Consolidated Annual Report 2023

Usaldusfond EfTEN Real Estate Fund 4

Commercial register number: 14588404

Beginning of financial year: 01.01.2023

End of financial year: 31.12.2023

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MANAGEMENT REPORT

Fund manager's comment on EfTEN Real Estate Fund 4 annual report

The capital of EfTEN Real Estate Fund 4 is fully invested, and in 2023 the Fund focused on the management of existing buildings. The greatest focus was on finding new tenants for the Jauna Teika office complex and the Berg warehouse in Latvia. Among the capitals of the Baltic states, the demand for office space is the lowest in Riga, and buildings focused on larger tenants are under particular pressure. In order to better focus activities related to tenants, the management company's affiliated company managing investment properties in Latvia decided to enter into a lease agreement with Jauna Teika SIA. After the departure of Jysk, negotiations with potential tenants in both the private and public sectors will take place in the Berg warehouse.

In the summer of 2023, the Fund installed two large (600 KWp and 100 KWp) solar parks on the roof of the River Hall and River Mall properties in Kaunas, which cover about 20% of the energy consumption of these buildings.

Overview of financial results

The consolidated sales revenue of EfTEN Real Estate Fund 4 (hereinafter referred to as the "Fund") in 2023 totalled 25.945 million euros (2022: 23.961 million euros), increasing by 8% compared to 2022. Net rental income (NOI) totalled 24.785 million euros in 2023 (2022: 22.929 million euros), also growing by 8% year-on-year.

	2023	**2022**
€ million		
Rental revenue, other fees from investment properties	25.945	23.961
Expenses related to investment properties, incl. marketing costs	-1.160	-1.032
Net rental income	**24.785**	**22.929**
Net rental income margin	*96%*	*96%*
Interest expense and interest income	-7.976	-3.642
Net rental revenue less finance costs and income	**16.809**	**19.287**
Management fees	-2.062	-1.989
Other income and expenses	-0.664	-0.513
Profit before change in the value of investment property, change in the success fee liability and income tax expense	**14.083**	**16.785**

Due to the sharp increase in EURIBOR in 2023, the Group's interest expenses increased significantly compared to 2022, directly affecting the Group's investment property profit and cash flow. The weighted average interest rate of the Group's bank loans was 5.68% as of 31.12.2023 (31.12.2022: 3.72%). The debt service coverage ratio (DSCR) of the loan portfolio was 1.7 at the end of 2023 (2022: 2.4).

The volume of the Group's assets as of 31.12.2023 was 335.650 million euros (31.12.2022: 349.778 million euros), including the fair value of investment property made up 93% of the volume of assets (31.12.2022: the same).

	31.12.23	**31.12.2022**
€ million		
Investment properties	313.600	326.250
Other non-current assets	0.245	1.364
Current assets, excluding cash	3.625	2.238
Total assets	335.650	349.778
Net debt (cash and deposits minus short-term and long-term bank loans)	-136.173	-132.939
Net asset value (NAV)	162.350	175.100

Key financial ratios

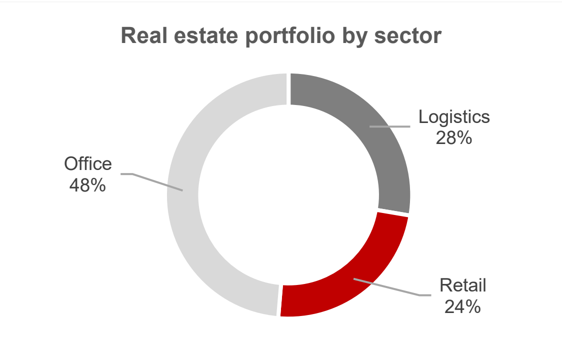
12 months	31.12.2023	31.12.2022
ROE, % (net profit of the period / average equity of the period) x 100	0.9	8.3
ROA, % (net profit of the period / average assets of the period) x 100	0.4	4.6
ROIC, % (net profit of the period / average invested capital of the period[1]) x 100	1.0	9.4
Revenue (€ thousand)	25,945	23,961
Rental income (€ thousand)	25,304	23,137
EBITDA (€ thousand)	22,140	20,508
EBITDA margin, %	85%	86%
EBIT (€ thousand)	10,220	20,046
Comprehensive income (€ thousand)	1,454	13,998
Liquidity ratio (current assets / current liabilities)	0.9	0.4
DSCR (EBITDA/ (interest expenses + scheduled loan payments)	1.7	2.4

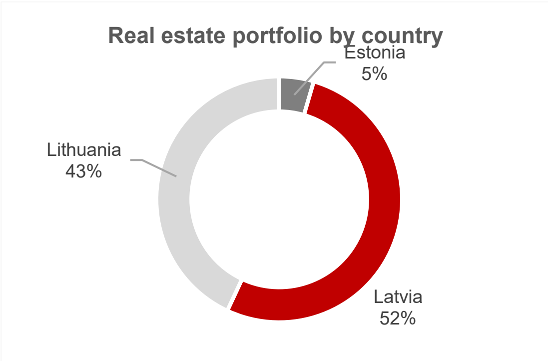
[1]The average invested capital for the period is the average involved capital of the EfTEN Real Estate Fund 4.

Investment property portfolio

The Group invests in commercial investment properties with a strong and long-term tenant base. As of the end of 2023, the Group has 9 (31.12.2022: the same) commercial investment properties, the fair value of which on the balance sheet date is 313.600 million euros (2022: 326.250 million euros) and the acquisition cost is 319.113 million euros (2022: 317.339 million euros).

As of 31.12.2023, the Group's investment property portfolio is divided by countries and sectors as follows:





Investment property	Location	Group's ownership	Acquisition cost, € thousands	Fair value, in € thousands[1]	Net leasable area	Projected annual net rental income, € thousands	Direct Yield[1]	Primary net yield[2]	Occupancy, %	Average length of rental agreements	Number of tenants
Dominante logistics centre	Riga, Latvia	100	17,119	15,420	37,666	1,654	9.7%	10.7%	99	2.1	5
SBA logistics and production centre	Klaipeda, Lithuania	100	28,556	30,270	44,048	2,230	7.8%	7.4%	100	11.9	1
Bergi logistics centre	Riga, Latvia	100	29,946	25,390	49,978	615	2.1%	2.4%	29	4.1	3
Arginta logistics centre	Vilnius, Lithuania	100	15,440	15,680	16,301	1,154	7.5%	7.4%	100	7.3	1
Total logistics			**91,061**	**86,760**	**147,992**	**5,653**	**6.2%**	**6.5%**	**76**	**7.1**	**10**
Ryo shopping centre	Panevėžys, Lithuania	100	48,333	55,810	23,716	4,596	9.5%	8.2%	100	3.7	102
River Mall shopping centre	Kaunas, Lithuania	100	18,328	18,440	9,793	1,462	8.0%	7.9%	100	7.4	31
Total retail			**66,661**	**74,250**	**33,509**	**6,058**	**9.1%**	**8.2%**	**100**	**4.7**	**133**
Kadrioru business centre	Tallinn, Estonia	100	16,872	14,240	6,530	1086	6.4%	7.6%	100	1.8	26
River Hall business centre	Kaunas, Lithuania	100	14,372	14,790	8,786	997	6.9%	6.7%	100	2.5	16
Jauna Teika office quarter	Riga, Latvia	100	130,147	123,560	59,096	5,136	3.9%	4.2%	76	3.5	73
Total office	**Office**		**161,391**	**152,590**	**74,411**	**7,219**	**4.5%**	**4.7%**	**81**	**3.0**	**115**
Total investment property portfolio			**319,113**	**313,600**	**255,913**	**18,930**	**5.9%**	**6.0%**	**81**	**4.6**	**258**

[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 31.12.2023.

[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 31.12.2023.

The Group's rental income calculated on a like-for-like basis and the fair value of investment property by sector and country are shown in the table below:

€ thousands	Fair value 31.12.2023	Rental income 2023	Rental income 2022	Change	Change, %
Office	29,030	2,375	2,203	*172*	*8%*
Logistics	86,760	7,237	7,267	*-30*	*0%*
Retail	74,250	7,291	6,698	*593*	*9%*
Total like-for-like assets and rental income	**190,040**	**16,903**	**16,168**	***735***	***5%***
Acquired assets and rental income[1]	123,560	8,401	6,969	*1,432*	
Total investment property portfolio assets and rental income	**313,600**	**25,304**	**23,137**	***2,167***	***9%***

€ thousands	Fair value 31.12.2023	Rental income 2023	Rental income 2022	Change	Change, %
Estonia	14,240	1,168	1,070	*98*	*9%*
Latvia	40,810	3,845	3,947	*-102*	*-3%*
Lithuania	134,990	11,890	11,151	*739*	*7%*
Total like-for-like assets and rental income	**190,040**	**16,903**	**16,168**	***735***	***5%***
Acquired assets and rental income[1]	123,560	8,401	6,969	*1,432*	
Total investment property portfolio assets and rental income	**313,600**	**25,304**	**23,137**	***2,167***	***9%***

[1] Among the acquired assets and rental income is the Jauna Teika office complex, which was acquired in February 2022.

As of 31.12.2023, the Group has a total of 258 tenants. 50.5% of the rental agreements concluded as of the balance sheet date are the contractual income of 15 clients.

Tenant	**Share of consolidated rental income**
Innovo logistika, UAB	9.7%
TRIALTO LATVIA SIA	5.8%
ARGINTA Group, UAB	5.0%
TEIKUMS SIA	4.8%
Cabot Latvia SIA	3.4%
Tietoevry Latvia SIA	3.1%
Maxima LT, UAB	2.9%
Orkla Latvija SIA	2.6%
DNB Bank ASA Latvijas filiāle	2.4%
Norwegian Air Resources Latvia SIA	2.4%
Hakonlita, UAB	2.1%
HALLGRUPPEN BALTICS SIA	1.6%
Felit, UAB	1.5%
Hurtigruten Estonia OÜ	1.5%
Hostinger operations, UAB	1.5%
Others	**49.5%**

Valuation of investment properties

The Group regularly evaluates investment properties twice a year - in June and December. The investment property appraiser of the Group is Colliers International Advisors OÜ. The Group's investment properties are valued individually using the discounted cash flow method. The cash flow forecasts of all objects are updated when finding the fair value, and the discount rates and exit yields are differentiated depending on the location of the objects, the technical condition and the risk level of the tenants.

The total value of investment properties fell by 4.6% in 2023 as a result of revaluations (2022: the value increased by 0.02%), and the Group suffered a loss of 14.424 million euros from the change in the fair value of investment property (2022: profit 52 thousand euros). In 2023, the value fell the most in the office buildings segment (9.338 million euros, 5.8%), where forecasts for the occupancy of office spaces are more conservative. In the logistics segment, the value of real estate investments fell by a total of 6.2%, and the group suffered a total loss of 5.754 million euros from the discount. A significant part of the discount in the logistics sector was the decrease in the value of the Berg logistics building, where the lease agreement with the anchor tenant expired in October. Filling vacant rental premises is the main goal of the group's management in the first half of 2024.

The decline in the value of all investment properties was significantly influenced by the increase in exit yield and the discount rate as an input to the evaluation in 2023. If in 2022 the discount rates were in the range of 8.0%-10.25%, in 2023 they were in the range of 8.3%-10.5%. The exit yields used in the assessments were in the range of 7.0%-8.5% in 2023 (2022: 6.6%-8.5%). Every 0.5 percentage point increase in the discount rate reduces the value of the Fund's real estate portfolio by 2.0%, and every 0.5 percentage point increase in exit yield reduces the value of the Fund's real estate portfolio by 4.7%.

Net asset value

The net asset value of the Fund is 162.350 million euros as of 31.12.2023 (31.12.2022: 17.100 million euros). As of the end of 2023, the fund has raised a total of 141.002 million euros in capital (31.12.2022: 147.438 million euros). In November 2023, the Fund returned capital in the amount of 6.435 million euros to investors in connection with the filling of the vacant premises of the Dominante logistics centre and the refinancing of owner loans.

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

Investor	31.12.2023
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 2023, the Fund paid out EUR 7.768 million (2022: EUR 2.855 million) to investors from the earned profit. From the profit of 2023, the Fund plans to make payments to investors in the total amount of 12.798 million euros.

Other information

Risk related to military activities

In February 2022, Russia started a war in Ukraine. In this regard, most countries imposed extensive sanctions, which have a significant negative impact on the Russian economy. As far as the fund manager is aware, there are no tenants mainly related to business activities in Russia or Ukraine on the rental premises of the real estate objects belonging to the fund. Therefore, the impact of the direct or so-called first round realization of the risk on the fund's financial results is small. In connection with the imposed sanctions, the effects of the so-called second round of risk realization may gradually appear over time - in particular, they may affect the fund through a decrease in investors' confidence in the economies of the Baltic states (thereby increasing the probability of the realization of market risk, refinancing and interest rate risk, as well as liquidity risk).

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 17 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 2023, one (regular) general meeting of investors was held and the annual report for 2022 was approved. There were no extraordinary investor meetings in 2023.

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 2023 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 39 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	2023	2022
€ thousands			
Revenue	4,5	25,945	23,961
Cost of services sold	6	-744	-696
Marketing costs	7	-416	-336
Net rental income	**4**	**24,785**	**22,929**
General and administrative expenses	8	-2,858	-2,760
Gain / loss from revaluation of investment properties	13	-14,424	52
Success fee change	16	2,585	-433
Other operating income and expense		132	258
Operating profit	**4**	**10,220**	**20,046**
Interest income		162	0
Interest expenses	9	-8,138	-3,642
Profit before income tax		**2,244**	**16,404**
Income tax expense	10	-790	-2,406
Net profit for the financial year		**1,454**	**13,998**
Total comprehensive income for the financial year	**4**	**1,454**	**13,998**

The notes on pages 10-33 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2023	31.12.2022
€ thousands			
ASSETS			
Cash and cash equivalents	11	18,180	19,926
Receivables and accrued income	12	3,493	2,217
Prepaid expenses		132	21
Total current assets		**21,805**	**22,164**
Non-current receivables	12	63	1,152
Investment property	4,13	313,600	326,250
Property, plant and equipment		181	208
Intangible assets		1	4
Total non-current assets		**313,845**	**327,614**
TOTAL ASSETS		**335,650**	**349,778**
LIABILITIES AND EQUITY NET VALUE			
Borrowings	14	22,512	48,307
Payables and prepayments	15	2,247	2,536
Total current liabilities		**24,759**	**50,843**
Borrowings	14	131,514	104,271
Other non-current liabilities	15	3,987	6,396
Deferred income tax liability	10	13,040	13,168
Total non-current liabilities		**148,541**	**123,835**
TOTAL LIABILITIES		**173,300**	**174,678**
Total net asset value of the Fund owned by limited and equity partners		**162,350**	**175,100**
TOTAL LIABILITIES AND TOTAL NET ASSETS		**335,650**	**349,778**

The notes on pages 10-33 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2023	2022
€ thousands			
Net profit		**1,454**	**13,998**
Adjustments of net profit:			
Interest income		-162	0
Interest expenses		8,138	3,642
Gain/loss on revaluation of investment property	13	14,424	-52
Change in success fee liability	16	-2,585	433
Depreciation and impairment losses	6,8	81	81
Income tax expense	10	790	2,406
Total adjustments with non-cash changes		**20,686**	**6,510**
Cash flow from operations before changes in working capital		**22,140**	**20,508**
Change in receivables and prepayments related to operating activities		-795	-1,055
Change in liabilities and prepayments related to operating activities		-455	1,501
Net cash flow generated from operating activities		**20,890**	**20,954**
Acquisition of property, plant and equipment		-51	-91
Acquisition of investment property	13	-1,644	-594
Acquisition of subsidiaries	3	656	-126,780
Acquisition of other investments		-247	0
Interest received		145	0
Net cash flow generated from investing activities		**-1,141**	**-127,465**
Loans received	14	6,500	75,000
Scheduled loan repayments	14	-5,013	-5,033
Interest paid from bank loans		-8,873	-3,566
Capital reduction	18	-6,435	0
Dividends paid	18	-6,954	-2,855
Income tax on dividends paid	10	-720	-55
Net cash flow generated from financing activities		**-21,495**	**63,491**
NET CASH FLOW		**-1,746**	**-43,020**
Cash and cash equivalents at the beginning of period	**11**	**19,926**	**62,946**
Change in cash and cash equivalents		-1,746	-43,020
Cash and cash equivalents at the end of period	**11**	**18,180**	**19,926**

The notes on pages 10-33 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS OF THE FUND

	2023	2022
€ thousands		
Net asset value of the Fund owned by limited and equity partners at the beginning of the period	**175,100**	**163,957**
Capital returns	-6,435	0
Net change in equity	**-6,435**	**0**
Transfer of dividends and interest to the Fund's investors	-7,769	-2,855
Comprehensive income for the year	1,454	13,998
Net asset value of the Fund owned by limited and equity partners at the end of the period	**162,350**	**175,100**

Additional information on capital contributions is provided in Note 18.

The notes on pages 10-33 are 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 investment properties.

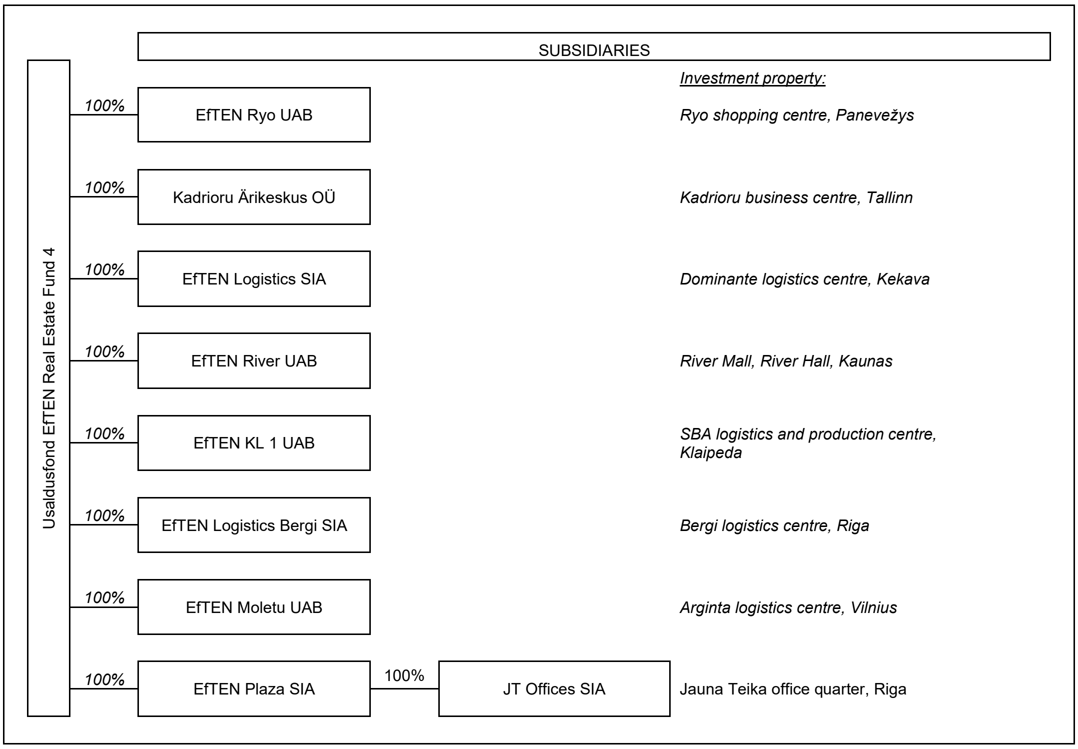
The Fund is a closed-ended, alternative investment fund. The Fund is guided by a core and core plus investment strategy. The investment region of the EfTEN Real Estate Fund 4 is the Baltic States.

The Fund's investment activities are managed by EfTEN Capital AS. The equity 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 2023 have been signed by the Management Board on 8 March 2024.

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 31.12.2023 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 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.

Usaldusfond EfTEN Real Estate Fund 4 and its subsidiary's consolidated annual financial statements have been prepared based on International Financial Reporting Standards (IFRS), as adopted by the European Union.

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

The financial statements have been prepared using the acquisition cost method, unless otherwise stated (for example, investment property is recorded at fair value).

In the preparation of financial statements, the accounting entity is presumed to be carrying on its activities as a going concern.

2.1 Changes in accounting policies and presentation

1.2.1 Application of new or revised standards and interpretations

From January 1, 2023, the following new or revised standards and interpretations became mandatory for the Group:

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies
(Effective for accounting 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 has taken the new requirements into account when preparing this annual report.

Amendments to IAS 8: Definition of Accounting Estimates
(Effective for accounting 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 above-mentioned changes did not have a significant impact on the Group's financial statements.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12
(Effective for reporting periods beginning on or after January 1, 2023.)

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

The standards will come into force in the following reporting periods and standards not yet adopted

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

(Effective to reporting periods beginning on or after January 1, 2024; not yet adopted by the European Union)

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 2023 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 impact of the said change after its implementation.

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

(Applicable to accounting periods beginning on or after January 1, 2024; not yet adopted by the European Union)

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 impact of the said change after its implementation.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Financial Arrangements

(Applies to accounting periods beginning on or after January 1, 2024; not yet adopted by the European Union)

In response to financial statement users' concerns about insufficient or misleading disclosure of financing arrangements, the IASB issued amendments to IAS 7 and IFRS 7 in May 2023 to require disclosure of supplier finance arrangements. These changes require disclosure of financial arrangements with corporate suppliers that would allow users of financial statements to assess the impact of those arrangements on the company's liabilities and cash flows and the company's liquidity risk. The purpose of the additional disclosure requirements is to increase the transparency of suppliers' financial arrangements. The changes do not affect the recognition or measurement principles, only the disclosure requirements. The new disclosure requirements will take effect for reporting periods beginning on or after January 1, 2024.

The Group will analyse and disclose the impact of the said 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 accounting periods beginning on or after January 1, 2024; has not yet been adopted by the European Union)

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 impact of the said change after its implementation.

2.2 Summary of the material 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.

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 last year, both the discount rates used in the evaluations of the fund's real estate portfolio and the exit productivity have increased in connection with the increase in EURIBOR and the market situation of real estate transactions. If in 2022 the discount rates were in the range of 8.0%-10.25%, then in 2023 they were in the range of 8.3%-10.5%. The exit yields used in the assessments were in the range of 7.0%-8.5% in 2023 (2022: 6.6%-8.5%). Every 0.5 percentage point increase in the discount rate reduces the value of the Fund's real estate portfolio by 2.0%, and every 0.5 percentage point increase in exit productivity reduces the value of the Fund's real estate portfolio by 4.7%.

b) 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.

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.

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 monthly.

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

In the separate balance sheet of the parent company (presented in Note 20), the investments in subsidiaries are measured at fair value.

Revenue recognition

The Group's revenue includes rental income, administrative fees, marketing fees and the profit of mediating utility and administrative expenses (revenues are offset against related expenses).

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.

Financial assets

Impairment of financial assets

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.

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.

As of 31 December 2023, and 31 December 2022, all the Company’s financial assets were classified in this category:

- cash and cash equivalents;
- short-term deposits;
- trade receivables.

Investment property

Investment property is land and buildings that are 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 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.

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.

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, considering 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 16).

Income tax

Subsidiaries registered 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 equity 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	Equity, *€ thousands*		Group's ownership, %	
			31.12.2023	31.12.2022	31.12.2023	31.12.2022
Parent company						
Usaldusfond EfTEN Real Estate Fund 4	Estonia					
Subsidiaries						
EfTEN Ryo UAB	Lithuania	Ryo shopping centre, Panevežys	32,724	30,568	100	100
Kadrioru Ärikeskus OÜ	Estonia	Kadrioru business centre, Tallinn	521	1,729	100	100
EfTEN River UAB	Lithuania	River Mall, River Hall, Kaunas	17,704	18,225	100	100
EfTEN Logistics SIA	Latvia	Dominante logistics centre, Kekava	4,653	4,643	100	100
EfTEN KL 1 UAB	Lithuania	SBA logistics and production centre, Klaipeda	6,391	7,272	100	100
EfTEN Logistics Bergi SIA	Latvia	Bergi logistics centre, Riga	3,572	5,875	100	100
EfTEN Moletu UAB	Lithuania	Arginta logistics centre, Vilnius	7,486	7,856	100	100
EfTEN Plaza SIA	Latvia	-	9,736	17,655	100	100
JT Offices SIA	Latvia	Jauna Teika office complex, Riga	134,447	137,341	100	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. In 2023, the Fund did not acquire any new subsidiaries.

Acquisitions of subsidiaries in 2022

In February 2022, EfTEN Plaza SIA acquired 100% subsidiary JT Offices SIA, which owns the Jauna Teika office complex in Latvia. 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**

4 Segment reporting

SEGMENT RESULT

	Office		Logistics		Retail		Non-allocated		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
€ thousands										
Revenue (Note 5), incl.	**11,034**	**9,710**	**7,300**	**7,288**	**7,611**	**6,963**	**0**	**0**	**25,945**	**23,961**
Estonia	1,168	1,069	0	0	0	0	0	0	1,168	1,069
Latvia	8,646	7,508	3,906	3,966	0	0	0	0	12,552	11,474
Lithuania	1,220	1,133	3,394	3,322	7,611	6,963	0	0	12,225	11,418
Operating income, net, incl.	**10,820**	**9,475**	**6,985**	**7,056**	**6,980**	**6,398**	**0**	**0**	**24,785**	**22,929**
Estonia	1,082	862	0	0	0	0	0	0	1,082	862
Latvia	8,537	7,503	3,591	3,738	0	0	0	0	12,128	11,241
Lithuania	1,201	1,110	3,394	3,318	6,980	6,398	0	0	11,575	10,826
Operating profit, incl.	**206**	**8,584**	**490**	**4,567**	**7,137**	**7,496**	**2,387**	**-601**	**10,220**	**20,046**
Estonia	-596	128	0	0	0	0	2,387	-601	1,791	-473
Latvia	321	7,210	-708	916	0	0	0	0	-387	8,126
Lithuania	481	1,246	1,198	3,651	7,137	7,496	0	0	8,816	12,393
EBITDA, incl.	**9,551**	**8,320**	**6,252**	**6,394**	**6,535**	**5,962**	**-198**	**-168**	**22,140**	**20,508**
Estonia	936	723	0	0	0	0	-198	-168	738	555
Latvia	7,525	6,594	3,148	3,357	0	0	0	0	10,673	9,951
Lithuania	1,090	1,003	3,104	3,037	6,535	5,962	0	0	10,729	10,002
Operating profit									**10,220**	**20,046**
Net financial expense (Note 9)									-7,976	-3,642
Profit before income tax expense									**2,244**	**16,404**
Income tax expense (Note 10)									-790	-2,406
NET PROFIT FOR THE FINANCIAL PERIOD									**1,454**	**13,998**

SEGMENT ASSETS

	Office		Logistics		Retail		Total	
As at the end of the year	2023	2022	2023	2022	2023	2022	2023	2022
€ thousands								
Investment property								
Estonia	14,240	15,760	0	0	0	0	14,240	15,760
Latvia	123,560	129,460	40,810	44,430	0	0	164,370	173,890
Lithuania	14,790	15,390	45,950	47,850	74,250	73,360	134,990	136,600
Total investment property (Note 13)	**152,590**	**160,610**	**86,760**	**92,280**	**74,250**	**73,360**	**313,600**	**326,250**
Other non-current assets							245	1,364
Net debt (liabilities less cash)							-155,120	-154,752
Other current assets							3,625	2,238
NET ASSETS							**162,350**	**175,100**

In 2023 and 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.

In 2023, 9.7% of the Group's consolidated rental income has been received from Innovo Logistika UAB (mono tenant in the SBA logistics centre in Lithuania), 5.8% from Trialto Latvia SIA (anchor tenant in the Dominante logistics centre in Kekava) and 5.0% from Arginta Group UAB (single tenant Agrinta logistics centre in Vilnius). The share of the income of the remaining tenants in the consolidated income is less than 5%.

5 Revenue

Areas of activity	2023	2022
€ thousands		
Rental income from office premises (Note 13)	10,776	9,172
Rental income from retail premises (Note 13)	7,291	6,698
Rental income from logistics premises (Note 13)	7,237	7,267
Other sales revenue	641	824
Total revenue by areas of activity (Note 4)	**25,945**	**23,961**

Revenue by geographical area	2023	2022
€ thousands		
Estonia	1,168	1,069
Latvia	12,552	11,474
Lithuania	12,225	11,418
Total revenue by geographical area (Note 4)	**25,945**	**23,961**

6 The cost of services sold

Cost of services sold	2023	2022
€ thousands		
Repair and maintenance of rental premises	-407	-252
Property insurance	-14	-10
Land and property tax	-93	-92
Utility costs for vacant premises	-8	-80
Depreciation of property, plant and equipment	-4	-6
Improvement costs	-6	-71
Wages and salaries, incl. taxes (Note 19)	-205	-169
Other costs	-7	-12
Allowance for doubtful accounts	0	-4
Total cost of service sold (Note 13)	**-744**	**-696**

7 Marketing costs

Marketing costs	2023	2022
€ thousands		
Commission expenses on rental premises	-56	-61
Advertising, promotional events	-360	-275
Total marketing costs	**-416**	**-336**

8 General and administrative expenses

General and administrative expenses	2023	2022
€ thousands		
Management services (Note 19)	-2,062	-1,989
Office expenses	-58	-71
Wages and salaries, incl. taxes (Note 19)	-71	-37
Consulting expenses, legal services, accounting services, evaluation services, audit	-469	-481
Regulator costs	-87	-86
Other general and administrative expenses	-34	-21
Depreciation	-77	-75
Total general and administrative expenses	**-2,858**	**-2,760**

9 Other financial costs

Other financial costs	2023	2022
€ thousands		
Interest costs, incl	-8,138	-3,642
Interest costs on loans	-8,138	-3,642
Total other financial costs (Note 4,17)	**-8,138**	**-3,642**

10 Income tax

	2023	2022
€ thousands		
Deferred income tax expense on dividends	0	-817
Deferred income tax expense from Lithuanian companies	-592	-1,346
Lithuanian corporate income tax expense on profits	-198	-243
Total income tax expense (Note 4)	**-790**	**-2,406**

As of 31.12.2023 and 31.12.2022, 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
€ thousands			
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**
Change in deferred income tax liability through profit or loss in 2023	592	0	592
Income tax paid on dividends	0	-720	-720
Balance as at 31.12.2023	**12,509**	**531**	**13,040**

11 Cash and cash equivalents

	31.12.2023	31.12.2022
€ thousands		
Demand deposits	14,616	19,925
Overnight deposits[1]	2,263	0
Deposits with a maturity of less than 3 months[2]	1,300	0
Cash on hand	1	1
Total cash and cash equivalents (Note 17)	**18,180**	**19,926**

[1] Overnight deposits carry interest at a floating rate. As of 31.12.2023, the interest rate was 3.7% per year.

[2] The interest rate for a deposit with a maturity of less than 3 months as of 31.12.2023 was 3.1% per year with a maturity of 05.03.2024.

12 Receivables and accrued income

Short-term receivables and accrued income

	31.12.2023	31.12.2022
€ thousands		
Trade receivables	2,535	2,052
Allowance for doubtful accounts	0	-4
Total trade receivables (Note 17)	**2,535**	**2,048**
Other short-term receivables	689	4
Total other short-term receivables	**689**	**4**
Interests	3	0
Other accrued income	266	165
Total accrued income	**269**	**165**
Total receivables and accrued income (Note 17)	**3,493**	**2,217**

Long-term receivables

	31.12.2023	31.12.2022
€ thousands		
Receivables and prepayments related to real estate development projects	63	1,152
Total long-term receivables	**63**	**1,152**

13 Investment property

As of 31.12.2023, 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 31.12.2023	Increase in value	Share of market value of the Fund's asset
€ thousands								
Office								
Kadrioru business centre	Tallinn, Estonia	6,530	2015	12.2018	16,872	14,240	-16%	4%
River Hall business centre	Kaunas, Lithuania	8,786	2018	08.2019	14,371	14,790	3%	4%
Jauna Teika office complex	Riga, Latvia	59,096	2008/2016 2017/2019	02.2022	130,147	123,560	-5%	32%
Total office		**74,412**			**161,390**	**152,590**	**-5%**	**40%**
Logistics								
Dominante logistics centre	Riga, Latvia	37,666	2007	01.2020	17,119	15,420	-10%	4%
SBA logistics and production centre	Klaipeda, Lithuania	44,048	2020	12.2020	28,556	30,270	6%	8%
Bergi logistics centre	Riga, Latvia	49,978	2008	01.2021	29,946	25,390	-15%	7%
Arginta logistics centre	Vilnius, Lithuania	16,301	2007/2018	03.2021	15,441	15,680	2%	4%
Total logistics		**147,992**			**91,062**	**86,760**	**-5%**	**23%**
Retail								
Ryo shopping centre	Panevėžys, Lithuania	23,716	2005/2015	12.2018	48,333	55,810	15%	14%
River Mall shopping centre	Kaunas, Lithuania	9,793	2012/2019	08.2019	18,328	18,440	1%	5%
Total retail		**33,509**			**66,661**	**74,250**	**11%**	**19%**
Total		**255,913**			**319,113**	**313,600**	**-2%**	**81%**

During the reporting periods in 2023 and 2022, the following changes have taken place in the Group's real estate investments:

	Ready investment property	Prepayments for investment property	Total investment property
Balance as at 31.12.2021	**196,760**	**1,500**	**198,260**
Acquisitions from business combinations	127,344	0	127,344
Capitalized improvements	594	0	594
Reclassifications	1,500	-1,500	0
Gain/loss from change in fair value	52	0	52
Balance as at 31.12.2022 (Note 4)	**326,250**	**0**	**326,250**
Capitalized improvements	1,774	0	1,774
Gain/loss from change in fair value	-14,424	0	-14,424
Balance as at 31.12.2023 (Note 4)	**313,600**	**0**	**313,600**

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	2023	2022
Rental income from investment properties (Note 5)	25,304	23 137
Costs directly related to the management of investment properties (Note 6)	-744	-696
Outstanding amounts from the acquisition of investment properties (Note 15)[1]	53	0
Book value of investment properties pledged as collateral for loan liabilities (Note 14)	313,600	310,060

[1]As of 31.12.2023, the Group had outstanding payments from the acquisition of investment property to suppliers for the construction works of EfTEN Logistics SIA in the amount of 53 thousand euros.

All real estate investments that generate rental income for the Group are pledged as collateral for long-term bank loans.

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	31.12.2023	31.12.2022
€ thousands		
up to 1 year	21,810	21,307
2-5 years	52,706	43,031
Over 5 years	35,471	39,052
Total	**109,987**	**103,390**

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 31.12.2023 and 31.12.2022 have been obtained using the discounted cash flow method. The following assumptions have been used to determine fair value:

In 2023:

Sector	Fair value	Evaluation method	Estimated rental income per year	Discount rate	Exit yield	Average rental price €/m2
€ thousands						
Office	152,590	Discounted cash flows	12,719	8.3%-9.7%	7.0%-7.25%	14.6
Logistics	86,760	Discounted cash flows	6,484	9.7%-10.5%	7.0%-8.5%	3.7
Retail	74,250	Discounted cash flows	6,991	10.1%	8.0%-8.5%	17.8
Total	**313,600**		**26,194**			

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**			

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 recognized in the Group's balance sheet as of 31.12.2023 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	152,590	20,510	-20,500	-3,190	3,290	-7,800	9,090
Logistics	86,760	9,510	-9,500	-1,720	1,770	-3,920	4,500
Retail	74,250	8,570	-8,570	-1,440	1,460	-2,840	3,190
Total	**313,600**	**38,590**	**-38,570**	**-6,350**	**6,520**	**-14,560**	**16,780**

As at 31.12.2022

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

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**

14 Borrowings

As at 31.12.2023, the Group has the following borrowings:

Lender	Country of lender	Loan amount as per agreement	Loan balance as at 31.12.23	Contract term	Interest rate as at 31.12.23	Loan collateral	Value of collateral	Loan balance's share of the fund's net asset value
Swedbank	Estonia	9,200	7,941	25.02.25	5.47%	Mortgage - Kadrioru business centre	14,240	4.9%
Swedbank	Lithuania	24,048	19,888	27.11.28	5.97%	Mortgage - RYO shopping centre	55,810	12.3%
Citadele	Lithuania	15,000	15,000	01.11.26	6.60%	Mortgage - SBA logistics and production centre	30,270	9.2%
SEB	Latvia	14,000	12,377	04.11.25	6.16%	Mortgage - Bergi logistics centre	25,390	7.6%
Luminor	Lithuania	7,848	7,593	30.03.24	6.49%	Mortgage - Arginta logistics centre	15,680	4.7%
SEB	Latvia	75,000	72,711	11.10.26	5.66%	Mortgage - Jauna Teika office quarter	123,560	44.8%
Rietumu	Latvia	6,500	6,486	14.08.28	6.00%	Mortgage - Dominante logistics centre	15,420	4.0%
Swedbank	Lithuania	16,100	12,357	17.07.24	6.42%	Mortgage - River shopping centre	33,230	7.6%
Total		**167,696**	**154,353**				**313,600**	**95.1%**

As at 31.12.2022, the Group has the following borrowings:

Lender	Country of lender	Loan amount as per agreement	Loan balance as at 31.12.22	Contract term	Interest rate as at 31.12.22	Loan collateral	Value of collateral	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%**

Short-term borrowings	31.12.2023	31.12.2022
€ thousands		
Repayments of long-term bank loans in the next period [1]	22,626	48,400
Discounted contract fees for bank loans	-114	-93
Total short-term borrowings	**22,512**	**48,307**

[1]Repayments of long-term bank loans in the next period as of 31.12.2023 include the balance of the loan obligations of two subsidiaries ending within the next 12 months in the amount of 19,950 thousand euros. The LTV of the expiring loan agreements is 37% and 48%, and investment properties have a stable and strong rental cash flow, therefore, according to the Group's management, there will be no obstacles to the extension of the loan agreements.

Long-term borrowings	31.12.2023	31.12.2022
€ thousands		
Total long-term borrowings	**154,026**	**152,578**
incl. current portion of borrowings	22,512	48,307
incl. non-current portion of borrowings, incl.	131,514	104,271
Bank loans	131,727	104,465
Discounted contract fees on bank loans	-213	-194

Bank loans are divided as follows according to repayment date:

Repayments of bank loans by maturity	31.12.2023	31.12.2022
€ thousands		
Up to 1 year	22,626	48,400
2-5 years	131,727	104,465
Total repayments of bank loans	**154,353**	**152,865**

Cash flows of borrowings	**2023**	**2022**
€ thousands		
Balance at the beginning of period	**152,578**	**82,565**
Bank loans received	6,500	75,000
Annuity payments on bank loans	-5,013	-5,033
Change of discounted contract fees	-39	46
Balance as at the end of period	**154,026**	**152,578**

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

15 Payables and prepayments

Short-term payables and prepayments

	31.12.2023	**31.12.2022**
€ thousands		
Payables to suppliers from fixed asset transactions (Note 13)	53	0
Other payables to suppliers	430	760
Total payables to suppliers (Note 17)	**483**	**760**
Debts from securities transactions	0	14
Other debts	38	54
Total other debts	**38**	**68**
Value added tax	482	482
Corporate income tax	23	118
Personal income tax	1	0
Social tax	2	1
Land and property tax	74	88
Other tax liabilities	4	3
Total tax liabilities	**586**	**692**
Payables to employees	8	4
Interest liabilities (Note 17)	141	37
Tenant security deposits (Note 17)	503	711
Other accrued liabilities (Note 17)	287	163
Total accrued expenses	**939**	**915**
Prepayments received from buyers	201	101
Total prepayments	201	101
Total payables and prepayments (Note 17)	**2,247**	**2,536**

Long-term payables

	31.12.2023	**31.12.2022**
€ thousands		
Tenants' security deposits (Note 17)	3,987	3,811
Success fee liability (Note 16)	0	2,585
Total other long-term payables	**3,987**	**6,396**

16 Success fee liability

As of 31.12.2023, the Group has calculated the success fee liability as follows:

	31.12.2023	**31.12.2022**
€ thousands		
Balance at the beginning of the period	2,585	2,152
Change in success fee liability	-2,585	433
Balance at end of period (Note 15)	**0**	**2,585**

Usaldusfond 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, considering 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 assumes 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.

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.

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	31.12.2023	31.12.2022
€ thousands			
Financial assets – loans and receivables measured at amortised cost			
Cash and cash equivalents	11	18,180	19,926
Trade receivables	12	2,535	2,048
Total financial assets measured at amortised cost		**20,715**	**21,974**
Financial liabilities measured at amortised cost			
Borrowings	14	154,026	152,578
Trade payables	15	483	760
Tenant security deposits	15	4,490	4,522
Interest payables	15	141	37
Accrued expenses	15	295	167
Total financial liabilities measured at amortised cost		**159,435**	**158,064**
Total financial liabilities		**159,435**	**158,064**

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 31.12.2023, 96% of the group's loan agreements have been concluded on a floating interest basis, of which, in turn, 73% (31.12.2022: 95%) is linked to the 3-month EURIBOR and 23% to the 1-month EURIBOR (31.12.2022: 5 %) and 4% of loan agreements carry a fixed interest rate of 6%. The 3-month EURIBOR fluctuated between 2.132% and 4.002% in 2023. At the end of 2023, the margins of loan agreements based on floating interest will range from 1.6% to 2.65% (31.12.2022: 1.6% to 2.65%) The Group's loan portfolio has a 0% limit (floor) set to protect against negative EURIBOR, i.e. in the event of a negative EURIBOR, the loan margin does not decrease for these loan obligations.

As of 31.12.2023 the weighted average interest rate of the group's loan portfolio was 5.68% (31.12.2022: 3.72%). None of the special terms of the loan agreement were violated in 2023 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, to not use debt in making investment properties 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 31.12.2023, the Group's interest-bearing liabilities accounted for 49% (31.12.2022: 47%) of rental income generating investment property and the average debt coverage ratio 1.7 (2022: 2.4).

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 31.12.2023	Under 1 month	2-4 months	5 to 12 months	2 to 5 years	over 5 years	Total
€ thousands						
Interest-bearing liabilities	288	8,435	13,904	131,726	0	**154,353**
Interest payments	789	2,316	5,558	15,799		**24,462**
Interest payables	141	0	0	0	0	**141**
Trade payables	483	0	0	0	0	**483**
Tenant security deposits	54	136	314	2,358	1,629	**4,490**
Accrued expenses	295	0	0	0	0	**295**
Total financial liabilities	**2,050**	**10,887**	**19,776**	**149,883**	**1,629**	**184,224**

As at 31.12.2022	Under 1 month	2-4 months	5 to 12 months	2 to 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**

Report of working capital

	31.12.2023	31.12.2022
€ thousands		
Cash and cash equivalents (Note 11)	18,180	19,926
Receivables and accrued income (Note 12)	3,493	2,217
Prepaid expenses	132	21
Total current assets	**21,805**	**22,164**
Short-term portion of long-term liabilities (Note 14)	-22,512	-48,307
Short-term payables and prepayments (Note 15)	-2,247	-2,536
Total current liabilities	**-24,759**	**-50,843**
Total working capital	**-2,954**	**-28,679**

The Group's working capital is negative as 31.12.2023 negative due to two loans ending in 2024 in the total amount of 19,950 thousand euros. The expiring loans are secured by investment properties with a strong rental cash flow, and the LTV of the loans is 37% and 48%, therefore the Fund Manager sees no obstacles to extending the loans when they expire.

Credit risk

Credit risk refers to the risk arising from the inability of counterparties to fulfil their obligations to the Group. The Group is exposed to credit risk due to its business activities (mainly claims against buyers) and transactions with financial institutions, including money in accounts and through 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:

	31.12.2023	31.12.2022
€ thousands		
Not due	1,773	1,373
Past due, incl.	**762**	**679**
Up to 30 days	522	651
30-60 days	194	17
Over 60 days	46	11
Allowance for doubtful accounts	0	-4
Total trade receivables (Note 12)	**2,535**	**2,048**

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

	31.12.2023	31.12.2022
€ thousands		
Cash and cash equivalents (Note 11)	18,180	19,926
Trade receivables (Note 12)	2,535	2,048
Total maximum credit risk	**20,715**	**21,974**

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	31.12.2023	31.12.2022
€ thousands		
Aa3	15,464	17,968
A3	940	1,957
Baa2	116	0
Unrated	1,659	0
Total	**18,179**	**19,925**

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, considering 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 2023. the Fund repaid dividends received from subsidiaries in the amount of 6,954 thousand euros (2022: 2,855 thousand euros) and interest 814 thousand euros (2022: not paid) to investors.

According to the Fund Manager, the existing investment portfolio allows making a total of 8,798 thousand euros in payments to investors from the profit earned in 2023 and, in addition, 4,000 million euros through the refinancing of existing bank loans.

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 31.12.2023 nor 31.12.2022 the Group had no assets measured at fair value that would be included within Level 1 of the fair value hierarchy. All 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 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.

18 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 2023. payments were made to investors in the amount 7,768 thousand euros (2022: 2,855 thousand euros) on account of the profits earned by subsidiaries. Capital in the amount of 6,435 thousand euros was returned to the fund's investors. The consolidated retained earnings of the group was 21,348 thousand euros as of 31.12.2023 (31.12.2022: 27,662 thousand euros).

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

Investors	31.12.2023	31.12.2022
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%

19 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 2023 in the amount of 2,062 thousand euros (2022: 1,989 thousand euros), (see Note 8). The Group did not purchase or sell other goods or services to other related parties in 2023 or 2022.

In 2023, the Group had 12 employees (2022: 9 employees), for whom a total of 276 thousand euros (2022: 206 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 2023 or 2022. 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.

20 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

	2023	**2022**
€ thousands		
Revenue	2,062	1,989
Gross profit	**2,062**	**1,989**
General and administrative expenses	-2,260	-2,157
Change in success fee liability	2,585	-433
Operating profit	**2,387**	**-601**
Profit/loss from subsidiaries	-11,023	11,545
Financial income	10,090	3,054
Profit before income tax	**1,454**	**13,998**
Net profit for the year	1,454	**13,998**
Comprehensive income for the year	**1,454**	**13,998**

STATEMENT OF FINANCIAL POSITION

	31.12.2023	31.12.2022
€ thousands		
ASSETS		
Current assets		
Cash and cash equivalents	1,595	1,751
Receivables and accrued income	11,801	10,868
Total current assets	**13,396**	**12,619**
Non-current assets		
Shares in subsidiaries	82,787	93,824
Non-current receivables	66,175	71,263
Total non-current assets	**148,962**	**165,087**
TOTAL ASSETS	**162,358**	**177,706**
LIABILITIES AND TOTAL NET ASSETS		
Current liabilities		
Borrowings	8	21
Total current liabilities	**8**	**21**
Non-current liabilities		
Success fee liabilities	0	2,585
Total non-current liabilities	**0**	**2,585**
TOTAL LIABILITIES	**8**	**2,606**
Total net asset value of the Fund owned by limited and equity partners	**162,350**	**175,100**
TOTAL LIABILITIES AND TOTAL NET ASSETS	**162,358**	**177,706**

STATEMENT OF CASH FLOWS

	2023	2022
€ thousands		
Cash flow from business		
Net profit	**1,454**	**13,998**
Net profit adjustments:		
Interest income and interest expenses	-3,137	-3,054
Gain/loss on change in fair value of subsidiaries	11,024	-8,689
Dividends received	-6,954	-2,855
Change in success fee liability	-2,585	433
Total adjustments	**-1,652**	**-14,165**
Cash flow from operations before changes in working capital	**-198**	**-167**
Change in other trade receivables and payables	0	-1
Net cash flow generated from operating activities	**-198**	**-168**
Net cash flow generated from investing activities		
Loans granted	0	-26,176
Repayments of given loans	6,435	0
Dividends received	6,954	2,855
Interest received	856	0
Net cash generated from investing activities	**14,245**	**-23,321**
Cash flows from financing activities		
Interest paid	-814	0
Dividends paid	-6,954	-2,855
Capital returns	-6,435	0
Net cash generated from investing activities	**-14,203**	**-2,855**
NET CASH FLOW	**-156**	**-26,344**
Cash and cash equivalents at the beginning of the period	**1,751**	**28,095**
Change in cash and cash equivalents	-156	-26,344
Cash and cash equivalents at the end of the period	**1,595**	**1,751**

STATEMENT OF CHANGES IN THE FUND 'S NET ASSETS

	2023	2022
€ thousands		
Net asset value of the Fund owned by limited and equity partners at the beginning of the period	**175,100**	**163,957**
Capital contributions	-6,435	0
Net change in equity	**-6,435**	**0**
Transfer of dividends and interest	-7,768	-2,855
Net profit for the year	1,454	13,998
Net asset value of the Fund owned by limited and equity partners at the end of the period	**162,350**	**175,100**

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	162,350	175,100
Value of subsidiaries in the parent company's separate balance sheet (minus)	-82,787	-93,824
Value of subsidiaries calculated using the equity method (plus)	82,787	93,824
Total	**162,350**	**175,100**

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 2023, 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 2023;
- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement 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 policy information 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).

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.

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

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.

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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

Rando Rand
Auditor's certificate no. 617

Signe Sokmann
Auditor's certificate no. 719

8 March 2024
Tallinn, Estonia

Translation note:

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Signatures of the Management Board on the consolidated annual report for 2023

We hereby confirm the accuracy of the information provided in the 2023 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/

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	2023	Sales Revenue %	Main activity
€ thousands				
Fund management	66301	2,062	100%	Yes

ANNEX: 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 practices.

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 95% 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**

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 BREEAM certificates. Currently, the whole portfolio meets the characteristics promoted in the Fund's documentation.

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

How did the sustainability indicators perform?

The fund has completed its investment phase with a full portfolio of sustainability data available. The Fund's sustainability indicator performance is measured annually by participating in the Global Real Estate Sustainability Benchmark (GRESB) assessment. For 2023 data the assessment will take place in Q3 2024 and the results will be made available to the investors of the Fund. Currently the portfolio is 100% covered with EPC ratings (average: rating A) and 100% covered with BREEAM In Use (average:

Good) or BREEAM New Construction certificates (Very Good/Good) and holds a GRESB score of 88/100, i.e 5-star GRESB rating.

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 fulfillment 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 the indicators for adverse impacts 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 Fund investments are real estate investments that remain under direct control of the Fund and the Fund's 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: 01.01.2023-31.12.2023

Largest investments	Sector	% Assets	Country
Jauna Teika	***Real Estate***	***39%***	***Latvia***
Ryo Shopping Center	***Real Estate***	***18%***	***Lithuania***
SBA Logistics	***Real Estate***	***10%***	***Lithuania***
Bergi Logistics	***Real Estate***	***8%***	***Latvia***
River Mall Shopping Center	***Real Estate***	***6%***	***Lithuania***
Moletu Logistics	***Real Estate***	***5%***	***Lithuania***
Dominante Logistics	***Real Estate***	***5%***	***Latvia***

Kadrioru Office Building	***Real Estate***	***4,5%***	***Estonia***
River Hall Office Building	***Real Estate***	***4,5%***	***Lithuania***

The Fund currently holds 9 assets.

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.

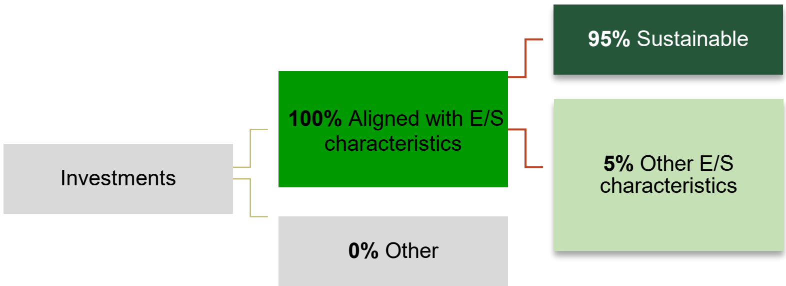
Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

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.

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 level of sustainable investments.

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.

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.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.

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

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.

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

The Fund installed two large solar power plants (600 KWp and 100 KWp) on the roofs of River Hall and River Mall properties in Kaunas, which cover ca 20% of the power consumption by both properties. In addition, the automatic AI-based HVAC (heating, ventilation, air conditioning) real time monitoring and control services were installed in Reiver Hall and River Mall properties. Where relevant sustainability certifications were reviewed and updated. 2022 data was assessed via GRESB and the Fund achieved a score of 88/100 (5 stars). Priority for 2023 was to maintain the alredy high GRESB score in the next assessment. The Fund will release a separate detailed ESG report in H1 2024.