Consolidated Annual Report 2023

EfTEN Real Estate Fund AS (formerly EfTEN Real Estate Fund III AS)
Register code: 12864036

Beginning of financial period: 01.01.2023
End of financial period: 31.12.2023

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EfTEN
REAL
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FUND

Consolidated annual report 01.01.2023 – 31.12.2023

Business name	EfTEN Real Estate Fund AS (formerly EfTEN Real Estate Fund III AS)
Commercial registration number	12864036
ISIN code	EE3100127242
Address	A. Lauteri 5, 10114 Tallinn, Eesti
Country of incorporation	Eesti
Place of activity	A. Lauteri 5, 10114 Tallinn, Eesti
Legal form of the company	Aktsiaselts
Telephone	+372 655 9515
Fax	+372 618 1818
Email	info@eften.ee
Main activity	Investment to commercial real estate that generate cash flow in the Baltic states
Financial year	1 January – 31 December
Fund manager	EfTEN Capital AS
Management board	Viljar Arakas Tõnu Uustalu
Supervisory board	Arti Arakas Sander Rebane Siive Penu Olav Miil
Shares	Listed on the Nasdaq Tallinn Stock Exchange
Auditor	AS PricewaterhouseCoopers

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MANAGEMENT REPORT

Fund manager's comment on the financial results of 2023

The main keyword for 2023 was the fastest interest rate increase in the 25-year history of the Eurozone. The consolidated interest expense of EfTEN Real Estate Fund AS increased almost twice compared to a year ago in relation to EBITDA, having a direct impact on the Fund's free cash flow as well. At the same time, thanks to the conservative financing policy of the Fund, the stable cash flow of investments, the permanently low vacancy rate and the good payment behaviour of customers, the increase of EURIBOR did not pressure the cash flows of any of the underlying assets above the critical limit.

Considering the liquidity buffer of the Fund's subsidiaries, the Management Board plans to propose to the shareholders at the spring 2024 general meeting to pay a net dividend for the past financial year more than the Fund's dividend policy stipulates - 1.0 euros per share, instead of 1.15 euros last year. Considering the share price of EfTEN Real Estate Fund AS on the stock exchange, this still means a dividend yield of more than 5%.

EfTEN Real Estate Fund AS earned a net profit of 1.0 million euros in 2023 (2022: 11.4 million euros). The decrease in the Fund's net profit is mainly due to the loss of the fair value revaluation of investment properties in the total amount of 13.9 million euros (in 2022, the Fund received a profit of 3.1 million euros from the revaluation of investment properties). It is important to emphasize that the write-down of the Fund's assets is a non-monetary change in the balance sheet value, which in no way affects the Fund's actual cash flows or ability to pay dividends. These evaluations have been made as of the end of 2023 and thus reflect a record high EURIBOR level. It can be assumed that the fair value of investment property will partially recover because of the expected drop in EURIBOR.

In 2024, a change in commercial real estate market trends can be expected. Rapid interest rate hikes are likely to be a thing of the past, and a gentle decline in interest rates is ahead. As the macro environment of the Baltic economies continues to be fragile and the two-year economic recession continues, the Fund's management pays attention primarily to the management and maintenance of rental income and good cooperation with clients.

Today, it can be said that the participants in the real estate market are used to the new interest environment, which in turn is a prerequisite for the activation of the transaction market. Should these conditions persist, the board will propose to shareholders in the second half of this year to organize a new share issue in order to continue the Fund's growth strategy.

Financial overview

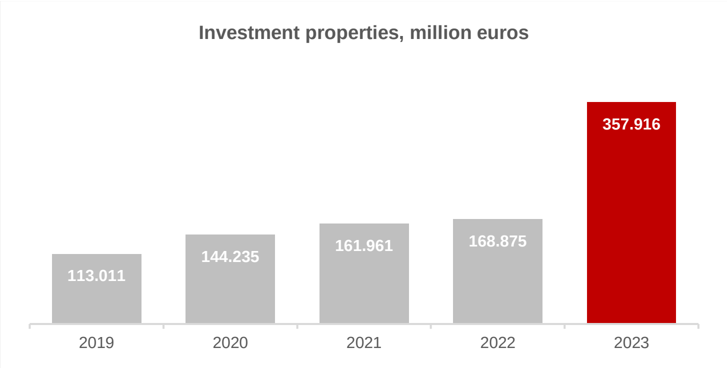
The consolidated sales revenue of EfTEN Real Estate Fund III AS for the 12 months of 2023 was 31.817 million euros (2022 12 months: 14.299 million euros). Sales revenue increased 2.2 times mainly due to the merger of EfTEN Real Estate Fund AS and EfTEN Kinnisvarafond AS with the balance sheet date of 01.01.2023.

The group's net rental income (NOI) totalled 29.608 million euros in 2023 (2022: 13.665 million euros), increasing by 2.2 times, similarly to sales income. Eurozone interest rates, which peaked in October, also had an impact on the Group's profit and cash flows in 2023, decreasing the interest coverage ratio (ICR) to 3.3 from the previous year's level of 6.4.

	2023	2022	*Change*
€ million			
Rental revenue, other fees from investment properties	31.817	14.299	*123%*
Expenses related to investment properties, incl. marketing costs	-2.209	-0.634	*248%*
Net rental income	**29.608**	**13.665**	***117%***
Net rental income margin	*93%*	*96%*	*-3%*
Interest income and expense	-7.786	-1.854	*320%*
Net rental revenue less finance costs	**21.822**	**11.811**	***85%***
Management fees	-2.148	-1.178	*82%*
Other revenue and expenses	-1.377	-0.715	*93%*
Profit before change in the value of investment property, fair value change of the interest rate swap and income tax expense	**18.297**	**9.918**	***84%***

The consolidated net rental income margin for the year 2023 was 93% (compared to 96% in 2022). Consequently, costs directly associated with property management—including land tax, insurance, maintenance, and property improvement expenses—and distribution costs accounted for 7% (compared to 4% in 2022) of sales revenue.

The total assets of the group were 380.944 million euros as of 31.12.2023 (31.12.2022: 181.956 million euros), incl. the fair value of investment property constituted 94% of the volume of assets (31.12.2022: 93%).



	31.12.2023	31.12.2022	31.12.2021	31.12.2020	31.12.2019
€ million					
Investment properties	357.916	168.875	161.961	144.235	113.011
Ownership in joint venture	2.078	0.000	0.000	0.000	0.000
Other non-current assets	0.372	0.179	0.147	0.123	0.114
Current assets, excluding cash and cash equivalents	2.466	1.571	1.219	2.146	6.717
Net debt (cash and deposits minus short-term and long-term bank loans)	-129.796	-56.730	-58.103	-67.335	-36.431
Net asset value (NAV) [1]	218.698	104.264	96.914	71.483	70.911
EPRA net asset value (EPRA NAV)	226.807	111.123	102.708	76.112	75.456
Net asset value (NAV) per share, in euros[1]	20.21	20.55	19.11	16.93	16.85
EPRA net asset value (EPRA NRV) per share, in euros	20.96	21.91	20.25	18.03	17.93

[1] The NAV of EfTEN Real Estate Fund AS is equal to the NDV value calculated according to EPRA's recommended guidelines.

Investment properties by segment

Segment	31.12.2023	31.12.2022	31.12.2021	31.12.2020	31.12.2019
€ million					
Logistics	109.860	51.300	50.590	39.047	30.390
Retail	138.542	56.820	55.270	51.520	52.910
Office building	90.460	51.801	49.831	47.751	29.711
Care homes	11.834	8.954	6.270	5.917	0,000
National	7.220	0.000	0.000	0.000	0.000
Total investment properties	**357.916**	**168.875**	**161.961**	**144.235**	**113.011**

Key yield and liquidity ratios

12 months	31.12.2023	31.12.2022
ROE, % (net profit of the period / average equity of the period) * 100	0.6	11.3
ROA, % (net profit of the period / average assets of the period) * 100	0.4	6.4
ROIC, % (net profit of the period / average invested capital of the period) * 100	0.004	17.0
Revenue (€ thousands)	31,817	14,299
Rent income (€ thousands)	30,606	13,489
EBITDA (€ thousands)	26,152	11,819
EBITDA margin, %	82%	83%
EBIT (€ thousands)	12,142	14,891
EPRA's profit (€ thousands)	16,139	9,354
Liquidity ratio (current assets / current liabilities)	1.0	0.5
DSCR (EBITDA/ (interest expenses + scheduled loan payments)	1.8	2.2

Investment portfolio

Main indicators of the Group's investment portfolio

Investment property	Location	Groups ownership	Acquisition cost, in € thou-sands[2]	Fair value, € thousands[1]	Net leasable area	Net rental revenue per annum, € thousands	Direct property yield[3]	Net initial yield[4]	Occupancy, %	Average length of rental agreements (WAULT), years	Number of tenants
Premia Külmhoone[1]	Tallinn	100	6,840	6,530	7,258	515	7.5%	7.9%	100.0	3.5	1
Kuuli 10[1]	Tallinn	100	11,545	11,510	15,197	824	7.1%	7.2%	100.0	6.4	1
Betooni 1a[1]	Tallinn	100	9,190	9,140	10,678	663	7.2%	7.3%	100.0	3.3	1
Betooni 6[1]	Tallinn	100	10,244	9,620	17,220	773	7.5%	8.0%	97.4	2.5	23
Jurkalne Technology Park[1]	Riga	100	24,851	23,440	44,231	2,106	8.5%	9.0%	98.9	8.8	73
DSV logistics centre	Vilnius	100	8,525	9,120	11,751	724	8.5%	7.9%	100.0	2.8	1
DSV logistics centre	Tallinn	100	12,366	13,300	16,014	1,028	8.3%	7.7%	100.0	2.8	1
DSV logistics centre	Riga	100	8,865	8,320	12,149	750	8.5%	9.0%	100.0	2.9	1
Piepilsetas logistics centre	Kekava	100	8,836	8,290	13,389	695	7.9%	8.4%	80.9	2.2	8
Ramygalos logistics centre	Panevežys	100	10,024	10,590	20,126	831	8.3%	7.8%	100.0	13.3	1
Logistics total			**111,286**	**109,860**	**168,013**	**8,909**	**8.0%**	**8.1%**	**97.9**	**5.5**	**111**
Võru Rautakesko[1]	Võru	100	2,890	2,670	3,120	245	8.5%	9.2%	100.0	4.3	1
Uku Keskus[1]	Viljandi	100	13,597	13,620	8,940	1,072	7.9%	7.9%	100.0	5.1	48
Mustika Keskus[1]	Tallinn	100	37,010	36,810	27,573	2,761	7.5%	7.5%	99.3	3.9	63
RAF Centrs[1]	Jelgava	100	9,280	9,360	6,225	701	7.6%	7.5%	100.0	1.3	38
Tammsaare tee Rautakesko[1]	Tallinn	100	15,700	15,580	9,120	1,246	7.9%	8.0%	100.0	8.2	1
Jelgava development project[1]	Jelgava	100	2,342	2,342							
Saules Miestas Shopping Center	Šiauliai	100	30,110	38,420	20,312	3,228	10.7%	8.4%	97.9	4.8	135
Laagri Selver	Tallinn	100	6,279	7,700	3,059	525	8.4%	6.8%	100.0	4.7	13
Hortes gardening centre	Laagri	100	3,138	3,550	3,470	216	6.9%	6.1%	100.0	8.4	1
Hortes gardening centre	Tallinn	100	5,458	5,340	5,300	358	6.6%	6.7%	100.0	13.8	1
ABC Motors Autokeskus	Tallinn	100	3,482	3,150	2,149	281	8.1%	8.9%	100.0	5.1	1
Retail total			**129,286**	**138,542**	**89,268**	**10,633**	**8.2%**	**7.7%**	**99.3**	**5.0**	**302**
Lauteri 5[1]	Tallinn	100	5,881	5,100	3,822	328	5.6%	6.4%	85.6	1.6	20
Pärnu mnt 105[1]	Tallinn	100	8,071	6,780	4,776	559	6.9%	8.2%	85.9	1.9	33
Pärnu mnt 102[1]	Tallinn	100	16,372	13,190	9,285	950	5.8%	7.2%	86.5	1.1	23
Terbata[1]	Riga	100	9,127	8,190	6,056	678	7.4%	8.3%	95.8	2.0	14
Menulio 11[1]	Vilnius	100	8,128	7,490	5,617	531	6.5%	7.1%	100.0	1.2	17
Ulonu	Vilnius	100	8,338	8,700	5,327	785	9.4%	9.0%	90.7	2.5	12
L3	Vilnius	100	8,849	10,370	6,150	758	8.6%	7.3%	95.5	2.6	34
Evolution	Vilnius	100	10,022	11,130	6,614	863	8.6%	7.8%	81.6	2.3	26
airBaltic	Riga	100	7,112	6,890	6,217	566	8.0%	8.2%	100.0	2.2	1
Rutkausko	Vilnius	100	11,819	12,620	6,812	939	7.9%	7.4%	100.0	6.7	4
Office total	**Office**		**93,725**	**90,460**	**60,676**	**6,957**	**7.4%**	**7.7%**	**92.2**	**2.5**	**184**
Pirita Pansionaat	Tallinn	100	6,217	5,820	5,983	581	9.3%	10.0%	100.0	6.9	1
Valkla Südamekodu	Valkla	100	3,860	3,340	4,423	280	7.3%	8.4%	100.0	8.3	1
Tartu Südamekodu	Tartu	100	2,674	2,674			In construction				
Care homes total			**12,751**	**11,834**	**10,406**	**861**	**6.8%**	**7.3%**	**100.0**	**7.5**	**3**
Rakvere Police and rescue communal building (National)[1]	Rakvere	100	7,360	7,220	5,775	710	9.6%	9.8%	100.0	1.8	1
Hotell Palace (hotel)[1,5]	Tallinn	50	11,158	9,040	4,874	535	4.8%	5.9%	100.0	6.7	1
Total investment portfolio			**365,569**	**366,956**	**337,723**	**28,605**	**7.8%**	**7.8%**	**97.4**	**4.0**	**602**

[1] The investment property was acquired through the merger with EfTEN Kinnisvarafond AS.

[2] The acquisition cost includes the costs associated with the initial acquisition of the investment property, plus the capital costs incurred later

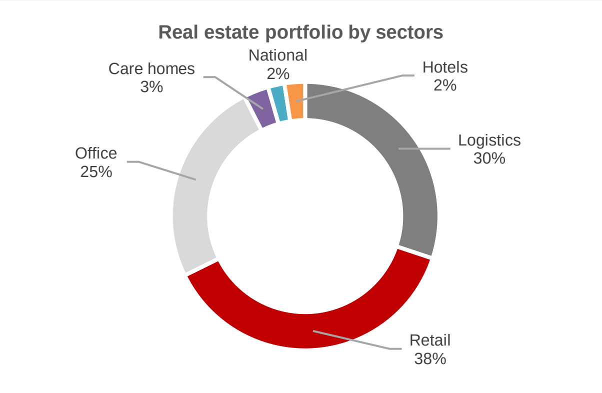
[3] To find the direct yield, the net operating income (NOI) is divided by the sum of the investment property's acquisition cost and subsequent capital expenditures.

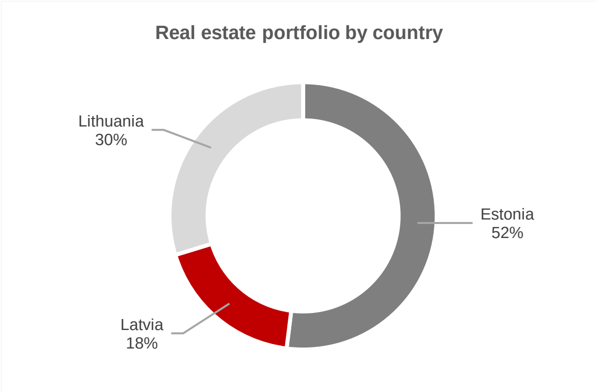
[4] To find the primary net yield, the net operating income (NOI) is divided by the market value of the investment property.

[5] Hotel Palace belongs to the Group's joint venture EfTEN SPV11 OÜ. The group has a 50% stake in the joint venture.

As of the end of December 2023, the Group has 36 (31.12.2022: 18) commercial investment properties, the fair value of which on the balance sheet date is 366.956 million euros (31.12.2022: 168.875 million euros) and the acquisition cost was 365.569 million euros (31.12.2022: 151.426 million euros) . The more than two-fold growth of the investment portfolio in 2023 is related to the merger of EfTEN Real Estate Fund AS and EfTEN Kinnisvarafond AS on 01.01.2023 (balance sheet date).

After the merger, the group's investment portfolio is better spread across countries. If at the end of 2022, the share of Lithuanian investments was 60%, Estonia 25% and Latvia 15% of all real estate investments, then at the end of 2023 the share of Lithuania will be 30%, the share of Estonian investments 52% and the share of Latvia 18% of all investments. The largest investments have been made in the trade sector (38%), followed by the logistics sector (30%), the office sector (25%), the nursing home sector (3%) and the public sector and hotels (both 2%).





The group completed the construction of the Valkla nursing home in the summer of 2023. A total of 3.860 million euros were invested in the nursing home, and the investment yields a 7.5% rental yield. In the fall of 2023, the construction of the third nursing home belonging to the group - Tartu Südamekodu - began. The Tartu nursing home for 120 clients will be completed in the fall of 2024. In 2023, the group invested a total of 2.674 million euros for the design and construction of the Tartu nursing home.

In 2023, the group invested a total of 3.083 million euros in real estate projects generating rental income. The investments were mainly related to the expansion of the Betoon 6 logistics building in the total amount of 1.044 million euros. The subsidiary of the group receives a rental yield of 8.5% per year from the investment. Larger investments were made in 2023 for the renovation of the general areas of the Saules Miestas shopping centre (802 thousand euros) and for the improvement of the Jurkalne logistics park (561 thousand euros).

Rental income

In 2023, the Group earned a total rental income of 30.606 million euros, including rental income from the merger with EfTEN Kinnisvarafond AS in the total amount of 16.441 million euros. The rental income calculated on a comparable basis was a total of 13.927 million euros in 2023, which is 4% more than in 2022.

Like-for-like rental income by segments

€ thousands	Fair value as of 31.12.2023	Rental income 2023	Rental income 2022	Change	Change, %
Office	49,710	4,214	3,981	*233*	*6%*
Logistics	49,620	4,059	4,007	*52*	*1%*
Retail	58,160	5,229	4,983	*246*	*5%*
Care homes	5,820	425	417	*8*	*2%*
Total like-for-like assets and rental income	**163,310**	**13,927**	**13,388**	***539***	***4%***
Acquired assets and rental income[1]	188,592	16,441	0	*16,441*	
Other assets and rental income	6,014	238	101	*137*	
Total investment portfolio and rental income	**357,916**	**30,606**	**13,489**	***17,117***	***127%***

Like-for-like rental income by countries

€ thousands	Fair value as of 31.12.2023	Rental income 2023	Rental income 2022	Change	Change, %
Estonia	38,860	3,016	2,960	*56*	*2%*
Latvia	23,500	1,997	1,956	*41*	*2%*
Lithuania	100,950	8,914	8,472	*442*	*5%*
Total like-for-like assets and rental income	**163,310**	**13,927**	**13,388**	***539***	***4%***
Acquired assets and rental income[1]	188,592	16,441	0	*16,441*	
Other assets and rental income	6,014	238	101	*137*	
Total investment portfolio and rental income	**357,916**	**30,606**	**13,489**	***17,117***	***127%***

[1] From investment properties that were added during the merger with, EfTEN Kinnisvarafond AS, the Group earned a total rental income of 16.441 million euros in 2023 (4% more than in 2022). The table below shows the consolidated rental income of EfTEN Kinnisvarafond AS in 2022 for comparison. The said rental income is not included in the consolidated rental income of EfTEN Real Estate Fund AS in 2022.

€ thousands	Fair value as of 31.12.2023	Rental income 2023	Rental income 2022	Change	Change, %
Office	40,750	3,464	3,604	*-140*	*-4%*
Logistics	60,240	5,275	5,244	*31*	*1%*
Retail	80,382	6,883	6,226	*657*	*11%*
National	7,220	819	743	*76*	*10%*
Total assets and rental income acquired during the merger with EfTEN Kinnisvarafond AS	**188,592**	**16,441**	**15,817**	***624***	***4%***

In 2023, the Group's subsidiaries did not offer significant rent discounts to tenants. The consolidated cost of discounts was a total of 36 thousand euros (0.1% of the consolidated rental income), and the discounts were mainly related to the tenants of the RAF Centrs shopping centre and Terbata office building agreements.

As of 31.12.2023, the vacancy of investment property belonging to the Group per portfolio was low - 2.6%. A slightly increased vacancy can be seen in the office buildings segment (7.8%), where it takes longer than before to fill vacant rental premises. As of 31.12.2023, after the expiration of one lease in the summer of 2023, the Piepilsetas logistics centre also has a larger vacancy than usual (19.1%, i.e. 2,554 m2), where negotiations with a new tenant are ongoing at the time of writing the report.

EfTEN Real Estate Fund AS largest tenants as of 31.12.2023

Tenant	Share of total rental income
Livonia Print SIA	5.9%
Kesko Senukai Estonia AS	5.6%
Prisma Peremarket AS	5.0%
DSV Estonia AS	3.5%
Logistika Pluss OÜ	2.9%
Adax UAB	2.8%
Riigi Kinnisvara Aktsiaselts	2.7%
DHL Logistics Estonia OÜ	2.5%
DSV Latvia SIA	2.5%
DSV Lithuania, UAB	2.4%
Atea, UAB	2.2%
Air Baltic Corporation AS	2.0%
Hortes AS	1.8%
Premia Tallinna Külmhoone AS	1.8%
Rimi Lietuva, UAB	1.7%
Südamekodud AS	1.5%
Vilniaus apskrities vyriausiasis policijos komisariatas	1.4%
Selver AS	1.2%
Others	50.5%

Fair value of investment property

EfTEN Real Estate Fund AS regularly evaluates investment properties twice a year – as of June 30 and December 31. Due to the decrease in the activity of real estate transactions, more conservative net rental income (NOI) forecasts and the increased EURIBOR, the market values of investment properties carried out by Colliers International as of 31.12.2023 are lower than they were a year ago. In 2023, the value of investment properties fell by a total of 3.9% on the portfolio, including the value of investment property in the office segment (9%).

Changes in assessment assumptions

				Change compared to 01.01.2023				
31.12.2023 or for the year	**Location**	**Fair value**	**CAPEX 2023**	**Change in fair value**	**%**	**Annualized net rental income in year 1, %**	**Capitalization rate, percentage point**	**Discount rate, percentage point**
€ thousands								
Logistics								
Premia Külmhoone[1]	Tallinn	6,530	0	-310	-4.5%	-0.8%	0.40	0.30
Kuuli 10[1]	Tallinn	11,510	95	-35	-0.3%	1.3%	0.20	-0.10
Betooni 1a[1]	Tallinn	9,140	0	-50	-0.5%	1.1%	0.20	-0.10
Betooni 6[1]	Tallinn	9,620	1,044	-624	-6.1%	16.2%	0.40	0.50
Jurkalne Technology Park[1]	Riga	23,440	561	-1,411	-5.7%	6.3%	0.50	-0.30
DSV logistics centre	Vilnius	9,120	6	-356	-3.8%	2.2%	0.25	0.90
DSV logistics centre	Tallinn	13,300	0	-310	-2.3%	0.7%	0.40	0.30
DSV logistics centre	Riga	8,320	28	-538	-6.1%	2.2%	0.50	0.85
Piepilsetas logistics centre	Kekava	8,290	47	-487	-5.5%	-3.8%	0.50	0.30
Ramygalos logistics centre	Panevežys	10,590	13	-83	-0.8%	3.8%	0.00	0.90
Logistics total		**109,860**	**1,794**	**-4,204**	**-3.7%**			
Retail								
Võru Rautakesko[1]	Võru	2,670	0	-220	-7.6%	3.2%	0.80	1.20
Uku Keskus[1]	Viljandi	13,620	7	23	0.2%	5.1%	0.50	0.50
Mustika Keskus[1]	Tallinn	36,810	40	-200	-0.5%	6.4%	0.20	0.40
RAF Centrs[1]	Jelgava	9,360	0	80	0.9%	0.7%	0.25	-0.85
Tammsaare tee Rautakesko[1]	Tallinn	15,580	0	-120	-0.8%	1.1%	0.00	0.30
Jelgava development project[1]	Jelgava	2,342	0			*In construction*		
Saules Miestas shopping centre	Šiauliai	38,420	802	1,338	3.6%	15.1%	0.25	0.50
Laagri Selver	Tallinn	7,700	0	-110	-1.4%	7.4%	0.30	0.30
Hortes gardening centre	Laagri	3,550	0	-170	-4.6%	-22.4%	0.20	0.50
Hortes gardening centre	Tallinn	5,340	0	-260	-4.6%	-25.9%	0.10	0.30
ABC Motors Autokeskus	Tallinn	3,150	3	-263	-7.7%	0.6%	0.00	0.30
Retail total		**138,542**	**852**	**98**	**0.1%**			
Office								
Lauteri 5[1]	Tallinn	5,100	31	-781	-13.3%	-10.3%	0.50	0.50
Pärnu mnt 105[1]	Tallinn	6,780	21	-1,291	-16.0%	-3.4%	0.60	1.10
Pärnu mnt 102[1]	Tallinn	13,190	172	-3,182	-19.4%	-15.6%	0.80	1.30
Terbata[1]	Riga	8,190	157	-937	-10.3%	41.8%	0.75	0.20
Menulio 11[1]	Vilnius	7,490	8	-638	-7.8%	-22.7%	0.50	0.90
Ulonu	Vilnius	8,700	17	-637	-6.8%	30.3%	0.25	0.90
L3	Vilnius	10,370	13	-413	-3.8%	6.3%	0.25	0.90
Evolution	Vilnius	11,130	16	-666	-5.6%	6.0%	0.50	0.90
airBaltic	Riga	6,890	1	-31	-0.4%	10.9%	0.75	1.80
Rutkausko	Vilnius	12,620	0	-390	-3.0%	7.1%	0.25	0.90
Office total		**90,460**	**436**	**-8,967**	**-9.0%**			
Care homes								
Pirita Pansionaat	Tallinn	5,820	0	-500	-7.9%	70.2%	0.70	1.00
Valkla Südamekodu	Valkla	3,340	1,167	-227	-6.4%	28.1%	0.50	0.50
Tartu Südamekodu	Tartu	2,674	2,440			*In construction*		
Care homes total		**11,834**	**3,607**	**-727**	**-5.8%**			
Rakvere Police and rescue communal building (National)	Rakvere	7,220	0	-140	-1.9%	5.6%	0.50	0.50
Hotell Palace (hotels)[1],	Tallinn	9,040	0	-1,122	-11.0%	36.0%	0.50	0.20
Investment portfolio total		**366,956**	**6,689**	**-15,063**	**-3.9%**			

EPRA performance indicators

EPRA (European Public Real Estate Association) is an organization that promotes best practices in the European public real estate sector. EPRA's main objective is to increase transparency and consistency in the real estate sector by providing guidance and standards for financial reporting. EPRA's accounting standards focus primarily on measuring the value of real estate investments, accounting for rental income, and evaluating equity and liabilities.

The management of EfTEN Real Estate Fund AS monitors the IFRS net profit adjusted for non-monetary changes, which reflects the performance of the group's core business more accurately than the net profit calculated according to IFRS. Adjusted net profit in this way is based on EPRA's best practice recommendations, where unlike net profit calculated in accordance with IFRS, EPRA's profit does not include non-monetary and estimated changes such as changes in the fair value of real estate investments, changes in deferred income tax liabilities related to investment property, and changes in the fair value of derivative instruments.

EfTEN Real Estate Fund AS calculates two EPRA net value metrics: EPRA net restoration value (EPRA NRV) and EPRA net disposal value (EPRA NDV).

EPRA performance indicators

As of the balance sheet date or for the year	31.12.2023	31.12.2022	*Change*
EPRA profit, € thousands	16,700	9,354	*79%*
EPRA profit per share, in euros	1.54	1.84	*-16%*
EPRA NRV (net reinstatement value), € thousands	226,807	111,123	*104%*
EPRA NRV per share, in euros	20.96	21.91	*-4%*
EPRA NDV (net disposal value), € thousand	218,698	104,264	*110%*
EPRA NDV per share, in euros	20.21	20.55	*-2%*
EPRA NIY (net initial yield)	7.6%	7.3%	*4%*
EPRA Topped-up NIY (adjusted net initial yield)	7.7%	7.8%	*-1%*
EPRA LTV	37.2%	33.6%	*11%*
EPRA cost ratio, including direct vacancy costs	15%	13%	*15%*
EPRA cost ratio, excluding direct costs related to vacancy	14%	13%	*12%*
EPRA vacancy ratio	2.5%	0.5%	*435%*

Definitions and calculations of EPRA's recommended performance indicators are provided below:

EPRA indicator		Definition	Purpose
EPRA profit		Operating profit	A key indicator of a company's business that illustrates its ability to pay dividends
EPRA net asset value	**EPRA net reinstatement value (EPRA NRV)**	The indicator assumes that the property investing company will never sell its assets. Indicates the value required to rebuild the business.	The purpose of the indicators is to provide stakeholders with indicators of the net asset value in different scenarios. The net asset value calculated in accordance with IFRS is adjusted to calculate the indicator.
	EPRA net tangible fixed assets (EPRA NTA)	The indicator assumes that a property investing company both buys and sells its assets, which results in a certain level of deferred income tax liability.	
	EPRA net disposal value (EPRA NDV)	The indicator expresses the net asset value in a situation where a property investing company sells its assets and the deferred income tax liability, financial instruments and certain other adjustments are deducted in full.	
EPRA net initial yield (EPRA NIY)		Annualized rental income at the reporting date less administrative costs of the investment property (ownership costs) divided by the market value of the investment property plus the estimated costs of the purchaser.	Benchmark for external valuations of the investment property portfolio. The indicator should help investors evaluate the valuations of different Adjusted EPRA net initial yield real estate portfolios.
Adjusted EPRA net initial yield (EPRA "Topped-up' NIY		EPRA's primary net return, adjusted for the end of lease-free periods or the end of other rental incentives (such as discounts, changes in rents).	
EPRA vacancy rate		Estimated rental income from vacant premises divided by the estimated rental income from the entire investment property portfolio.	Vacancy measure based on estimated rental income.
EPRA cost ratios		Estimated rental income from vacant premises divided by the estimated rental income from the entire investment property portfolio.	Vacancy measure based on estimated rental income.
EPRA LTV		The proportion of debt to the value of real estate investments	A key indicator that helps measure a company's debt burden

EPRA indicator calculations

EPRA net asset value indicators

As of 31.12.2023

€ thousands	EPRA NRV	EPRA NTA	EPRA NDV
Net asset value calculated in accordance with IFRS	218,698	218,698	218,698
Adjustments:			
Deferred income tax liability related to the change in the fair value of investment property and tax depreciation	8,109	8,109	-
EPRA net asset value	**226,807**	**226,807**	**218,698**
Number of fully diluted shares	10,819,796	10,819,796	10,819,796
EPRA net asset value per unit, in euros	**20.96**	**20.96**	**20.21**

As of 31.12.2022

€ thousands	EPRA NRV	EPRA NTA	EPRA NDV
Net asset value calculated in accordance with IFRS	104,264	104,264	104,264
Adjustments:			
Deferred income tax liability related to the change in the fair value of investment property and tax depreciation	6,912	6,912	-
Fair value of derivatives	-53	-53	-
EPRA net asset value	**111,123**	**111,123**	**104,264**
Number of fully diluted shares	5,072,535	5,072,535	5,072,535
EPRA net asset value per unit, in euros	**21.91**	**21.91**	**20.55**

EPRA profit

€ thousands	2023	2022
Net profit (IFRS)	1,000	11,408
Adjustments:		
Change in fair value of investment property	13,941	-3,119
Change in fair value of financial instruments	0	-174
Effect of change in fair value of investment property on profit / loss from joint ventures	561	0
Deferred income tax expense related to EPRA adjustments	1,198	1,239
EPRA profit	**16,700**	**9,354**
Weighted average number of shares during the period	10,819,796	5,072,535
EPRA earnings per share, in euros	**1.54**	**1,84**

EPRA net yield

€ thousands	2023	2022
Investment property	357,916	168,875
Minus developments and land	-5,016	-2,634
Finished investment property	**352,900**	**166,241**
Annualized rental income from leases in force at the reporting date	30,051	13,401
Costs related to investment property not covered by tenants	-2,883	-1,071
Annualized net rental income	**27,168**	**12,330**
Nominal impact of the end of rent exemptions or other rental incentives	277	766
Adjusted annualized net rental income	**27,445**	**13,096**
EPRA initial net yield (NIY)	**7.6%**	**7.3%**
EPRA adjusted initial net yield (Topped-up NIY)	**7.7%**	**7.8%**

EPRA vacancy rate

€ thousands	2023	2022
Estimated rental income from vacant premises	766	63
Estimated rental income for the entire investment portfolio	30,817	13,556
EPRA vacancy rate	**2.5%**	**0.5%**

EPRA cost ratios

€ thousands	2023	2022
Cost of sales	-1,626	-267
Other sales revenue paid by tenants to cover expenses	1,211	810
Marketing costs	-583	-367
Operating costs	-3,546	-1,916
Total costs, including direct costs related to the vacancy	**-4,544**	**-1,740**
Direct vacancy costs	-180	-25
Total costs excluding direct costs related to the vacancy	**-4,364**	**-1,715**
Rental income (gross)	30,606	13,489
EPRA cost ratio, including direct vacancy costs	**15%**	**13%**
EPRA cost ratio, excluding direct costs related to vacancy	14%	13%

Financing

In 2023, for the second year in a row, the major central banks raised interest rates more than the markets had forecast. In the eurozone, at the beginning of 2023, EURIBOR was expected to peak at 3.5% in June. In fact, interest rates rose to 4% in September-October. As a result, the asset values of most European real estate companies and funds were devalued, and many of them were forced to reduce or stop dividend payments altogether. In Scandinavia, with the highest level of financial leverage, forced sales and non-fulfilment of loan obligations occurred in the real estate sector even under unfavourable conditions.

Eurozone interest rates, which peaked in October, also had an impact on the group's cash flows in 2023, bringing the interest coverage ratio (ICR) to almost half of what it was in 2022.

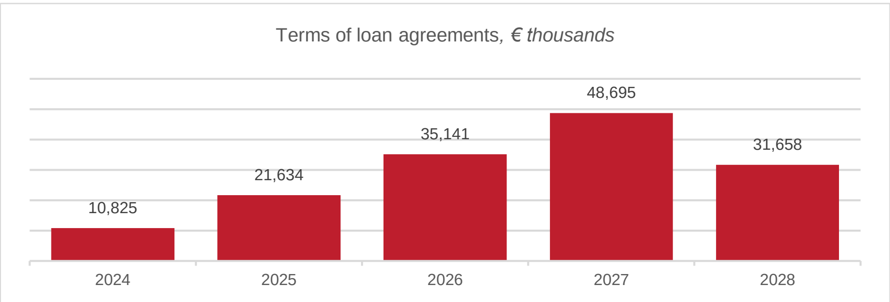
ICR	2023	2022
EBITDA	26,152	11,819
Interest expense	-7,970	-1,854
ICR	**3.3**	**6.4**

Despite the higher interest expense, all real estate objects of the group maintained a positive cash flow due to low vacancy and conservative financing policy, and the special conditions of no loan were violated in 2023.

For the first time in the two years, interest costs are expected to decrease in 2024. The markets estimate that the European Central Bank (ECB) will lower interest rates by more than 100 basis points, because of which the interest cost of bank loans taken for the acquisition of investment property of the Group will decrease and the cash flow will improve.

Within the next 12 months, the loan agreements of the group's two subsidiaries - EfTEN Autokeskus OÜ and Jurkalne logistics park, whose balance as of 31.12.2023 is 10,825 thousand euros, will expire. The LTV of the expiring loan agreements is 48% and 40%, respectively, and the investment property have a stable and strong rental cash flow, therefore, according to the Group's management, there are no obstacles in the extension of the loan agreements.

As of the end of December, the weighted average interest rate of the Group's loan agreements (including interest rate swap agreements) due to the increase in EURIBOR is 5.9% (31.12.2022: 3.7%) and the LTV (Loan to Value) is 42% (31.12.2022: 40%). All loan agreements of the fund's subsidiaries are linked to a floating interest rate.



Share information

On the balance sheet date of 01.01.2023, EfTEN Real Estate Fund AS (formerly EfTEN Real Estate Fund III AS) merged with EfTEN Kinnisvarafond AS. To carry out the merger, the share capital of EfTEN Real Estate Fund AS was increased by 57,472 thousand euros and 5,747,261 new shares with a nominal value of 10 euros were issued. When increasing the share capital, the shares were paid for in full with a non-monetary contribution at the expense of the entire assets of EfTEN Kinnisvarafond AS, which were transferred to EfTEN Real Estate Fund AS, the value of which was the net value of the EPRA assets of EfTEN Kinnisvarafond AS as of 31.12.2022 (125,905 thousand euros).

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

The registered share capital of EfTEN Real Estate Fund AS as of 31.12.2023 is 108,198 thousand euros (31.12.2022: 50,725 thousand euros). The share capital consisted of 10,819,796 shares (31.12.2022: 5,072,535) with a nominal value of 10 euros (31.12.2022: the same).

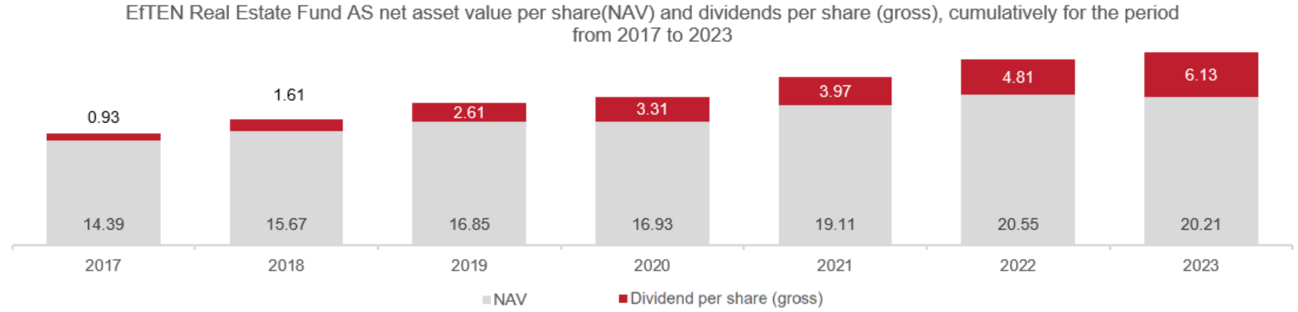
The net value of the share of EfTEN Real Estate Fund AS as of 31.12.2023 was 20.21 euros (31.12.2022: 20.55 euros). The net value of EfTEN Real Estate Fund AS shares fell by 1.7% during 2023. The net value of the Fund's share decreased mainly as a result of the change in the fair value of investment property.

In May 2023, the Fund paid dividends from the 2022 profit in the total amount of 12.472 million euros (in May 2022: 4.058 million euros). Without the payment of dividends, the net value of the Fund's shares would have increased by 4.1% during 2023.

During 2023, the Group has earned a free cash flow of 11.314 million euros (2022: 6.182 million euros), of which, according to the Fund's dividend policy, 9.051 million euros (2022: 4.946 million euros) could be considered as gross dividends. Taking into account the obligation to keep a minimum cash balance and the short-term need for liquidity arising from the special loan conditions of the Fund's subsidiaries, as well as the possibility of increasing the loan amount by 2.166 million euros due to the loan agreement of the Fund's subsidiaries EfTEN Jurkalnes SIA, EfTEN SPV15 OÜ and Saules Miestas UAB, the Management Board of the Fund proposes to the Supervisory Board to pay for the year 2023 dividends more than the dividend policy stipulates - a total of 10.820 million euros (1 euro per share).

Calculation of the potential dividend payment

	2023	2022
€ thousands		
Operating profit	**12,142**	**14,891**
Adjustment for valuation gains on investment property	13,941	-3,119
Adjustment for depreciation and write-downs of fixed assets	69	47
EBITDA	**26,152**	**11,819**
Interest expense	-7,970	-1,854
Repayments of bank loans	-6,720	-3,493
Income tax expense on profits (Lithuania)	-148	-290
Free cash flow	**11,314**	**6,182**
80% of free cash flow	9,051	4,946
Gross dividend adjustment	1,050	-34
Dividend tax expense	-1,174	-274
Potential net dividend according to dividend policy	**8,927**	**4,638**
Potential incremental cash flow	2,166	1,000
Income tax charge on dividends from incremental cash flow	-273	-200
Potential net dividend with incremental cash flow	**10,820**	**5,438**
Number of shares at the end of the period	10,819,796	5,072,535
Potential net dividend per share, euros	**1.00**	**1,07**



The shares of EfTEN Real Estate Fund AS have been traded on the main list of Nasdaq Tallinn since December 2017.

Shareholder statistics

	31.12.2023	31.12.2022
Number of shareholders	6,794	6,172
Number of represented countries	13	25
Share of Estonian residents in share capital	96.35%	99.20%
Share of legal entities in share capital	86.13%	76.92%
Share of private individuals in share capital	13.87%	23.08%

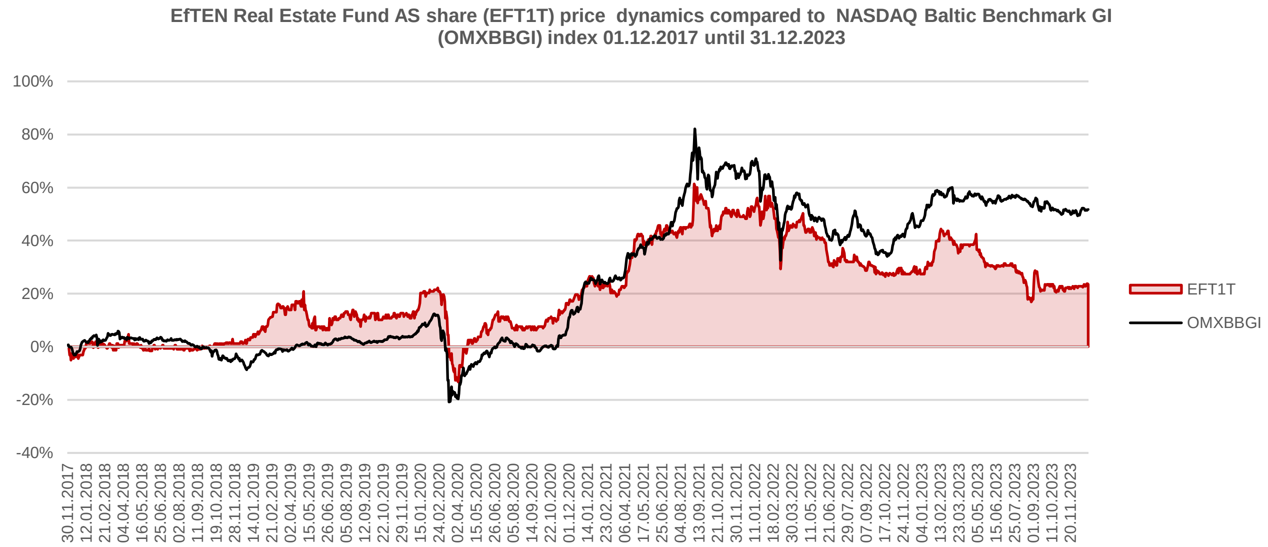
As of 31.12.2023, members of the fund's council and management board and their related persons owned 26.62% of the shares.

Shareholders by geographical areas

Proportion	31.12.2023	31.12.2022
Estonia	99.28%	98.98%
Finland	0.22%	0.26%
Germany	0.03%	0.11%
Lithuania	0.16%	0.10%
Australia	0.04%	0.06%
Sweden	0.06%	0.06%
Great Britain	0.00%	0.06%
Other	0.21%	0.36%

The largest shareholders as of 31.12.2023

	Number of shares	Share
LHV Pensionifond L	1,210,475	11.2%
REF Aktsiad OÜ	1,151,700	10.6%
Altiuse KVI OÜ	1,092,845	10.1%
Järve Shopping centre OÜ	747,681	6.9%
Ivard OÜ	433,158	4.0%
Hoiukonto OÜ	359,370	3.3%
EfTEN Capital AS	292,688	2.7%
Eggera OÜ	276,209	2.6%
Hoiupanga Töötajate AS	233,374	2.2%
EfTEN United Property Fund	218,759	2.0%



EFT1T share statistics	2023	2022
Opening price	19.8	23.1
Closing price	18.95	19.7
Minimum share price	17.9	19.2
Maximum share price	22.1	24.2
Volume of traded shares, thousands	376	262
Volume, € million	7.33	5.501
Market capitalization as at 31.12, € million	205.035	99.929
Profit per share, €	0.09	2.25
Net accounting value of the share	20.21	20.55
EPRA net value of the share	20.96	21.91
P/B (closing price / equity per share)	0.94	0.96
P/B EPRA (closing price / EPRA equity per share)	0.90	0.90

Ensuring the environmental sustainability of the group

When EfTEN Real Estate Fund AS was established, sustainability initiatives and regulations were not yet focal points; as a result, the Fund's investment strategy does not incorporate sustainability criteria. Consequently, EfTEN Real Estate Fund AS falls under Article 6 of Regulation (EU) 2019/2088 by the European Parliament and Council, which pertains to sustainability-related disclosures in the financial services sector (also known as the Sustainable Finance Disclosure Regulation, SFDR). This classification indicates that the fund is not obligated to consider environmental impacts in its operations nor to advance environmental or social characteristics.

Despite this, we acknowledge the critical importance of sustainability. EfTEN Real Estate Fund AS adopts a practical and pragmatic stance towards sustainability-related issues. Our current strategy involves a thorough assessment of our real estate investments to collect essential consumption data and evaluate the condition of each investment for potential sustainability initiatives in the near future. We recognize the necessity of reducing the climate impact of our investments and the importance of climate adaptation, acknowledging that these efforts are capital-intensive. Hence, finding a balance between investment yield and the enhancement of our properties is crucial.

In line with this strategy, since the beginning of 2023, we have commenced the collection of consumption data across all the group's investment properties. This data collection aims to gauge, among other metrics, the consumption volumes of electricity, heating energy, gas, and water, as well as to quantify the generation of waste by type and volume. We are updating the energy efficiency labels of our buildings wherever feasible and justified. Additionally, we are transitioning to energy contracts with green tariffs where it proves economically viable. This comprehensive data collection enables us to evaluate the direct environmental impacts of each investment, facilitating informed decisions on the most effective means to mitigate these impacts.

The management is dedicated to integrating sustainability principles into our investment practices. Based on the analysis described above, we are contemplating the development and dissemination of an official sustainability program in the future.

CORPORATE GOVERNANCE REPORT

Report on good corporate governance

This report has been prepared accordance with the principles of the Accounting Act and the Corporate Governance code and provides an overview of the compliance of the management of EfTEN Real Estate Fund AS (hereinafter the Fund) with the Corporate Governance Code as at 31.12.2023.

Unless otherwise stated in this report, EfTEN Real Estate Fund III AS shall comply with good corporate governance practices (in particular, as required by law in the management of an investment company registered as a public limited company).

GENERAL MEETING

Shareholders' rights

The Fund is an investment company incorporated as a public limited company with a nominal value of EUR 10 each. Each share grants one vote to the shareholder at the general meeting. The share entitles the shareholder to participate in the general meeting of shareholders and to distribute profits and assets remaining upon termination of the fund, as well as other rights provided by law and the articles of association. There are no specifications that would give shareholders different voting or other rights. The rights of shareholders were not changed during the reporting year.

The General Meeting is the highest governing body of the Fund, which has the authority to amend the Fund's articles of association, increase and decrease the share capital to the extent not authorized by the Supervisory board, decide to conclude, amend and terminate the management agreement concluded with the Fund Management Company, amend the policy for making payments to shareholders at the expense of the Fund, amend the Fund's investment policy, insofar as it is not in the competence of the Supervisory Board according to the articles of association, elect members of the Supervisory Board, renew and revoke their powers and determine their remuneration policy and amount, determine the necessity of special control, approve the annual report and decide on the distribution of profits, decide on the liquidation or merger of the Fund, decide on a transaction with a Supervisory Board member, determine the terms of the transaction, decide on legal disputes and appoint a representative of the Fund in this transaction or dispute, as well as decide on other issues in the competence of the General Meeting.

Significant Shareholders

None of the shareholders has control over the Fund. As far as the Fund is aware, there are no shareholder agreements or other agreements signed between the shareholders that could later give control over the Fund.

As of 31.12.2023, the Fund had three significant (over 10%) shareholders: 1) LHV Pension Fund L – 11.19%; 2) REF Aktsiad OÜ – 10.64%, of which 84% is owned by Olav Miil through his holding company and 16% by Toomas Vaher through his holding company; 3) Altius KVI OÜ -10.1%, of which Arti Arakas owns 59.85% and Frank Õim 41.15% through their holding companies.

The Fund manager, EfTEN Capital AS, owns 2.7% of the Fund's share capital.

Convening of the General Meeting and information to be published

Every shareholder has the right to participate in the General Meeting, to speak at the General Meeting on topics presented on the agenda and to ask justified questions and make proposals. The Annual General Meeting of Shareholders shall be called at least once a year within four months after the end of the financial year of the Fund. In addition, an Extraordinary General Meeting of Shareholders shall be called if deemed necessary by the Fund Manager or the Fund's Management Board or if it is requested by the Fund's Supervisory Board, auditor, Fund Manager, the Financial Supervisory Authority or the depository of the Fund. In addition to other persons stipulated by the law, shareholders whose shares represent at least 1/20 of the share capital may also demand the convening of an extraordinary General Meeting and the inclusion of issues on the agenda of the General Meeting. The request for convening an extraordinary General Meeting must be submitted to the Management Board in writing, stating the reason for the convocation.

The shareholders will be notified of the convening of ordinary and extraordinary meetings of shareholders via Nasdaq Tallinn Stock Exchange System and the notice will also be published on the website of the Fund and in a national daily newspaper at least three weeks prior to the meeting. Information related to the General Meeting is published as a stock exchange announcement and on the website in both Estonian and English. The newspaper will only publish the notice of the meeting in Estonian.

The agenda of the General Meeting, the proposals of the Management and Supervisory Board, draft resolutions and other relevant materials and information are made available to the shareholders before the General Meeting together with the notice the General Meeting.

In the reporting year, the regular General Meeting of Shareholders was held on 20.04.2023 in the Swissôtel Tallinn conference center at Tallinn, Tornimäe 3. The notice of convening the regular general meeting of shareholders was published on 29.03.2023 in newspaper "Postimees". The notice of convening the meeting was also published the same day through the information system of the Nasdaq Tallinn stock exchange as a stock exchange announcement and on the Fund's website www.eref.ee. The fund allowed shareholders to ask questions about the topics mentioned in the agenda both at the e-mail address provided in the notice, by mail at the fund's address and by phone, and to view the annual report on its website and at its location at A. Lauteri 5, Tallinn, from the publication of the notice of the general meeting until the day of the general meeting. Shareholders had the opportunity to participate in the general meeting through an authorized representative or vote on draft resolutions before the general meeting electronically and watch the general meeting via video transmission. The shareholders had the right to vote on the draft decisions prepared on the items on the agenda of the general meeting electronically before the meeting until 16.00 on 19.04.2024.

The decisions made at the regular general meeting of shareholders have been published both in the information system of the Nasdaq Tallinn stock exchange and on the website of the Fund www.eref.ee.

There were no extraordinary general meetings during the reporting year.

Conducting a regular general meeting of shareholders

On 20.04.2023 the regular general meeting was held in Estonian and was chaired by attorney-at-law Raino Paron. The chairman of the meeting introduced the shareholders to the representatives of the Fund participating in the meeting and then the procedure for conducting the meeting, including the organization of asking questions and voting on the issues on the agenda. The meeting was attended by members of the board of the fund Viljar Arakas and Tõnu Uustalu, chairman of the council Arti Arakas, members of the council Olav Miil, Sander Rebane and Siive Penu and Rando Rand, chief auditor of the fund's auditor PricewaterhouseCoopers AS. The registration and voting of shareholders were organized by ARS Corporate Service OÜ. Voting results were counted electronically.

According to the Articles of Association, the General Meeting can adopt decisions if shareholders holding more than half of the votes represented by shares participate in the general meeting. Shareholders were represented at the general meeting, which constituted 74.41% of the votes represented by shares. A part of them, 0.36% of all votes assigned by shares, cast their votes electronically before the meeting took place, in accordance with the procedure published in the notice convening the general meeting. An overview of the fund's activities was presented at the general meeting, which was an informative item on the agenda. Then, as separate agenda items, a) the financial year report 2022 with the remuneration report was approved; b) the profit distribution was decided and c) for one year from the adoption of the decision of the general meeting, the decision to increase the Fund's share capital was given to the fund's supervisory board, including the authority to perform all the necessary actions and to enter into agreements for the listing and trading of the newly issued fund's shares on the main list of the Tallinn Stock Exchange.

Shareholders were given the opportunity to ask questions about agenda items, make proposals and ask questions. Statements and dissenting opinions were not presented at the regular general meeting. The general meeting was held in accordance with the requirements of the law and the articles of association. There was no video transmission of the general meeting.

MANAGEMENT BOARD

Tasks of the Management Board

The board supervises the activities of the management company related to the fund to the extent and in the manner prescribed in the management agreement, i.e. supervises the fulfilment of the obligations of the management company arising from the management agreement and supervises the operations of the depository to the extent and in the manner prescribed in the depository agreement, as well as the performance of other tasks related to the management of the Fund and delegated by third parties.

The board of the Fund does not manage the Fund's assets to the extent resulting from valid legislation, articles of association and management agreement. During the reporting year, there were no changes in the duties and competence of the board.

Composition and remuneration

According to the Articles of Association of the Fund, the Management Board consists of one to three members. The members of the management board are elected and recalled by the supervisory board. Viljar Arakas and Tõnu Uustalu have been members of the Management Board since their establishment. The chairman of the board has not been elected. In 2023, there were no changes in the members of the Management Board.

Every member of the board can represent the Fund in all legal proceedings.

No separate agreements have been concluded with the members of the Management Board. No remuneration has been paid to the members of the Management Board and there are no decisions to pay any remuneration or benefits (incl. non-monetary) to the members of the Management Board in the future. Viljar Arakas, a member of the Management Board of the Fund, is at the same time a member of the Management Board of the Management Company and the Management Company has entered into an agreement with Viljar Arakas, he has signed a board member contract. Tõnu Uustalu, a member of the Management Board of the Fund, is also the head of the investment department of the Management Company, with whom the Management Company has entered into an employment contract.

In connection with the management of the Fund, the management company has established internal rules to ensure the functioning of the fund's risk management and internal control, as well as internal rules for organizing accounting and preparing financial statements and together with the management board. The members of the Management Board shall submit and update their declarations of financial interests at least once a year.

Conflict of interest

In 2023, there were no transactions between the Fund and the members of the board, their relatives or persons related to them, except for the provision of management services by the management company to the Fund according to the management agreement. In addition to the duties of the board members, participation in other associations has taken place with the consent of the council and published in the fund's prospectus, which is available on the fund's website www.eref.ee. Board member Viljar Arakas is a member of the council of Coop Pank AS, whose shares are listed on the Nasdaq Tallinn stock exchange, from14.04.2021. Board member Tõnu Uustalu does not simultaneously participate in the work of the board or council of any other publicly listed company on the securities market.

As of 31.12.2023, board member Viljar Arakas owns a total of 0.21% of the Fund's share capital and 27.41% of the Fund management company's share capital through his holding company and as a private individual. Board member Tõnu Uustalu owns 0.6% of the Fund's share capital and 20.56% of the Fund management company's share capital.

The management company owns 2.7% of the Fund's share capital.

Neither the board member nor the employee shall demand or accept money or other benefits from third parties for personal purposes in connection with their work, nor shall they make illegal or unjustified favours to third parties on behalf of the fund. In 2022, neither the management board nor, as far as the management board is aware, the employees of the group have gone astray against the mentioned principle. Board members are not authorized to issue and buy back shares.

SUPERVISORY BOARD

Tasks of the Supervisory Board

Considering the limitations set forth in the Fund's Articles of Association, the Supervisory Board is authorized to appoint and recall a procurator, appoint an audit firm, approve the terms of the depository agreement, approve a stockholder; decide on a transaction with a Management Board member and the terms of transactions, decide on legal disputes and appoint a representative of the Fund in this transaction or dispute , approve semi-annual report, approve opening balance and annual report of liquidation, supervise the Management Board and increase share capital within three years from the date of establishment.

The Supervisory Board's approval is required for transactions that go beyond the normal course of business, including acquisition and termination of holdings in other companies, the establishment or termination of a subsidiary, the approval and amendment of a Fund's operating strategy, significant changes to the Fund's activities or involving the Fund in business activities that are not directly related to the objectives of the Fund's current economic activity and transactions in excess of EUR 250,000.

The Fund does not have an audit or remuneration committee; these responsibilities are undertaken by the council. Work of the council is organized by the chairman of the council, who is elected by the members of the council from among themselves. The council makes decisions at council meetings or without convening a meeting. The decision of the Council is adopted if more than half of the members of the Council who participated in the meeting are in favor of it unless the legislation or the statutes stipulate a higher majority requirement. The Chairman of the Council does not have a casting vote in case of an equal division of votes. In order to adopt decisions, without convening a meeting, all members of the council must agree to the decision.

The Council's tasks and work organization were not changed during the reporting year.

Composition and remuneration

According to the Articles of Association of the Fund, the Supervisory Board consists of three to five members. Since its establishment, the Supervisory Board has 4 members, including Arti Arakas (Chairman of the Supervisory Board), Olav Miil, Siive Penu and Sander Rebane. According to the Articles of Association, re-election of the members of the Supervisory Board (extension of the term of office) is permitted. There were no changes in the composition of the Supervisory Board in 2023, the powers of the members of the Supervisory Board are valid.

No agreements have been concluded with the members of the Supervisory Board. No remuneration has been paid to the members of the Supervisory Board and there are no decisions to pay any remuneration or benefits (incl. non-monetary) to the members of the Supervisory Board in the future. All members of the Supervisory Board attended more than half of the meetings of the Supervisory Board.

Conflict of interest

Council members avoid conflicts of interest in their activities. In his activities as a member of the Supervisory Board, the member of the Supervisory Board prefers the issuer's interests to personal or third-party interests. The council member does not use commercial offers aimed at the issuer for his personal interests. In 2023, as far as the Fund is aware, the members of the Council have not gone astray against the said principle. Among other things, the members of the council update their declaration of economic interests at least once a year.

In 2023, no transactions took place between EfTEN Real Estate Fund AS and members of the Supervisory Board of the Fund, their relatives or persons related to them, except for the provision of management services by the management company to the Fund in accordance with the management agreement. Council members do not simultaneously participate in the work of the boards or councils of other publicly listed companies on the securities market. The activities of the council members in other associations are published in the fund's prospectus and available on the Fund's website www.eref.ee.

As of 31.12.2023, Council member Arti Arakas owns through the holding company 6.04% of the Fund's share capital and 10.56% of the Fund management company's share capital, Olav Miil owns 8.94% of the Fund's share capital and 5.55% of the Fund Managers share capital, Siive Penu owns 0.01% of the Fund's share capital and he does not own a share in the management company. Siive Penu is a member of the board of the company HTB Investeeringud OÜ, which owns 1.83% of the Fund's share capital and 5.55% of the Fund Managers share capital. Council member Sander Rebane does not own shares of the Fund or the management company.

The Fund Manager owns 2.7% of the Fund's share capital.

COOPERATION OF MANAGEMENT AND SUPERVISORY BOARD

The board and the council cooperate closely with the aim of best protecting the interests of the Fund. Cooperation is primarily based on an open exchange of opinions between the board and the council as well as within the board and the council. At the same time, the members of the board participate in the discussions of the adoption of the decisions of the council both at the meetings of the council and outside of the meetings. Close cooperation between the council and the board has continued in 2023.

Confidentiality requirements are applied to all information exchange between the council and the management board, which ensure control over the flow of price sensitive information, including internal rules for handling inside information, keeping a list of persons with inside information and disclosing information. As far as EfTEN Real Estate Fund III AS is aware, in 2022, neither the board nor the management company has deviated from the instructions given by the council in managing the Fund.

DISCLOSURE OF INFORMATION

The Fund informs all shareholders about material matters equally, using the information system of the Tallinn Stock Exchange and its website. The website of the Fund www.eref.ee contains general information about the fund, an overview of real estate investments, information about the members of the management board and supervisory board, the main service providers as well as stock exchange announcements, reports and other relevant information. The annual and interim reports of the Fund provide information on the fund's strategy and financial performance, as well as a report on corporate governance. Information on the composition of the Supervisory Board and the auditor, resolutions of the general meeting and other important information is published in the section of stock exchange releases. In addition, the annual reports of the Fund are available on the website of the Management Company EfTEN Capital AS at www.eften.ee.

In addition to the quarterly interim reports and the annual report, the Fund also publishes the Fund's net asset value on a monthly basis as of its registration on the Nasdaq Tallinn Stock Exchange, which is also available on the Fund's website. Before the end of each financial year, the Fund shall publish through the Nasdaq Tallinn stock exchange system and thereafter on its website the following financial year, showing the dates of quarterly and annual financial results and the date of the annual general meeting. Once the information has been published through the Nasdaq Tallinn Stock Exchange system, all of this information will also be available on the Fund's website. THE Fund regularly communicates with its shareholders. The general meeting of shareholders shall be convened at least once a year, with a separate agenda item providing an overview of the activities of the fund and where each shareholder can ask questions to the members of the management and supervisory boards. The Management Board also meets with shareholders outside general meetings, including at conferences and meetings.

FINANCIAL REPORTING AND AUDITING

Reporting

The consolidated financial statements of the Fund are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The annual report is audited and approved by the supervisory board and approved by the annual general meeting of shareholders. The annually publishes the consolidated audited annual report and the consolidated quarterly reports during the financial year, which are published through the information system of the Tallinn Stock Exchange and are publicly available on the website of the Fund and the Fund Manager.

Election of the auditor and audit of the financial statements

The independent auditor of EfTEN Real Estate Fund AS is PricewaterhouseCoopers AS, which was appointed as the auditor of the fund when the Fund was established. In accordance with the Investment Funds Act and the Articles of Association of EfTEN Real Estate Fund AS, the right to appoint an auditor is given to the Supervisory Board.

In 2023, the Fund's appointed auditor AS PricewaterhouseCoopers did not provide any other services in addition to auditing the consolidated annual report and the annual reports of subsidiaries. In 2023, the total amount of fees paid or payable for auditing services provided by the Group's appointed auditor is 78 thousand euros, including 32 thousand euros for the audit of the Fund's consolidated annual report. In 2023 PwC network companies have provided additional other services for agreed upon procedures in the amount of 27 thousand euros and auditing services for auditing the Fund's subsidiaries in the amount of 11 thousand euros.

In 2023, there were no events or circumstances that the auditor would have informed the council about, which in his opinion could affect the work of the council or the management of the Fund. Nor has the auditor reported a threat to the auditor's independence or the professionalism of his work.

In 2023, Rando Rand, chief auditor of the audit firm PricewaterhouseCoopers AS, participated in the regular general meeting of shareholders, where the report of the previous financial year was approved.

RISK PROFILE AND RISK MANAGEMENT

EfTEN Real Estate Fund AS is a public limited-liability investment fund (alternative investment fund), whose shares are listed on the Nasdaq Tallinn stock exchange and are freely traded. the aim of providing shareholders with an opportunity to participate in an actively managed real estate portfolio and the aim of the Fund has not changed in 2023.

The Fund is not a guaranteed fund and dividend payment is not guaranteed to investors.

The main risks related to the activities of the Fund and its subsidiaries are described in the fund's prospectus, which is available on the website of the Fund www.eref.ee.

In its day-to-day operations, the fund is exposed to various risks. The fund and the fund management company treat risk as a possible danger that some event, action or inaction may cause a loss of property or reputation or threaten the effective performance of tasks/goals. The main risks related to the activities of the fund and its subsidiaries are also described in the Fund's prospectus, which is available on the fund's website at www.eref.ee.

EfTEN Real Estate Fund AS and the management company regard risk management as an ongoing process of defining, assessing, measuring and mitigating risks and as part of the management of the company's day-to-day operations. The principle is that risks must be taken in a balanced manner, taking into account the internal risk management rules established by the management company, the investment and risk diversification restrictions set out in the fund's articles of association and applying risk mitigation measures as appropriate. When investing the Fund's assets, excessive risk-taking is unacceptable and appropriate measures must be applied to identify risks, assess risks, perform risk analysis and evaluate results in order to manage risks. Thus, the risk management process includes both the risks related to the investment planned or made on behalf of the fund and the management of the fund's management and the management company's own operational and other risks. An independent internal auditor of the management company is also involved in the evaluation of the risk management process and measures, and in addition, a compliance function functions as part of the management company's internal control. The role of risk management and internal control is to ensure that risks are recognized and addressed at all levels as part of the risk management process. The management board shall ensure that each employee and member of the management body is aware of the requirements with which he or she must comply in order to perform his or her duties and that the performance of the various functions does not prevent the employee or member of the management body from acting in a reliable, fair and appropriate manner. To this end, trainings for the employees of the management company are also conducted annually. In the financial year 2023, the principles and general principles of risk management have not been changed.

REMUNERATION REPORT

This report provides an overview of the principles of remuneration of managers of EfTEN Real Estate Fund AS and the determination of work-related benefits, as well as the fees paid to managers in the 2023 financial year. In this remuneration report, the members of the board of the stock issuer are treated as directors in accordance with the Securities Market Act.

The basic remuneration principles of EfTEN Real Estate Fund AS were defined when the Fund was founded in 2015, according to which no fees are paid to the members of the fund's management bodies, including members of the board. Also, severance and retirement benefits or other benefits are not assigned to the members of the fund's management bodies at the expense of the fund. These principles were not changed during the reporting year. The mentioned basic principles based on the difference, because of which EfTEN Real Estate Fund AS is not just an issuer of shares, but an investment fund established as a joint-stock company, the members of the board of which are members of the executive management of the management company managing the fund. The fund pays a management fee to the fund manager in accordance with the principles published in the fund's articles of association and the management agreement. EfTEN Real Estate Fund AS board member Viljar Arakas is a management board member and EfTEN Real Estate Fund AS board member Tõnu Uustalu is the manager of the investment department of the management company.

In the financial year 2023, the fund did not pay a basic salary or performance fee to Tõnu Uustalu nor Viljar Arakas, i.e. the basic salary and performance fee was 0 euros. Regarding the compliance of the sum, the Fund Manager (EfTEN Capital AS) has established the principles of remuneration for management and employees as a part of its Code of Conduct, which originate of the general principle to ensure the motivation of the management and employees, but not to contribute to taking risks that are not in line with the risk profile and Articles of Association of the funds managed by fund manager, including the Fund. The fund manager pays monthly fixed remuneration to the members of the management board and employees of the fund manager. To avoid conflicts of interest, a member of the management board or an employee of the management company shall not be paid a performance fee upon making investments in the funds managed by the Fund Manager. This also ensures that the principles of remuneration are clear and transparent, based on the long-term objectives of the funds managed and that the legitimate interests of investors and creditors are considered. Compliance with the management company's remuneration policy is checked annually by the internal auditor and the remuneration policy is reviewed by the management company's supervisory board at least once a year.

As no performance fee is foreseen, it is not applicable to assess compliance with the performance criteria. It is therefore also not applicable to present an annual change in the remuneration of EfTEN Real Estate Fund AS, the company's performance and the average full-time remuneration of the company's employees.

Viljar Viljar Arakas and Tõnu Uustalu do not have a variable remuneration as managers of the Fund and therefore it is not applicable to provide an overview of the possibility to reclaim variable remuneration. In 2023, there are no exceptions to the principles of remuneration of management.

As of 31.12.2023, board member Viljar Arakas owns a total of 22,606 fund shares through his holding company and as a private individual, or 0.21% of the fund's share capital and 27.41% of the fund management company's share capital. Board member Tõnu Uustalu owns 64,974 shares or 0.60% of the fund's share capital and 20.56% of the fund management company's share capital. The fund management company owns 292,688 shares, or 2.71% of the fund's share capital. Tõnu Uustalu and Viljar Arakas do not have stock options.

The shareholders of the fund, including Tõnu Uustalu and Viljar Arakas, in accordance with the Articles of Association, when increasing the fund's share capital and issuing new shares, have the right to subscribe for new shares, analogously to other shareholders of the fund, in proportion to their existing participation in the fund, except in cases where the right to subscribe for existing shareholders is excluded by the decision of the general meeting of the Fund.

The remuneration principles of the fund's managers are also published in the Fund's prospectus, which is available on the EfTEN Real Estate Fund AS website at www.eref.ee. In addition, the prospectus also publishes the fees paid to the managers of EfTEN Real Estate Fund AS's subsidiaries. At the same time, neither Viljar Arakas nor Tõnu Uustalu have been paid any fees, compensations or incentives from any company belonging to the same group as EfTEN Real Estate Fund AS.

Remuneration of the Group's employees and the Group's sales revenue and net profit for the last five years

	2023	2022	2021	2020	2019	2018
€ thousands						
Total remuneration calculated for the Fund's employees	469	267	245	260	278	229
Number of employees	12	10	11	12	12	12
Sales revenue	31,817	14,299	12,921	10,731	9,512	8,672
Net profit	1,000	11,408	13,099	3,317	7,737	6,299

FINANCIAL STATEMENTS OF THE CONSOLIDATION GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2023	2022
€ thousands			
Revenue	3,4	31,817	14,299
Cost of services sold	5	-1,626	-267
Gross profit		**30,191**	**14,032**
Marketing costs	6	-583	-367
General and administrative expenses	7	-3,546	-1,916
Gain / loss from valuation of investment properties	13	-13,941	3,119
Other operating income and expense		21	23
Operating profit	**3**	**12,142**	**14,891**
Profit / loss from joint ventures	2	-499	0
Interest income		184	0
Other finance income and expense	8	-7,970	-1,680
Profit before income tax		**3 857**	**13,211**
Income tax expense	9	-2,857	-1,803
Net profit for the financial year		**1,000**	**11,408**
Total comprehensive income for the period	**3**	**1,000**	**11,408**
Earnings per share	10		
- basic		0.09	2.25
- diluted		0.09	2.25

The notes on pages 23 to 52 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2023	31.12.2022
€ thousands			
ASSETS			
Cash and cash equivalents	11	14,712	11,331
Short-term deposits	16	3,400	0
Receivables and accrued income	12	2,360	1,522
Prepaid expenses		106	49
Total current assets		**20,578**	**12,902**
Long-term receivables	12	214	61
Shares in joint ventures	2	2,078	0
Investment property	3,13	357,916	168,875
Property. plant and equipment		158	116
Intangible assets		0	2
Total non-current assets		**360,366**	**169,054**
TOTAL ASSETS		**380,944**	**181,956**
LIABILITIES AND EQUITY			
Borrowings	14	16,907	22,058
Liabilities and prepayments	15	3,417	1,461
Total current liabilities		**20,324**	**23,519**
Borrowings	14	130,849	45,917
Other long-term liabilities	15	1,790	1,008
Deferred income tax liability	9	9,283	7,248
Total non-current liabilities		**141,922**	**54,173**
TOTAL LIABILITIES		**162,246**	**77,692**
Share capital	17	108,198	50,725
Share premium	17	84,721	16,288
Statutory reserve capital		2,749	2,149
Retained earnings	18	23,030	35,102
TOTAL EQUITY		**218,698**	**104,264**
TOTAL LIABILITIES AND EQUITY		**380,944**	**181,956**

The notes on pages 23 to 52 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2023	2022
€ thousands			
Net profit		**1,000**	**11,408**
Adjustments of net profit:			
Profit / loss from joint ventures using the equity method	2	499	0
Income on interest		-184	0
Finance income and expense	8	7,970	1,680
Gains / losses on valuation of investment property	13	13,941	-3,119
Depreciation and impairment losses	5,7	69	47
Income tax expense	9	2,857	1,803
Total adjustments with non-cash changes		**25,152**	**411**
Total cash flows from operations before changes in working capital		**26,152**	**11,819**
Change in receivables and payables related to operating activities		-376	-775
Total cash flows from operating activities		**25,776**	**11,044**
Purchase of property, plant and equipment		-46	-32
Purchase of investment property	13	-6,055	-3,526
Change in short-term deposits	16	-3,400	0
Cash from the merger	2	11,621	0
Acquisition of other investments		0	-86
Interest received		177	0
Total cash flows from investing activities		**2,297**	**-3,644**
Loans received	14	4,080	377
Loan repayments scheduled	14	-6,720	-3,493
Interest paid		-7,800	-1,760
Dividends paid	16	-12,472	-4,058
Income tax on dividends paid		-1,780	-209
Total cash flows from financing activities		**-24,692**	**-9,143**
TOTAL CASH FLOW		**3,381**	**-1,743**
Cash and cash equivalents at the beginning of period		**11,331**	**13,074**
Change in cash and cash equivalents		3,381	-1,743
Cash and cash equivalents at the end of the period	**11**	**14,712**	**11,331**

The notes on pages 23 to 52 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Statutory reserve capital	Retained earnings	Total
€ thousands					
Balance as at 31.12.2021	**50,725**	**16,288**	**1,489**	**28,412**	**96,914**
Dividends declared	0	0	0	-4,058	-4,058
Provision for reserve capital	0	0	660	-660	0
Total transactions with owners	**0**	**0**	**660**	**-4,718**	**-4,058**
Net profit for the financial period	0	0	0	11,408	11,408
Total comprehensive income for the period	**0**	**0**	**0**	**11,408**	**11,408**
Balance as at 31.12.2022	**50,725**	**16,288**	**2,149**	**35,102**	**104,264**
Issue of shares (note 17)	57,473	68,433	0	0	125,906
Dividends declared (note 16)	0	0	0	-12,472	-12,472
Provision for reserve capital	0	0	600	-600	0
Total transactions with owners	**57,473**	**68,433**	**600**	**-13,072**	**113,434**
Net profit for the financial period	0	0	0	1,000	1,000
Total comprehensive income for the period	**0**	**0**	**0**	**1,000**	**1,000**
Balance as at 31.12.2023	**108,198**	**84,721**	**2,749**	**23,030**	**218,698**

Additional information on share capital is provided in Note 17

The notes on pages 24 to 53 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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

1.1 *General information*

EfTEN Real Estate Fund AS (formerly EfTEN Real Estate Fund III AS) is a public closed investment fund established in 2015, the main activity of which is investments to commercial real estate that generate cash flow in the Baltic states. The fund's investment activities follow the opportunistic and value-generating strategy. The fund is mainly directed to retail investors. EfTEN Real Estate Fund III AS executes commercial investment property in the Baltic states.

EfTEN Real Estate Fund AS merged with EfTEN Kinnisvarafond AS on 01.01.2023 (balance sheet date), resulting of 11 subsidiaries from Estonia, 4 subsidiaries from Latvia, one subsidiary from Lithuania and one joint venture in Estonia to be added to the Group. The Fund has a 100% stake in all subsidiaries and a 50% stake in the joint venture. The structure of the group as of 31.12.2023 is as follows (see also note 2)

EfTEN REAL ESTATE FUND AS

	OFFICE	LOGISTICS	RETAIL	CARE HOMES	OTHER
ESTONIA	EfTEN SPV2 OÜ *Lauteri 5, Tallinn*	EfTEN SPV15 OÜ *Premia Külmhoone, Tallinn*	EfTEN SPV14 OÜ *Võru Rautakesko*	EfTEN Pirita OÜ *Pirita Pansionaat, Tallinn*	EfTEN SPV4 OÜ *Rakvere Police and rescue communal building*
ESTONIA	EfTEN SPV5 OÜ *Pärnu mnt 105, Tallinn*	EfTEN SPV17 OÜ *Betooni 1a, Betooni 6, Tallinn*	EfTEN SPV3 OÜ *Uku Keskus, Viljandi*	EfTEN Valkla OÜ *Valkla Südamekodu*	EfTEN SPV11 OÜ (joint venture 50%) *Hotel Palace*
ESTONIA	EfTEN SPV6 OÜ *Pärnu mnt 102, Tallinn*	EfTEN SPV12 OÜ *Kuuli 10, Tallinn*	EfTEN SPV7 OÜ, EfTEN SPV8 OÜ *Mustika Keskus, Tallinn*	EfTEN Ermi OÜ *Tartu Südamekodu (in construction)*	
ESTONIA		EfTEN Tänassilma OÜ *DSV logistics centre, Tallinn*	EfTEN SPV12 OÜ *Tammsaare tee Rautakesko, Tallinn*		
ESTONIA			EfTEN Laagri OÜ *Laagri Selver, Tallinn*		
ESTONIA			EfTEN Seljaku OÜ *Hortes gardening centre, Laagri*		
ESTONIA			EfTEN Tähesaju tee OÜ *Hortes gardenig centre, Tallinn*		
ESTONIA			EfTEN Autokeskus OÜ *ABC Motors Autokeskus, Tallinn*		
LATVIA	EfTEN Terbata SIA *Terbata office building, Riga*	EfTEN Jurkalne SIA *Jurkalne Technology Park, Riga*	EfTEN Jelgava SIA *RAF Centrs, Jelgava*		EfTEN ABC SIA
LATVIA	EfTEN Riga Airport SIA *airBaltic head office, Riga*	EfTEN Krustpils SIA *DSV logistics centre, Riga*			Auras Centrs SIA *Jelgava development project (in development)*
LATVIA		EfTEN Piepilsetas SIA *Piepilsetas logistics centre, Kekava*			
LITHUANIA	Verkių projektas UAB *Ulonu office building, Vilnius*	EfTEN Stasylu UAB *DSV logistikakeskus, Vilnius*	Saulės Miestas UAB *Saulės Miestas shopping centre, Šiauliai*		
LITHUANIA	EfTEN Menulio UAB *Menulio 11, Vilnius*	EfTEN Ramygalos UAB *Ramygalos logistics centre, Panevėžyses*			
LITHUANIA	EfTEN Laisves UAB *L3 office building, Vilnius*				
LITHUANIA	EfTEN Evolution UAB *Evolution office building, Vilnius*				
LITHUANIA	EfTEN Rutkausko UAB *Rutkausko office building, Vilnius*				

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

The consolidated financial statements of EfTEN Real Estate Fund III AS and its subsidiaries for the year ended 31 December 2023 have been signed by the Management Board on 22 February 2024. According to the requirements of the Commercial Code of the Republic of Estonia, the annual report prepared by the Management Board and approved by the Supervisory Board is approved at the general meeting of shareholders. These consolidated financial statements form part of the annual report approved by the shareholders and are one of the bases for deciding on the distribution of profits. Shareholders have the right not to approve the annual report prepared by the management board and approved by the supervisory board and to demand the preparation of a new report until approval by the general meeting.

1.2 *Summary of material accounting policies*

EfTEN Real Estate Fund AS (hereinafter also referred to as "the Group") and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Group's financial statements 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).

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

1.2.1 Application of new or revised standards and interpretations

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

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (effective for accounting periods beginning on or after January 1, 2023)

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

The group has taken the new requirements into account when preparing this annual report.

Amendments to IAS 8: Definition of Accounting Estimates (effective for accounting periods beginning on or after January 1, 2023)

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

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

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

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

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

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

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

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

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

The group will analyse and disclose the impact of the said change after its implementation.

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

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

The group will analyse and disclose the impact of the said change after its implementation.

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

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

The group will analyse and disclose the impact of the said change after its implementation.

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

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

The group will analyse and disclose the impact of the said change after its implementation.

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

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

The group will analyse and disclose the impact of the said change after its implementation.

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1.2.2 Management's critical estimates and judgements

The presentation of consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union requires management to make estimates and judgments that affect the recognition and measurement of assets and liabilities at the balance sheet date, the presentation of contingent assets and liabilities and their probability of realization, and income and expenses of the reporting period.

Although management reviews its judgments and estimates on an ongoing basis and is based on past experience and the best available knowledge of probable future events, actual results may differ from those estimates.

The most important management decisions that affect the information presented in the financial statements concern the following areas of accounting:

Estimation uncertainty

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

a) Determination of the fair value of investment property

Investment property is measured at its fair value at each balance sheet date. The Group's real estate investments are valued by Colliers International Advisors OÜ. The Group's independent appraiser evaluates investment properties individually using the discounted cash flow method. All of the Group's investment properties earn (or will earn) rental income, which means that the method used best represents the fair value of the investment property. The cash flow projections for all properties have been updated to determine the fair value, and the discount rates and exit yields have been differentiated depending on the location of the facilities, the technical condition, and the level of risk of the tenants. Compared to last year, both the discount rates used in the evaluations of the Fund's real estate portfolio and the exit productivity have increased in connection with the rise in EURIBOR and the market situation of real estate transactions. If the discount rates were between 7.8% and 9.6% last year, as of 31.12.2023 they are 8.1%-10.7%. Output yields are in the range of 6.5%-8.8% at the end of 2023, (2022: 6.5% to 8.0%). In addition to the increase in discount rates and productivity, at the end of 2023, the outlook for the office segment's operating cash flows is more conservative than before, mainly due to the expected increase in vacancy in the office building sector. Additional information regarding the assumptions and sensitivity used in the evaluations is provided in note 13.

b) Business combinations and acquisitions of assets

Purchases of investment property are generally treated as acquisitions of assets. According to the management, there are no business combinations if the real estate object has individual tenants, the Fund does not acquire other assets or rights in addition to the real estate object and does not hire former employees. The Fund does not acquire the business process management know-how of a real estate object but manages all acquired objects centrally.

c) Assessments of the presence of control or significant influence in other companies.

The group owns 100% of all subsidiaries, and only members of the board of the parent company of the group belong to the control bodies of the subsidiaries. Thus, the group has full control over its subsidiaries both in terms of profit sharing and management decisions. The group has a 50% stake in the joint ventures it owns, and the board members of the joint ventures also overlap with the board members of the group's parent companies. All decisions in joint ventures are made in accordance with the agreements with the consent of both shareholders, which is resulting to a jointly controlled company.

Investment company

The management of the Group has assessed the compliance of its activities with the definition of an investment company and finds that EfTEN Real Estate Fund AS does not meet the definition of an investment company, as it has the characteristics of a real estate company rather than a purely investment company. Although the investors of EfTEN Real Estate Fund AS also expect an increase in the value of assets and a profit from current economic activities from their capital investment, EfTEN Real Estate Fund AS also takes a significant part of development risks in its investments, which are characteristic of a conventional real estate company. An investment firm should also make direct investments in companies that are measured at fair value in accordance with IFRS 10. In the case of the parent company of EfTEN Real Estate Fund AS, the fair value measurement is indirect - at fair value, the assets located in the subsidiaries are valued and thus the fair value of the subsidiary is obtained, which may not be the final market price of the subsidiary. The Group's economic activities are also assessed on the basis of rental income, profit margins, volume of assets and other financial indicators characterizing real estate companies, which cannot be done only on the basis of the fair value of the subsidiary.

1.2.3 Summary of other accounting policies

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 has five business segments (office, logistics, trade, nursing homes, hotels) and three geographical segments (Estonia, Latvia, Lithuania). The breakdown of the Group's investment portfolio by segment is shown in the matrix below:

	Estonia	Latvia	Lithuania
Office	Lauteri 5, Tallinn	Terbata office building, Riga	Ulonu office building, Vilnius
	Pärnu mnt 105, Tallinn	airBaltic head office, Riga	Menulio 11, Vilnius
	Pärnu mnt 102, Tallinn		L3 office building, Vilnius
			Evolution office building, Vilnius
			Rutkausko office building,Vilnius
Logistics	Premia Külmhoone, Tallinn	Jurkalne Technology Park, Riga	DSV logistics centre, Vilnius
	Kuuli 10, Tallinn	DSV logistics centre, Riga	Ramygalos logistics centre, Panevežyses
	Betooni 1a, Tallinn	Piepilsetas logistics centre, Kekava	
	Betooni 6, Tallinn		
	DSV logistics centre, Tallinn		
Retail	Võru Rautakesko	RAF Centrs, Jelgava	Saules Miestas shopping centre , Šiauliai
	Uku Keskus, Viljandi	Jelgava development project, Jelgava	
	Mustika Keskus, Tallinn		
	Tammsaare tee Rautakesko, Tallinn		
	Laagri Selver, Tallinn		
	Hortes gardening centre, Laagri		
	Hortes gardening centre, Tallinn		
	ABC Motors Autokeskus, Tallinn		
Care homes	Pirita Pansionaat, Tallinn		
	Valkla Südamekodu, Valkla		
	Tartu Südamekodu, Tartu		
Other	Rakvere Police and rescue communal building		
	Hotel Palace, Tallinn		

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

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

In the separate balance sheet of the parent company (presented in Note 19), the investments in subsidiaries are measured at fair value. A joint venture is a company whose economic activities are jointly controlled by two or more parties (including the parent company) resulting from a contractual agreement. Joint ventures are accounted for using the equity method.

Revenue recognition

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

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

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

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

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

Financial assets

Impairment of financial assets

The Group estimates the expected credit loss of debt instruments reflected in the adjusted acquisition cost based on future information. The applied impairment methodology depends on whether the credit risk has increased significantly.

The Group applies the simplified approach permitted by IFRS 9 to trade receivables, which do not have a significant financing component, and considers the discount on receivables as an expected credit loss for the duration of the receivables during the initial recognition of the receivables.

As of December 31, 2023 and December 31, 2022, all financial assets of the Group were classified in the category:

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

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. Derivative instruments are measured at fair value through profit or loss.

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.

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

Financial liabilities

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

Success fee liability

EfTEN Real Estate Fund AS and EfTEN Capital AS have entered into a management contract, according to which the success fee is calculated based on the growth of the adjusted share closing prices on the stock exchange for the last two years, adjusting the closing prices of the trading day by dividends paid, income tax on dividends and minimum expected yield (the minimum expected yield is 10% of the closing price of the last trading day). The success fee is equal to 20% of the change in the closing price of the last trading day of the current and the previous reporting year, multiplied by the number of shares of the Fund. The costs incurred due to changes in the success fee are recognised as general expenses (see Note 7).

Income tax

Subsidiaries registered in Estonia

According to the Income Tax Act, the annual profit of the company's reporting year is not taxed in Estonia, but the profit allocations (dividends) that are paid out are taxed. The tax rate on (net) dividends is 20/80. Income tax arising from dividend distribution is expensed when dividends are declared (when the payment obligation arises).

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.

Latvian subsidiaries

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

As a result of the implementation of the Income Tax Act 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.

Lithuanian subsidiaries

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.

2 Subsidiaries and joint ventures

On the balance sheet date of 01.01.2023, EfTEN Real Estate Fund AS merged with EfTEN Kinnisvarafond AS. During the merger, EfTEN Real Estate Fund AS acquired, among other things, all subsidiaries of EfTEN Kinnisvarafond AS and a joint venture. In order to carry out the merger, EfTEN Real Estate Fund AS issued 5,747,261 to the shareholders of EfTEN Kinnisvarafond AS, for which EfTEN Kinnisvarafond AS was paid as a non-monetary contribution based on the EPRA NRV value in the amount of 125,906 thousand euros. Additional information on the increase of the share capital is provided in Note 17.

The impact of the merger on the Group's consolidated financial position as of 01.01.2023 is shown in the table below:

	EfTEN Real Estate Fund III	EfTEN Kinnisvarafond AS[1]	Transactions upon merger	Merged company 01.01.2023
€ thousands				
Cash and cash equivalents	11,331	11,621	0	22,952
Other current assets	1,571	462	0	2,033
Total current assets	**12,902**	**12,083**	**0**	**24,985**
Investment property (note 13)	168,875	196,292	0	365,167
Shares in joint ventures	0	2,577	0	2,577
Other non-current assets	179	84	0	263
Total non-current assets	**169,054**	**198,953**	**0**	**368,007**
TOTAL ASSETS	**181,956**	**211,036**	**0**	**392,992**
Current borrowings (note 14)	22,058	26,875	0	48,933
Other current liabilities	1,461	831	0	2,292
Total current liabilities	**23,519**	**27,706**	**0**	**51,225**
Long-term borrowings (note 14)	45,917	55,528	0	101,445
Deferred income tax liability (note 9)	7,248	1,101	0	8,349
Other non-current liabilities	1,008	795	0	1,803
Total non-current liabilities	54,173	57,424	0	111,597
TOTAL LIABILITIES	**77,692**	**85,130**	**0**	**162,822**
Share capital and agio (note 17)	67,013	54,154	71,752	192,919
Statutory reserve capital	2,149	4,734	-4,734	2,149
Retained earnings	35,102	67,018	-67,018	35,102
Total equity (note 17)	**104,264**	**125,906**	**0**	**230,170**
TOTAL LIABILITIES AND EQUITY	**181,956**	**211,036**	**0**	**392,992**

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

EfTEN SPV11 OÜ	31.12.2023	01.01.2023
€ thousands		
Cash and cash equivalents	55	243
Other current assets	34	67
Total current assets	**89**	**310**
Investment properties	9,040	10,020
Shares in joint ventures	133	49
Total non-current assets	**9,173**	**10,069**
TOTAL ASSETS	**9,262**	**10,379**
Current borrowings	5,077	103
Other current liabilities	29	45
Total current liabilities	**5,106**	**148**
Non-current borrowings	0	5,077
Total non-current liabilities	**0**	**5,077**
TOTAL LIABILITIES	**5,106**	**5,225**
NET ASSETS	**4,156**	**5,154**

During 2023, there have been the following changes to the investments in joint ventures:

Book value at merger 01.01.2023	**2,577**
Profit / loss from joint ventures	-499
Book value at the end of the period	**2,078**

As of 31.12.2023, EfTEN Real Estate Fund AS owns the following subsidiaries:

Company name	Country of domicile	Investment property	The subsidiary`s equity, *€ thousands*		Group`s ownership, %	
			31.12.2023	31.12.2022	31.12.2023	31.12.2022
Parent company						
EfTEN Real Estate Fund AS	Estonia					
Subsidiaries						
Saules Miestas UAB	Lithuania	Saules Miestas shopping centre, Šiauliai	23,888	21,601	100	100
Verkiu Projektas UAB	Lithuania	Ulonu office building, Vilnius	4,147	4,612	100	100
EfTEN Stasylu UAB	Lithuania	DSV logistics centre, Vilnius	4,960	5,278	100	100
EfTEN Tänassilma OÜ	Estonia	DSV logistics centre,Tallinn	8,164	8,249	100	100
EfTEN Krustpils SIA	Latvia	DSV logistics centre, Riga	3,060	3,516	100	100
EfTEN Laisves UAB	Lithuania	L3 office building, Vilnius	5,727	6,062	100	100
EfTEN Laagri OÜ	Estonia	Laagri Selver, Tallinn	4,204	5,257	100	100
EfTEN Seljaku OÜ	Estonia	Hortes gardening centre, Laagri	2,437	2,504	100	100
EfTEN Evolution UAB	Lithuania	Evolution office building, Vilnius	6,023	6,249	100	100
EfTEN Tähesaju tee OÜ	Estonia	Hortes gardening centre, Tallinn	2,504	2,724	100	100
EfTEN Autokeskus OÜ	Estonia	ABC Motors Autokeskus, Tallinn	1,808	2,017	100	100
EfTEN Riga Airport SIA	Latvia	airBaltic head office, Riga	4,929	4,796	100	100
EfTEN Piepilsetas SIA	Latvia	Piepilsetas logistics centre, Kekava	3,788	4,216	100	100
EfTEN Rutkausko UAB	Lithuania	Rutkausko office building, Vilnius	6,286	6,464	100	100
EfTEN Pirita OÜ	Estonia	Pirita Pansionaat, Tallinn	3,388	3,779	100	100
EfTEN Ramygalos UAB	Lithuania	Ramygalos logistics centre, Panevežyses	5,190	5,188	100	100
EfTEN Valkla OÜ	Estonia	Valkla Südamekodu, Valkla	1,659	1,784	100	100
EfTEN Ermi OÜ	Estonia	Tartu Südamekodu, Tartu (in construction)	219	237	100	100
EfTEN ABC SIA	Latvia	-	3	3	100	100
EfTEN SPV2 OÜ	Estonia	Lauteri 5, Tallinn	2,915	-	100	-
EfTEN SPV3 OÜ	Estonia	Uku Keskus, Viljandi	7,401	-	100	-
EfTEN SPV4 OÜ	Estonia	Rakvere Police and rescue communal building	3,707	-	100	-
EFTEN SPV5 OÜ	Estonia	Pärnu mnt 105, Tallinn	3,168	-	100	-
EFTEN SPV6 OÜ	Estonia	Pärnu mnt 102, Tallinn	5,590	-	100	-
EfTEN SPV7 OÜ	Estonia	Mustika Keskus, Tallinn	22,343	-	100	-
EfTEN SPV8 OÜ (subsidiary of EfTEN SPV7 OÜ)	Estonia	Mustika Keskus, Tallinn	8,867	-	100	-
EfTEN SPV12 OÜ	Estonia	Tammsaare tee Rautakesko, Tallinn; Kuuli 10, Tallinn	15,846	-	100	-
EfTEN SPV14 OÜ	Estonia	Võru Rautakesko	1,866	-	100	-
EfTEN SPV15 OÜ	Estonia	Premia Külmhoone, Tallinn	3,488	-	100	-
EfTEN SPV17 OÜ	Estonia	Betooni 1a, Tallinn, Betooni 6, Tallinn	10,558	-	100	-
EfTEN Jelgava SIA	Latvia	RAF Centrs, Jelgava	5,105	-	100	-
EfTEN Jurkalne SIA	Latvia	Jurkalne Technology Park, Riga	14,707	-	100	-
EfTEN Terbata SIA	Latvia	Terbata office building, Riga	4,613	-	100	-
Auras Centrs SIA	Latvia	Jelgava Jelgava development project, Jelgava ((in developement)	1,604	-	100	-
EfTEN Menulio UAB	Lithuania	Menulio 11, Vilnius	3,519	-	100	-
Joint ventures						
EfTEN SPV11 OÜ	Estonia	Hotel Palace, Tallinn	2,078	-	50	-

All subsidiaries and joint ventures are engaged in the acquisition and leasing of investment property. The shares of any subsidiaries are listed on the stock exchange.

3 Segment reporting

SEGMENT RESULTS

	Office		Logistics		Retail		Care homes		National		Non-allocated		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
€ thousands														
Revenue (note 4), incl.	**7,742**	**4,015**	**9,658**	**4,072**	**12,921**	**5,694**	**677**	**518**	**819**	**0**	**0**	**0**	**31,817**	**14,299**
Estonia	2,005	0	4,044	1,049	7,591	1,532	677	518	819	0	0	0	15,136	3,099
Latvia	1,238	499	4,050	1,502	1,047	0	0	0	0	0	0	0	6,335	2,001
Lithuania	4,499	3,516	1,564	1,521	4,283	4,162	0	0	0	0	0	0	10,346	9,199
Net rental income, incl.	**7,260**	**3,914**	**9,153**	**4,030**	**11,845**	**5,209**	**672**	**512**	**685**	**0**	**-7**	**0**	**29,608**	**13,665**
Estonia	1,725	0	3,934	1,049	7,205	1,512	672	512	685	0	0	0	14,221	3,073
Latvia	1,130	497	3,655	1,460	844	0	0	0	0	0	0	0	5,629	1,957
Lithuania	4,405	3,417	1,564	1,521	3,796	3,697	0	0	0	0	-7	0	9,758	8,635
Operating profit, incl.	**-2,508**	**5,220**	**4,086**	**4,142**	**10,587**	**5,516**	**-184**	**165**	**535**	**0**	**-374**	**-152**	**12,142**	**14,891**
Estonia	-3,682	0	2,316	1,118	5,174	842	-184	165	535	0	-374	-152	3,785	1,973
Latvia	-45	497	809	1,324	821	0	0	0	0	0	0	0	1,585	1,821
Lithuania	1,219	4,723	961	1,700	4,592	4,674	0	0	0	0	0	0	6,772	11,097
EBITDA, incl.	**6,466**	**3,455**	**8,290**	**3,567**	**10,552**	**4,541**	**543**	**408**	**675**	**0**	**-374**	**-152**	**26,152**	**11,819**
Estonia	1,574	0	3,644	957	6,520	1,321	543	408	675	0	-374	-152	12,582	2,534
Latvia	924	389	3,245	1,245	741	0	0	0	0	0	0	0	4,910	1,634
Lithuania	3,968	3,066	1,401	1,365	3,291	3,220	0	0	0	0	0	0	8,660	7,651
Operating profit													**12,142**	**14,891**
Profit / loss from joint venture (note 2)													-499	0
Net financial expense (note 8)													-7,786	-1,680
Profit before income tax													**3,857**	**13,211**
Income tax expense (note 9)													-2,857	-1,803
NET PROFIT FOR THE REPORTING PERIOD													**1,000**	**11,408**

SEGMENT ASSETS

	Office		Logistics		Retail		Care homes		National		Total	
As at year-end	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
€ thousands												
Investment property												
Estonia	25,070	0	50,100	13,610	88,420	20,540	11,834	8,954	7,220	0	182,644	43,104
Latvia	15,080	6,920	40,050	17,560	11,702	0	0	0	0	0	66,832	24,480
Lithuania	50,310	44,881	19,710	20,130	38,420	36,280	0	0	0	0	108,440	101,291
Total investment property (Note 13)	**90,460**	**51,801**	**109,860**	**51,300**	**138,542**	**56,820**	**11,834**	**8,954**	**7,220**	**0**	**357,916**	**168,875**
Joint ventures (Note 2)											2,078	0
Other non-current assets											372	179
Net debt (liabilities less cash)											-147,534	-66,361
Other current assets											5,866	1,571
NET ASSETS											**218,698**	**104,264**

As of the end of 2023, the Group has one ongoing development project in the nursing home segment – Tartu Südamekodu in Estonia. The fair value of the ongoing development project as of 31.12.2023 was 2,674 thousand euros. Tartu Südamekodu nursing home will be completed in the fall of 2024. In 2023, the Valkla Südemekodu project was completed.

In 2023 and 2022, the business segments did not make any transactions with each other. The main income of the Group is derived from investment properties located in the same countries as the subsidiary that owns the investment property.

The largest customers of the Group are Livonia Print SIA, Kesko Senukai Estonia AS and Prisma Peremarket AS, having respectively 5.9%, 5.6% and 5.0% of the group's consolidated rental income. The share of the income of the other tenants in the consolidated income is less than 5%.

4 Revenue

Segments	2023	2022
€ thousands		
Rental income from office premises (Note 13)	7,679	3,981
Rental income from national institutions (Note 13)	819	0
Rental income from retail premises (Note 13)	12,111	4,983
Rental income from logistics premises (Note 13)	9,334	4,007
Rental income from care home premises (Note 13)	663	518
Other sales revenue	1,211	810
Total revenue by segments of activity (Note 3)	**31,817**	**14,299**

Revenue by geographic areas	2023	2022
€ thousands		
Estonia	15,136	3,099
Latvia	6,335	2,001
Lithuania	10,346	9,199
Total revenue by geographical area (Note 3)	**31,817**	**14,299**

5 Cost of services sold

Cost of services sold	2023	2022
€ thousands		
Repair and maintenance of rental premises	-792	-48
Property insurance	-61	-5
Land tax and real estate tax	-198	-28
Other costs of administrative activities	-96	-10
Utility costs of vacant premises	-133	0
Depreciation expenses	-20	-2
Improvement costs	-137	-13
Wage costs, including taxes (Note 19)	-31	-39
Proportional costs of VAT	-44	-42
Other selling expenses	0	-80
Allowance for doubtful accounts	-114	0
Total cost of services sold (Note 13)	**-1,626**	**-267**

6 Marketing costs

Marketing costs	2023	2022
€ thousands		
Commission expenses on rental premises	-47	-25
Advertising, advertising events[1]	-536	-342
Total marketing costs	**-583**	**-367**

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

7 General administrative expenses

General administrative expenses	2023	2022
€ thousands		
Management services (Note 19)	-2,148	-1,178
Office expenses	-78	-41
Wages and salaries, incl. taxes (Note 19)	-438	-228
Consulting expenses, legal expenses, accounting service	-507	-207
Audit costs	-126	-73
Regulator costs	-157	-112
Other general administrative expenses	-43	-32
Depreciation costs	-49	-45
Total general administrative expense	**-3,546**	**-1,916**

8 Other financial income and expenses

Other financial income and expenses	2023	2022
€ thousands		
Interest expenses, incl.	-7,970	-1,854
Interest expenses from loans	-7,970	-1,809
Interest expense from derivatives (-)/ cost reductions (+)	0	-45
Change in fair value of interest swaps	0	174
Total other financial income and expenses (Note 3,16)	**-7,970**	**-1,680**

9 Income tax

	2023	2022
€ thousands		
Deferred income tax expense on dividends	-1,511	-274
Lithuanian corporate deferred income tax expense	-1,198	-1,239
Lithuanian corporate income tax expense on profits	-148	-290
Total income tax expense (Note 3)	**-2,857**	**-1,803**

Changes in deferred income tax liability in 2023 and 2022 include the following changes:

	Deferred income tax liability related to real estate investments	Deferred income tax liability in respect of dividends	Total
€ thousands			
Balance as at 31.12.2022	**5,673**	**272**	**5,945**
Change in deferred income tax liability in the income statement in 2022	1,239	273	1,512
Income tax paid on dividends	0	-209	-209
Balance as at 31.12.2022	**6,912**	**336**	**7,248**
Change in deferred income tax liability in the income statement in 2023	1,198	1,511	2,309
Income tax paid on dividends	0	-1,780	-1,780
Deferred income tax expense from the merger (Note 2)	0	1,101	1,101
Other changes	-1	6	5
Balance as at 31.12.2023	**8,109**	**1,174**	**9,283**

10 Earnings per share

Earnings per share	2023	2022
Net profit for the period, € thousands	1,000	11,408
Dividend per share, euros	1.15	0.80
Weighted average number of shares over the period, in pc	10,819,796	5,072,535
Earnings per share, euros	**0.09**	**2.25**

11 Cash and cash equivalents

	31.12.2023	31.12.2022
€ thousands		
Demand deposits	9,822	11,327
Overnight deposits[1]	4,890	0
Cash and cash equivalents (Note 16)	**14,712**	**11,331**

[1]Term deposits carry interest at a variable rate. As at 31.12.2023 the interest rate was 3.7% per annum.

12 Receivables and accrued income

	31.12.2023	31.12.2022
€ thousands		
Receivables from customers	1,637	765
Allowance for doubtful accounts	-120	-6
Total receivables from customers (note 16)	**1,517**	**759**
Receivables from interest derivatives	0	53
Other short-term receivables	26	27
Total other short-term receivables	**26**	**80**
Interests	8	0
Advances and refunds of VAT	179	111
Other accrued income	630	572
Total accrued income	**817**	**683**
Total receivables and accrued income (note 16)	**2,360**	**1,522**

Long-term receivables	31.12.2023	31.12.2022
€ thousands		
Receivables and prepayments related to real estate development projects	214	61
Total long-term receivables	**214**	**61**

Additional information on receivables and accrued income is provided in Note 16.

13 Investment properties

As of December 31, 2023, the Group has made investments in the following investment properties:

Name	Location	Net rental area (m2)	Year of construction	Date of acquisition	Acquisition cost	Market value as at 31.12.2023	Increase in value	Share of market value of the Fund's asset
€ thousands								
Office								
Lauteri 5[1]	Tallinn, Estonia	3,822	1958	01.2023	5,881	5,100	-13%	1%
Pärnu mnt 105[1]	Tallinn, Estonia	4,776	1998	01.2023	8,071	6,780	-16%	2%
Pärnu mnt 102[1]	Tallinn, Estonia	9,285	2005	01.2023	16,372	13,190	-19%	3%
Terbata[1]	Riga, Latvia	6,056	2005	01.2023	9,127	8,190	-10%	2%
Menulio 11[1]	Vilnius, Lithuania	5,617	recon. 2011-2013	01.2023	8,128	7,490	-8%	2%
Ulonu	Vilnius, Lithuania	5,327	2012	12.2015	8,344	8,700	4%	2%
L3	Vilnius, Lithuania	6,150	2004	10.2016	8,849	10,370	17%	3%
Evolution	Vilnius, Lithuania	6,614	2009	05.2018	10,022	11,130	11%	3%
airBaltic	Riga, Latvia	6,217	recon. 2016	03.2020	7,112	6,890	-3%	2%
Rutkausko	Vilnius, Lithuania	6,812	2014	08.2020	11,819	12,620	7%	3%
Office total		**60,676**			**93,725**	**90,460**	**-3%**	**24%**
Logistics								
Premia Külmhoone[1]	Tallinn, Estonia	7,258	2002/2007	01.2023	6,840	6,530	-5%	2%
Kuuli 10[1]	Tallinn, Estonia	15,197	2006	01.2023	11,545	11,510	0%	3%
Betooni 1a[1]	Tallinn, Estonia	10,678	2008	01.2023	9,190	9,140	-1%	2%
Betooni 6[1]	Tallinn, Estonia	17,220	1998	01.2023	10,244	9,620	-6%	3%
Jurkalne Technology Park[1]	Riga, Latvia	44,231	2002	01.2023	24,851	23,440	-6%	6%
DSV logistics centre	Vilnius, Lithuania	11,751	2005	06.2016	8,525	9,120	7%	2%
DSV logistics centre	Tallinn, Estonia	16,014	2003	07.2016	12,366	13,300	8%	3%
DSV logistics centre	Riga, Latvia	12,149	2000	07.2016	8,865	8,320	-6%	2%
Piepilsetas logistics centre	Kekava, Latvia	13,389	2007	03.2020	8,836	8,290	-6%	2%
Ramygalos logistics centre	Panevėžyses, Leedu	20,126	2007	06.2021	10,024	10,590	6%	3%
Logistics total		**168,013**			**111,286**	**109,860**	**-1%**	**29%**

Name	Location	Net rental area (m2)	Year of construction	Date of acquisition	Acquisition cost	Market value as at 31.12.2023	Increase in value	Share of market value of the Fund's asset
Retail								
Võru Rautakesko[1]	Võru, Estonia	3,120	2008	01.2023	2,890	2,670	-8%	1%
Uku Keskus[1]	Viljandi, Estonia	8,940	2012/2018	01.2023	13,597	13,620	0%	4%
Mustika Keskus[1]	Tallinn, Estonia	27,573	1998/2002	01.2023	37,010	36,810	-1%	10%
RAF Centrs[1]	Jelgava, Latvia	6,225	2014/2017	01.2023	9,280	9,360	1%	2%
Tammsaare tee Rautakesko[1]	Tallinn, Estonia	9,120	2007	01.2023	15,700	15,580	-1%	4%
Jelgava development project [1]	Jelgava, Latvia		In development	01.2023	2,342	2,342	0%	1%
Saules Miestas Shopping centre	Šiauliai, Lithuania	20,312	2007	08.2015	30,110	38,420	28%	10%
Laagri Selver	Tallinn, Estonia	3,059	2017	05.2017	6,279	7,700	23%	2%
Hortes gardening centre	Laagri, Estonia	3,470	2006	05.2017	3,138	3,550	13%	1%
Hortes gardening centre	Tallinn, Estonia	5,300	2019	05.2018	5,458	5,340	-2%	1%
ABC Motors Autokeskus	Tallinn, Estonia	2,149	2002	02.2019	3,482	3,150	-10%	1%
Retail total		**89,268**			**129,286**	**138,542**	**7%**	**36%**
National								
Rakvere Police and rescue communal building (National) [1]	Rakvere, Estonia	5,775	2010	01.2023	7,360	7,220	-2%	2%
Care homes								
Pirita Pansionaat	Tallinn, Estonia	5,983	2020	12.2020	6,217	5,820	-6%	2%
Valkla Südamekodu	Valkla, Estonia	4,423	2023	04.2022	3,860	3,340	-13%	1%
Tartu Südamekodu	Tartu, Estonia		In construction	04.2022	2,674	2,674	0%	1%
Care homes total		**10,406**			**12,751**	**11,834**	**-7%**	**3%**
Total		**334,138**			**354,408**	**357,916**	**1%**	**94%**

[1] Investment property have increased since the merger with EfTEN Kinnisvarafond AS.

Additional information on investment properties is provided in Note 3 'Segment reporting'.

In addition to the investment properties shown in the above table, the joint venture EfTEN SPV11 OÜ with a 50% shareholding of the Group, owns investment properties at Vabaduse väljak 3 / Pärnu mnt 14, Tallinn (hotel "Palace"). The fair value of the investment property as of 31.12.2023 is 9,040 thousand euros.

The following changes have occurred in the Group's investment properties in 2023 and 2022:

	Investment property under development	Completed investment property	Total investment property
Balance as at 31.12.2021	**0**	**161,961**	**161,961**
Acquisitions	2,926	0	2,926
Capitalized improvements	0	869	869
Gain/loss from the change in fair value	-292	3,411	3,119
Balance as at 31.12.2022	**2,634**	**166,241**	**168,875**
Acquisitions and developments	3,607	0	3,607
Assets obtained in the merger (Note 2)	2,342	193,950	196,292
Capitalized improvements	0	3,083	3,083
Reclassifications	-3,567	3,567	0
Gain/loss form the change in fair value	0	-13,941	-13,941
Balance as at 31.12.2023	**5,016**	**352,900**	**357,916**

The Group's income statement and balance sheet reflect, among other things, the following income and expenses and balances related to investment properties:

As of December 31, or for the year	2023	2022
Rental income from investment properties (note 4)	30,606	13,489
Costs directly related to the management of investment properties (note 5)	-1,626	-267
Outstanding amounts from the acquisition of investment properties (note 15)[1]	904	268
Book value of investment properties pledged as collateral for loan liabilities	**352,900**	**168,641**

[1] As of 31.12.2023, the Group had outstanding payments to suppliers from the acquisition of investment properties in the amount of 754 thousand euros for the construction of Tartu Südamekodu, 129 thousand euros for the construction works of Betoon 6 and 20 thousand euros for the construction works of Lauteri 5 rental premises.

The lease agreements concluded between EfTEN Real Estate Fund AS and the tenants comply with the conditions of unbreakable operating lease agreements. The income from these leases is distributed as follows:

Payments from perpetual operating leases	31.12.2023	31.12.2022
€ thousands		
Up-to 1 year	27,483	12,184
2-5 years	48,075	28,791
More than 5 years	23,183	21,847
Total	**98,741**	**62,822**

Assumptions and basis for determining the fair value of investment property

The Group's investment properties are valued by an independent appraiser. The fair value of all investment property reflected in the Group's reports as of 31.12.2023 and 31.12.2022 has been obtained using the discounted cash flow method. The following assumptions have been used in finding the fair value:

As of 31.12.2023:

Sector	Fair value	Valuation method	Estimated rental income per year	Discount rate	Exit yield	Average rental price €/m2
€ thousands						
Office	90,460	Discounted cash flows	7,611	8.3%-9.7%	6.5%-8.25%	11.1
Logistics	109,860	Discounted cash flows	9,762	8.1%-10.7%	7.1%-8.5%	4.7
Retail	138,542	Discounted cash flows	11,768	8.1%-10.5%	6.8%-8.8%	12.0
National	7,220	Discounted cash flows	856	9.5%	8.5%	11.3
Care homes	11,834	Discounted cash flows	907	9.0%-9.5%	7.5%-8.5%	8.6
Total	**357,916**		**30,904**			

As of 31.12.2022:

Sector	Fair value	Valuation method	Estimated rental income per year	Discount rate	Exit yield	Average rental price €/m2
€ thousands						
Office	51,801	Discounted cash flows	3,851	8.8%	6.75%-7.5%	11.5
Logistics	51,300	Discounted cash flows	4,116	8.2%-9.6%	7.1%-7.9%	4.7
Retail	56,820	Discounted cash flows	4,803	7.8%-9.6%	6.5%-8.0%	12.2
Care homes	8,954	Discounted cash flows	631	8.0%-9.0%	6.8%-8.0%	5.0
Total	**168,875**		**13,401**			

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

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

Fair value sensitivity analysis

The table below illustrates the sensitivity of the fair value of investment properties recognized in the Group's balance sheet as of 31.12.2023 to the most important valuation assumptions:

Sector	Fair value	Sensitivity to management estimate		Sensitivity to independent appraisal			
		Revenue +10%	Revenue -10%	Discount rate +50bp	Discount rate -50bp	Exit yield rate +50bp	Exit yield rate-50bp
€ thousands							
Office	90,460	9,920	-9,930	-1,800	1,840	-4,030	4,630
Logistics	109,860	12,650	-11,820	-2,230	2,300	-4,400	5,880
Retail	138,542	14,990	-14,950	-2,580	2,670	-5,460	6,250
National	7,220	900	-900	-140	140	-270	290
Care homes	11,834	980	-960	-150	180	-380	440
Total	**357,916**	**39,440**	**-38,560**	**-6,900**	**7,130**	**-14,540**	**17,490**

As at 31.12.2022

Sector	Fair value	Sensitivity to management estimate		Sensitivity to independent appraisal			
		Revenue +10%	Revenue -10%	Discount rate +50bp	Discount rate -50bp	Exit yield rate +50bp	Exit yield rate-50bp
€ thousands							
Office	51,801	5,630	-5,640	-1,040	1,040	-2,500	2,870
Logistics	51,300	5,380	-5,370	-1,010	1,010	-2,300	2,640
Retail	56,820	6,390	-6,410	-1,130	1,130	-2,420	2,760
Care homes	8,954	980	-1,040	-220	220	-460	470
Total	**168,875**	**18,380**	**-18,460**	**-3,400**	**3,400**	**-7,680**	**8,740**

Level three inputs have been used to determine the fair value of all the Group's investment properties (Note 16).

14 Borrowings

As at 31.12.2023, the Group has the following borrowings:

Lender	Country of lender	Loan amount as per agreement	Loan balance as at 31.12.23	Contract term	Interest rate as at 31.12.23	Loan collateral	Value of collateral	Loan balance's share of the fund's net asset value
SEB	Estonia	4,800	3,258	30.04.27	5.71%	Mortgage - Premia Külmhoone	6,530	1.5%
Luminor	Estonia	2,633	950	25.12.26	6.28%	Mortgage - Võru Rautakesko	2,670	0.4%
SEB	Estonia	2,514	1,929	13.06.26	5.76%	Mortgage - Lauteri 5	5,100	0.9%
SEB	Estonia	8,429	5,303	25.01.27	5.77%	Mortgage - Uku Keskus	13,620	2.4%
Swedbank	Estonia	3,711	3,571	25.10.25	5.67%	Mortgage - Rakvere Police and rescue communal building	7,220	1.6%
Swedbank	Estonia	4,153	3,072	30.08.28	5.60%	Mortgage - Pärnu mnt 105	6,780	1.4%
Swedbank	Estonia	8,508	7,168	30.08.26	5.55%	Mortgage - Pärnu mnt 102	13,190	3.3%
SEB	Estonia	20,000	15,240	31.08.27	6.08%	Mortgage - Mustika Keskus	36,810	7.0%
Swedbank	Estonia	15,622	12,358	31.05.28	5.47%	Mortgage - Tammsaare tee Rautakesko;Kuuli 10	27,090	5.7%
SEB	Estonia	10,300	8,425	26.06.27	5.85%	Mortgage - Betooni 1a; Betooni 6	18,760	3.9%
Swedbank	Lithuania	4,078	3,295	07.12.25	6.37%	Mortgage - Menulio 11	7,490	1.5%
SEB	Latvia	4,561	3,411	16.04.27	5.72%	Mortgage - RAF Centrs	9,360	1.6%
Swedbank	Latvia	5,850	3,619	31.07.27	5.87%	Mortgage - Terbata office building	8,190	1.7%
SEB	Latvia	12,060	9,332	08.08.24	6.02%	Mortgage - Jurkalne Technology Park	23,440	4.3%
Swedbank	Lithuania	15,257	11,750	13.08.28	6.30%	Mortgage - Saules Miestas Shopping centre	38,420	5.4%
SEB	Lithuania	5,500	3,876	28.06.26	5.76%	Mortgage - DSV logistics centre	9,120	1.8%
SEB	Latvia	5,123	3,719	29.06.26	5.77%	Mortgage - DSV logistics centre	8,320	1.7%
SEB	Estonia	7,950	5,600	29.06.26	5.78%	Mortgage - DSV logistics centre	13,300	2.6%
SEB	Lithuania	5,620	3,995	27.10.26	5.81%	Mortgage - L3 office building	10,370	1.8%
SEB	Lithuania	5,200	3,522	21.12.25	6.16%	Mortgage - Ulonu office building	8,700	1.6%
SEB	Lithuania	5,850	4,478	30.05.28	5.85%	Mortgage - Evolution office building	11,130	2.0%
Swedbank	Estonia	3,833	3,699	29.06.27	5.25%	Mortgage - Laagri Selver	7,700	1.7%
SEB	Estonia	1,860	1,263	05.07.27	5.91%	Mortgage - Hortes gardening centre Laagri	3,550	0.6%
Swedbank	Estonia	3,290	2,797	11.01.27	5.81%	Mortgage - Hortes gardening centre Tähesaju	5,340	1.3%
LHV	Estonia	1,800	1,493	25.02.24	6.90%	Mortgage - ABC Motors Autokeskus	3,150	0.7%
Swedbank	Latvia	4,000	2,501	05.02.26	6.17%	Mortgage - Piepilsetas logistics centre	8,290	1.1%
Luminor	Latvia	3,905	2,283	04.02.25	6.72%	Mortgage - airBaltic main building	6,890	1.0%
Swedbank	Estonia	3,100	2,790	28.11.25	5.82%	Mortgage - Pirita care home, parent company's guarantee	5,820	1.3%
Swedbank	Estonia	2,250	1,636	25.09.27	5.82%	Mortgage - Valkla Südamekodu	3,340	0.7%
Šiaulių bankas	Lithuania	6,000	5,403	13.06.26	6.43%	Mortgage - Ramygalos logistics centre	10,590	2.5%
SEB	Lithuania	7,300	6,172	12.08.25	6.09%	Mortgage - Rutkausko office building	12,620	2.8%
Swedbank[1]	Estonia	3,100	0	21.12.28	5.81%	Mortgage -Tartu Südamekodu; parent company's guarantee	2,674	0.0%
Total		**198,157**	**147,908**				**355,574**	**67,6%**

[1] A loan agreement was signed for the construction of Tartu Südamekodu on 21.12.2023. The first loan amount was disbursed to the Group's subsidiary after the balance sheet date, in January 2024.

As at 31.12.2023 the Group has the following borrowings:

Lender	Country of lender	Loan amount as per agreement	Loan balance as at 31.12.23	Contract term	Interest rate as at 31.12.23	Loan collateral	Loan collateral	Loan balance's share of the fund's net asset value
Swedbank	Lithuania	14,616	12,554	13.08.23	4.79%	Mortgage - Saules Miestas Shopping centre	36,280	12.0%
SEB	Lithuania	5,500	4,047	28.06.26	3.04%	Mortgage - DSV logistics centre	9,470	3.9%
SEB	Latvia	5,123	3,884	29.06.26	3.98%	Mortgage - DSV logistics centre	8,830	3.7%
SEB	Lithuania	5,620	4,181	27.10.26	3.09%	Mortgage - L3 office building	10,771	4.0%
SEB	Estonia	7,950	5,849	29.06.26	3.08%	Mortgage - DSV logistics centre	13,610	5.6%
SEB	Lithuania	5,200	3,690	21.12.25	3.44%	Mortgage - Ulonu office building	9,320	3.5%
SEB	Lithuania	5,850	4,673	30.05.23	3.95%	Mortgage - Evolution office building	11,780	4.5%
Swedbank	Estonia	3,833	2,814	29.06.27	3.30%	Mortgage - Laagri Selver	7,810	2.7%
SEB	Estonia	1,860	1,356	05.07.27	2.24%	Mortgage - Hortes gardening centre Laagri	3,720	1.3%
Swedbank	Estonia	3,290	2,928	11.01.24	3.56%	Mortgage - Hortes gardening centre Tähesaju	5,600	2.8%
LHV	Estonia	1,800	1,551	25.02.24	3.88%	Mortgage - ABC Motors Autokeskus	3,410	1.5%
Swedbank	Latvia	4,000	2,614	05.02.23	5.21%	Mortgage - Piepilsetas logistics centre	8,730	2.5%
Luminor	Latvia	3,905	2,457	04.02.25	4.39%	Mortgage - airBaltic main building	6,920	2.4%
Swedbank	Estonia	3,100	2,914	28.11.25	3.85%	Mortgage - Pirita Pansionaat; parent company's guarantee	6,320	2.8%
Swedbank	Estonia	2,250	377	25.09.27	3.85%	Mortgage - Valklaranna tee 36	2,400	0.4%
Šiaulių bankas	Lithuania	6,000	5,646	13.06.26	5.02%	Mortgage - Ramygalos logistics centre	10,660	5.4%
SEB	Lithuania	7,300	6,526	12.08.25	2.76%	Mortgage - Rutkausko office building	13,010	6.3%
Total		**87,197**	**68,061**				**168,641**	**65.3%**

Short-term borrowings	31.12.2023	31.12.2022
€ thousands		
Repayments of non-current bank loans in the next period [2]	16,966	22,093
Discounted contract fees for bank loans	-59	-35
Total short-term borrowings	**16,907**	**22,058**

[2] Repayments of non-current bank loans in the next period as of 31.12.2023 include the balance of the loan obligations of three subsidiaries expiring within the next 12 months in the amount of 10,825 thousand euros. The LTV of the expiring loan agreements is 40% and 48%, and the investment property have a stable, strong rental cash flow, so according to the Group's management, there will be no obstacles to the extension of the loan agreements.

Repayments of non-current bank loans in the next period as of 31.12.2022 included the balance of three loan obligations ending in 2023 in the total amount of 19,841 thousand euros. Loans due in 2023 were extended upon their maturity.

Long-term borrowings	31.12.2023	31.12.2022
€ thousands		
Total long-term borrowings	147,756	67,975
incl. current portion of borrowings	16,907	22,058
incl. non-current portion of borrowings, incl.	130,849	45,917
Bank loans	130,942	45,968
Discounted contract fees on borrowings	-93	-51

Borrowings are divided as follows according to repayment date:

Repayments of borrowings by maturity	31.12.2023	31.12.2022
€ thousands		
Up to 1 year	16,966	22,093
2-5 years	130,942	45,968
More than 5 years	0	0
Total repayments of borrowings	**147,908**	**68,061**

Cash flows of borrowings	2023	2022
€ thousands		
Balance at the beginning of the period	**67,975**	**71,085**
Bank loans received from merger	82,403	0
Bank loans received	4,080	377
Annuity payments on bank loans	-6,720	-3,493
Change of discounted contract fees	18	6
Balance at the end of the period	**147,756**	**67,975**

Additional information on borrowings is also provided in Note 16.

15 Payables and prepayments

Current liabilities and prepayments

	31.12.2023	31.12.2022
€ thousands		
Payables to suppliers from fixed asset transactions (note 13)	904	268
Other payables to suppliers	827	228
Total payables to suppliers	**1,731**	**496**
Other payables	91	4
Total other payables	**91**	**4**
VAT	476	272
Income tax on dividends	14	62
Personal income tax	6	0
Social tax	13	0
Land tax, real estate tax	84	64
Other tax liabilities	10	5
Total tax liabilities	**603**	**403**
Payables to employees	44	27
Interest liabilities	264	123
Tenants' security deposits	363	82
Other accrued liabilities	320	326
Total accrued liabilities	**991**	**558**
Prepayments		
Other prepaid income	1	0
Total prepayments	**1**	**0**
Total liabilities and prepayments	**3,417**	**1,461**

Long-term liabilities

	31.12.2023	31.12.2022
€ thousands		
Tenants' security deposits	1,790	1,008
Total other long-term liabilities	**1,790**	**1,008**

For additional information on liabilities, please see Note 16

16 Financial instruments, management of financial risks

The main financial liabilities of the Group are borrowings that have been raised to finance the investment properties of the Group. The balance sheet of the Group also contains cash and short-term deposits, trade receivables, other receivables and trade payables. For additional information on the Group's finance costs, please see Note 8.

The table below indicates the division of the Group's financial assets and financial liabilities according to financial instrument type.

Carrying amounts of financial instruments

	Notes	31.12.2023	31.12.2022
€ thousands			
Financial assets – loans and receivables			
Cash and cash equivalents	11	14,712	11,331
Short-term deposits [1]		3,400	0
Trade receivables	12	1,517	759
Total financial assets		**19,629**	**12,090**
Financial liabilities measured at amortised cost			
Borrowings	14	147,756	67,975
Trade payables	15	1,731	496
Tenant security deposits	15	2,153	1,090
Interest liabilities	15	264	123
Accrued expenses	15	364	353
Total financial liabilities measured at amortised cost		**152,268**	**70,037**
Total financial liabilities		**152,268**	**70,037**

[1] Short-term deposits are concluded with a maturity of 4 to 6 months and bear interest of 2.3% - 4.5% per year.

The fair value of the financial assets and financial liabilities presented in the table above, which are recorded at adjusted cost, does not differ materially from their fair value.

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

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

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

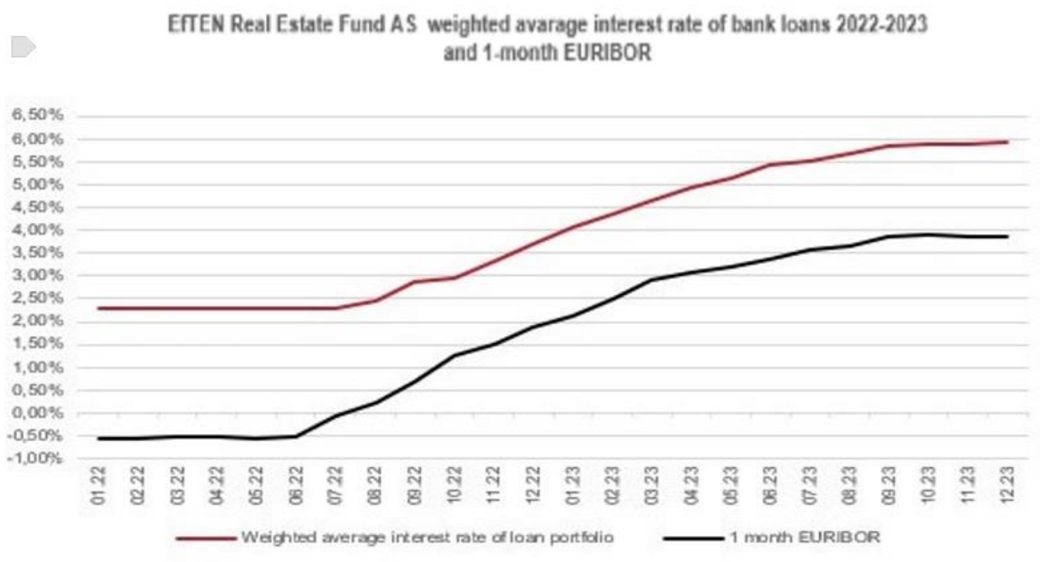
Market risk

Market risk is 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 rate risk

Interest rate risk is the risk of changes in the future cash flows of financial instruments due to changes in market interest rates. A change in market interest rates mainly influences the long-term floating rate borrowings of the Group.

Starting from the summer of 2022, the variable part of the interest rate (EURIBOR) of the Group's long-term loan agreements has fluctuated significantly. This is as a result of macroeconomic factors, including the policies of central banks, inflation expectations, and geopolitical events. These changes have a direct impact on the Group's financial performance, cash flows and risk management strategies. While in June 2022, the EURIBOR part related to the Group's loan agreements was negative, since July 2022 the interest rates have risen consistently. The slowdown in the EURIBOR increase has been noticeable since September 2023, and depending on the EURIBOR period, the interest rates of some loans have also decreased slightly in November and December.



As of 31.12.2023, 100% of the Group's loan agreements have been concluded on a floating interest basis (margin between 1.40% and 2.95% plus 1-month, 3-month and 6-month EURIBOR). All contracts in the loan portfolio of EfTEN Real Estate Fund AS have a 0% limit (floor) set to protect against negative EURIBOR, i.e. in case of negative EURIBOR, the loan margin for these loan obligations does not decrease. The weighted average interest rate of the Group's loans was 5.9% as of 31.12.2023 (31.12.2022: 3.7%).

Due to the uncertain situation on the interest market, the Group's subsidiaries do not have valid interest rate swap agreements as of 31.12.2023, but the Group's management consistently monitors interest rate market expectations and considers derivative transactions to fix EfTEN Real Estate Fund AS Consolidated interim report for the 4th quarter and 12 months of 2023 (unaudited) 33 interest costs to the extent of up to 50% of the entire loan portfolio when the interest market stabilizes. In the autumn of 2023, the level of interest rate swap agreements with a 5-year term has consistently decreased - if from the beginning of 2023 until October it was possible to fix the EURIBOR for five years through interest rate swap agreements at an average level of 3.2%-3.4%, then at the end of December the markets are offering to fix the interest rate for the next five years at the level of 2.4%.

The continued appreciation of EURIBOR has a negative impact on the Group's net profit and cash flows. The table below shows the effect of the interest rate change on the Group's pre-tax profit and cash flows by EURIBOR levels (2,0%-5,0%), considering loan balances as of 31.12.2023.

EURIBOR RATE	**Impact on pre-tax profits and cash flows per year**	***Change in interest expense, %***
€ thousands		
Interest expense per year, as at the end of the reporting period	**-8,519**	
Effect of EURIBOR change:		
EURIBOR 2.0%	2,793	*-32.8%*
EURIBOR 3.0%	1,314	*-15.4%*
EURIBOR 4.0%	-165	*1.9%*
EURIBOR 5.0%	-1,644	*19.3%*

Liquidity risk

Liquidity risk arises from a potential change in financial position that would reduce the Group's ability to service its liabilities in a timely and correct manner. The Group's liquidity is primarily affected by the following factors:

- decrease or volatility of rental income, reducing the Group's ability to generate positive net cash flows;
- vacancy of rental property;
- mismatch between the maturities of assets and liabilities and flexibility in changing them;
- marketability of long -term assets;
- volume and pace of real estate development activities;
- financing structure.

The Group's objective is to manage net cash flows in such a way that no more than 65% of the acquisition cost of the investment property involves external debt and the Group's debt coverage ratio would be higher than 1.2. As of December 31, 2023, the share of the Group's interest-bearing debt liabilities in rental income generating investment properties was 41% (31.12.2022: 40%) and the average debt coverage ratio (DSCR) for the last 12 months was 1.8 (2022: 2.2).

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

As at 31.12.2023	**Less than 1 month**	**Between 2 and 4 months**	**Between 5 and 12 months**	**Between 2 and 5 years**	**Over 5 years**	**Total**
€ thousands						
Interest-bearing liabilities	622	3,088	13,257	130,941	0	**147,908**
Interest payments	862	2,176	5,481	16,262	0	**24,781**
Interest liabilities	264	0	0	0	0	**264**
Trade payables	1,731	0	0	0	0	**1,731**
Tenant security deposits	7	99	258	1,245	545	**2,153**
Accrued expenses	364	0	0	0	0	**364**
Total financial liabilities	**3,850**	**5,363**	**18,996**	**148,448**	**545**	**177,201**

As at 31.12.2022	**Less than 1 month**	**Between 2 and 4 months**	**Between 5 and 12 months**	**Between 2 and 5 years**	**Over 5 years**	**Total**
€ thousands						
Interest-bearing liabilities	371	3,453	18,266	45,971	0	**68,061**
Interest payments	226	655	1,337	3,365	0	**5,583**
Interest liabilities	123	0	0	0	0	**123**
Trade payables	496	0	0	0	0	**496**
Tenant security deposits	2	16	64	836	172	**1,090**
Accrued expenses	353	0	0	0	0	**353**
Total financial liabilities	**1,571**	**4,124**	**19,667**	**50,172**	**172**	**75,706**

Statement of working capital

	31.12.2023	**31.12.2022**
€ thousands		
Cash and cash equivalents (Note 11)	14,712	11,331
Short-term deposits	3,400	0
Receivables and accrued income (Note 12)	2,360	1,522
Prepaid expenses	106	49
Total current assets	**20,578**	**12,902**
Short-term portion of long-term liabilities (Note 14)	-16,907	-22,058
Short-term liabilities and prepayments	-3,417	-1,461
Total current liabilities	**-20,324**	**-23,519**
Total working capital	**254**	**-10,617**

As at 31.12.2023 the Group's working capital is negative, i.e current liabilities exceed current assets by EUR 10,617 thousand. The working capital is negative in connection with three loan agreements ending in 12 months, in total 19,841 thousand.

Credit risk

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

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

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

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

Trade receivables are illustrated by the table below:

	31.12.2023	31.12.2022
Not due	1,303	717
Past due, incl.	**333**	**48**
Up to 30 days	193	33
30-60 days	70	6
More than 60 days	70	9
Allowance for doubtful accounts	-119	-6
Total trade receivables (Note 12)	**1,517**	**759**

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

	31.12.2023	31.12.2022
€ thousands		
Cash and cash equivalents (Note 11)	14,712	11,331
Short-term deposits	3,400	0
Trade receivables (Note 12)	1,517	759
Total maximum credit risk	**19,629**	**12,090**

Bank account balances and deposits reflected in the group's cash and cash equivalents and short-term deposits are divided by banks according to ratings (Moody's long-term) as follows:

Rating	31.12.2023	31.12.2022
€ thousands		
Aa2	17,107	10,436
Baa1	680	478
Baa2	325	413
Total	**18,112**	**11,327**

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 yield on investment for its shareholders and to maintain an optimal capital structure.

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

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

According to the Group's management, the Group's free cash flow allows to pay dividends to investors on average 80% of the adjusted cash flow for the calendar year (EBITDA minus interest expense minus loan payments and Lithuanian corporate income tax expense). During 2023, the group has earned a free cash flow of 11,314 thousand euros (2022: 6,182 thousand euros), of which, according to the Fund's dividend policy, the total amount of net dividends would be 9,051 thousand euros (2022: 4,946 thousand euros). Taking into account the obligation to keep a minimum cash balance resulting from the special conditions of the loan of the fund's subsidiaries and the short-term need for liquidity, as well as the possibility of increasing the loan amount by 2,166 thousand euros due to the current loan agreement of the Fund's subsidiaries EfTEN Jurkalnes SIA, EfTEN SPV15 OÜ and Saules Miestas UAB, the Fund's board proposes to the council to pay dividends for 2023 more than the dividend policy stipulates - in total 10,820 thousand euros (1 euro per share).

Statement of capitalization

More detailed information on mortgages established as collateral for the obligations provided in the capitalization report is available in Note 13 of the report.

	31.12.2023	31.12.2022
€ thousands		
Short term liabilities guaranteed with mortgage (Note 14)	16,966	22,093
Unsecured current liabilities	3,358	1,426
Total short-term liabilities	**20,324**	**23,519**
Long term liabilities guaranteed with mortgage (Note 14)	130,942	45,968
Unsecured non-current liabilities	10,980	8,205
Total long-term liabilities	**141,922**	**54,173**
Share capital and share premium (Note 17)	192,919	67,013
Reserves	2,749	2,149
Retained earnings (Note 18)	23,030	35,102
Total shareholder's equity	**218,698**	**104,264**
Total liabilities and equity	**380,944**	**181,956**

Statement of net debt

	31.12.2023	31.12.2022
€ thousands		
Cash	14,712	11,331
Short term deposits	3,400	0
Total liquid assets	**18,112**	**11,331**
The current portion of non-current borrowings (Note 14)	16,966	22,093
Net current liabilities	**-1,146**	**10,762**
Non-current borrowings (Note 14)	130,942	45 ,68
Total non-current liabilities	**130,942**	**45,968**
Total net debt	**129,796**	**56,730**

Fair value

The valuation methods used to analyse the Group's assets and liabilities measured at fair value have been defined as follows:

Level 1 – quoted prices in active markets;

Level 2 – inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly;

Level 3 – unobservable inputs at the market.

As of 31.12.2023 and 31.12.2022 the Group does not have any assets at fair value that would belong to the Level 1 group upon finding the value. All the Group's investment properties are carried at fair value and belong to the Level 3 group according to the valuation method (see Note 13). All the Group's loan liabilities and derivative securities entered into to hedge interest rate risk belong to the Level 2 group.

To mitigate interest rate risk, the Group has entered into interest rate swaps, the fair value of which is obtained by discounting the cash flows of interest rate swaps so that, in accordance with EURIBOR market expectations, cash inflows and outflows are determined and discounted using a zero-rate. The Group uses information received from counterparty credit institutions to recognize interest rate swaps at fair value. As of 31.12.2023, all interest rate swaps have expired.

17 Share capital and statutory reserve capital

On the balance sheet date of 01.01.2023, EfTEN Real Estate Fund AS (formerly EfTEN Real Estate Fund III AS) merged with EfTEN Kinnisvarafond AS. To carry out the merger, the share capital of EfTEN Real Estate Fund AS was increased by 57,472 thousand euros and 5,747,261 new shares with a nominal value of 10 euros were issued. When increasing the share capital, the shares were paid for in full with a non-monetary contribution at the expense of the entire assets of EfTEN Kinnisvarafond AS, which were transferred to EfTEN Real Estate Fund AS, the value of which was the net value of the EPRA assets of EfTEN Kinnisvarafond AS as of 31.12.2022 (125,905 thousand euros)

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

The registered share capital of EfTEN Real Estate Fund AS as of 31.12.2023 is 108,198 thousand euros (31.12.2022: 50,725 thousand euros). The share capital consisted of 10,819,796 shares (31.12.2022: 5,072,535) with a nominal value of 10 euros (31.12.2022: the same). As of 31.12.2023, EfTEN Real Estate Fund AS has allocated 2,749 thousand euros from undistributed profit as reserve capital (31.12.2022: 2,149 thousand euros).

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

	As at 31.12.2023	
Company	**Number of shares**	**Ownership, %**
LHV Pensonifondid	1,657,901	15.32%
REF Aktsiad OÜ	1,151,700	10.64%
Altiuse KVI OÜ	1,092,845	10.10%

Shares owned by EfTEN Real Estate Fund AS Management or Supervisory Board members, their close relatives, or companies under their control:

	As at 31.12.2023	
Company	**Number of shares**	**Ownership, %**
REF Aktsiad OÜ, a company under the significant control of Supervisory Board member Olav Miil	1,151,700	10.64%
Altiuse KVI OÜ, a company under the significant control of Supervisory Board member Arti Arakas	1,092,845	10.10%
EfTEN Capital AS, fund manager	292,688	2.71%
HTB Investeeringud OÜ, a company under the significant control of Supervisory Board member Siive Penu	198,032	1.83%
Tõnu Uustalu, member of the Management Board	64,974	0.60%
Olav Miil, member of the Supervisory Board	52,649	0.49%
Viljar Arakas, member of the Management Board	2,000	0.02%
Miemma Holding OÜ, a company owned by Viljar Arakas, member of the Management Board	20,606	0.19%
Meeli Leis, a close relative of Tõnu Uustalu, member of the Management Board	2,457	0.02%
Siive Penu, member of the Supervisory Board	1,350	0.01%
Aile Arakas, a close relative of Arti Arakas, member of the Supervisory Board	513	0.005%
Total	**2,879,814**	**26.62%**

18 Contingent liabilities

	31.12.2023	31.12.2022
€ thousands		
Retained earnings	23,030	35,102
Potential income tax liability	4,606	7,020
Dividends can be paid out	**18,424**	**28,082**

The maximum possible income tax liability has been calculated on the assumption that the net dividends to be distributed and the income tax expense related to their payment may not exceed the distributable profit as at 31.12.2023 and 31.12.2022.

19 Transactions with related parties

EfTEN Real Estate Fund AS considers the following as related parties: owners and their related companies which have significant influence over the; board members and companies controlled by them (collectively referred to as management); members of the Supervisory board; close family members of the persons listed above and their related companies.

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

- EfTEN Real Estate Fund AS board members and companies owned by board members;

- members of the Supervisory Board of EfTEN Real Estate Fund III AS and companies belonging to the mentioned persons;

- employees of EfTEN Real Estate Fund III AS and companies owned by employees;

- A joint venture EfTEN SPV11 OÜ;

- EfTEN Capital AS (Fund Manager).

During the year of 2022, the Group purchased management services from EfTEN Capital AS in the amount of EUR 2,148 thousand euros (2022: 1,178 thousand euros), see Note 7.

EfTEN Real Estate Fund AS did not purchase or sell other goods or services from other related parties during the 2023 nor 2022.

As of December 31, 2023, the Group had a total of 12 employees, who were paid a total of EUR 469 thousand euros (2022: 267 thousand euros), see Note 5,7. No fees were calculated or paid to the members of the Group's Management Board or Supervisory Board during the 2023 nor 2022. The members of the Group's Management Board work for EfTEN Capital AS, a company providing management services to the Group, and expenses related to the activities of a member of the Management Board are included in the management services. In 2023, the board members of the Group's subsidiaries were paid a total of EUR 60 thousand (2022: EUR 26 thousand) including related taxes.

20 Accruals

Pending cases

EfTEN SPV2 OÜ case against Tallinna Vesi AS

The Group's subsidiary EfTEN SPV2 OÜ filed a clam against AS Tallinna Vesi on 31.10.2020, which is based on the fact that the company has provided water services to EfTEN SPV2 OÜ at excessively high (+15%) prices from 2011 to 2019, without the approval of the Competition Authority; which has significantly violated the requirements of §14 of the ÜVVKS. AS Tallinna Vesi does not recognize the lawsuit and the case is at the stage of preliminary proceedings in the county court. AS Tallinna Vesi has repeatedly used the tactic of prolonging the procedure. The parties have been given deadlines to submit their summary views in January/February 2024, and the time for the county court's judgment is currently planned to be 10.04.2024. The amount of EfTEN SPV2 OÜ's claim was 91 thousand euros. Due to uncertainty, the Group has not recorded the said claim as a separate item.

21 *Parent company's separate financial statements*

Pursuant to the Accounting Act of the Republic of Estonia, information of the unconsolidated financial statements (primary statements) of the consolidating entity (Parent Company) shall be disclosed in the notes to the consolidated financial statements. In preparing the primary financial statements of the Parent Company the same accounting policies have been used as in preparing the consolidated financial statements. The accounting policy for reporting subsidiaries has been amended in the separate primary financial statements disclosed as supplementary information in the annual report in conjunction with IAS 27, Consolidated and Separate Financial Statements.

In the parent separate primary financial statements, disclosed in the Notes to these consolidated financial statements, investments in subsidiaries are measured at fair value.

Parent company's income statement and other comprehensive income statement:

	2023	2022
€ thousands		
General and administrative expenses	-316	-152
Operating loss	**-316**	**-152**
Gain / loss from subsidiaries	1,498	11,409
Gain / loss from joint ventures	-499	0
Finance income	310	152
Finance expense	0	0
Profit before income tax	**993**	**11,409**
Net profit for the year	993	**11,409**
Other comprehensive income for the year	**993**	**11,409**

Parent company's statement of financial position

	31.12.2023	31.12.2022
€ thousands		
Cash and cash equivalents	1,899	3,446
Receivables and accrued income	1,913	1,118
Total current assets	**3,812**	**4,564**
Shares of subsidiaries	198,811	94,536
Shares of joint ventures	2,078	0
Long-term receivables	14,938	5,178
Total non-current assets	**215,827**	**99,714**
TOTAL ASSETS	**219,639**	**104,278**
Borrowings	8	8
Total short-term liabilities	**8**	**8**
Interest liabilities	933	0
Total long-term liabilities	**933**	**0**
Total liabilities	**941**	**8**
Share capital	108,198	50,725
Share premium	84,721	16,288
Statutory reserve capital	2,749	2,149
Retained earnings	23,030	35,108
Total equity	**218,698**	**104,270**
TOTAL LIABILITIES AND EQUITY	**219,639**	**104,278**

Parent company’s separate statement of changes in equity

	Share capital	Share premium	Statutory reserve capital	Retained earnings	Total
€ thousands					
Balance as at 31.12.2021	**50,725**	**16,288**	**1,489**	**28,417**	**96,919**
Dividends declared	0	0	0	-4,058	**-4,058**
Provision for reserve capital	0	0	660	-660	**0**
Comprehensive income for the period	0	0	0	11,409	**11,409**
Balance as at 31.12.2022	**50,725**	**16,288**	**2,149**	**35,108**	**104,270**
Issuance of shares (Note 17)	57,473	68,433	0	0	**125,906**
Dividends declared	0	0	0	-12,471	**-12,471**
Provision for reserve capital	0	0	600	-600	**0**
Comprehensive income for the period	0	0	0	993	**993**
Balance as at 31.12.2023	**108,198**	**84,721**	**2,749**	**23,030**	**218,698**

Adjusted unconsolidated equity of the parent company (to account for compliance with the requirements set forth in the Commercial Code) is as follows:

	31.12.2023	31.12.2022
€ thousands		
Parent company’s unconsolidated equity	218,698	104,270
Carrying amount of subsidiaries and joint ventures in the separate balance sheet of the parent company (minus)	-198,811	-94,536
Value of subsidiaries and joint ventures under the equity method (plus)	198,811	94,536
Total	**218,698**	**104,270**

Parent company's statement of cash flows

	2023	2022
€ thousands		
Cash flows from operating activities		
Net profit	**993**	**11,409**
Adjustments of net profit:		
Interest income and expense	-311	-152
Profit from change in fair value of subsidiaries	10,974	-7,352
Profit/loss from joint ventures using the equity method	499	0
Dividends received	-12,471	-4,058
Total adjustments	**-1,309**	**-11,562**
Cash flows from operations before changes in working capital	**-316**	**-153**
Change in receivables and payables related to operating activities	368	-554
Total cash flows from operating activities	**52**	**-707**
Cash flows from investing activities		
Purchase of subsidiaries	0	-2,258
Subsidiary liquidation distribution	66	0
Money received on merger	471	0
Loans granted	-2,193	-106
Repayment of loans granted	0	25
Dividends received	12,471	4,058
Interest received	57	1
Total cash flows from investing activities	**10,872**	**1,720**
Cash flows from financing activities		
Dividends paid	-12,471	-4,058
Total cash flows from financing activities	**-12,471**	**-4,058**
TOTAL CASH FLOWS	**-1,547**	**-3,045**
Cash and cash equivalents at the beginning of period	**3,446**	**6,491**
Cash and cash equivalents at the beginning of period	-1,547	-3,045
Cash and cash equivalents at the end of period	**1,899**	**3,446**

Management Board Declaration for the Consolidated Annual Report 2023

The Management Board has prepared the management report and consolidated financial statements of EfTEN Real Estate Fund AS for the financial year ended 31 December 2023.

The board of directors confirms that the EfTEN Real Estate Fund AS management report, remuneration report, corporate management report and the annual financial statements of the consolidation group provide a true and fair overview of the assets, liabilities, financial position and results of the parent company and the Group as a whole in accordance with International Financial Reporting Standards as adopted by the European Union and contains a description of the main risks.

/digitally signed/

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Viljar Arakas

Member of the Management Board

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Tõnu Uustalu

Member of the Management Board

Independent auditor's report

To the Shareholders of EfTEN Real Estate Fund AS (formerly named as EfTEN Real Estate Fund III AS)

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of EfTEN Real Estate Fund AS (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2023, and the Group´s consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Supervisory Board of the Group dated 22 February 2024.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of comprehensive income for the year then ended 31 December 2023;
- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

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

Independence

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

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company and its subsidiaries are in accordance with the applicable law and regulations in the Republic of Estonia and that we have not provided non-audit services that are prohibited under § 59^1 of the Auditors Activities Act of the Republic of Estonia.

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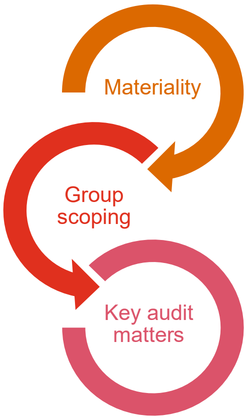
The non-audit services that we have provided to the Company and its and subsidiaries in the period from 1 January 2023 to 31 December 2023 are disclosed in the management report.

During the period from 1 January 2023 to 31 December 2023 we have not provided any non-audit services to the Company and its subsidiaries.

Our audit approach

Overview



- Overall group audit materiality is EUR 3.8 million which represents approximately 1% of the Group's total assets.
- The Group audit team or component auditors, under our instructions, audited the Group companies essentially covering all parts of the consolidated statements of financial position and comprehensive income.
- Valuation of investment properties

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Management Board made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

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Overall Group audit materiality	EUR 3.8 million
How we determined it	Approximately 1% of total assets
Rationale for the materiality benchmark applied	We have applied total assets as benchmark, as this is the key indicator on which the Group's value depends and that is monitored by the management board and investors.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties *Additional information is disclosed in Note 1.2 "Summary of significant accounting policies" and in Note 13 "Investment property".* As at 31 December 2023 the investment properties carried at fair value amounted to EUR 358 million and the revaluation loss recognised in 2023 in the statement of comprehensive income was EUR 13.9 million. The management uses independent appraisers to evaluate the fair values by engaging an external valuation at least twice a year for each asset. The Group measures the fair value of the investment properties using the discounted cash flow method, based on the rental rates of these properties, using the existing rental rates for properties leased out. Among other factors, the valuation of the Group's investment property portfolio is inherently subjective due to the individual nature of each investment property, its location and the expected future rental rates. In determining the fair value of investment property, the appraisers and the management take into account property specific information	Given the inherent subjectivity involved in the valuation of investment properties and the need for market knowledge and valuation expertise, we engaged PwC valuation specialists to assist us in our audit of this area. We obtained and read the valuation reports and valuation inputs for all the investment properties and assessed whether the valuation approach for each investment property was in accordance with the principles of measuring fair value under IFRS. We assessed the qualifications and expertise of the external appraisers and we found that the appraisers performed their work in accordance with the respective professional valuation standards and that they have considerable experience in the markets in which the Group operates. We compared the major assumptions such as rental rates, discount rates, capitalisation rates and vacancy rates used by the appraisers with our internally developed estimated ranges, determined via reference to published benchmarks when applicable. Where assumptions were outside the expected range or otherwise deemed unusual, or valuations demonstrated unexpected movements not consistent with general trends in the market, we undertook further investigations and challenged the appraisers and

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such as the current tenancy agreements and rental income. Assumptions for yields and estimated market rent used are influenced by prevailing market yields and comparable market transactions.

The existence of significant estimation uncertainty, coupled with the fact that only a small percentage difference in individual investment property valuations, when aggregated, could result in a material impact, warranted specific audit focus in this area.

Group management by requesting additional information and explanations on inputs and assumptions used.

It was evident from our interaction with management and the appraisers, and from our procedures in respect of the valuation reports that close attention had been paid to each investment property's individual characteristics, such as considering the overall quality, geographic location and cash flow potential of the property as a whole. We also found that the impact of recent and significant market transactions on each individual investment property's valuation were appropriately considered when determining the assumptions used in the valuation. We saw evidence that alternative assumptions had been considered and evaluated by management and the appraisers before determining the final fair value. We concluded that the assumptions used in the valuations were supported by the available and comparable market evidence.

We also considered whether the disclosures made in note 13 to the financial statements meet the requirements set out in IFRS.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group's financial statements consolidate 36 reporting units. Based on our risk and materiality assessments, we determined which entities were required to be audited at full scope considering the relative significance of each entity to the Group and the overall coverage obtained over each material line item in the consolidated financial statements. Full scope statutory audits were performed for EfTEN Real Estate Fund AS, EfTEN SPV2 OÜ, EfTEN SPV3 OÜ, EfTEN SPV4 OÜ, EfTEN SPV5 OÜ, EfTEN SPV6 OÜ, EfTEN SPV7 OÜ, EfTEN SPV8 OÜ, EfTEN SPV11 OÜ, EfTEN SPV 12 OÜ, EfTEN SPV15 OÜ, EfTEN SPV17 OÜ, EfTEN Tänassilma OÜ, EfTEN Tähesaju tee OÜ, EfTEN Laagri OÜ and EfTEN Pirita OÜ and statutory reviews for EfTEN SPV14 OÜ, EfTEN Autokeskus OÜ, EfTEN Seljaku OÜ, EfTEN Ermi OÜ and EfTEN Valkla OÜ by the Group audit team and for Saules Miestas UAB, EfTEN Krustpils SIA, EfTEN Riga Airport SIA, EfTEN Pielpilsetas SIA, EfTEN Terbata SIA, EfTEN Jelgava SIA, EfTEN Jurkalne SIA and Auras Centrs SIA by component auditors in accordance with our instructions. For other significant subsidiaries the Group audit team performed full scope audit procedures on investment properties' balances and the component auditors performed full scope audit procedures on cash and bank accounts, receivables from customers, notes payable and long-term debt, tax balances and revenue transactions from rental income. For the audit procedures performed by component auditors, we determined the level of involvement we needed to have in their audits to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

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Reporting on other information including the Management report

The Management Board is responsible for the other information. The other information comprises the Management report, the Remuneration Report and distribution of revenue according to the Estonian Classification of Economic Activities (but does not include the consolidated financial statements and our auditor's report thereon).

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

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

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

In accordance with the Securities Market Act of the Republic of Estonia with respect to the Remuneration Report, our responsibility is to consider whether the Remuneration Report includes the information in accordance with the requirements of Article 135^3 (3) of the Securities Market Act of the Republic of Estonia.

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

- the information given in the Management report for the financial year for which the consolidated financial statements are prepared is consistent, in all material respects, with the consolidated financial statements; and
- the Management report has been prepared in accordance with the requirements of the Accounting Act of the Republic of Estonia; and
- the Remuneration Report has been prepared in accordance with Article 135^3 (3) of the Securities Market Act of the Republic of Estonia.

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

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

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

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Report on the compliance of the presentation of consolidated financial statements with the requirements of the European Single Electronic Format ("ESEF")

We have been engaged based our agreement by the Management Board of the Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the presentation of the consolidated financial statements of EfTEN Real Estate Fund AS for the year ended 31 December 2023 (the "Presentation of the Consolidated Financial Statements").

Description of a subject matter and applicable criteria

The Presentation of the Consolidated Financial Statements has been applied by the Management Board of the Company to comply with the requirements of art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). The applicable requirements regarding the Presentation of the Consolidated Financial Statements are contained in the ESEF Regulation.

The requirements described in the preceding sentence determine the basis for application of the Presentation of the Consolidated Financial Statements and, in our view, constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibility of the Management Board and those charged with governance

The Management Board of the Company is responsible for the Presentation of the Consolidated Financial Statements that complies with the requirements of the ESEF Regulation.

This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Presentation of the Consolidated Financial Statements which is free from material non-compliance with the requirements of the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process, which should also be understood as the preparation of consolidated financial statements in accordance with the format resulting from the ESEF Regulation.

Our responsibility

Our responsibility was to express a reasonable assurance conclusion whether the Presentation of the Consolidated Financial Statements complies, in all material respects, with the ESEF Regulation.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (Estonia) 3000 (revised) “Assurance Engagements other than Audits and Reviews of Historical Financial Information" (ISAE (EE) 3000 (revised)). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Presentation of the Consolidated Financial Statements complies, in all material aspects, with the applicable requirements.

Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance with ISAE (EE) 3000 (revised) will always detect the existing material misstatement (significant non-compliance with the requirements).

Quality management requirements

We apply the provisions of the International Standard on Quality Management (Estonia) 1 (revised) and accordingly maintain a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We comply with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Presentation of the Consolidated Financial Statements complies, in all material aspects, with the applicable requirements and such compliance is free from material errors or omissions. Our procedures included in particular:

- obtaining an understanding of the internal control system and processes relevant to the application of the Electronic Reporting Format of the Consolidated Financial Statements, including the preparation of the XHTML format and marking up the consolidated financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the consolidated financial statements using the iXBRL markup language according to the requirements of the implementation of electronic format as described in the ESEF Regulation;
- evaluating the appropriateness of the Group’s' use of XBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

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

Conclusion

In our opinion, based on the procedures performed, the Presentation of the Consolidated Financial Statements complies, in all material respects, with the ESEF Regulation.

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Appointment and period of our audit engagement

In connection to listing the shares of EfTEN Real Estate Fund AS in Tallinn Nasdaq stock exchange on 1 December 2017, it is our seventh year as an auditor of EfTEN Real Estate Fund AS, as a public interest entity. Our uninterrupted engagement appointment period for EfTEN Real Estate Fund AS as a public interest entity can be up to 20 years. In accordance with the Auditors Activities Act of the Republic of Estonia and the Regulation (EU) No 537/2014, our appointment as the auditor of EfTEN Real Estate Fund AS can be extended for up to the financial year ending 31 December 2036.

AS PricewaterhouseCoopers

Lauri Past
Certified auditor in charge, auditor's certificate no. 567

Rando Rand
Auditor's certificate no. 617

22 February 2024
Tallinn, Estonia

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This independent auditor's report (translation of the Estonian original) should only be used with the original document submitted in machine-readable .xhtml format that is submitted to the Tallinn Stock Exchange (Link: https://nasdaqbaltic.com/statistics/en/instrument/EE3100127242/reports?date=2024-02-22).

Signatures of the members of the Supervisory Board to the annual report

The Supervisory Board has reviewed the Annual Report prepared by the Management Board consisting of the Management Report, Renumeration Report and the Consolidated Financial Statements, and the independent auditor's report to the General Meeting of Shareholders.

22 February 2024

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Arti Arakas

Chairman of the Supervisory Board

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Siive Penu

Member of the Supervisory Board

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Sander Rebane

Member of the Supervisory Board

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Olav Miil

Member of the Supervisory Board

Distribution of revenue according to the Estonian Classification of Economic Activities

	EMTAK code	2023	Sales revenue %	Main activity
€ thousands				
Fund management	66301	0	-	yes