EfTEN Capital

Consolidated semi-annual report 2015

EfTEN Kinnisvarafond AS

Registry code: 11505393

Beginning of the accounting period: 01.01.2015
End of the accounting period: 30.06.2015

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DHL Logistics Centre
On May 13, 2015 EfTEN Kinnisvarafond AS opened the expansion of DHL Estonia's logistics centre in Tallinn, Betooni Street 1a. Its total area is now 3600 square meters larger than before.

Management report

Financial overview

The consolidated sales revenue of EfTEN Kinnisvarafond AS in the first six months of 2015 was EUR 8.248 million, growing by 28% compared to the first half of the previous year. The net profit of the Group in the same period was EUR 5.436 million, decreasing by 27% compared to the first six months of 2014. Net profit decreased due to the profit of increase/decrease in fair value, which in the first half of 2015 was EUR 1.461 million (first half of 2014: EUR 4.593 million). The EBITDA of the first six months of 2015 (operating profit minus increase/decrease in fair value of real estate minus the change in the success fee obligation reserve minus amortisation) was in the amount of EUR 6.721 million (First half of 2014: EUR 5.431 million), growing by 24% in year.

The consolidated gross profit margin in the first half of 2015 was 89% (same period in 2014: 95%), therefore, expenditures directly related to management of properties (including land tax, insurance, maintenance and repair costs) accounted for 11% of the sales revenue in the first half of this year (same period in 2014: 5%). Expenses related to property management have mainly increased due to repair costs, which totalled EUR 282,000 for the year (the same period in 2014: EUR 71,000). A significant share of the repair costs in 2015 were related to the renovation works of the office building at Laki 24, in Tallinn, after the previous tenant left. At the moment of compiling the report, the building has been rented out to a new tenant.

The expenses related to the group's properties, marketing costs, general expenses and other income and expenses accounted for 19% of the revenues in the first half of 2015. In 2014, the respective indicator was 16%.

	First half of the year	
	2015	**2014**
EUR million		
Rental revenue, other fees from properties	8,248	6,448
Expenses related to properties, including marketing costs	-0,988	-0,420
Interest expense and interest income	-0,994	-0,833
Net rental revenue less finance costs	**6,267**	**5,195**
Management fees	-0,587	-0,517
Other revenue and expenses	0,043	-0,079
Profit before change in the value of investment property, profit/losses from joint ventures and income tax expenses	**5,724**	**4,599**

The volume of the Group's assets as at 30.06.2015 was EUR 205.703 million (31.12.2014: EUR 204.979 million), including the fair value of investment properties which accounted for EUR 195.125 million of the total assets (31.12.2014: EUR 142.844 million). In terms of total assets, EfTEN Kinnisvarafond is the largest commercial real estate fund operating exclusively in the Baltic States.

	30.06.2015	31.12.2014
EUR million		
Investment property	195,125	189,693
Other non-current assets	2,603	2,724
Current assets, excluding cash	0,563	0,620
Net debt	-105,871	-100,953
Net asset value (NAV)	92,421	92,084
Net asset value (NAV) per share, in cents	2,3462	2,3377

The net asset value per share of EfTEN Kinnisvarafond AS increased by 0.3% in half a year, including the dividend payment made in April 2015 and income tax expense in the total amount of EUR 6.45 million. Without distributing dividends, the NAV would have grown by 7.4%. The return on invested capital (ROIC) was 21.4% as at 30.06.2015 (as at 31.12.2014: 24.6%). The increase in competitiveness of the Group is supported by access to flexible financing conditions. The average interest rate of the Group's loan agreements as at the end of the year was 1.7% (31.12.2014: 1.9%) and the LTV (Loan to Value) ratio was 56% (2014: 59%).

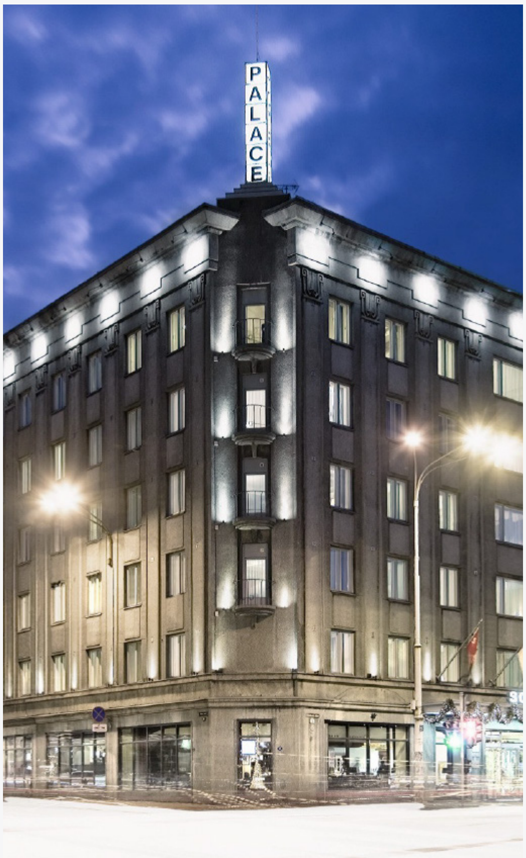
The return on invested capital (ROIC) was 21.4% as at 30.06.2015

After the balance sheet date, in June 2015, the Group agreed on interest swaps for 50% of the loan portfolio, fixing 1- and 3-month EURIBORs on the average of 0.65% for 7 years. Regarding these transactions, the average interest rate of the Group's loan portfolio will increase to 2.1% by the end of July 2015.

The dividend policy of EfTEN Kinnisvarafond AS provides that the Group will pay 80% of the free cash flow to shareholders as (gross) dividends in each accounting year. In spring 2015, EfTEN Kinnisvarafond AS paid out dividends to shareholders in the amount of EUR 5.1 million, equal to 12.9 cents per share. In 2014, EfTEN Kinnisvarafond AS paid out (net) dividends to shareholders in the amount of EUR 2.44 million, equal to 6.05 cents per share and a year before (net) dividends were paid out in the amount of EUR 1.4 million, equal to 5.59 cents per share. In addition, in 2014 EfTEN Kinnisvarafond AS paid shareholders EUR 2.1 million for reducing the share capital, which increased the pay-out to shareholders by an additional 5.2 cents per share.

For 12 months	30.06.2015	30.06.2014
ROE, % (net profit of the period / average equity of the period)	6,0	9,4
ROA, % (net profit of the period/average assets of the period)	2,7	4,7
ROIC, % (net profit of the period / average invested capital of the period)	21,4	26,5
DSCR (EBITDA/(interest expenses + scheduled loan payments)	1,9	1,9

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



Hotel Palace Tallinn

Lāčplēša iela 20A office building Riga

Real estate portfolio

The Group invests in commercial property with a strong and long-term tenant base. As at 30.06.2015 the Group has 22 (31.12.2014: 21) commercial investment properties with a fair value as at the balance sheet date of EUR 195.125 million and an acquisition cost of EUR 178.071 million. In addition, a joint venture of the Group owns the hotel Palace in Tallinn, the fair value of which was EUR 9.864 million as at 30.06.2015. The real estate portfolio of the Group is divided into the following sectors:

retail premises 41%;	7 investments
office premises 24%;	8 investments
storage and manufacturing premises 27%;	5 investments
other (hotel and governmental) 8%;	2 investments

As at 30.06.2015 the Group has 22 commercial investment properties.

Investment properties, as at 30.06.2015	Group's ownership interest	Net leasable area	Rental revenue per annum	Occupancy, %
Tallinn Cold Storage (Tallinna Külmhoone)	100	6,863	652	100
Kuuli 10/Punane 73	100	15,197	877	100
Betooni 1a	100	10,678	636	100
Betooni 6	100	16,838	776	95
Nordic Technology Park	100	45,013	2,024	93
Logistics / storage total		**94,589**	**4,965**	**96**
Võru Rautakesko	100	3,120	318	100
UKU Centre	100	5,117	630	100
Mustika Centre	100	27,365	2,655	93
RAF Centrs	100	4,474	552	93
Depo Shopping Centre in Jelgava	100	in the development stage		
Narva Prisma	100	13,361	1,343	100
Tammsaare tee Rautakesko	100	9,120	1,189	100
Retail total		**62,557**	**6,687**	**97**
Lauteri 5	100	3,942	369	89
Ülikooli 6	100	2,328	216	100
Pärnu mnt 102	100	9,216	1,066	97
Pärnu mnt 105	100	5,149	551	94
Laki 24	100	1,854	162	100
Kadaka tee 63	100	7,705	643	90
Stabu 10 office building	100	3,766	355	100
Lapleca 20a office building	100	4,427	714	78
Office total		**38,387**	**4,077**	**93**
Rakvere Police Building (national)	100	5,744	644	100
Palace Hotel (hotels)	50	4,883	550	100

The weighted average expiration term of the lease agreements of the investment property owned by the Group is 5 years (31.12.2014: 4.9) and as at 30.06.2015, the Group has a total of 291 lessees (31.12.2014: 285). Contractual revenue generated by 13 clients accounts for 59.5% of the consolidated rental revenue.

	% of the consolidated rental revenue
Prisma Peremarket	16.2
Rautakesko AS	10.3
Logistika Pluss	5.5
DHL Estonia AS	5.0
Riigi Kinnisvara	4.1
Premia Tallinna Külmhoone	4.0
Eesti Energia	3.7
Äripäev	2.3
Kinnisvaravalduse (RIMI)	2.0
Arvato Services Estonia	1.8
Plesko Real Estate SIA	1.5
Bauhof Group AS	1.4
Kwintet Production SIA	1.7
Others	40.5

Investments in real estate in the first half of 2015

EfTEN Kinnisvarafond has decided to terminate the issuing of shares, which also means that the fund will be ceasing its investment activities. According to the fund's Articles of Association, the fund's investment period would end 5 years before the fund's expiry date, in spring 2017. In the first half of 2015, the fund obtained properties in Jelgava, in the Republic of Latvia, in order to build a DEPO building materials shop. Currently, the building is in the design works phase and construction is planned to begin in the second half of 2015. The building shall be completed in 2016.

In the first half of 2015, the fund obtained properties in Jelgava, in the Republic of Latvia.

Valuation of investment property

EfTEN Kinnisvarafond regularly revalues its investment properties twice a year – in the month of June and in the month of December. As of 2014, Colliers International Advisors OÜ values the Group's investment properties. In the first six months of 2015, the total value of investment properties increased by 0.8% as a result of revaluation(first half of 2014: 2.9%) and the Group earned a profit from the change in the fair value of investment properties in the amount of EUR 1,461,000(first half of 2014: EUR 4,593,000). The success fee obligation associated with revaluations increased by EUR 293,000 (first half of 2014: EUR 917,000).

The Group's independent appraiser 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.

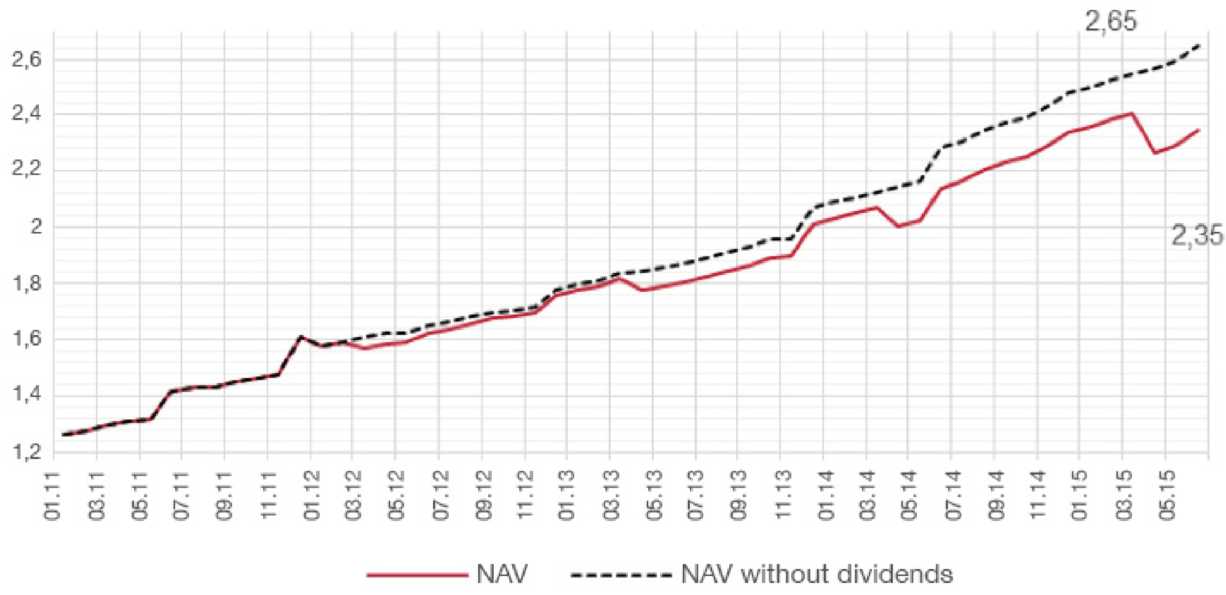
In the first six months of 2015, the total value of investment properties increased by 0.8% as a result of revaluation(first half of 2014: 2.9%).

An important change in the prerequisites of the assessment of investment properties was in June 2015 in discount rates, in which the interest rates of WACC have decreased when compared to the end of last year. As a result, the discount rates for most properties decreased by 0.3 percentage points, falling within the range of 8.9%-10.3%. This time, a decrease in rent expectations had a greater negative impact on a couple of properties (Pärnut mnt 105, Külmhoone), as a result of which the discount of these two properties was a total of EUR 458,000. Change in the value of remaining objects resulted in a profit in the amount of EUR 1,919,000.

Information on shares

As at 30.06.2015, EfTEN Kinnisvarafond AS made payments into the share capital in the amount of EUR 61.131 million. In the first six months of 2015, EfTEN Kinnisvarafond AS made no changes to the share capital.

Shares's Net Asset Value



	30.06.2015	31.12.2014	31.12.2013	31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.05.2008
NAV per share, €	2,3462	2,3377	2,0161	1,7613	1,6140	1,2315	1,0123	0,6000
Increase in annual NAV	9%	16%	14%	9%	31%	22%	69%	-
Increase in NAV over 2 years	30%	33%	25%	43%	59%	105%	-	-
Increase in NAV over 3 years	44%	45%	64%	74%	169%	-	-	-
Increase in NAV over 4 years	66%	190%	99%	194%	-	-	-	-
Increase in NAV over 5 years	114%	231%	236%	-	-	-	-	-
Increase in NAV over 6 years	143%	390%	-	-	-	-	-	-

Shareholder structure of EfTEN Kinnisvarafond AS as at 30.06.2015

	Ownership percentage in share capital
LHV Pension Funds	33.5
Danske Pension Funds	16.7
Nordea Pension Funds	3.1
Ambient Sound Investments OÜ	6.3
Remaining legal entities	28.0
Individuals	12.4

Management

The governing bodies of EfTEN Kinnisvarafond AS are the general meeting of shareholders, the management board, and the supervisory board.

In the first half of 2015, the annual general meeting of shareholders was held, in which the fund's annual report for 2014 and amendments to the articles of association were confirmed, and the distribution of profit was decided. There were no extraordinary general meetings of the shareholders.

The fund's supervisory board is comprised of eight members: Arti Arakas (Chairman of the Supervisory Board), Jaan Pillesaar, Siive Penu, Laire Piik, Sander Rebane, Martin Hendre, Tauno Tats, and Erkki Raasuke. There were no changes in the composition of the supervisory board. The supervisory board gathered during the first half of the year on three occasions and on one occasion they made decisions in a manner permitted by the articles of association, without calling together a meeting.

The fund's Management Board has two members: Viljar Arakas and Tõnu Uustalu.

No remuneration was due or paid to the members of the management or supervisory board of EfTEN Kinnisvarafond AS in the first half of 2015.

In accordance with an asset management contract, EfTEN Capital AS acts a fund manager in the management of the assets of EfTEN Kinnisvarafond AS.

Consolidation group's annual accounting semi-annual report for 2015

CONSOLIDATED INCOME STATEMENT

		First half of the year	
	Notes	**2015**	**2014**
EUR thousand			
Sales revenue	4	8,248	6,448
Cost of services sold	5	-868	-353
Gross profit		**7,380**	**6,095**
Marketing costs	6	-119	-68
General and administrative expenses	7	-998	-1,524
Other income	8	2,288	4,970
Other expenses	8	-665	-366
Operating profit		**7,886**	**9,107**
Profit/loss from joint ventures	9	95	59
Interest income		8	69
Finance expenses	10	-1,001	-901
Profit before income tax		**6,987**	**8,333**
Income tax expense	11	-1,551	-844
Net profit for the accounting period		**5,436**	**7,490**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30.06.2015	31.12.2014
EUR thousand			
ASSETS			
Cash and cash equivalents	12	7,412	11,942
Receivables and accrued income	13	479	551
Prepaid expenses		85	69
Total current assets		**7,975**	**12,562**
Long-term receivables	13	14	228
Investments in joint ventures	3	2,577	2,482
Investment property	14	195,125	189,693
Property, plant and equipment		12	15
Total non-current assets		**197,728**	**192,417**
TOTAL ASSETS		**205,703**	**204,979**
LIABILITIES AND EQUITY			
Borrowings	15	6,450	9,531
Payables and prepayments	16	1,299	1,350
Total current liabilities		**7,748**	**10,881**
Borrowings	15	101,022	97,593
Other long-term liabilities	16	364	359
Success fee liability	17	3,959	3,667
Deferred income tax liability	11	188	154
Long-term provisions		0	240
Total non-current liabilities		**105,534**	**102,013**
Total liabilities		**113,282**	**112,895**
Share capital	19	23,635	23,635
Share premium		37,496	37,496
Statutory reserve capital		1,760	1,002
Retained earnings	20	29,530	29,951
Total equity		**92,421**	**92,084**
TOTAL LIABILITIES AND EQUITY		**205,703**	**204,979**

CONSOLIDATED STATEMENT OF CASH FLOWS

		First half of the year	
	Notes	**2015**	**2014**
EUR thousand			
Net profit		**5,436**	**7,490**
Adjustments to net profit:			
Gain/loss from joint ventures	9	-95	-59
Interest income		-8	-69
Finance expenses	10	1,001	901
Gain/loss from revaluation of investment property	14	**-1,461**	**-4,593**
Change in the success fee liability	7	293	917
Depreciation, amortisation and impairment		3	1
Income tax expenses on dividends	11	1,362	848
Total adjustments with non-cash changes		**1,094**	**-2,054**
Cash flow from operations before changes in working capital		**6,531**	**5,436**
Change in receivables and payables related to operating activities	13.16	-84	303
Total cash flows from operating activities		**6,447**	**5,739**
Purchase of investment property	14	-1,960	-17,809
Proceeds of investment property	14	54	0
Acquisition of subsidiaries	3	-2,051	0
Loans granted		-40	-2,902
Dividends received	9	0	31
Interest received		0	31
Net cash generated from investing activities		**-3,997**	**-20,649**
Loans received		7,420	11,702
Scheduled loan repayments		-7,076	-1,938
Interest paid		-1,015	-949
Dividends paid		-5,100	-2,445
Income tax paid on dividends		-1,210	-646
Net cash generated from financing activities		**-6,980**	**5,725**
NET CASH FLOWS		**-4,530**	**-9,185**
Cash and cash equivalents at the beginning of the period		**11,942**	**19,010**
Change in cash and cash equivalents		-4,530	-9,185
Cash and cash equivalents at the end of the period		**7,412**	**9,825**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Statutory reserve capital	Retained earnings	**Total**
EUR thousand					
Balance as at 31.12.2013	**24,243**	**38,989**	**480**	**17,750**	**81,463**
Reduction of share capital	-609	-1,493	0	**0**	-2,101
Announcement of dividends	0	0	0	-2,445	-2,445
Transfers to statutory reserve capital	0	0	521	-521	0
Comprehensive income for the financial year	0	0	0	7,490	7,490
Balance as at 30.06.2014	**23,635**	**37,496**	**1,002**	**22,274**	**84,407**
Balance as at 31.12.2014	**23,635**	**37,496**	**1,002**	**29,951**	**92,084**
Announcement of dividends	0	0	0	-5,100	-5,100
Transfers to statutory reserve capital	0	0	758	-758	0
Comprehensive income for the financial year	0	0	0	5,436	5,436
Balance as at 30.06.2015	**23,635**	**37,496**	**1,760**	**29,530**	**92,421**

For additional information on share capital, please see Note 19.

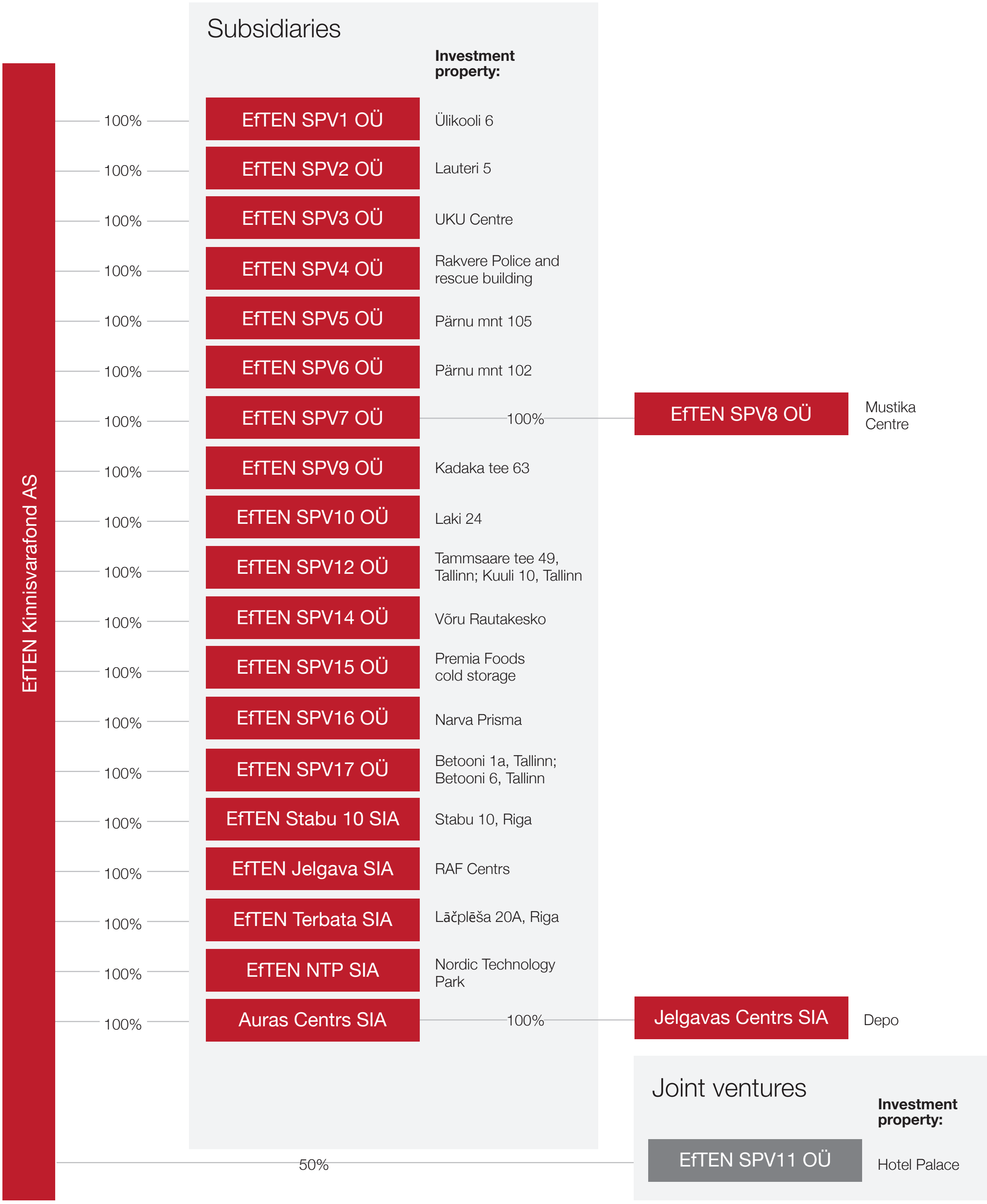
NOTES TO THE FINANCIAL STATEMENTS OF THE CONSOLIDATION GROUP

1 General information

The consolidated financial statements of EfTEN Kinnisvarafond AS and its subsidiaries for the accounting period ending with 30.06.2015 have been signed by the Management Board on 12 August 2015.

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

The structure of EfTEN Kinnisvarafond AS Group as at 30.06.2015 is as follows (see also Note 3):



2 Statement of compliance and basis for preparation

The semi-annual consolidated accounts of EfTEN Kinnisvarafond AS and its subsidiaries have been prepared based on the International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

In the preparation of the financial reports, the acquisition cost method has been used as a basis, unless stated otherwise (for example, investment property is measured at fair value).

2.1 Changes in the accounting policies and presentation

Adoption of new or revised standards and interpretations

The following new or amended standards and interpretations became obligatory for the Group as of 01.01.2015.

Changes in IFRS 2013 (shall be applied to reporting periods beginning on or after 1 January 2015 or later).
The amendments include amendments in four standards, for which the amendment in IAS 40 applies to the Group. IAS 40 was amended in order to explain that IAS 40 and IFRS 3 do not exclude each other. The instructions of IAS 40 helps those preparing the report to distinguish an investment property from a property used by the owner. Those preparing the report must follow the instructions of IFRS 3 in order to decide whether the acquisition of an investment property is a business combination. The Group assessed the effect of the amendments on financial reports and finds that the investment properties acquired by the Group are not business combinations, because no business was acquired. According to the Group, business includes the acquisition of both financial and operating policies and processes, but the investment properties acquired by the Group are assets, on which the Group exercises financial and operating policies to gain financial profit.

Using the equity method in consolidated reports - amendments of IAS 27 (shall be applied to reporting periods that begin on 1 January 2016 or later; not yet adopted by European Union). The amendment permits use of the equity method when reflecting subsidiaries, joint and related companies in the company's unconsolidated reports. In the unconsolidated report of a parent company, the investments into the subsidiaries and joint ventures have been recognized using the fair value method. The Group shall assess the need for the amendment of accounting principles during 2015.

Amendments in IFRS 2014 (shall be applied to reporting periods that begin on 1 January 2016 or later; not yet adopted by European Union). The amendments include amendments in four standards, of which the amendment in IAS 34 applies to the Group that requires a cross reference in the interim financial report which would refer to the location of information "published elsewhere than in an interim report". The Group uses cross references in its interim reports also in previously published reports, so this amendment does not affect the presentation of the Group's financial results.

Disclosure initiative - Amendments in IAS 1 (shall be applied to reporting periods that begin on 1 January 2016 or later; not yet adopted by European Union). The amendments explain the instructions of standard IAS 1 regarding the importance, integration of information, publishing interim amounts, the structure of financial reports, and accounting principles. The Group shall assess the effect of the amendment within year 2015.

Presumably, the remaining new or amended standards or interpretations that have not yet taken effect do not impact the Group.

2.2 Summary of the most important calculation principles

Important management decisions and assessments

Presentation of consolidated financial reports in compliance with International Financial Reporting Standards as they have been adopted by the European Union requires management to make judgments, estimates and assumptions that affect the principles of reflecting assets and obligations and the value on the balance sheet date, of presenting conditional assets and obligations based on the probability of their realization, as well as revenue and expenditure of the accounting period.

Although management reviews its decisions and assessments on an ongoing basis, and they are based on prior experience and the best available knowledge regarding probable future events, actual results may differ from the estimates.

The most important management decisions that influence the information recognized in financial reports are related to the following fields of estimation:

2.2.1 Uncertainty of assessment

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 expenditure, 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) Investment properties: determining fair value

Investment properties are assessed at their fair value as at each balance sheet date. As of 2014, Colliers International Advisors OÜ assesses the Group's investment properties. The independent appraiser of the Group values the investment properties individually, using the discounted cash flow method. All the Group's investment properties earn (or will start earning once they are completed) rent revenue, so from alternatives (such as comparison method), the used method best shows the fair value of an investment property. 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. Considering the changes in the commercial property market of the Baltic States and the favourable financing conditions, the discount rates have decreased slightly in the first half of 2015, remaining in the range of 8.73% - 10.3%.

Additional information on the preconditions and sensitivity used in assessments can be found in Note 14.

b) Estimations about control or the existence of significant influence over other companies

The Group has a 100% equity holding in all subsidiaries and the control authorities of the subsidiaries include only the board members of the Group's parent company. Therefore, the Group has complete control over its subsidiaries when it comes to distributing profit and making management decisions.

The Group has a 50% equity holding in the joint ventures that belong to the Group and the board members of joint ventures are also the same as those of the board of the parent company. All decisions in joint ventures are made based on agreements and with the consent of both shareholders, meaning that the Group has a mutual control over joint ventures.

2.2.2 Real estate classification

Items of real estate (properties) are classified as investment property or property, 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 acquiring investment properties is to receive income from operational leasing payments of the real estate object or the growth of its market value; investment properties are also objects that are kept for a longer period and have several possible purposes of use.

The real estate objects that the Group is still developing into a business environment for operational lease or where extensive reconstruction of the acquired business building takes place shall be recognized as investment properties.

Consolidation

The consolidated accounts presents the financial indicators of EfTEN Kinnisvarafond AS, its subsidiaries and joint ventures, consolidated row after row. The same segment has also been translated as: The subsidiaries and the joint ventures are consolidated from the date on which control or joint control is transferred to the Group, and subsidiaries and joint ventures are deconsolidated from the date that control or joint control ceases.

Subsidiaries are companies controlled by the parent company. A subsidiary is considered to be controlled by a parent company if the latter owns, either directly or indirectly, more than 50% of the subsidiary's voting shares or holdings, or is in some other way able to control the operating and financial policies of the subsidiary.

A joint venture is a company over which two or more parties (including the parent company) have contractual joint control. Joint ventures are recognised with the equity method.

The subsidiaries use the same accounting policies in preparing their financial statements as the parent company. All transactions, receivables, and liabilities taking place inside the Group, as well as unrealized profits and losses from transactions between the Group's undertakings, have been fully eliminated in the financial statements. An unrealised loss shall not be eliminated if it constitutes asset impairment by substance.

New subsidiaries (business combinations) are accounted for in the consolidated financial statements using the acquisition method.

The acquisition cost of business combinations recognized in the purchase method shall be divided between the fair values of assets, liabilities and conditional obligations as at the date of acquisition. The part of the acquisition cost that exceeds the fair value of acquired assets, liabilities and contingent liabilities, is recognized as goodwill. If the fair value exceeds the acquisition cost, the difference (negative goodwill) is immediately recognized in full as income of the period.

Investment into a subsidiary or a joint venture in the unconsolidated balance sheet of the parent company

In the unconsolidated balance sheet of a parent company (presented in Note 24) the investments into the subsidiaries and joint ventures have been recognized with the fair value method. The dividends paid by subsidiaries and joint ventures shall be recognized at the moment when the parent company obtains the right to these dividends.

Revenue recognition

Revenue is recognized in the fair value of proceeds received or to be received from transactions. Revenue shall only be recognized in the probable and reliably measured extent of the fiscal advantages to be received.

Income from the rental of real estate investments shall be recognized on a linear 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 shall be recognized on an accrual basis, using the effective interest rate method. Dividend income shall be registered at the moment of creation of the right of claim.

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 can be converted 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, cash deposited on demand and with a deadline of up to three months.

Financial assets

All financial assets are initially registered in their acquisition cost, which is the fair value of the amount paid for the assets. Acquisition cost includes all direct expenditures related to acquisition of financial assets, including the fees for intermediaries and counsellors, non-redeemable charges related to the transaction, and other similar expenditures. An exception is financial assets recognized in changes in fair value through the income statement, additional expenditures related to the acquisition of which are recognized as expenditure in the income statement.

Acquisition and sales of financial assets taking place under normal market conditions shall be recognized at the date of transaction. The date of transaction is the day when the Group takes a financial asset purchase or sale obligation. The purchase or sale is considered to have taken place under normal market conditions when the seller has transferred the financial assets to the buyer during the period customary in this market or stipulated in legislation.

Upon the first recognition, the asset shall be classified into one of the four groups of financial assets (see below). The following principles are used by groups in measuring financial assets:

financial assets recognized in changes in fair value through income statement – fair value;
held-to-maturity investments – adjusted acquisition cost;
loans and receivables - adjusted acquisition cost;
available-for-sale financial assets – fair value or acquisition cost in case of equity instruments, the fair value of which cannot be reliably assessed.

In 2015 and 2014, the Group had financial assets only in the group “loans and receivables”.

Loans and receivables from other parties
Loans and receivables are recognised after acquisition at their adjusted acquisition cost, which has been calculated via the internal interest rate. The adjusted acquisition cost is determined for the entire useful life of the financial assets, taking into consideration the discounts and premiums on acquisition, as well as expenditures directly related to the transaction.

In case of an objective circumstance that refers to the falling of the recoverable value of the assets below the book value, financial assets recognized on the method of adjusted acquisition cost will be discounted by the difference between the book value and the recoverable value. Recoverable value is the present value of cash flows to be received from financial assets in the future, being discounted with the internal interest rate fixed in primary recognition.

For important financial assets, reduction of value of each object shall be assessed separately. If 180 days or more has passed from the date of receipt of the claim, the amount from the claim is considered likely not to be received and written off 100%. If a decrease in the value of assets becomes evident more quickly, the claims are discounted sooner.

If a discounted claim is still received or some other event that cancels the discount takes place, cancellation of discount shall be presented in the income statement as a reduction of the expenditure entry in which the discount was initially recognized.

The interest income of receivables shall be recognised in the income statement on the row of finance income.

Recognition of financial assets will be discontinued when a company loses the right for cash flows from these financial assets and also upon creation of an obligation 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 shall be transferred.

Transactions fixed in foreign currency

All currencies besides the EUR (currency of the parent company) shall be deemed a foreign currency. Reflection of transactions fixed in foreign currency is based on the official exchange rates of the European Central Bank at the date of the transaction. Monetary assets (cash, cash equivalents, and receivables) and monetary obligations (loans received and payables) fixed in foreign currency shall be revaluated in EUR as at the date of the balance sheet, based on the rates of the European Central Bank at the balance date. The exchange gains and losses as a result of reassessment shall be presented in the income statement of the reporting period as income and expenses from financing. Assets and liabilities in kind fixed in foreign currency and measured in their acquisition cost shall be registered based on the European Central Bank exchange rate at the date of the transaction. Assets and liabilities in kind fixed in foreign currency and measured in their fair value shall be revaluated to their base currency, based on the European Central Bank exchange rates at the date of setting the fair value.

If the functional currency of the subsidiaries differs from the one of the parent company (for instance, Latvian lat for undertakings operating in Latvia), the following exchange rates are used for re-evaluating the reports of the subsidiaries and joint ventures for consolidation:

- the balance sheet rate for revaluation of entries on assets and liabilities of all foreign subsidiaries and joint ventures (including the goodwill emerging from acquisition of subsidiaries and joint ventures, and corrections of fair value);

- weighted average rate of the period in revaluation of the income, expenses, other equity changes, and cash flows of subsidiaries and joint ventures.

The difference between revaluations – that is the balance sheet date and the weighted average rates – has been reflected in the equity entry ”other reserves”. In case of transfer of subsidiaries located abroad, the amounts under an equity entry ”other reserves” shall be reflected as a profit or loss of the reporting year.

Derivative instruments

The risk policy of the Group regulates that a company may use an interest rate swap from derivative instruments to manage the risks related to change in interest rates. Such derivative instruments shall be registered in their fair value at the date of entering into a contract and later revaluated in accordance with the change in the fair value of the instruments by the balance date. A derivative instrument with a positive fair value shall be recognized as assets and the opposite instruments and obligations. In determining the fair value of interest rate swap, the balance date of bank quotations is taken as a basis.

In making the transaction, the Group shall fix the relationship between the risk management instruments and the objects to be managed, as well as the objective and strategy of its risk management to perform several risk management transactions. The Group shall also fix its valuation on both entering into the risk management instrument and also continuously on whether the derivative instruments used in risk management transactions are efficient in managing the fair values of the managed objects or the changes in cash flows.

Cash flow hedge

Equity capital recognizes the effective part of the changes in fair value of derivative instruments determined as cash flow hedges and those qualified as such. Gain or loss related to inefficient part is immediately recognized under the income statement entry “Interest income” or “Interest expense“. The amounts accumulated in equity capital shall be divided in the income statement on the periods in which the object to be managed affects profit or loss. Profit or loss that is related to the effective part of an instrument that manages a loan with a variable rate shall be recognized in the income statement under “Interest expense”. If the risk management instrument expires or is sold, or if the risk management instrument no longer corresponds to the criteria of risk management instrument assessment, the cumulative profit or loss recognized in equity capital at that time shall remain in equity capital and will be recognized when the future transaction has been finally recognized in the income statement. If the future transaction is no longer expected, the cumulated profit or loss recognized in equity capital is immediately recognized under the income statement entry “Interest income” or “Interest expense“.

Investment property

Investment properties are lands and buildings that are kept or developed for the purpose of earning income from rent or an increase in the market value, not used in economic activity of the company. Objects that are held for a long time and have several possible purposes of use are also considered investment properties.

An investment property is initially registered on a balance sheet in its acquisition cost that includes the transaction fees directly relating to acquisition: notary fees, state fees, remunerations paid to counsellors and other expenditure without which the purchase transaction may probably not have been made. Henceforth, investment property shall be recognized on each balance sheet date in its fair value which is based on the actual market conditions on that balance sheet date.

In determining the fair value of investment properties, expert opinion of certified valuers is used. In determining the fair value, the method of discounted cash flows is used. In order to find the value of discounted cash flows, a valuer must forecast the future rental income from the real estate object (including the rent on 1 m2 and the occupancy rate of the space) and the operational costs. Depending on how easy and possible it is for tenants to cancel the rental agreements, a valuer selects either existing cash flows or the average market cash flows for analysing. Also, to find the present value of net cash flow, a suitable discount rate must be selected, reflecting the market trends of the present value of cash, as well as specific risks related to the assets. The basis of a discount rate selection is the average capital structure of the market, not asset structure. The method of discounted cash flows is used in determining the value of real estate objects that have a stable rental flow.

Gains or losses due to changes in these values shall be recognized in the income statement under other business profits or other business loss.

An investment property is no longer recognized in the balance after the object is transferred or removed from use, if the object presumably brings no future fiscal advantages. Gains and loss from ending recognition of an investment property shall be recognized at the income statement of the closing period under other business profit or other business loss.

If the purposes of the use of a real estate object changes, assets are reclassified in balance. From the date of change, the accounting policies of the group to which the object has been transferred shall apply to the object. If an object that was previously recognized as an investment property is reclassified into property, plant and equipment, the new derived acquisition cost of the object is its fair value as at the date of reclassification.

Financial liabilities

All financial liabilities (debts to suppliers, loans taken, accruals, issued securities and other short- and long-term debt liabilities) shall initially be registered in their acquisition cost that also includes all expenditure directly related to acquisition. Further recognition is done on the method of adjusted acquisition cost (except the financial obligations obtained for resale, which are recognized in their fair value).

Adjusted acquisition cost of current financial liabilities is generally equal to their nominal value, wherefore current financial liabilities are recognized on balance sheet in the amount to be paid. Non-current financial liabilities shall be initially registered in the fair value of the remuneration received (from which transaction costs have been deducted) to calculate the amortized acquisition cost; interest shall be calculated on transactions on the following periods by using the method of internal interest rate. Interest expenses accompanying financial liabilities shall be recognized in the income statement on an accrual basis, in the entries financial and investment business income and financial and business revenue expense. Interests related to financing development of assets (real estate projects recognized as stock, investment properties, and property, plant and equipment) from the beginning of development period until transfer of the completed assets has been capitalized into the asset acquisition cost.

A financial liability is considered current if it must be paid in 12 months since the balance date or it the company has no unconditional right to defer payment of obligations for more than 12 months after the balance date. Borrowings that must be paid in 12 months after the balance sheet date but are refinanced into non-current liabilities after the balance sheet date, but before approval of the annual report shall be considered current. Borrowings that the lender may remove on the balance sheet date due to breach of loan contract are also recognized 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 AS and EfTEN Capital AS have entered into a management contract, according to which EfTEN Capital AS shall receive a success fee in the amount of 20% of the sales and acquisition price of investment properties, if the hurdle rate is at least 10% on an annual basis. The success fee shall be calculated on all investment properties as a whole, i.e., if there is an investment property in the whole that is sold under the cost of its acquisition, the success fee calculated on objects sold with profit shall be decreased in the amount of 20% of those sales losses of the objects sold under acquisition cost. According to the management contract, the success fee is to be paid out once the fund is terminated.

The bases of accrual accounting of success fees are the valuations of fair price of investment properties. The period expenses on changes in success fee shall be recognised under the Group’s general and administrative expenses (see Note 7).

Provisions and contingent liabilities

Provisions shall be recognized in the balance sheet only when the company had a legal or factual obligation resulting from the events having taken place by the balance sheet date, performance of which would probably require assignation of assets in a reliably determined amount in the future.

Conditional obligations are also obligations due to events that have occurred by the balance sheet date, the realisation of which is not likely based on the management's assessment.

Leases

Capital rent is rental transactions at which all the important risks and benefits related to right of ownership of the assets shall carry over to the tenant. All other rental transactions shall be treated as operational leasing.

As for operational leasing, the assets to be rented are recognized on the balance sheet of the commercial lessor. Payments of operational lease received and paid are divided into periods linearly as a profit or loss of a rental period.

Statutory reserve capital

According to the Commercial Code, statutory reserve capital must form at least 10% of the share capital of a company. Based on that, the parent company shall allocate at least 5% of the net profit to the statutory reserve capital annually at division of profit. Appropriations shall be made until the reserve achieves its required volume. Statutory reserve capital may not be paid out as dividends, but it may be used for covering accumulated losses if there is insufficient amount of free equity capital to cover the losses. Statutory reserve capital may also be used for increasing share capital through bonus issue.

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 of (net) dividends is 20/80. Income tax on payment of dividends shall be recognized in the income statement as an expenditure upon announcement of dividends (creation of payment obligation).

Subsidiaries in Latvia
The net profit of undertakings is taxed with a 15% income tax in Latvia. Taxable income shall be calculated from the undertaking's profit before income tax, corrected in income tax returns by temporary or permanent income or expenditure attributes under the requirements of the local income tax legislation.

In case of foreign subsidiaries, the postponed income tax assets or liabilities shall be found on all the temporary differences in the taxation values and accounting values at the balance sheet date. Postponed income tax assets shall be presented on a balance sheet only when in a foreseeable future it is likely that an income tax liability of the similar size with the postponed income tax will arise and could be used for settlement of accounts.

3 Subsidiaries and joint ventures

The company	Country of location	Investment property	Group´s ownership interest, %	
			30.06.2015	31.12.2014
Parent company				
EfTEN Kinnisvarafond AS	Estonia			
Subsidiaries				
EfTEN SPV1 OÜ	Estonia	Ülikooli 6a, Tartu	100	100
EfTEN SPV2 OÜ	Estonia	Lauteri 5, Narva mnt 59, Tallinn	100	100
EfTEN SPV3 OÜ	Estonia	UKU Centre in Viljandi	100	100
EfTEN SPV4 OÜ	Estonia	Rakvere Police Building	100	100
EfTEN SPV5 OÜ	Estonia	Pärnu mnt 105, Tallinn	100	100
EfTEN SPV6 OÜ	Estonia	Pärnu mnt 102, Tallinn	100	100
EfTEN SPV7 OÜ	Estonia	Mustika Centre in Tallinn	100	100
EfTEN SPV8 OÜ	Estonia	Mustika Centre in Tallinn	100	100
EfTEN SPV9 OÜ	Estonia	Kadaka tee 63, Tallinn	100	100
EfTEN SPV10 OÜ	Estonia	Laki 24, Tallinn	100	100
EfTEN SPV12 OÜ	Estonia	Kuuli 10; Tammsaare tee Rautakesko	100	100
EfTEN SPV14 OÜ	Estonia	Võru Rautakesko	100	100
EfTEN SPV15 OÜ	Estonia	Tallinn Cold Storage (Tallinna Külmhoone)	100	100
EfTEN SPV16 OÜ	Estonia	Narva Prisma	100	100
EfTEN SPV17 OÜ	Estonia	Betooni 1a, Betooni 6, Tallinn	100	100
EfTEN Stabu 10 SIA	Latvia	Stabu 10 office building, Riga	100	100
EfTEN Jelgava SIA	Latvia	RAF shopping centre, Jelgava	100	100
EfTEN NTP SIA	Latvia	Nordic Technology Park, Riga	100	100
EfTEN Terbata SIA (former Emilix SIA)	Latvia	Lāčplēša iela 20A, Riga	100	100
Auras Centrs SIA	Latvia	Depo	100	-
Jelgavas Centrs SIA	Latvia	Depo	100	-
Joint ventures				
EfTEN SPV11 OÜ	Estonia	Palace Hotel	50	50

All subsidiaries and joint ventures operate in acquisition and leasing of investment properties.

In January 2015, EfTEN Kinnisvarafond AS acquired a subsidiary Auras Centrs SIA with the equity hold of 100% and in turn this company owns 100% of the subsidiary Jelgavas Centrs SIA. EfTEN Kinnisvarafond AS paid the seller EUR 693,000 for the acquisition of the subsidiary and took over owner loans in the amount of EUR 1,376,000. The subsidiaries develop the Depo shopping centre in Jelgava. The fair value of the net assets of Auras Centrs SIA at the moment of acquisition was the following:

	Fair value
Cash	18
Investment properties (Note 14)	2,230
Owner loans	-1,376
Other loans	-172
Other liabilities	-7
Fair value of net assets	**693**
Acquisition cost	693
Goodwill	**0**

As of 30.06.2015, the Group owned one joint venture, the main financial indicators of which have been given in the table below:

EfTEN SPV11 OÜ	30.06.2015 or 6 months of 2015
EUR thousand	
Cash and cash equivalents	243
Other current assets	64
Total current assets	**308**
Non-current assets	9,864
Total non-current assets	**9,864**
TOTAL ASSETS	**10,172**
Short-term borrowings	87
Other liabilities	89
Total current liabilities	**176**
Long-term borrowings	4,842
Total non-current liabilities	**4,842**
TOTAL LIABILITIES	**5,018**
NET ASSETS	**5,154**
Revenue	230
Net profit	**190**

The shares of none of the subsidiaries or the joint venture are publicly traded.

4 Revenue

Areas of operation	First half of the year 2015	2014
EUR thousand		
Rental income from office space	2,163	1,727
Rental income from government institutions	322	325
Rental income from retail premises	3,269	2,931
Rental income from storage/logistics space	1,968	670
Rental income from service space	244	631
Rental income from parking premises	63	42
Other revenue	219	121
Total revenue by areas of operation	**8,248**	**6,448**

EUR 1,737,000 of the sales revenue of the Group (in first half of 2014: EUR 147,000) has been earned in Latvia and the rest of the sales revenue has been received from Estonia.

5 Cost of services sold

	First half of the year 2015	2014
EUR thousand		
Repairs and maintenance of rental space	-360	-203
Insurance of assets	-29	-24
Land tax	-111	-47
Improvement costs	-282	-71
Salary expense, incl. taxes	0	-3
Depreciation costs	-2	0
Impairment losses on doubtful receivables	-85	-3
Total property operating expenses	**-868**	**-353**

6 Marketing costs

Marketing costs	First half of the year 2015	2014
EUR thousand		
Commission expenses of rental premises	-27	-6
Advertising, advertising events	-92	-62
Total marketing costs	**-119**	**-68**

7 General and administrative expenses

	First half of the year	
General and administrative expenses	**2015**	2014
EUR thousand		
Management service (Note 21)	-587	-517
Office costs	-11	-9
Salary expense, incl. taxes	-18	-13
Consultation costs	-87	-66
Change in the success fee liability (Note 17)	-293	-917
Other general and administrative costs	-2	-3
Depreciation costs	-1	0
Total general and administrative costs	**-998**	**-1,523**

8 Other incomes and other expenses

	First half of the year	
Other income	**2015**	**2014**
EUR thousand		
Gain from change in fair value of investment properties (Note 14)	2,125	4,959
Contractual penalties and late payment fees received	9	1
Other income	155	10
Total other income	**2,288**	**4,970**

	First half of the year	
Other expenses	**2015**	**2014**
EUR thousand		
Loss on changes in the fair value of investment properties (Note 14)	-664	-366
Other expenses	-1	0
Total other expenses	**-665**	**-366**

9 Sale profit/loss of investing into joint ventures

	First half of the year	
Profit/loss from joint ventures	**2015**	2014
EUR thousand		
Profit from joint ventures with the fair value method	95	27
Dividend income	0	31
Total profit/loss from joint ventures	**95**	**59**

10 Finance expenses

	First half of the year	
Financial expenses	**2015**	2014
EUR thousand		
Interest expenses, including	-1,001	-901
Interest expenses on borrowings	-1,001	-901
Total financial expenses	**-1,001**	**-901**

11 Income tax

	First half of the year	
	2015	2014
EUR thousand		
Income tax expenses on dividends	-1,350	-840
Income tax expenses on the profit of subsidiaries in Latvia	-171	-4
Deferred income tax expenses	-30	0
Total income tax expenses	**-1,551**	**-844**

As of 30.06.2015, the Group had a deferred income tax expense due to change in the fair value of investment properties in Latvia in the amount of EUR 188,000 (31.12.2014: EUR 154,000). The Group shall have to pay the deferred income tax upon the sales of the investment property.

12 Cash and cash equivalents

	30.06.2015	31.12.2014
EUR thousand		
Demand deposits	7,412	11,942
Total cash and cash equivalents	**7,412**	**11,942**

13 Receivables and accrued income

Short-term receivables

	30.06.2015	31.12.2014
EUR thousand		
Receivables from customers	435	472
Allowance for doubtful trade receivables	-87	-3
Total trade receivables	**349**	**469**
Other short-term receivables	10	3
Total other short-term receivables	**10**	**3**
Prepaid taxes and receivables for reclaimed VAT	60	58
Other accrued income	60	22
Total accrued income	**120**	**80**
Total receivables	**479**	**551**

Non-current receivables and prepayments

	30.06.2015	31.12.2014
EUR thousand		
Loans granted	0	127
Prepayments related to real estate development projects	14	101
Total non-current receivables	**14**	**228**

14 Investment properties

As at 30.06.2015, the Group has invested in the following investment properties:

Name	Location	Net leasab-le premises (m²)	Time of acqui-sition	Acquisition cost	Market value 30.06.2015	Share of the market value of fund's assets
EUR thousand						
Tallinn Cold Storage (Tallinna Külmhoone)	Betooni 4, Tallinn	6,863	Sept. 2008	6,237	7,211	4%
Võru Rautakesko	Kreutzwaldi 89, Võru	3,120	Sept. 2008	3,270	3,396	2%
UKU Centre	Tallinna 41, Viljandi	5,117	Aug. 2010	5,350	7,374	4%
Rakvere Police Building	Kreutzwaldi 5a, Rakvere	5,744	Nov. 2010	4,940	6,498	3%
Lauteri 5	Lauteri 5, Tallinn	3,942	Dec. 2010	3,244	4,562	2%
Ülikooli 6	Ülikooli 6, Tartu	2,328	May 11	2,329	2,254	1%
Pärnu mnt 102	Pärnu mnt 102, Tallinn	9,216	Dec. 2011	12,280	13,220	6%
Pärnu mnt 105	Pärnu mnt 105, Tallinn	5,149	Dec. 2011	6,270	6,256	3%
Mustika Centre	Tammsaare tee 116	27,475	July 12	30,628	33,639	16%
RAF Centrs	Riia mnt 48, Jelgava	4,474	March 13	5,173	5,904	3%
Narva Prisma	Kangelaste pr 29, Narva	13,361	Feb. 2013	14,850	16,504	8%
Laki 24	Laki 24, Tallinn	1,854	Jan. 2013	1,659	1,501	1%
Kadaka tee 63	Kadaka tee 63, Tallinn	7,705	Jan. 2013	7,167	8,082	4%
Stabu 10 office building	Stabu 10, Riga	3,766	March 13	3,987	4,054	2%
Kuuli 10/Punane 73	Kuuli 10/Punane 73, Tallinn	15,197	July 13	9,171	10,963	5%
Tammsaare tee Rautakesko	Tammsaare tee 49, Tallinn	9,120	July 13	12,930	14,753	7%
Betooni 1a	Betooni 1a, Tallinn	7,100	June 14	7,313	7,541	4%
Betooni 6	Betooni 6, Tallinn	16,838	June 14	9,719	9,595	5%
Lapleca 20a office building	Lapleca 20a, Riga	4,427	Dec. 14	9,051	8,989	4%
Nordic Technology Park	Jūrkalnes 15/25, Riga, Latvia	45,013	Aug. 14	20,205	20,532	10%
Depo shopping centre	Jelgava, Latvia	in the development stage	Jan. 15	2,297	2,297	1%
Total		**197,809**		**178,071**	**195,125**	**95%**

In addition to the investment properties in the table above, the Group's joint venture EfTEN SPV11 OÜ with a 50% equity holding owns an investment property located at Vabaduse väljak 3 /Pärnu mnt 14, Tallinn (Palace Hotel). The investment property was acquired in 2013 and its fair value as of 30.06.2015 is EUR 9,864,000.

In the first half of 2015, the following changes occurred in the Group's investment properties:

	Investment properties in the development stage	Completed investment properties	**Total investment properties**
Balance as at 31.12.2014	**0**	**189,692**	**189,693**
Acquisitions and developments	67	1,673	**1,740**
Acquisitions from business combinations (Note 3)	2,230	0	**2,230**
Gain / loss from change in fair value (Note 8)	0	1,461	**1,461**
Balance as at 30.06.2015	**2,297**	**192,826**	**195,125**

Among others, the following investment properties related expenditures, revenues and balances are indicated in the Group's income statement and balance sheet:

	30.06.2015 or 01.01.15-30.06.15	31.12.2014 or 01.01.14-30.06.14
Rental income earned on investment property	8 029	6 326
Expenses directly attributable to management of investment properties (Note 5)	-868	-353
Amounts not received from the sales of investment properties	0	54
Amounts payable related to the acquisition of investment properties (Note 16)	0	220
Carrying amount of investment property pledge as collateral to borrowings	192 826	189 693

All investment properties of EfTEN Kinnisvarafond AS that produce profit from rent have been pledged as collateral of long-term bank loans.

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

The independent appraiser of the Group values the investment properties. The fair value of all investment properties recognized in the Group's reports as at 30.06.2015 has been calculated using the discounted cash flow method. The following assumptions have been used in finding the fair value:

As at 30.06.2015

Sector	**Fair value**	**Assessment method**	**Rental revenue per annum**	**Discount rate**	**Exit performance**	**Net rental price €/ ,m2**
EUR thousand						
Office premises	48,918	Discounted cash flows	4,077	8.73%-10.3%	7.75%-8.5%	8.9
Storage and logistics space	55,842	Discounted cash flows	4,965	9.0-10.2%	8.0%-9%	4.2
Retail premises	81,570	Discounted cash flows	6,687	8.9%-9.6%	8.0%-9%	9.6
Government	6,498	Discounted cash flows	644	9.0%	8.5%	9.3
Total	**192,828**					

As at 31.12.2014

Sector	Fair value	Assessment method	Rental revenue per annum	Discount rate	Exit performance	Net rental price €/ ,m2
EUR thousand						
Office spaces	48,342	Discounted cash flows	3,390	9.2%-10.44%	8.0-8.75%	8.9
Storage and logistics space	54,019	Discounted cash flows	5,721	9.3%-10.5%	8.5%-9%	4.6
Retail premises	80,871	Discounted cash flows	6,811	9.21%-9.6%	8%-9%	9.3
Government	6,461	Discounted cash flows	645	9.3%	8.5%	9.3
Total	**189,693**					

Upon finding the fair value of investment properties, the assessments of an independent surveyor are based on the following:

- Rent income: prices from valid lease contracts are used;
- Vacancy: the actual vacancy of the investment property, considering the risks related to the object;
- Discount rate: calculated based on the weighted average capital cost (WACC) associated with the investment property;
- Capitalisation rate: based on assessed productivity level in the end of the presumed deposit period, considering the estimated market situation and risks associated with the object.

15 Borrowings

As at 30.06.2015, the Group had the following borrowings:

Lender	The lender's country of origin	Contractual loan amount	Loan balance as of 30.06.2015	Settlement term	Interest rate as at 30.06.2015	Loan collateral	Value of collateral	Share of the fund's net asset value
SEB	Estonia	4,300	3,850	17.09.16	1.38%	mortgage - Betooni 4, Tallinn	7,211	4.2%
DnB Nord	Estonia	2,239	2,001	15.05.18	1.89%	Mortgage - Kreutzwaldi 89, Võru	3,396	2.2%
SEB	Estonia	1,637	1,348	26.05.16	1.93%	Mortgage - Ülikooli 6a, Tartu	2,254	1.5%
SEB	Estonia	2,514	2,113	06.09.16	1.88%	Mortgage - Lauteri 5, Tallinn	4,562	2.3%
SEB	Estonia	4,529	3,934	31.05.18	1.80%	Mortgage - Tallinna 41, Viljandi	7,374	4.3%
Swedbank	Estonia	4,133	3,760	25.11.17	1.50%	Mortgage - Kreutzwaldi 52, Rakvere	6,498	4.1%
Swedbank	Estonia	4,333	3,906	30.08.18	1.95%	Mortgage - Pärnu mnt 105, Tallinn	6,256	4.2%
Swedbank	Estonia	8,436	7,799	30.08.18	1.50%	Mortgage - Pärnu mnt 102, Tallinn	13,220	8.4%
SEB	Estonia	20,000	18,857	30.12.17	1.70%	Mortgage - Tammsaare tee 116, Tallinn	33,639	20.4%
SEB	Estonia	4,740	4,271	31.05.18	1.80%	Mortgage - Kadaka tee 63, Tallinn	8,082	4.6%
SEB	Estonia	900	774	25.01.17	2.03%	Mortgage - Laki 24, Tallinn	1,501	0.8%
Pohjola Bank	Estonia	9,700	8,671	28.02.18	1.50%	Mortgage - Kangelaste pr 29, Narva	16,504	9.4%
SEB	Latvia	1,980	1,795	16.04.18	2.90%	Mortgage - Stabu 10/4, Riga	4,054	1.9%
Danske	Estonia	14,300	13,897	25.06.18	1.30%	Mortgage - Tammsaare 49, Kuuli 10, Tallinn	25,716	15.0%
SEB	Latvia	12,060	11,727	08.08.19	1.85%	Mortgage - Jurkalnes iela 15/25, Riga	20,532	12.7%
Danske	Estonia	11,100	10,286	28.06.19	1.50%	Mortgage - Betooni 1a, Betooni 6, Tallinn	17,136	11.1%
SEB	Latvia	3,000	2,782	17.12.18	3.00%	Mortgage - Rigas Street 48, Jelgava	5,904	3.0%
Swedbank	Latvia	9,515	5,850	30.04.20	1.90%	Mortgage - Lapleca 20, Riga	8,989	6.3%
Total		**119,416**	**107,622**		**1.72%**		**192,828**	**116.4%**

As at 31.12.2014, the Group had the following borrowings:

Lender	The lender's country of origin	Contrac-tual loan amount	Loan balance as of 31.12.2014	Settle-ment term	Interest rate as at 31.12.2014	Loan collateral	Value of collateral	Share of the fund's net asset value
SEB	Estonia	4,300	3,981	17.09.16	1.48%	mortgage - Betooni 4, Tallinn	7,351	4.3%
DnB Nord	Estonia	2,239	2,067	15.05.18	1.98%	Mortgage - Kreutzwaldi 89, Võru	3,417	2.2%
SEB	Estonia	1,637	1,391	26.05.16	2.03%	Mortgage - Ülikooli 6a, Tartu	2,238	1.5%
SEB	Estonia	2,514	2,160	06.09.16	1.98%	Mortgage - Lauteri 5, Tallinn	4,532	2.3%
SEB	Estonia	4,529	4,059	23.01.17	2.22%	Mortgage - Tallinna 41, Viljandi	7,330	4.4%
Swedbank	Estonia	4,133	3,863	25.11.17	2.13%	Mortgage - Kreutzwaldi 52, Rakvere	6,461	4.2%
Swedbank	Estonia	4,333	4,024	30.08.18	1.97%	Mortgage - Pärnu mnt 105, Tallinn	6,574	4.4%
Swedbank	Estonia	8,436	7,977	30.08.18	1.97%	Mortgage - Pärnu mnt 102, Tallinn	13,140	8.7%
SEB	Estonia	20,000	19,288	30.12.17	1.73%	Mortgage - Tammsaare tee 116, Tallinn	33,370	20.9%
SEB	Estonia	4,740	4,371	25.01.17	2.13%	Mortgage - Kadaka tee 63, Tallinn	7,848	4.7%
SEB	Estonia	900	801	25.01.17	2.13%	Mortgage - Laki 24, Tallinn	1,496	0.9%
Pohjola Bank	Estonia	9,700	8,904	28.02.18	2.38%	Mortgage - Kangelaste pr 29, Narva	16,097	9.7%
SEB	Latvia	1,500	1,363	15.04.18	2.93%	Mortgage - Stabu 10/4, Riga	3,493	1.5%
Danske	Estonia	14,300	14,252	25.06.18	1.32%	Mortgage - Tammsaare 49, Kuuli 10, Tallinn	25,391	15.5%
SEB	Latvia	12,060	11,979	08.08.19	1.88%	Mortgage - Jurkalnes iela 15/25, Riga	20,219	13.0%
Danske	Estonia	11,100	9,424	28.06.19	1.53%	Mortgage - Betooni 1a, Betooni 6, Tallinn	15,781	10.2%
SEB	Latvia	3,000	2,869	17.12.18	3.03%	Mortgage - Rigas Street 48, Jelgava	5,939	3.1%
SEB	Estonia	4,500	4,500	30.06.15	2.62%	EfTEN SPV7 OÜ guarantee	0	4.9%
Total		**113,921**	**107,273**		**1.90%**		**180,677**	**116.5%**

Short-term borrowings	30.06.2015	31.12.2014
EUR thousand		
Short-term bank loans	0	4,500
Repayments of long-term loans in the next period	6,505	5,086
Discounted contract fees of bank loans	-56	-55
Total short-term borrowings	**6,450**	**9,531**

Long-term borrowings	**30.06.2015**	31.12.2014
EUR thousand		
Total long-term borrowings	**107,472**	**107,124**
incl. the short-term part of borrowings	6,450	9,531
incl. the long-term part of borrowings	101,022	97,593
Bank loans	*101,116*	*97,687*
Discounted contract fees of bank loans	-94	*-94*

The bank loans divide as follows based on the payment deadlines:

Bank loan repayments by settlement term	**30.06.2015**	31.12.2014
EUR thousand		
Less than 1 year	6,505	9,586
2–5 years	101,116	97,687
more than 5 years	0	0

16 Payables and prepayments

Short-term payables and prepayments

	30.06.2015	31.12.2014
EUR thousand		
Payable to suppliers on non-current asset transactions	0	366
Other trade payables	107	126
Total trade payables	**107**	**492**
Other payables1	101	29
Total other payables	**101**	**29**
Value added tax	234	223
Income tax expenses on dividends	354	202
Income tax of the company	120	95
Individual income tax	1	1
Social tax	1	2
Land tax	67	0
Other taxes payable	1	2
Total taxes liabilities	**778**	**524**
Interest payable	13	28
Payables to employees	2	1
Deposits received from tenants	248	219
Other accruals	19	31
Total accruals	**282**	**280**
Prepayments received from buyers	0	0
Other deferred income	31	25
Total prepayments	**31**	**25**
Total payables and prepayments	**1,299**	**1,350**

1 Other payables include a debt arising from a court action terminated between a tenant and EfTEN Kinnisvarafond AS in June 2015, according to which the Group must compensate the tenant for the loss of EUR 87,000. As at 31.12.2014, the Group's report included an appropriation in the same court case in the amount of EUR 240,000 due to the decision of Harju County court.

Long-term payables

	30.06.2015	31.12.2014
EUR thousand		
Deposits received from tenants	360	353
Other long-term liabilities	4	5
Total other long-term payables	**364**	**359**

17 Success fee liability

As at 30.06.2015, the Group has accounted for the success fee liability in the amount of EUR 3,959,000 (31.12.2014: EUR 3,667,000). As at 30.06.2015, the success fee liability includes the success fee of investment properties sold in 2013 and 2014, in the amount of EUR 665,000 (as at 31:12.2014: the same).

The bases of accrual accounting of this success fee are the valuations of fair price of investment properties as at 30.06.2015 and 31.12.2014. The expenditure on changes in success fee shall be recognized under the Group's general and administrative expenses (see Note 7).

18 Financial instruments, management of financial risks

The main financial liabilities of the Group are borrowings that have been taken to finance the investment properties of the Group. The Group's balance sheet also includes cash and short-term deposits, trade receivables, other receivables and trade payables.

The table below indicates division of the Group's financial assets and financial liabilities by the types of financial instruments.

Book values of financial instruments

	Notes	30.06.2015	31.12.2014
EUR thousand			
Financial assets - loans and receivables			
Cash and cash equivalents	12	7,412	11,942
Trade receivables	13	349	469
Total financial assets		**7,760**	**12,410**
Financial liabilities measured at amortised cost			
Borrowings	15	107,472	107,124
Trade payables	16	107	492
Deposits received from tenants	16	608	573
Accruals	16	34	61
Total financial liabilities		**108,221**	**108,250**

The fair value of the financial assets and liabilities that is measured at amortised cost in the table above do not significantly differ from their fair value.

In risk management of the Group, it is based on the principle that risks should be taken in a balanced manner, taking into consideration the rules set by the Group and implementing risk management measures according to the situation, thus achieving stable profitability of the Group and a growth in the value of shareholders' assets. In making new investments, close evaluation is made on the solvency of clients, duration of rental contracts, possibility of replacing tenants and the risks of interests increasing. The terms and conditions of financing agreements are adjusted to the net cash flow of each real estate object, ensuring enough free money for the Group and growth even after the financial obligations have been fulfilled.

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

The Group considers a financial risk to be risk that arises directly from making investments in real estate, 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 that are influenced the most by changes in market prices are loan obligations and interest derivatives The main factor influencing these financial instruments is interest rate risk.

Interest rate risk

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

As at 30.06.2015, all of the Group's loan agreements had been entered into on the basis of a floating interest rate, 94.2% of which is related to 1-month EURIBOR and 5.8% borrowings based on a floating rate are related to 3-month EURIBOR. 1-month EURIBOR fluctuated in the first half of 2015 between 0.066% to 0.016% (2014: First half of the year: 0.099% to 0.269%), that is, the maximum change during the year was 8.2 basis points (2014, first half of the year: 17.0 basis points).

Resulting from the low level of interest rates and market expectations with regard to the persistence of interest rates, the Group will probably not experience elevated liquidity risk in the near future. The special terms and conditions of the Group's loan agreements see the cover coefficient staying above 1.2. As of 30.06.2015, the Group's debt cover coefficient was 1.9. In order for this indicator to decrease to the rate established in the special conditions of loan agreements, the Group's interest expenditure should increase to EUR 3,025,000 based in the first half of 2015. The actual interest expenditure in the first half of 2015 was a total of EUR 1,001,000, i.e. three times less. In order for the interest expenditure to increase up to EUR 3,025,000, the floating interest rates should grow on average 393 basis points and the weighted average interest rate of the Group's loan agreements should be 5.62% (as of 30.06.2015 the actual weighted average interest rate was: 1.69%).

Liquidity risk

Liquidity risk comes from potential changes in the financial position, reducing the Group's ability to perform its liabilities in due time and in a correct manner. The Group's liquidity is affected, above all, by the following circumstances:

- decrease of volatility of rental income, reducing the Group's ability to generate positive net cash flows;
- vacancy of rental property;
- difference in the maturities of assets and liabilities, and flexibility in changing them;
- marketability of non-current assets;
- volume and pace of real estate development activities;
- financing structure.

The purpose of the Group is to manage the net cash flows in a manner that in making investment properties, foreign capital is included in no more than 70% of the investment acquisition cost and the coverage coefficient of the Group's debt would be higher than 1.2. As at 30.06.2015, the share of interest-bearing debt obligations of the Group from rent-producing investment properties was 56% (31.12.2014: 59%) and the debt coverage coefficient was 1.9 (31.12.2014: same).

The financing policy of the Group states that loan contracts for foreign capital issue are entered into for the long-term, also taking into consideration the maximum duration of the leasing contracts in these real estate objects.

Credit risk

Credit risk is a risk that comes from the inability of other contractual parties to fulfil their obligations to the Group. The Group is open to credit risk due to its business operations (mainly from claims against the buyers) and transactions with financial institutions, including by money on accounts and deposits.

Group's activity in preventing reduction of cash flows due to credit risk and minimizing of such risk lies in everyday monitoring and guiding of clients' payment conduct, enabling to implement the operatively necessary measures. Also, client contracts generally provide payment of rent at the beginning of calendar month, giving sufficient time for monitoring the clients' payment discipline and ensuring existence of sufficient liquidity on accounts at the date of annuity payment of financing contracts. To manage risk, the Group has entered into an agreement with one of the subtenants, according to which the financial institution of the tenant shall guarantee rental payments throughout the rental period. Most of the rental contracts also stipulate an obligation of paying securities, at the expense of which the Group can erase debts resulting from insolvency of a tenant.

Group's undertakings generally enter into rental contracts only with parties that have been proven eligible for credit. The corresponding analysis of the client is carried out before entering into a rental contract.

If it becomes evident that there is a risk of a tenant becoming insolvent, the Group shall assess each claim individually and decides whether the claims should be declared unlikely to be received. In general, claims that have exceeded the payment deadline by more than 180 days are considered unlikely to be received, except in cases when the Group has sufficient certainty as to receiving the claim or there is a payment schedule for the claim.

Claims against buyers are illustrated by the table below:

	30.06.2015	31.12.2014
Undue	172	258
Past due, including	**263**	**213**
Up to 30 days	*129*	*190*
30–60 days	*30*	*6*
More than 60 days	*105*	*17*
Allowance for doubtful receivables	-87	-3
Total trade receivables	**349**	**469**

The maximum credit risk of the Group has been provided in the following table:

	30.06.2015	31.12.2014
EUR thousand		
Cash and cash equivalents	7 412	11 942
Cash receivable	349	469
Total maximum credit risk	**7 760**	**12 410**

The bank account balances published among the Group's cash and cash equivalents divide based on bank ratings (Moody's long-term) as follows:

Rating	30.06.2015
A1	6,691
A3	214
C	506
Total	**7,412**

Capital management

The aim of the Group in capital management is to ensure the Group's ability to continue its operations to ensure investment productivity to shareholders and maintain the optimal capital structure.

The Group continues to invest into properties that produce cash flow and involves new equity capital in making investments. The investment policy of the Group prescribes that at least 30% of equity capital is invested into new real estate projects. The necessary equity capital volume is calculated individually for each investment, taking into consideration the volume of net cash flows and loan payments of the investment and their proportion.

After making of an investment, the net profit on investment of any of the cash flow producing investment property may not be less than 120% of the loan annuity payments.

Free cash flow of the Group enables to pay dividends in the average amount of 4-5% of the value of invested equity capital. In the first half of 2015, net dividends in the amount of EUR 5,100,000 were distributed to the investors (2014: EUR 2,445,000).

Fair value

The assets and liabilities are analysed using valuation methods in the table below. The assessment methods have been defined as follows:

Level 1 – exchange prices on the trading market;
Level 2 – assets and liabilities either directly or indirectly related to the prices determined on the trading market;
Level 3 – prices on a non-trading market.

As at 30.06.2015, the Group has no fair value assets that would belong to the Level 1 group for the finding of value. All of the Group's investment properties have been reflected in fair value and belong to the group of Level 3 based on the assessment method. All of the Group's borrowings belong to the Level 2 group.

19 Share capital

In the first half of 2015, EfTEN Kinnisvarafond AS transferred 5% of the net profit of 2014, i.e. EUR 758,000 into the statutory reserve.

The size of the registered share capital of EfTEN Kinnisvarafond AS as at 30.06.2015 is EUR 23,635,000 (31.12.2014: the same). The share capital consisted of 39,391,371 shares as at 30.06.2015 (31.12.2014: the same) with a nominal value of EUR 0.6 (31.12.2014: the same). Without amending the articles of association, the company may increase its share capital to EUR 60,137,000.

20 Contingent liabilities

Conditional income tax liability

	30.06.2015	31.12.2014
EUR thousand		
The company´s retained earnings	29,530	29,951
Potential income tax liability	5,906	5,990
Can be paid out as dividends	23,624	23,961

In calculating the maximum possible income tax obligation, it has been presumed that the total of net dividends to be divided and the corresponding income tax expenditure may not exceed the distribution profit.

21 Transactions with related parties

EfTEN Kinnisvarafond AS considers the related parties to be:

- persons who own more than 10% of the share capital of EfTEN Kinnisvarafond AS;
- Management Board Members and companies owned by the Management Board Members of EfTEN Kinnisvarafond AS;
- Supervisory Board Members and companies owned by the Supervisory Board Members of EfTEN Kinnisvarafond AS;
- employees and companies owned by the employees of EfTEN Kinnisvarafond AS;
- EfTEN Capital AS (management company).

The Group bought a management service from EfTEN Capital AS in the first half of 2015 in the amount of EUR 587,000 (first half of 2014: EUR 517,000). EfTEN Kinnisvarafond AS did not purchase from other related parties or sell to other related parties other goods or services in 2015 or the first half of 2014.

The Group had two employees in 2015 to whom remunerations in the total amount of EUR 18,000 with taxes were accounted (first half of 2014: EUR 13,000). No remuneration was due or paid to the members of the Management or Supervisory Board during the accounting periods. The Management Board members of the Group work for EfTEN Capital AS, which provides the Group with management services, and the expenses related to the activities of a management board member are part of the management service.

22 Parent company's unconsolidated income statement

According to the Estonian Accounting Act, the notes to a consolidated financial statement must include the separate unconsolidated initial statements of the consolidating unit (parent company). Upon compiling the parent company's primary reports, the same accounting principles have been used that also apply to the compilation of the consolidated accounting annual report. The accounting principles that handle the recognition of subsidiaries in the separate primary reports of the parent company and which have been submitted as notes attached to the consolidated annual accounting report have been amended respectively to the requirements of IAS 27 "Consolidated and separate accounting reports".

In the primary unconsolidated reports of a parent company, which have been submitted as notes to this consolidated accounting report, the investments into the subsidiaries and joint ventures have been recognized with the fair value method.

	First half of the year	
	2015	2014
EUR thousand		
Sales revenue	619	533
Gross profit	**619**	**533**
General and administrative expenses	-638	-566
Operating profit	**-19**	**-33**
Gain/loss from subsidiaries	5 582	7 584
Gain/loss from joint ventures	95	-79
Interest income	260	310
Interest expenses	-209	0
Profit before income tax	**5 708**	**7 781**
Income tax expenses on dividends	-151	-229
Net profit of the accounting year	**5 557**	**7 552**

23 Parent company's unconsolidated balance sheet

	30.06.2015	31.12.2014
EUR thousand		
ASSETS		
Cash and cash equivalents	562	73
Receivables and accrued income	1 939	1 191
Total current assets	**2 501**	**1 264**
Non-current assets		
Shares of subsidiaries	88 208	87 035
Shares of joint ventures	2 577	2 482
Long-term receivables	7 310	10 935
Total non-current assets	**98 095**	**100 452**
TOTAL ASSETS	**100 596**	**101 716**
Borrowings	7 672	9 406
Payables	172	23
Total current liabilities	**7 844**	**9 429**
Success fee liability	211	211
Total non-current liabilities	**211**	**211**
Total liabilities	**8 054**	**9 640**
Share capital	23 635	23 635
Share premium	37 496	37 496
Statutory reserve capital	1 760	1 002
Retained earnings	29 650	29 944
Total equity	**92 541**	**92 077**
TOTAL LIABILITIES AND EQUITY	**100 596**	**101 716**

24 Parent company's unconsolidated cash flow statement

	First half of the year	
EUR thousand	2015	2014
Cash flows from operating activities		
Net profit	**5 557**	**7 552**
Adjustments to net profit:		
Interest income and interest expenses	-50	-310
Gain/loss from changes in the fair value of subsidiaries or joint ventures	-575	-5 335
Dividends received	-5 102	-2 170
Income tax expense of the company	151	229
Cash flow from operations before changes in working capital	**-19**	**-33**
Change in receivables and payables related to operating activities	-38	-48
Net cash generated from operating activities	**-56**	**-81**
Cash flows from investing activities		
Acquisition of subsidiaries and joint ventures	-693	-6 007
Loans granted	-1 556	-2 726
Repayments of loans granted	5 353	1 029
Dividends received	4 495	1 597
Interest received	0	30
Net cash generated from investing activities	**7 599**	**-6 076**
Cash flows from financing activities		
Loans received	2 757	0
Loan repayments	-4 500	0
Interest paid	-59	-5
Dividends paid	-5 100	-2 445
Income tax paid on dividends	-151	-229
Net cash generated from financing activities	**-7 053**	**-2 679**
NET CASH FLOWS	**489**	**-8 835**
Cash and cash equivalents at the beginning of the period	**73**	**10 542**
Change in cash and cash equivalents	489	-8 835
Cash and cash equivalents at the end of the period	**562**	**1 707**

25 Parent company's unconsolidated statement of changes in equity

	Share capital	Share premium	Statutory reserve capital	Retained earnings	Total
EUR thousand					
Balance 01.01.2014	**24,243**	**38,989**	**480**	**17,750**	**81,463**
Reduction of share capital	-609	-1,493	0	0	**-2,101**
Announcement of dividends	0	0	0	-2,445	**-2,445**
Transfers to statutory reserve capital	0	0	521	-521	**0**
Comprehensive income for the financial year	0	0	0	7,490	**7,490**
Balance as at 30.06.2014	**23,635**	**37,496**	**1,002**	**22,274**	**84,407**
Balance as at 01.01.2015	**23,635**	**37,496**	**1,002**	**29,944**	**92,077**
Announcement of dividends	0	0	0	-5,100	-5,100
Transfers to statutory reserve capital	0	0	758	-758	0
Comprehensive income for the financial year	0	0	0	5,565	5,565
Balance as at 30.06.2015	**23,635**	**37,496**	**1,760**	**29,651**	**92,541**

For additional information on the changes related to shares, see Note 19.

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

	30.06.2015	30.06.2014
EUR thousand		
Unconsolidated equity of the parent company	92,541	84,407
Value of subsidiaries or joint ventures in the unconsolidated balance of the parent company (minus)	-90,785	-70,013
Value of subsidiaries or joint ventures is accounted under the equity method (plus)	90,664	70,112
Total	**92,421**	**84,505**

SIGNATURES OF THE MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD TO THE SEMI-ANNUAL REPORT 2015

We hereby verify the correctness of data presented in the 2015 Semi-Annual Report of EfTEN Kinnisvarafond AS.

Arti Arakas
Chairman of the
Supervisory Board

Siive Penu
Member of the
Supervisory Board

Erkki Raasuke
Member of the
Supervisory Board

Sander Rebane
Member of the
Supervisory Board

Jaan Pillesaar
Member of the
Supervisory Board

Laire Piik
Member of the
Supervisory Board

Martin Hendre
Member of the
Supervisory Board

Tauno Tats
Member of the
Supervisory Board

Viljar Arakas
Member of the
Management Board

Tõnu Uustalu
Member of the
Management Board