

**LHV Ilmarise Kinnisvaraportfelli OÜ**

**I half-year interim report for period**

**01.01.2009-30.06.2009**

**(unaudited)**

**(Translation of the Estonian original)**

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## LHV Ilmarise Kinnisvaraportfelli OÜ

**Interim report for**                      **01.01.2009 – 30.06.2009**

**Ärinimi**                                      *LHV Ilmarise Kinnisvaraportfelli OÜ*

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**Main activities**                              *Capital lease, EMTAK 64911*

**Management Board**                        *Hans-Sten Pisang*

**Auditor**                                        *AS PricewaterhouseCoopers*

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## Management Report

LHV Ilmarise Kinnisvaraportfell OÜ was founded at 24.05.2004 and registered in the Commercial Register at 14.06.2004. The Company's main activity is real estate leasing (finance lease).

The Company's share capital is EEK 40 000. Until 30.06.2009 was its 100% owner AS LHV Pank (former name AS Lõhmus, Haavel & Viisemann). At 30.06.2009 the shares of the Company were bought by AS LHV Group, which is also the parent company to AS LHV Pank. The Company's shares are freely transferable. The amendments to the Company's articles of association are made pursuant to the procedure laid down in law and the shareholder appoints the members of the Company's Management Board. In July, 2009, the Management Board member was changed and the new member of Management Board is Hans-Sten Pisang. The Company does not have a Supervisory Board.

The Company launched its main operations in 2005, there have been no staff costs at the Company during its years of operations. The LHV provides book-keeping services to the Company. The Company's Management Board has one member, neither remuneration nor any other benefits were paid to the member of the Management Board.

At 23.12.2004, a sales contract under the law of obligations concerning ownership of the apartments was entered into between LHV Ilmarise Kinnisvaraportfelli OÜ and OÜ Ilmarise Kvartal, including the transfer of the seller's rights and obligations, and transfer of the receivables related to the object of the contract on the basis of which LHV Ilmarise Kinnisvaraportfelli OÜ acquired the receivables of OÜ Ilmarise Kvartal arising from finance lease agreements with regard to finance lease payments by lessees. In the aforementioned sales contract under the law of obligations, the possibility of collection of these receivables was tied to the bond issue arranged by LHV Ilmarise Kinnisvaraportfelli OÜ and the conclusion of a real right contract concerning apartment ownerships.

At 21.01.2005, the aforementioned persons concluded a complementary contract to the sales contract under the law of obligations concerning apartment ownerships and a contract for the transfer of receivables and a real right contract. Thus, the receivables arising from the finance lease agreement and the ownership of apartments were transferred in real terms to LHV Ilmarise Kinnisvaraportfelli OÜ after the conclusion of the real right contract and the subsequent entry of LHV Ilmarise Kinnisvaraportfelli OÜ as the owner of the title to the apartments in the real estate register.

At 19 January 2005, AS LHV carried out a placement of securitised bonds backed by finance lease agreements in the total number of 185 295 bonds and in the amount of EEK 18 529 500 (EUR 1 184 251). LHV Ilmarise Kinnisvaraportfelli OÜ listed the bonds on the Tallinn Stock Exchange at 13.10.2005. The Company was specially founded to acquire the lease agreements and finance those. The Company does not plan to expand its business.

By the time of signing the annual report, 18 interest and redemption payments have been made to the bond holders. A total of 143 492 bonds for EEK 14 349 200 (EUR 917 081) have been redeemed of which 76 853 (EEK 7 685 300 / EUR 491 180) were redeemed in 2005, 62 346 (EEK 6 234 600 / EUR 398 464) were redeemed in 2006 and 2 097 (EEK 209 700 / EUR 13 402) were redeemed in 2007, 1 440 (EEK 144 000 / EUR 9 203) were redeemed in 2008 and 756 (EEK 75 600 / EUR 4 832) is redeemed in first half-year 2009. The number of bonds after the redemption payments is 41 803 and the outstanding volume of the issue in the nominal value amounts to EEK 4 180 300 (EUR 267 170).

LHV Ilmarise Kinnisvaraportfelli OÜ is not significantly influenced by financial or operational risks. The main risk to be considered is credit risk arising from lease agreements. The Company has assessed affects of credit risk as well as liquidity and interest rate risk and global economical crisis to its activities. Detailed analysis on these risks and possible influences is presented in annual report Note 9.

To the best of management's knowledge, the management report gives a true and fair view of the Company's business activities and results, financial position, and includes a description of the principal risks and uncertainties.



Hans – Sten Pisang  
31.08.2009

## Financial Statements of LHV Ilmarise Kinnisvaraportfelli OÜ

### Declaration of the Management Board

The Management Board confirms the correctness and completeness of LHV Ilmarise Kinnisvaraportfelli OÜ interim report financial statements as presented on pages 5-15.

The Management Board confirms that:

- the financial statements have been prepared in compliance with International Financial Reporting Standards as adopted by the European Union;
- the financial statements present a true and fair view of the financial position, the results of its operations and the cash flows of the Company;
- LHV Ilmarise Kinnisvaraportfelli OÜ is a going concern.

Date

Signature

#### **Management Board:**

Member of the Management  
Board

Hans-Sten Pisang

31.08.2009



**Balance Sheet**

	Note	EEK 30.06.2009	EEK 31.12.2008	EUR 30.06.2009	EUR 31.12.2008
<b>Assets</b>					
Cash and cash equivalents		93 636	116 511	5 984	7 446
Finance lease receivables	2	4 176 052	4 245 873	266 898	271 361
Other receivables	3	37 007	31 090	2 365	1 987
<b>Total assets</b>		<b>4 306 695</b>	<b>4 393 474</b>	<b>275 248</b>	<b>280 794</b>
<b>Liabilities</b>					
Supplier payables		0	8 949	0	572
Issued Bonds	4	4 266 695	4 341 887	272 691	277 497
<b>Total liabilities</b>		<b>4 266 695</b>	<b>4 350 836</b>	<b>272 691</b>	<b>278 069</b>
<b>Equity</b>					
Share capital	5	40 000	40 000	2 556	2 556
Statutory reserve capital		0	2 638	0	169
Retained earnings		2 638	0	169	0
Net loss for financial year		-2 638	0	-169	0
<b>Total equity</b>		<b>40 000</b>	<b>42 638</b>	<b>2 556</b>	<b>2 725</b>
<b>Total liabilities and equity</b>		<b>4 306 695</b>	<b>4 393 474</b>	<b>275 248</b>	<b>280 794</b>

The notes on pages 10-15 are an integral part of these financial statements.

**Income statement**

		EEK	EEK	EUR	EUR
		6 months	6 months	6 months	6 months
	Note	2009	2008	2009	2008
<i>Interest income from the finance lease</i>	6	131 644	136 187	8 414	8 704
<i>Interest expense from bonds</i>		-122 959	-127 163	-7 859	-8 127
<b>Net interest income</b>		<b>8 685</b>	<b>9 024</b>	<b>555</b>	<b>577</b>
<i>Other operating income</i>	3	81 728	70 130	5 223	4 482
<i>Operating expenses</i>	7	-93 109	-79 200	-5 951	-5 062
<i>Other financial income</i>		58	46	4	3
<b>Net profit / loss for financial year</b>		<b>-2 638</b>	<b>0</b>	<b>-169</b>	<b>0</b>
<b>Average number of issued shares</b>	5	1	1	1	1
<i>Basic and diluted earnings per share</i>		-2 638	0	-169	0

The notes of pages 10 to 15 are an integral part of these financial statements.

**Cash flow statement**

		EEK	EEK	EUR	EUR
		6 months	6 months	6 months	6 months
	Note	2009	2008	2009	2008
<b>Cash flow from operating activities</b>					
<i>Income related operating activities</i>		77 535	122 326	4 955	7 818
<i>Expenses related to operating activities</i>		-94 833	-78 976	-6 061	-5 047
<i>Proceeds from settlement of finance lease receivables</i>	2	61 261	79 211	3 915	5 063
<i>Interest received</i>		131 313	136 599	8 392	8 730
<b>Total cash flow from operating activities</b>		<b>175 276</b>	<b>259 160</b>	<b>11 202</b>	<b>16 564</b>
<b>Cash flow from financing activities</b>					
<i>Redeemed bonds</i>	4	-74 200	-69 700	-4 742	-4 455
<i>Interests paid</i>	4	-123 951	-128 097	-7 922	-8 187
<b>Total cash flow from financing activities</b>		<b>-198 151</b>	<b>-197 797</b>	<b>-12 664</b>	<b>-12 642</b>
<b>Total cash flow</b>		<b>-22 875</b>	<b>61 363</b>	<b>-1 462</b>	<b>3 922</b>
<i>Cash and cash equivalents at beginning of the period</i>		116 511	58 747	7 446	3 755
<i>Cash and cash equivalents at end of the period</i>		93 636	120 110	5 984	7 676
<b>Net increase in cash and cash equivalents</b>		<b>-22 875</b>	<b>61 363</b>	<b>-1 462</b>	<b>3 922</b>

As investing is the core activity of the Company, then regular cash flows relating to investing activities are included in cash flows from operating activities.

The notes of pages 10 to 15 are an integral part of these financial statements.



**Statement of changes in equity**

	Share capital	Statutory reserve capital	Retained earnings	Total
<b>EEK</b>				
<b>Balance as at 31.12.2007</b>	<b>40 000</b>	<b>2 638</b>	<b>0</b>	<b>42 638</b>
<i>Profit for 2008</i>	<i>0</i>	<i>0</i>	<i>0</i>	<b>0</b>
<b>Balance as at 31.12.2008</b>	<b>40 000</b>	<b>2 638</b>	<b>0</b>	<b>42 638</b>
<i>Net loss for I half-year 2009</i>	<i>0</i>	<i>0</i>	<i>-2 638</i>	<i>- 2 638</i>
<i>Loss covered at the expense of statutory reserve capital</i>	<i>0</i>	<i>-2 638</i>	<i>2 638</i>	<i>0</i>
<b>Balance as at 31.12.2009</b>	<b>40 000</b>	<b>0</b>	<b>0</b>	<b>40 000</b>
<b>EUR</b>				
<b>Balance as at 31.12.2007</b>	<b>2 556</b>	<b>169</b>	<b>0</b>	<b>2 725</b>
<i>Profit for 2008</i>	<i>0</i>	<i>0</i>	<i>0</i>	<b>0</b>
<b>Balance as at 31.12.2008</b>	<b>2 556</b>	<b>169</b>	<b>0</b>	<b>2 725</b>
<i>Net loss for I half-year 2009</i>	<i>0</i>	<i>0</i>	<i>-169</i>	<i>-169</i>
<i>Loss covered at the expense of statutory reserve capital</i>	<i>0</i>	<i>-169</i>	<i>169</i>	<i>0</i>
<b>Balance as at 31.12.2009</b>	<b>2 556</b>	<b>0</b>	<b>0</b>	<b>2 556</b>

More detailed information about sharecapital and equity is provided in Note 5.

The notes of pages 10 to 15 are an integral part of these financial statements.

## Notes to the financial statements

### Note 1. Accounting policies and measurement basis used in the preparation of the financial statements

The main activity of LHV Ilmarise Kinnisvaraportfelli OÜ is real estate leasing (finance lease) and it operates in the Republic of Estonia.

These financial statements were approved by the Management Board at 31 August 2009.

#### Basis of preparation

The interim report for 01.01.09 - 30.06.09 of LHV Ilmarise Kinnisvaraportfelli OÜ been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The same accounting policies are followed in the interim financial statements as were followed in annual report of 2008.

The financial figures have been presented in Estonian kroons ( which is the presentation currency of the Company) and Euros (for supplementary financial information according to the Stock Exchange requirements in Estonia) unless referred otherwise.

For accounting periods started from 01.01.2009 the revised IAS 1 „Presentation of Financial Statements“ is applied, by which the obligation to present comprehensive income statement is applied to those companies, that have non-owner related changes in equity (such as revaluation of available-for-sale financial assets). The amendment of IAS 1 has no impact to the reports of Ilmarise Kinnisvaraportfelli OÜ and a separate comprehensive income statement is not presented due to no changes reckoned in equity. According to the revised IAS 1 a "balance sheet" has been renamed to a "statement of financial position", but it is still allowed to use titles for statements that are different from those stated in the standard.

### Note 2. Finance lease receivables

	30.06.2009	31.12.2008	30.06.2009	31.12.2008
	EEK	EEK	EUR	EUR
<b>Net investment by due dates</b>				
Up to 1 aasta	165 110	161 230	10 552	10 304
Between 1 and 5 years	730 006	711 515	46 656	45 474
Over 5 years	3 280 936	3 373 128	209 690	215 582
<b>Total net investment</b>	<b>4 176 052</b>	<b>4 245 873</b>	<b>266 898</b>	<b>271 360</b>
<b>Future interest income by due dates</b>				
Up to 1 aasta	256 075	260 910	16 366	16 675
Between 1 and 5 years	1 114 646	938 876	71 239	60 005
Over 5 years	1 206 957	1 509 536	77 139	96 477
<b>Total future interest income</b>	<b>2 577 677</b>	<b>2 709 322</b>	<b>164 744</b>	<b>173 157</b>
<b>Gross investment by due dates</b>				
Up to 1 aasta	421 185	422 140	26 919	26 980
Between 1 and 5 years	1 844 652	1 650 391	117 895	105 479
Over 5 years	4 487 893	4 882 664	286 829	312 059
<b>Total gross investment</b>	<b>6 753 729</b>	<b>6 955 195</b>	<b>431 642</b>	<b>444 518</b>

At 21.01.2005, LHV Ilmarise Kinnisvaraportfelli OÜ acquired from a third party OÜ Ilmarise Kvartal the portfolio of lease receivables arising from finance lease agreements against finance lessees concerning finance lease payments in the amount of

18 529 454 kroons (EUR 1 184 248) (principal payments according to contracts). The underlying currency of finance lease agreements is the Estonian kroon. The annual interest rate on the finance lease agreements is between 6% and 8%. Interest rate is fixed. In addition OÜ Ilmarise Kvartal also made an irrecoverable payment in the amount of 141 019 kroons (9 013 EUR) to cover the credit risks associated with these lease receivables and the clients in these lease contracts.

These lease contracts are on leasing of apartments by the lessees and upon payment of all lease payments according to the contract the lessees will become owners of these apartments. They additionally have right upon early payment of the full amount of net investment of the lease contract to acquire the apartment before the end of the lease term.

01.01.2009-30.06.2009 non of the apartments were bought out and principal payments were made for the apartments not yet transferred in the amount of 68 755 kroons (4 394 EUR). In 2008, no apartment ownerships were transferred, principal payments totalled EEK 127 952 (EUR 8 178). By the time of preparing the financial statements, 8 apartment ownership have not been transferred.

All finance lease receivables have been pledged as collateral for the bonds issued. Danske Bank A/S Estonian Branch acts as an underwriting agent and custodian of the pledged assets (see Note 4). For receivables past due, see the credit risk table in Note 9.

### Note 3. Other receivables

According to the agreement, both AS LHV Pank that arranged the bond issue and AS GILD Financial Advisory Services that had been de-merged from the former, participated equally in covering of the loss of LHV Ilmarise Kinnisvaraportfelli OÜ. In the reporting period, income allocated for the purpose of covering the loss totalled EEK 81 728 (EUR 5 223), of which the remaining receivables from these entities totalled EEK 35 282 (EUR 2 255) as at the end of the first half-year. In 2008 income allocated for the purpose of covering the loss totalled EEK 94 335 (EUR 6 029) of which the remaining receivables from these entities totalled EEK 5 885 krooni (376 EUR) as at the end of the first half-year.

Other receivables also includes prepayment for land tax in amount of 1 725 kroons (110 EUR) (2008: 4 496 kroons (287 EUR)).

### Note 4. Issued bonds

Maturities of liabilities	30.06.2008	31.12.2007	30.06.2008	31.12.2007
	EEK	EEK	EUR	EUR
Up to 1 aasta	224 800	226 323	14 368	14 465
Between 1 and 5 years	735 640	716 901	47 016	45 818
Over 5 years	3 306 255	3 398 663	211 308	217 214
<b>Total issued bonds</b>	<b>4 266 695</b>	<b>4 341 887</b>	<b>272 692</b>	<b>277 497</b>

At 19 January 2005, AS LHV carried out a placement of securitised bonds backed with finance lease agreements in the amount of 18 529 500 kroons (EUR 1 184 251), disclosed in Note 2.

Bonds are coupon bonds, on which interest is 5.8% per annum. This also represents the effective interest rate of these bonds. The redemption payments of bonds and interest payments to bond holders take place on a quarterly basis in the month following the end of the quarter. As no transactions have been performed with the bonds in the secondary market (Note 10), the determination of the fair value of bonds is practically impossible, as a result of which this value is not disclosed here separately.

The following principal and interest payments have been made to the bond holders in 2007-2009:

(EEK)

Date	Number of bonds	Amount of principal payment	Cumulative principal payment	Amount of interest payment	Cumulative interest payment
19.01.2007	17 435	1 743 500	13 919 900	92 120	1 350 992
19.04.2007	356	35 600	13 955 500	66 839	1 417 831
19.07.2007	1 054	105 400	14 060 900	66 323	1 484 154
19.10.2007	342	34 200	14 095 100	64 795	1 548 949
<b>Total redeemed in 2007</b>	<b>19 187</b>	<b>1 918 700</b>	<b>14 095 100</b>	<b>290 077</b>	<b>1 548 949</b>
19.01.2008	345	34 500	14 129 600	64 299	1 613 248
19.04.2008	352	35 200	14 164 800	63 799	1 677 046
19.07.2008	357	35 700	14 200 500	63 288	1 740 334
19.10.2008	365	36 500	14 237 000	62 771	1 803 105
<b>Total redeemed in 2008</b>	<b>1 419</b>	<b>141 900</b>	<b>14 237 000</b>	<b>254 156</b>	<b>1 803 105</b>
19.01.2009	366	36 600	14 273 600	62 241	1 865 346
19.04.2009	376	37 600	14 311 200	61 711	1 927 057
19.07.2009	380	38 000	14 349 200	61 165	1 988 222
<b>Total redeemed in 2009</b>	<b>1 122</b>	<b>112 200</b>	<b>14 349 200</b>	<b>185 117</b>	<b>1 988 222</b>

(EUR)

Date	Number of bonds	Amount of principal payment	Cumulative principal payment	Amount of interest payment	Cumulative interest payment
19.01.2007	17 435	111 430	889 645	5 888	86 346
19.04.2007	356	2 275	891 920	4 271	90 617
19.07.2007	1 054	6 736	898 656	4 239	94 856
19.10.2007	342	2 186	900 842	4 141	98 997
<b>Total redeemed in 2007</b>	<b>19 187</b>	<b>122 627</b>	<b>900 842</b>	<b>18 539</b>	<b>98 997</b>
19.01.2008	345	2 204	903 046	4 109	103 106
19.04.2008	352	2 250	905 296	4 077	107 183
19.07.2008	357	35 700	14 200 500	63 288	1 740 334
19.10.2008	365	36 500	14 237 000	62 771	1 803 105
<b>Total redeemed in 2008</b>	<b>1 419</b>	<b>141 900</b>	<b>14 237 000</b>	<b>254 156</b>	<b>1 803 105</b>
19.01.2009	366	36 600	14 273 600	62 241	1 865 346
19.04.2009	376	37 600	14 311 200	61 711	1 927 057
19.07.2009	380	38 000	14 349 200	61 165	1 988 222
<b>Total redeemed in 2009</b>	<b>1 122</b>	<b>112 200</b>	<b>14 349 200</b>	<b>185 117</b>	<b>1 988 222</b>

## Note 5. Shareholder's equity

From the time of its establishment, the share capital of the private limited company is EEK 40 000 (2 556 EUR), which consists of one share. Until 30.06.2009 AS LHV Pank (formerly named as AS Lõhmus, Haavel & Viisemann) was 100% owner of the company. 30.06.2009 the 100% holding was bought by AS LHV Group, which is also the parent company of AS LHV Pank. The ultimate controlling party of AS LHV Group is Rain Lõhmus with 57% of the voting rights. Andres Viisemann has significant influence with 19% of the voting rights. The share capital has been paid in cash.

LHV Ilmarise Kinnisvaraportfelli OÜ is a private limited company specifically set up for issuing bonds and for meeting obligations related to them. After the issue, the share of the private limited company has been given to the custody of a

underwriting agent which is Danske Bank A/S Estonian Branch. The custody of the share has been performed in such a way that on the basis of the contract with the underwriting agent, the 100% share of the issuer has been transferred to the securities account at Danske Bank A/S Estonian Branch and subsequent to the transfer to the securities account, Danske Bank A/S Estonian Branch has blocked the securities' account for the use and disposal until the expiry of the contract with the underwriting agent or arising the need to dispose of the share.

By decision of LHV Ilmarise Kinnisvaraportfelli OÜ's sole shareholder, the loss for the first half year 2009 is covered at the expense of statutory reserve capital composed from the profit of 2005.

## Note 6. Segment reporting

The only activity of the Company is real estate leasing as a lessor. All real estate properties leased out under the finance lease terms are located in Estonia. Due to the above, the Company has only one business and one geographical segment. In I half-year 2009 interests earned from capital lease amounted to 131 644 kroons (in I half-year 2008: 136 187).

## Note 7. Operating expenses

	EEK	EEK	EUR	EUR
	6 months 2009	6 months 2008	6 months 2009	6 months 2008
Accounting and audit	81 340	67 732	5 199	4 329
Other operating expenses	11 769	11 468	752	733
<b>Total</b>	<b>93 109</b>	<b>79 200</b>	<b>5 951</b>	<b>5 062</b>

## Note 8. Related party transactions

In compiling this report, the following entities have been considered as related parties:

- owners (parent company and owners of the immediate and ultimate parent company);
- other firms belonging to the same consolidation group (incl. fellow subsidiaries and associates);
- management and supervisory boards;
- close relatives of the persons mentioned above and the companies related to them.

In first half of the year 2009 the services from company AS LHV Pank have been bought for 14 160 kroons (905 EUR). In first half on the year 2008 the services were also bought for 14 160 kroons (905 EUR).

There were no remunerations, compensations nor other benefits paid or accrued to the management board in 2009 and 2008.

## Note 9. Risk management

The risks threatening the Company's business activities include are financial risks and operating risk. The Company's overall risk management system attempts to minimise potential unfavourable effects on the Company's financial activities. Management board and AS LHV Pank Finance Department are responsible for company's risk management.

### 9.1 Financial risks

- Credit risk
- Liquidity risk
- Market risks

**Credit risk**

The Company regularly monitors the adherence of customers to the terms of agreements. The legal title of leased property remains to the Company until lease receivables have been collected in full. Therefore the Company does not have any significant credit risk assuming that prices do not decrease significantly in the real estate market due to which the value of collateral would fall below the nominal value of the amount of all receivables. According to the assessment reports of apartments from 2004, the collaterals are adequate to cover the capital lease receivables. The prices on real estate market have significantly risen in past three years, on account of which there are no risks involved with the collateral.

Consequent with credit risk the capital lease receivables are divided as follows:

	<b>30.06.2009</b>	<b>31.12.2008</b>
Current and not impaired	4 169 406	4 238 164
Past due but not impaired	6 646	7 709
<b>Total</b>	<b>4 176 052</b>	<b>4 245 873</b>

As at 30.06.2009, no receivables had been written down, as at 31.12.2008, past due receivables have been written down in the amount of EEK 11 930 (EUR 762).

**Liquidity risk**

The maturities of the Company's bonds issued match the scheduled collections arising from finance lease agreements. In order to avoid the liquidity risk related to the delay in rental payments, the Company has an additional guarantee from AS LHV Pank in order to enable performing the contractual payments related to the bonds issued on time. A payment for special purposes has also been collected from OÜ Ilmarise Kvartal, (see Note 2), from which the real estate lease portfolio was taken over. See also Note 9.2.

Undiscounted cash flows of bonds issued by due dates:	<b>30.06.2009</b>	<b>31.12.2008</b>
up to 1 year	409 944	415 483
between 1 and 5 years	1 807 672	1 630 811
over 5 years	4 540 833	4 914 605
<b>Total</b>	<b>6 758 449</b>	<b>6 960 898</b>

**Market risks**

Due to the Company's business, interest rate risk can be considered the Company's main market risk. For hedging the interest rate risk, floating interest rates have not been used when concluding finance lease agreements, all finance lease agreements and also bonds issued have fixed interest. The interest rates of finance lease agreements are between 6-8% and the interest rate on bonds issued is 5.8%. Bonds are redeemed according to the scheduled collections arising from finance lease agreements. When customers wish to terminate finance lease agreements prematurely, the Company is entitled to redeem the bonds issued in the amount of the additional collection. Therefore, the Company does not bear major interest risk.

All contracts of the Company have been concluded in Estonian kroons; therefore, there is no foreign currency risk. There are no financial instruments with price risk in the Company's balance sheet.

**9.2. Fair value of financial assets and financial liabilities**

The fair values of the expected cash flows of finance lease receivables and bonds issued may differ from their carrying amounts. The lessees are entitled to terminate their agreement practically any time during the lease term; therefore it would not be appropriate to consider these cash flows from current agreements as expected cash flows on the basis of the schedules established in the agreement. Therefore, the Management Board has evaluated and concluded that the combined

fair value of lease receivables and bonds issued does not significantly differ from their carrying amount as at 30.06.2009 and 31.12.2008.

### **9.3. Operating risk**

Operating risk is a potential loss caused by inadequate or nonperforming processes, employees and information systems, or external factors. Pursuant to the policy established at the LHV Pank, the principle of segregation of duties is used in the working procedures of LHV Ilmarise Kinnisvaraportfelli OÜ, according to which there should be an approval by at least two employees or units in order to carry out a transaction or procedure.

### **Note 10. Trading statistics**

Since their first quotation on the stock exchange at 13.10.2005 until 30.06.2009, there have been no transactions with the bonds of LHV Ilmarise Kinnisvaraportfelli OÜ and therefore, there is no information available on price movements.

### **Note 11. Contingent liabilities**

The tax authorities have the right to verify the Company's tax records up to 6 years from the time of submitting the tax declaration and upon finding errors, impose additional taxes, interest and fines. The Company's management estimates that there are not any circumstances which may lead the tax authorities to impose additional significant taxes on the Company.