Consolidated half-year report 2022

EfTEN Kinnisvarafond AS

Commercial register number: 11505393

Beginning of financial period: 01.01.2022

End of financial period: 30.06.2022

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MANAGEMENT REPORT

Financial overview

EfTEN Kinnisvarafond AS's consolidated sales revenue for the first six months of 2022 was 7.959 million euros, increasing by 3.6% (280 thousand euros) compared to the first half of 2021.

The fund received a total net profit of 8.708 million euros in the first half of 2022 (in the first half of 2021, the fund received a net profit of 9.135 million euros). Without the change in the value of investment properties and the success fee liability, the consolidated net profit of the fund in the first half of 2022 would have been 5.358 million euros (First half of 2021: 4.880 million euros).

Expenses related to the Group's real estate, marketing expenses, overheads and other income and expenses accounted for 16.1% of sales revenue in the first half of 2022. In the first half of 2021 the same indicator remained at the level of 15.7%.

	I half of the year	
	2022	2021
€ million		
Rental revenue, other fees from investment properties	7.959	7.679
Expenses related to investment properties, incl. marketing expense	-0.728	-0.606
Net rental income	**7.231**	**7.073**
Interest expense and interest income	-0.845	-1.149
Net rental revenue less finance costs	**6.386**	**5.924**
Management fees	-0.474	-0.499
Other income and expenses	-0.078	-0.093
Profit before changes in the value of investment properties, gains/ losses of joint ventures and income tax expense	**5.834**	**5.332**

The volume of the Group's assets as of 30.06.2022 was 207.835 million euros (31.12.2021: 204.948 million euros), incl. the fair value of investment properties amounted to 94.5% (31.12.2021: 93.0%).

	30.06.2022	**31.12.2021**
€ million		
Investment properties	196.413	190.512
Other non-current assets	2.507	2.854
Cash and cash equivalents	7.847	11.010
Current assets, excluding cash	1.068	0.572
Net debt	-83.630	-80.311
Net asset value (NAV)	116.358	113.627
Net asset value (NAV) per share, in euros	3.0197	2.9488

The balance of loans taken out as collateral for the Group's investment properties as of 30.06.2022 on 84.197 million euros, the weighted average interest rate as of the balance sheet date is 2.0% ja LTV (*Loan to value*) 43%. The loan agreements of the Fund's four subsidiaries with a total amount of 35.592 million euros as of 30.06.2022 will mature in the next 12 months. All loans are refinanced as they approach maturity.

EfTEN Kinnisvarafond AS's dividend policy stipulates that in each reporting year the Group pays 80% of its free cash flow to shareholders as (gross) dividends. In May 2022, the fund paid a total of 6.177 million euros (16.0 eurocents per share) in dividends to shareholders. A year earlier, In June of 2021, the Fund paid a total of 7.023 million euros (17.8 eurocents per share) in dividends to shareholders.

Key Financial indicators:

For 6 months	30.06.2022	30.06.2021
ROE, % *(net profit of the period / average equity of the period) * 100*	7.6	8.6
ROA, % *(net profit of the period / average assets of the period) * 100*	4.2	4.5
ROIC, % *(net profit of the period / average invested capital of the period) * 100*[1]	17.5	18.0
EBITDA (€ thousand)	6,691	6,492
EBITDA margin, %	84%	85%
EBIT (€ thousand)	10,029	10,732
EBIT margin, %	126%	140%
Liquidity ratio (current assets / current liabilities)	0.2	0.4
DSCR (EBITDA / (interest expenses + scheduled loan payments)	2.6	2.4

[1] The average invested capital for the period is the paid-in share capital and share premium of EfTEN Kinnisvarafond AS. The indicator does not take into account the actual investment of funds raised as equity.

EPRA performance indicators

EPRA performance indicators

As of the balance sheet date or per year	30.06.2022	30.06.2021	*Change*
EPRA profit, € thousand	9,475	10,273	*-8%*
EPRA earnings per share, in euros	0.25	0.27	*-8%*
EPRA NRV (net reinstatement value), € thousand	117,014	107,400	*9%*
EPRA NRV per share, in euros	3,04	2,79	*9%*
EPRA NDV (net disposal value), € thousand	116,358	106,470	*9%*
EPRA NDV per share, in euros	3,02	2,76	*9%*
EPRA NIY (net initial yield)	7.0%	7.2%	*-3%*
EPRA Topped-up NIY (adjusted net initial yield)	7.2%	7.4%	*-3%*
EPRA cost ratio, including costs directly relating to vacancy	16%	13%	*20%*
EPRA cost ratio, excluding costs directly relating to vacancy	14%	12%	*20%*
EPRA vacancy rate	1.9%	2.4%	*-22%*

EPRA indicators calculations

EPRA PROFIT

€ thousand		2022	2021
Net Profit (IFRS)		**8,708**	**9,135**
Corrections:			
	Change in fair value of investment property	343	33
	Change in performance fee liability related to change in fair value of investment property	712	1,063
	Effect of change in fair value of investment property on profit/loss from joint ventures	-374	5
	Deferred income tax expense related to EPRA adjustments	86	37
EPRA profit		**9,475**	**10,273**
Weighted average number of units for the period		38,533,217	38,533,217
EPRA earnings per share, in euros		**0.25**	**0.27**

EPRA net worth indicators as of 30.06.2022

€ thousand	EPRA NRV	EPRA NTA	EPRA NDV
Net asset value calculated in accordance to IFRS standards	**116,358**	**116,358**	**116,358**
Adjustments:			
Deferred income tax liability related to the calculation of the change in fair value of real estate investments and tax depreciation	629	629	-
Fair value of derivatives	27	27	-
Net asset value	**117,014**	**117,014**	**116,358**
Number of fully dissolved shares	38,533,217	38,533,217	38,533,217
Net asset value per unit, in euros	**3,04**	**3,04**	**3,02**

EPRA net worth indicators as of 30.06.2021

€ thousand	EPRA NRV	EPRA NTA	EPRA NDV
Net asset value calculated in accordance to IFRS standards	**106,470**	**106,470**	**106,470**
Adjustments:			
Deferred income tax liability related to the calculation of the change in fair value of real estate investments and tax depreciation	507	507	-
Fair value of derivatives	423	423	-
Net asset value	**107,400**	**107,400**	**106,470**
Number of fully dissolved shares	38,533,217	38,533,217	38,533,217
Net asset value per unit, in euros	**2,79**	**2,79**	**2,76**

EPRA net output indicators

€ thousand	2022	2021
Real estate investments	196,413	187,231
Real estate investments under development (minus)	-2,333	-2,331
Completed real estate investments	**196,413**	**187,231**
Annualized rental income from leases valid at the reporting date	15,797	15,173
Expenses related to real estate investments that are not covered by tenants	-1,994	-1,629
Annualized net rental income	**13,803**	**13,544**
Nominal impact of ending lease exemptions or other lease incentives	321	296
Adjusted annualized net rental income	**14,124**	**13,840**
EPRA net initial yield (NIY)	**7.0%**	**7.2%**
EPRA adjusted net initial yield (Topped-up NIY)	**7.2%**	**7.4%**

EPRA vacancy rate

€ thousand	2022	2021
Estimated rental income of vacant premises	298	367
Estimated rental income of the entire property portfolio	15,772	15,088
EPRA vacancy rate	**1.9%**	**2.4%**

EPRA cost ratios

€ thousand	2022	2021
Selling expenses	-609	-549
Other sales revenue paid by tenants to cover expenses	134	290
Marketing expenses	-119	-57
General administrative expenses, excluding the change in the performance fee obligation	-643	-661
Total costs, including direct costs related to vacancy	**-1,237**	**-977**
Direct costs related to vacancy	-118	-97
Total costs, excluding direct costs related to vacancy	**-1,119**	**-880**
Rental income (gross)	**7,825**	**7,389**
EPRA's cost ratio, including direct costs related to the vacancy	**16%**	**13%**
EPRA's cost ratio,excluding direct costs related to the vacancy	**14%**	**12%**

Real estate portfolio

The Group invests in commercial real estate, which has a strong and long-term tenant base. As of the end of the first half of 2022, the Group has 17 (31.12.2021: same as current year) commercial real estate investments, the fair value of which at the balance sheet date is 196.413 million euros and the acquisition cost is 172.858 million euros. In addition, the group's joint venture owns the Palace Hotel in Tallinn, the fair value of which as of 30.06.2022 was 9.890 million euros. The Group's real estate portfolio is divided by sectors as follows:

- retail premises 39%; 6 investments
- office premises 23%; 5 investments
- warehouse and logistics premises 30%; 5 investments
- other (hotel and government) 8%; 2 investments

Investment property as at 30.06.2022	Group's ownership interest, %	Acquisition cost	Fair value	Net leasable area	Rental revenue per annum	Occupancy%	Average length of lease agreement
Premia Cold Storage, Tallinn	100	6,237	6,870	7,258	548	100	5.0
Kuuli 10, Tallinn	100	9,171	11,530	15,197	864	100	5.9
Betooni 1a, Tallinn	100	7,365	9,120	10,678	691	100	4.8
Betooni 6, Tallinn	100	9,906	9,200	16,481	757	96	1.7
Jurkalne Technology Park, Riga	100	23,061	24,290	44,091	2,159	99	5.2
Total warehouse and logistics premises		**55,740**	**61,010**	**93,705**	**5,019**	**99**	**4.7**
Võru Rautakesko	100	3,270	2,880	3,120	249	100	0.8
UKU Centre, Viljandi	100	12,336	13,640	8,919	1,081	100	6.0
Mustika Centre, Tallinn	100	31,888	37,370	27,094	2,952	89	4.3
RAF Centrs, Jelgava	100	8,738	9,130	6,225	903	98	2.1
Depo shopping centre, Jelgava	100	2,333	2,333		*In development*		
Tammsaare tee Rautakesko, Tallinn	100	12,945	15,560	9,120	1,289	100	9.7
Total retail premises		**71,510**	**80,913**	**54,478**	**6,474**	**97**	**5.3**
Lauteri 5, Tallinn	100	3,431	5,830	3,822	409	97	2.2
Pärnu mnt 102, Tallinn	100	12,548	16,240	9,440	1,190	100	1.6
Pärnu mnt 105, Tallinn	100	8,178	7,960	4,791	591	94	1.6
Terbata Office building, Riga	100	9,930	9,270	6,056	632	87	2.1
Menulio 11, Vilnius	100	6,402	7,970	5,617	729	100	2.3
Total office premises		**40,489**	**47,270**	**29,726**	**3,551**	**96**	**1.9**
Rakvere Police and Rescue Building (government)	100	5,119	7,220	5,775	753	100	3.3
Hotell Palace, Tallinn (Hotels)[1]	50	10,996	9,890	4,870	475	100	8.2
Total		**183,854**	**206,303**	**188,554**	**16,272**	**98**	**4.2**

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

51.3% of the consolidated rental income is the contractual income of 8 customers:

Client	% of consolidated rental income
Kesko Senukai Estonia AS	10.8%
LIVONIA PRINT SIA	9.8%
Prisma Peremarket AS	9.4%
Logistika Pluss OÜ	5.5%
Riigi Kinnisvara Aktsiaselts	4.8%
DHL Logistics Estonia OÜ	4.8%
Premia Tallinna Külmhoone AS	3.5%
Vlniaus apskrities vyriausiasis policijos komisariatas	2.7%
Others	48.7%

Real estate investments in the first half of 2022

The Group did not make any new real estate investments in the first half of the year, focusing on managing its existing portfolio. As the investment period of the fund has ended, the fund will no longer raise share capital.

The fund will mature in 2027. The fund will continue to pursue its strategic objectives of selling smaller investments and focusing on larger investments

Fair value of investment property

In June, the fund conducted its usual valuation of real estate investments, as a result of which the value of the fund's real estate portfolio increased by 2.1% (EUR 4.1 million). The value rose mainly as a result of a more optimistic cash flow forecast driven by inflation.

The sensitivity analysis of investment properties shows that with a 10% decrease or increase in the fund's consolidated sales revenue, the fair value of the fund's real estate portfolio would decrease or increase by 21.6 million euros (11%). An increase of 0.5 percentage points in the discount rate used in the cash flow projections of the Fund's real estate portfolio would decrease the total value of the Fund's real estate portfolio by 4.0 million euros (2%) and an increase of 0.5 percentage points in exit yield would decrease the total value of the Fund's real estate portfolio by 8.7 million euros (4.5%).

Sector	Fair value	Sensitivity to management estimates		Sensitivity in independent valuation			
		Revenue +10%	Revenue -10%	Discount rate +50bp	Discount rate -50bp	Exit yield +50bp	Exit yield -50bp
€ thousand							
Office premises	47,270	*5,140*	*-5,140*	*-950*	*1,000*	*-2,320*	*2,680*
Storage and logistics premises	61,010	*6,720*	*-6,690*	*-1,200*	*1,260*	*-2,700*	*3,130*
Retail premises	78,581	*8,859*	*-8,864*	*-1,573*	*1,593*	*-3,446*	*3,943*
Government	7,220	*890*	*-900*	*-140*	*140*	*-280*	*320*
TOTAL	**194,081**	**21,609**	**-21,594**	**-3,863**	**3,993**	**-8,746**	**10,073**

The Group's independent appraiser evaluates investment properties individually using the discounted cash flow method. The cash flow projections for all properties have been updated to determine the fair value, and the discount rates and exit yields have been differentiated depending on the location of the facilities, the technical condition and the risk level of the tenants.

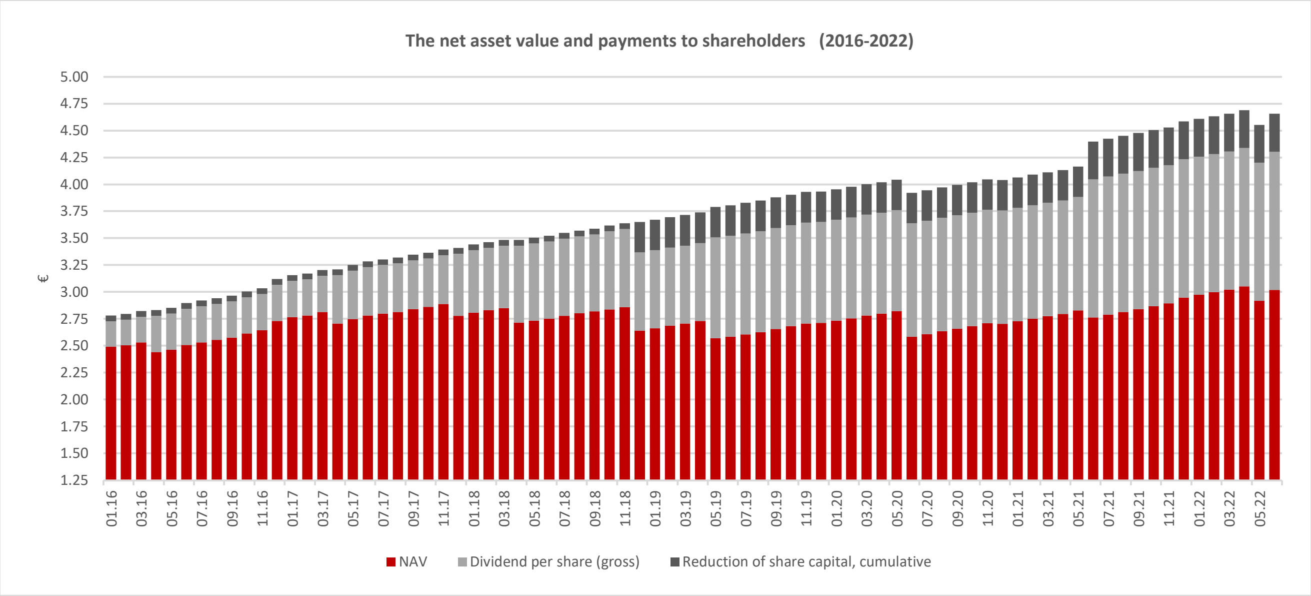
Information on shares

As of 30.06.2022 the total contributions made to the share capital of EfTEN Kinnisvarafond AS are 49.671 million euros (31.12.2021: same as this year). The number of shares as of 30.06.2022 was 38, 533, 217 (31.12.2021: same as this year).

The net asset value (NAV) of the EfTEN Kinnisvarafond AS share was 3.02 euros as of 30.06.2022 (31.12.2021: 2.95 euros), growing by 2.4% in the first half of 2022.

In addition to the net asset value calculated in accordance with the above IFRS, EfTEN Kinnisvarafond AS also calculates the net asset value recommended by EPRA (European Public Real Estate Association) to provide investors with the most appropriate net asset value. EPRA Guidance requires a long-term economic strategy for real estate companies, so temporary differences in situations where asset sales are unlikely to occur in the near future, will blur the transparency of the fund's net asset value. Therefore, the deferred income tax expense on investment property and the fair value of financial instruments (interest rate swaps) are eliminated from the net asset value calculated in accordance with IFRS from EPRA net worth.

€ thousand	30.06.2022	31.12.2021	30.06.2021	31.12.2020
Net asset value calculated in accordance with IFRS	116,358	113,627	106,470	106,470
Exclusion of deferred income tax on investment properties	629	543	507	470
Exclusion of the fair value of financial instruments	27	227	423	711
EPRA net asset value	**117,014**	**114,397**	**107,400**	**107,651**
Number of shares at the balance sheet date	38,533,217	38,533,217	38,533,217	39,391,371
EPRA net asset value per share, in euros	**3.04**	**2.97**	**2.79**	**2.73**
EPRA NAV growth, in euros	0.07		0.05	
Dividend paid per share, in euros	0.16		0.18	
Earnings per share for the period, in euros	**0.228**		**0.233**	
Earnings per share for the period, growth %	**7.7%**		**8.5%**	



Shareholder structure of EfTEN Kinnisvarafond AS as of 30.06.2022

	Ownership in share capital, %
LHV Pension funds	32.5
Taali Grupp OÜ	18.2
Trio Holding OÜ	11.1
Swedbank Pension funds	3.7
Luminor Pension funds	3.1
Others	31.3

HALF-YEAR FINANCIAL STATEMENTS OF THE CONSOLIDATION GROUP

CONSOLIDATED INCOME STATEMENT

	Notes	I half of 2022	2021
€ thousand			
Revenue	4,5	7,959	7,679
Cost of services sold	6	-609	-549
Gross profit		**7,350**	**7,130**
Marketing costs	7	-119	-57
General and administrative expenses	8	-1,355	-1,724
Gain / loss from revaluation of investment properties	15	4,062	5,314
Other income and expenses		91	69
Operating profit	**4**	**10,029**	**10,732**
Profit/ loss from subsidiaries and joint ventures	9	-343	-33
Interest income		2	2
Finance costs	10	-847	-1,151
Profit before income tax		**8,841**	**9,550**
Income tax expense	11	-133	-415
Net profit for the financial year	**4,12**	**8,708**	**9,135**

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME		I half of 2022	2021
€ thousand			
Net profit for the financial period		8,708	9,135
Other comprehensive profit/ -loss:			
Profit/ -loss from revaluation of hedging instruments	19	200	288
Total other comprehensive profit/ -loss		**200**	**288**
Total comprehensive income for the financial period		**8,908**	**9,423**
Revenue per share	12		
- basic		0.23	0.24
- diluted		0.23	0.24

Notes on pages 10 to 32 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30.06.2022	31.12.2021
€ thousand			
ASSETS			
Cash and cash equivalents	13	7,847	11,010
Receivables and accrued income	14	952	493
Prepaid expenses		110	74
Inventories		6	5
Total current assets		**8,915**	**11,582**
Investments in joint ventures	3	2,436	2,779
Investment property	4,15	196,413	190,512
Property, plant and equipment		71	75
Total non-current assets		**198,920**	**193,366**
TOTAL ASSETS		**207,835**	**204,948**
LIABILITIES AND EQUITY			
Borrowings	16	37, 787	43, 983
Derivative instruments	19	27	227
Payables and prepayments	17	1, 264	1, 133
Total current liabilities		**39, 078**	**45, 343**
Borrowings	16	46, 347	39, 785
Other long-term liabilities	17	815	763
Success fee liability	18	4, 608	3, 896
Deferred income tax liability	11	629	1, 534
Total non-current liabilities		**52, 399**	**45, 978**
Total liabilities		**91, 477**	**91, 321**
Share capital	20	19, 267	19, 267
Share premium		30, 404	30, 404
Statutory reserve capital		4, 734	4, 734
Hedging reserve	19	-27	-227
Retained earnings	21	61, 980	59, 449
Total equity	4	**116, 358**	**113, 627**
TOTAL LIABILITIES AND EQUITY		**207, 835**	**204, 948**

Notes on pages 10 to 32 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	I half of 2022	2021
€ thousand			
Net profit		**8,708**	**9,135**
Adjustments to net profit:			
Gain/-loss from joint ventures using equity method	9	343	33
Interest income		-2	-2
Finance costs	10	847	1,151
Gains/-losses from investment property revaluation	15	-4,062	-5,314
Change in the success fee liability	8	712	909
Depreciation, amortization and impairment		13	11
Income tax expense	11	133	415
Total adjustments with non-cash changes		**-2,016**	**-2,797**
Cash flow from operations before changes in working capital		**6,692**	**6,338**
Change in receivables and payables related to operating activities		-306	26
Net cash generated from operating activities		**6,386**	**6,364**
Purchase of property, plant and equipment		-10	-7
Purchase of investment property	15	-1,838	-646
Sale of investment property	15	0	8,246
Loans granted		0	-125
Interest received		1	0
Net cash generated from investing activities		**-1,847**	**7,468**
Loans received	16	1,900	0
Loan repayments for the sale and refinancing of investment properties	16	0	-3,679
Scheduled loan repayments	16	-1,524	-1,692
Interest paid		-863	-1,135
Dividends paid	19	-6,177	-7,023
Income tax paid on dividends		-1,038	-41
Net cash generated from financing activities		**-7,702**	**-13,570**
NET CASH FLOW		**-3,163**	**262**
Cash and cash equivalents at the beginning of the period	**13**	**11,010**	**10,946**
Change in cash and cash equivalents		-3,163	262
Cash and cash equivalents at the end of the period	**13**	**7,847**	**11,208**

Notes on pages 10 to 32 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Statutory reserve capital	Hedging reserve	Retained earnings	**Total**
€ thousand						
Balance as at 31.12.2020	**19,696**	**32,375**	**4,554**	**-711**	**50,556**	**106,470**
Reduction of share capital	-429	-1,971	0	0	0	**-2,400**
Announced dividends	0	0	0	0	-7,023	**-7,023**
Transfers to statutory reserve capital	0	0	180	0	-180	**0**
Total transactions with owners	**-429**	**-1,971**	**180**	**0**	**-7,203**	**-9,423**
Net profit for the financial period	0	0	0	0	9,135	**9,135**
Other comprehensive gain	0	0	0	288	0	**288**
Total comprehensive income	**0**	**0**	**0**	**288**	**9,135**	**9,423**
Balance as at 30.06.2021	**19,267**	**30,404**	**4,734**	**-423**	**52,488**	**106,470**
Balance as at 31.12.2021	**19,267**	**30,404**	**4,734**	**-227**	**59,449**	**113, 627**
Reduction of share capital	0	0	0	0	0	**0**
Announced dividends	0	0	0	0	-6,177	**-6,177**
Transfers to statutory reserve capital	0	0	0	0	0	**0**
Total transactions with owners	**0**	**0**	**0**	**0**	**-6,177**	**-6,177**
Net profit for the financial period	0	0	0	0	8,708	**8,708**
Other comprehensive gain	0	0	0	200	0	**200**
Total comprehensive income	**0**	**0**	**0**	**200**	**8,708**	**8,908**
Balance as at 30.06.2022	**19,267**	**30,404**	**4,734**	**-27**	**61,980**	**116,358**

Additional information on share capital is provided in Note 20.

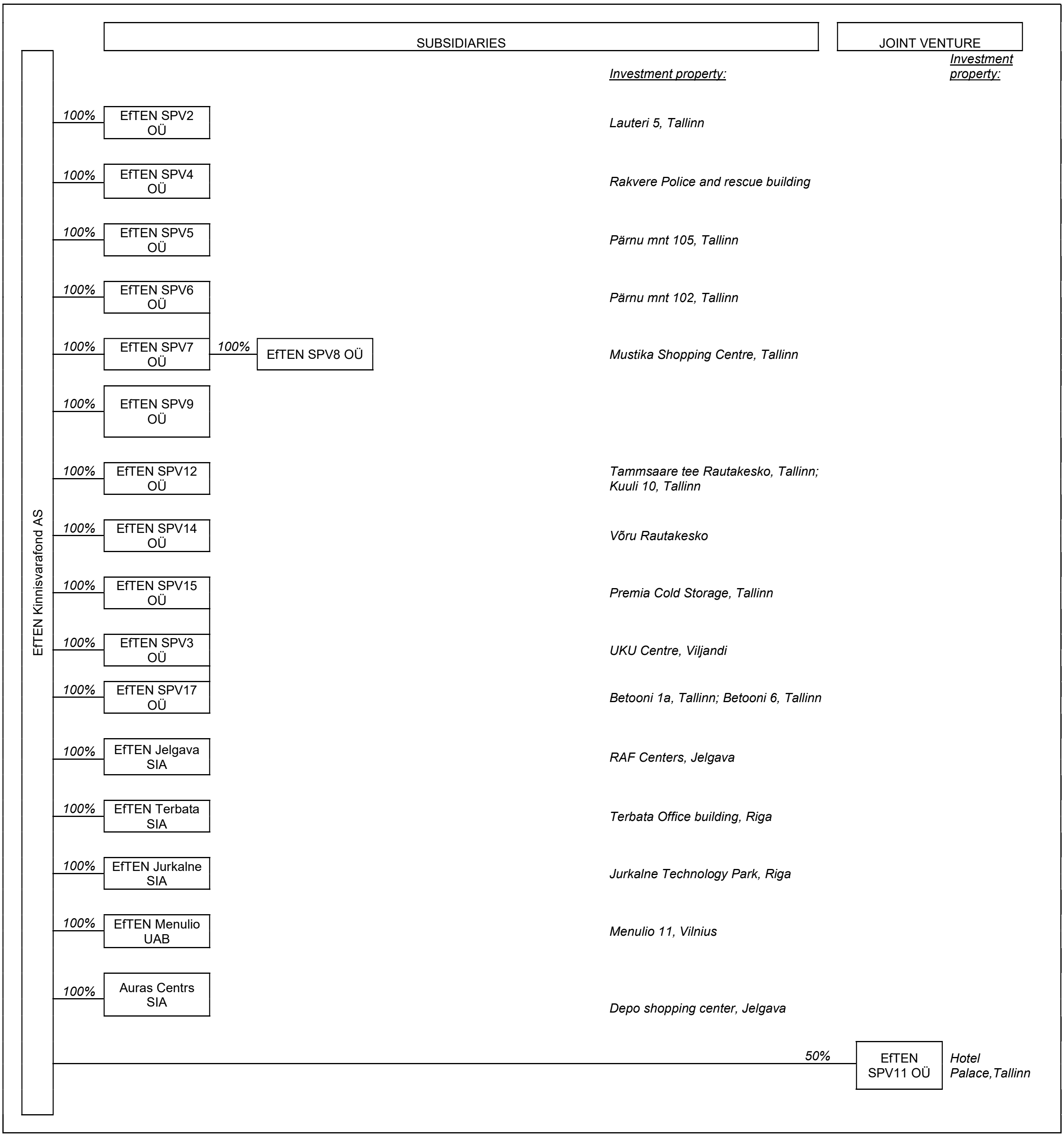
Notes on pages 10 to 32 are an integral part of these financial statements

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS OF THE CONSOLIDATION GROUP

1 General information

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

The structure of the EfTEN Kinnisvarafond AS group as of 30.06.2022 is as follows (see also Note 3):



2 Statement of compliance and basis for preparation

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

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

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

2.1 Summary of the most important accounting principles

Management's critical estimates and judgements

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

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

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

2.1.1 Estimation uncertainty

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

a) Investment properties: determination of the fair value

Investment property is measured at each balance sheet date at its fair value. Since 2016 Colliers International Advisors OÜ evaluates the Group's investment properties. The Group's independent appraiser evaluates investment property on an individualized basis using the discounted cash flow method. All the Group's investment properties earn (or will earn when finished) rental income, which is why the method used compared to alternatives (such as comparative method) best reflects the fair value of the investment property. Cash flow projections for all items are updated to determine fair value, and discount rates and exit yields are differentiated based on the location of the items, their technical condition, and the risk level of the tenants.

Additional information on assumptions and sensitivity used in the assessments is provided in Note 15.

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

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

The Group has a 50% ownership interest in the joint ventures that are owned by the Group and the members of the management boards of joint ventures also overlap with the management board members of the Group's parent entities. Any decisions in joint ventures are made in accordance with agreements with the approval of both shareholders, therefore the Group has joint control over joint ventures.

2.1.2 Classification of real estate

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

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

Real estate objects that are still in development to rent out as commercial property in terms of operating lease or where extensive reconstruction is carried out, are classified as investment properties.

2.1.3 Investment company

The Group's management has assessed their compliance with the definition of an investment company and finds that EfTEN Kinnisvarafond AS does not meet the definition of an investment company, since it has characteristics of a real estate company rather than of a purely investment firm. Although also the investors of EfTEN Kinnisvarafond AS expect their capital investment to both increase asset value and generate profit from current economic activity, EfTEN Kinnisvarafond AS in its investments assumes significant development risks that are characteristic to more traditional real estate company. In addition, in accordance with IFRS 10, an investment firm should make direct investments in companies, which are valued at fair value. In case of the parent company of EfTEN Kinnisvarafond AS, the fair value is assessed indirectly - assets that are in the subsidiaries of EfTEN Kinnisvarafond AS are assessed for fair value, thereby obtaining the fair value of the subsidiary, which may not necessarily be the final market price of the subsidiary. The Group's business activities are also assessed based on rental income, profit margins, volume of assets and other financial ratios characteristic to real estate companies, which cannot be made only on the basis of a fair value of the subsidiary.

Consolidation

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

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

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

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

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

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

Segment reporting

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

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

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

	Estonia	**Latvia**	**Lithuania**
Office premises	Lauteri 5, Tallinn	Terbata Office building, Riga	Menulio 11, Vilnius
	Pärnu mnt 105, Tallinn		
	Pärnu mnt 102, Tallinn		
Storage and production premises	Kuuli 10, Tallinn	Jurkalne Technology Park, Riga	
	Premia Cold Storage, Tallinn		
	Betooni 1a, Tallinn		
	Betooni 6, Tallinn		
Retail premises	UKU Centre, Viljandi	RAF Centrs, Jelgava	
	Mustika Centre, Tallinn	Depo Shopping Centre, Jelgava	
	Tammsaare tee Rautakesko, Tallinn		
	Võru Rautakesko		
Government	Rakvere Police and Rescue Building		

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable from transactions. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be measured reliably.

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

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

Finance income

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

Cash and cash equivalents

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

Financial assets

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

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

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

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

In 2022 and 2021, the Group only had financial assets in the "Loans and receivables" category.

Loans and receivables from other parties

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

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

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

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

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

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

Derivative instruments

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

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

Cash flow hedge

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

Investment property

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

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

The fair value of investment property is determined based on the valuation performed by qualified appraisers. In determining the fair value, the method of discounted cash flows is used. In order to calculate the present value of a property’s future cash flows, the appraiser has to forecast the property’s future rental income (including rent per 1 square meter and the occupancy rate) and operating expenses. Depending on the terms of the lease (whether and how easily the lease can be terminated by the lessee), the appraiser will base the projections on either the property’s existing cash flows or the market’s current average cash flows for similar properties. The present value of the future net cash flow is found by applying a discount rate, which best reflects the current market assessments of the time value of money and the risks specific to the asset. The discount rate is selected based on the market’s average capital structure, not asset structure. The discounted cash flow method is used to determine the value of investment properties that generate stable rental income.

Gains and losses arising from changes in the value of investment property are recognised in profit or loss in the period in which they arise (in other income and other expenses, respectively).

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

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

Financial liabilities

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

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

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

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

Success fee liability

EfTEN Kinnisvarafond AS and EfTEN Capital AS have entered into a management contract according to which EfTEN Capital AS is entitled to receive a success fee in the amount of 20% of the difference between the sales and acquisition price of investment property above a hurdle rate of 10% on an annual basis. The success fee is calculated on a cumulative basis on all investment properties, i.e. if there is any investment property that is sold at a price below the cost of its acquisition, the success fees accrued on properties sold at a profit is decreased in the amount of 20% of the losses on sale of those properties sold below acquisition cost. According to the management contract, the success fee is payable upon termination of the fund, unless the resolution of the general meeting decides otherwise.

The basis for accounting for success fees on an accrual basis is the fair value estimates of investment property. Period expenses from the change in success fees are included in the general and administrative expenses of the Group (see Note 8).

Provisions and contingent liabilities

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

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

Leases

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

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

Statutory reserve capital

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

Income tax

Parent company and subsidiaries registered in Estonia

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

From 2019, tax rate of 14/86 can be applied to dividend payments. The more beneficial tax rate can be used for dividend payments in the amount of up to the average dividend payment during the three preceding years that were taxed with the tax rate of 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.

Subsidiaries in Latvia

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 effective from 2018, there are no longer differences between the tax accounting and carrying amounts of assets and liabilities in Latvia, and therefore deferred income tax assets and liabilities to Latvian subsidiaries are not recognized. 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.

Subsidiaries in Lithuania

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

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

Recognition of deferred income tax liability in consolidated financial statements

The Group's deferred income tax liability arises for companies located in countries where the profit for the financial year is taxed.

The Group's deferred income tax liability also arises from investments in Estonian and Latvian subsidiaries and associates, unless the Group can control the timing of the reversal of taxable temporary differences and their reversal is not probable 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 planned dividend payment, provided that there are sufficient funds and equity to pay the dividend at the reporting date. In measuring deferred income tax liabilities, the Group uses tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable temporary differences when they are expected to reverse.

3 *Subsidiaries and joint ventures*

Company name	Country of domicile	Investment property	Group's ownership interest, % 30.06.2022	31.12.2021
Parent company				
EfTEN Kinnisvarafond AS	Estonia			
Subsidiaries				
EfTEN SPV2 OÜ	Estonia	Lauteri 5, Tallinn	100	100
EfTEN SPV4 OÜ	Estonia	Rakvere Police and Rescue Building	100	100
EfTEN SPV5 OÜ	Estonia	Pärnu mnt 105, Tallinn	100	100
EfTEN SPV6 OÜ	Estonia	Pärnu mnt 102, Tallinn	100	100
EfTEN SPV7 OÜ	Estonia	Mustika Centre, Tallinn	100	100
EfTEN SPV8 OÜ	Estonia	Mustika Centre, Tallinn	100	100
EfTEN SPV9 OÜ (in liquidation)	Estonia	-	100	100
EfTEN SPV12 OÜ	Estonia	Kuuli 10, Tallinn; Tammsaare tee Rautakesko, Tallinn	100	100
EfTEN SPV14 OÜ	Estonia	Võru Rautakesko	100	100
EfTEN SPV15 OÜ	Estonia	Premia Cold Storage, Tallinn	100	100
EfTEN SPV3 OÜ	Estonia	UKU Centre, Viljandi	100	100
EfTEN SPV17 OÜ	Estonia	Betooni 1a, Tallinn; Betooni 6, Tallinn	100	100
EfTEN Jelgava SIA	Latvia	RAF Centrs, Jelgava	100	100
EfTEN Jurkalne SIA	Latvia	Jurkalne Techology Park, Riga	100	100
EfTEN Terbata SIA	Latvia	Terbata Office building, Riga	100	100
Auras Centrs SIA	Latvia	Depo shopping centre, Jelgava	100	100
EfTEN Menulio UAB	Lithuania	Menulio 11, Vilnius	100	100
Joint ventures				
EfTEN SPV11 OÜ	Estonia	Hotel Palace, Tallinn	50	50

All subsidiaries and joint ventures are involved in the acquisition and leasing of investment properties. No shares in any of the subsidiaries or joint ventures are quoted on the stock exchange.

As at 30.06.2022, the Group owned one joint venture, whose main financial information is presented in the table below:

EfTEN SPV11 OÜ	**30.06.2022**	**31.12.2021**
€ thousand		
Cash and cash equivalents	156	139
Other current assets	100	72
Total current assets	**256**	**211**
Investment property	9,890	10,620
Total non-current assets	**9,890**	**10,620**
TOTAL ASSETS	**10,146**	**10,831**
Short-term borrowings	103	68
Other short-term liabilities	44	26
Total short-term liabilities	**147**	**94**
Long-term borrowings	5,128	5,180
Total long-term liabilities	**5,128**	**5,180**
TOTAL LIABILITIES	**5,275**	**5,274**
NET ASSETS	**4,871**	**5,557**
	30.06.2022	30.06.2021
Revenue	190	83
Net Income	**-686**	**-42**

In the first half of 2022 and 2021, the following changes have occurred in investments in joint ventures:

	30.06.2022	30.06.2021
Carrying value at the beginning of period	**2,779**	**2,440**
Profit / loss from joint ventures (Note 9)	-343	-33
Carrying value at the end of period	**2,436**	**2,407**

The net assets of EfTEN SPV11 OÜ as at 30.06.2022 are a total of EUR 4,871 thousand (31.12.2021: EUR 5,557 thousand). The Group owns 50% of the joint venture and the value of the interest in the group balance sheet is therefore equal to the net assets of the joint venture

4 Segment reporting

SEGMENT RESULTS

	Office		Storage and manufacturing		Retail		Government		Unallocated		Total	
For the first half of	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
€ thousand												
Revenue (note 5), incl.	**1,769**	**1,829**	**2,585**	**2,571**	**3,234**	**2,937**	**371**	**342**	**0**	**0**	**7,959**	**7,679**
Estonia	1,095	1,209	1,437	1,417	2,774	2,550	371	342	0	0	5,677	5,518
Latvia	300	287	1,148	1,154	460	387	0	0	0	0	1,908	1,828
LIthuania	374	333	0	0	0	0	0	0	0	0	374	333
Net operating income, incl.	**1,586**	**1,643**	**2,426**	**2,428**	**2,907**	**2,713**	**312**	**289**	**0**	**0**	**7,231**	**7,073**
Estonia	976	1,084	1,364	1,354	2,536	2,391	312	289	0	0	5,188	5,118
Latvia	277	277	1,062	1,074	371	322	0	0	0	0	1,710	1,673
Lithuania	333	282	0	0	0	0	0	0	0	0	333	282
Operating profit, incl.	**2,227**	**3,028**	**3,700**	**2,874**	**3,779**	**4,575**	**381**	**314**	**-58**	**-59**	**10,029**	**10,732**
Estonia	1,280	2,518	1,898	1,695	3,147	4,044	381	314	-58	-59	6,648	8,512
Latvia	340	231	1,802	1,179	632	531	0	0	0	0	2,774	1,941
Lithuania	607	279	0	,0	0	0	0	0	0	0	607	279
EBITDA, incl.	**1,464**	**1,559**	**2,246**	**2,249**	**2,730**	**2,458**	**309**	**285**	**-58**	**-59**	**6,691**	**6,492**
Estonia	920	1,069	1,276	1,265	2,368	2,214	309	285	-58	-59	4,815	4,774
Latvia	234	234	970	984	362	244	0	0	0	0	1,566	1,462
Lithuania	310	256	0	0	0	0	0	0	0	0	310	256
Operating profit											**10,029**	**10,732**
Profit /-loss from subsidiaries and joint ventures (Note 9)											-343	-33
Net finance expenses											-845	-1,149
Profit before income tax											**8,841**	**9,550**
Income tax expenses (Note 11)											-133	-415
Net profit for the financial period											**8,708**	**9,135**

SEGMENT ASSETS

	Office		Storage and production		Retail		Government		Total	
As at the balance sheet date	**30.06.22**	31.12.21	**30.06.22**	31.12.21	**30.06.22**	31.12.21	**30.06.22**	31.12.21	**30.06.22**	31.12.21
€ thousand										
Investment properties										
Estonia	30,030	29,560	36,720	35,920	69,450	66,860	7,220	7,130	143,420	139,470
Latvia	9,270	9,070	24,290	23,200	11,463	11,192	0	0	45,023	43,462
Lithuania	7,970	7,580	0	0	0	0	0	0	7,970	7,580
Total investment properties (Note 15)	**47,270**	**46,210**	**61,010**	**59,120**	**80,913**	**78,052**	**7,220**	**7,130**	**196,413**	**190,512**
Other non-current assets									2,507	2,854
Net dept (cash minus total liabilities)									-83,630	-80,311
Other current assets									1,068	572
NET ASSETS									**116,358**	**113,627**

In the first half of 2022 and 2021 the business segments did not enter into any transactions between themselves. The Group's main income comes from real estate investments located in the same countries as the subsidiary investing in real estate.

5 Revenue

Areas of activity	First half of 2022	2021
€ thousand		
Rental income from office premises (Note 15)	1,700	1,743
Rental income from government institutions (Note 15)	371	342
Rental income from retail premises (Note 15)	3,202	2,826
Rental income from warehousing and logistics premises (Note 15)	2,468	2,392
Rental income from parking premises (Note 15)	84	86
Other sales revenue	134	290
Total revenue by areas of activity (Note 4)	**7,959**	**7,679**

Geographical areas	First half of 2022	2021
€ thousand		
Estonia	5,677	5,518
Latvia	1,908	1,828
Lithuania	374	333
Total revenue by geographical areas (Note 4)	**7,959**	**7,679**

In the first half of 2022, 10.8% of the Group's consolidated rental income came from Kesko Senukai Estonia OÜ, which leases retail and office space on three properties owned by the Group's subsidiaries. The remaining tenants' share of the consolidated income is less than 10%.

6 Cost of services sold

Cost of services sold	First half of 2022	2021
€ thousand		
Repair and maintenance of rented premises, other administrative expenses	-222	-210
Property insurance	-23	-22
Land tax and real-estate tax	-88	-97
Improvement costs	-72	-74
Utilities for vacant spaces	-99	-88
Depreciation	-9	-7
Impairment losses on doubtful receivables	-1	-8
Other expenses of services sold	-95	-43
Total cost of services sold (Note 15)	**-609**	**-549**

7 Marketing costs

Marketing costs	First half of 2022	2021
€ thousand		
Commission expenses on rental premises	-19	-9
Advertising, promotional events	-100	-48
Total marketing costs	**-119**	**-57**

8 General and administrative expenses

General and administrative expenses	First half of 2022	2021
€ thousand		
Management services (Note 22)	-474	-499
Office expenses	-15	-13
Wages and salaries, incl. taxes (Note 22)	-59	-54
Consulting expenses	-64	-64
Regulatory expenses	-27	-27
Change in success fee liability (Note 18)	-712	-1,063
Other general and administrative expenses	-1	0
Depreciation	-3	-4
Total general and administrative expenses	**-1,355**	**-1,724**

9 Profit/loss from joint ventures

Profit/loss from joint ventures	First half of 2022	2021
€ thousand		
Profit/ loss from joint ventures using the equity method (Note 3, 4)	-343	-33
Total profit/loss from joint ventures	**-343**	**-33**

10 Financial costs

Financial costs	First half of 2022	2021
€ thousand		
Interest expenses, incl.	-847	-1,151
Interest expense on borrowings	-651	-876
Interest expense on derivatives (-)/ reduction of expense (+)	-196	-275
Total financial costs	**-847**	**-1,151**

11 Income tax

	First half of 2022	2021
€ thousand		
Income tax expenses on dividends	-47	-378
Deferred income tax expense (Lithuania)	-86	-37
Total income tax expense (Note 4)	**-133**	**-415**

As at 30.06.2022 and 31.12.2021, the Group has deferred income tax liability in the following amounts:

	30.06.2022	31.12.2021
€ thousand		
Deferred income tax liability (dividends)	0	991
Deferred income tax liability (Lithuania)	629	543
Total deferred income tax liability	**629**	**1,534**

12 Share profit

	30.06.2022	30.06.2021
Net profit for the period, € thousand	8,708	9,135
Weighted average number of shares over the period, in pcs	38,533,217	38,533,217
Earnings per share, in euros	0.23	0.24
Dividend per share, in euros	0.16	0.18

13 Cash and cash equivalents

	30.06.2022	31.12.2021
€ thousand		
Demand deposits	7,847	11,010
Total cash and cash equivalents (Note 19)	**7,847**	**11,010**

14 Receivables and accrued income

Short-term receivables and accrued income

	30.06.2022	31.12.2021
€ thousand		
Receivables from customers	737	329
Allowance for doubtful trade receivables	-9	-9
Total trade receivables (Note 19)	**728**	**320**
Other short-term receivables		
Loans granted	100	100
Other short-term receivables	11	7
Total other short-term receivables	**111**	**107**
Accrued income		
Interests	6	4
Prepaid taxes and receivables for reclaimed value-added tax	80	14
Other accrued income	27	48
Total accrued income	**113**	**66**
Total receivables	**952**	**493**

15 Investment properties

As at 30.06.2022, the Group has made investments in the following investment properties:

Name	Location	Net leasable area (m2)	Date of acquisition	Acquisition cost	Market value as at 30.06.2022	Share of market value of the Fund's assets
€ thousand						
Premia Cold Storage	Betooni 4, Tallinn	7,258	Sept 08	6,237	6,870	3%
Võru Rautakesko	Kreutzwaldi 89, Võru	3,120	Sept 08	3,270	2,880	1%
UKU Centre	Tallinna 41, Viljandi	8,919	Aug 10	12,336	13,640	7%
Rakvere Police and Rescue building	Kreutzwaldi 5a, Rakvere	5,775	Nov 10	5,119	7,220	3%
Lauteri 5	Lauteri 5, Tallinn	3,822	Dec 10	3,431	5,830	3%
Pärnu mnt 102	Pärnu mnt 102, Tallinn	9,440	Dec 11	12,548	16,240	8%
Pärnu mnt 105	Pärnu mnt 105, Tallinn	4,791	Dec 11	8,178	7,960	4%
Mustika centre	Tammsaare tee 116	27,094	July 12	31,888	37,370	18%
RAF Centrs	Rigas Street 48, Jelgava	6,225	March 13	8,738	9,130	4%
Kuuli 10	Kuuli 10/Punane 73, Tallinn	15,197	July 13	9,171	11,530	6%
Tammsaare tee Rautakesko	Tammsaare tee 49, Tallinn	9,120	July 13	12,945	15,560	7%
Betooni 1a	Betooni 1a, Tallinn	10,678	June 14	7,365	9,120	4%
Betooni 6	Betooni 6, Tallinn	16,481	June 14	9,906	9,200	4%
Terbata office building	Lacpleca 20a, Riga	6,056	Dec 14	9,930	9,270	4%
Jurkalne Technology Park	Jūrkalnes 15/25, Riga, Latvia	44,091	Aug 14	23,061	24,290	12%
Menulio 11	Menulio 11, Vilnius	5,617	Dec 15	6,402	7,970	4%
Depo Shopping Centre	Jelgava, Latvia	In development	Jan 15	2,333	2,333	1%
Total		**183,684**		**172,858**	**196,413**	**95%**

In addition to the investment properties listed in the table above, the Group's 50% joint venture EfTEN SPV11 OÜ owns investment property at Vabaduse väljak 3 / Pärnu mnt 14, Tallinn (Palace Hotel). The fair value of the investment property as of 30.06.2022 is 9,890 thousand euros (31.12.2021: 10,620 thousand euros).

The following changes have taken place in the Group's investment properties in the first half of 2022 and 2021:

	Investment property in the development stage	Completed investment property	**Total investment property**
Balance as at 31.12.2020	**2,317**	**187,193**	**189,510**
Acquisition and development	8	639	**647**
Sales	0	-8,246	**-8,246**
Gain/loss on changes in the fair value	0	5,314	**5,314**
Balance as at 30.06.2021	**2,325**	**184,900**	**187,225**
Balance as at 31.12.2021 (Note 4)	**2,332**	**188,180**	**190,512**
Acquisition and development	1	1,838	**1,839**
Gain/loss on changes in the fair value	0	4,062	**4,062**
Balance as at 30.06.2022 (Note 4)	**2,333**	**194,080**	**196,413**

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

	First half of	
As at the balance sheet date or for the first half of	**2022**	2021
Rental income earned on investment property (Note 5)	7,825	7,389
Expenses directly attributable to management of investment property (Note 6)	-609	-549
Outstanding amounts from the acquisition of real estate investments (Note 17)	105	0
Prepayments for investment property	0	6
Carrying amount of investment property pledged as collateral to borrowings (Note 16)	194,080	184,900

All EfTEN Kinnisvarafond AS real estate investments generating rental income are pledged as collateral for long-term bank loans.

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

An independent appraiser values the investment property of the Group. The fair value of all investment properties presented in the financial statements of the Group as at 30.06.2022 and 31.12.2021 was determined with the discounted cash flow method, except for investment property under development, where construction has not yet begun. The following assumptions were used to determine fair value:

As at 30.06.2022:

Sector	**Fair value**	**Valuation method**	**Rental income per annum**	**Discount rate**	**Exit yield**	**Average rent €/m2**
€ thousand						
Office premises	47,270	Discounted cash flows	3,551	7.8%-8.4%	6.5%-7.75%	11.0
Storage and production premises	61,010	Discounted cash flows	5,019	8.2%-9.8%	6.9%-8.0%	4.6
Retail premises	78,581	Discounted cash flows	6,475	8.1%-9.8%	7.5%-8.0%	7.8
Government	7,220	Discounted cash flows	753	8.7%	8.0%	10.9
Investment property in development phase	2,332	Comparable offerings	-	-	-	-
Total	**196,413**					

As at 31.12.2021:

Sector	**Fair value**	**Valuation method**	**Rental income per annum**	**Discount rate**	**Exit yield**	**Average rent €/m2**
€ thousand						
Office premises	46,210	Discounted cash flows	3,480	7.8%-8.2%	6.5%-7.75%	10.9
Storage and production premises	59,120	Discounted cash flows	4,889	8.2%-9.3%	7.0%-8.0%	4.5
Retail premises	75,720	Discounted cash flows	9,296	8.0%-9.2%	7.5%-8.0%	7.6
Government	7,130	Discounted cash flows	745	8.7%	8.0%	10.8
Investment property in development phase	2,332	Comparable offerings	-	-	-	-

Total	**190,512**	

Independent expert valuation as to the fair value of investment property is based on the following:

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

Fair value sensitivity analysis

The table provided below illustrates as at 30.06.2022 the sensitivity of the fair value of investment property included in the balance sheet of the Group to the most significant assumptions:

Sector	Fair value	Sensitivity to management estimates		Sensitivity in independent valuation			
		Revenue +10%	Revenue -10%	Discount rate +50bp	Discount rate -50bp	Exit yield +50bp	Exit yield -50bp
€ thousand							
Office premises	47,270	*5,140*	*-5,140*	*-950*	*1,000*	*-2,320*	*2,680*
Storage and production premises	61,010	*6,720*	*-6,690*	*-1,200*	*1,260*	*-2,700*	*3,130*
Retail premises	78,581	*8,859*	*-8,864*	*-1,573*	*1,593*	*-3,446*	*3,943*
Government	7,220	*890*	*-900*	*-140*	*140*	*-280*	*320*
TOTAL	**194,081**	**21,609**	**-21,594**	**-3,863**	**3,993**	**-8,746**	**10,073**

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

16 Borrowings

As at 30.06.2022, the Group has the following borrowings:

Lender	Country of lender	Loan amount as per agreement	Loan balance as at 30.06.2022	Contract term	Interest rate as at 30.06.2022	Loan collateral	Value of collateral	Loan balance share of the fund's net asset value
SEB	Estonia	4,800	3,443	30.04.27	1,75%	mortgage - Betooni 4, Tallinn	6,870	3.0%
Luminor	Estonia	2,239	1,149	15.12.23	2,86%	mortgage - Kreutzwaldi 89, Võru	2,880	1.0%
SEB	Estonia	2,514	1,929	13.06.26	1,80%	mortgage - Lauteri 5, Tallinn	5,830	1.7%
SEB	Estonia	8,429	5,853	25.01.27	1,80%	mortgage - Tallinna 41, Viljandi	13,640	5.0%
Swedbank	Estonia	4,133	2,739	25.10.22	1,50%	mortgage - Kreutzwaldi 5a, Rakvere	7,220	2.4%
Swedbank	Estonia	4,153	3,358	30.08.23	1,80%	mortgage - Pärnu mnt 105, Tallinn	7,960	2.9%
Swedbank	Estonia	8,508	7,529	30.08.23	1,70%	mortgage - Pärnu mnt 102, Tallinn	16,240	6.5%
SEB	Estonia	20,000	15,776	31.08.22	1,69%	mortgage - Tammsaare tee 116, Tallinn	37,370	13.6%
Swedbank	Estonia	15,622	13,226	25.06.23	1,69%	mortgage - Tammsaare tee 49, Tallinn; Kuuli 10, Tallinn	27,090	11.4%
SEB	Estonia	9,300	8,184	26.06.27	2,24%	mortgage - Betooni 1a, Tallinn; Betooni 6, Tallinn	18,320	7.0%
Swedbank	Lithuania	4,100	3,683	07.12.25	2,40%	mortgage - Menulio 11, Vilnius	7,970	3.2%
SEB	Latvia	4,561	3,631	16.04.27	1,80%	mortgage – Rigas Street 48, Jelgava	9,130	3.1%
Swedbank	Latvia	5,850	3,850	31.07.22	2,70%	mortgage - Lacpleca 20, Riga	9,270	3.3%
SEB	Latvia	12,060	9,847	08.08.24	1,64%	mortgage - Jurkalnes 15/25, Riga	24,290	8.5%
Total		**106,269**	**84,197**				**194,080**	**72.4%**

Short-term borrowings	30.06.2022	31.12.2021
€ thousand		
Repayments of long-term bank loans in the next period [1]	37,811	44,016
Discounted contract fees on bank loans	-24	-33
Total short-term borrowings	**37,787**	**43,983**

[1] As of 30.06.2022, the loan obligations of four subsidiaries of the group will expire in the next 12 months in the total amount of 35,592 thousand euros.

Long-term borrowings	**30.06.2022**	**31.12.2021**
€ thousand		
Total long-term borrowings	**84,134**	**83,768**
Incl. current portion of borrowings	37,787	43,983
Incl. non-current portion of borrowings, incl.	46,347	39,785
Bank loans	*46,386*	*39,806*
Discounted contract fees on bank loans	-39	*-21*

	First half	
Cash flows of borrowings	**2022**	**2021**
€ thousand		
Balance at the beginning of period	**83,768**	**90,784**
Received bank loans	1,900	0
Repaid loans	0	-3,679
Annuity payments on bank loans	-1,524	-1,692
Bank loan balance on sale of subsidiary	0	0
Discounted change of contract fees	-10	25
Balance at the end of period	**84,134**	**85,438**

For additional information on borrowings, please see Note 19.

17 Payables and prepayments

Short-term payables and prepayments

	30.06.2022	**31.12.2021**
€ thousand		
Unpaid invoices to suppliers	517	207
Outstanding invoices to suppliers for real estate investment improvements (Note 15)	105	214
Total trade payables	**622**	**421**
Other payables	73	120
Total other payables	**73**	**120**
Value added tax	241	217
Corporate income tax	1	4
Personal income tax	2	3
Social tax	5	7
Land tax and real-estate tax	7	13
Other tax liabilities	1	5
Total tax liabilities	**257**	**249**
Interest payable	19	26
Payables to employees	16	15
Tenant security deposits	214	225
Other accrued liabilities	34	48
Total accrued expenses	**283**	**314**
Prepayments received from buyers	18	1
Other deferred income	11	28
Total prepayments	**29**	**29**
Total payables and prepayments	**1,264**	**1,133**

Long-term payables

	30.06.2022	31.12.2021
€ thousand		
Tenant security deposits	815	763
Total other long-term payables	**815**	**763**

For additional information on payables, please see Note 19.

18 Success fee liability

As at 30.06.2022 , the Group has calculated a success fee liability in the amount of 4,608 thousand euros (31.12.2021: 3,896 thousand euros). The accrual-based calculation of success fees is based on estimates of the fair value of investment properties. The change in the success fee liability during the reporting period is recognised in the Group's general and administrative expenses (see Note 8,19).

19 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	30.06.2022	31.12.2021
€ thousand			
Financial assets - loans and receivables			
Cash and cash equivalents	13	7,847	11,010
Trade receivables	14	728	320
Total financial assets		**8,575**	**11,330**
Financial liabilities measured at amortised cost			
Borrowings	16	84,134	83,768
Trade payables	17	622	421
Tenant security deposits	17	1,029	988
Other accruals	17	69	89
Success fee liabilities	18	4,608	3,896
Total financial liabilities measured at amortised cost		**90,462**	**89,162**
Financial liabilities at fair value			
Derivatives (interest swap agreements)		27	227
Total financial liabilities at fair value		**27**	**227**
Total financial liabilities		**90,489**	**89,389**

The fair values of financial assets and financial liabilities at amortized cost presented in the table above are not materially different from their fair values.

The Group's risk management is based on the principle that risks are taken in a balanced manner, taking into account the rules established by the Group and implementing risk mitigation measures as appropriate, which ensure a stable profitability of the Group and increase the value of its shareholders' assets. When making new investment decisions, the solvency of prospective clients, the length of leases, the potential for substitution of tenants, and the risks of rising interest rates are carefully assessed. The terms of financing agreements are matched to the net cash flow of a particular property, which ensures that the Group maintains and maintains sufficient cash flow after meeting its financial obligations.

Investing in the assets of the Group is based on the risk expectations of the Group investors, therefore excessive risk-taking is unacceptable and appropriate measures must be taken to manage the risks.

The Group considers financial risk to be the risk that arises directly from investing in real estate, including market risk, liquidity risk and credit risk, thereby reducing the financial capacity of the company 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 that arise from changes in market interest rates. Changes in market interest rates mainly affect the Group's long-term floating rate loans.

As at 30.06.2022 all of the Group's loan agreements are based on floating interest rates, of which 62% (31.12.2021: 64%) are related to 1-month EURIBOR, 22% (31.12.2021: 20%) to 3-month EURIBOR and all the others are related to 6-month EURIBOR. 68% of EfTEN Kinnisvarafond AS loan portfolio has a 0% floor for the protection of negative EURIBOR, i.e., in case of negative EURIBOR the loan margin will not decrease.

Due to the long-term nature of the Group's real estate investments and long-term loan commitments, the management of EfTEN Kinnisvarafond AS decided in 2015 to hedge the long-term floating interest rate of the loan portfolio by 50% floating interest rate (1-month Euribor and 3-month Euribor). It was decided to hedge the risk with interest rate swap contracts, where the floating interest rate of the subsidiary's loan contract was swapped for a fixed interest rate.

The Group recognizes interest rate swaps on a hedge accounting basis. The fair value of the Group's interest rate swaps as at 30.06.2022 was negative in the total amount of 27 thousand euros (31.12.2021: 227 thousand euros) and the gain on the change in fair value in the first half of 2022 was 200 thousand euros (first half of 2021: 288 thousand euros). Additional information on determining the fair value of interest rate swaps is provided in the 'Fair value' section below. All of the Group's interest rate swaps expired in July 2022.

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 Group's objective is to manage net cash flows in such a way that no more than 70% of the acquisition cost of the investment is involved in making real estate investments and the Group's debt coverage ratio is higher than 1.2. As at 30.06.2022 1, the share of the Group's interest-bearing debt liabilities in rental income generating investment properties was 43% (31.12.2021: 45%) and the debt coverage ratio was 2.6 (31.12.2021: 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 30.06.2022	Less than 1 month	2-4 months	Between 4-12 months	Between 2 and 5 years	Over 5 years	**Total**
€ thousand						
Interest-bearing liabilities	4,086	19,198	14,527	46,386	0	**84,197**
Interest payments	130	316	740	1,886	0	**3,072**
Interest payable	19	0	0	0	0	**19**
Trade payables	622	0	0	0	0	**622**
Tenant security deposits	15	91	108	453	362	**1,029**
Other accrued expenses	50	0	0	0	0	**50**
Success fee liabilities	0	0	0	0	4,608	**4,608**
Total financial liabilities	**4,922**	**19,605**	**15,375**	**48,725**	**4,970**	**93,597**

In the period 01.07.2022 to 30.06.2023, the maturity date of the Group's four loan agreements will arrive in the total amount of 35,592 thousand euros. The investment properties pledged as collateral for all expiring loan agreements have a strong existing cash flow and a tenant base, which is why, in the opinion of the Group's management, it is unlikely that raising borrowed capital would be difficult.

Credit risk

Credit risk refers to the risk that counterparties fail to meet their obligations to the Group. The Group is exposed to credit risk as a result of its business activities (mainly trade receivables) and transactions with financial institutions, including cash on accounts and deposits.

The Group's action to prevent and minimize cash flow from credit risk is to monitor and direct the customer's payment behaviour on a day-to-day basis, enabling operational measures to be taken. Similarly, client contracts provide in most cases for payment of rent at the beginning of the calendar month, which gives sufficient time to monitor the payment discipline of the clients and to have sufficient liquidity in the cash accounts at the date of annuity payments on the finance contracts. To mitigate the risk, the Group has entered into an agreement with one of the anchor tenants under which the finance institution of the lessee is obliged to guarantee the lease payments throughout the lease period. Most leases also give rise to an obligation to pay a deposit, which the Group is entitled to settle as a result of the lessee's default.

Group companies generally only enter into lease agreements with counterparties previously recognized as creditworthy. An analysis of the client on this subject shall be made before the conclusion of the lease contract.

In case there is a risk that the lessee will become insolvent, the Group assesses each receivable individually and determines whether it is unlikely that the receivable will become receivable. In general, receivables that are overdue for more than 180 days are considered unlikely to be collected, unless the Group has a reasonable amount of receivables or has a payment schedule.

Accounts receivables are illustrated by the table below:

	30.06.2022	31.12.2021
Undue	247	242
Past due, incl.	**490**	**86**
up to 30 days	*110*	*63*
30-60 days	*18*	*10*
More than 60 days	*362*	*13*
Allowance for doubtful receivables	-9	-8
Total trade receivables (Note 14)	**728**	**320**

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

	30.06.2022	31.12.2021
€ thousand		
Cash and cash equivalents (Note 13)	7,847	11,010
Trade receivables (Note 14)	728	320
Total maximum credit risk	**8,575**	**11,330**

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	30.06.2022	31.12.2021
Baa1	56	67
Aa2	2,598	3,452
Aa3	5,193	7,491
Total (Note 13)	**7,847**	**11,010**

Capital management

The Group treats borrowings and equity as capital.

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

The Group invests in cash-generating real estate and raises equity to make investments. The Group's investment policy requires that at least 30% of the equity is invested in new real estate projects. The required amount of equity is calculated individually for each investment taking into account the volume and proportion of the net cash flows and loan payments of the particular investment.

After making the investment, the net operating profit on any cash-generating property cannot be less than 120% of the loan annuity.

The Group's free cash flow allows paying dividends to investors on average 4-6% of the value of invested equity. In June 2022, the general meeting of EfTEN Kinnisvarafond AS decided to pay dividends to the shareholders from the profit of 2021 in the amount of 6,177 thousand euros.

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 30.06.2022 and 31.12.2021 the Group has no assets measured at fair value that would be included within Level 1 of the fair value hierarchy. All of the Group's investment properties are measured at fair value and according to the valuation method are included within Level 3 of the fair value hierarchy. All of the Group's borrowings and the derivative contracts entered into to mitigate the interest risk are included within Level 2 of the fair value hierarchy.

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

20 Share capital

The registered share capital of EfTEN Kinnisvarafond AS as of 30.06.2022 was 19,267 thousand euros (31.12.2021: same as current year). As of 30.06.2022, the share capital consisted of 38,533,217 shares (31.12.2021: same as current year) with a nominal value of 0.5 euros (31.12.2021: same as current year). Without amending the articles of association, the company has the right to increase the share capital to 60,137 thousand euros.

21 Contingent liabilities

Contingent income tax liability

	30.06.2022	31.12.2021
€ thousand		
The company's retained earnings	61,980	59,449
Potential income tax liability	12,396	11,890
The amount that can be paid out as dividends	49,584	47,559

The calculation of the maximum possible income tax liability is based on the assumption that the net dividends to be distributed and the total income tax expense related to their payment may not exceed the distributable profit as of 30.06.2022 and 31.12.2021.

22 Related party transactions

EfTEN Kinnisvarafond AS considers the following as related parties:

- persons who own more than 10% of the share capital of EfTEN Kinnisvarafond AS;

- members of the Management Board and companies owned by the members of the Management Board of EfTEN Kinnisvarafond AS;

- members of the Supervisory Board and companies owned by the members of the Supervisory Board of EfTEN Kinnisvarafond AS;

- employees and companies owned by the employees of EfTEN Kinnisvarafond AS;

- EfTEN Capital AS (the Management Company).

The Group purchased management services from EfTEN Capital AS in the first half of 2022 in the amount of mas 474 thousand euros (first half of 2021: 499 thousand euros), (see Note 8). EfTEN Kinnisvarafond AS did not purchase from other related parties or sell other goods or services to related parties in the first half of 2022 nor 2021.

The Group had 5 employees in the first half of 2022 (first half of 2021: same), who were paid a total of 59 thousand euros (first half of 2021: 54 thousand euros), including related taxes (see Note 8). No remuneration was paid to the members of the Management Board or Supervisory Board in the first half of 2022 or 2021. The members of the Management Board of the Group work for EfTEN Capital AS, a company providing management services to the Group, and the expenses related to the activities of the Management Board member are included in the management services.

Signatures of the members of the Management Board and Supervisory Board to the consolidated half-year annual report 2022

We hereby confirm that the consolidated half-year report of EfTEN Kinnisvarafond AS for 2022 provides a true and fair view of the Group's assets, liabilities, financial position and includes a description of the main risks and the development and results of business operations of the companies included in the consolidation.

Arti Arakas
/signed digitally/
Chairman of the Supervisory Board

Siive Penu
/signed digitally/
Member of the Supervisory Board

Kristo Oidermaa
/signed digitally/
Member of the Supervisory Board

Sander Rebane
/signed digitally/
Member of the Supervisory Board

Jaan Pillesaar
/signed digitally/
Member of the Supervisory Board

Laire Piik
/signed digitally/
Member of the Supervisory Board

Tauno Tats
/signed digitally/
Member of the Supervisory Board

Viljar Arakas
/signed digitally/
Member of the Management Board

Tõnu Uustalu
/signed digitally/
Member of the Management Board