Consolidated Annual Report 2022

Usaldusfond EfTEN Real Estate Fund 4

Commercial register number: 14588404

Beginning of financial year: 01.01.2022

End of financial year: 31.12.2022

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MANAGEMENT REPORT

Fund manager's comment on the 2022 financial results

At the beginning of 2022, the fund's subsidiary EfTEN Plaza SIA acquired a stake in the 100% subsidiary JT Offices SIA, which owns the Jauna Teika office quarter in Riga with a net area of 59 thousand m^2. The purchase price of the stake was 129.7 million euros. With this acquisition, EfTEN Real Estate Fund 4 has completed its maximum investment volume and will focus on managing the existing portfolio in the future.

Overview of financial results

The consolidated sales revenue of the EfTEN Real Estate Fund 4 (hereinafter the “Fund”) in 2022 totalled 23.061 million euros (2021: 15.345 million euros), increasing by 59% compared to 2021. Net rental income (NOI) totalled 22.929 million euros in 2022 (2021: 14.345 million euros), increasing by 60% during the year. The increase in sales revenue and NOI in 2022 is related to the acquisition of the Jauna Teika office quarter at the beginning of 2022.

			Change	
	2022	**2021**	**€**	**%**
€ million				
Rental revenue, other fees from investment properties	23.961	15.104	*8.857*	*59%*
Expenses related to investment properties, incl. marketing costs	-1.032	-0.759	*-0.273*	*36%*
Net rental income	**22.929**	**14.345**	***8.584***	***60%***
Net rental income margin	*96%*	*95%*	*0.007*	*1%*
Interest expense and interest income	-3.642	-1.965	*-1.677*	*85%*
Net rental revenue less finance costs and income	**19.287**	**12.380**	***6.907***	***56%***
Management fees	-1.989	-1.185	*-0.804*	*68%*
Other income and expenses	-0.513	-0.540	*0.027*	*-5%*
Profit before change in the value of investment property, change in the success fee liability and income tax expense	**16.785**	**10.655**	***6.130***	***58%***

The volume of the Group's assets as of 31.12.2022 was 349.778 million euros (31.12.2021: 262.592 million euros), including the fair value of investment properties accounted for 93% of the volume of total assets (31.12.2021: 76%).

			Change	
	31.12.2022	**31.12.2021**	**€**	**%**
€ million				
Investment properties	326.250	198.260	*127.990*	*65%*
Other non-current assets	1.364	0.293	*1.071*	*366%*
Current assets, excluding cash	2.238	1.093	*1.145*	*105%*
Total assets	349.778	262.592	*87.186*	*33%*
Net debt (cash and deposits minus short-term and long-term bank loans)	-132.935	-19.952	*-112.983*	*566%*
Net asset value (NAV)	175.100	163.957	*11.143*	*7%*

Key financial ratios

12 months	31.12.2022	31.12.2021
ROE, % *(net profit of the period / average equity of the period) x 100*	8.3	11.4
ROA, % *(net profit of the period / average assets of the period) x 100*	4.6	6.8
ROIC, % *(net profit of the period / average invested capital of the period) x 100*	9.4	12.4
Revenue (€ thousand)	23,961	15,104
Rental income (€ thousand)	23,137	14,757
EBITDA (€ thousand)	20,508	12,704
EBITDA margin, %	86%	84%
EBIT (€ thousand)	20,046	19,190
Comprehensive income (€ thousand)	13,998	14,513
Liquidity ratio (current assets / current liabilities)	0.4	4.9
DSCR (EBITDA/(interest expenses + scheduled loan payments)	2.4	2.3

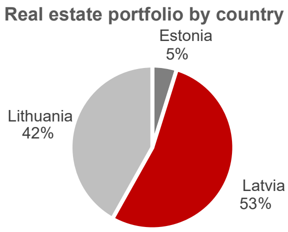
[1] The average invested capital for the period is the average involved capital of the EfTEN Real Estate Fund 4.

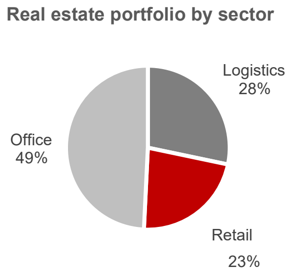
Real estate portfolio

The Group invests in commercial real estate with a strong and long-term tenant base. As of the end of 2022, the Group has 9 (31.12.2021: 8) commercial real estate investments with a fair value of EUR 326.250 million (2021: EUR 198.260 million) and an acquisition cost of EUR 317.339 million (2021: EUR 189.401 million), including an advance payment in the amount of EUR 1.500 million by the Fund for acquisition of EfTEN Plaza SIA property, in September 2021.

In February 2022, the Group's subsidiary acquired the Jauna Teika office block in Riga. After the investment, the group has reached the maximum volume of its investments.

As of 31.12.2022, the Group's real estate portfolio is divided by countries and sectors as follows:





Investment property, as of 31.12.2022	Group's ownership, %	Acquisition cost	Fair value of investment property	Net leasable area	Actual net rental income, for 12 months	Direct Yield [1]	Primary net yield [2]	Occupancy, %	Average length of rental agreements	Number of tenants
€ thousands										
Dominante logistics centre	100	16,986	16,190	37,665	1,251	7.4%	7.7%	99	2.9	5
SBA logistics centre	100	28,571	31,580	44,048	2,189	7.7%	6.9%	100	12.9	1
Bergi logistics centre	100	29,845	28,240	49,978	2,487	8.3%	8.8%	97	0.5	2
Arginta logistics centre	100	15,440	16,270	16,301	1,129	7.3%	6.9%	100	8.3	1
Total logistics		**90,842**	**92,280**	**147,992**	**7,056**	**7.8%**	**7.6%**	**99**	**5.6**	**9**
River Mall shopping centre	100	18,326	19,260	9,793	1,437	7.8%	7.5%	100	7.8	34
Ryo shopping centre	100	48,099	54,100	23,709	4,961	10.3%	9.2%	100	3.8	103
Total retail		**66,425**	**73,360**	**33,502**	**6,398**	**9.6%**	**8.7%**	**100**	**4.9**	**137**
Kadrioru business centre	100	16,859	15,760	6,527	862	5.1%	5.5%	98	2.7	25
River Hall business centre	100	14,369	15,390	8,786	1,110	7.7%	7.2%	100	1.5	15
Jauna Teika office quarter	100	128,844	129,460	59,097	9,004	7.0%	7.0%	84	3.2	67
Total office		**160,072**	**160,610**	**74,410**	**10,976**	**6.9%**	**6.8%**	**87**	**2.9**	**107**
Total real estate portfolio		**317,339**	**326,250**	**255,904**	**24,430**	**7.7%**	**7.5%**	**96**	**4.3**	**253**

[1] The direct yield on investment property is the ratio of the actual net rental income (calculated for 12 months) to the acquisition cost of investment property and subsequent capitalized expenses as of 31.12.2022.

[2] The primary net yield on investment properties is the ratio of the actual net rental income (calculated for 12 months) to the fair value of investment properties as of 31.12.2022.

Comparable (like-for-like) rental income by business segment				Rental income change	
€ thousands	Fair value 31.12.2022	Rental income 2022	Rental income 2021	€	%
Office	31,150	2,203	2,052	151	7%
Logistics	76,010	6,135	6,289	-154	-2%
Retail	73,360	6,698	5,588	1,110	20%
Total comparable assets and rental income	**180,520**	**15,036**	**13,929**	**1,107**	**8%**
Acquired assets and rental income	145,730	8,101	828	7,273	
Total real estate portfolio assets and rental income	**326,250**	**23,137**	**14,757**	**8,380**	57%

Comparable (like-for-like) rental income by geographical segments				Rental income change	
€ thousands	Fair value 31.12.2022	Rental income 2022	Rental income 2021	€	%
Estonia	31,150	1,070	1,035	35	3%
Latvia	76,010	3,947	4,144	-197	-5%
Lithuania	73,360	10,019	8,750	1,269	15%
Total comparable assets and rental income	**180,520**	**15,036**	**13,929**	**1,107**	**8%**
Acquired assets and rental income	145,730	8,101	828	7,273	
Total real estate portfolio assets and rental income	**326,250**	**23,137**	**14,757**	**8,380**	57%

As of 31.12.2022, the Group has a total of 253 tenants. 51.5% of the lease agreements entered into as of the balance sheet date are the contractual income of 12 customers.

Tenant	Share of consolidated rental income
Innovo logistics, UAB	8.9%
Do It SIA	8.0%
TRIALTO LATVIA SIA	7.7%
ARGINTA Group, UAB	4.6%
TEIKUMS SIA	4.4%
Tieto Latvia SIA	4.1%
Cabot Latvia SIA	3.1%
Maxima LT, UAB	2.3%
Orkla Latvija SIA	2.3%
DNB Bank ASA Latvijas filiāle	2.1%
Accenture Latvijas filiāle	2.1%
Norwegian Air Resources Latvia SIA	2.1%
Others	48.5%

Valuation of investment properties

The Group regularly evaluates real estate investments twice a year - in June and December. The appraiser of the Group's real estate investments is Colliers International Advisors OÜ. The total value of investment properties increased by 0.02% in 2022 as a result of revaluations (2021: value increased by 3.3%) and the Group earned a profit of 52 thousand euros from the change in the fair value of investment properties (2021: a profit of 8.174 million euros).

The Group's independent appraiser evaluates investment properties individually using the discounted cash flow method. The cash flow projections for 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 facilities, the technical condition, and the level of risk of the tenants. Compared to the valuations of 2021, the discount rate of all investments properties increased by 0.2 to 1.3 percentage points as an input to the valuation calculations with the support of changes in EURIBOR in 2022, but at the same time the forecast of business cash flows is also more optimistic, which is why there was no significant change in the fair value of the real estate portfolio in 2022.

Net asset value

The net asset value of the Fund as of 31 December 2022 is 170,100 thousand euros (31.12.2021: 163,957 thousand euros). As of the end of 2022, the fund has raised a total of 147.4 million euros in capital (31.12.2021: the same)

The fund has a total of 33 investors. The owners of more than 10% of the fund are listed in the table below:

Investor	31.12.2022
Swedbank Latvia pension funds	21.7%
EBRD	20.0%
SEB pension funds	14.9%
LHV pension funds	13.6%
Swedbank Estonia pension funds	12.7%

The fund pays out to investors to the extent that it complies with the limited partnership agreement. Periodic payments are based on dividends and interest received from subsidiaries. Subsidiaries pay dividends and interest in such a way that, after disbursements, the financial indicators of the subsidiaries meet the requirements of the special terms of the loan agreements and liquidity is provided for both working capital and additional investments. In 2022, the fund paid out EUR 2.855 million (2021: EUR 4.971 million) to investors from the earned profit. From the profit of 2022, the Fund plans to make payments to investors in the total amount of 7.67 million euros.

Other information

Risk related to military activities

In February 2022, Russia started a war in Ukraine. In this regard, most countries have imposed sanctions that have a significant negative impact on the Russian economy. To the best of our knowledge, there are no tenants primarily related to business activities in Russia or Ukraine on the rental premises of real estate investments belonging to the group. Therefore, the impact of the direct or so-called first round realization of the risk on the financial results of the group is small. In connection with the imposed sanctions, the so-called risk may gradually appear over time. The effects of the realization of the second round, especially increasing the probability of realization of market risk, refinancing and interest risk, and liquidity risk.

Impact of Covid-19

In 2022, the Covid-19 pandemic had no significant impact on the group's financial results.

Financial risks

Information regarding the Group's financial instruments and financial risk mitigation goals, as well as risks related to changes in interest rates, is provided in Note 15 of the consolidated financial statements.

The structure of the consolidation group is presented in Note 1 of the consolidated financial statements.

Governance

The EfTEN Real Estate Fund 4 was registered in the commercial register in October 2018, after which the fund started its operations.

In 2022, one (regular) general meeting of investors was held and the annual report for 2021 was approved. There were no extraordinary investor meetings in 2022.

According to the management agreement and the fund's partnership agreement, the fund's management company is EfTEN Capital AS. EfTEN Capital AS has been issued an alternative fund manager's license by the Financial Supervision Authority.

The Management Board of the Fund's general partner (EfTEN Neljas GP OÜ) has 2 members: Viljar Arakas and Tõnu Uustalu, and in 2022 there were no changes in the Management Board. The management board of the general partner supervises the activities of the management company related to the fund and the activities of the depositary to the extent and pursuant to the procedure prescribed in the depositary agreement, as well as performs other tasks arising from the partnership agreement.

Applying sustainability principles to investing

Information regarding compliance with the SFDR regulation is disclosed in the Note on page 41 of this report, and the fund's sustainable investment principles are disclosed on the Fund's website at www.eften.ee.

FINANCIAL STATEMENTS OF THE CONSOLIDATION GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2022	2021
€ thousands			
Revenue	4,5	23,961	15,104
Cost of services sold	6	-696	-564
Marketing costs	7	-336	-195
Net rental income	**4**	**22,929**	**14,345**
General and administrative expenses	8	-2,760	-1,763
Gain / loss from revaluation of investment properties	11	52	8,174
Success fee change	14	-433	-1,604
Other operating income and expense		258	38
Operating profit		**20,046**	**19,190**
Interest expenses		-3,642	-1,965
Profit before income tax		**16,404**	**17,225**
Income tax expense	9	-2,406	-2,712
Net profit for the financial year		**13,998**	**14,513**
Total comprehensive income for the financial year	**4**	**13,998**	**14,513**

The notes on pages 10 to 35 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2022	31.12.2021
€ thousands			
ASSETS			
Cash and cash equivalents	15	19,926	62,946
Receivables and accrued income	10	2,217	1,038
Prepaid expenses		21	55
Total current assets		**22,164**	**64,039**
Long-term receivables	10	1,152	87
Investment property	4,11	326,250	198,260
Property, plant and equipment		208	197
Intangible assets		4	9
Total non-current assets		**327,614**	**198,553**
TOTAL ASSETS		**349,778**	**262,592**
LIABILITIES AND EQUITY NET VALUE			
Borrowings	12	48,307	11,959
Payables and prepayments	13	2,536	1,183
Total current liabilities		**50,843**	**13,142**
Borrowings	12	104,271	70,606
Other long-term debt	13	6,396	3,827
Deferred income tax liability	9	13,168	11,060
Total non-current liabilities		**123,835**	**85,493**
Total liabilities		**174,678**	**98,635**
Total net asset value of the Fund owned by limited and general partners		**175,100**	**163,957**
TOTAL LIABILITIES AND TOTAL NET ASSETS		**349,778**	**262,592**

The notes on pages 10 to 35 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2022	2021
€ thousands			
Net profit		**13,998**	**14,513**
Adjustments of net profit:			
Interest expenses		3,642	1,965
Gain on revaluation of investment property	11	-52	-8,174
Change in success fee liability	14	433	1,604
Depreciation and impairment losses	6,8	81	84
Income tax expense	9	2,406	2,712
Total adjustments with non-cash changes		**6,510**	**-1,809**
Cash flow from operations before changes in working capital		**20,508**	**12,704**
Change in receivables and payables related to operating activities		446	-746
Net cash flow generated from operating activities		**20,954**	**11,958**
Purchase of property, plant and equipment		-91	-10
Purchase of investment property	11	-594	-5,607
Acquisition of subsidiaries	3	-126,780	-4,933
Interest received		0	1
Net cash flow generated from investing activities		**-127,465**	**-10,549**
Loans received	12	75,000	464
Scheduled loan repayments	12	-5,033	-3,494
Interest paid from bank loans		-3,566	-2,201
Interest paid to investors	15	0	-965
Capital contributions		0	63,938
Dividends paid	15	-2,855	-4,006
Income tax on dividends paid	9	-55	-45
Net cash flow generated from financing activities		**63,491**	**53,691**
NET CASH FLOW		**-43,020**	**55,100**
Cash and cash equivalents at the beginning of period	**15**	**62,946**	**7,846**
Change in cash and cash equivalents		-43,020	55,100
Cash and cash equivalents at the end of period	**15**	**19,926**	**62,946**

The notes on pages 10 to 35 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS OF THE FUND

	2022	2021
€ thousands		
Net asset value of the Fund owned by limited and general partners at the beginning of the period	**163,957**	**90,476**
Capital contributions	0	63,938
Net change in equity	**0**	**63,938**
Transfer of dividends and interest to the fund's investors	-2,855	-4,971
Comprehensive income for the year	13,998	14,513
Net asset value of the Fund owned by limited and general partners at the end of the period	**175,100**	**163,957**

Additional information on capital contributions is provided in Note 16.

The notes on pages 10 to 35 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

EfTEN Real Estate Fund 4 (hereinafter also referred to as the 'Fund') is a real estate fund established in October 2018 that invests in cash-generating commercial real estate.

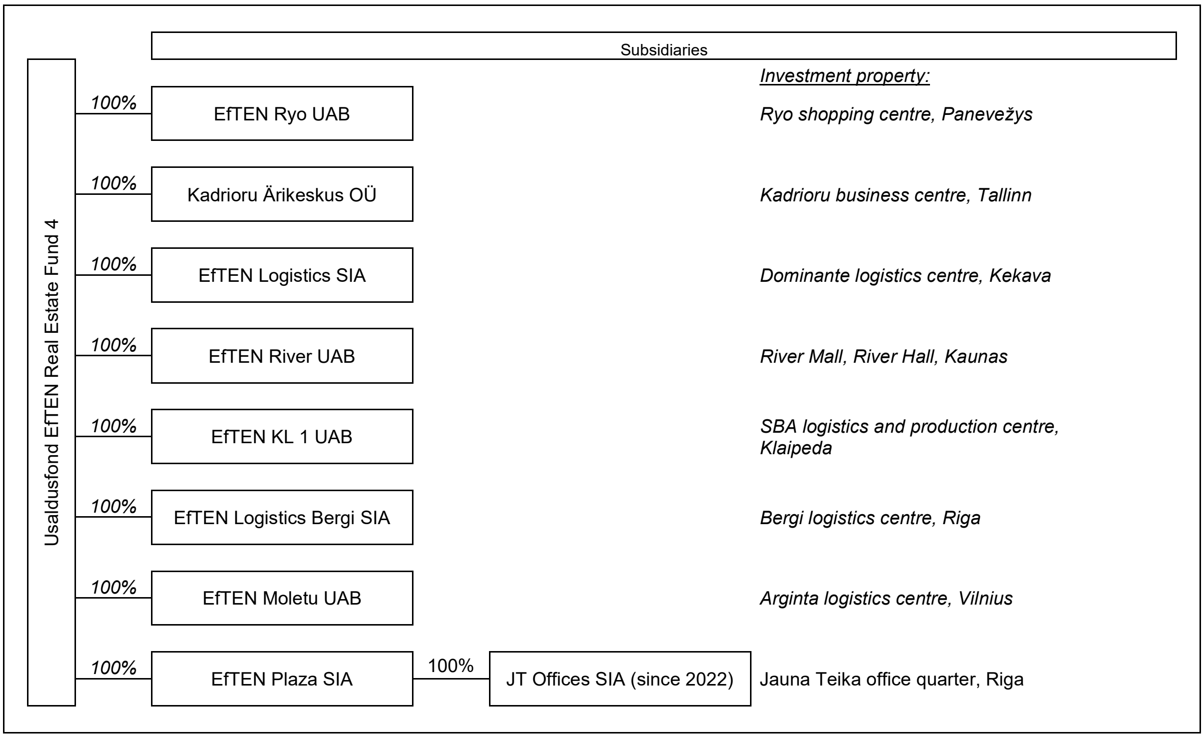
The fund is a closed-ended, alternative investment fund. The fund is guided by a core and core plus investment strategy. The investment region of the EfTEN Real Estate Fund 4 is the Baltic States.

The fund's investment activities are managed by EfTEN Capital AS. The general partner of the fund is EfTEN Neljas GP OÜ.

The consolidated financial statements of Usaldusfond EfTEN Real Estate Fund 4 for the year ended 31 December 2022 have been signed by the Management Board on 10 March 2023.

The fund is a company registered in Estonia and operating in Estonia.

The structure of the Usaldusfond EfTEN Real Estate Fund 4 group as of 31.12.2022 is as follows (see also Note 3):



2 Statement of compliance and general basis for the preparation of the consolidated accounts

According to the Investment Funds Act and the Regulation of the Minister of Finance no. 8 Requirements for the Fund's Consolidated Financial Statements to be Disclosed (adopted on 18 January 2017) the accounting policies and disclosures set out in International Financial Reporting Standards (IFRS) as adopted by the European Commission, taking into account the procedure for determining the net asset value of the fund provided for in the regulation established on the basis of subsection 54 (11) of the Investment Funds Act and other specifications set out in the above Regulation. The requirements provided for in the Accounting Act have also been considered.

In compiling its consolidated report, the Fund has followed the requirements of IFRS to the extent that is not in conflict with the Investment Funds Act and Regulation no. 8 requirements. In case of conflict, the Fund has proceeded from the Investment Funds Act and Regulation no. 8 (Requirements for the Fund's Reports to be Disclosed). The accounting policies used in the preparation of this consolidated report are described in more detail below. The consolidated financial statements of the Fund are presented in thousands of euros.

The consolidated financial statements have been prepared under the historical cost convention, unless otherwise stated (for example, investment property is carried at fair value).

2.1 Changes in accounting policies and presentation

2.1.1 Adopt of new or revised standards and interpretations

The following new or amended standards and interpretations became mandatory for the Group from 1 January 2022:

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41

The amendment „fixed assets“ to IAS 16 prohibits an entity from deducting from the cost of an item of property, plant or equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity has to use IAS 2 to measure the cost of those items. Cost does not include depreciation of the asset being tested because it is not yet ready for its intended use. The amendment to IAS 16 also clarifies that an entity is ‘testing whether the asset is functioning properly’ when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment „Provisions, contingent liabilities and contingent assets“ to IAS 37 clarifies the meaning of ‘costs to fulfil a contract’. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 „Business connections“ was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendment “Financial instruments” to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

"Rental agreements" illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 "First time application of international financial reporting standards" allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent’s consolidated financial statements, based on the parent’s date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis

The above-mentioned changes did not have a significant impact on the Group's financial statements.

Standards adopted in the next reporting period

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies

(applicable to reporting periods beginning on or after January 1, 2023)

IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures

The Group will analyse and disclose the effect of this change after its implementation

Amendments to IAS 8: Definition of Accounting Estimates

(applicable to reporting periods beginning on or after January 1, 2023)

The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates

The Group will analyse and disclose the effect of this change after its implementation

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12

(applicable to reporting periods beginning on or after January 1, 2023)

The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

The Group will analyse and disclose the effect of this change after its implementation

Standards not yet adopted

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1

(effective for annual periods beginning on or after 1 January 2024, not yet adopted by the EU)

These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument

The Group will analyse and disclose the effect of this change after its implementation

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback

(effective for annual periods beginning on or after 1 January 2024, not yet adopted by the EU)

The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognise any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate

The Group will analyse and disclose the effect of this change after its implementation.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28

(applies to reporting periods beginning on or after January 1, 2024; not yet adopted by the EU)

These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.

The Group will analyse and disclose the effect of this change after its implementation

2.2 *Summary of significant accounting principles*

Management's critical estimates and judgements

The presentation of consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union requires management to make judgments and make decisions that affect the principles and values of the recognition of assets and liabilities at the balance sheet date, the way contingent assets and liabilities are presented based on the probability of their realization, and revenues and expenses in the reporting period.

Although estimates and underlying assumptions are reviewed 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

2.2.1 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) Determination of the fair value of investment property

Investment property is measured at each balance sheet date at its fair value. The Group's real estate investments are valued by Colliers International Advisors OÜ. The Group's independent valuer evaluates investment property on an individualized basis using the discounted cash flow method. All the Group's investment properties earn (or are beginning to earn) rental income, therefore the applied method best indicates the fair value of the investment properties among the alternatives (comparison method for example). The estimates of cash flows of 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. Compared to the 2021 valuations, the discount rate for all real estate investments increased by 0.2 to 1.3 percentage points in 2022 with the support of EURIBOR changes as an input to the valuation calculations, but at the same time the forecast of business cash flows is also more optimistic, which is why there was no significant change in the fair value of the real estate portfolio in 2022.

Additional information on the assumptions used in valuation of fair values can be found in Note 15.

b) Assessments of control or significant influence in other entities

The Group owns 100% of all subsidiaries and only the members of the management board of the Group's parent company belong to the control bodies of the subsidiaries. Thus, the Group has full control over its subsidiaries both in the distribution of profits and in the adoption of management decisions.

c) Business combinations and acquisition of assets

Purchases of real estate are generally treated as acquisitions of assets. The management estimates that there is no business combination if the property has individual tenants, the Fund does not acquire any assets or rights other than the property and does not employ any past employees. The Fund does not acquire the business process management know-how of the real estate object but manages all the acquired objects centrally.

2.2.2 Investment company

The management of the Group has assessed its activities to meet the definition of an investment company and considers that EfTEN Real Estate Fund 4 AS does not meet the definition of an investment company as it has the characteristics of a real estate company rather than a pure investment company. Although investors in EfTEN Real Estate Fund 4 AS expect both capital appreciation and operating profit from their capital investment, the Group also carries a significant amount of development risk in its investments, which is typical of a typical real estate company. An investment firm should also make direct investments in companies that are measured at fair value in accordance with IFRS 10. For the parent company of the Group, fair value measurement is indirect - the fair value is the value of assets held in subsidiaries, resulting in the fair value of the subsidiary not necessarily being the ultimate market price of the subsidiary. The Group also estimates its financial performance based on rental income, profit margins, volume of assets and other financial indicators of the real estate business, which cannot be measured solely by the fair value of the subsidiary.

Consolidation

The consolidated financial statements present the financial information of EfTEN Real Estate Fund 4 AS and its subsidiaries, consolidated on a line-by-line basis. The subsidiaries are consolidated from the date on which control is transferred to the Group, and subsidiaries are deconsolidated from the date that control ceases.

Subsidiaries are all entities over which the Group has control. The Group controls an entity if it receives or has rights to the variable profit resulting from participation in the entity and it can influence the amount of this profit by using its influence 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 three business segments and geographical segments are presented in the following table:

	Estonia	**Latvia**	**Lithuania**
Office	Kadrioru business centre, Tallinn	Jauna Teika office quarter, Riga	River Hall business centre, Kaunas
Logistics		Dominante logistics centre, Kekava	SBA logistics and production centre, Klaipeda
		Bergi logistics centre, Riga	Arginta logistics centre, Vilnius
Retail			Ryo shopping centre, Panevežys
			River Mall shopping centre, Kaunas

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 analyses 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 18), 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 is income arising during the Company's ordinary activities. Revenue is measured in the amount of transaction price. Transaction price is the amount of consideration to which the Company expects to be entitled in exchange of transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a good or service to a customer.

The Group's revenue includes rental income, administration fees, marketing fees, and utility and administrative agency fees.

Lease income from operating leases is recognised on a straight-line basis over the lease term. If the Group agrees with the tenants during the lease-free period, the said expense is also recognised on a straight-line basis over the lease term, reducing rental income.

Administrative fees and marketing fees are recognised in the period in which the control over the services is transferred to the customer, i.e., during the service period.

Some management fees may include different service components. In this case, the Group assesses whether they give rise to several implementation obligations. If such different implementation obligations exist, then the total transaction fee is allocated to each obligation to execute based on a separate selling price. If there is no separate selling price, it is derived from the expected cost-plus margin.

The Group acts as an agent for resale of utility and administrative expenses, and therefore such income is not shown in gross amount but is offset by the related expense.

Financing component

Company does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the Company does not adjust any of the transaction prices for the time value of money.

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.

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Financial assets

(i) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

As of 31.12.2022 and 31.12.2021, the group did not have such financial assets that are recognised at fair value.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Regular purchases and sales of financial assets are recognised on the trade date, the date the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. All Company's debt instruments are classified in amortised cost measurement category.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income/expenses.

As of 31 December 2022, and 31 December 2021, all the Company's financial assets were classified in this category:
- cash and cash equivalents;
- trade receivables;
- contractual assets;
- other financial assets.

Assets that do not meet the criterion of acquisition cost or change in fair value through comprehensive income are recognized at fair value through profit or loss. Gains or losses arising from changes in the fair value of debt instruments are recognized in the income statement in the income statement as financial income and expenses. Such fair value gains and losses also include contractual interest earned on the respective instruments.

Equity instruments

The Company does not have any investments in equity instruments.

(iv) Impairment

The Company assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

For trade receivables and contract assets without a significant financing component the Company applies a simplified approach permitted by IFRS 9 and measures the allowance for impairment losses at expected lifetime credit losses from initial recognition of the receivables. The Company uses a provision matrix in which allowance for impairment losses is calculated for trade receivables falling into different ageing or overdue periods.

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 (including rent per 1 square meter and the occupancy rate) 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.

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 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 capitalised 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 Group 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 settled or cancelled or expires.

Success fee liability

EfTEN Real Estate Fund 4, EfTEN Capital AS and EfTEN Neljas GP OÜ (a 100% subsidiary of EfTEN Capital AS) have entered into an agreement, according to which EfTEN Capital AS has the right to receive performance fees for amounts exceeding investors' contributions and preferred returns (8% of contributions per year). 80% of investors' contributions and disbursements exceeding the rate of preferred return are paid to investors and 20% to EfTEN Capital AS. The fund recognizes a potential contingent performance fee liability at each balance sheet date, taking into account the contributions made by the group, the profit earned and the net asset value of the group at the balance sheet date. The potential calculation of the performance fee liability is based on the assumption that the Fund, together with its subsidiaries, can be sold for at least the amount of the Group's net asset value. The performance fee obligation is paid to the Management Company after all the initially paid-in capital and preferred return have been returned to the Fund's investors.

Period costs from the change in performance fee are recognized in the Group's operating profit (see also Note 14).

Provisions and contingent liabilities

Provisions are recognized in the balance sheet only when the enterprise has a legal or constructive obligation as a result of events that existed at the balance sheet date, and its fulfilment will probably require the asset to be disposed of in a reliable amount in the future.

Contingent liabilities also include liabilities arising from events occurring on the balance sheet date, the management of which, in the opinion of the management, is unlikely to materialize.

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

Income tax

Parent company

The fund is registered as a trust fund under the Investment Funds Act. The trust fund is a tax-transparent company under the Income Tax Act, which is why the trust fund is not considered a taxable person. Tax transparency means that income received from the Fund's subsidiaries is attributed directly to the Fund's investors and is taxed as if they had earned income directly from the subsidiaries. The income of the subsidiaries of the Fund is taxed in accordance with the tax laws of the country where the subsidiary is located.

Subsidiaries in Estonia

According to the Income Tax Act, the company's profit for the financial year is not taxed in Estonia, but profit distributions (dividends) are paid out. The tax rate on (net) dividends is 20/80). Income tax on the payment of dividends is recognized as an expense in the income statement when the dividends are declared (liability arises).

From 2019, it will be possible to apply a tax rate of 14/86 to dividend payments. This more favourable tax rate can be used for dividend payments up to the average dividend payment of the previous three financial years, which is taxed at 20/80.

Due to the nature of the taxation system, a company registered in Estonia does not incur deferred income tax assets or liabilities, except for a possible deferred income tax liability from the company's investments in subsidiaries, associates and joint ventures and branches.

Latvian subsidiaries

In Latvia, from 1 January 2018, profits made after 2017 will be taxed at a rate of 20/80. The transitional rules of the Act allow for a reduction in the profit payable on dividends if the company has unused tax losses or certain provisions as of 31 December 2017.

As a result of the implementation of the Income Tax Act in force since 2018, there are no longer any differences between the tax accounting and carrying amounts of assets and liabilities in Latvia and therefore no deferred income tax assets or liabilities are recognized for Latvian subsidiaries. All deferred income tax assets and liabilities assumed in previous periods were derecognised in 2017 and the corresponding income tax expense / income was recognized in the income statement.

Lithuanian subsidiaries

In Lithuania, the company's net profit is subject to a 15% income tax rate. Taxable income is calculated from corporate profits before income tax, which is adjusted in accordance with the requirements of local income tax laws in addition to income and expense additions permitted in the income tax returns.

For Lithuanian subsidiaries, a deferred tax asset or liability is recognized for the temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the balance sheet date. Deferred income tax assets are recognized in the balance sheet only when it is probable that future taxable profits will be available against which the deferred tax assets can be utilized.

Recognition of deferred tax liability in consolidated financial statements

The Group's deferred tax liability arises for companies located in countries where profits are taxed.

The Group's deferred income tax liability also arises from investments in Estonian and Latvian subsidiaries and associates, unless the Group is able to control the timing of the reversal of taxable temporary differences and it is unlikely that they will reverse in the foreseeable future. Examples of reversals of taxable temporary differences are the payment of dividends, the sale or liquidation of an investment, and other transactions. As the Group controls the dividend policies of its subsidiaries, it is also able to control the timing of the reversal of temporary differences associated with that investment. If the parent has decided not to distribute the profit of the subsidiary in the foreseeable future, it does not recognize a deferred income tax liability. If the parent estimates that the dividend will be paid in the foreseeable future, the deferred income tax liability is measured at the amount of the planned dividend payment, provided that there are sufficient funds and equity to distribute the profit in the foreseeable future. In measuring a deferred tax liability, the Group uses tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the temporary differences reverse.

Paid-in capital

The Fund's investors have made an investment obligation to the Fund and the maximum amount of the obligations is set out in Note 16. Pursuant to the agreement between the Fund and investors (partnership agreement), the Fund requires investors to pay the investment obligation as required by submitting a written application to investors. The Fund's investors (limited partners) are liable to the Fund with the maximum investment obligation and, in accordance with the Commercial Code, are liable for the obligations assumed by the Fund up to the maximum amount of the investment obligation. The Management Company (general partner) has also assumed the maximum investment obligation, but pursuant to the Commercial Code, the general partner is liable to the Fund with all its assets. Investors' contributions (limited partners and general partners) are recorded as a liability in the financial statements, as upon liquidation of the Fund there is an obligation to return their proportionate share of the Fund's net assets, investors' contributions to the Fund are not registered as capital and investors' liabilities to the Fund are not identical.

3 Subsidiaries

Company's name	Country of domicile	Investment property	The subsidiary's equity, EUR thousand		Group's ownership interest, %	
			31.12.2022	31.12.2021	31.12.2022	31.12.2021
Parent company						
Usaldusfond EfTEN Real Estate Fund 4	Estonia					
Subsidiaries						
EfTEN Ryo UAB	Lithuania	Ryo shopping centre, Panevežys	30,568	27,235	100	100
Kadrioru Ärikeskus OÜ	Estonia	Kadrioru business centre, Tallinn	1,729	2,209	100	100
EfTEN River UAB	Lithuania	River Mall, River Hall, Kaunas	18,225	16,517	100	100
EfTEN Logistics SIA	Latvia	Dominante logistics centre, Kekava	4,643	4,556	100	100
EfTEN KL 1 UAB	Lithuania	SBA logistics and production centre, Klaipeda	7,272	9,626	100	100
EfTEN Logistics Bergi SIA	Latvia	Bergi logistics centre, Riga	5,875	6,493	100	-
EfTEN Moletu UAB	Lithuania	Arginta logistics centre, Vilnius	7,856	6,885	100	-
EfTEN Plaza SIA	Latvia	-	17,655	14,314	100	-
JT Offices SIA	Latvia	Jauna Teika office complex, Riga	137,341	-	100	-

All subsidiaries are engaged in the acquisition and leasing of investment properties. The shares of any of the subsidiaries are not quoted on the stock exchange.

Acquisitions of subsidiaries in 2022

In June 2021, the Fund established one 100% owned subsidiary in Latvia (EfTEN Plaza SIA), paying 4 thousand euros for the share capital of the subsidiary. In November 2021, the Fund paid an additional 14,500 thousand euros to the equity capital of the subsidiary and granted a loan of 42,675 thousand euros to the subsidiary. In February 2022, EfTEN Plaza SIA acquired 100% subsidiary JT Offices SIA, which owns the Jauna Teika office complex in Latvia. As of 31.12.2022, EfTEN Plaza SIA has paid a total of 130,862 thousand euros for the acquisition of the subsidiary (including 1,500 thousand euros in 2021). At the time of the acquisition, the bank accounts of the subsidiary company had cash and cash equivalents in the amount of 2,581 thousand euros.

In addition, there is a rental guarantee agreement between the seller of EfTEN Plaza SIA and JT Offices SIA in the total amount of 2,000 thousand euros for renting out the vacant premises, according to which the seller of JT Offices SIA is obliged to find tenants for the vacant premises of the office building within two years (a total of 9,087 m2, 15% of the total leased area). If the seller of JT Offices SIA cannot find tenants for the vacant premises, the seller is obliged to pay 1,152 thousand euros to EfTEN Plaza SIA. As of 31.12.2022, the seller has partially fulfilled the obligations according to the agreement, and the management of the fund does not consider it likely that the seller will find tenants for the remaining vacant premises. Therefore, the balance of the rental guarantee will probably be paid to EfTEN Plaza SIA at the end of the agreement in the amount of 1,152 thousand euros.

The fair value of the subsidiary at the time of acquisition was as follows:

21.02.2022	Fair value
€ thousands	
Cash	2,581
Receivables and prepayments	808
Investment property	128,844
Other liabilities	-2,524
Fair value of net assets	**129,709**
Acquisition cost	129,709
Goodwill	**0**

Acquisitions of subsidiaries in 2021

In January 2021, the EfTEN Real Estate Fund 4 acquired 100% of the shares of Bergi SIA. Bergi SIA owns a logistics centre in Riga.

The fair value of Bergi SIA at the time of acquisition is presented in the table below.

01.01.2021	Fair value
€ thousands	
Cash	1,153
Receivables and prepayments	32
Investment property (Note 11)	26,750
Bank loans (Note 3)	-14,000
Own loans and interest liabilities on owner loans	-7,962
Other liabilities	-34
Fair value of net assets	**5,939**
Acquisition cost	5,939
Takeover of owner - occupied loans	7,962
Goodwill	**0**

In March 2021, the Fund acquired a wholly owned subsidiary in Lithuania (EfTEN Moletu UAB). The acquisition cost of the subsidiary totalled 6,099 thousand euros. The subsidiary owns the Arginta logistics centre in Vilnius, Lithuania.

31.03.2021	Fair value
€ thousands	
Cash	31
Receivables and prepayments	1,076
Investment property (Note 11)	15,440
Other non-current assets	100
Bank loans (Note 12)	-8,500
Own loans and interest liabilities on owner loans	0
Deferred income tax liability (Note 9)	-761
Other liabilities	-1,287
Fair value of net assets	**6,099**
Acquisition cost	6,099
Goodwill	**0**

4 *Segment reporting*

SEGMENDI TULEM

	Office		**Logistics**		**Retail**		**Non-allocated**		**Total**	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
€ thousands										
Revenue (Note 5), **incl.**	**9,710**	**2,051**	**7,288**	**7,131**	**6,963**	**5,922**	**0**	**0**	**23,961**	**15,104**
Estonia	1,069	1,034	0	0	0	0	0	0	1,069	1,034
Latvia	7,508	0	3,966	4,157	0	0	0	0	11,474	4,157
Lithuania	1,133	1,017	3,322	2,974	6,963	5,922	0	0	11,418	9,913
Operating income, net, incl.	**9,475**	**1,941**	**7,056**	**6,914**	**6,398**	**5,490**	**0**	**0**	**22,929**	**14,345**
Estonia	862	967	0	0	0	0	0	0	862	967
Latvia	7,503	0	3,738	3,945	0	0	0	0	11,241	3,945
Lithuania	1,110	974	3,318	2,969	6,398	5,490	0	0	10,826	9,433
Operating profit, incl.	**8,584**	**1,920**	**4,567**	**9,982**	**7,496**	**9,040**	**-601**	**-1,752**	**20,046**	**19,190**
Estonia	128	697	0	0	0	0	-601	-1,752	-473	-1,055
Latvia	7,210	-83	916	4,180	0	0	0	0	8,126	4,097
Lithuania	1,246	1,306	3,651	5,802	7,496	9,040	0	0	12,393	16,148
EBITDA, incl.	**8,320**	**1,623**	**6,394**	**6,146**	**5,962**	**5,083**	**-168**	**-148**	**20,508**	**12,704**
Estonia	723	827	0	0	0	0	-168	-148	555	679
Latvia	6,594	-83	3,357	3,520	0	0	0	0	9,951	3,437
Lithuania	1,003	879	3,037	2,626	5,962	5,083	0	0	10,002	8,588
Operating profit									**20,046**	**19,190**
Net financial expense									-3,642	-1,965
Profit before income tax expense									**16,404**	**17,225**
Income tax expense (Note 9)									-2,406	-2,712
NET PROFIT FOR THE FINANCIAL PERIOD									**13,998**	**14,513**

SEGMENT ASSETS

	Office		Logistics		Retail		Total	
As at the end of the year	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
€ thousands								
Investment property								
Estonia	15,760	16,350	0	0	0	0	15,760	16,350
Latvia	129,460	1,500	44,430	46,440	0	0	173,890	47,940
Lithuania	15,390	15,000	47,850	47,210	73,360	71,760	136,600	133,970
Total investment property (Note 11)	**160,610**	**32,850**	**92,280**	**93,650**	**73,360**	**71,760**	**326,250**	**198,260**
Other non-current assets							1,364	293
Net debt (liabilities less cash)							-154,752	-35,689
Other short-term assets							2,238	1,093
NET ASSETS							**175,100**	**163,957**

In 2022 and 2021, the business segments did not make any transactions with each other. The main income of the Group is derived from investment properties located in the same countries as the subsidiary that owns the investment property.

In 2022, 8.9% of the Group's consolidated rental income is received from Innovo Logistics UAB, (single tenant in SBA logistics centre in Lithuania), 8% from Do It SIA (anchor tenant in Bergi logistics centre in Latvia) and 7.7% from Trialto Latvia SIA (anchor tenant in Dominante logistics centre in Kekava). The share of income of other tenants in the consolidated income is less than 5%.

5 Revenue

Areas of activity	2022	2021
€ thousands		
Rental income from office premises (Note 11)	9,172	2,052
Rental income from retail premises (Note 11)	6,698	5,588
Rental income from logistics premises (Note 11)	7,267	7,117
Other sales revenue	824	347
Total revenue by areas of activity (Note 4)	**23,961**	**15,104**

Revenue by geographical area	2022	2021
€ thousands		
Estonia	1,069	1,034
Latvia	11,474	4,157
Lithuania	11,418	9,913
Total revenue by geographical area (Note 4)	**23,961**	**15,104**

6 The cost of services sold

Cost of services sold	2022	2021
€ thousands		
Repair and maintenance of rental premises	-252	-239
Property insurance	-10	-9
Land tax and real-estate tax	-92	-93
Utility costs for vacant premises	-80	-44
Depreciation of property, plant and equipment	-6	-8
Improvement costs	-71	-7
Wages and salaries, incl. taxes (Note 17)	-169	-149
Other costs	-12	-14
Allowance for doubtful accounts	-4	-1
Total cost of service sold (Note 11)	**-696**	**-564**

7 Marketing costs

Marketing costs	2022	2021
€ thousands		
Commission expenses on rental premises	-61	-26
Advertising, promotional events	-275	-169
Total marketing costs	**-336**	**-195**

8 General and administrative expenses

General and administrative expenses	2022	2021
€ thousands		
Management services (Note 17)	-1,989	-1,185
Office expenses	-71	-14
Wages and salaries, incl. taxes (Note 17)	-37	-17
Consulting expenses, legal services, accounting services, evaluation services, audit	-481	-402
Regulator costs	-86	-52
Other general and administrative expenses	-21	-17
Depreciation	-75	-76
Total general and administrative expenses	**-2,760**	**-1,763**

9 Income tax

	2022	2021
€ thousands		
Deferred income tax expense on dividends	-817	-474
Deferred income tax expense from Lithuanian companies	-1,346	-2,072
Lithuanian corporate income tax expense on profits	-243	-166
Total income tax expense (Note 4)	**-2,406**	**-2,712**

As of 31.12.2022 and 31.12.2021, the Group has deferred income tax liability in the following amounts:

	Deferred income tax liability related to investment properties	Deferred income tax liability related to dividends	Total
Balance as at 31.12.2020	**7,738**	**60**	**7,798**
Change in deferred income tax liability through profit or loss in 2021	2,072	474	2,546
Income tax paid on dividends	0	-45	-45
Deferred income tax liability from business combinations (Note 3)	761	0	761
Balance as at 31.12.2021	**10,571**	**489**	**11,060**
Change in deferred income tax liability through profit or loss in 2022	1,346	817	2,163
Income tax paid on dividends	0	-55	-55
Balance as at 31.12.2022	**11,917**	**1,251**	**13,168**

10 Receivables and accrued income

Current receivables and accrued income

	31.12.2022	31.12.2021
€ thousands		
Trade receivables		
Receivables from customers	2,052	976
Allowance for doubtful accounts	-4	-1
Total trade receivables (Note 15)	**2,048**	**975**
Other short-term receivables	4	0
Total other short-term receivables	**4**	**0**
Other accrued income	165	63
Total accrued income	**165**	**63**
Total receivables and accrued income (Note 15)	**2,217**	**1,038**

Long - term receivables

	31.12.2022	31.12.2021
€ thousands		
Receivables and prepayments related to real estate development projects	1,152	87
Total long - term receivables	**1,152**	**87**

11 Investment property

As of 31.12.2022, the Group has made investments in the following investment properties:

Name	Location	Net rental area (m²)	Year of construction	Date of acquisition	Acquisition cost	Market value as of 31.12.2022	Increase in value	Share of market value of the Fund's asset
€ thousands								
Kadrioru business centre	Tallinn, Estonia	6,527	2015	12.2018	16,859	15,760	-7%	5%
Ryo shopping centre	Panevėžys, Lithuania	23,709	2005/2015	12.2018	48,099	54,100	12%	17%
River Hall business centre	Kaunas, Lithuania	8,786	2018	08.2019	14,370	15,390	7%	5%
River Mall shopping centre	Kaunas, Lithuania	9,793	2012/2019	08.2019	18,326	19,260	5%	6%
Dominante logistics centre	Riga, Latvia	37,665	2007	01.2020	16,986	16,190	-5%	5%
SBA logistics and production centre	Klaipeda, Lithuania	44,048	2020	12.2020	28,571	31,580	11%	10%
Bergi logistics centre	Riga, Latvia	49,978	2008	01.2021	29,845	28,240	-5%	9%
Arginta logistics centre	Vilnius, Lithuania	16,301	2007/2018	03.2021	15,441	16,270	5%	5%
Jauna Teika office complex	Riga, Latvia	59,097	2008/2016/ 2017/2019	02.2022	128,844	129,460	0%	40%
Total		**255,904**			**317,339**	**326,250**	**3%**	**100%**

During the reporting periods in 2022 and 2021, the following changes have taken place in the Group's real estate investments:

	Finished real estate investments	Prepayments for real estate investments	**Total investment properties**
Balance as at 31.12.2020	**142 229**	**0**	**142,229**
Acquisitions from business combinations in 2021	4,167	0	**4,167**
Capitalized improvements in 2021 (Note 3)	42,190	1,500	**43,690**
Gain from change in fair value in 2021	8,174	0	**8,174**
Balance as at 31.12.2021 (Note 4)	**196,760**	**1,500**	**198,260**
Acquisitions from business combinations in 2022 (Note 3)	127,344	0	**127,344**
Capitalized improvements in 2022	594	0	**594**
Gain from change in fair value in 2022	52	0	**52**
Balance as at 31.12.2022 (Note 4)	**324,750**	**1,500**	**326,250**

The Group's income statement and balance sheet include the following income and expenses and balances related to investment properties:

As of 31 December, or per year	2022	2021
Rental income from investment properties (Note 5)	23,137	14,757
Costs directly related to the management of investment properties (Note 6)	-696	-564
Prepayments for investment property	0	1,500
Book value of investment properties pledged as collateral for loan liabilities (Note 12)	310,060	180,410

All real estate investments that generate rental income for the Group are pledged as collateral for long-term bank loans, except for the Dominante logistics centre, for which no loan was taken.

The lease agreements concluded between Group subsidiaries and the tenants comply with the terms of the uninterruptible operating lease agreements. Revenue from these leases is distributed as follows:

Payments under non - cancellable operating leases	**31.12.2022**	**31.12.2021**
€ thousands		
up to 1 year	21,307	13,018
2-5 years	43,031	28,319
Over 5 years	39,052	32,536
Total	**103,390**	**73,873**

Assumptions and basis for determining the fair value of investment properties

The Group's investment properties are valued by an independent appraiser. The fair value of all investment properties reported in the Group's financial statements as of 31.12.2022 and 31.12.2021 have been obtained using the discounted cash flow method. The following assumptions have been used to determine fair value:

In 2022:

Sector	Fair value	Evaluation method	Estimated rental income per year	Discount rate	Exit yield	Average rental price €/m²
€ thousands						
Office	160,610	Discounted cash flows	14,082	8.0%-8.8%	6.6%-7.0%	16.2
Logistics	92,280	Discounted cash flows	6,874	8.8%-10.25%	6.75%-8.0%	3.9
Retail	73,360	Discounted cash flows	6,641	8.8%-9.6%	7.75%-8.5%	16.9
Total	**326,250**		**27,597**			

In 2021:

Sector	Fair value	Evaluation method	Estimated rental income per year	Discount rate	Exit yield	Average rental price €/m²
€ thousands						
Office	32,850	Discounted cash flows	2,160	7.8%-8.2%	6.8%-7.0%	13.2
Logistics	93,650	Discounted cash flows	7,078	8.2%-9.3%	6.75%-8.0%	4.0
Retail	71,760	Discounted cash flows	6,186	8.2%-9.0%	7.75%-8.5%	15.7
Total	**198,260**		**15,424**			

Independent expert estimates for the fair value of investment properties are based on the following:

- Rental income: prices and real growth rates resulting from existing leases are used;
- Vacancy: the actual vacancy of an investment property, taking into account the risks associated with the object;
- Discount rate: calculated on the basis of the weighted average cost of capital (WACC) related to investment property;
- Exit yield: based on the estimated level of return at the end of the expected deposit period. taking into account the foreseeable market situation and the risks associated with the object.

Fair value sensitivity analysis

The table below illustrates the sensitivity of the fair value of investment properties recognized in the Group's balance sheet as of 31.12.2022 to the most important valuation assumptions:

Sector	**Fair value**	**Sensitivity to management estimate**		**Sensitivity to discount rate and exit yield**			
		Revenue +10%	**Revenue -10%**	**Discount rate +50bp**	**Discount rate -50bp**	**Exit yield +50bp**	**Exit yield -50bp**
€ thousands							
Office	160,610	22,320	-22,320	-3,320	3,430	-8,690	10,110
Logistics	92,280	10,260	-10,280	-1,880	1,910	-4,530	5,210
Retail	73,360	8,470	-8,480	-1,430	1,470	-2,860	3,210
Total	**326,250**	**41,050**	**-41,080**	**-6,630**	**6,810**	**-16,080**	**18,530**

As at 31.12.2021

Sector	**Fair value**	**Sensitivity to management estimate**		**Sensitivity to discount rate and exit yield**			
		Revenue +10%	**Revenue -10%**	**Discount rate +50bp**	**Discount rate -50bp**	**Exit yield +50bp**	**Exit yield -50bp**
€ thousands							
Office	32,850	3,320	-3,340	-650	650	-1,580	1,800
Logistics	93,650	10,100	-10,100	-1,880	1,940	-4,520	5,230
Retail	71,760	8,020	-8,030	-1,370	1,490	-2,810	3,220
Total	**198,260**	**21,440**	**-21,470**	**-3,900**	**4,080**	**-8,910**	**10,250**

Level three inputs have been used to determine the fair value of all of the Group's investment properties.

12 Borrowings

As at 31.12.2022, the Group has the following borrowings:

Lender	Country of lender	Loan amount as per agreement, € *thousands*	Loan balance as at 31.12.2022, € *thousands*	Contract term	Interest rate as at 31.12.2022	Loan collateral	Value of collateral, € *thousands*	Loan balance's share of the fund's net asset value
Swedbank	Estonia	9,200	8,211	25.11.23	3.51%	Mortgage - Kadrioru business centre	15,760	4.7%
Swedbank	Lithuania	24,500	20,936	28.11.23	4.05%	Mortgage - RYO shopping centre	54,100	12.0%
Luminor	Lithuania	17,160	16,110	06.12.23	4.53%	Mortgage - SBA logistics and production centre	31,580	9.2%
SEB	Latvia	14,000	12,743	04.11.25	4.10%	Mortgage - Bergi logistics centre	28,240	7.3%
Luminor	Lithuania	8,500	7,933	30.03.24	4.85%	Mortgage - Arginta logistics centre	16,270	4.5%
SEB	Latvia	75,000	73,675	11.10.26	3.24%	Mortgage -Jauna Teika office quarter	129,460	42.1%
Swedbank	Lithuania	16,100	13,257	17.07.24	3.91%	Mortgage - River shopping centre	34,650	7.6%
Total		**164,460**	**152,865**				**310,060**	**87.3%**

As at 31.12.2021, the Group has the following borrowings:

Lender	Country of lender	Loan amount as per agreement, € *thousands*	Loan balance as at 31.12.2022, € *thousands*	Contract term	Interest rate as at 31.12.2021	Loan collateral	Value of collateral, € *thousands*	Loan balance's share of the fund's net asset value
Swedbank	Estonia	9,200	8,487	25.11.23	1.60%	Mortgage - Kadrioru business centre	16,350	5.2%
Swedbank	Lithuania	24,500	21,981	28.11.23	2.10%	Mortgage - RYO shopping centre	53,000	13.4%
Luminor	Lithuania	17,160	16,623	06.12.23	2.55%	Mortgage - SBA logistics and production centre	31,340	10.1%
SEB	Latvia	14,000	13,399	04.11.25	2.20%	Mortgage - Bergi logistics centre	30,090	8.2%
Luminor	Lithuania	8,500	8,273	30.03.24	2.65%	Mortgage - Arginta logistics centre	15,870	5.0%
Swedbank	Lithuania	16,100	14,135	17.07.24	2.45%	Mortgage - River shopping centre	33,760	8.6%
Total		**89,460**	**82,898**				**180,410**	**50.6%**

Short-term borrowings	**31.12.2022**	**31.12.2021**
€ thousands		
Recognition of the long-term portion of long-term bank loans as short-term[1]	0	8,211
Repayments of long-term bank loans in the next period	48,400	3,776
Discounted contract fees for bank loans	-93	-28
Total short-term borrowings	**48,307**	**11,959**

[1] As of 31.12.2021, the Group recognized as a short-term loan liability of the subsidiary Kadrioru Ärikeskus OÜ, the maturity date of which is 25.11.2023. The loan was recognized as short-term due to the decrease in EBITDA below the rate allowed in the special terms of the agreement.

Long-term borrowings	**31.12.2022**	**31.12.2021**
€ thousands		
Total long-term borrowings	**152,578**	**82,565**
incl. current portion of borrowings	48,307	11,959
incl. non-current portion of borrowings, incl.	104,271	70,606
Bank loans	*104,465*	*70,911*
Discounted contract fees on bank loans	*-194*	*-305*

Bank loans are divided as follows according to repayment date:

Repayments of bank loans by maturity	**31.12.2022**	**31.12.2021**
€ thousands		
Up to 1 year	48,400	11,987
2-5 years	104,465	70,911
Total repayments of bank loans	**152,865**	**82,898**

Cash flows of borrowings	**2022**	**2021**
€ thousands		
Balance at the beginning of period	**82,565**	**63,368**
Bank loans received through business combinations and acquisitions (Note 3)	0	22,500
Bank loans received	75,000	464
Annuity payments on bank loans	-5,033	-3,494
Change of discounted contract fees	46	-273
Balance as at the end of period	**152,578**	**82,565**

Additional information on loan liabilities is also provided in Note 15

13 Payables and prepayments

Short-term payables and prepayments

	31.12.2022	31.12.2021
€ thousands		
Other payables to suppliers	760	329
Total payables to suppliers (Note 15)	**760**	**329**
Debts from securities transactions	14	14
Other debts	54	59
Total other debts	**68**	**73**
VAT	482	295
Corporate income tax	118	71
Social tax	1	0
Land tax and real-estate tax	88	87
Other tax liabilities	3	5
Total tax liabilities	**692**	**458**
Payables to employees	4	3
Interest liabilities (Note 15)	37	6
Tenant security deposits (Note 15)	711	220
Other accrued liabilities (Note 15)	163	70
Total accrued expenses	**915**	**299**
Prepayments received from buyers	101	24
Total prepayments	**101**	**24**
Total payables and prepayments (Note 15)	**2,536**	**1,183**

Long-term payables

	31.12.2022	31.12.2021
€ thousands		
Tenants' security deposits (Note 15)	3,811	1,675
Success fee liability (Note 14)	2,585	2,152
Total other long-term payables	**6,396**	**3,827**

14 Success fee liability

As of 31.12.2021, the Group has calculated the success fee liability as follows:

	31.12.2022	31.12.2021
€ thousands		
Balance at the beginning of the period	**2,152**	**548**
Increase in success fee liability	433	1,604
Balance at end of period (Note 13)	**2,585**	**2,152**

EfTEN Real Estate Fund 4, EfTEN Capital AS and EfTEN Neljas GP OÜ (a 100% subsidiary of EfTEN Capital AS) have entered into a trust fund agreement, according to which EfTEN Capital AS has the right to receive success fees for amounts exceeding investors' contributions and preferred returns (8% of contributions per year). 80% of investors' contributions and disbursements exceeding the rate of preferred return are paid to investors and 20% to EfTEN Capital AS. The fund recognizes a potential contingent success fee liability at each balance sheet date, taking into account the contributions made by the group, the profit earned and the net asset value of the group at the balance sheet date. The potential calculation of the success fee liability is based on the assumption that the Fund, together with its subsidiaries, can be sold for at least the amount of the Group's net asset value. The success fee obligation is paid to the Management Company after all the initially paid-in capital and preferred return have been returned to the Fund's investors.

Period costs from the change in success fee are recognized in the Group's operating profit.

15 *Financial instruments, management of financial risks*

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

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	31.12.2022	31.12.2021
€ thousands			
Financial assets – loans and receivables measured at amortised cost			
Cash and cash equivalents		19,926	62,946
Trade receivables	10	2,048	975
Total financial assets measured at amortised cost		**21,974**	**63,921**
Financial liabilities measured at amortised cost:			
Borrowings	12	152,578	82,565
Trade payables	13	760	329
Tenant security deposits	13	4,522	1,895
Interest payables	13	37	6
Accrued expenses	13	167	73
Total financial liabilities measured at amortised cost		**158,064**	**84,868**
Total financial liabilities		**158,064**	**84,868**

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 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 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 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 of 31.12.2022, all of the Group's loan agreements have been entered into on the basis of floating interest, of which 95% (31.12.2021: 90%) is linked to the 3-month EURIBOR and 5% to the 1-month EURIBOR (31.12.2021: 10%). In 2022, the 3-month Euribor fluctuated between -0.576% and 2.202%. Margins on loan agreements range from 3.24% to 4.85% at the end of 2022 (31.12.2021: 1.6% to 2.65%). The Group has a 0% limit on its loan portfolio to protect against negative EURIBOR, i.e. in the case of a negative EURIBOR, the loan margin on these loan liabilities does not decrease.

As of 31.12.2022, the weighted average interest rate of the group's loan portfolio was 3.72% (31.12.2021: 2.27%). None of the special terms of the loan agreement were violated in 2022 due to the increase in the interest rate.

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 income, reducing the Group's ability to generate positive net cash flows;
- Vacancy of rental property;
- Mismatch between the maturities of assets and liabilities and flexibility in changing them;
- Marketability of long-term assets;
- Volume and pace of real estate development activities;
- Financing structure.

The objective of the Group is to manage its net cash flows, so as to not use debt in making real estate investments in excess of 70% of the cost of the investment and to maintain the Group's debt coverage ratio in excess of 1.2. As at 31.12.2022, the Group's interest-bearing liabilities accounted for 47% (31.12.2021: 42%) of rental income generating investment property and the average debt coverage ratio (DSCR) of the last 12 months was 2.4 (2021: 2.3).

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 properties. The table below summarises the information on the maturities of the Group's financial liabilities (undiscounted cash flows):

As at 31.12.2022	Under 1 month	2-4 months	5-12 months	Between 2-5 years	Over 5 years	**Total**
€ thousands						
Interest-bearing liabilities	389	1,175	46,839	104,462	0	**152,865**
Interest payments	489	1,460	3,741	8,012	0	**13,702**
Interest payables	37	0	0	0	0	**37**
Trade payables	760	0	0	0	0	**760**
Tenant security deposits	64	77	570	2,219	1,592	**4,522**
Accrued expenses	167	0	0	0	0	**167**
Total financial liabilities	**1,906**	**2,712**	**51,150**	**114,693**	**1,592**	**172,053**

As at 31.12.2021	Under 1 month	2-4 months	5-12 months	Between 2-5 years	Over 5 years	**Total**
€ thousands						
Interest-bearing liabilities	312	939	2,525	79,122	0	**82,898**
Interest payments	162	483	1,259	2,494	0	**4,398**
Interest payables	6	0	0	0	0	**6**
Trade payables	329	0	0	0	0	**329**
Tenant security deposits	30	41	148	1,213	462	**1,895**
Accrued expenses	73	0	0	0	0	**73**
Total financial liabilities	**912**	**1,463**	**3,932**	**82,829**	**462**	**89,599**

Report of working capital

	31.12.2022	**31.12.2021**
€ thousands		
Cash and cash equivalents	19,926	62,946
Receivables and accrued income (Note 10)	2,214	1,038
Prepaid expenses	21	55
Total current assets	**22,164**	**64,039**
Short-term portion of long-term liabilities (Note 12)	-48,307	-11,959
Short-term payables and prepayments (Note 13)	-2,536	-1,183
Total current liabilities	**-50,843**	**-13,142**
Total working capital	**-28,679**	**50,897**

The group's working capital is negative as of 31.12.2022 due to three loans ending in 2023 in the total amount of 45,258 thousand euros. All expiring loans are secured by real estate investments with a strong rental cash flow, and the LTV of the loans is between 39% - 52%, so the fund's management sees no obstacles to extending the loans when they expire.

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. In addition, agreements with customers generally provide payment of rent at the beginning of the calendar month, giving sufficient time for monitoring the customers' payment discipline and ensuring existence of sufficient liquidity on bank accounts at the date of annuity payment of financing contracts. For hedging the risk, the Group has entered into a contract with one anchor tenant under which the tenant's financial institution has underwritten rental payments during the entire rent period. Most rent contracts also include the obligation to pay guarantee funds that entitle the Group to cover debts incurred in case of the tenant's insolvency.

The Group's companies generally only enter into rental contracts with parties that have been determined to be eligible for credit. The corresponding analysis of customers 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 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 collectability of the receivable or there is a payment schedule in place for the payment of the receivables.

Accounts receivables are illustrated by the table below:

	31.12.2022	31.12.2021
Undue	1,373	831
Past due, incl.	**679**	**145**
Up to 30 days	*651*	*144*
30-60 days	*17*	*0*
Over 60 days	*11*	*1*
Allowance for doubtful accounts	-4	-1
Total trade receivables (Note 10)	**2,048**	**975**

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

	31.12.2022	31.12.2021
€ thousands		
Cash and cash equivalents	19,926	62,946
Trade receivables (Note 10)	2,048	975
Total maximum credit risk	**21,974**	**63,921**

The bank account balances presented as part of the cash and cash equivalents of the Group are divided according to the credit ratings of banks (Moody's long-term) as follows:

Rating	**31.12.2022**	**31.12.2021**
Aa2	17,968	61,515
Aa3	0	1,101
Baa1	1,957	330
Total	**19,925**	62,946

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 considers loan obligations received as capital and the net value of the Fund's assets belonging to trust and general partners.

The fund invests in subsidiaries whose main cash flow is from investment properties and raises new capital to make investments. The fund invests both directly in the equity of subsidiaries and provides loans to subsidiaries for investments. The required amount of capital is calculated for each investment individually, taking into account the volume of net cash flows of a specific investment. Upon acquisition of subsidiaries, the Fund invests not less than 40% of the value of the subsidiary's assets in its equity. After the investment has been made, the EBITDA of any real estate generating cash flow of the subsidiary may not be less than 120% of the loan annuity payments.

In 2022, the Fund repaid dividends received from subsidiaries in the amount of 2,855 thousand euros (2021: 4,006 thousand euros) and interest was not paid to investors during the reporting period (2021: 965 thousand euros).

According to the management of the fund, the existing investment portfolio allows making a total of 7,673 thousand euros in payments to investors from the cash flow earned in 2022.

Fair value

The valuation methods used to analyse the Group's assets and liabilities measured at fair value 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 31.12.2022 nor 31.12.2021, the Group had 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 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.

16 Paid-in capital

Financial responsibility agreements have been concluded between the Group and the Group's investors, according to which the investors pay a total of 147,438 thousand euros in capital contributions to the Group for making investments. As of the end of 2022, all capital has been raised from investors to make investments. In 2022, payments were made to investors in the amount of 2,855 thousand euros (2021: 4,006 thousand euros) on account of the profits earned by subsidiaries. The consolidated retained earnings of the group were 27,663 thousand euros as of 31.12.2022 (31.12.2021: 16,519 thousand euros).

The owners of more than 10% of the fund are listed in the table below:

Investors	31.12.2022	31.12.2021
Swedbank Latvia pension funds	21.7%	21.7%
EBRD	20.0%	20.0%
SEB pension funds	14.9%	14.9%
LHV pension funds	13.6%	13.6%
Swedbank Estonia pension funds	12.7%	12.7%

17 Related party transactions

The Group considers the following as related parties:

- Management Board members and companies owned by the Management Board members of Usaldusfond EfTEN Real Estate Fund 4;
- Employees and companies owned by the employees of Usaldusfond EfTEN Real Estate Fund 4;
- General partner EfTEN Neljas GP OÜ;
- EfTEN Capital AS (fund manager).

The Group purchased management services from EfTEN Capital AS in 2022 in the amount of EUR 1,989 thousand (2021: EUR 1,185 thousand), (see Note 8). The Group did not purchase or sell other goods or services to other related parties in 2022 or 2021.

In 2022, the Group had 9 employees (2021: 8 employees), for whom a total of 206 thousand euros (2021: 166 thousand euros) was calculated together with the related taxes (see Note 6.8). No remuneration was calculated or paid to the members of the Group's Management Board in 2022 or 2021. The members of the Group's Management Board work for EfTEN Capital AS, a company that provides management services to the Group, and expenses related to the activities of a member of the Management Board are included in the management services.

18 *Parent company separate financial statements*

Pursuant to the Estonian Accounting Act, the separate unconsolidated primary financial statements of the consolidating entity (parent company) must be disclosed in the notes to the consolidated financial statements. The primary financial statements of the parent company have been prepared in accordance with the same accounting policies as used in the preparation of the consolidated financial statements. The accounting policies for subsidiaries have been changed in the parent's separate financial statements as annexed to the consolidated financial statements in accordance with the requirements of IAS 27 Consolidated and Separate Financial Statements.

In the separate primary financial statements of the parent company, which are presented in the notes to these consolidated financial statements, investments in subsidiaries are accounted for using the fair value method.

COMPREHENSIVE INCOME

	2022	2021
€ thousands		
Revenue	1,989	1,185
Gross profit	**1,989**	**1,185**
General and administrative expenses	-2,590	-2,938
Operating profit	**-601**	**-1,753**
Profit from subsidiaries	11,545	14,752
Other financial income	3,054	1,514
Profit before income tax	**13,998**	**14,513**
Net profit for the year	**13,998**	**14,513**
Comprehensive income for the year	**13,998**	**14,513**

STATEMENT OF FINANCIAL POSITION

	31.12.2022	31.12.2021
€ thousands		
ASSETS		
Cash and cash equivalents	1,751	28,095
Receivables and accrued income	10,868	3,924
Total current assets	**12,619**	**32,019**
Non-current assets		
Shares in subsidiaries	93,824	85,135
Long - term receivables	71,263	48,977
Total non-current assets	**165,087**	**134,112**
TOTAL ASSETS	**177,706**	**166,131**
Debts	21	22
Total current liabilities	**21**	**22**
Success fee liabilities	2,585	2,152
Total long - term liabilities	**2,585**	**2,152**
Total liabilities	**2,606**	**2,174**
Total net asset value of the Fund owned by limited and general partners	**175,100**	**163,957**
TOTAL LIABILITIES AND TOTAL NET ASSETS	**177,706**	**166,131**

STATEMENT OF CASH FLOWS

	2022	2021
€ thousands		
Cash flow from business		
Net profit	**13,998**	**14,513**
Net profit adjustments:		
Interest income	-3,054	-1,514
Gain on change in fair value of subsidiaries	-8,689	-10,745
Dividends received	-2,855	-4,006
Change in success fee liability	433	1,604
Total adjustments	**-14,165**	**-14,661**
Cash flow from operations before changes in working capital	**-167**	**-148**
Change in other trade receivables and payables	-1	-1
Net cash flow generated from operating activities	**-168**	**-149**
Net cash flow generated from investing activities		
Acquisition of subsidiaries	0	-20,621
Loans granted	-26,176	-16,192
Dividends received	2,855	4,006
Interest received	0	965
Net cash generated from investing activities	**-23,321**	**-31,842**
Cash flows from financing activities		
Interest paid	0	-965
Capital contributions	0	63,938
Dividends paid	-2,855	-4,006
Net cash generated from investing activities	**-2,855**	**58,967**
NET CASH FLOW	**-26,344**	**26,976**
Cash and cash equivalents at the beginning of the period	**28,095**	**1,119**
Change in cash and cash equivalents	-26,344	26,976
Cash and cash equivalents at the end of the period	**1,751**	**28,095**

STATEMENT OF CHANGES IN THE FUND 'S NET ASSETS

	2022	2021
€ thousands		
Net asset value of the Fund owned by limited and general partners at the beginning of the period	**163,957**	**90,474**
Capital contributions	0	63,938
Net change in equity	**0**	**63,938**
Transfer of dividends and interest	-2,855	-4,971
Net profit for the year	13,998	14,513
Net asset value of the Fund owned by limited and general partners at the end of the period	**175,100**	**163,957**

The adjusted statement of changes in the unconsolidated net asset value of the Fund (to take account of the requirements established in the Commercial Code) is as follows:

	31.12.2022	31.12.2021
€ thousands		
Net asset value of the Fund owned by limited and general partners of the parent company at the end of the period	175,100	163,957
Value of subsidiaries in the parent company's separate balance sheet (minus)	-93,824	-85,135
Value of subsidiaries calculated using the equity method (plus)	93,824	85,135
Total	**175,100**	**163,957**

Independent Auditor's Report

To the Fund unit holders of Usaldusfond EfTEN Real Estate Fund 4

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Usaldusfond EfTEN Real Estate Fund 4 and its subsidiaries (together the "Group") as at 31 December 2022, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Group's consolidated financial statements comprise:
- the consolidated statement of comprehensive income for the year ended 31 December 2022;
- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statements of cash flows for the year then ended;
- the consolidated statement of changes in net assets of the fund for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Reporting on other information including the Management report

The Management Board is responsible for the other information. The other information comprises the Management report, distribution of revenue according to the Estonian Classification of Economic Activities and NOTE: Environmental and/or social characteristics of the fund (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information, including the Management report.

Translation note:

This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Management report, we also performed the procedures required by the Auditors Activities Act. Those procedures include considering whether the Management report is consistent, in all material respects, with the consolidated financial statements and is prepared in accordance with the requirements of the Accounting Act.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management report for the financial year for which the consolidated financial statements are prepared is consistent, in all material respects, with the consolidated financial statements; and
- the Management report has been prepared in accordance with the requirements of the Accounting Act.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of the Management Board and those charged with governance for the consolidated financial statements

The Management Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Translation note:

This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AS PricewaterhouseCoopers

/signed/	/signed/
Rando Rand Auditor's certificate no. 617	Anna Belaja Auditor's certificate no. 723

10 March 2023
Tallinn, Estonia

Translation note:

This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Signatures of the Management Board on the consolidated annual report for 2022

We hereby confirm the accuracy of the information provided in the 2022 annual report of Usaldusfond EfTEN Real Estate Fund 4.

/digitally signed/

____

Viljar Arakas

Member of the Management Board of EfTEN Neljas GP OÜ

/digitally signed/

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Tõnu Uustalu

Member of the Management Board of EfTEN Neljas GP OÜ

Distribution of revenue according to the Estonian Classification of Economic Activities

	EMTAK code	2022	Sales Revenue %	Main activity
€ thousands				
Fund management	66301	1,989	100%	Yes

NOTE: Environmental and/or social characteristics of the fund

Product name: EfTEN Real Estate Fund 4 usaldusfond **Legal entity identifier : N/A**

Environmental and/or social characteristics

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Did this financial product have a sustainable investment objective?

☐ Yes	☒ No
☐ It made **sustainable investments with an environmental objective:** ___%	☒ It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of ___% of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☒ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☐ It made **sustainable investments with a social objective:** ___%	☐ It promoted E/S characteristics, but **did not make any sustainable investments**

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

To what extent were the environmental and/or social characteristics promoted by this financial product met?

EfTEN Real Estate Fund 4 usaldusfond (hereinafter referred to as the Fund) includes several performance indicators and benchmarks in the Fund's documentation. This covers pre-acquisition sustainability performance assessment, sustainable portfolio management for assets acquired and/or (re)developed and reporting to investors. More specifically, the Fund is focused on long-term improvement of green lease management and cost-effective improvement of asset sustainability performance which is measured by life-time improvements in EPC ratings and BREAAM certificates. Currently, the whole portfolio meets the characteristics promoted in the Fund's documentation.

- ***How did the sustainability indicators perform?***

The fund has completed its investment phase with a full portfolio that with the exception of one asset have full sustainability data available. The Fund's sustainability indicator performance is measured annually by participating in the Global Real Estate Sustainability Benchmark assessment. For 2022 data the assessment will take place in Q3 2023 and the results will be made available to the investors of the Fund. Currently the portfolio is 100% covered with EPC ratings (average: rating B) and 100% covered with BREAAM In Use or BREAAM New Construction certificates (average: Very Good/Good) and holds a GRESB score of 86/100.

- ***What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?***

The Fund’s objectives are Fund life-time improvements of asset environmental and sustainability performance where cost-effectively possible and feasible, while contributing to climate change mitigation and adaptation to the maximum extent possible. Objective fulfilment will be measured by sustainability indicators, sustainability and energy performance certification levels.

How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?

When accounting for avoidance of significant harm to any environmental or social objectives, the Fund relies on the EU Taxonomy “do no significant harm” test for real estate investments. As such, the Fund considers “do no significant harm” conditions fulfilled if the asset’s climate mitigation criteria substantially align with the Taxonomy principles.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

How were indicators of negative impact on sustainability factors taken into account?

The Fund does not currently account for principal adverse impacts on sustainability factors due to limited data of underlying investments. As the Fund’s investment portfolio matures and data becomes available, principal adverse impacts will be reconsidered and accounted for.

Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?

All of the Fund's investments are real estate investments that are under the direct control of the Fund and its management company.

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the Union criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the Union criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

What were the top investments of this financial product?

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 01.01.2022-31.12.2022

Largest investments	Sector	% from assets	Country
Jauna Teika	***Real Estate***	***37%***	***Latvia***
Ryo shopping centre	***Real Estate***	***15.5%***	***Lithuania***
SBA logistics centre	***Real Estate***	***9%***	***Lithuania***
Bergi logistics centre	***Real Estate***	***8%***	***Latvia***
River Mall shopping	***Real Estate***	***5.5%***	***Lithuania***
Moletu logistics centre	***Real Estate***	***4.7%***	***Lithuania***
Dominante logistics	***Real Estate***	***4.6%***	***Latvia***

Kadrioru business centre	***Real Estate***	***4.5%***	***Estonia***
River Hall business	***Real Estate***	***4.4%***	***Lithuania***

The fund currently holds 9 investments.

What was the proportion of sustainability-related investments?

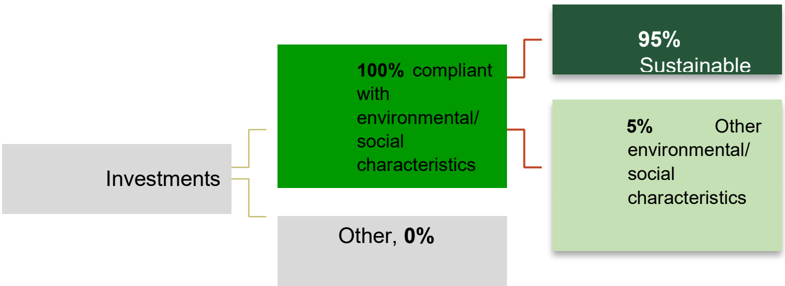
All of the Fund's investments follow the criteria established in the Fund's documentation, including eligibility for promoted sustainability related activities. The fund does not have a minimum mandatory share rate for sustainability-related investments.

Asset allocation describes the share of investments in specific assets.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

What was the asset allocation?



Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category Aligned with E/S characteristics covers:

- The sub-category Sustainable covers environmentally and socially sustainable investments.

- The sub-category Other E/S characteristics covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

In which economic sectors were the investments made?

100% of the Fund's investments were made into commercial real estate with a split between office, retail and logistics properties.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflects the "greenness" of investee companies today.
- **capital expenditure** (CapEx) shows the green investments made by investee companies, relevant for a transition to a green economy.
- **operational expenditure** (OpEx) reflects the green operational activities of investee companies.

To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

Currently, 0% of the Fund's investments are fully aligned with the EU Taxonomy and therefore 0% of the Fund's investments' turnover, capital expenditure and operational expenditure can be allocated to Taxonomy-aligned activities

What was the share of investments made in transitional and enabling activities?

No investments were made in transitional and enabling activities.

How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods

The Fund does not have a previous reference period for EU Taxonomy alignment comparison purposes.

What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU)

Currently, 95% of the Fund's investments are considered sustainable with an environmental objective not aligned with the EU Taxonomy. As alignment with the EU Taxonomy was not a prerequisite for investment, assets will instead be assessed and improved over time to allow alignment in the future.

What investments were included under "other", what was their purpose and were there any minimum environmental or social safeguards?

No other investments were made by the Fund.

What actions have been taken to meet the environmental and/or social characteristics during the reference period?

The Fund's newest asset – Jauna Teika – was incorporated into the portfolio. As tenant mix is adjusted and amended, the Fund's priority is to setup the newest property for sustainability data collection as with the Fund's other assets. Asset physical risk assessments were updated in accordance with methodology updates. Where relevant sustainability certifications were reviewed and updated. Governance processes were updated to ensure appropriate levels of tenant engagement. 2021 data was assessed via GRESB and the Fund achieved a score of 86/100 (4 stars). Priority for 2022 was to improve GRESB score in the next assessment. The Fund will release a separate detailed ESG report in H1 2023.