

Interim report for the 2nd quarter and 6 months of 2023

(translation of the Estonian original)

EfTEN Real Estate Fund AS

Commercial register number: 12864036

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End of financial period: 30.06.2023

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MANAGEMENT REPORT

The rise in interest rates that started in mid-2022 continued in the first half of 2023. In the euro area, including the Baltic countries, EURIBOR is used as the base interest rate for loans, which, depending on the term, increased by approximately 1.5 percentage points in six months. On the one hand, this means increasing financial costs for companies operating in the real estate sector, on the other hand, the weighted average interest rate (WACC) of capital used to discount the business cash flows of real estate investments also depends on the market interest rate, the increase of which generally leads to a decrease in the fair value of investment properties.

In the most difficult situation, these are real estate companies and funds with a high debt burden and where loan money has been raised not only from banks but also from the financial markets through bonds. While at the beginning of last year the real estate sector was one of the so-called favorites of bond investors, this year the situation is the opposite. Real estate companies refinancing bonds in both Europe and the Baltics have had to accept significantly smaller volumes and, in some cases, increased borrowing costs. The acquisition of investment property owned by subsidiaries of EFTEN Real Estate Fund has been fully financed with bank loans, and the LTV of the loans is between 29%-52%, which is why the refinancing of the loans has taken place as usual.

In the first half of the year, the rise in interest rates was somewhat mitigated by lower energy costs and an increase in rental income. Despite the economic downturn in the Baltic states, the payment behavior of the fund's tenants remained strong. The vacancy in the investment property portfolio of EFTEN Real Estate Fund was less than 2% as of the end of June 2023, and compared to the 1st half-year of 2022, the rental income calculated on a comparable basis (Like-for-Like) increased by 12%.

On April 20, 2023, the general meeting of EFTEN Real Estate Fund AS decided to distribute net dividends in the amount of 12,471 thousand euros (1.1526 euros per share). The fund paid dividends on May 12.

In June, Colliers International, the investment property appraiser of the Fund, carried out an evaluation of the investment property portfolio of EFTEN Real Estate Fund AS. As a result of the evaluations, the value of the fund's investment properties decreased by 1.7% (6.18 million euros). The portfolio discount is largely related to the increase in the weighted average cost of capital (WACC) used to discount cash flows due to the increase in EURIBOR over the past six months.

On the balance sheet date of 01.01.2023, EFTEN Real Estate Fund AS (formerly EFTEN Real Estate Fund III AS) merged with EFTEN Kinnisvarafond AS. After the merger, the volume of consolidated assets of the fund increased by 211 million euros, i.e. from 182 million euros to 393 million euros, and the equity of the fund increased by 126 million euros, i.e. from 104 million euros to 230 million euros. The merger was entered in the business register on 28.02.2023.

As a result of the merger, the investment portfolio of EFTEN Real Estate Fund AS was added to the EFTEN Kinnisvarafond AS subsidiaries. 17 new investment properties in Estonia, Latvia and Lithuania with a fair value of 196.3 million euros and investment property owned by a 50% joint venture with a fair value of 10 million euros were added. After the merger, the fund's investment portfolio is even better spread across sectors and tenants.

Financial overview

EFTEN Real Estate Fund AS's consolidated sales income for the second quarter of 2023 was 7.961 million euros (2022 II quarter: 3.530 million euros). The Group's net rental income in the first half of 2023 was 15.749 million euros (first half of 2022: 6.988 million euros). The Group's net rental income in the first half of 2023 was a total of 14.704 million euros (2022: 6.666 million euros). The Group's net profit in the same period was 2.445 million euros (2022: 7.882 million euros).

	1st half-year	
	2023	2022
<i>€ million</i>		
Rental income, other fees from investment properties	15.749	6.988
Expenses related to investments incl. marketing costs	-1.045	-0.322
Net rental income	14.704	6.666
<i>Net rental income margin</i>	93%	95%
Interest expense and interest income	-3.464	-0.856
Net rental sales less finance costs	11.240	5.810
Management fees	-1.071	-0.581
Other income and other expenses	-0.643	-0.279
Profit before change in the value of investment property, fair value change of the interest rate swap and income tax expense	9.526	4.950

The consolidated net rental income margin was 93% (2022: 95%) in the first half of 2023, so costs directly related to property management (including land tax, insurance, maintenance and improvement costs) and distribution costs constituted 7% (2022: 5%) of sales revenue.

The volume of the Group's assets as of 30.06.2023 was 381,274 million euros (31.12.2022: 181.956 million euros), including the fair value of real estate investments made up 95% of the volume of assets (31.12.2022: 93%).

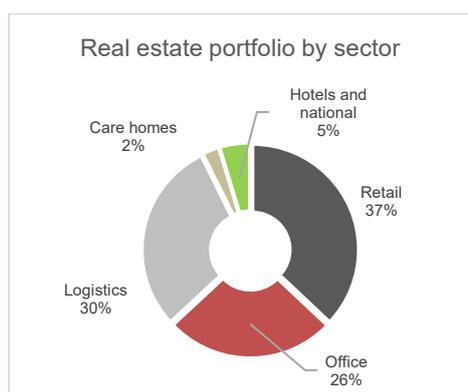
	30.06.2023	31.12.2022
<i>€ million</i>		
Investment properties	361.498	168.875
Other non-current assets	3.001	0.179
Current assets, excluding cash	4.159	1.571
Net debt (cash deposits minus short-term and long-term bank loans)	-135.055	-56.730
Net asset value (NAV)	220.114	104.264
EPRA net asset value (EPRA NAV)	227.362	111.123
Net asset value (NAV) per share, in euros	20.35	20.55
EPRA net asset value (EPRA NAV) per share, in euros	21.01	21.91

Key performance and liquidity ratios

6 months	2023	2022
ROE, % <i>(net profit of the period / average equity of the period) * 100</i>	1.5	8.0
ROA, % <i>(net profit of the period / average assets of the period) * 100</i>	0.9	4.4
ROIC, % <i>net profit of the period / average invested capital of the period) * 100¹</i>	1.3	11.8
Revenue (€ thousands)	15,749	6,988
Rental income (€ thousands)	15,218	6,610
EBITDA (€ thousands)	13,025	5,829
EBITDA margin, %	83%	83%
EBIT (€ thousands)	6,808	9,508
EPRA profit (€ thousands)	8,986	4,826
Liquidity ratio <i>(current assets / current liabilities)</i>	1.3	0.8
DSCR <i>(EBITDA / (interest expenses + scheduled loan payments))</i>	1.8	2.1

Investment portfolio

As of the end of June 2023 the Group has 35 (31.12.2022: 18) commercial investment property with a fair value as at the balance sheet date of 361.498 million euros (31.12.2022: 168.875 million euros) and the acquisition cost is 349.119 million euros (31.12.2022: 151.426 million euros). In addition, the Group's joint venture owns the Palace hotel in Tallinn, the fair value of which as of 30.06.2023 was 9.8 million euros.



Main indicators of the investment portfolio

	Group's ownership	Fair value of the investment property, € thousands	Net leasable area	Prognosed rental revenue per annum, € thousands	Occupancy, %	Average length of rental agreements	Number of tenants
Investment property as of 30.06.2023							
Premia Külmhoone, Tallinn	100	6,680	7,258	556	100	4.0	1
Kuuli 10, Tallinn	100	11,340	15,197	877	100	6.9	1
Betooni 1a, Tallinn	100	9,130	10,678	704	100	3.8	1
Betooni 6, Tallinn	100	8,800	16,482	785	98	2.4	21
Jurkalne Technology Park, Riia	100	23,850	44,088	2374	99	4.7	59
DSV logistics centre, Vilnius	100	9,350	11,751	741	100	3.3	1
DSV logistics centre, Tallinn	100	13,380	16,014	1,059	100	3.4	1
DSV logistics centre, Riga	100	8,550	12,149	783	100	3.4	1
Piepilsetas logistics centre, Kekava	100	8,490	13,380	742	100	1.7	7
Ramygalos logistics centre, Panevežys	100	10,650	20,126	842	100	13.8	1
Total logistics		110,220	167,123	9,463	100	4.8	94
Võru Rautakesko	100	2,760	3,120	262	100	4.8	1
Uku centre, Viljandi	100	13,990	8,940	1,184	100	5.9	44
Mustika centre, Tallinn	100	36,350	27,560	3,081	99	3.6	66
RAF Centrs, Jelgava	100	9,360	6,225	1,033	99	1.7	34
Tammsaare tee Rautakesko, Tallinn	100	15,660	9,120	1,309	100	8.7	1
Jelgava development project, Jelgava	100	2,342			Under construction		
Saules Miestas Shopping centre, Šiauliai	100	36,870	20,294	3,514	98	4.7	125
Laagri Selver, Tallinn	100	7,770	3,059	540	100	5.2	11
Hortes gardening centre, Laagri	100	3,750	3,470	298	100	8.9	1
Hortes gardening centre, Tallinn	100	5,600	5,300	435	100	14.4	1
ABC Motors Autokeskus, Tallinn	100	3,210	2,149	300	100	5.6	1
Total retail		137,662	89,237	11,956	99	5.3	285
Lauteri 5, Tallinn	100	5,760	3,822	425	91	1.8	21
Pärnu mnt 105, Tallinn	100	7,690	4,779	636	95	1.8	30
Pärnu mnt 102, Tallinn	100	14,990	9,440	1,169	79	1.3	16
Terbata office building, Riga	100	8,790	6,057	703	89	2.4	14
Menulio 11, Vilnius	100	7,960	5,617	634	96	1.6	15
Ulonu office building, Vilnius	100	9,130	5,290	691	97	2.4	12
L3 office building, Vilnius	100	10,551	6,150	814	97	2.5	35
Evolution office building, Vilnius	100	11,640	6,614	955	97	2.6	26
airBaltic office building, Riga	100	6,850	6,217	569	100	2.7	1
Rutkauskos office building, Vilnius	100	12,990	6,812	952	100	7.2	3
Total office buildings		96,351	60,798	7,548	93	2.8	173
Pirita Pansionaat, Tallinn	100	6,200	5,983	485	100	7.4	1
Valkla Súdamekodu, Valkla	100	3,110	4,423	268	100	8.8	1
Tartu Súdamekodu, Tartu	100	465			Under construction		
Total care homes		9,775	10,406	753	100	7.8	2
Rakvere Police and rescue common building (national)	100	7,490	5,775	836	100	2.3	1
Hotel Palace, Tallinn (hotels)	50	9,800	4,874	474	100	7.2	1
Total investment portfolio		371,298	338,213	31,030	98	4.5	556

¹Hotel Palace belongs to a joint venture with a 50% share of the group, therefore the group does not consolidate this Investment property and rental income line by line. Therefore, the mentioned indicators are not included in consolidated Investment properties or sales income.

Fair value of investment property

EFTEN Real Estate Fund AS regularly evaluates investment properties twice a year - in June and December. In June 2023, the fair value of the Fund's investment property fell by 1.7% (6.18 million euros) as a result of revaluations, including the value of office sector assets fell by 2.9%, the value of logistics sector assets by 2.0% and the value of trade sector assets by 0.4%. The portfolio discount is largely related to the increase in the weighted average cost of capital (WACC) used to discount cash flows due to the increase in EURIBOR over the past six months. The WACC has increased by an average of 0.4 percentage points compared to the December 2022 valuations.

A summary of the changes in the assumptions made in the evaluations is given in the table below.

30.06.2022 or 1st half-year	Fair value	Aquisitions, 1st half-year 2023	Change				
			Change in fair value	%	Annualized net rental income in year 1, %	Capitalization rate, percentage point	Discount rate, percentage point
<i>€ thousand</i>							
Logistics							
DSV logistics centre, Tallinn	13,380	0	-230	-1.7%	-0.3%	0.20	0.20
DSV logistics centre, Riia	8,550	1	-281	-3.2%	-5.8%	0.55	0.25
DSV logistics centre, Riia	9,350	2	-122	-1.3%	1.1%	0.60	0.00
Laagri Hortes	3,750	0	30	0.8%	1.6%	0.50	0.00
Piepilsetas logistics centre, Kekava	8,490	29	-269	-3.1%	-9.1%	0.20	0.25
Ramygalos logistics centre, Panevezys	10,650	0	-10	-0.1%	2.0%	0.60	0.00
Premia Külmoone, Tallinn	6,680	0	-160	-2.3%	0.5%	0.20	0.30
Kuuli 10 logistics centre, Tallinn	11,340	0	-110	-1.0%	0.5%	0.20	0.10
Betooni 6 logistics centre, Tallinn	8,800	83	-483	-5.2%	3.7%	0.40	0.30
Betooni 1a logistics centre, Tallinn	9,130	0	-60	-0.7%	0.5%	0.20	0.10
Jurkalnes logistics centre, Riia	23,850	218	-658	-2.7%	0.4%	0.00	0.25
Total logistics	113,970	334	-2,354	-2.0%	-0.4%		
Retail							
Saules Miestas Shopping centre	36,870	599	-9	0.0%	7.7%	0.20	0.00
Laagri Selver	7,770	0	-40	-0.5%	5.6%	0.40	0.00
Tähesaju Hortes	5,600	0	0	0.0%	1.7%	0.20	0.00
ABC Motors Autokeskus, Tallinn	3,210	0	-200	-5.9%	0.3%	0.20	0.00
Mustika Shopping centre, Tallinn	36,350	0	-620	-1.7%	4.2%	0.20	0.10
Rautakesko, Tallinn	15,660	0	-40	-0.3%	0.4%	0.20	0.00
RAF Centrs, Jelgava	9,360	0	80	0.9%	-2.9%	-0.45	0.00
Rautakesko, Võru	2,760	0	-130	-4.5%	1.3%	0.40	0.50
UKU Centre, Viljandi	13,990	2	398	2.9%	4.4%	0.40	0.00
Total retail	131,570	601	-561	-0.4%	4.0%		
Office buildings							
Ulonu office building, Vilnius	9,130	9	-199	-2.1%	-3.7%	0.60	0.00
L3 office building, Vilnius	10,550	2	-222	-2.1%	4.1%	0.60	0.00
Evolution office building, Vilnius	11,640	16	-156	-1.3%	6.3%	0.60	0.25
airBaltic office building, Riia	6,850	0	-70	-1.0%	-3.6%	1.25	0.25
Rutkauskos office building, Vilnius	12,990	0	-24	-0.2%	4.3%	0.60	0.00
Lauteri 5, Tallinn	5,760	0	-90	-1.5%	-0.4%	0.40	0.00
Pärnu mnt 105, Tallinn	7,690	9	-369	-4.6%	0.2%	0.40	0.30
Kauba 2a / Pärnu mnt 102c, Tallinn	14,990	92	-1,302	-8.0%	-3.9%	0.60	0.50
Menuilio office building, Vilnius	7,960	1	-161	-2.0%	-23.1%	0.60	0.25
Terbata office building, Riia	8,790	68	-248	-2.7%	29.8%	0.10	0.25
Total office buildings	96,350	199	-2,843	-2.9%	0.3%		
Care home							
Pirita care home	6,200	0	-120	-5.9%	35.3%	0.40	0.20
Valkla care home	3,110	1,145	-435	-1.7%	14.3%	0.50	0.00
Total care homes	9,310	1,145	-555	-5.6%	27.1%		
National							
Rakvere Police and rescue common building	7,490	0	130	2.9%	3.5%	0.50	0.00
Total investment portfolio¹	358,690	2,278	-6,182	-1.7%	2.0%		

¹The above table contains assets belonging to the Fund's investment portfolio, which are consolidated line by line in the Fund's consolidated report and which generate rental income.

Rental income

In the first half of 2023, the group earned a total of 15.218 million euros in rental income. The rental income calculated on a comparable basis in the first half of 2023 was a total of 6.899 million euros, which is 12% more than at the same time in 2022.

Like-for-like rental income by business segments

€ thousands	Fair value 30.06.2023	First half of the year		Change	Change, %
		Rental income 2023	Rental income 2022		
Office	51,161	2,140	1,981	159	8%
Logistics	50,420	2,057	1,597	460	29%
Retail	57,200	2,489	2,398	91	4%
Care homes	6,200	213	208	5	2%
Total comparable assets and rental income	164,981	6,899	6,184	715	12%
Acquired assets and rental income	3,575	99	426	-327	
Merger assets and rental income ¹	192,942	8,220	0	8,220	
Total investment property portfolio and rental income	361,498	15,218	6,610	8,608	130%

Like-for-like rental income by countries

€ thousands	Fair value 30.06.2023	First half of the year		Change	Change, %
		Rental income 2023	Rental income 2022		
Estonia	39,910	1,512	1,503	9	1%
Latvia	23,890	1,029	971	58	6%
Lithuania	101,181	4,358	3,710	648	17%
Total comparable assets and rental income	164,981	6,899	6,184	715	12%
Acquired assets and rental income	3,575	99	426	-327	
Merger assets and rental income ¹	192,942	8,220	0	8,220	
Total investment property portfolio and rental income	361,498	15,218	6,610	8,608	130%

¹ The assets and rental income obtained during the merger consist of the results of the objects added to the investment property portfolio during the merger of EFTEN Real Estate Fund AS with EFTEN Kinnisvarafond AS. In the tables below, to illustrate the transparency and better comparability of the information, the consolidated rental income of EFTEN Kinnisvarafond AS has also been included for the first quarter of 2022. Since the merger of the two funds took place on the balance sheet date of 01.01.2023, the comparable consolidated rental income of EFTEN Real Estate Fund AS in 2022 does not include the mentioned indicators.

Like-for-like rental income by business segments - Assets acquired from EFTEN Kinnisvarafond AS during the merger

€ thousands	Fair value 30.06.2023	First half of the year		Change	Change, %
		Rental income 2023	Rental income 2022 ²		
Office	45,190	1,744	1,770	-26	-1%
Logistics	62,142	2,668	2,481	187	8%
Retail	78,120	3,398	3,202	196	6%
National	7,490	410	371	39	11%
Total like-for-like assets and rental income	192,942	8,220	7,824	396	5%
Total assets and rental income acquired during the merger from EFTEN Kinnisvarafond AS	192,942	8,220	7,824	396	5%

Like-for-like rental income by countries - Assets acquired from EFTEN Kinnisvarafond AS during the merger

€ thousands	Fair value 30.06.2023	1st half-year		Change	Change, %
		Rental income 2023	Rental income 2022 ²		
Estonia	140,640	5,810	5,636	174	3%
Latvia	44,342	2,032	1,814	218	12%
Lithuania	7,960	378	374	4	1%
Total like-for-like assets and rental income	192,942	8,220	7,824	396	5%
Total assets and rental income acquired during the merger from EFTEN Kinnisvarafond AS	192,942	8,220	7,824	396	5%

² The consolidated rental income of EFTEN Kinnisvarafond AS for 2022 is presented only for comparability purposes. The said rental income is not included in EFTEN Real Estate Fund AS's consolidated 2022 figures.

The largest tenants of EFTEN Real Estate Fund AS as 30.06.2023

Tenant	Share of total rental income
LIVONIA PRINT SIA	5.9%
Kesko Senukai Estonia AS	5.7%
Prisma Peremarket AS	5.0%
DSV Estonia AS	3.5%
Logistika Pluss OÜ	2.9%
Adax UAB	2.8%
Riigi Kinnisvara Aktsiaselts	2.7%
DHL Logistics Estonia OÜ	2.5%
DSV Latvia SIA	2.5%
DSV Lithuania, UAB	2.5%
Hortes AS	2.4%
Atea, UAB	2.4%
AIR BALTIC CORPORATION AS	2.0%
Premia Tallinna Külkhoone AS	1.8%
Rimi Lietuva, UAB	1.7%
Südamekodud AS	1.5%
Vilniaus apskrities vyriausiasis policijos komisariatas	1.4%
Selver AS	1.2%
Others	49.5%
Total	100.0%

EPRA performance indicators**EPRA performance indicators**

As of the balance sheet date	30.06.2023	30.06.2022	Change
EPRA profit, € thousands	8,986	4,826	86%
EPRA profit per share, in euros	0,83	0,95	-13%
EPRA NRV (net reinstatement value), € thousands	227,362	107,178	112%
EPRA NRV per share, in euros	21.01	21.13	-1%
EPRA NDV (net disposal value), € thousands	220,144	100,738	119%
EPRA NDV per share, in euros	20.35	19.86	2%
EPRA Topped-up NIY (adjusted primary net income)	7.8%	7.1%	10%
EPRA cost ratio, including direct vacancy costs	15%	13%	15%
EPRA cost ratio, excluding direct costs related to vacancy	14%	13%	13%
EPRA vacancy rate	1.9%	0.6%	195%

Calculations of EPRA indicators**EPRA net asset value indicators**

As at 30.06.2023

€ thousands	EPRA NRV	EPRA NTA	EPRA NDV
Net asset value calculated in accordance with IFRS	220,144	220,144	220,144
Adjustments:			
Deferred income tax liability related to the change in the fair value of investment property and tax depreciation	7 218	7,218	-
EPRA net asset value	227,362	227,362	220,144
Number of fully diluted share	10,819,796	10,819,796	10,819,796
EPRA net asset value per unit, in euros	21.01	21.01	20.35

As at 30.06.2022

€ thousands	EPRA NRV	EPRA NTA	EPRA NDV
Net asset value calculated in accordance with IFRS	100,738	100,738	100,738
Adjustments:			
Deferred income tax liability related to the change in the fair value of investment property and tax depreciation	6,453	6,453	-
Fair value of derivatives	-13	-13	-
EPRA net asset value	107,178	107,178	100,738
Number of fully diluted share	5,072,535	5,072,535	5,072,535
EPRA net asset value per unit, in euros	21.13	21.13	19.86

EPRA profit

6 months, € thousands	2023	2022
Net profit (IFRS)	2,445	7,882
Adjustments:		
Change in fair value of investment property	6,182	-3,702
Change in fair value of financial instruments	53	-134
Deferred income tax expense related to EPRA adjustments	306	780
EPRA profit	8,986	4,826
Weighted average numbers of shares during the period	10,819,796	5,072,535
EPRA profit per share, in euros	0.83	0.95

EPRA vacancy rate

As at 30.06, € thousands	2023	2022
Estimated rental income from vacant premises	566	84
Estimated rental income for the entire investment portfolio	30,453	13,304
EPRA vacancy rate	1.9%	0.6%

EPRA cost ratio

6 months, € thousands	2023	2022
Cost of sales	-757	-131
Other sales revenue paid by tenants to cover expenses	531	378
Marketing costs	-288	-191
Operating costs	-1,727	-903
Total costs, including direct costs related to the vacancy	-2,241	-847
Direct vacancy cost	-83	-15
Total costs, excluding direct costs related to vacancy	-2,158	-832
Rental income (gross)	15,218	6,610
EPRA cost ratio, including direct vacancy costs	15%	13%
EPRA cost ratio, excluding direct costs related to vacancy	14%	13%

Financing

In the first half of 2023, the Fund's subsidiaries extended a total of six loan agreements. Loan agreements were extended for three to five years. The interest margin for the extension of four loans fell by 0.05-0.5 percentage points, and for five loans the EURIBOR period was shortened from 6 months to 1 month, and for one loan from 6 months to 3 months.

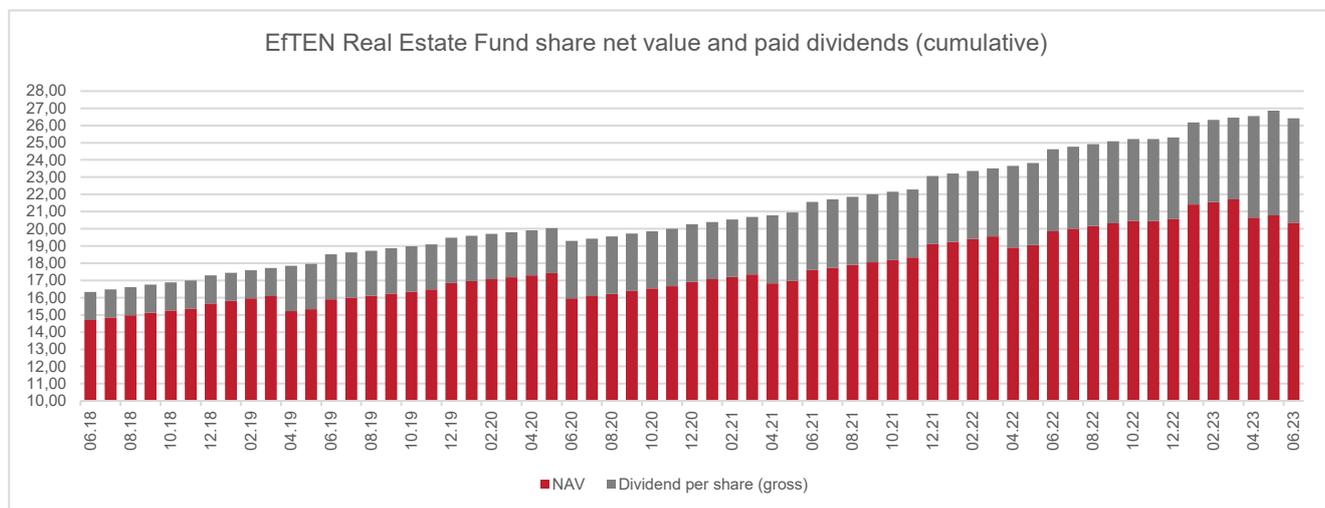
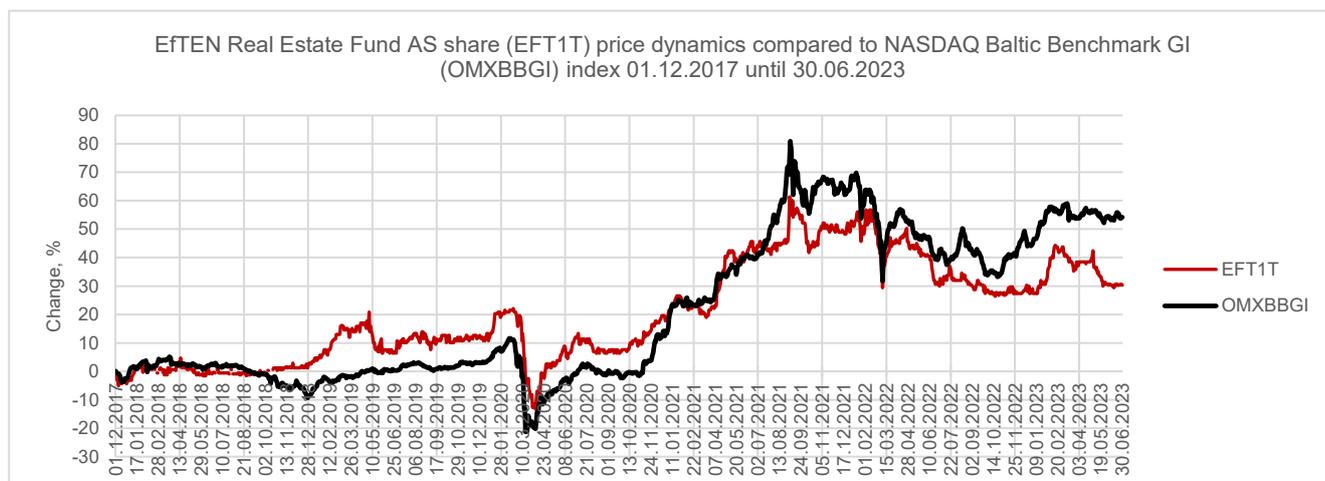
Within the next 12 months, the loan agreements of the Group's three subsidiaries will expire, the balance of which as of 30.06.2023 is 5,395 thousand euros. The LTV of the expiring loan agreements is 37%-51%, and investment property have a stable, strong rental cash flow, therefore, according to the Group's management, there are no obstacles in extending the loan agreements.

The weighted average interest rate of the Group's loan agreements rose to 5.4% by the end of June (31.12.2022: 3.7%) due to the change in EURIBOR, and the LTV (Loan to Value) was 42% (31.12.2022: 40%). All loan agreements of the Fund's subsidiaries are linked to a floating interest rate. All loan agreements of the Fund are serviced as usual, and the cash flow from the business activities of all investment property set as collateral for the loan exceeds the principal and interest payments of the loans.

Information on shares

EFTEN Real Estate Fund AS aktsia EPRA puhasväärtus (EPRA NDV) seisuga 30.06.2023 oli 20,35 eurot (30.06.2022: 19,86 eurot). EFTEN Real Estate Fund AS'i aktsia EPRA puhasväärtus vähenes 2023. aasta 1st half-yearil 1,0% (2022 1st half-yearil: kasvas 4,0%).

The net asset value of the share of EFTEN Real Estate Fund AS (EPRA NDV) as of 30.06.2023 was 20.35 euros (30.06.2022: 19.86 euros). The net asset value of EFTEN Real Estate Fund AS decreased by 1.0% in the first half of 2023 (first half of 2022: increase 4.0%).



As of 30.06.2023 EFTEN Real Estate Fund AS had 6 659 shareholders, of whom 16.9% were legal entities. At the same time legal entities owned total of 83.9% of the fund's share capital. The distribution of shares is shown in the table below.

	Shareholders, pc			Number of shares		Total shares	Ownership		Total shares
	Legal entities	Private individuals	Total shareholders	Legal entities	Private individuals		Legal entities	Private individuals	
Afghanistan	-	1	1	-	16	16	-	0.0001%	0.0001%
Albania	-	1	1	-	15	15	-	0.0001%	0.0001%
Algeria	-	1	1	-	400	400	-	0.0037%	0.0037%
United States of America	1	1	2	19,823	531	20,354	0.1832%	0.0049%	0.1881%
United Arab Emirates	-	1	1	-	170	170	-	0.0016%	0.0016%
Australia	-	5	5	-	104	104	-	0.0010%	0.0010%
Austria	-	1	1	-	1,255	1,255	-	0.0116%	0.0116%
Belgium	-	1	1	-	5	5	-	0.0000%	0.0000%
Estonia	1,107	5,477	6,584	8,696,870	1,712,234	10,409,104	80.3792%	15.8250%	96.2043%
Spain	-	1	1	-	120	120	-	0.0011%	0.0011%
Netherlands	-	1	1	-	109	109	-	0.0010%	0.0010%
Ireland	-	1	1	-	27	27	-	0.0002%	0.0002%
Italy	-	1	1	-	75	75	-	0.0007%	0.0007%
Cyprus	-	1	1	-	666	666	-	0.0062%	0.0062%
Lithuania	10	2	12	214,788	17,408	232,196	1.9851%	0.1609%	2.1460%
Latvia	1	3	4	2,951	2,150	5,101	0.0273%	0.0199%	0.0471%
Malta	-	1	1	-	20	20	-	0.0002%	0.0002%
Norway	-	1	1	-	5	5	-	0.0000%	0.0000%
Portugal	-	1	1	-	100	100	-	0.0009%	0.0009%
France	-	1	1	-	20	20	-	0.0002%	0.0002%
Sweden	1	3	4	29	83	112	0.0003%	0.0008%	0.0010%
Germany	-	5	5	-	109	109	-	0.0010%	0.0010%
Finland	1	16	17	137	822	959	0.0013%	0.0076%	0.0089%
Great Britain	-	4	4	-	752	752	-	0.0070%	0.0070%
Switzerland	1	4	5	146,690	1,286	147,976	1.3558%	0.0119%	1.3676%
Denmark	1	1	2	1	25	26	0.0000%	0.0002%	0.0002%
Total	1,123	5,536	6,659	9,081,289	1,738,507	10,819,796	83.93%	16.07%	100.00%

As of 30.06.2023 EFTEN Real Estate Fund AS had three shareholders with more than 10% ownership:

Entity	As at 30.06.2023	
	Number of shares	Ownership, %
LHV Pensonifondid	1,657,901	15.32
REF Aktsiad OÜ	1,151,700	10.64
Altiuse KVI OÜ	1,092,845	10.10

EFT1T share statistics, 6 months	2023	2022
Opening price	19.8	23.1
Closing price	20.0	20.0
Share price, the lowest	19.5	19.5
Share price, the highest	22.1	24.2
Traded shares, thousands	149	138
Turnover, EUR million	3.076	3.039
Market capitalisation as of 30.06, EUR million	216.396	101.451
Profit per share, euros	0.23	1.55
P/B (share closing price / equity per share)	0.98	1.01
P/B EPRA (share closing price / EPRA equity per share)	0.95	0.95

INTERIM FINANCIAL STATEMENTS OF THE CONSOLIDATION GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ thousands	Notes	II quarter		First half of the year	
		2023	2022	2023	2022
Sales income	3,4	7,961	3,530	15,749	6,988
Cost of services sold	5	-363	-71	-757	-131
Gross profit		7,598	3,459	14,992	6,857
Marketing costs	6	-192	-117	-288	-191
General and administrative expenses	7	-860	-448	-1,727	-903
Profit / loss from the change in the fair value of investment property	14	-6,182	3,702	-6,182	3,702
Other operating income and expense		3	17	13	43
Operating profit	3	367	6,613	6,808	9,508
Profit / loss from joint ventures	8	-100	0	-109	0
Interest income		14	0	20	0
Other finance income and expense	9	-1,987	-360	-3,537	-722
Profit before income tax		-1,706	6,253	3,182	8,786
Income tax expense	10	-483	-649	-737	-904
Net comprehensive profit/loss for the reporting period	3	-2,189	5,604	2,445	7,882
Earnings per share	11				
- basic		-0.63	1.10	-0.20	1.55
- diluted		-0.63	1.10	-0.20	1.55

The notes on pages 15-32 form an integral part of these interim financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30.06.2023	31.12.2022
<i>€ thousands</i>			
ASSETS			
Cash and cash equivalents	12	12,616	11,331
Current deposits	17	2,480	0
Receivables and accrued income	13	1,546	1,522
Prepaid expenses		132	49
Inventory		1	0
Total current assets		16,775	12,902
Long-term receivables		352	61
Shares in joint ventures	2	2,468	0
Investment property	3,14	361,498	168,875
Property, plant, and equipment		180	116
Intangible assets		1	2
Total non-current assets		364,499	169,054
TOTAL ASSETS		381,274	181,956
LIABILITIES AND EQUITY			
Borrowings	15	11,416	22,058
Payables and prepayments	16	1,985	1,461
Total current liabilities		13,401	23,519
Borrowings	15	138,563	45,917
Other long-term liabilities	16	1,886	1,008
Deferred income tax liability	10	7,280	7,248
Total non-current liabilities		147,729	54,173
Total liabilities		161,130	77,692
Share capital	18	108,198	50,725
Share premium	18	84,721	16,288
Statutory reserve capital		2,749	2,149
Retained earnings	19	24,476	35,102
Total equity		220,144	104,264
TOTAL LIABILITIES AND EQUITY		381,274	181,956

The notes on pages 15-32 form an integral part of these interim financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW

	Notes	II quarter		First half of the year	
		2023	2022	2023	2022
<i>€ thousands</i>					
Net profit		-2,189	5,604	2,445	7,882
<i>Adjustments of net profit:</i>					
Profit/loss from joint ventures using the equity method	8	100	0	109	0
Interest income		-14	0	-20	0
Finance income and expense	9	1,987	360	3,537	722
Investment property revaluation gain / loss	14	6,182	-3,702	6,182	-3,702
Depreciation and impairment losses	5,7	18	11	35	23
Income tax expense	10	483	649	737	904
Total adjustments with non-cash changes		8,756	-2,682	10,580	-2,053
Cash flow from operations before changes in working capital		6,567	2,922	13,025	5,829
Change in receivables and payables related to operating activities		-329	275	-378	-491
Net cash flow generated from operating activities		6,238	3,197	12,647	5,338
Acquisition of property, plant, and equipment		-3	-46	-3	-50
Acquisition of Investment property		-1,308	-2,806	-2,337	-2,941
Change in current deposits	17	-2,480	0	-2,480	0
Cash received on merger	2	0	0	11,621	0
Interest received		17	0	19	0
Net cash flow generated from investing activities		-3,774	-2,852	6,820	-2,991
Loans received	15	2,885	0	3,171	0
Scheduled loan repayments	15	-1,706	-897	-3,567	-1,797
Interest paid		-1,947	-443	-3,535	-868
Dividends paid	17	-12,471	-4,058	-12,471	-4,058
Income tax on dividends paid		-1,775	-209	-1,780	-209
Net cash flow generated from financing activities		-15,014	-5,607	-18,182	-6,932
NET CASH FLOW		-12,550	-5,262	1,285	-4,585
Cash and cash equivalents at the beginning of period		25,166	13,751	11,331	13,074
Change in cash and cash equivalents		-12,550	-5,262	1,285	-4,585
Cash and cash equivalents at the end of period	12	12,616	8,489	12,616	8,489

The notes on pages 15-32 form an integral part of these interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ thousands	Share capital	Share premium	Statutory reserve capital	Retained earnings	Total
Balance as at 31.12.2021	50,725	16,288	1,489	28,412	96,914
Dividends paid	0	0	0	-4,058	-4,058
Allocations to reserve capital	0	0	660	-660	0
Total transactions with the owners	0	0	660	-4,718	-4,058
Net profit for the financial period	0	0	0	7,882	7,882
Total comprehensive income for the period	0	0	0	7,882	7,882
Balance as at 30.06.2022	50,725	16,288	2,149	31,576	100,738
Balance as at 31.12.2022	50,725	16,288	2,149	35,102	104,264
Issuance of shares for the merger	57,473	68,433	0	0	125,906
Dividends paid	0	0	0	-12,471	-12,471
Allocations to reserve capital	0	0	600	-600	0
Total transactions with the owners	57,473	68,433	600	-13,071	113,435
Net profit for the financial period	0	0	0	2,445	2,445
Total comprehensive income for the period	0	0	0	2,445	2,445
Balance as at 30.06.2023	108,198	84,721	2,749	24,476	220,144

Further information on the share capital can be found in Note 18.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 Accounting policies and measurement bases used in the preparation of the consolidated interim financial statements

EFTEN Real Estate Fund AS (Parent company) is a company registered in Estonia and operating in Estonia.

EFTEN Real Estate Fund AS Group's structure as of 30.06.2023 is as follows (see also Note 2):

SUBSIDIARIES		JOINT VENTURE
100% EFTEN SPV14 OÜ	<i>Investment property:</i> Võru Rautakesko	<i>Investment property:</i>
100% EFTEN SPV15 OÜ	Premia Külkhoone, Tallinn	
100% EFTEN SPV3 OÜ	Uku Centre, Viljandi	
100% EFTEN SPV4 OÜ	Rakvere Police and rescue common building	
100% EFTEN SPV2 OÜ	Lauteri 5, Tallinn	
100% EFTEN SPV5 OÜ	Pärnu mnt 105, Tallinn	
100% EFTEN SPV6 OÜ	Pärnu mnt 102, Tallinn	
100% EFTEN SPV7 OÜ	100% EFTEN SPV8 OÜ	Mustika Centre, Tallinn
100% EFTEN Jelgava SIA	RAF Centrs, Jelgava	
100% EFTEN SPV12 OÜ	Tammsaare tee Rautakesko, Tallinn; Kuuli 10, Tallinn	
100% EFTEN SPV17 OÜ	Betooni 1a, Tallinn; Betooni 6, Tallinn	
100% EFTEN Jurkalne SIA	Jurkalne Technology Park, Riia	
100% EFTEN Terbata SIA	Terbata office building, Riia	
100% Auras Centrs SIA	Jelgava development project, Jelgava (in the development stage)	
100% Saulės Miestas UAB	Saulės Miestas Shopping centre, Šiauliai	
100% Verkių projektas UAB	Ulonu office building, Vilnius	
100% EFTEN Menulio UAB	Menulio 11, Vilnius	
100% EFTEN Stasyļu UAB	DSV logistics centre, Vilnius	
100% EFTEN Tānassilma OÜ	DSV logistics centre, Tallinn	
100% EFTEN Krustpils SIA	DSV logistics centre, Riia	
100% EFTEN Laisves UAB	L3 office building, Vilnius	
100% EFTEN Laagri OÜ	Laagri Selver, Tallinn	
100% EFTEN Seljaku OÜ	Hortes gardening centre, Laagri	
100% EFTEN Tāhesāju tee OÜ	Hortes gardening centre, Tallinn	
100% EFTEN Evolution UAB	Evolution office building, Vilnius	
100% EFTEN Autokeskus OÜ	ABC Motors Autokeskus, Tallinn	
100% EFTEN Rīga Airport SIA	airBaltic main office building, Riia	
100% EFTEN Piepilsetas SIA	Piepilsetas logistics centre, Kekava	
100% EFTEN Rutkauskos UAB	Rutkauskos office building, Vilnius	
100% EFTEN Pirita OÜ	Pirita Pansionaat, Tallinn	
100% EFTEN Ramygalos UAB	Ramygalos logistics centre, Panevėžys	
100% EFTEN Valkla OÜ	Valkla Sūdamekodu, Valkla	
100% EFTEN Ermi OÜ	Tartu Sūdamekodu, Tartu (Under construction)	
100% EFTEN ABC SIA		50% EFTEN SPV11 OÜ Hotell Palace, Tallinn

The consolidated interim financial statements of EFTEN Real Estate Fund AS and its subsidiaries have been prepared in accordance with International Standards as adopted by the European Union (IFRS EU). These consolidated interim financial statements have been prepared in accordance with

International Accounting Standard IAS 34: Interim Financial Reporting. The interim report has been prepared using the same accounting methods as in the annual report for the year ended 31.12.2022. The interim report should be read in conjunction with the Group's most recently published annual report for 2022, which has been prepared in accordance with International Financial Reporting Standards (IFRS). In the opinion of the Management Board, the interim report of EFTEN Real Estate Fund AS for the first 6 months of 2023 correctly and fairly reflects the financial results of the Group in accordance with the principle of continuity. These interim reports have not been audited or otherwise audited by auditors and include only the consolidated financial statements of the Group. The reporting currency is the euro. The consolidated interim financial statements are presented in thousands of euros and all figures are rounded to the nearest thousand, unless otherwise stated.

2 Subsidiaries and joint ventures

On the balance sheet date of 01.01.2023, EFTEN Real Estate Fund AS merged with EFTEN Kinnisvarafond AS. During the merger, EFTEN Real Estate Fund AS acquired, among other things, all subsidiaries of EFTEN Kinnisvarafond AS and a joint venture. In order to carry out the merger, EFTEN Real Estate Fund AS issued 5,747,261 to the shareholders of EFTEN Kinnisvarafond AS, for which EFTEN Kinnisvarafond AS was paid as a non-monetary contribution based on the EPRA NRV value in the amount of 125,906 thousand euros. Additional information on the increase of the share capital is provided in Note 18.

EFTEN Kinnisvarafond AS consolidated balance sheet for the merger	01.01.2023
<i>€ thousands</i>	
Cash and cash equivalents	11,621
Other current assets	462
Total current assets	12,083
Investment property	196,292
Shares in joint ventures	2,577
Other non-current assets	84
Total non-current assets	198,953
TOTAL ASSETS	211,036
Current liabilities	26,875
Other current liabilities	831
Total current liabilities	27,706
Long-term liabilities	55,528
Deferred income tax liability	1,101
Other long-term liabilities	795
Total non-current liabilities	57,424
Total liabilities	85,130
Share capital and agio	54,154
Statutory reserve capital	4,734
Retained earnings	67,018
Total equity	125,906
TOTAL LIABILITIES AND EQUITY	211,036

After the merger with EFTEN Kinnisvarafond AS, EFTEN Real Estate Fund AS acquired a 50% stake in the joint venture EFTEN SPV11 OÜ, which owns the Palace hotel building in Tallinn. The main financial indicators of the joint venture are presented in the table below:

EFTEN SPV11 OÜ	30.06.2023	01.01.2023
<i>€ thousands</i>		
Cash and cash equivalents	163	243
Other current assets	62	67
Total current assets	215	310
Shares in joint ventures	75	49
Investment property	9,800	10,020
Total non-current assets	9,875	10,069
TOTAL ASSETS	10,090	10,379
Current liabilities	5,128	103
Other current liabilities	26	45
Total current liabilities	5,154	148
Long-term liabilities	0	5,077
Total non-current liabilities	0	5,077
Total liabilities	5,154	5,225
Net profit	4,936	5,154

	I quarter 2023
Sales income	211
<i>incl. Sales income II quarter 2023</i>	145
Net profit/ loss	-218

In the first quarter of 2023, there have been the following changes to the investment in joint ventures:

	30.06.2023
Book value at merger	2,577
Profit / loss from joint ventures (Note 8)	-109
Book value at the end of the period	2,468

As of 30.06.2023, EFTEN Real Estate Fund AS owns the following subsidiaries:

Company name	Country of domicile	Investment property	The subsidiary's equity, € thousands		Group's ownership, %	
			30.06.2023	31.12.2022	30.06.2023	31.12.2022
Emaettevõte						
EFTEN Real Estate Fund AS	Estonia					
Tütaretevõtted						
Saules Miestas UAB	Lihtuania	Saules Miestas Shopping centre, Šiauliai	21,556	21,601	100	100
Verkiu Projektas UAB	Lihtuania	Ulonu office building, Vilnius	4,316	4,612	100	100
EFTEN Stasyly UAB	Lihtuania	DSV logistics centre, Vilnius	4,979	5,278	100	100
EFTEN Tānassilma OÜ	Estonia	DSV logistics centre, Tallinn	7,980	8,249	100	100
EFTEN Krustpils SIA	Latvia	DSV logistics centre, Rīa	3,198	3,516	100	100
EFTEN Laisves UAB	Lihtuania	L3 office building, Vilnius	5,658	6,062	100	100
EFTEN Laagri OÜ	Estonia	Laagri Selver, Tallinn	4,150	5,257	100	100
EFTEN Seljaku OÜ	Estonia	Hortes gardening centre, Laagri	2,546	2,504	100	100
EFTEN Evolution UAB	Lihtuania	Evolution office building, Vilnius	6,220	6,249	100	100
EFTEN Tāhesaju tee OÜ	Estonia	Hortes gardening centre, Tallinn	2,671	2,724	100	100
EFTEN Autokeskus OÜ	Estonia	ABC Motors Autokeskus, Tallinn	1,803	2,017	100	100
EFTEN Rīga Airport SIA	Latvia	airBaltic main building, Rīa	4,812	4,796	100	100
EFTEN Piepilsetas SIA	Latvia	Piepilsetas logistics centre, Kekava	3,933	4,216	100	100
EFTEN Rutkauskos UAB	Lihtuania	Rutkauskos office building, Vilnius	6,399	6,464	100	100
EFTEN Pīrita OÜ	Estonia	Pīrita Pansionaat, Tallinn	3,675	3,779	100	100
EFTEN Ramygalos UAB	Lihtuania	Ramygalos logistics centre, Panevėžys	5,088	5,188	100	100
EFTEN Valkla OÜ	Estonia	Valkla Sūdamekodu, Valkla	1,395	1,784	100	100
EFTEN Ermi OÜ	Estonia	Tartu Sūdamekodu, Tartu (Under constuctions)	230	237	100	100
EFTEN ABC SIA	Latvia	-	3	3	100	100
EFTEN SPV2 OÜ	Estonia	Lauteri 5, Tallinn	3,522	-	100	-
EFTEN SPV3 OÜ	Estonia	Uku Centre, Viljandi	7,471	-	100	-
EFTEN SPV4 OÜ	Estonia	Rakvere Police and rescue common building	3,802	-	100	-
EFTEN SPV5 OÜ	Estonia	Pārmu mnt 105, Tallinn	3,973	-	100	-
EFTEN SPV6 OÜ	Estonia	Pārmu mnt 102, Tallinn	7,284	-	100	-
EFTEN SPV7 OÜ	Estonia	Mustika Keskus, Tallinn	21,284	-	100	-
EFTEN SPV8 OÜ	Estonia	Mustika Keskus, Tallinn	8,848	-	100	-
EFTEN SPV12 OÜ	Estonia	Tammsaare tee Rautakesko, Tallinn; Kuuli 10, Tallinn	15,287	-	100	-
EFTEN SPV14 OÜ	Estonia	Võru Rautakesko	1,871	-	100	-
EFTEN SPV15 OÜ	Estonia	Premia Kūlmhoone, Tallinn	3,508	-	100	-
EFTEN SPV17 OÜ	Estonia	Betooni 1a, Tallinn, Betooni 6, Tallinn	10,293	-	100	-
EFTEN Jelgava SIA	Latvia	RAF Centrs, Jelgava	4,945	-	100	-
EFTEN Jurkalne SIA	Latvia	Jurkalne Technology Park, Rīa	14,880	-	100	-
EFTEN Terbata SIA	Latvia	Terbata office building, Rīa	5,149	-	100	-
Auras Centrs SIA	Latvia	Jelgava development project, Jelgava (in the development stage)	1,641	-	100	-
EFTEN Menulio UAB	Lihtuania	Menulio 11, Vilnius	4,399	-	100	-

All subsidiaries and joint ventures are engaged in the acquisition and leasing of investment property. The shares of any subsidiary are not listed on the stock exchange.

3 Segment reporting

SEGMENT RESULT

	Office		Logistics		Retail		Care homes		National		Non-allocated		Total	
	1st half-year		1st half-year		1st half-year		1st half-year		1st half-year		1st half-year		1st half-year	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
<i>€ thousands</i>														
Sales income (Note 4), incl.	3,924	1,982	4,822	2,018	6,281	2,754	312	234	410	0	0	0	15,749	6,988
Estonia	1,038	0	2,003	520	3,769	784	312	234	410	0	0	0	7,532	1,538
Latvia	607	250	2,037	739	498	0	0	0	0	0	0	0	3,142	989
Lithuania	2,279	1,732	782	759	2,014	1,970	0	0	0	0	0	0	5,075	4,461
Net operating income, incl.	3,688	1,932	4,663	2,000	5,697	2,503	309	231	347	0	0	0	14,704	6,666
Estonia	901	0	1,962	520	3,555	770	309	231	347	0	0	0	7,074	1,521
Latvia	557	249	1,919	721	403	0	0	0	0	0	0	0	2,879	970
Lithuania	2,230	1,683	782	759	1,739	1,733	0	0	0	0	0	0	4,751	4,175
Operating profit, incl.	458	3,443	1,838	2,713	4,527	3,194	-307	235	472	0	-180	-77	6,808	9,508
Estonia	-933	0	771	715	2,618	985	-307	235	472	0	-180	-77	2,441	1,858
Latvia	138	287	493	830	435	0	0	0	0	0	0	0	1,066	1,117
Lithuania	1,253	3,156	574	1,168	1,474	2,209	0	0	0	0	0	0	3,301	6,533
EBITDA, incl.	3,303	1,755	4,221	1,777	5,092	2,189	248	185	342	0	-180	-77	13,026	5,829
Estonia	828	0	1,814	474	3,233	675	248	185	342	0	-180	-77	6,285	1,257
Latvia	457	197	1,701	616	355	0	0	0	0	0	0	0	2,513	813
Lithuania	2,018	1,558	706	687	1,504	1,514	0	0	0	0	0	0	4,228	3,759
Operating profit													6,808	9,508
Profit/loss from joint ventures (Notes 2, 8)													-109	0
Net financial expense													-3,517	-722
Profit before income tax													3,182	8,786
Income tax expense (Note 10)													-737	-904
NET PROFIT FOR THE FINANCIAL PERIOD													2,445	7,882

SEGMENT RESULT, 2nd quarter

	Office		Logistics		Retail		Care homes		National		Non-allocated		Total	
	II kvartal		II kvartal		II kvartal		II kvartal		II kvartal		II kvartal		II kvartal	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
<i>€ thousands</i>														
Sales income (Note 4), incl.	1,973	985	2,456	1,024	3,171	1,391	156	130	205	0	0	0	7,961	3,530
Estonia	514	0	1,013	262	1,906	395	156	130	205	0	0	0	3,794	787
Latvia	317	125	1,052	382	266	0	0	0	0	0	0	0	1,635	507
Lithuania	1,142	860	391	380	999	996	0	0	0	0	0	0	2,532	2,236
Net operating income, incl.	1,853	950	2,367	1,017	2,857	1,247	155	128	174	0	0	0	7,406	3,342
Estonia	458	0	996	262	1,798	390	155	128	174	0	0	0	3,581	780
Latvia	282	125	980	375	214	0	0	0	0	0	0	0	1,476	500
Lithuania	1,113	825	391	380	845	857	0	0	0	0	0	0	2,349	2,062
Operating profit, incl.	-1,191	2,544	-250	1,842	2,015	2,113	-429	154	302	0	-80	-40	367	6,613
Estonia	-1,343	0	-123	481	1,028	654	-429	154	302	0	-80	-40	-645	1,249
Latvia	-87	188	-347	536	276	0	0	0	0	0	0	0	-158	724
Lithuania	239	2,356	220	825	711	1,459	0	0	0	0	0	0	1,170	4,640
EBITDA, incl.	1,653	855	2,133	906	2,564	1,097	126	104	172	0	-80	-40	6,568	2,922
Estonia	418	0	920	240	1,638	344	126	104	172	0	-80	-40	3,194	648
Latvia	232	98	861	322	196	0	0	0	0	0	0	0	1,289	420
Lithuania	1,003	757	352	344	730	753	0	0	0	0	0	0	2,085	1,854
Operating profit													367	6,613
Profit/loss from joint ventures (Notes 2, 8)													-100	0
Net financial expense													-1,973	-360
Profit before income tax													-1,706	6,253
Income tax expense (Note 10)													-483	-649
NET PROFIT FOR THE FINANCIAL PERIOD													-2,189	5,604

SEGMENT ASSETS

As at June 30	Office		Logistics		Retail		Care homes		National		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
<i>€ thousands</i>												
Investment property												
Estonia	28,440	0	49,330	13,690	89,090	21,330	9,775	8,663	7,490	0	184,125	43,683
Latvia	15,640	6,890	43,232	17,690	9,360	0	0	0	0	0	68,232	24,580
Lithuania	52,271	44,691	20,000	20,270	36,870	35,380	0	0	0	0	109,141	100,341
Total investment property (Note 14)	96,351	51,581	112,562	51,650	135,320	56,710	9,775	8,663	7,490	0	361,498	168,604
Other non-current assets											3,001	163
Net debt (liabilities less cash)											-148,514	-69,195
Other current assets											4,159	1,166
NET ASSETS											220,144	100,738

In the first half-year of 2023 ja 2022, 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.

The Group's largest customers are Livonia Print SIA, Kesko Senukai Estonia AS and Prisma Peremarket AS, holding 5.9%, 5.7% ja 5.0% % of the Group's consolidated rental income, respectively. The share of income of other tenants in the consolidated income is less than 5%.

4 Sales income

Segments	1st half-year	
	2023	2022
<i>€ thousands</i>		
Rental income from office premises (Note 14)	3,884	1,981
Rental income from national institutions (Note 14)	410	0
Rental income from retail premises (Note 14)	5,887	2,398
Rental income from logistics premises (Note 14)	4,725	1,997
Rental income from care home premises (Note 14)	312	234
Other sales revenue	531	378
Total Sales income by segments of activity (Note 3)	15,749	6,988

Sales income by geographical area	1st half-year	
	2023	2022
<i>€ thousands</i>		
Estonia	7,532	1,538
Latvia	3,142	989
Lithuania	5,075	4,461
Total Sales income by geographical area (Note 3)	15,749	6,988

5 Cost of services sold

Cost of services sold	1st half-year	
	2023	2022
<i>€ thousands</i>		
Repair and maintenance of rental premises	-370	-23
Property insurance	-31	-2
Land tax and property tax	-100	-15
Other administrative expenses	-37	-31
Utility costs of vacant premises	-54	-8
Depreciation costs	-10	0
Improvement costs	-98	-6
Wage costs, including taxes (Note 20)	-21	-19
Proportional VAT costs	-27	-22
Other cost of services sold	-9	-5
Total cost of services sold (Note 14)	-757	-131

6 Marketing costs

Marketing costs	1st half-year	
	2023	2022
<i>€ thousands</i>		
Commission expenses on rental premises	-29	-7
Advertising, advertising events ¹	-259	-184
Total marketing costs	-288	-191

¹ Expenditure on advertising and promotional events consists to a large extent of the costs of marketing events in shopping centres, which are covered by tenants through agreed marketing fees.

7 General administrative expenses

General administrative expenses	1st half-year	
	2023	2022
<i>€ thousands</i>		
Management services (Note 20)	-1,071	-581
Office expenses	-41	-22
Wages and salaries, incl. taxes (Note 20)	-198	-110
Consulting expenses, legal expenses, accounting service, evaluation service	-219	-72
Audit costs	-67	-22
Regulator costs	-84	-54
Other general administrative expenses	-22	-19
Depreciation costs	-25	-23
Total general administrative expense	-1,727	-903

8 Profit / loss from joint ventures

Profit / loss from joint ventures	1st half-year	
	2023	2022
<i>€ thousands</i>		
Profit / loss from joint ventures using the equity method (Notes 2,3)	-109	0
Total profit / loss from joint ventures	-109	0

EFTEN Real Estate Fund AS acquired the joint venture EFTEN SPV11 OÜ during the merger with EFTEN Kinnisvarafond AS on 01.01.2023.

9 Other financial income and expenses

Other financial income and expenses Muud finantstulud ja -kulud	1st half-year	
	2023	2022
<i>€ thousands</i>		
Interest expenses, incl.		
Interest expense from loans	-3,484	-856
Interest expense from derivatives (-)/ cost reductions (+)	-3,537	-804
Change in fair value of interest swaps	53	-52
	-53	134
Total other financial income and expenses	-3,537	-722

10 Income tax

Income tax expense

	1st half-year	
	2023	2022
<i>€ thousands</i>		
Income tax expense on dividends	-400	0
Deferred income tax expense for Lithuanian companies	-306	-780
Lithuanian corporate income tax expense on profits	-31	-124
Total income tax expense (Note 3)	-737	-904

Deferred income tax liability

	Deferred income tax liability related to real estate investments	Deferred income tax liability in respect of dividends	Total
<i>€ thousands</i>			
Balance as at 31.12.2022	6,912	336	7,248
Change in deferred income tax liability in the income statement of first half of 2023	306	0	306
Expected income tax expense	0	1,101	1,101
Paid income tax on dividends	0	-1,375	-1,375
Balance as at 30.06.2023	7,218	62	7,280

11 Earnings per share

Aktsiakasum	II quarter		6 months	
	2023	2022	2023	2022
Net profit for the period, € thousands	-2,189	5,604	2,445	7,882
Dividends per share, in euros	1,15	0,80	1,15	0,80
Weighted average number of shares over the period, in pc	10,819,796	5,072,535	10,819,796	5,072,535
Earnings per share, in euros	-0.20	1.10	0.23	1.55

The Council of EFTEN Real Estate Fund AS decided on the basis of the authorizations received from the general meeting on 14.02.2023 and in accordance with the merger agreement between EFTEN Real Estate Fund AS and EFTEN Kinnisvarafond AS signed on 19.09.2022 to increase the share capital and issue 5,747,261 new shares in order to carry out the merger. As a result of the issue, the Fund has 10,819,796 shares. Since the balance sheet date of the merger was 01.01.2023, the weighted average number of shares for the 1st half-year of 2023 is also unchanged during the period (10,819,796 shares).

12 Cash and cash equivalents

	30.06.2023	31.12.2022
€ thousands		
Demand deposit	6,781	11,327
Cash	2	4
Term deposit	5,833	0
Total cash and cash equivalents (Note 17)	12,616	11,331

1 Term deposits carry interest at a variable rate. As of 30.06.2023, the interest rate was 3.185% per annum.

13 Receivables and accrued income

	30.06.2023	31.12.2022
€ thousands		
Receivables from customers	1,000	765
Allowance for doubtful accounts	-18	-6
Total receivables from customers	982	759
Receivables from interest derivatives	0	53
Other short-term receivables	28	27
Total other short-term receivables	28	80
Accrued income		
Interests	2	0
Advances and refunds of VAT	50	111
Other accrued income	484	572
Total accrued income	536	683
Total receivables and accrued income	1,546	1,522

Additional information on receivables and accrued income is provided in Note 17.

14 Investment properties

As at 30.06.2023, the Group has made investments in the following investment properties:

Name	Location	Net rental area (m ²)	Year of construction	Date of acquisition	Acquisition cost	Market value as at 30.06.2023	Increase in value	Share of market value of the Fund's asset
<i>€ thousands</i>								
Office buildings								
Lauteri 5	Tallinn, Estonia	3,822	1958	01.2023	5,850	5,760	-2%	2%
Pärnu mnt 105	Tallinn, Estonia	4,779	1998	01.2023	8,059	7,690	-5%	2%
Pärnu mnt 102	Tallinn, Estonia	9,440	2005	01.2023	16,292	14,990	-8%	4%
Terbata office building	Riga, Latvia	6,057	2005	01.2023	9,038	8,790	-3%	2%
Menulio 11	Vilnius, Lithuania	5,617	recon. 2011-2013	01.2023	8,121	7,960	-2%	2%
Ulonu office building	Vilnius, Lithuania	5,290	2012	12.2015	8,336	9,130	10%	2%
L3 office building	Vilnius, Lithuania	6,150	2004	10.2016	8,789	10,551	20%	3%
Evolution office building	Vilnius, Lithuania	6,614	2009	05.2018	10,022	11,640	16%	3%
airBalticu main building	Riga, Latvia	6,217	recon. 2016	03.2020	7,112	6,850	-4%	2%
Rutkausko office building	Vilnius, Lithuania	6,812	2014	08.2020	11,823	12,990	10%	3%
Total office buildings		60,798			93,442	96,351	3%	25%
Logistics								
Premia Külmhoone	Tallinn, Estonia	7,258	2002/2007	01.2023	6,840	6,680	-2%	2%
Kuuli 10	Tallinn, Estonia	15,197	2006	01.2023	11,450	11,340	-1%	3%
Betooni 1a	Tallinn, Estonia	10,678	2008	01.2023	9,190	9,130	-1%	2%
Betooni 6	Tallinn, Estonia	16,482	1998	01.2023	9,283	8,800	-5%	2%
Jurkalne Technology Park	Riga, Latvia	44,088	2002	01.2023	24,508	23,850	-3%	6%
DSV logistics centre	Vilnius, Lithuania	11,751	2005	06.2016	8,521	9,350	10%	2%
DSV logistics centre	Tallinn, Estonia	16,014	2003	07.2016	12,366	13,380	8%	4%
DSV logistics centre	Riga, Latvia	12,149	2000	07.2016	8,839	8,550	-3%	2%
Piepilsetas logistics centre	Kekava, Latvia	13,380	2007	03.2020	8,818	8,490	-4%	2%
Ramygalos logistics centre	Lithuania	20,126	2007	06.2021	10,011	10,650	6%	3%
Total logistics		167,123			109,826	110,220	0%	29%
Retail								
Võru Rautakesko	Võru, Estonia	3,120	2008	09.2008	2,890	2,760	-4%	1%
Uku Keskus	Viljandi, Estonia	8,940	2012/2018	08.2010	13,592	13,990	3%	4%
Mustika Keskus	Tallinn, Estonia	27,560	1998/2002	07.2012	36,970	36,350	-2%	10%
RAF Centrs	Jelgava, Latvia	6,225	2014/2017	03.2013	9,280	9,360	1%	2%
Tammsaare tee Rautakesko	Tallinn, Estonia	9,120	2007	07.2013	15,700	15,660	0%	4%
Jelgava development project	Jelgava, Latvia	Under development		01.2015	2,342	2,342	0%	1%
Saules Miestas Shopping centre	Šiauliai, Lithuania	20,294	2007	08.2015	29,571	36,870	25%	10%
Laagri Selver	Tallinn, Estonia	3,059	2017	05.2017	6,279	7,770	24%	2%
Hortes gardening centre Laagri	Tallinn, Estonia	3,470	2006	05.2017	3,138	3,750	20%	1%
Hortes gardening centre Tähesajaj	Tallinn, Estonia	5,300	2019	05.2018	5,458	5,600	3%	1%
ABC Motors Autokeskus	Tallinn, Estonia	2,149	2002	02.2019	3,479	3,210	-8%	1%
Total retail		89,237			128,699	137,662	7%	36%
National								
Rakvere Police and rescue common building	Rakvere, Estonia	5,775	2010	11.2010	7,360	7,490	2%	2%
Care homes								
Pirita Pansionaat	Tallinn, Estonia	5,983	2020	12.2020	6,217	6,200	0%	2%
Valkla Südamekodu	Valkla, Estonia	4,423	recon. 2022	04.2022	3,110	3,110	0%	1%
Tartu Südamekodu	Tartu, Estonia	Under construction		04.2022	465	465	0%	0%
Total care homes		10,406			9,792	9,775	0%	3%
Total		333,339			349,119	361,498	4%	95%

In addition to the investment properties shown in the above table, the joint venture EFTEN SPV11 OÜ with a 50% shareholding of the Group, owns investment properties at Vabaduse väljak 3 / Pärnu mnt 14, Tallinn (hotel "Palace"). The fair value of the investment property as of 30.06.2023 is 9,800 thousand euros.

In the first half-year of 2023 and 2022 the following changes occurred in the Group's investment properties:

	Under development investment properties	Finished investment properties	Total investment properties
Balance as at 01.01.2022	0	161,961	161,961
Acquisitions	2,342	0	2,342
Capitalized improvements	0	599	599
Kasum/kahjum õiglase väärtuse muutusest	0	3,702	3,702
Balance as at 30.06.2022	2,342	166,262	168,604
Balance as at 01.01.2023	2,634	166,241	168,875
Acquisitions and developments	1,376	0	1,376
Capitalized improvements	0	1,137	1,137
Assets obtained in the merger (Note 2)	2,342	193,950	196,292
Gain/loss from change in fair value	-435	-5,747	-6,182
Balance as at 30.06.2023	5,917	355,581	361,498

Additional information regarding investment properties is provided in Note 3.

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

As of 30 June, or per quarter	1st half-year	
	2023	2022
Rental income from investment properties (Note 4)	15,218	6,610
Costs directly related to the management of investment properties (Note 5)	-757	-131
Outstanding amounts from the acquisition of investment properties (Note 16)	209	0
Book value of investment properties pledged as collateral for loan liabilities (Note 15)	358,691	166,261

Assumptions and basis for determining the fair value of investment properties

The Group's investment properties are evaluated by an independent appraiser. The fair value of all investment properties reflected in the Group's reports as of 30.06.2023 has been obtained using the discounted cash flow method. The following assumptions have been used in finding the fair value:

Sector	Fair value	Evaluation method	Estimated rental income per year	Discount rate	Exit yield	Average rental price €/m ²
<i>€ thousands</i>						
Office	96,351	Discounted cash flows	7,548	8.2%-9.4%	6.0%-8.0%	11.0
Logistics	110,220	Discounted cash flows	9,463	8.4%-11.0%	7.0%-8.25%	4.6
Retail	135,320	Discounted cash flows	11,956	8.2%-10.45%	6.5%-8.5%	11.7
Care homes	9,310	Discounted cash flows	753	8.4%-9.5%	7.0%-8.0%	7.1
National Under development investment properties	7,490	Discounted cash flows	836	9.5%	8.0%	11.0
	2,807	Comparable offers	-	-	-	-
Total	361,498		30,556			

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, considering the risks associated with the object;
- Discount rate: calculated based on 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, considering 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 recognised in the Group's balance sheet as of 30.06.2023 to the most important valuation assumptions:

Sector	Fair value	Sensitivity to management estimate		Sensitivity to independent appraisal			
		Sales income +10%	Sales income -10%	Discount rate +50bp	Discount rate -50bp	Exit yield rate +50bp	Exit yield rate -50bp
<i>€ thousands</i>							
Office	96,351	10,490	-10,500	-1,920	1,980	-4,500	5,170
Logistics	110,220	11,940	-11,950	-2,160	2,230	-4,750	5,420
Retail	135,320	15,560	-15,550	-2,690	2,740	-5,860	6,670
Care homes	9,310	980	-1,000	-190	180	-420	470
National	7,490	920	-930	-150	140	-300	320
Under development investment properties	2,807	980	-1,040	-220	220	-460	470
Total	361,498	40,870	-40,970	-7,330	7,490	-16,290	18,520

Level three inputs have been used to determine the fair value of all the Group's investment properties (Note 17).

15 Borrowings

As at 30.06.2023, the Group has the following borrowings:

Lender	Country of lender	Loan amount as per agreement	Loan balance as at 30.06.23	Contract term	Interest rate as at 30.06.23	Loan collateral	Value of collateral	Loan balance's share of the fund's net asset value
SEB	Estonia	4,800	3,320	30.04.27	5.17%	Mortgage - Premia Külmhoone	6,680	1.5%
Luminor	Estonia	2,239	1,013	15.12.23	6.08%	Mortgage - Võru Rautakesko	2,760	0.5%
SEB	Estonia	2,514	1,929	13.06.26	5.22%	Mortgage - Lauteri 5	5,760	0.9%
SEB	Estonia	8,429	5,497	25.01.27	5.22%	Mortgage - Uku Centre	13,990	2.5%
Swedbank	Estonia	3,711	3,627	25.10.25	5.25%	Mortgage - Rakvere Police and rescue common building	7,490	1.6%
Swedbank	Estonia	4,153	3,135	30.08.28	5.15%	Mortgage - Pärnu mnt 105	7,690	1.4%
Swedbank	Estonia	8,508	7,277	30.08.26	5.10%	Mortgage - Pärnu mnt 102	14,990	3.3%
SEB	Estonia	20,000	15,418	31.08.27	5.64%	Mortgage - Mustika Centre	36,350	7.0%
Swedbank	Estonia	15,622	12,612	31.05.28	5.05%	Mortgage - Tammsaare tee Rautakesko; Kuuli 10	27,000	5.7%
SEB	Estonia	9,300	7,812	26.06.27	5.84%	Mortgage - Betooni 1a; Betooni 6	17,930	3.5%
Swedbank	Lihtuania	4,078	3,426	07.12.25	5.86%	Mortgage - Menulio 11	7,960	1.6%
SEB	Latvia	4,561	3,484	16.04.27	5.37%	Mortgage - RAF Centrs	9,360	1.6%
Swedbank	Latvia	5,850	3,696	31.07.27	5.45%	Mortgage - Terbata office building	8,790	1.7%
SEB	Latvia	12,060	9,507	08.08.24	5.56%	Mortgage - Jurkalne Technology Park	23,850	4.3%
Swedbank	Lihtuania	14,616	12,109	13.08.28	5.65%	Mortgage - Saules Miestas Shopping centre	36,870	5.5%
SEB	Lihtuania	5,500	3,947	28.06.26	5.45%	Mortgage - DSV logistics centre	9,350	1.8%
SEB	Latvia	5,123	3,801	29.06.26	5.42%	Mortgage - DSV logistics centre	8,550	1.7%
SEB	Estonia	7,950	5,725	29.06.26	5.40%	Mortgage - DSV logistics centre	13,380	2.6%
SEB	Lihtuania	5,620	4,073	27.10.26	5.50%	Mortgage - L3 office building	10,551	1.9%
SEB	Lihtuania	5,200	3,592	21.12.25	5.85%	Mortgage - Ulonu office building	9,130	1.6%
SEB	Lihtuania	5,850	4,533	30.05.28	5.42%	Mortgage - Evolution office building	11,640	2.1%
Swedbank	Estonia	3,833	3,756	29.06.27	4.82%	Mortgage - Laagri Selver	7,770	1.7%
SEB	Estonia	1,860	1,310	05.07.27	4.74%	Mortgage - Hortes gardening centre Laagri	3,750	0.6%
Swedbank	Estonia	3,290	2,862	11.01.24	5.24%	Mortgage - Hortes gardening centre Tähesaju	5,600	1.3%
LHV	Estonia	1,800	1,520	25.02.24	6.15%	Mortgage - ABC Motors Autokeskus	3,210	0.7%
Swedbank	Latvia	4,000	2,553	05.02.26	5.52%	Mortgage - Piepilsetas logistics centre	8,490	1.2%
Luminor	Latvia	3,905	2,370	04.02.25	6.00%	Mortgage - airBaltic main building	6,850	1.1%
Swedbank	Estonia	3,100	2,852	28.11.25	5.37%	Mortgage - Piritä Pansionaat, partent company warranty	6,200	1.3%
Swedbank	Estonia	2,250	1,548	25.09.27	5.40%	Mortgage - Valkla Súdamekodu	3,110	0.7%
Šiaulių bankas	Lihtuania	6,000	5,526	13.06.26	6.02%	Mortgage - Ramygalos logistics centre	10,650	2.5%
SEB	Lihtuania	7,300	6,321	12.08.25	5.04%	Mortgage - Rutkausko office building	12,990	2.9%
Total		193,022	150,151				358,691	68.2%

Short-term borrowings	30.06.2023	31.12.2022
Short-term borrowings		
€ thousands	11,475	22,093
Repayments of long-term bank loans in the next period	-59	-35
Discounted contract fees for bank loans	11,416	22,058
Total short-term borrowings		
Long-term borrowings	30.06.2023	31.12.2022
€ thousands		
Total long-term borrowings	149,979	67,975
incl. current portion of borrowings	11,416	22,058
incl. non-current portion of borrowings, incl.	138,563	45,917
Bank loans	138,676	45,968
Discounted contract fees on bank loans	-113	-51

Bank loans are divided as follows according to repayment date:

Repayments of bank loans by maturity	30.06.2023	31.12.2022
€ thousands		
Up to 1 year	11,475	22,093
2-5 years	138,676	45,968
Total repayments of bank loans	150,151	68,061

Cash flows from borrowings	1st half-year	
	2023	2022
€ thousands		
Balance at the beginning of the period	67,975	71,085
Bank loans received	3,171	0
Annuity payments on bank loans	-3,567	-1,797
Addition from merger (Note 2)	82,487	0
Change of discounted contract fees	-87	-5
Balance as at the end of period	149,979	69,283

Additional information on loan liabilities is also provided in Note 17.

16 Payables and prepayments

Short-term payables and prepayments	30.06.2023	31.12.2022
€ thousands		
Payables to suppliers from tangible assets transactions (Note 14)	209	268
Other payables to suppliers	418	228
Total payables to suppliers	627	496
Other payables	94	4
Total other payables	94	4
VAT	482	272
Income tax	13	62
Land tax, property tax	19	64
Other tax liabilities	13	5
Total tax payables	527	403
Payables to employees	43	27
Interest payable	117	123
Tenants' security deposits	311	82
Other accrued liabilities	253	326
Total accrued liabilities	724	558
Prepayments received from customers	3	0
Other prepayments	10	0
Total prepayments	13	0
Total payables and prepayments	1,985	1,461

Long-term payables	30.06.2023	31.12.2022
€ thousands		
Tenants' security deposits	1,886	1,008
Total other long-term payables	1,866	1,008

For additional information on payables, see Note 17.

17 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. For additional information on the Group's finance costs, please see Note 9.

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

€ thousands	Notes	30.06.2023	31.12.2022
Financial assets - loans and receivables			
Cash and cash equivalents	12	12,616	11,331
Short-term deposits ¹		2,480	0
Trade receivables	13	982	759
Total financial assets		16,078	12,090
Financial liabilities measured at amortised cost			
Borrowings	15	149,979	67,975
Trade payables	16	627	496
Tenant security deposits	16	2,197	1,090
Interest payables	16	117	123
Accrued expenses	16	296	353
Total financial liabilities measured at amortised cost		153,216	70,037
Total financial liabilities		153,216	70,037

¹ Short-term deposits are concluded with a maturity of 1 month to 6 months and carry an interest rate of 2.75% per year.

The fair values of financial assets and financial liabilities carried at amortized cost in the table above do not differ materially from their fair values.

The Group's risk management is based on the principle that risks must be taken in a balanced manner, taking into account the rules established by the Group and implementing risk mitigation measures as appropriate, which achieves the Group's stable profitability and shareholder value growth. When making new investment decisions, the solvency of future customers, the length of lease agreements, the possibility of tenant substitutability and the risks of rising interest rates are carefully assessed. The terms of the financing agreements are adjusted to correspond to the net cash flow of a specific real estate object, which ensures the preservation and growth of sufficient free cash of the Group even after the fulfilment of financial obligations.

The investment of the Group's assets is based on the risk expectations of the Group's investors, therefore excessive risk-taking is unacceptable and appropriate measures must be applied to manage the risks.

The Group considers financial risk to be the risk that arises directly from investing in real estate, including market risk, liquidity risk and credit risk, thereby reducing the company's financial strength or reducing the value of investments.

Market risk

Market risk is the risk of changes in the fair value of financial instruments due to changes in market prices. The group's financial instruments, which are mainly affected by changes in market prices, are loan obligations and interest derivatives. The main factor affecting these financial instruments is the interest rate risk.

Intressirisk

Interest rate risk is the risk of a change in cash flows of future financial instruments resulting from a change in market interest rates. Changes in market interest rates mainly affect the Group's long-term floating interest rate debt obligations.

As of 30.06.2023, 100% of the Group's loan agreements have been concluded on a floating interest basis (margin between 1.40% and 2.95% plus 1-month, 3-month and 6-month EURIBOR). All contracts in the loan portfolio of EFTEN Real Estate Fund AS have a 0% limit (floor) set to protect against negative EURIBOR, i.e. in case of negative EURIBOR, the loan margin for these loan obligations does not decrease.

The weighted average interest rate of the Group's loans was 5.4% as of 30.06.2023 (31.12.2022: 3.69%).

The continued appreciation of EURIBOR has a negative impact on the Group's net profit and cash flows. The table below shows the effect of the interest rate change on the Group's pre-tax profit and cash flows by EURIBOR levels, taking into account loan balances as of 30.06.2023.

EURIBOR rate	Impact on pre-tax profits and cash flows per year	Change in interest expense, %
€ thousands		
Interest expense per year, as of the end of the reporting period	-7,661	
Effect of EURIBOR change:		
EURIBOR 2%	1,087	-14.2%
EURIBOR 3%	330	-4.3%
EURIBOR 4%	-428	5.6%
EURIBOR 5%	-1,186	15.5%

Liquidity risk

Liquidity risk arises from a potential change in financial position that would reduce the Group's ability to service its liabilities in a timely and correct manner.

The Group's liquidity is primarily 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 Group's objective is to manage net cash flows in such a way that no more than 65% of the acquisition cost of the investment property involves external debt and the Group's debt coverage ratio would be higher than 1.2. As at 30.06.2023, the share of the Group's interest-bearing debt liabilities in rental income generating investment properties was 42% (31.12.2022: 40%) and the average debt coverage ratio (DSCR) for the last 12 months was 1.8 (2022: 2.1).

The Group's financing policy stipulates that loan agreements to raise borrowed capital are entered into on a long-term basis, taking into account the maximum length of leases encumbering real estate properties. The table below summarizes the timeliness of the Group's financial liabilities (undiscounted cash flows):

As at 30.06.2023	Less than 1 month	Between 2 and 4 months	Between 4 to 12 months	Between 2 to 5 years	Over 5 years	Total
<i>€ thousands</i>						
Interest-bearing liabilities	548	1,603	9,324	127,512	11,164	150,151
Interest payments	685	2,076	5,273	18,045	86	26,165
Interest payables	117	0	0	0	0	117
Trade payables	627	0	0	0	0	627
Tenant security deposits	33	156	122	1,295	591	2,197
Accrued expenses	296	0	0	0	0	296
Total financial liabilities	2,306	3,835	14,719	146,852	11,841	179,553

Statement of working capital

	30.06.2023	31.12.2022
<i>€ thousands</i>		
Cash and cash equivalents (Note 12)	12,616	11,331
Short-term deposits	2,480	0
Receivables and accrued income (Note 13)	1,546	1,522
Prepaid expenses	132	49
Total current assets	16,774	12,902
Short-term portion of long-term liabilities (Note 15)	-11,416	-22,058
Short-term payables and prepayments	-1,985	-1,461
Total current liabilities	-13,401	-23,519
Total working capital	3,373	-10,617

Credit risk

Credit risk is the risk that counterparties will fail to meet their obligations to the Group. The Group is exposed to credit risk due to its business activities (mainly trade receivables) and transactions with financial institutions, including cash in bank accounts and deposits.

The Group's activities to prevent and minimize the decrease in cash flows arising from credit risk are to monitor and direct the payment behaviour of customers on a daily basis, which enables the implementation of operationally necessary measures. Customer agreements also provide for the payment of rent payments at the beginning of the calendar month in most cases, which provides sufficient time to monitor customers' payment discipline and to have sufficient liquidity in cash accounts on the day of the annuity payments of financing agreements. The terms of most leases give rise to an obligation to pay a security deposit, at the expense of which the Group has the right to write off debts arising from the insolvency of the lessee. For some leases, the deposit may be replaced by a bank guarantee.

Group companies generally only enter into lease agreements with counterparties previously recognized as creditworthy. The client's analysis of this is made before concluding the lease agreement.

If it becomes apparent that there is a risk that the lessee will become insolvent, the Group assesses each receivable individually and decides to recognize the receivables as doubtful. In general, receivables that are overdue for more than 180 days are considered unlikely to be collected, unless the Group has sufficient assurance that the receivable will be received or a payment schedule has been agreed for the receivables.

Trade receivables are illustrated by the table below:

	30.06.2023	31.12.2022
Not due	694	717
Past due, incl.	306	48
<i>up to 30 days</i>	173	33
<i>30-60 days</i>	85	6
<i>more than 60 days</i>	48	9
Allowance for doubtful accounts	-18	-6
Total trade receivables (Note 13)	982	759

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

	30.06.2023	31.12.2022
<i>€ thousands</i>		
Cash and cash equivalents (Note 12)	12,616	11,331
Short-term deposits	2,480	0
Trade receivables (Note 13)	982	759
Total maximum credit risk	16,078	12,090

Capital management

The Group treats borrowings and equity as capital.

The Group's objective in capital management is to secure the Group's ability to continue as a going concern in order to ensure return on investment for its shareholders and to maintain an optimal capital structure.

The Group continues to invest in cash-generating real estate and raises new equity to make investments. The Group's investment policy stipulates that at least 35% of equity will be invested in new investment projects. The required amount of equity is calculated for each investment individually, taking into account the volume and proportion of the net cash flows and loan payments of a specific investment.

After making an investment, the EBITDA of any cash-generating property must not be less than 120% of the loan's annuity payments (including interest expense).

The fund's dividend policy stipulates that the fund pays at least 80% of the annual free cash flow as a gross dividend. In the 1st half-year of 2023, the Group has earned a free cash flow (EBITDA minus loan payments and interest costs) of 5,943 thousand euros (2022 1st half-year: 3,052 thousand euros), of which the potential gross dividend would be 43.88 euro cents (2022 1st half-year: 48.13 euro cents). The potential gross dividend has decreased due to the increase in EURIBOR and thus the interest payments on the fund's loans. All loans were serviced as usual in the 1st half-year of 2023, and the fund's subsidiaries did not take payment holidays.

On April 20, 2023, the general meeting of EFTEN Real Estate Fund AS decided to distribute net dividends from the previous year's profit of the merged company in the amount of 12,471 thousand euros (1.1526 euros per share).

Report of capitalisation

More detailed information on mortgages established as collateral for the obligations provided in the capitalisation report is available in Note 14 of the report.

	30.06.2023	31.12.2022
<i>€ thousands</i>		
Short-term liabilities guaranteed with mortgage (Note 15)	11,475	22,093
Unsecured short-term liabilities	1,926	1,426
Total short-term liabilities	13,401	23,519
Long-term liabilities guaranteed with mortgage (Note 15)	138,676	45,968
Unsecured long-term liabilities	9,053	8,205
Total long-term liabilities	147,729	54,173
Share capital and share premium (Note 18)	192,919	67,013
Reserves	2,749	2,149
Retained earnings (Note 19)	24,476	35,102
Total shareholder's equity	220,144	104,264
Total liabilities and equity	381,274	181,956

Report of net debt

	30.06.2023	31.12.2022
<i>€ thousands</i>		
Cash	12,616	11,331
Short-term deposits	2,480	0
Likviidsed varad kokku	15,096	11,331
The short-term portion of long-term liabilities (Note 15)	11,475	22,093
Net short-term debt	-3,621	10,762
Long-term bank loans (long-term portion) (Note 15)	138,676	45,968
Total long-term debt	138,676	45,968
Total net debt	135,055	56,730

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 of 30.06.2023 and 31.12.2022, the Group does not have any assets at fair value that would belong to the Level 1 group upon finding the value. All of the Group's investment properties are carried at fair value and belong to the Level 3 group according to the valuation method (see Note 14). All of the Group's loan liabilities and derivative securities entered into to hedge interest rate risk belong to the Level 2 group.

In order to hedge the interest rate risk, the group had entered into interest rate swap agreements, the fair value of which is obtained by discounting the cash flows of the interest rate swap agreements in such a way that in accordance with EURIBOR market expectations, the incoming and outgoing cash flows are found and discounted using the zero-rate rate. The group used the information received from the credit institutions that are contractual partners to reflect the interest rate swap agreements at fair value. As of 30.06.2023, all interest rate swaps have expired.

18 Share capital

On 15.02.2023, based on the authorizations received from the general meeting of the Council of EFTEN Real Estate Fund AS and in accordance with the merger agreement concluded between EFTEN Real Estate Fund AS (formerly EFTEN Real Estate Fund III AS) and EFTEN Kinnisvarafond AS on 19.09.2022, it decided to increase the merger The share capital of EFTEN Real Estate Fund AS by 57,472 thousand euros and to issue 5,747,261 new shares with a nominal value of 10 euros.

When increasing the share capital, the shares were paid for in full with a non-monetary contribution at the expense of the entire assets of EFTEN Kinnisvarafond AS, which are transferred to EFTEN Real Estate Fund AS, the value of which is the net value of the EPRA assets of EFTEN Kinnisvarafond AS, which was 125,905 thousand euros as of 31.12.2022.

According to the merger agreement, the new shares were issued to the shareholders of EFTEN Kinnisvarafond AS as the merging fund, who were entered in the list of shareholders as of 31.01.2023.

The registered share capital of EFTEN Real Estate Fund AS as of 30.06.2023 was 108,198 thousand euros (31.12.2022: 50,725 thousand euros). The share capital consisted of 10,819,796 shares (31.12.2022: 5,072,535) with a nominal value of 10 euros (31.12.2022: the same). Without changing the articles of association, the company has the right to increase the share capital to 168,901 thousand euros. As of 30.06.2023, contributions to share capital and share premium totaled 192,919 thousand euros (31.12.2022: 67,013 thousand euros).

List of shareholders of EFTEN Real Estate Fund AS with more than 10% ownership:

Company	As at 30.06.2023	
	Number of shares	Ownership, %
LHV Pensonifondid	1,657,901	15,32
REF Aktsiad OÜ	1,151,700	10,64
Altiuse KVI OÜ	1,092,845	10,10

Shares owned by EFTEN Real Estate Fund AS management board and supervisory board members, their close relatives and companies under their control:

Company	As at 30.06.2023	
	Number of shares	Ownership, %
Member of Management Board Viljar Arakas	2,000	0.02
Miemma Holding OÜ, a company owned by Viljar Arakas, member of the Management Board	19,106	0.18
Member of Management Board Tõnu Uustalu	63,974	0.59
Meeli Leis, a close relative of Tõnu Uustalu, member of the Management Board	2,457	0.02
Altius Energia OÜ, a company under the significant control of Arti Arakas, member of the Supervisory Board	1,092,845	10.10
REF Aktsiad OÜ, a company under the significant control of Olavi Miil, member of the Supervisory Board	1,151,700	10.64
Member of Supervisory Board Siive Penu	1,350	0.01

19 *Contingent liabilities*

	30.06.2023	31.12.2022
<i>€ thousands</i>		
Retained earnings (Note 17)	24,476	35,102
Potential income tax liability	4,895	7,020
Can be paid out as dividends	19,581	28,082

The maximum possible income tax liability has been calculated on the assumption that the net dividends to be distributed and the income tax expense related to their payment may not exceed the distributable profit as at 30.06.2023 and 31.12.2022.

20 *Related party transactions*

EFTEN Real Estate Fund AS considers the following as related parties:

- Management Board members and companies owned by the Management Board members of EFTEN Real Estate Fund AS
- Supervisory Board members and companies owned by the Supervisory Board members of EFTEN Real Estate Fund AS;
- Employees and companies owned by the employees of EFTEN Real Estate Fund AS;
- EFTEN Capital AS (the fund management company).

The Group purchased management services from EFTEN Capital AS during the 1st half-year of 2023 in the amount of 1,071 thousand euros (2022 1st half-year: 581 thousand euros), (see Note 7).

EFTEN Real Estate Fund AS did not purchase any other goods or services from other related parties or sell them to related parties during the 1st half-year of 2023 or 2022.

As of 30.06.2023, the group had a total of 19 employees, who were paid a total of 218 thousand euros in the 1st half-year of 2023 with accompanying taxes (2022 1st half-year: 129 thousand euros), see (Note 5.7). The fees for the 2023 and 2022 1st half-years were not calculated or paid to the members of the Group's management board or council. The members of the management board of the Group work in the company EFTEN Capital AS, which provides management services to the Group, and the expenses related to the activities of the members of the management board are part of the management service.

Management Board Declaration for the Consolidated Interim Report of 1st half-year of 2023

We hereby confirm that the Consolidated Interim Report for the 1st half-year of 2023 of EFTEN Real Estate Fund AS gives true and fair view of the Group's assets, liabilities, financial position and includes the description of the main risks and developments of business activities and results of the companies included in a consolidation as a whole.

/signed digitally/

Viljar Arakas

Member of the Management Board

/signed digitally/

Tõnu Uustalu

Member of the Management Board