092**
Cash flow from operations before changes in working capital	**-78**	**-72**
Change in receivables and payables related to operating activities	0	-50
Net cash generated from operating activities	**-78**	**-122**
Cash flows from investing activities		
Acquisition and establishment of investments in subsidiaries	0	-12,309
Loans granted	-450	-28
Dividends received	4,000	2,127
Interest received	277	0
Net cash generated from investing activities	**3,827**	**-10,210**
Cash flows from financing activities		
Proceeds from issuance of shares	0	18,458
Dividends paid	-4,000	-2,127
Net cash generated from financing activities	**-4,000**	**16,330**
NET CASH FLOW	**-251**	**5,999**
Cash and cash equivalents at the beginning of the period	**7,436**	**2,063**
Change in cash and cash equivalents	-251	5,999
Cash and cash equivalents at the end of the period	**7,185**	**8,062**

27 Parent company's separate statement of changes in equity

	Share capital	Share premium	Statutory reserve capital	Retained earnings	**Total**
EUR thousand					
Balance as at 31.12.2015	**34,243**	**782**	**0**	**2,631**	**37,656**
Issue of shares	13,477	203	0	0	**13,680**
Dividends paid	0	0	0	-2,127	**-2,127**
Transfers to reserve capital			151	-151	**0**
Profit for the financial period	0	0	0	2,019	**2,019**
Balance as at 30.06.2016	**47,720**	**985**	**151**	**2,372**	**51,228**
Balance as at 31.12.2016	**80,718**	**2,321**	**151**	**10,584**	**93,774**
Dividends paid	0	0	0	-4,000	-4,000
Transfers to reserve capital	0	0	525	-525	0
Profit for the financial period	0	0	0	5,912	5,912
Balance as at 30.06.2017	**80,718**	**2,321**	**676**	**11,971**	**95,686**

More information on changes in share capital is provided in Note 21.

Adjusted unconsolidated equity of the parent company (to account for compliance with the requirements set forth in the Commercial Code) is as follows:

	30.06.2017	31.12.2016
EUR thousand		
Parent company's unconsolidated equity	95,686	93,774
Carrying amount of subsidiaries and joint enterprises in the separate balance sheet of the parent company (minus)	-82,353	-77,960
Value of subsidiaries and joint enterprises under the equity method (plus)	82,353	77,960
Total	**95,686**	**93,774**

Signatures of the members of the Management Board and Supervisory Board to the interim report ended 30 June 2017

We hereby confirm the correctness of data presented in the interim report ended 30 June 2017 of EfTEN Kinnisvarafond II AS.

Arti Arakas

Chairman of the Supervisory Board

Siive Penu

Member of the Supervisory Board

Sander Rebane

Member of the Supervisory Board

Olav Miil

Member of the Supervisory Board

Viljar Arakas

Management Board Member

Tõnu Uustalu

Management Board Member