

# Interim report for the 2nd quarter and 1st half-year of 2022

Beginning of financial year: 01.01.2022

End of financial year: 30.06.2022

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Fond type: contractual fund

Fund manager: EfTEN Capital AS

Commercial register number: 11505542



**EFTEN  
UNITED  
PROPERTY  
FUND**

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# Management report

## Fund manager's comment

The first half of the year 2022 was significant for EFTEN United Property Fund – at the end of May, the fund listed its shares in the fund list of the Nasdaq Tallinn Stock Exchange. This was preceded by a limited public offering of fund shares (up to 460,000 shares), which were more than twice oversubscribed by investors. EFTEN Capital AS used the right to increase the offer by issuing 660,000 shares and raising funds in the amount of 7 million euros. As of 30.06.2022, the fund had more than 6,500 investors, growing by more than 2,00 investors in half a year. Since the creation of the fund, the fund has raised 25.5 million euros from investors, of which almost 10 million euros in the I half of 2022.

In half a year, the fund made one new investment and significantly increased its stake in the EFTEN Real Estate Fund and trust fund EFTEN Residential Fund. As the first commercial real estate investment generating direct cash flow, the fund acquired an office building in Vilnius at Menulio 7. Most of the lease agreements in the building are indexed to the growth of consumer prices in Lithuania. In total, as of the end of the half year, the EFTEN United Property Fund's investments were spread over 27 different real estate properties on a 'look-through' basis. This makes the EFTEN United Property Fund a real estate fund with the most diversified portfolio in the Baltics.

The net asset value of EFTEN United Property Fund share increased by 2.7% in the half year and 8.2% since the creation of the fund in June 2021. As a result of regular revaluation of assets, the value of the fund's investment increased the most in the first half of 2022 in EFTEN Real Estate Fund 5 (the fund owns the Danske bank office building in Vilnius) and in the subsidiary EFTEN M7 UAB (owner of the Menulio 7 office building). The independent appraiser Colliers International Advisors OÜ sees a more optimistic business cash flow forecast for these investments than previously predicted. In the case of the Danske bank's building, it is related to the new long-term lease agreements concluded in recent months with a higher price level than before. However, in the case of the Menulio 7 office building, it is primarily due to the faster-than-expected inflation rate in Lithuania (in June inflation increased by 21% compared to 12 months ago), as most of the building's lease agreements are indexed to the growth of consumer prices in Lithuania.

As far as the fund management 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 EFTEN United Property Fund. Therefore, the direct or so-called first round realization of the risk associated with the war in Ukraine has essentially no effect on the Fund's financial results.

As of the end of the half year, the fund has uninvested capital of almost 10 million euros. In terms of investments, the Fund has concluded two binding agreements as of the end of the half year: (i) to invest an additional 7.3 million euros in EFTEN Real Estate Fund 5 and (ii) to invest an additional 1.1 million euros in the EFTEN Residential Fund. The fund manager predicts that the strong growth cycle of the past ten years in commercial real estate in the Baltics is coming to an end. Interest rates have gone up, no new foreign investors are coming to the region, and energy prices have raised renters' utility costs to unprecedented heights. In such an environment, the fund management company does not rush to invest free funds and waits for the arrival of more favourable purchase opportunities. Therefore, the fund management company considers it likely that the large share of uninvested funds will remain during the second half of the year, and there are no plans to attract additional capital to the fund before making new investments.

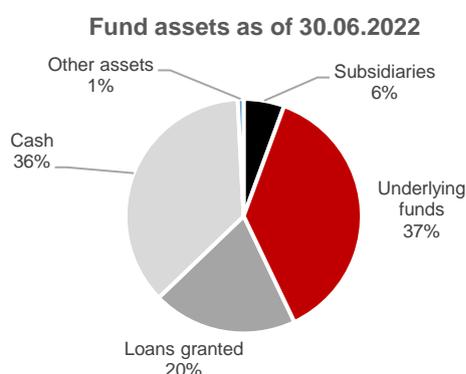
The EFTEN United Property Fund investments have mitigated the risk of rising interest rates primarily with a conservative lending policy and rental contracts for real estate investments are linked to rising consumer prices as much as possible. The ratio of bank loans used for the acquisition of underlying assets belonging to the Fund to collateral assets did not exceed the 50% level as of the end of the half year.

## Financial review

In the II quarter of 2022, the EFTEN United Property Fund earned a net profit of 726 thousand euros, including 180 thousand euros of profit was obtained from the increase in the value of the subsidiary and 354 thousand euros from the increase in the value of the underlying funds. The Fund received 212 thousand euros in dividend income in the II quarter of 2022 and all received dividends were paid out to the Fund's investors in July 2022.

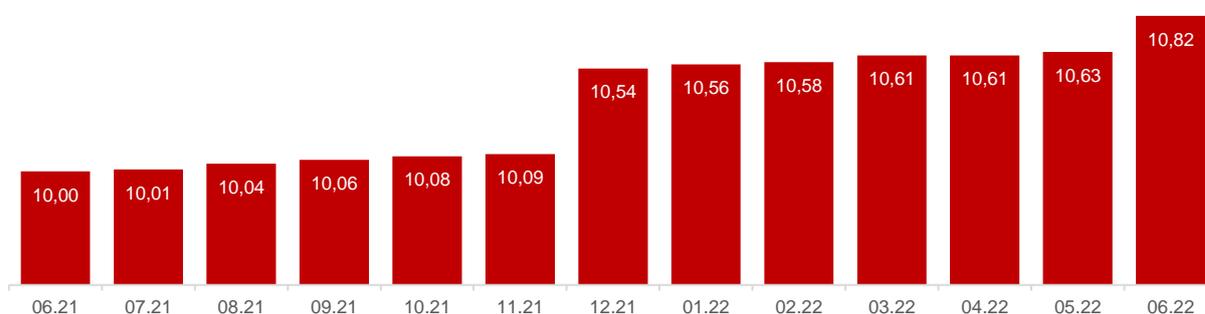
In the first half of 2022, the Fund earned a net profit of 848 thousand euros, including 469 thousand euros from the underlying funds and 160 thousand euros from the subsidiary. The Fund's expenses totalled 133 thousand euros in the first half of the year (including 99 thousand euros in the second quarter).

EFTEN United Property Fund's assets amount to 27,116 thousand euros, of which 63% as of the end of June are investments made.

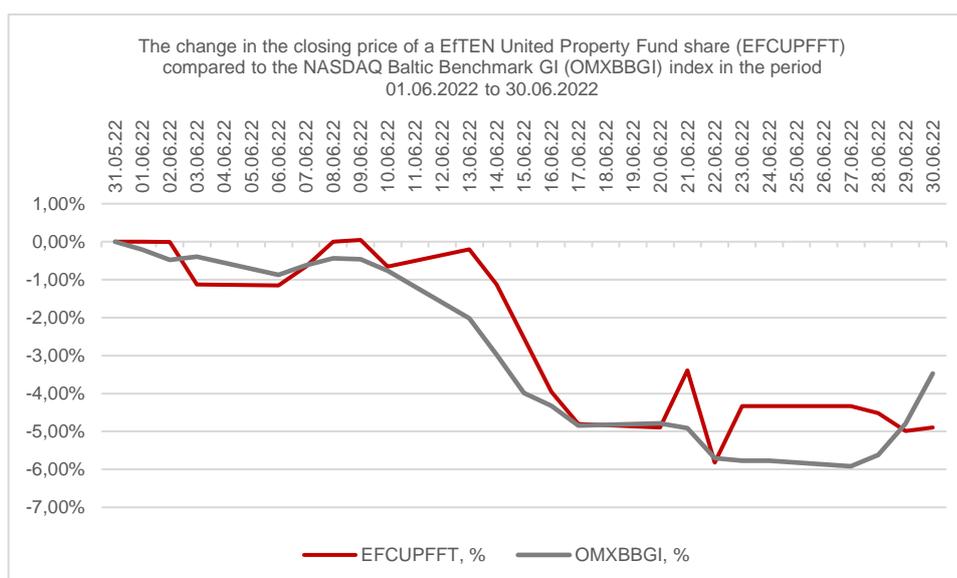


The value of a EFTEN United Property Fund share as of 30.06.2022 was 1082 euros. Since the Foundation of the Fund, the net value of the share has increased by 8.2%. Since its Foundation, the fund has raised a total of 25,466 thousand euros worth of capital.

**Dynamics of the net value of the share June 2021 - June 2022**



Due to the general decline of stock markets, the value of the Fund's unit has fallen by 4.9% during its first month on the stock exchange. The main index of the Baltic market, the Baltic Benchmark GI, has fallen relatively at the same pace during the same period, a total of 3.5%.



The main financial indicators of the Fund are presented in the table below:

Key financial indicators of the Fund	As of 30.06.2022 or first 6 months of 2022	As of 30.06.2022 or first 6 months of 2022
<i>€ thousand</i>		
Cash received on the subscription of shares in the fund	9,864	2,718
Net asset value of the fund	26,879	2,718
Fund's asset value per share, EUR	10,82	10,00
Growth in the Fund's net asset value during the period	2,7%	0,0%
Result of the Fund	848	0
Investments in subsidiaries	1,510	0
Investments in underlying funds	10,133	0
Loans given	5,376	0

Kristjan Tamla  
EFTEN Capital AS  
Head of Retail Division

## **Signatures of the EfTEN United Property Fund's fund manager's management to 2022 II quarter and 6 months report**

The management of fund manager EfTEN Capital AS has prepared the Report of EfTEN United Property Fund for the II quarter of 2022 and 6 months, covering the period from 01.01.2022 to 30.06.2022, consisting of the Management Report, Financial Statements and the Fund's Investment Report.

Viljar Arakas

Member of the Management Board

Maie Talts

Member of the Management Board

Tallinn, 30.08.2022

# Financial Statements

## Statement of the comprehensive income

	Notes	II quarter		6 months	
		2022	2021	2022	2021
<i>€ thousand</i>					
<b>Income</b>					
Interest income	7	79	0	140	0
Dividend income		212	0	212	0
<b>Net profit / loss from assets recognised in fair value through profit or loss</b>	<b>4,7</b>	<b>534</b>	<b>0</b>	<b>629</b>	<b>0</b>
Investments in subsidiaries		180	0	159	0
Underlying funds		354	0	470	0
<b>Total income</b>	<b>7</b>	<b>825</b>	<b>0</b>	<b>981</b>	<b>0</b>
<b>Costs</b>					
Operating expenses					
Management fee	7	-26	0	-42	0
Costs of administering the Fund		-58	0	-65	0
Other operating expenses		-15	0	-26	0
<b>Total operating expenses</b>		<b>-99</b>	<b>0</b>	<b>-133</b>	<b>0</b>
<b>Operating profit</b>		<b>726</b>	<b>0</b>	<b>848</b>	<b>0</b>
<b>INCREASE IN THE NET ASSET VALUE OF THE FUND ATTRIBUTABLE TO THE SHAREHOLDERS</b>		<b>726</b>	<b>0</b>	<b>848</b>	<b>0</b>
Ordinary and diluted earnings / loss per share (EUR)	6	0.36	0.00	0.42	0.00

Notes on pages 11-22 are an integral part of these financial statements.

## Statement of financial position

	Notes	30.06.2022	31.12.2021
<i>€ thousand</i>			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	9,879	2,743
Other receivables and accrued income	3	218	3,215
<b>Total current assets</b>		<b>10,097</b>	<b>5,958</b>
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss	3	11,643	7,925
Investments in subsidiaries		1,510	628
Real estate funds		10,133	7,297
Loans given	3	5,376	2,500
<b>Total non-current assets</b>		<b>17,019</b>	<b>10,425</b>
<b>TOTAL ASSETS</b>		<b>27,116</b>	<b>16,383</b>
<b>LIABILITIES</b>			
Current liabilities		237	4
<b>Total liabilities, excluding net asset value of the fund attributable to shareholders</b>		<b>237</b>	<b>4</b>
<b>NET ASSET VALUE OF THE FUND</b>			
Net asset value of the fund attributable to shareholders	5	26,879	16,379
<b>Total liabilities and net asset value of the fund attributable to shareholders</b>		<b>27,116</b>	<b>16,383</b>

Notes on pages 11-22 are an integral part of these interim financial statements.

## Statement of changes in the net asset value of the fund attributable to shareholders

	Notes	6 months	
		2022	2021
<i>€ thousand</i>			
<b>Net asset value of the fund as at the beginning of the period</b>		<b>16,379</b>	<b>0</b>
Subscription of the shares		9,864	2,718
Profit distributions to shareholders		-212	0
<b>Total transactions with shareholders</b>	<b>5</b>	<b>9,652</b>	<b>2,718</b>
Increase in net asset value attributable to shareholders		848	0
<b>Total net asset value of the fund attributable to shareholders as at 30.06</b>	<b>5</b>	<b>26,879</b>	<b>2,718</b>
Number of shares outstanding at the end of the reporting period, pcs.		2,483,860.0	271,797.3
<b>Net asset value per share at the end of the reporting period</b>	<b>5</b>	<b>10.82</b>	<b>10.00</b>

Notes on pages 11-22 are an integral part of these interim financial statements

## Statement of cash flows

(Direct method)

	Notes	II quarter		I half year	
		2022	2021	2022	2021
<i>€ thousand</i>					
<b>Cash flows from operating activities</b>					
Acquisition of subsidiaries		0	0	-723	0
Sale of associates		921	0	921	0
Acquisition of shares in real estate funds		-3,288	0	-3,288	0
Loans given	9	0	0	-2,876	0
Dividends received		212	0	212	0
Operating expenses paid		-77	0	-113	0
<b>Total cash flows from operating activities</b>		<b>-2,232</b>	<b>0</b>	<b>-5,867</b>	<b>0</b>
Proceeds from subscription of shares	5	8,055	2,718	13,003	2,718
<b>Total cash flows from financing activities</b>		<b>8,055</b>	<b>2,718</b>	<b>13,003</b>	<b>2,718</b>
<b>Total cash flows</b>		<b>5,823</b>	<b>2,718</b>	<b>7,136</b>	<b>2,718</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>4,056</b>	<b>0</b>	<b>2,743</b>	<b>0</b>
Change in cash and cash equivalents		5,823	2,718	7,136	2,718
<b>Cash and cash equivalents at the end of the period</b>	3	<b>9,879</b>	<b>2,718</b>	<b>9,879</b>	<b>2,718</b>

Notes on pages 11-22 are an integral part of these interim financial statements.

## Notes to the financial statements

### Note 1 General information

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The EfTEN United Property Fund (the Fund) was established on 26 April 2021 and commenced operations on 22 June 2021. The Fund is a contractual public closed-end investment fund. The objective of the Fund is to provide the holders of the fund's shares with the opportunity to participate in the development of the Baltic real estate market and real estate related infrastructure and technology companies through an actively managed investment portfolio. The Fund intends to have an investment portfolio diversified between real estate, various real estate related sub-sectors (including real estate related infrastructure companies) and real estate related financial instruments in the three Baltic States, considering capital layers with different risk level

EfTEN United Property Fund is managed by EfTEN Capital AS, A. Lauteri 5, Tallinn.

The financial statements reflect the Fund's business activities during its first period of operation from 01.01.2022 to 30.06.2022.

The financial statements are presented in thousands of Euros, unless otherwise stated.

These financial statements have been approved by the Management Company on 15.08.2022

### Note 2 Summary of significant accounting policies

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#### **2.1 Basis for the report**

The interim financial statements of EfTEN United Property Fund have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS EU). This consolidated interim report has been prepared in accordance with International Accounting Standard IAS 34: Interim Reporting. In preparing the interim report, the same accounting methods have been used as in the annual report for the financial year ended 31.12.2021. The interim report should be read in conjunction with the fund's latest published 2021 financial year report, prepared in accordance with International Financial Reporting Standards (IFRS). In the opinion of the management board, EfTEN United Property Fund's interim report for the II quarter and the first half of 2022 correctly and fairly reflects the financial performance of the fund in accordance with the principle of continuity. This interim report has not been audited or otherwise checked by auditors and contains only fund reports. The reporting currency is the euro. The interim accounting report is prepared in thousands of euros and all figures are rounded to the nearest thousand, unless otherwise indicated.

## Note 3 Financial risk management

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### **The Fund's investment policy**

The fund invests its assets to real estate and shares, bonds and loan agreements (direct investment) related to real estate and investment funds related to real estate (underlying funds). In addition, the fund's cash may be placed in credit institution's deposits and derivatives.

The Fund invests in the form of equity, equity participations and debt capital (debt securities), as well as through special purpose vehicles (SPVs) created for investment purposes and unquoted instruments.

For investments in underlying funds, the Fund gives preference to investment funds managed by EFTEN Capital. The Fund diversifies its investments across the three Baltic States (Estonia, Latvia and Lithuania) and across different sectors (commercial, residential and mixed-use real estate, infrastructure, etc.) and real estate-related sub-sectors (offices, logistics, retail, etc.).

The fund invests in the form of debt capital (bonds, loans) with the aim of spreading the level of risk of investments between different layers of capital. As a general rule, the Fund holds such investments to maturity, i.e. the Fund does not aim to trade actively on the secondary market in the form of debt. The proportion of investments made in the form of debt capital shall not exceed 30% of the net asset value of the Fund when acquired.

The Fund may use leverage through borrowings or debt securities issued. At the time of leverage, it may amount to a maximum of 65% of the current value of the Direct Investment. Leverage is generally used at the level of SPVs. The Fund may grant loans to SPVs or provide guarantees or other security to ensure the performance of the SPVs' obligations.

The Fund's assets will be invested in derivatives only for the purpose of hedging the leverage and currency exposures associated with real estate investments.

The proportion of the net asset value of the Fund's assets attributable to a single investment (other than debt securities) may not exceed 20% at the time of acquisition and 30% at any other time.

The proportion of the net asset value of the Fund represented by an investment in the form of debt capital (debt securities issued, loans granted) made by a single person may not exceed 10% of the net asset value of the Fund at the time of acquisition and the proportion of the net asset value of the Fund represented by an investment in the form of debt capital made by a group may not exceed 15% of the net asset value of the Fund.

The Fund shall place funds in deposits with credit institutions in order to secure its day-to-day operations and future real estate investments. Depending on the nature of the real estate investments, the proportion of deposits from credit institutions may fluctuate significantly in the short term.

The investment restrictions and risk diversification requirements laid down in the Terms and Conditions shall not apply during the first two years of the Fund's operation.

As at 30.06.2022 and 31.12.2021, the Fund has the following financial assets and liabilities:

	Notes	30.06.2022	31.12.2021
<i>€ thousand</i>			
<b>Financial assets – loans and receivables at amortised cost</b>			
Cash and cash equivalents		9,879	2,743
Loans granted	9	5,376	2,500
Interest claims		217	76
Other receivables and accrued income		1	3,139
<b>Total financial assets – loans and receivables at amortised cost</b>		<b>15,473</b>	<b>8,458</b>
<b>Financial assets at fair value through profit or loss</b>			
Investments in subsidiaries	4	1,510	628
Investments in underlying funds	4	10,133	7,297
<b>Total financial assets at fair value through profit or loss</b>		<b>11,643</b>	<b>7,925</b>
<b>TOTAL FINANCIAL ASSETS</b>		<b>27,116</b>	<b>16,383</b>
<b>Financial liabilities at amortised cost</b>			
Other short-term liabilities		237	4
<b>Total financial liabilities at amortised cost</b>		<b>237</b>	<b>4</b>
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>237</b>	<b>4</b>

The fair value of financial assets and financial liabilities carried at amortised cost in the table above does not differ materially from their fair value.

The Fund's investment policy mainly exposes it to the following risks:

1. Market risk
2. Concentration risk
3. Liquidity risk
4. Credit risk
5. Capital risk

### 3.1 Market risk

#### Refinancing risk and interest rate risk

The Fund invests in the Baltic real estate market, which is why the Management Company assesses the risk associated with fluctuations in real estate prices in this region as higher than usual. The real estate sector is cyclical, with changes in the macroeconomic environment of a country generally being the main driver. All the Baltic States (Estonia, Latvia and Lithuania) are small open economies (exports of goods and services represent a very significant part of the economy) whose development is largely dependent on changes in the macroeconomic environment of the same main trading partners. The cyclical fluctuations of small open economies can be much larger in amplitude than the global average. In sum, this means that the Baltic countries may have higher than average house price volatility and that house price movements in the three countries may be highly correlated, i.e. house prices in Estonia, Latvia and Lithuania are more likely than average to move in the same direction. For example, according to Eurostat data ([https://ec.europa.eu/eurostat/databrowser/view/PRC\\_HPI\\_A\\_custom\\_920794/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/PRC_HPI_A_custom_920794/default/table?lang=en)), residential property prices in the Baltic countries fell by around 40% in the global economic crisis of 2008-2010, while the average fall in residential property prices in the European Union over the same period was around 5%. The materialisation of market

risk (a simultaneous fall in Baltic real estate prices) could have a material adverse impact on the financial performance and return of the Fund.

### **Currency risk**

The Fund does not consider currency risk to be a significant risk as all transactions are carried out in the functional currency, which is the euro, and the presentation currency is also the euro.

### **Refinancing risk and interest rate risk**

In addition to equity, the fund or the companies belonging to the fund often use debt capital (mainly bank loans) to make real estate investments. Loan capital agreements are generally for a fixed term, which means that the funds raised in the form of loan capital have to be refinanced at certain intervals (e.g. 5 years). The financial market in the Baltic States is banking-centric in nature. This means that banks are the main credit intermediaries, and the raising of debt or other forms of loan capital is limited. Dependence on a single financier may mean that the terms of the contract are less favourable to the Fund when refinancing funds raised in the form of debt, e.g. the cost of debt (interest rate) increases significantly and/or the volume of debt financing decreases.

Interest rate risk is the risk of changes in the future cash flows of financial instruments due to changes in market interest rates. Changes in market interest rates mainly affect the long-term floating rate debt obligations of the Fund and of the companies owned by the Fund. In order to hedge against the risk of rising interest rates, the companies in which the Fund has holdings have used interest rate swap contracts.

In accordance with the Fund's risk management policy, the Fund's manager monitors interest rate risk and sensitivity on a daily basis.

The realisation of refinancing and interest rate risk could have a material adverse effect on the Fund's financial performance and return.

### **3.2 Concertation risk**

During the first years of the Fund's operation, some investments and/or cash flows from, for example, a tenant may constitute a large part of the Fund's portfolio and/or cash flows. As a result, unexpected negative developments with such an investment or tenant may have a material adverse effect on the Fund's financial performance and return in the first years of operation.

### **3.3 Liquidity risk**

Liquidity risk is the risk that a fund may not have sufficient financial resources to meet its obligations in full when due or may only be able to meet its obligations under significantly less favourable conditions.

### **Investment acquisition and disposal risk**

The fund generally invests in assets that are not traded on a regulated market with low liquidity. In addition, the Baltic real estate market is characterised by a relatively small number of professional and highly leveraged investors. As a result, if the Fund wishes to liquidate its investments, it may not be able to find a buyer at the desired time and price. The realisation of liquidity risk may have a negative impact on the Fund's financial results and may reduce profits or lead to losses. During the first years of operation, the Management Company will focus primarily on building up the Fund's portfolio of investments, and it is therefore unlikely that liquidity risk will materialise during the Fund's first years of operation. The Fund will also have the capacity to enter into short-term borrowing arrangements to cover liquidity risk during the acquisition and disposal of investments. The Fund has not entered into any such loan agreements during the reporting period.

### Risk of COVID-19 spill over effects

Since the early spring of 2020, the world's economies, including those of the Baltic States, and the real estate sector have been affected by the most widespread outbreak of the COVID-19 virus in decades. The national restrictions imposed to stop the spread of the virus have had an impact on the Baltic real estate market, particularly in the retail and hotel-oriented real estate segment. The lower-than-expected rental income resulting from the restrictions could have a negative impact on the financial performance and return of the Fund.

The table below illustrates the Fund's expected asset liquidity in the event of a liquidity risk materialisation.

As at 30.06.2022	Less than 7 days	7 days to 1 month	1-12 months	More than 12 months	Total
<i>€ thousand</i>					
Total assets	9,879	0	10,133	7,104	27,116

As at 31.12.2021	Less than 7 days	7 days to 1 month	1-12 months	More than 12 months	Total
<i>€ thousand</i>					
Total assets	5,882	0	7,296	3,205	16,383

As at 30.06.2022, the Fund's liabilities totalled 237 thousand euros (31.12.2021: 4 thousand euros). The liabilities included dividends received in June in the amount of 212 thousand euros, which were paid to the investors in July 2022.

In accordance with the Fund's risk management policy, the Fund Manager monitors liquidity risk on a daily basis.

### 3.4 Credit risk

Credit risk is the potential loss that could result from the inability of a counterparty to a financial instrument to meet its obligations.

#### Transaction counterparty risk

Resulting from the inability of the counterparty to a transaction involving the Fund's assets to meet its obligations under the transaction. The Fund is exposed to this type of risk in particular through:

- 1) direct investments in the form of debt (e.g. failure of the counterparty to make interest or principal payments);
- 2) claims against tenants of real estate owned by the Fund (or the SPV) (e.g. the counterparty's failure to make rental payments);
- 3) Fund assets held on deposit with credit institutions (e.g. insolvency of a credit institution). Often, these types of risks are linked to changes in the macroeconomic environment in the Baltic States - in the context of a general economic downturn, the counterparty's financial position deteriorates, and they are unable to cover their obligations to the Fund. At the same time, such risks may be 'counterparty specific' - individual companies become insolvent even in favourable macroeconomic conditions. In the early years of a Fund's operation, due to the lower diversification of the Fund's investments, the counterparty risks may be higher than would be expected for this type of fund, and the realisation of the risk may have a material adverse effect on the Fund's financial results and performance. The activity of the Management Company to prevent the loss of counterparty cash flows and to minimise such risk consists in the consistent monitoring and management of the (payment) behaviour of clients, counterparties, which allows the implementation of the necessary measures in an operational manner.

The maximum credit risk of the fund is shown in the table below:

	30.06.2022	31.12.2021
<i>€ thousand</i>		
Cash and cash equivalents	9,879	2,743
Loans given (note 7)	5,376	2,500
Other receivables	218	3,215
<b>Total maximum credit risk</b>	<b>15,473</b>	<b>8,458</b>

The bank account included in the Fund's cash and cash equivalents is held with a bank rated Aa3 (Moody's long-term).

Loans granted as at 30.06.2022 include loans granted to subsidiaries for a total amount of EUR 5,376 thousand (31.12.2021: 2,500 thousand euros). One loan in the amount of 2,876 matures on 28.07.2027 and bears an interest rate of 4% per annum. Second loan in the amount of 2,500 thousand euros matures on 18.08.2025 and bears an interest rate of 8% per annum until 18.12.2024. From 19.12.2024 onwards, the loan bears an interest rate of 15% per annum.

Other receivables as at 31.12.2021 included the amount due for the fund units subscribed in December 2021, which was credited to the fund account on 04.01.2022.

The Fund measures credit risk and expected credit loss using probability of default, default exposure and loss given default. In determining the expected credit loss, management takes into account both historical information and forward-looking information. Applying the requirements of IFRS 9, the expected credit loss is immaterial for the Fund and therefore no expected credit loss has been recognised in the financial statements.

In accordance with the Fund's risk management policy, the Fund Manager monitors credit risk on a daily basis.

### **3.5 Capital risk**

#### **Risk of slow and/or underinvestment of proceeds from the issue**

The fund invests the proceeds of the issue predominantly in instruments that are not traded on a regular market with low liquidity. This means that the Fund may take longer than expected to invest the proceeds of the issue or may not find profitable investment opportunities. In such a case, the proceeds of the issue will be held in deposits with a credit institution, where their long-term return is likely to be lower than if they had been invested in income-producing real estate assets. Therefore, if the Fund is unable to find attractive investment opportunities over a longer period of time after the new units are issued, unitholders may experience a lower return. The likelihood of the risk materialising depends in particular on two factors:

- (i) the size of the subscriptions for units of the Fund during the offering period; and
- (ii) how active the Baltic real estate market is during the offering period. The risk of a slow and/or underperforming investment is higher the more units are subscribed to the Fund and the lower the activity in the Baltic real estate market.

The capital of the Fund consists of the net asset value of its assets, i.e. the money raised from the issue of units and the income of the Fund. The Fund's capital changes periodically as new units are issued. In its first year of operation, EFTEN United Property Fund issued 1,553,563.391 units and raised a total of EUR 15,603 thousand through the issue of units, i.e. EUR 3,139 thousand was received in the Fund's account after the balance sheet date, in January 2022.

In accordance with the Fund's risk management policy, the Fund Manager monitors the Fund's capital through the net asset value of the Fund.

EFTEN United Property Fund listed the units to trading on Nasdaq Tallinn on 31.05.2022 and all the shares are publicly tradable.

## Note 4 Fair value of financial assets

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The balance sheet value of the Fund's financial assets and liabilities generally corresponds to their fair value, taking into account differences in the valuation techniques used.

The Fund's investments in subsidiaries and underlying funds are valued at fair value. As none of the Fund's subsidiaries or underlying funds are listed on a stock exchange, the Fund uses the following as a basis for calculating the fair value of its investment:

- the assets and liabilities of the subsidiary at the balance sheet date, with a significant portion of the assets being properties carried at fair value. If the subsidiary does not value the properties included in its assets at fair value (mainly because the properties are being developed for sale and are therefore included in inventories), the Fund values the subsidiary's properties separately by engaging an independent valuer. Other assets of the subsidiary comprise cash and cash equivalents, trade receivables and other minor assets, and liabilities comprise trade payables, loan payables and other minor liabilities, the carrying amounts of which do not differ materially from their fair values, so that the inputs used to determine the fair value of investment property are the most significant in determining the fair value of the subsidiary as a whole.
- of the consolidated assets and liabilities of the underlying funds at the balance sheet date, where a significant portion of the assets are investment property measured at fair value by an independent valuer. The investment properties of the underlying funds are valued individually by Colliers International Advisors OÜ using the discounted cash flow method. The cash flow projections for all properties are updated in the fair value calculation and the discount rates and exit yields are differentiated according to the location of the properties, their technical condition and the risk level of the tenants. The carrying amounts of the remaining underlying assets and liabilities do not differ materially from their fair values, so the inputs used to determine the fair value of investment property are the most significant in determining the fair value of the underlying fund as a whole.

A subsidiary of the Fund owns the Uus-Järveküla development project, the fair value of which has been determined using the discounted cash flow method. The main inputs to the cash flows of the development project are the proceeds from the sale of the properties, the costs associated with the sale and the construction costs. The cash flows of the project have been discounted using a discount rate of 10%.

The subsidiary's assets, liabilities and net assets at fair value are shown in the table below:

Tohvri-Kivi OÜ	Fair value as at 30.06.2022
<i>€ thousand</i>	
Cash and cash equivalents	832
Inventory	4,422
Other current assets	37
<b>Total current assets</b>	<b>5,291</b>
Long-term financial investments	3
<b>Total non-current assets</b>	<b>3</b>
<b>TOTAL ASSETS</b>	<b>5,294</b>
Short-term borrowings	12
Other current liabilities	1,213
<b>Total current liabilities</b>	<b>1,225</b>
Long-term borrowings	3,209
Other long-term debts	227
<b>Total long-term liabilities</b>	<b>3,436</b>
<b>TOTAL LIABILITIES</b>	<b>4,661</b>
<b>NET ASSETS</b>	<b>633</b>
Revenue	0
<b>Loss for the first half-year of 2022</b>	<b>-151</b>

The change in the fair value of the subsidiary resulted in a loss of EUR 121 thousand in the first half of 2022.

	30.06.2022	31.12.2021
<i>€ thousand</i>		
The Fund's share in Tohvri-Kivi Oü	80%	80%
Acquisition cost of the Fund's investment	2	2
Fair value of the Fund's investment	507	628
Profit- / loss on change in fair value in period	-121	626

The effect of changes in the construction price of the development project, the sale price of the land and the discount rate on the carrying amount of the subsidiary.

<i>€ thousand</i>	Effect of a change in construction price		Effect of a change in selling price		Effect of a change in the discount rate	
	+1%	-1%	+1%	-1%	+0,5pp	-0,5pp
Effect on the fair value of the development project	-250	250	300	-300	-140	150
Effect on the fair value of the subsidiary in the Fund's balance sheet	-200	200	240	-240	-112	120

The real estate investments of the underlying funds of EFTEN United Property Fund and subsidiary EFTEN M7 UAB are valued in all Baltic countries by an independent appraiser, Colliers International Advisors OÜ. The following assumptions have been used in the valuation of the fair value of the real estate investments held by the underlying funds as at 30.06.2022:

Underlying fund	The Fund's share in the underlying fund	Fair value of the underlying fund in the Fund's balance sheet	Annual rental income	Discount rate	Exit yield
<i>€ thousand</i>					
EFTEN Real Estate Fund 5 trust fund	36.47%	5,190	1,438	7.8%	6.0%
EFTEN Kinnisvarafond AS	3.03%	3,525	15,797	7.8%-9.8%	6.0%-8.0%
EFTEN Kinnisvarafond II AS	0.71%	1,027	19,012	7.8%-8.6%	6.5%-7.75%
EFTEN Residential Fund trust fund	0.57%	391	757	6.3%	5.0%
<b>Total</b>		<b>10,133</b>			

Assumptions as at 31.12.2021:

Underlying fund	The Fund's share in the underlying fund	Fair value of the underlying fund in the Fund's balance sheet	Annual rental income	Discount rate	Exit yield
<i>€ thousand</i>					
EFTEN Real Estate Fund 5 trust fund	43.60%	5,685	1,461	7.5%	6.0%
EFTEN Kinnisvarafond AS	0.45%	515	18,410	7.8%-9.3%	6.5%-8%
EFTEN Kinnisvarafond II AS	0.71%	1,003	20,002	7.9%-8.6%	6.6%-7.75%
EFTEN Residential Fund trust fund	0.57%	94	784	6.7%	5.0%
<b>Total</b>		<b>7,297</b>			

In the first half of 2022, the Fund received a total gain of EUR 629 thousand from the change in the fair value of subsidiaries and underlying funds.

Name	Acquisition cost 30.06.2022	Fair value 30.06.2022	Gain on change in fair value 6 months 2022	Acquisition cost 31.12.2021	Fair value 31.12.2021	Gain on change in fair value 2021
<i>€ thousand</i>						
<b>Subsidiaries</b>						
Tohvri Kivi OÜ	2	507	-121	2	628	626
EFTEN M7 UAB	723	1,003	280	0	0	0
<b>Total subsidiaries</b>	<b>725</b>	<b>1,510</b>	<b>159</b>	<b>2</b>	<b>628</b>	<b>626</b>
<b>Underlying funds</b>						
EFTEN Kinnisvarafond AS	3,500	3,525	11	500	515	16
EFTEN Kinnisvarafond II AS	963	1,027	24	963	1003	40
EFTEN Real Estate Fund 5 trust fund	4741	5,190	426	5662	5685	23
EFTEN Residential Fund trust fund	360	391	9	72	94	22
<b>Total underlying funds</b>	<b>9,564</b>	<b>10,133</b>	<b>470</b>	<b>7,197</b>	<b>7,297</b>	<b>101</b>
<b>Total securities</b>	<b>10,289</b>	<b>11,643</b>	<b>629</b>	<b>7,199</b>	<b>7,925</b>	<b>727</b>

In connection with the addition of new investors to the trust fund EFTEN Real Estate Fund 5, a refund of the investment made to EFTEN United Property Fund was received in the amount of 921 thousand euros. By this amount, the fund's participation in the trust fund EFTEN Real Estate Fund 5 decreased and the investment obligation increased.

In other cases, the Fund did not sell or pledge any of its assets during the reporting period

## Fair value

The following is an analysis of assets at fair value by valuation technique. Valuation techniques are defined as follows:

Level 1 - Exchange prices on a traded market;

Level 2 - Assets and liabilities directly or indirectly linked to prices set in a traded market;

Level 3 - prices in a non-trading market.

As at 30.06.2022 nor 31.12.2021, the Fund does not hold any assets at fair value that would be included in a Level 1 group for valuation purposes. All of the Fund's investments in subsidiaries and underlying funds are carried at fair value and are included in the Level 3 group according to the valuation methodology. Details of significant management judgements and estimates are disclosed in note 2.2.

## Note 5 Net asset value of the Fund

In the first half of the year 2022, the Fund issued in total 930,298 shares, including 660,000 shares issued through a public offering. The Fund gained 9,864 thousand euros from the issue in the first half of the year 2022. The Fund's shares are publicly tradable on the Nasdaq Tallinn Stock Exchange as of 31.05.2022.

As at 30.06.2022 the EFTEN United Property Fund has issued in total 2,483,860 shares with a total value of 25,466 thousand euros (31.12.2021 1,553,563.391 shares with a total value of 15,603 thousand euros). Due to the fund's relatively large proportion of uninvested capital and the listing of units on the Nasdaq Tallinn Stock Market, EFTEN United Property Fund does not plan to issue new units in the second half of 2022.

Since founding the Fund has issued shares as follows:

Month	Issue price per share	Number of shares issued	Balance of issued shares at the end of the period	Cash received from the issue of shares
30.06.2021	10	271,797	271,797	2,718
31.07.2021	10	140,171	411,968	1,405
31.08.2021	10.01	105,854	517,822	1,076
30.09.2021	10.04	381,484	899,306	3,850
31.10.2021	10.06	223,149	1,122,456	2,261
30.11.2021	10.08	120,010	1,242,465	1,154
31.12.2021	10.09	311,097	1,553,562	3,139
31.01.2022	10.54	99,211	1,652,774	1,046
28.02.2022	10.56	72,200	1,724,973	762
31.03.2022	10.58	97,242	1,822,216	1,046
30.04.2022	10.61	1,644	1,823,860	0
31.05.2022	10.61	660,000	2,483,860	7,009
30.06.2022			2,483,860	
<b>Total</b>		<b>2,483,860</b>		<b>25,466</b>

In June 2022, the fund received dividends from the underlying funds in the total amount of 212 thousand euros. Dividends were paid to shareholders in July 2022.

The net value of the fund share as of 30.06.2022 was 10.82 euros. The net value of the fund's assets was 2,879 thousand euros as of the half-year.

## Note 6 Earnings per share

	6 months		II quarter	
	2022	2021	2022	2021
Growth in net asset value attributable to shareholders, € thousand	848	0	726	0
Weighted average number of shares during the period, pcs.	2,001,410	271,797	2,040,900	271,797
Earnings per share, EUR	0.42	0.00	0.36	0.00

## Note 7 Segment reporting

### SEGMENT'S RESULTS

#### 6 months 2022

	Commercial property	Residential property	Real estate development	Unallocated	Total
<i>€ thousand</i>					
Net gain/loss on assets at fair value through profit or loss	742	8	-121	0	629
Dividend income	212	0	0	0	212
Interest income	41	0	99	0	140
<b>Total income</b>	<b>995</b>	<b>8</b>	<b>-22</b>	<b>0</b>	<b>981</b>
<b>Growth in net asset value attributable to shareholders</b>	<b>995</b>	<b>8</b>	<b>-22</b>	<b>-133</b>	<b>848</b>

### SEGMENT'S ASSETS

As at 30.06.2022	Commercial property	Residential property	Real estate development	Total
<i>€ thousand</i>				
Financial assets at fair value (Note 3)	10,745	391	507	11,643
Loans given (Note 3)	2,876	0	2,500	5,376
Interest receivables (Note 3)	41	0	176	217
<b>Total investments</b>	<b>13,662</b>	<b>391</b>	<b>3,183</b>	<b>17,236</b>
Net debt (cash minus total liabilities)				9,642
Other current assets				1
<b>Net asset value</b>				<b>26,879</b>

As at 31.12.2021	Commercial property	Residential property	Real estate development	Total
<i>€ thousand</i>				
Financial assets at fair value (Note 3)	7,203	94	628	7,925
Loans given (Note 3)	0	0	2,500	2,500
Interest receivables (Note 3)	0	0	77	77
<b>Total investments</b>	<b>7,203</b>	<b>94</b>	<b>3,205</b>	<b>10,502</b>
Net debt (cash minus total liabilities)				2,739
Other current assets				3,138
<b>Net asset value</b>				<b>16,379</b>

During the reporting period, the business segments did not transact with each other. The main income of the fund was obtained in the first half of 2022 from the economic performance of commercial real estate belonging to subsidiaries and underlying funds and from the increase in the fair value of real estate investments.

## Note 8 Events after the balance sheet date

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In July 2022, the fund paid its first pay out to shareholders in the total amount of 212 thousand euros (8.531 cents per unit) from the dividends received in June

## Note 9 Related party transactions

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EFTEN United Property Fund counts as related parties:

- Persons holding more than 10% of the paid-up capital of the Fund;
- a subsidiary of EFTEN United Property Fund;
- EFTEN Capital AS (the fund manager).
- The management of EFTEN Capital AS and companies controlled by the management

During the reporting period, the Fund bought management services in the amount of 42 thousand euros from EFTEN Capital AS. The fund did not buy from other related parties or sell other goods or services to related parties during the reporting period.

During the reporting period, the Fund granted loans to subsidiaries for a total amount of EUR 2,876 thousand. The loan matures on 28.07.2027. The loan bears interest at 4% p.a.

As of 30.06.2022, the management of the Fund and the companies controlled by the management of the Fund held 39,692 (31.12.2021: 25,716.715) EFTEN United Property Fund shares. The fund's management team consists of the members of the management board of the fund manager EFTEN Capital AS, the head of the retail division and the head of investments.

EFTEN United Property Fund does not pay any remuneration to the management of the fund. The management receives remuneration from the fund manager EFTEN Capital AS.

## Fund's investment report as at 30.06.2022

### Securities

Name	Location	Participation in investment	Acquisition cost	Market value	Share in the Fund's assets' market value
<i>€ thousand</i>					
<b>Subsidiaries</b>					
Tohvri Kivi OÜ	Tallinn	80,0%	2	507	1.9%
EFTEN M7 UAB	Vilnius	100,0%	723	1,003	3.7%
<b>Total subsidiaries</b>			<b>725</b>	<b>1,510</b>	<b>5.6%</b>

### Funds

Name	Type	Country of origin	Fund management company	Share in the fund	Acquisition cost	Average share acquisition cost	Total market value	Market value per share	Share in the Fund's net asset value
<i>€ thousand</i>									
<b>Underlying funds</b>									
EFTEN Real Estate Fund 5 trust fund	Trust fund	Estonia	EFTEN Capital AS	36.5%	4,741	4,741	5,190	5,190	19.3%
EFTEN Kinnisvarafond AS	Equity fund	Estonia	EFTEN Capital AS	3.03%	3,500	0.0030	3,525	0.0030	13.1%
EFTEN Kinnisvarafond II AS	Equity fund	Estonia	EFTEN Capital AS	0.71%	963	0.0148	1,027	0.0158	3.8%
EFTEN Residential Fund trust fund	Trust fund	Estonia	EFTEN Capital AS	0.57%	360	360	391	391	1.5%
<b>Total underlying funds</b>					<b>9,564</b>		<b>10,133</b>		<b>37.7%</b>

All funds whose shares and participations are held by EFTEN United Property Fund disclose their net asset value on a monthly basis.

### Loans given

Borrower	Borrower's country of origin	Deadline	Interest rate	Contractual loan amount	Loan balance 30.06.2022	Share in the Fund's assets' market value
<i>€ thousand</i>						
EFTEN M7 UAB	Lithuania	28.02.2027	4%	2,876	2,876	10.7%
Tohvri Kivi OÜ	Estonia	18.08.2025	8% until 18.12.2024 15% from 19.12.2024	2,500	2,500	9.3%
<b>Total loans given</b>				<b>5,376</b>	<b>5,376</b>	<b>20.0%</b>

**Other assets**

Name	Market value	Share in the Fund's assets' market value
<i>€ thousand</i>		
Interest receivables	217	0.8%
<b>Total other assets</b>	<b>217</b>	<b>0.8%</b>

**Deposits**

Credit institution	Type	Country of origin	Rating of the Credit institution and name of the rating agency	Maturity date	Interest rate	Amount	Share in the Fund's net asset value
<i>€ thousand</i>							
Swedbank Eesti	On demand deposit	Estonia	Moody's Aa2	On demand	-	9,879	36.8%
<b>TOTAL ASSETS</b>						<b>27,116</b>	<b>100.88%</b>

<b>Fund liabilities</b>	<b>-237</b>	<b>-0.88%</b>
<b>NET ASSET VALUE OF THE FUND</b>	<b>26,879</b>	<b>100.00%</b>

The fund did not pay any custodian fees on investment transactions in first half of 2022.