BALTIC HORIZON

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 12-MONTH PERIOD ENDED 31 DECEMBER 2019

Beginning of financial year	1 January
End of financial year	31 December
Management Company	Northern Horizon Capital AS
Business name	Baltic Horizon Fund
Type of fund	Contractual public closed-ended real estate fund
Style of fund	Core / Core plus
Market segment	Retail / Offices / Leisure
Life time/ Investment stage	Evergreen
Address of the Fund	Tornimäe 2 Tallinn 10145 Estonia
Phone	+372 6 743 200
Fund Manager	Tarmo Karotam
Supervisory Board of the Fund	Raivo Vare (Chairman) Andris Kraujins Per Moller David Bergendahl
Remuneration of the Supervisory Board	EUR 48,000 p.a.
Management Board of the Management Company	Tarmo Karotam (Chairman) Aušra Stankevičienė Algirdas Vaitiekūnas
Supervisory Board of the Management Company	Milda Dargužaitė Nerijus Žebrauskas Daiva Liubomirskienė
Depositary	Swedbank AS

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DEFINITIONS OF KEY TERMS AND ABBREVIATIONS

AIFM	Alternative Investment Fund Manager
AFFO	Adjusted Funds From Operations means the net operating income of properties less fund administration expenses, less external interest expenses and less all capital expenditures including tenant fit-out expenses invested into existing properties by the Fund. New investments and acquisitions and follow-on investments into properties are not considered to be capital expenditures.
Dividend	Cash distributions paid out of the cash flows of the Fund in accordance with the Fund Rules.
EPRA NAV	It is a measure of the fair value of net assets assuming a normal investment property company business model. Accordingly, there is an assumption of owning and operating investment property for the long term. The measure is provided by the European Public Real Estate Association, the industry body for European Real Estate Investment Trusts (REITs).
Fund	Baltic Horizon Fund
IFRS	International Financial Reporting Standards
Management Company	Northern Horizon Capital AS, register code 11025345, registered address at Tornimäe 2, Tallinn 15010, Estonia
NAV	Net asset value for the Fund
NAV per unit	NAV divided by the amount of units in the Fund at the moment of determination.
NOI	Net operating income
Direct Property Yield	NOI divided by acquisition value and subsequent capital expenditure of the property
Net Initial Yield	NOI divided by market value of the property
GAV	Gross Asset Value of the Fund
Triple Net Lease	A triple net lease is a lease agreement that designates the lessee, i.e. the tenant, as being solely responsible for all the costs relating to the asset being leased, in addition to the rent fee applied under the lease.
LTV	Loan to value ratio. The ratio is calculated as the amount of the external bank loan debt divided by the carrying amount of investment property.

MANAGEMENT REVIEW

GENERAL INFORMATION ABOUT THE FUND

Baltic Horizon Fund (the "Fund" or the “Group”) is a regulated closed-end contractual investment fund registered in Estonia on 23 May 2016. Northern Horizon Capital AS is the management company (AIFM) of the Fund. Both the Fund and the Management Company are supervised by the Estonian Financial Supervision Authority.

The Fund is a public fund with no particular lifetime (evergreen). Units of the Fund are made available to the public in accordance with the Fund Rules and applicable laws. The Fund is currently dual-listed on the Fund List of the Nasdaq Tallinn Stock Exchange and the Nasdaq Stockholm’s Alternative Investment Funds market.

Baltic Horizon Fund was merged with Baltic Opportunity Fund (“BOF”) on 30 June 2016. Baltic Horizon is the remaining entity which took over 5 assets of BOF and its investor base.

The Fund’s primary focus is to invest directly in commercial real estate located in Estonia, Latvia and Lithuania with a particular focus on the capitals - Tallinn, Riga and Vilnius.

The Fund’s focus is on established cash flow generating properties with potential to add value through active management within the retail, office and logistics segments in strategic locations and strong tenants or a quality tenant mix and long leases. Up to 20% of the Fund’s assets may be invested in forward funding development / core plus projects.

The Fund aims to use 50% long-term leverage strategy. At no point in time may the Fund’s leverage exceed 65%.

The Fund aims to grow through making attractive investments for its investors while diversifying its risks geographically, across real estate segments, across tenants and debt providers.

Structure and governance

The Fund is a tax transparent and cost-efficient vehicle. The management fee is linked to the market capitalisation of the tradable units. It is also embedded in the Fund Rules that the management fee will decrease from 1.5% to as low as 0.5% of the market capitalisation as the Fund’s assets grow.

The Fund operates under the REIT concept whereby the vast majority of the Fund's cash earnings are paid out and only 20% can be reinvested.

The Fund is managed by the Management Company which is Northern Horizon Capital AS. The immediate team comprises of the Management Board and the Supervisory Board of the Management Company. The Fund also has its Supervisory Board which comprises of 4 independent board members.

Northern Horizon Capital AS is an experienced real estate asset manager. Northern Horizon Capital Group has proven itself as one of the leading real estate investors in the Baltic countries and elsewhere with an in-depth knowledge of the markets of operation. Over the course of the organization’s life, Northern Horizon Capital Group has been able to build a strong and cohesive team from diverse backgrounds with a focus on being conservative and thorough, yet dynamic in real estate acquisitions and management.

Commitment to corporate governance is rooted in the Management Company’s focus on long-term business relations with investors, partners, and tenants. In all relations, the Management Company encourages a professional and open dialogue based on mutual trust and strives to earn the respect of its business partners through strong commitment, transparency and fair dealings. The investor’s best interest is always considered by the Management Company to make sure that the investor is treated fairly. The Management Board ensures that conflicts of interests between related parties are avoided or are as small as possible.

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The Management Company is obliged to establish, maintain and document procedures to identify, prevent and manage conflicts of interest and, when necessary, issue supplementing instructions to the policies, instructions and guidelines.

The Fund has a supervisory board which consists of qualified members with recognised experience in the real estate markets in Estonia, Latvia, and Lithuania, impeccable reputation and appropriate education.

The fund administration services are provided by the Management Company. Accounting and depository services have been outsourced to Swedbank AS.

The real estate property valuation policies of the Fund are determined in the Fund Rules based on the common market practice. Only a licensed independent real estate appraiser of high repute and sufficient experience in appraising similar property and operating in the country where the relevant real estate property is located may evaluate real estate belonging to the Fund.

Each potential acquisition opportunity is subject to extensive commercial, legal, technical and financial/tax due-diligence performed by the Management Company in cooperation with reputable local and international advisers. The auditor of the Fund is KPMG Baltics OÜ which is a member of the Estonian Association of Auditors. In addition to statutory audit services, KPMG Baltics OÜ has provided the Fund with translation services.

The Fund’s activities are monitored on a regular basis by the Estonian Financial Supervision Authority and the Supervisory Board of the Fund.

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On 2 October 2019, the Fund announced the issue of new units in two private placements. In total, gross equity of EUR 16.5 million was raised through the transactions. The new units were issued in two parts at a price of EUR 1.3253, corresponding to the latest net asset value per fund unit preceding the subscription. Net proceeds of the issue were used to finance the acquisition of the North Star Business Centre. After the transaction, the total number of Fund units registered in the Estonian Register of Securities increased to 113,387,525.

On 18 October 2019, the Fund declared a cash distribution of EUR 3.06 million to investors, which represents a EUR 0.027 distribution per unit for the Q3 2019 results.

On 11 October 2019, the Fund closed a transaction with a closed-end investment undertaking intended for informed investors, UAB Prosperus Strategic RE Fund, and acquired the North Star Business Centre located in Vilnius, Lithuania. The agreed property purchase price was EUR 20.8 million, which corresponds to an entry yield of approx. 7.3%. As part of the transaction, the seller agreed to subscribe for Fund units for the amount of EUR 5 million.

MACROECONOMIC FACTORS IN THE BALTIC STATES

Overall, all three Baltic economies remain well balanced, show little signs of overheating, and are well-positioned to meet external shocks. The Baltic countries are experiencing a remarkably smooth and steady business cycle and have been interestingly resilient in the face of the global manufacturing slowdown.

Over the last decade, the Baltic economies have achieved significant success in the field of the digital economy. On the back of the expanding ICT/start-up sector, it is possible to raise the value-added of other branches, including industry. Companies' digitisation and more active introduction of new technologies would also further increase the share of export of services, which is the direction where all advanced economies are moving.

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According to Swedbank, the growth of the Estonian economy has been broad-based and remains well balanced. Some slowdown can be noted in the construction sector where after very strong years there are fewer new projects on the table. It is expected that the current account will be in surplus for the next few years, public finances will remain strong, and households will be able to save as well as consume. However, the robust economic growth in recent years has increased demand for labour and has considerably tightened the labour market. As unemployment is exceptionally low in Estonia, employers have been actively hiring from abroad and the share of foreign labour is the highest in construction, agriculture, and manufacturing. The hiring of foreign labour has both boosted economic growth and slowed wage growth. The Bank of Estonia has set its growth forecast for 2019 to 3.4%, forecasting also that the economy will slow down slightly in the coming years. Unemployment, meanwhile, is forecast to have been record low at 3.9%.

Latvia's economy slumped to 1.1% in Q4. The downturn chiefly reflected faltering activity in the all-important manufacturing sector. Growth momentum is set to strengthen in 2020, spearheaded by upbeat domestic demand. This will be chiefly thanks to robust private consumption growth underpinned by a tight labor market, rising wages and low inflation. Sturdy consumer demand coupled with healthy investment activity growth should more than offset a likely downturn on the external front, bringing the GDP growth to 2.8% in 2020 and 2.7% in 2021.

On a yearly basis, GDP for Lithuania rose by 3.8%. This was the strongest GDP growth since Q4 2018. Positive contributions came from manufacturing, wholesale and retail trade, repair of motor vehicles and motorcycles, transport and storage, accommodation and catering, professional, scientific, technical, administrative and service activities. Private consumption and investment are expected to stay the main engines of growth. Strong wage growth of approximately 10% with a lower personal income tax rate and a positive turn in net migration will support disposable income and should lead to robust private consumption growth in 2019. Consumer confidence is currently at its highest level since 2013, providing further impetus to household spending. The use of EU funds is projected to increase further in the next two years. At the same time, increasing uncertainty at the global level could curb companies' enthusiasm and restrain their investment activities. Moreover, external factors are likely to take their toll on export growth this year.

Inflation in the Baltics is forecasted to fall from 3-4% in the recent years to 2-2.5% in 2020 and beyond. Inflation will be driven primarily by rising labour costs, a fall in energy prices, the reduction of excise duties on alcohol and similar factors.

According to Colliers, take-up activity in the Tallinn office market is mainly driven by IT and high-tech ICT companies, followed by the professional, scientific, and technical services sectors. The supply of office premises has considerably grown in CBD due to the completion of several new projects including the landmark Maakri 19/21 office tower occupied by lawyers, auditors, notaries and financial sector companies. During the period, the average vacancy grew slightly, rising to 7% in A class buildings. However, in B1 class vacancy remained slightly below 6% indicating a good absorption ratio for new office premises. The upper margins of asking rents continue to climb. This is due to increasing construction costs and strong demand from the back-office sector. A class rents stood between EUR 13.5-16.5 per sq. m. per month and B1 rents between EUR 9-13.5.

In Riga, the commissioning of new office space is gradually increasing but overall the construction of new developments is insufficient and therefore the Riga office stock remains out of date. According to Colliers, more than 60% of the stock is older than 10 years and in need of repair works. Considering the current development pipeline, the situation will improve only if the majority of the announced projects are completed. Due to a lack of modern office space, the take-up numbers have been sluggish with the largest contribution coming from IT and professional service companies. In addition, the lack of professional office space allows landlords to have a strong position in the leasing market.

In Vilnius, A class premises located in the CBD have continued dominating the pipeline in 2019 but in 2020 the proportion of new A and B class premises will even out. The annual office take-up has exceeded 60,000

MANAGEMENT REVIEW

sq. m. for years, reaching a record-high 75,000 - 80,000 sq. m. in 2017 and 2018. It is also forecasted that take-up in 2019 will reach a whopping 90,000 sq. m. The expansion of existing tenants and continued entrance of new tenants such as Yara prove Vilnius to be a growing and attractive business destination.

It is interesting to note that by the end of 2018, total speculative modern office stock in each Baltic capital city reached around 750,000 sq. m. Per capita however the figures are 1.7 sq. m. for Tallinn, 1.3 sq. m. for Vilnius and only 1.1 sq. m. for Riga. This explains why the take-up has been exceptionally strong in Vilnius as the office market is organically growing. Compared to 2009 when the total speculative modern office stock in Vilnius was the smallest of the three Baltic capitals, in 2019 Vilnius will become the largest office market in the Baltics.

Rent rates for retail in all three countries remained relatively stable. T1 Shopping centre with its approx. 55,000 sq. m. leasable area is struggling with vacancies and attracting a sufficient number of regular visitors. Overall, upper end rents are under downward pressure and large destination shopping centres continue to work hard to keep attracting visitors. It is also apparent that Tallinn will not see any future developments in retail for several years except perhaps a few mixed-use lifestyle developments in the very heart of the city. After the opening of Akropole in Q1 2019 and the expansion of Gallerija Azur and Domina, the Riga retail market is likely to experience some redistribution of footfall and tenant profitability throughout 2019. On the other hand, an increase in purchasing power, a decrease in unemployment and steady inflation have had a positive impact on retail market growth. The Vilnius retail market was driven mainly by DIY store developments however no new shopping centre developments were commissioned or started. The wellness segment seems to be in the growth phase with a new chain of health clubs being opened and the city saw the opening of the first Decathlon store. Overall vacancy in major shopping centres remains below 2% while rent rates remain relatively stable.

The Baltic countries continue to attract real estate investors due to their investment returns which are higher than in the Western European or Scandinavian countries. In 2019, average yields for prime retail and office assets in the Baltic capitals have stabilised due to an expected increase in the cost of bank financing and remained, with a few exceptions, around 6.5% with some upward pressures from more expensive bank financing. Secondary properties are producing yields of around 7.5%. Local Baltic, Nordic and Eastern European investors are still the key players. The square-meter prices of commercial buildings are still 3-4 times less than those seen in the Nordic capitals.

FINANCIAL REPORT

Financial position and performance of the Fund

Gross Asset Value (GAV)

In Q4 2019, the GAV increased from EUR 345.3 million to EUR 371.7 million compared to the end of Q3 2019. The increase is mainly related to a new acquisition during the quarter and the increase in cash as a result of the private placements. The Fund completed the acquisition of the North Star Business Centre on 11 October 2019 and thus has deployed the new capital raised in October 2019. The value of investment properties in use increased to EUR 356.6 million after the acquisition of the North Star Business Centre and year-end valuations.

Net Asset Value (NAV)

In Q4 2019, the Fund NAV increased from EUR 135.2 million to EUR 152.5 million compared to the end of Q3 2019. The Fund NAV was positively affected by the Fund's operational performance and a positive cash flow hedge reserve movement during the quarter. The Fund raised additional equity in the amount of EUR 16.2 million (net equity) through private placements in October. However, this was offset by a EUR 3.1 million cash distribution to unitholders (EUR 0.027 per unit).

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Net Rental Income and Net Profit

In Q4 2019, the Fund earned a net profit of EUR 3.4 million (EUR 3.5 million during Q4 2018). In Q4 2019, the Fund recorded a EUR 5.6 million net rental income (EUR 3.9 million in Q4 2018). Growth in net rental income was positively affected by new property acquisitions in 2019 (Duetto II office building, Galerija Centrs shopping centre and North Star Business Centre). In Q4 2019, the Fund's net profit decreased mainly due to lower fair value gain resulting from year-end valuations. During the quarter, the Fund recorded a fair value gain of EUR 0.4 million whereas the fair value gain in Q4 2018 was EUR 1.5 million.

Table 1: Quarterly key figures

Euro '000	**Q4 2019**	**Q4 2018**	**Change (%)**
Net rental income	5,635	3,929	43.4%
Valuations gains on investment properties	375	1,534	(75.6%)
Operating profit	5,167	4,685	10.3%
Net financing costs	(1,401)	(806)	73.8%
Profit before tax	3,766	3,879	(2.9%)
Net profit for the period	**3,415**	**3,535**	**(3.4%)**
Weighted average number of units outstanding	112,686,139	78,637,645[1]	43.3%
Earnings per unit (EUR)	**0.03**	**0.04**	**(25.0%)**

Euro '000	**31.12.2019**	**31.12.2018**	**Change (%)**
Investment property in use	356,575	245,160	45.4%
Gross asset value (GAV)	371,734	260,878	42.5%
Interest bearing loans	205,827	140,507	46.5%
Total liabilities	219,216	151,073	45.1%
Net asset value (NAV)	152,518	109,805	38.9%
Number of units outstanding	113,387,525	78,496,831[1]	44.4%
Net asset value (NAV) per unit (EUR)	**1.3451**	**1.3988**	**(3.8%)**
Loan-to-Value ratio (LTV)	**57.7%**	**57.3%**	**-**
Average effective interest rate	**2.6%**	**2.4%**	**-**

1. The number of units excludes 255,969 units acquired by the Fund and cancelled in February 2019 as part of the unit buy-back program.

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EPRA REPORTING

The European Public Real Estate Association (EPRA) publishes recommendations for disclosing and defining the main financial performance indicators applicable to listed real estate companies. Baltic Horizon supports the standardisation of reporting designed to improve the quality and comparability of information to investors.

Table 2: Key performance indicators – definition and use

	EPRA indicator	EPRA definition	EPRA purpose
1.	EPRA earnings	Earnings from operational activities	A key measure of a company's underlying results and an indication of the extent to which current dividend payments are supported by earnings.
2.	EPRA NAV	Net Asset Value adjusted to include properties and other investments at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model.	Makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on fair value of the assets and liabilities within a true real estate company with a long-term investment strategy.
3.	EPRA NNNAV	EPRA NAV adjusted to include the fair values of (i) financial instruments, (ii) debt and (iii) deferred taxes.	Makes adjustments to EPRA NAV to provide stakeholders with the most relevant information on the current fair value of all the assets and liabilities within a real estate company.

Source: EPRA best practices recommendations guidelines (www.epra.com)

Table 3: EPRA earnings

Euro '000	**Q4 2019**	**Q4 2018**	**Jan-Dec 2019**	**Jan-Dec 2018**
Net result IFRS	**3,415**	**3,535**	**8,791**	**9,990**
I. Exclude changes in fair value of investment properties	(375)	(1,534)	2,064	(2,014)
II. Exclude deferred tax	342	242	399	735
EPRA earnings	**3,382**	**2,243**	**11,254**	**8,711**
Weighted number of units during the period	**112,686,139**	**78,637,645**	**96,718,348**	**78,764,895**
EPRA earnings per unit	**0.03**	**0.03**	**0.12**	**0.11**

Table 4: EPRA NAV and NNNAV

Euro '000	**31.12.2019**	**31.12.2018**
IFRS NAV	**152,518**	**109,805**
I. Exclude deferred tax liability on investment properties	8,440	7,731
II. Exclude fair value of financial instruments	1,655	1,061
III. Exclude deferred tax on fair value of financial instruments	(99)	(56)
EPRA NAV	**162,514**	**118,541**
EPRA NAV per unit (in EUR)	**1.4333**	**1.5101**
I. Include fair value of financial instruments	(1,655)	(1,061)
II. Include deferred tax on fair value of financial instruments	99	56
III. Include revaluation at fair value of fixed-rate loans	(578)	(1,387)
EPRA NNNAV	**160,380**	**116,149**
EPRA NNNAV per unit (in EUR)	**1.4144**	**1.4797**

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PROPERTY REPORT

The diversified property portfolio of Baltic Horizon Fund consists of 15 properties in the Baltic capitals and one land plot adjacent to the Domus PRO complex. High occupancy is supported by the expectations that the Baltic economic growth is largely driven by domestic consumption, strong export prospects and transition to a more value added phase. Baltic Horizon believes it has established a portfolio of strong retail and office assets with well-known and long term tenants including local commercial leaders, governmental tenants, nearshoring shared service centres and the Baltic headquarters of leading international companies. The Baltic countries are also moving towards housing more and more Baltic and international fintech companies who enjoy the ease of doing business in the Baltics but also the relatively low operating costs and tech savvy productive workforce.

In regard to the retail sector, the Fund management team remains cautious as the supply of new shopping centres in all Baltic capitals is increasing and together with the change brought by online shopping, the scene is challenging but also interesting. In this reshuffling of footfall among the Baltic shopping centres, there will be winners and losers but in this moment of fluster there could arise some attractive acquisition opportunities. The management team of Baltic Horizon divides the retail assets into three categories: small neighbourhood centres with food stores such as SKY, Pirita and Domus PRO, CBD shopping centres such as Europa, Galerija Centrs and Postimaja/CC Plaza and large scale destination shopping centres which the Fund has not acquired. There has been a reason why the Fund has preferred neighbourhood and CBD centres and that is the believed higher resilience to the expected turbulence in the Baltic retail scene. Today, many large destination shopping centre owners are struggling with how to attract the customer to the destination whereas other type of retail centres continue to have their immediate catchment present. Convenience, multi-functionalism and innovative retail concepts will be the catch words of retail in the Baltics as well as globally. If Baltic Horizon Fund is to consider any more retail investments, they are very likely to be in prime locations in the hearts of the Baltic capitals.

In the Baltic retail sector during 2019, rents for small spaces remained stable in the range of EUR 13.5-55 sq. m. per month. Average retail rents in the Baltic capitals were EUR 10.5-38 per sq. m. for 150-350 sq. m. spaces while anchor tenants mostly paid EUR 4-12 per sq. m. The average rental range of retail assets in the Fund's portfolio was EUR 9.5-17.1 per sq. m. per month, therefore well in line with average market brackets. Top rent levels are charged in CBD shopping centres Europa, Galerija Centrs and Postimaja.

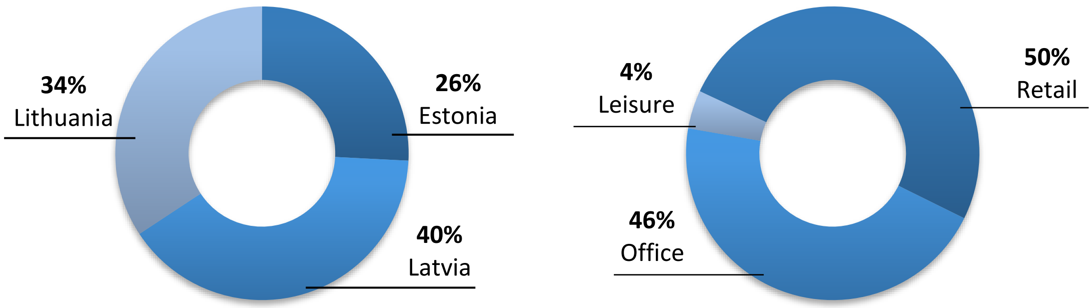
During the period, capital city office rents stood in the bracket of EUR 13-16.5 per sq. m. per month for class A premises and EUR 8.6-13.5 sq. m. for modern class B offices. In the Baltic Horizon portfolio, the average monthly rental level in Lincona was approx. EUR 10 per sq. m., in Duetto I approx. EUR 11.9 per sq. m. in Upmalas Biroji EUR 12.6 per sq. m. and in LNK office approx. EUR 12.3 per sq. m., therefore also well in line with average market brackets. Overall the rental levels depend highly on the competitiveness of the buildings' locations, layout and level of surcharges. When comparing the three capitals, competition is the highest in Tallinn whereas in Riga, due to lack of new supply, landlords' negotiating positions are the strongest.

Economic conditions in the euro area are expected to remain favourable for the years ahead due to many reasons. In September 2019, the European Central Bank announced a new stimulus package in an attempt to boost growth in the eurozone. It has cut its deposit rate - charged on commercial bank deposits at the ECB - to a new all-time low of minus 0.5% from previous minus 0.4%. This is expected to encourage banks to lend to consumers and businesses. The ECB has restarted its quantitative easing programme and will start buying EUR 20bn of bonds each month from the start of November.

In addition, countries like the Baltic States who have sufficient fiscal space to take advantage of the situation and invest in their production capabilities for the long haul are expected to do so in the coming years. Thirdly, a resilient labour market is expected to lead to further wage growth, which will support household income and spending.

MANAGEMENT REVIEW

Picture 1: Fund country and segment distribution as of 31.12.2019



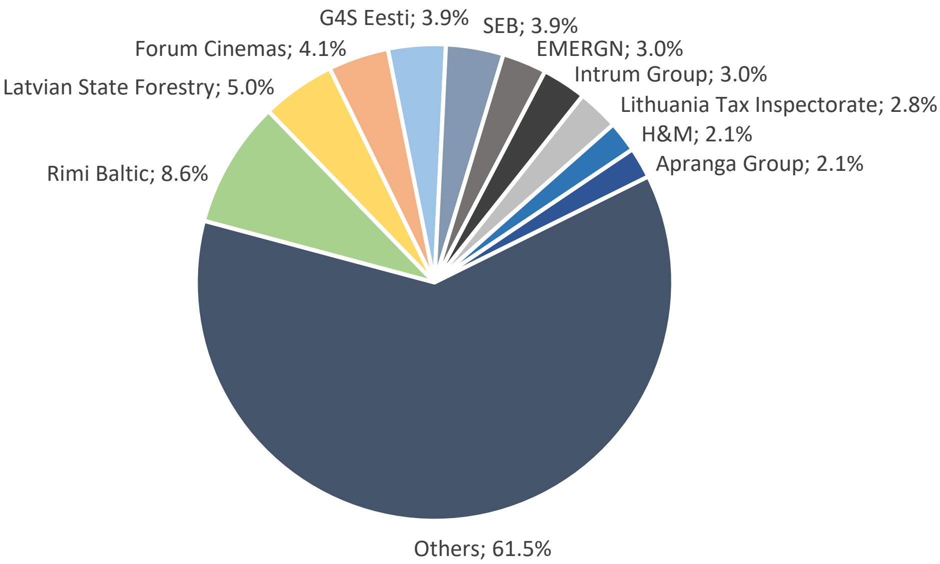
Property performance

The management of the Fund provides two different yield calculations in this management review section. Direct property yield (DPY) is calculated by dividing NOI by the acquisition value and subsequent capital expenditure of the property. The net initial yield (NIY) is calculated by dividing NOI by the market value of the property.

During Q4 2019, the average actual occupancy of the portfolio was 98.0% (Q3 2019: 97.3%). When all rental guarantees are considered, the effective occupancy rate is 98.0% (Q3 2019: 97.7%). The average direct property yield during Q4 2019 was 6.6% (Q3 2019: 6.7%). The net initial yield for the whole portfolio for Q4 2019 was 6.4% (Q3 2019: 6.5%). Year-end valuations were in some cases positively affected by an increase in NOI expectations and in some cases negatively affected by an increase in the expected cost of debt, taken into account in the valuation discount rates.

The tenant base of the Fund is well diversified. The rental concentration of the 10 largest tenants of the Fund's subsidiaries is shown in picture 2 with the largest tenant Rimi Baltic accounting for 8.6% of the annualised rental income. As further discussed in the risk management section, credit risk is mitigated by the high quality of the existing tenant base.

Picture 2: Rental concentration of 10 largest tenants of the Fund's subsidiaries as of 31.12.2019



MANAGEMENT REVIEW

Table 5: Overview of the Fund's investment properties as of 31.12.2019

Property name	Sector	Fair value[1] *Euro '000*	NLA	Direct property yield[2]	Net initial yield[3]	Occupancy rate for Q4 2019
Vilnius, Lithuania						
Duetto I	Office	16,460	8,586	7.7%	7.1%	100.0%
Duetto II	Office	18,935	8,674	7.1%	7.1%	100.0%
Europa SC	Retail	40,711	16,856	6.2%	5.7%	96.7%
Domus Pro Retail Park	Retail	16,670	11,247	6.8%	6.4%	97.5%
Domus Pro Office	Office	7,740	4,831	8.7%	7.4%	100.0%
North Star	Office	20,092	10,550	6.8%	6.9%	97.9%
Meraki Land		2,367	-	-		-
Total Vilnius		**122,975**	**60,744**	**6.9%**	**6.5%**	**98.3%**
Riga, Latvia						
Upmalas Biroji BC	Office	24,198	10,458	7.6%	7.2%	100.0%
Vainodes I	Office	20,890	8,052	6.8%	6.9%	100.0%
LNK Centre	Office	17,000	7,453	6.4%	6.5%	100.0%
Sky SC	Retail	4,850	3,254	8.2%	8.0%	99.4%
Galerija Centrs	Retail	76,409	20,022	6.2%	6.1%	96.0%
Total Riga		**143,347**	**49,239**	**6.6%**	**6.5%**	**98.3%**
Tallinn, Estonia						
Postimaja & CC Plaza	Retail	32,250	9,145	4.2%	4.5%	92.4%
Postimaja & CC Plaza	Leisure	15,150	8,664	9.0%	7.1%	100.0%
G4S Headquarters	Office	17,550	9,179	7.7%	6.9%	100.0%
Lincona	Office	17,820	10,871	8.0%	7.1%	100.0%
Pirita SC	Retail	9,850	5,508	4.2%	5.3%	90.7%
Total Tallinn		**92,620**	**43,367**	**6.1%**	**6.0%**	**97.2%**
Total portfolio		**358,942**	**153,350**	**6.6%**	**6.4%**	**98.0%**

1. Based on the latest valuation as at 31 December 2019 and recognised right-of-use assets.
2. Direct property yield (DPY) is calculated by dividing NOI by the acquisition value and subsequent capital expenditure of the property.
3. The net initial yield (NIY) is calculated by dividing NOI by the market value of the property.

The Fund's portfolio produced EUR 19.2 million of net operating income (NOI) during the 12 months of 2019 and EUR 5.6 million during Q4 2019 (Jan–Dec 2018: EUR 14.8 million; Q4 2018: EUR 3.9 million).

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Please refer to the following table for a breakdown of NOI development by each property which has been generating stable rental income over the years.

Table 6: Breakdown of NOI development

Property *Euro '000*	**Date of acquisition**	**2015**	**2016**	**2017**	**2018**	**2019**
Lincona	1 Jul 2011	1,143	1,202	1,172	1,192	1,276
Postimaja & CC Plaza complex	13 Feb 2018	962	972	985	2,447	2,495
Sky SC	7 Dec 2013	415	425	410	407	370
Domus Pro Retail	1 May 2014	857	1,103	1,185	1,160	1,132
Domus Pro Office	1 Oct 2017	-	-	35	499	562
Europa SC	2 Mar 2015	1,962	2,360	2,365	2,332	2,467
G4S Headquarters	12 Jul 2016	-	546	1,149	1,189	1,127
Upmalas Biroji BC	30 Aug 2016	-	515	1,693	1,710	1,701
Pirita SC	16 Dec 2016	-	30	900	900	438[1]
Duetto I	22 Mar 2017	-	-	799	1,096	1,160
Vainodes I	12 Dec 2017	-	-	75	1,463	1,462
LNK Centre	15 Aug 2018	-	-	-	409	1,072
Duetto II	27 Feb 2019	-	-	-	-	1,090
Galerija Centrs	13 Jun 2019	-	-	-	-	2,552
North Star	11 Oct 2019	-	-	-	-	315
Total portfolio		**5,339**	**7,153**	**10,768**	**14,804**	**19,219**

1. The results of the Pirita SC were affected by a one-off rental guarantee write-off and impairment of trade receivables (please refer to the Pirita SC section below).

<u>Lincona Office Complex, Tallinn (Estonia)</u>
The property is a complex of three connected office buildings and a parking facility. The average occupancy level was 100% during Q4 2019 (Q3 2019: 99.4%). During Q4 2019, the average direct property yield remained stable at 8.0% (Q3 2019: 8.0%). The net initial yield during Q4 2019 decreased to 7.1% (Q3 2019: 7.2%). The fair value of the property increased from EUR 17,480 thousand measured as of 30 June 2019 to EUR 17,820 thousand as of 31 December 2019.

<u>Domus Pro Complex, Vilnius (Lithuania)</u>
Initially, Domus Pro was a typical neighbourhood-type shopping centre offering everyday goods and services. However, thanks to its two expansions developed over 2015-2017, the shopping centre area of the property was significantly increased and over 4,500 sq. m. of office space was added. During Q4 2019, the average occupancy rate for the retail part decreased and was 97.5% (Q3 2019: 98.1%). During Q4 2019, the average direct property yield for the retail part decreased to 6.8% (Q3 2019: 7.5%) and the net initial yield decreased to 6.4% (Q3 2019: 7.1%). The fair value of the retail part increased from EUR 16,510 thousand measured as of 30 June 2019 to EUR 16,670 thousand as of 31 December 2019. The average occupancy rate for the business centre remained stable at 100% (Q3 2019: 100%). During Q4 2019, the average direct property yield of the business centre remained stable at 8.7% (Q3 2019: 8.7%) and the net initial yield decreased to 7.4% (Q3 2019: 7.5%). The fair value of the business centre increased from EUR 7,530 thousand measured as of 30 June 2019 to EUR 7,740 thousand as of 31 December 2019.

<u>Meraki Land, Vilnius (Lithuania)</u>
In 2018, the Fund completed the acquisition 0.87 hectares of land next to the Domus Pro complex. The plots were acquired with the goal to further expand the Domus Pro complex. The building permit was received in Q4 2019 allowing to build approximately 15,800 sq. m. of leasable office space along with the parking house. The construction preparations were started in Q4 2019 as the required level of pre-leases has been achieved. The building is expected to be completed by Q1 2021.

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SKY Supermarket, Riga (Latvia)
The average occupancy level remained stable at 99.4% for Q4 2019 (Q3 2019: 99.4%). In 2019, the annual NOI of SKY in 2019 was lower than in the previous year as a 2-month rent free period was given to the anchor tenant SKY due to earlier façade reconstruction works. The NOI is expected to bounce back to the previous level of approximately EUR 410 thousand in 2020. During Q4 2019, the average direct property yield increased to 8.2% (Q3 2019: 7.9%) and the net initial yield increased to 8.0% (Q3 2019: 7.4%). The fair value of the property decreased from EUR 5,370 thousand measured as of 30 June 2019 to EUR 4,850 thousand as of 31 December 2019.

Postimaja & Coca-Cola Plaza Complex, Tallinn (Estonia)
In the Postimaja & Coca-Cola Plaza complex, the master lease agreement with Forum Cinemas (leisure) holds strong and tenant risk remains very low. During Q4 2019, the average occupancy rate for the leisure area remained stable at 100% (Q3 2019: 100%). The average direct property yield for the leisure area remained stable at 9.0% (Q3 2019: 9.0%) and the net initial yield remained stable at 7.1% (Q3 2019: 7.1%). The fair value of the leisure area increased from EUR 14,980 thousand measured as of 30 June 2019 to EUR 15,150 thousand as of 31 December 2019.

During Q4 2019, the average occupancy rate for the retail part was 92.4% (Q3 2019: 90.8%). During Q4 2019, the average direct property yield for the retail part was 4.2% (Q3 2019: 4.2%) and the net initial yield was 4.5% (Q3 2019: 4.5%). The fair value of the retail part increased from EUR 32,140 thousand measured as of 30 June 2019 to EUR 32,250 thousand as of 31 December 2019.

The Fund management team is taking active steps to combine Postimaja & Coca-Cola Plaza to seize the synergy potential between Postimaja & Coca-Cola Plaza properties which are located next to each other. To achieve that synergy, HG Arhitektuur OÜ with its work the “Rotermann Passage“ has been selected as the partner to work out the architectural solution. The project includes developing a new exterior design as well as considerably increasing the leasable area and aims to improve functionality between the two buildings as well as the central Rotermann Quarter. The technical preparation for the expansion is ongoing with the architects, retail concept developers and Tallinn city. Fine tuning of the new concept is underway and active work is ongoing to obtain the final building permit.

Europa Shopping centre, Vilnius (Lithuania)
Located in the heart of Vilnius central business district on Konstitucijos Prospektas the property has the potential to substantially expand its visitor flows in the near future as new office buildings in the Vilnius CBD are being built or nearing completion. The management team has been in touch with top European retail consultants to enable the shopping centre to refresh its concept and increase its attractiveness in the vastly growing CBD area of Vilnius. The average occupancy level increased to 96.7% for Q4 2019 (Q3 2019: 95.6%). Average direct property yield during Q4 2019 was 6.2% (Q3 2019: 6.7%). The net initial yield for Q4 2019 was 5.7% (Q3 2019: 6.1%). The fair value of the property increased from EUR 40,360 thousand measured as of 30 June 2019 to EUR 40,711 thousand as of 31 December 2019.

G4S Headquarters, Tallinn (Estonia)
The building has two key tenants – G4S and the Social Insurance Board of Estonia, which have rented the whole building under long-term agreements. The property’s land plot allows for future development of an additional office building with a gross leasable office area of 11,000 sq. m. The average occupancy level remained stable at 100% in Q4 2019 (Q3 2019: 100%). The average direct property yield during Q4 2019 was 7.7% (Q3 2019: 7.7%). The net initial yield for Q4 2019 was 6.9% (Q3 2019: 7.0%). The fair value of the property increased from EUR 17,130 thousand measured as of 30 June 2019 to EUR 17,550 thousand as of 31 December 2019.

Upmalas Biroji, Riga (Latvia)
The property tenant mix remains strong, including such top class international tenants as SEB Global Services, CABOT, Johnson & Johnson and others. The average occupancy rate remained stable at 100% for

Q4 2019 (Q3 2019: 100%). The average direct property yield during Q4 2019 increased to 7.6% (Q3 2019: 6.9%). The net initial yield for Q4 2019 increased to 7.2% (Q3 2019: 6.5%). The fair value of the property decreased from EUR 25,220 thousand measured as of 30 June 2019 to EUR 24,198 thousand as of 31 December 2019.

Pirita Shopping centre, Tallinn (Estonia)

The average occupancy rate decreased to 90.7% during Q4 2019 (Q3 2019: 92.6%). During Q3 2019, a rental guarantee accrual was partially written off (EUR 153 thousand) and also impairment for trade receivables (EUR 91 thousand) was recognised. During Q4 2019, additional impairment for trade receivables (EUR 55 thousand) was recognised which resulted in a decrease of net rental income and actual yields for the quarter. The average direct property yield for Q4 2019 was 4.2% (Q3 2019: 6.8%). The net initial yield for Q4 2019 was 5.3% (Q3 2019: 8.6%). The fair value of the property increased from EUR 9,810 thousand measured as of 30 June 2019 to EUR 9,850 thousand as of 31 December 2019.

The management team is working together with local and international retail consultants on the renewal of the concept of this neighbourhood retail property. Several negotiations with new satellite tenants are underway in order to minimise the ground floor vacancy and strengthen the tenant mix with destination tenants.

Duetto I Office building, Vilnius (Lithuania)

Duetto I is a newly built 10-floor office centre with an underground parking lot. The property has an A class in energy efficiency and a BREEAM certification. The actual average occupancy level was 100% for Q4 2019 (Q3 2019: 98.7%). The average direct property yield during Q4 2019 was 7.7% (Q3 2019: 7.7%). The net initial yield for Q4 2019 was 7.1% (Q3 2019: 7.2%). The fair value of the property increased from EUR 16,020 thousand measured as of 30 June 2019 to EUR 16,460 thousand as of 31 December 2019.

Duetto II Office building, Vilnius (Lithuania)

On 27 February 2019, the Fund completed the acquisition of the newly constructed Duetto II office building located in Vilnius, Lithuania. The largest tenants in the property are Vilnius heating network company, Sweco and Rimi Lietuva. The Duetto II property is located on 6 Spaudos street, Vilnius, next to the Duetto I property already owned by the Fund. The property has an A class in energy efficiency and a BREEAM certification. YIT Kausta, the seller of the property, granted a 2-year guarantee (starting from the acquisition date) of full-occupancy net rental income. The asset is fully leased now as the last tenants moved into the premises in Q4 2019. The actual average occupancy level for Q4 2019 was 100% (Q3 2019: 93.3%). The average direct property yield during Q4 2019 was 7.1% (Q3 2019: 7.1%). The net initial yield for Q4 2019 was 7.1% (Q3 2019: 7.3%). The fair value of the property increased from EUR 17,900 thousand measured as of 30 June 2019 to EUR 18,935 thousand as of 31 December 2019.

Vainodes I Office building, Riga (Latvia)

The complex consists of an office building, built in 2014, which is connected to a smaller reconstructed building. The anchor tenant is JSC Latvian State Forests, other tenants include pharmaceutical company Abbvie and a cafeteria. Vainodes I has a development potential of at least additional 7,000 sq. m. which the Fund's management team aims to execute in the coming 4 years in order to maximise the value of the property. The average occupancy rate was 100% for Q4 2019 (Q3 2019: 100%). During Q4 2019, the average direct property yield was 6.8% (Q3 2019: 6.9%) and the net initial yield was 6.9% (Q3 2019: 6.9%). The fair value of the property decreased from EUR 21,490 thousand measured as of 30 June 2019 to EUR 20,890 thousand as of 31 December 2019.

LNK Centre Office building, Riga (Latvia)

The property is an office building with a net leasable area of 7,453 sq. m. located in Skanstes area, which is a well-known modern business district of Riga and is likely to become a new CBD of Riga in the future. The asset is fully leased out, with Emergn AS and LNK Group occupying approx. 96% of the leasable area. The property's weighted average unexpired lease term (WAULT) is higher than market average due to recent extensions of the lease agreements of Emergn AS and LNK Group. The average occupancy rate for Q4 2019 remained stable at 100% (Q3 2019: 100%). The average direct property yield for Q4 2019 was 6.4% (Q3 2019: 6.4%). The net initial yield for Q4 2019 was 6.5% (Q3 2019: 6.5%). The fair value of the property increased from EUR 16,830 thousand measured as of 30 June 2019 to EUR 17,000 thousand as of 31 December 2019.

Galerija Centrs Shopping centre, Riga (Latvia)

On 13 June 2019, the Fund completed the acquisition of the Galerija Centrs shopping centre located in Riga, Latvia. The Galerija Centrs property is located at Audeju Street 16, 1050 in Riga Old Town, next to the National Opera. As a block of Old Town, the 5-floor property complex consists of two buildings connected with a glass-roofed arcade. Originally opened as the Army Department Store in 1938, the high street retail centre was last refurbished and extended in 2006. The anchor tenants include H&M, RIMI, Massimo Dutti, Douglas, Lindex, Esprit, Gant, Marc O'Polo, Max Mara Weekend and others. The average occupancy level was 96.0% for Q4 2019 (Q3 2019: 95.9%). Galerija Centrs delivered a 6.2% (Q3 2019: 6.1%) average direct property yield during Q4 2019. The net initial yield for Q4 2019 was 6.1% (Q3 2019: 6.0%). The fair value of the property increased from EUR 75,840 thousand measured as of 30 June 2019 to EUR 76,409 thousand as of 31 December 2019.

North Star Business Centre, Vilnius (Lithuania)

On 11 October 2019, the Fund completed the acquisition of the North Star Business Centre located in Vilnius, Lithuania. North Star is a B-class office building comprising of a net leasable area of 10,500 sqm over 7 floors with 310 underground parking spaces situated over two underground floors plus additional 60 parking spaces on the ground level. The asset is located in Zirmunai district, in close vicinity to Ogmios City, boasting good connectivity to Vilnius CBD, Vilnius downtown and the majority of the residential districts in Vilnius. The asset was fully leased out by the end of Q4 2019, with the Lithuanian Tax Inspectorate occupying approx. 43% of the leasable area. The asset is expected to boost Baltic Horizon's long term dividend yield. North Star delivered a 6.8% direct property yield and 6.9% net initial yield for Q4 2019. The fair value of the property decreased from EUR 20,792 thousand measured as acquisition costs to EUR 20,092 thousand as of 31 December 2019.

FINANCING

The Fund aims to use a 50% long-term leverage strategy. At no point in time may the Fund's leverage exceed 65%. The ability to borrow on attractive terms plays a major role in the investment strategy and cash distributions to unitholders.

During Q4 2019, the Fund drew down a EUR 9.0 million bank loan to finance the North Star Business Centre acquisition in October 2019. According to the agreement, the maturity of the loan is 15 March 2024.

After the subsequent bond subscription and the drawdown of new loans during 2019, the bank loan amortisation decreased to 0.2% (EUR 97 thousand per quarter), but the average interest rate increased to 2.6%. The management team is working on maintaining a low average interest rate and reducing LTV in the future.

Table 7: Debt financing terms of the Fund's assets

	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Regular quarterly bank loan amortisation, Euro '000	**27**	**97**	**97**	**97**	**97**
Regular annual bank loan amortisation from the loans outstanding, %	0.1%	0.3%	0.2%	0.2%	0.2%
Average interest rate, %	2.4%	2.4%	2.6%	2.6%	2.6%
LTV, %	57.3%	56.6%	58.6%	58.5%	57.7%

The table below provides a detailed breakdown of the structure of the Fund's consolidated financial debt as of 31 December 2019. Interest bearing debt was comprised of bank loans with a total carrying value of EUR 156.1 million and bonds with a carrying value of EUR 49.8 million. 100% of the debt instruments were denominated in euros. Bank loans have been obtained by subsidiaries that hold the Fund's properties and the properties have been pledged as loan collateral. The parent entity holds the 5-year unsecured bonds.

Table 8: Financial debt structure of the Fund

Property	Maturity	Currency	Carrying amount *Euro '000*	% of total	Fixed rate portion
Lincona	31 Dec 2022	EUR	7,188	3.5%	95%
CC Plaza and Postimaja	12 Feb 2023	EUR	17,200	8.3%	100%[1]
Sky SC	1 Aug 2021	EUR	2,280	1.1%	-%
Europa SC	5 Jul 2022	EUR	20,900	10.1%	88%
G4S Headquarters	16 Aug 2021	EUR	7,750	3.8%	100%
Upmalas Biroji BC	31 Aug 2023	EUR	11,750	5.7%	90%
Pirita SC	20 Feb 2022	EUR	4,944	2.4%	122%
Duetto I and II	31 Mar 2023	EUR	15,376	7.5%	47%[2]
Domus Pro	31 May 2022	EUR	11,000	5.3%	65%
Vainodes I	13 Nov 2024	EUR	9,842	4.8%	50%
LNK	27 Sep 2023	EUR	9,146	4.4%	63%
Galerija Centrs	26 May 2022	EUR	30,000	14.5%	100%
North Star	15 Mar 2024	EUR	9,000	4.4%	-%
Total bank loans		**EUR**	**156,376**	**75.8%**	**78%**
Less capitalised loan arrangement fees[3]		EUR	(319)		
Total bank loans recognised in the statement of financial position		**EUR**	**156,057**		
5 year-unsecured bonds		EUR	50,000	24.2%	100%
Less capitalised bond arrangement fees[3]		EUR	(230)		
Total debt recognised in the statement of financial position		**EUR**	**205,827**	**100%**	**83%**

1. CC Plaza and Postimaja loan has an interest rate cap at 3.5% for the variable interest rate part.
2. Duetto loan has an interest rate cap at 1% for the variable interest rate part.
3. Amortised each month over the term of a loan/bond.

Weighted average time to maturity was 3.4 years at the end of Q4 2019.

As of 31 December 2019, 83% of total debt had fixed interest rates while the remaining 17% had floating interest rates. The Fund fixes interest rates on a portion of its debt by acquiring IRS-type hedging instruments or limits the impact of rising interest rates with interest cap instruments (CAP). The unsecured bonds have a fixed coupon rate of 4.25%.

MANAGEMENT REVIEW

COVENANT REPORTING

As of 31 December 2019, the Fund was in compliance with all the covenants set under the bond issue terms and conditions dated 8 May 2018.

Table 9: Financial covenants

Financial covenant	Definition	Requirement	Ratio
Equity Ratio	Equity adjusted for the cash flow hedge reserve divided by total assets excluding financial assets and cash equivalents as defined in the accounting policies.	> 35.0%	42.6%
Debt Service Coverage Ratio	EBITDA divided by the principal payments and interest expenses of interest-bearing debt obligations, on a rolling 12 month basis.	> 1.20	3.32

During Q4 2019, the Fund was in compliance with all special conditions and covenants set under the bank loan agreements.

DIVIDEND CAPACITY

According to the Fund rules issued as of 23 May 2016, a distribution to investors will be made if all of the following conditions are met:

- The Fund has retained such reserves as required for the proper running of the Fund.
- The distribution does not endanger the liquidity of the Fund.
- The Fund has made the necessary follow-on investments in existing properties, i.e. investments in the development of the existing properties of the Fund, and new investments. The total of the Fund's annual net income that may be retained for making such investments is 20% of the Fund's annual net income of the previous year.

The Fund sets a target of dividend distributions to its unitholders in the range between 80% of generated net cash flow (GNCF) and a net profit after unrealised P&L items are adjusted. The distribution is based on the Fund's short-term and long-term performance projections. Management has the discretion to distribute lower dividends than 80% of generated net cash flow (GNCF) if the liquidity of the Fund is endangered.

Table 10: Generated net cash flow (GNCF) calculation formula

Item	Comments
(+) Net rental income	
(-) Fund administrative expenses	
(-) External interest expenses	Interest expenses incurred for bank loan financing
(-) CAPEX expenditure	The expenditure incurred in order to improve investment properties; the calculation will include capital expenditure based on annual capital investment plans
(+) Added back listing related expenses	
(+) Added back acquisition related expenses	Include the expenses for acquisitions that not occurred
Generated net cash flow (GNCF)	

The management of the Fund remains committed to target a 7-9**%** yield of annual dividends to investors from invested equity, which is defined as paid-in-capital since listing the Fund on the stock exchange on 30 June 2016. The table below provides the summary of historical calculations.

MANAGEMENT REVIEW

Table 11: Dividend capacity calculation

Euro '000	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
(+) Net rental income	3,929	3,916	4,256	5,412	5,635
(-) Fund administrative expenses	(804)	(709)	(817)	(879)	(846)
(-) External interest expenses	(780)	(869)	(1,043)	(1,295)	(1,346)
(-) CAPEX expenditure[1]	(141)	(68)	(180)	(178)	(225)
(+) Added back listing related expenses	-	3	51	60	-
(+) Added back acquisition related expenses	-	63	39	16	-
Generated net cash flow (GNCF)	**2,204**	**2,336**	**2,306**	**3,136**	**3,218**
GNCF per weighted unit	**0.028**	**0.030**	**0.024**	**0.031**	**0.029**
12-months rolling GNCF yield[2]	**8.4%**	**8.4%**	**7.8%**	**8.4%**	**8.6%**
Dividends declared for the period	**2,119**	**2,449**	**2,624**	**3,061**	**3,175**
Dividends declared per weighted unit	**0.027**	**0.025**	**0.026**	**0.027**	**0.028**
12-months rolling dividend yield[2]	**7.8%**	**7.7%**	**7.5%**	**7.8%**	**8.0%**

1. The table provides actual capital expenditures for the quarter. Future dividend distributions to unitholders are aimed to be based on the annual budgeted capital expenditure plans equalised for each quarter. This will reduce the quarterly volatility of cash distributions to unitholders.
2. 12-month rolling GNCF and dividend yields are based on the closing market price of the unit as at the end of the quarter (Q4 2019: closing market price of the unit as of 31 December 2019).

Distributions to unitholders for Q3 2019 and Q4 2019 Fund results

On 18 October 2019, the Fund declared a cash distribution of EUR 3,061 thousand (EUR 0.027 per unit) to the Fund unitholders for Q3 2019 results. This represents a 2.29% return on the weighted average Q3 2019 net asset value to its unitholders.

On 31 January 2020, the Fund declared a cash distribution of EUR 3,175 thousand (EUR 0.028 per unit) to the Fund unitholders for Q4 2019 results. This represents a 2.16% return on the weighted average Q4 2019 net asset value to its unitholders.

RISK MANAGEMENT

The risk management function of the Fund is outsourced to a sister company of the Management Company, Northern Horizon Capital AIFM Oy, which is a licensed AIFM in Finland. The risk manager of the Fund is responsible for identifying the Fund's market risk portfolio, preparing proposals regarding market risk limits, monitoring the utilization of the limit and producing overall market risk analyses. The risk manager maintains a list of all risk management related instructions, monitors these compared to internationally recommended best practice, and initiates changes and improvements when needed. He reports to the Fund's board on a regular basis. The risk manager assessed at the end of the reporting period that the Fund is currently in compliance with the intended risk management framework.

MANAGEMENT REVIEW

Principal risks faced by the Fund

Market risk
The Fund is exposed to the office and retail markets in Riga, Tallinn, and Vilnius through its indirect investments in investment property (through subsidiaries).

Currently, the yields of prime office and retail properties in the Baltic countries are decreasing as competition between real estate investors is consistently increasing. Investment yields in the Baltic countries have bottomed out and are on average around 6.5% and 7.5% in the office and retail segments, with prime office yields having declined to approx. 6%.

Interest rate risk
The Group's interest rate risk is related to interest-bearing borrowings. The Fund's policy is that long-term loans should be hedged to a fixed rate for their whole life. This converts floating rate liabilities to fixed rate liabilities. In order to achieve this, the Fund either takes fixed rate loans or swaps fixed interest rates for floating ones using interest rate derivatives. As 1) the Fund seeks to obtain financing on the best terms and conditions and 2) in the current market, fixed rate loans are often more expensive, the Fund hedges interest rate exposure by using derivative instruments such as interest rate swaps, forwards and options. The Fund and its subsidiaries acquire swaps only for cash flow hedging purposes and not for trading.

Credit risk
The Fund is aiming to diversify its investments, and counterparties with low credit risk are preferred. Major acquisition and project finance credit risks are minimised by sharing these risks with banks and insurance companies. Credit risks related to the placement of liquid funds and trading in financial instruments (counterparty credit risks) are minimised by making agreements only with the most reputable domestic and international banks and financial institutions.

Liquidity risk
Liquidity risk is the possibility of sustaining significant losses due to the inability to liquidate open positions, to realise assets by the due time at the prescribed fair price or to refinance loan obligations.

Real estate investments have low liquidity and there can be no assurance that the Fund will be able to exit the investments in a timely manner. By their nature, real estate investments or interests in other non-public entities are subject to industry cyclicality, downturns in demand, market disruptions and the lack of available capital for potential purchasers and therefore often difficult or time consuming to liquidate.

The Management Company makes its best efforts to ensure sufficient liquidity by efficient cash management, by maintaining a “liquidity buffer” and organizing long-term diversified financing for real estate investments.

Operational risk
Operational risk represents the potential for loss resulting from inadequate or failed internal processes or systems, human factors, or external events, including business disruptions and system failure. The Fund is exposed to many types of operational risk and attempts to mitigate them by maintaining a system of internal control procedures and processes that are designed to control risk within appropriate levels. Also, training and development of personnel competencies, and active dialogue with investors help the Fund to identify and reduce the risks related to its operation.

OUTLOOK FOR 2020

At the end of December 2019, Baltic Horizon Fund owned 15 established cash flow properties. The acquisitions completed in 2019 included the Duetto II and North Star office buildings in Vilnius and a landmark shopping centre Galerija Centrs in the Old Town of Riga which has become the largest asset in the

MANAGEMENT REVIEW

Fund's portfolio. All properties are located in the Baltic capitals with an expected gross property value of above EUR 370 million and an expected annualised full NOI of approx. EUR 22 million. The Fund aims to grow its asset base by acquiring carefully selected investment properties that best fit the Fund's very long-term strategy. Growing by acquiring established properties with long-term tenants allows the Fund to become more efficient and diversify its risks further across segments, tenants and geographical locations. The Fund also owns one land plot adjacent to Domus PRO complex for further office expansion.

Given the established cash-flow portfolio which forms a strong backbone for the Fund, the Fund management team has considerably increased its focus on creating added value in the already owned investment properties. In addition to CC Plaza and Postimaja expansion, this also includes preparing for the expansion of the Upmalas Biroji complex, Vainodes I and G4S properties and further expansion of Domus PRO complex. The period for starting the expansions, which are expected to improve the profitability of the Fund going forward, falls between 2020 and 2022.

The downside risks to the bullish future of the Baltics come primarily from the external environment. As the economic cycle matures, it is expected that economic growth will slow slightly: on average to 2.5%-3% in 2020. Despite somewhat weaker sentiment, overall investments are expected to continue growing at a good pace, still fuelled by EU structural funds and public investments. Export growth, on the other hand, is likely to ease somewhat. At the same time, private sector financial leverage has decreased, while savings have continuously increased.

There are several global risks that could further hinder growth. Yet, the Baltics have weathered uncertainty and volatility quite well so far and with low public debt, the strong financial situation of companies, and no external imbalances, after 10 years of bolstering, the economies should remain resilient and balanced to withstand possible external shocks without going into recession.

MANAGEMENT BOARD'S CONFIRMATION

Members of the Management Board of the Management Company Tarmo Karotam, Algirdas Vaitiekūnas and Aušra Stankevičienė confirm that according to their best knowledge, the condensed consolidated interim financial statements for the 12 months of 2019, prepared in accordance with IFRS as adopted by the European Union, present a correct and fair view of the assets, liabilities, equity, financial position, financial performance and cash flows of the Fund and its subsidiaries, taken as a whole, and the management report gives a true and fair view of the development, the results of the business activities and the financial position of the Fund and its subsidiaries, taken as a whole, as well as of the significant events which took place during the 12 months of the financial year and their effect on the condensed consolidated accounts.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 12-MONTH PERIOD ENDED 31 DECEMBER 2019

Euro '000	**Note**	**01.10.2019-31.12.2019**	**01.10.2018-31.12.2018**	**01.01.2019-31.12.2019**	**01.01.2018-31.12.2018**
Rental income		6,197	4,284	20,776	15,860
Service charge income		1,397	948	4,525	2,760
Cost of rental activities	6	(1,959)	(1,303)	(6,082)	(3,816)
Net rental income	5	**5,635**	**3,929**	**19,219**	**14,804**
Administrative expenses	7	(846)	(804)	(3,251)	(2,813)
Other operating income		3	26	26	74
Valuation gains (losses) on investment properties	11, 12	375	1,534	(2,064)	2,014
Operating profit		**5,167**	**4,685**	**13,930**	**14,079**
Financial income		1	2	5	8
Financial expenses	8	(1,402)	(808)	(4,718)	(2,789)
Net financing costs		**(1,401)**	**(806)**	**(4,713)**	**(2,781)**
Profit before tax		**3,766**	**3,879**	**9,217**	**11,298**
Income tax charge	5, 10	(351)	(344)	(426)	(1,308)
Profit for the period	5	**3,415**	**3,535**	**8,791**	**9,990**
Other comprehensive income that is or may be reclassified to profit or loss in subsequent periods					
Net gains (losses) on cash flow hedges	16b	802	(588)	(595)	(1,013)
Recognition of initial interest rate cap costs		-		-	(33)
Income tax relating to net gains (losses) on cash flow hedges	16b, 10	(48)	55	44	97
Other comprehensive income (expense), net of tax, that is or may be reclassified to profit or loss in subsequent periods		**754**	**(533)**	**(551)**	**(949)**
Total comprehensive income for the period, net of tax		**4,169**	**3,002**	**8,240**	**9,041**
Basic and diluted earnings per unit (Euro)	9	**0.03**	**0.04**	**0.09**	**0.13**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 12-MONTH PERIOD ENDED 31 DECEMBER 2019

Euro '000	**Note**	**31.12.2019**	**31.12.2018**
Non-current assets			
Investment properties	5, 11	356,575	245,160
Investment property under construction	5, 12	2,367	-
Derivative financial instruments	22	73	9
Other non-current assets		54	596
Total non-current assets		**359,069**	**245,765**
Current assets			
Trade and other receivables	13	1,794	2,229
Prepayments		301	154
Other current assets	14	734	505
Cash and cash equivalents	15	9,836	12,225
Total current assets		**12,665**	**15,113**
Total assets	5	**371,734**	**260,878**
Equity			
Paid in capital	16a	138,064	93,673
Own units	16a	-	(335)
Cash flow hedge reserve	16b	(1,556)	(1,005)
Retained earnings		16,010	17,472
Total equity		**152,518**	**109,805**
Non-current liabilities			
Interest bearing loans and borrowings	17	205,718	140,401
Deferred tax liabilities		6,199	5,844
Derivative financial instruments	22	1,728	1,069
Other non-current liabilities		1,298	905
Total non-current liabilities		**214,943**	**148,219**
Current liabilities			
Interest bearing loans and borrowings	17	414	106
Trade and other payables	18	3,171	2,397
Income tax payable		8	-
Other current liabilities		680	351
Total current liabilities		**4,273**	**2,854**
Total liabilities	5	**219,216**	**151,073**
Total equity and liabilities		**371,734**	**260,878**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 12-MONTH PERIOD ENDED 31 DECEMBER 2019

Euro '000	Notes	Paid in capital	Own units	Cash flow hedge reserve	Retained earnings	Total equity
As at 1 January 2018		**91,848**	**-**	**(56)**	**15,184**	**106,976**
Net profit for the period		-	-	-	9,990	**9,990**
Other comprehensive expense		-	-	(949)	-	**(949)**
Total comprehensive income		**-**	**-**	**(949)**	**9,990**	**9,041**
Paid in capital – units issued		2,350	-	-	-	**2,350**
Repurchase of own units	16a	-	(860)	-	-	**(860)**
Cancellation of own units	16a	(525)	525	-	-	**-**
Profit distribution to unitholders	16c	-	-	-	(7,702)	**(7,702)**
As at 31 December 2018		**93,673**	**(335)**	**(1,005)**	**17,472**	**109,805**
As at 1 January 2019		**93,673**	**(335)**	**(1,005)**	**17,472**	**109,805**
Net profit for the period		-	-	-	8,791	**8,791**
Other comprehensive expense		-	-	(551)	-	**(551)**
Total comprehensive income		**-**	**-**	**(551)**	**8,791**	**8,240**
Paid in capital – units issued	16a	44,726	-	-	-	**44,726**
Cancellation of own units	16a	(335)	335	-	-	**-**
Profit distribution to unitholders	16c	-	-	-	(10,253)	**(10,253)**
As at 31 December 2019		**138,064**	**-**	**(1,556)**	**16,010**	**152,518**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 12-MONTH PERIOD ENDED 31 DECEMBER 2019

Euro '000	**Note**	**01.01.2019-31.12.2019**	**01.01.2018-31.12.2018**
Cash flows from core activities			
Profit before tax		**9,217**	**11,298**
Adjustments for non-cash items:			
Value adjustment of investment properties	11, 12	2,064	(2,014)
Change in impairment losses for trade receivables		165	143
Financial income		(5)	(8)
Financial expenses	8	4,718	2,789
Unrealised exchange differences		(3)	-
Working capital adjustments:			
(Increase)/decrease in trade and other accounts receivable		780	(822)
(Increase)/decrease in other current assets		(427)	(540)
(Decrease)/Increase in other non-current liabilities		75	(76)
(Decrease)/increase in trade and other accounts payable		156	(522)
Increase/(decrease) in other current liabilities		(340)	702
(Paid)/refunded income tax		(8)	(586)
Total cash flows from core activities		**16,392**	**10,364**
Cash flows from investing activities			
Interest received		6	8
Acquisition of subsidiaries, net of cash acquired		(38,161)	(16,935)
Acquisition of investment property		(38,633)	(34,477)
Acquisition of a land plot		-	(1,661)
Advance payment for investment property		-	(500)
Proceeds from disposal of investment property		5	-
Investment property development expenditure		(746)	(2,237)
Capital expenditure on investment properties		(651)	(623)
Total cash flows from investing activities		**(78,180)**	**(56,425)**
Cash flows from financial activities			
Proceeds from the issue of bonds		10,000	40,000
Proceeds from bank loans		57,409	26,000
Repayment of bank loans		(37,796)	(23,299)
Proceeds from issue of units	16a	44,726	2,350
Profit distribution to unitholders	16c	(10,253)	(7,702)
Repurchase of units	16a	-	(860)
Transaction costs related to loans and borrowings		(206)	(380)
Repayment of lease liabilities		(16)	-
Interest paid		(4,465)	(2,380)
Total cash flows from financing activities		**59,399**	**33,729**
Net change in cash and cash equivalents		**(2,389)**	**(12,332)**
Cash and cash equivalents at the beginning of the year		**12,225**	**24,557**
Cash and cash equivalents at the end of the period		**9,836**	**12,225**

The accompanying notes are an integral part of these consolidated financial statements.

1. Corporate information

Baltic Horizon Fund is a regulated closed-end contractual investment fund registered in Estonia on 23 May 2016. The Fund is managed by Northern Horizon Capital AS. Both the Fund and the Management Company are supervised by the Estonian Financial Supervision Authority. The Depositary of the Fund is Swedbank AS. The Fund is the ultimate parent and controlling entity of the group comprising the Fund and its subsidiaries (the "Group" or the "Fund").

The Fund is a public fund with no particular lifetime (evergreen). Units of the Fund are made available to the public in accordance with the Fund Rules and applicable laws. The Fund is currently dual-listed on the NASDAQ Stockholm and the NASDAQ Tallinn Stock Exchanges.

The Fund's registered office is at Tornimäe 2, Tallinn, Estonia.

At the reporting date, the Fund held the following 100% interests in subsidiaries:

Name	31.12.2019	31.12.2018
BH Lincona OÜ	100%	100%
BOF SKY SIA	100%	100%
BH CC Plaza OÜ	100%	100%
BH Domus Pro UAB	100%	100%
BH Europa UAB	100%	100%
BH P80 OÜ	100%	100%
Kontor SIA	100%	100%
Pirita Center OÜ	100%	100%
BH Duetto UAB	100%	100%
Vainodes Krasti SIA	100%	100%
BH S27 SIA	100%	100%
BH Meraki UAB	100%	100%
Tampere Invest SIA	100%	-%
BH Northstar UAB	100%	-%

2. Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the Group's latest consolidated annual financial statements as at and for the year ended 31 December 2018. These interim condensed consolidated financial statements do not include all of the information required in the complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are relevant to understanding the changes in the Group's financial position and performance since the last annual financial statements.

These interim condensed consolidated financial statements were authorised for issue by the Management Company's Board of Directors on 14 February 2020.

Going concern assessment

The management of the Fund has performed an assessment of the Fund's future consolidated financial position, consolidated financial performance and cash flows and has concluded that the continued application of the going concern assumption is appropriate.

New standards, amendments and interpretations

A number of new standards and amendments to standards are not effective for annual periods beginning on 1 January 2019 but their earlier application is permitted. However, the Group has not early adopted any of the new or amended standards in preparing these interim condensed consolidated financial statements.

3. Use of judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the reported item in the future. The assumptions and judgements applied in these interim condensed consolidated financial statement were the same as those applied in the Group’s consolidated financial statements for the year ended 31 December 2018.

Measurement of fair values

The Group measures certain financial instruments such as derivatives, and non-financial assets such as investment property, at fair value at the end of each reporting period. Also, the fair values of financial instruments measured at amortised cost are disclosed in the financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Group must be able to access the principal or the most advantageous market at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

4. Changes in significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2018.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2019.

The Group adopted IFRS 16 Leases for the first time from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in the opening statement of financial position on 1 January 2019. Comparatives for the 2018 financial year have not been restated, as permitted under the specific transitional provision in the standard.

IFRS 16 Leases

The new standard eliminates the classification of leases as either operating leases or finance leases as was required by IAS 17 and, instead, introduces a single lessee accounting model. A lessee is required to recognise:

- assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
- depreciation of the right-of-use assets and interest on the lease liability separately in the statement of profit or loss and other comprehensive income.

After the commencement of the lease, a lessee shall measure the right-of-use assets using the cost model, unless:

- the right-of-use asset is an investment property and the lessee measures its investment property at fair value under IAS 40; or
- the right-of-use asset relates to a class of PPE to which the lessee applies IAS 16's revaluation model, in which case all right-of-use assets relating to that class of PPE can be revalued.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, i.e. a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group was not required to make any adjustment on transition to IFRS 16 as a lessor and continued to classify all current leases using the same classification principles as in IAS 17. The Group will provide more extensive disclosures in accordance with the requirements of IFRS 16 in the annual financial statements.

In accordance with its assessment of the impact of IFRS 16, the Group performed the initial valuation of lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. The Group determined that it holds ground lease agreements, which fall within the scope of IFRS 16. As a result, the Group recognised a right-of-use asset and lease liability in relation to ground leases.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2019. An incremental borrowing rate is the rate of interest that would have to be paid over a similar term and with a similar security to borrow the funds necessary to obtain an asset of a similar value and quality to the right-of-use asset. The weighted average incremental borrowing rate applied was 4%. Following the adoption of IFRS 16, the Group has presented lease liabilities within interest bearing loans and borrowings.

The associated right-of-use assets were initially recognised at an amount equal to the lease liabilities. As a result, the adoption of IFRS 16 did not have an impact on the Group's equity as at 1 January 2019. Right-of-use assets that meet the definition of investment property are presented within investment property.

The following table shows the reconciliation between payment obligations from operating leases at 31 December 2018 and the lease liability as at 1 January 2019:

Effects of initial application of IFRS 16

Euro '000	**2019**
Operating lease commitments off the statement of financial position at 31 December 2018	415
Recognition exemption for short-term leases	-
Recognition exemption for low-value assets	-
Discounted using the average incremental borrowing rate at 1 January 2019	(252)
Lease liabilities recognised at 1 January 2019	**163**

The following table shows the impact on the statement of financial position as at 1 January 2019 from the first-time application of IFRS 16:

Impact of adopting IFRS 16

Euro '000	**31 December 2018**	**Application of IFRS 16**	**1 January 2019**
Assets			
Investment property (right-of-use assets)	245,160	163	245,323
Total assets	**245,160**	**163**	**245,323**
Liabilities			
Interest bearing loans and borrowings, non-current	205,718	147	205,865
Interest bearing loans and borrowings, current	414	16	430
Total liabilities	**206,132**	**163**	**206,295**

As a result of initially applying IFRS 16, the Group recognised right-of-use assets of EUR 305 thousand (presented within investment property) and lease liabilities of EUR 305 thousand as at 31 December 2019. There was no impact on the profit for the period ended 31 December 2019. During the 12-month period ended 31 December 2019, the Group recognised instead of operating lease expenses a valuation loss of EUR 16 thousand for the right-of-use assets that meet the definition of investment property and EUR 10 thousand of interest expenses on the leases.

5. Operating segments

The Group's reportable segments are as follows:

- Retail segment – includes Europa Shopping Centre (Lithuania), Domus Pro Retail Park (Lithuania), SKY Supermarket (Latvia), Pirita Shopping centre (Estonia), Postimaja Shopping centre (Estonia), and Galerija Centrs Shopping Centre (Latvia) investment properties.

- Office segment – includes Lincona Office Complex (Estonia), G4S Headquarters (Estonia), Upmalas Biroji (Latvia), Duetto I (Lithuania), Duetto II (Lithuania), Domus Pro stage III (Lithuania), Vainodes I (Latvia), LNK Centre (Latvia), and North Star (Lithuania) investment properties.
- Leisure segment – includes Coca-Cola Plaza (Estonia) investment property.

For management purposes, the Group is organised into three business segments based on the type of investment property. Management monitors the operating results of business segments separately for the purpose of making decisions about resources to be allocated and assessing performance. Segment performance is evaluated based on net rental income and net profit or loss.

Information related to each reportable segment is set out below. Segment net rental income is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

Operating segments – 31 December 2019

Euro '000	**Retail**	**Office**	**Leisure**	**Total segments**
01.10.2019 – 31.12.2019:				
External revenue[1]	4,167	3,152	275	7,594
Segment net rental income	**2,599**	**2,769**	**267**	**5,635**
Net gains (losses) from fair value adjustment	509	(304)	170	375
Interest expenses[2]	(431)	(371)	(17)	(819)
Income tax income	(219)	(132)	-	(351)
Segment net profit (loss)	**2,568**	**1,675**	**416**	**4,659**
01.01.2019 – 31.12.2019:				
External revenue[1]	12,871	11,356	1,074	25,301
Segment net rental income	**8,413**	**9,765**	**1,041**	**19,219**
Net gains (losses) from fair value adjustment	(988)	(1,756)	680	(2,064)
Interest expenses[2]	(1,343)	(1,187)	(66)	(2,596)
Income tax income	(265)	(161)	-	(426)
Segment net profit	**5,762**	**6,176**	**1,645**	**13,583**
As at 31.12.2019:				
Segment assets	**186,377**	**168,352**	**15,710**	**370,439**
Investment properties	180,740	160,685	15,150	356,575
Investment property under construction	-	2,367	-	2,367
Segment liabilities	**85,563**	**76,907**	**5,534**	**168,004**

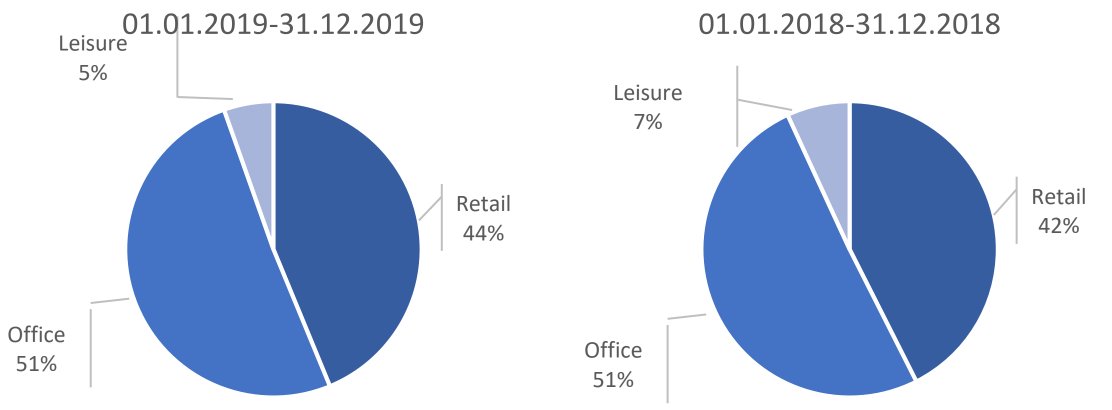
1. External revenue includes rental income and service charge income. The segments do not have inter-segment revenue.
2. Interest expenses include only external bank loan interest expenses.

Operating segments – 31 December 2018

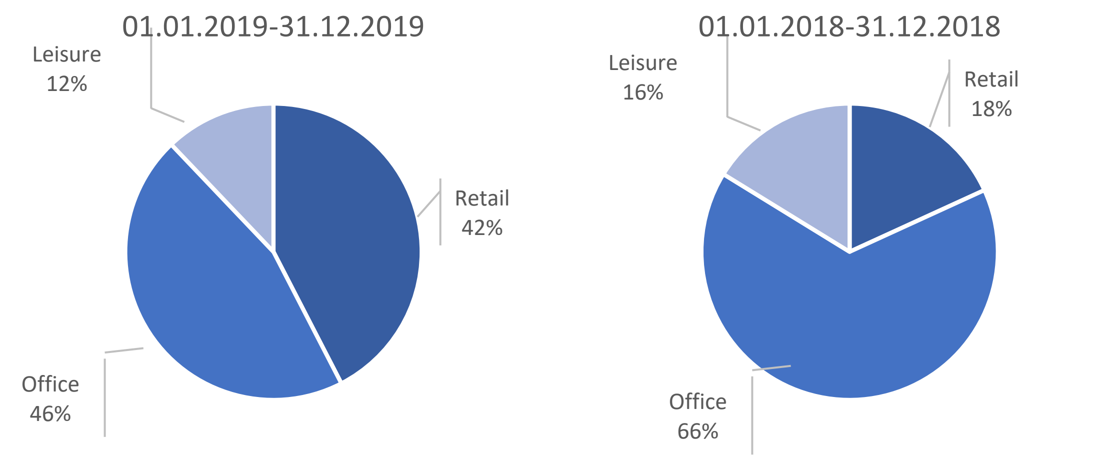
Euro '000	**Retail**	**Office**	**Leisure**	**Total segments**
01.10.2018 – 31.12.2018:				
External revenue[1]	2,379	2,600	253	5,232
Segment net rental income	**1,619**	**2,060**	**250**	**3,929**
Net gains (losses) from fair value adjustment	(1,695)	1,949	1,280	1,534
Interest expenses[2]	(212)	(214)	(23)	(449)
Income tax expenses	(225)	(119)	-	(344)
Segment net profit	**(381)**	**3,429**	**1,507**	**4,555**
01.01.2018 – 31.12.2018:				
External revenue[1]	8,973	8,637	1,010	18,620
Segment net rental income	**6,247**	**7,559**	**998**	**14,804**
Net gains (losses) from fair value adjustment	(2,309)	3,093	1,230	2,014
Interest expenses[2]	(924)	(840)	(83)	(1,847)
Income tax expenses	(635)	(673)	-	(1,308)
Segment net profit	**2,396**	**8,651**	**2,139**	**13,186**
As at 31.12.2018:				
Segment assets	**109,262**	**126,782**	**14,818**	**250,862**
Investment properties	106,420	124,270	14,470	245,160
Segment liabilities	**54,679**	**50,353**	**5,369**	**110,401**

1. External revenue includes rental income and service charge income. The segments do not have inter-segment revenue.
2. Interest expenses include only external bank loan interest expenses.

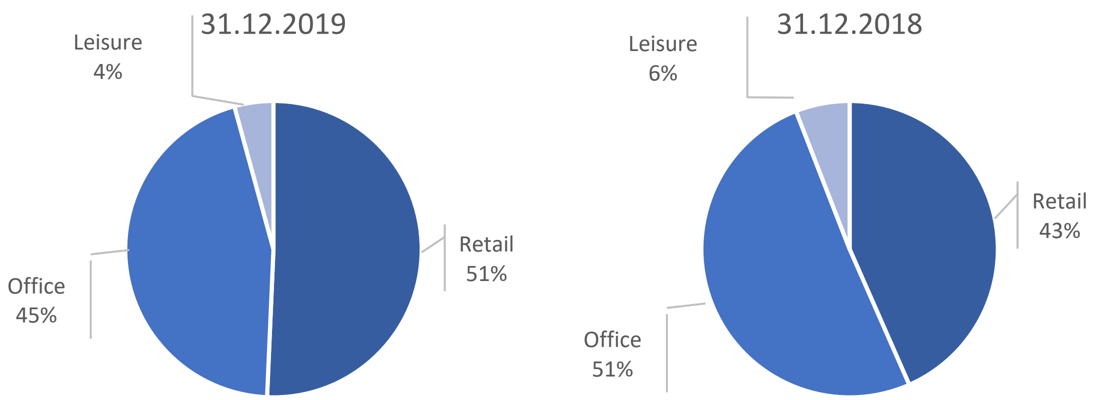
Segment net rental income*



Segment net profit*



Investment properties*



*As a percentage of the total for all reportable segments

Reconciliation of information on reportable segments to IFRS measures

Operating segments – 31 December 2019

Euro '000	**Total reportable segments**	**Adjustments**	**Consolidated**
01.10.2019 – 31.12.2019:			
Net profit (loss)	**4,659**	(1,244)[1]	**3,415**
01.01.2019 – 31.12.2019:			
Net profit (loss)	**13,583**	(4,792)[2]	**8,791**
As at 31.12.2019:			
Segment assets	**370,439**	1,295[3]	**371,734**
Segment liabilities	**168,004**	51,212[4]	**219,216**

1. Segment net profit for Q4 2019 does not include Fund management fee (EUR 474 thousand), bond interest expenses (EUR 537 thousand), bond arrangement fee amortisation (EUR 18 thousand), Fund performance fee accrual (EUR 69 thousand), Fund custodian fees (EUR 18 thousand), and other Fund-level administrative expenses (EUR 128 thousand).
2. Segment net profit 12 months ended 31 December 2019 does not include Fund management fee (EUR 1,679 thousand), bond interest expenses (EUR 1,967 thousand), bond arrangement fee amortisation (EUR 65 thousand), Fund performance fee accrual (EUR 379 thousand), Fund custodian fees (EUR 65 thousand), and other Fund-level administrative expenses (EUR 637 thousand).
3. Segment assets do not include cash, which is held at the Fund level (EUR 1,295 thousand).
4. Segment liabilities do not include liabilities related to a bond issue at the Fund level (EUR 49,770 thousand), accrued bond coupon expenses (EUR 313 thousand), management fee payable (EUR 474 thousand), and other short-term payables (EUR 665 thousand) at the Fund level.

Operating segments – 31 December 2018

Euro '000	**Total reportable segments**	**Adjustments**	**Consolidated**
01.10.2018 – 31.12.2018:			
Net profit (loss)	**4,555**	(1,020)[1]	**3,535**
01.01.2018 – 31.12.2018:			
Net profit (loss)	**13,186**	(3,196)[2]	**9,990**
As at 31.12.2018:			
Segment assets	**250,862**	10,016[3]	**260,878**
Segment liabilities	**110,401**	40,672[4]	**151,073**

1. Segment net profit for Q4 2018 does not include Fund management fee (EUR 354 thousand), bond interest expenses (EUR 332 thousand), Fund performance fee accrual (EUR 88 thousand), Fund custodian fees (EUR 13 thousand), and other Fund-level administrative expenses (EUR 233 thousand).
2. Segment net profit for 12 months ended 31 December 2018, does not include Fund management fee (EUR 1,391 thousand), bond interest expenses (EUR 838 thousand), Fund performance fee accrual (EUR 166 thousand), Fund custodian fees (EUR 47 thousand), and other Fund-level administrative expenses (EUR 754 thousand).
3. Segment assets do not include cash, which is held at the Fund level (EUR 10,016 thousand).
4. Segment liabilities do not include liabilities related to a bond issue at Fund level (EUR 39,755 thousand), accrued bond coupon expenses (EUR 250 thousand), management fee payable (EUR 354 thousand), and other short-term payables (EUR 313 thousand) at the Fund level.

Geographic information

Segment net rental income

	External revenue				*Investment property value*	
Euro '000	**01.10.2019-31.12.2019**	**01.10.2018-31.12.2018**	**01.01.2019-31.12.2019**	**01.01.2018-31.12.2018**	**31.12.2019**	**31.12.2018**
Lithuania	2,728	2,027	9,326	7,280	120,608	84,010
Latvia	3,178	1,387	9,569	4,726	143,347	69,800
Estonia	1,688	1,818	6,406	6,614	92,620	91,350
Total	**7,594**	**5,232**	**25,301**	**18,620**	**356,575**	**245,160**

Major tenant

No single tenant accounted for more than 10% of the Group's total revenue. Rental income from one tenant in the office segment represented EUR 1,200 thousand of the Group's total rental income for 12 months ended 31 December 2019 and EUR 300 thousand for Q4 2019 (EUR 1,200 thousand for 12 months ended 30 December 2018 and EUR 300 thousand for Q4 2018).

6. Cost of rental activities

Euro '000	**01.10.2019-31.12.2019**	**01.10.2018-31.12.2018**	**01.01.2019-31.12.2019**	**01.01.2018-31.12.2018**
Repair and maintenance	639	416	2,085	1,424
Utilities	329	328	1,102	476
Property management expenses	267	157	936	629
Real estate taxes	242	157	842	569
Sales and marketing expenses	263	160	681	445
Allowance (reversal of allowance) for bad debts	121	45	165	143
Property insurance	22	21	84	73
Other	76	19	187	57
Total cost of rental activities	**1,959**	**1,303**	**6,082**	**3,816**

Part of the total cost of rental activities was recharged to tenants: EUR 4,525 thousand during the 12-month period ended 31 December 2019 and EUR 1,397 thousand during Q4 2019 (EUR 2,760 thousand during the 12-month period ended 31 December 2018 and EUR 948 thousand during Q4 2018).

7. Administrative expenses

Euro '000	**01.10.2019-31.12.2019**	**01.10.2018-31.12.2018**	**01.01.2019-31.12.2019**	**01.01.2018-31.12.2018**
Management fee	474	354	1,679	1,391
Performance fee	69	88	379	166
Consultancy fees	32	90	270	215
Legal fees	101	65	221	323
Private placement related expenses	-	-	114	-
Audit fee	36	13	102	88
Fund marketing expenses	20	50	94	222
Custodian fees	18	13	65	47
Supervisory board fees	13	12	51	50
Other administrative expenses	83	119	276	311
Total administrative expenses	**846**	**804**	**3,251**	**2,813**

The Management Company is entitled to calculate the performance fee based on the annual adjusted funds from operations (AFFO) of the Fund. If AFFO divided by paid in capital during the year exceeds 8% per annum, the Management Company is entitled to a performance fee in the amount of 20% of the amount exceeding 8%. The performance fee based on this formula is calculated starting from 1 January 2017. The performance fee first becomes payable in the fifth year of the Fund (i.e. 2020).

8. Financial expenses

Euro '000	**01.10.2019-31.12.2019**	**01.10.2018-31.12.2018**	**01.01.2019-31.12.2019**	**01.01.2018-31.12.2018**
Interest on external loans and borrowings	1,346	780	4,553	2,685
Interest on lease liabilities	10	-	10	-
Loan arrangement fee amortisation	44	28	152	103
Foreign exchange loss	2	-	3	1
Total financial expenses	**1,402**	**808**	**4,718**	**2,789**

9. Earnings per unit

The calculation of earnings per unit is based on the following profit attributable to unitholders and weighted-average number of units outstanding.

Profit attributable to the unitholders of the Fund:

Euro '000	**01.10.2019-31.12.2019**	**01.10.2018-31.12.2018**	**01.01.2019-31.12.2019**	**01.01.2018-31.12.2018**
Profit for the period, attributed to the unitholders of the Fund	3,415	3,535	8,791	9,990
Profit for the period, attributed to the unitholders of the Fund	**3,415**	**3,535**	**8,791**	**9,990**

Weighted-average number of units:

	01.10.2019-31.12.2019	**01.10.2018-31.12.2018**	**01.01.2019-31.12.2019**	**01.01.2018-31.12.2018**
Issued units at 1 January	78,496,831[8]	77,440,638	78,496,831[8]	77,440,638
Effect of units issued in February 2018[1]	-	1,716,456	-	1,471,248
Effect of units repurchased by the Fund in August and September 2018[2]	-	(392,611)	-	(115,281)
Effect of units repurchased by the Fund in October, November and December 2018[3]	-	(126,838)	-	(31,710)
Effect of units issued in April 2019[4]	18,839,239	-	13,508,355	-
Effect of units issued in May 2019[5]	627,974	-	400,247	-
Effect of units issued in July 2019[6]	2,951,158	-	1,370,181	
Effect of units issued in October 2019[7]	11,770,937	-	2,942,734	
Weighted-average number of units	**112,686,139**	**78,637,645**	**96,718,348**	**78,764,895**

1. In February 2018, the Fund issued 1,716,456 units through a private placement, which was part of the Postimaja acquisition deal.
2. In August and September 2018, the Fund repurchased 278,402 units through a buy-back program, which have been excluded from the calculation of earnings per unit.
3. In October, November and December 2018, the Fund repurchased 255,969 units through a buy-back program, which have been excluded from the calculation of earnings per unit.
4. In April 2019, the Fund issued 18,839,239 units through two private placements, which were part of the Galerija Centrs acquisition deal.
5. In May 2019, the Fund issued 627,974 units through a private placement, which was part of the Galerija Centrs acquisition deal.
6. In July 2019, the Fund issued 2,951,158 units through a private placement, which was part of the Galerija Centrs acquisition deal.
7. In October 2019, the Fund issued 12,472,323 units through two private placements, which were part of the North Star acquisition deal.
8. The number of units excludes 255,969 units acquired by the Fund and cancelled in February 2019 as part of the unit buy-back program.

Basic and diluted earnings per unit:

	01.10.2019-31.12.2019	**01.10.2018-31.12.2018**	**01.01.2019-31.12.2019**	**01.01.2018-31.12.2018**
Basic and diluted earnings per unit*	0.03	0.04	0.09	0.13

*There are no potentially dilutive instruments issued by the Group, therefore, the basic and diluted earnings per unit are the same.

10. Income tax

Real estate revenues, or capital gains derived from real estate are subject to taxes by assessment in the countries where the real estate is situated. The Fund's subsidiaries depreciate their historical property cost in accordance with applicable tax regulations. Depreciation is deducted from taxable profits in determining current taxable income.

The Group's consolidated effective tax rate in respect of continuing operations for the 12 months ended 31 December 2019 was 4.6% (12 months ended 31 December 2018: 11.6%).

The major components of income tax for the periods ended 31 December 2019 and 2018 were as follows:

Euro '000	**01.10.2019-31.12.2019**	**01.10.2018-31.12.2018**	**01.01.2019-31.12.2019**	**01.01.2018-31.12.2018**
Consolidated statement of profit or loss				
Current income tax for the period	(9)	(102)	(27)	(573)
Deferred tax for the period	(342)	(242)	(399)	(735)
Income tax expense reported in profit or loss	**(351)**	**(344)**	**(426)**	**(1,308)**
Consolidated statement of other comprehensive income				
Deferred income tax related to items charged or credited to equity:				
Revaluation of derivative instruments to fair value	(48)	55	44	97
Income tax reported in other comprehensive income	**(48)**	**55**	**44**	**97**

11. Investment property

The fair value of the investment properties is approved by the management board of the Management Company, based on independent appraisals. Independent appraisals are performed in accordance with the Practice Statements and Relevant Guidance Notes of the RICS Appraisal and Valuation approved by both the International Valuation Standards Committee (IVSC) and by the European Group of Valuers' Associations (TEGoVA). In accordance with that basis, the market value is an estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The appraisers derive the fair value by applying the methodology and valuation guidelines as set out by the Royal Institution of Chartered Surveyors in the United Kingdom and in accordance with IAS 40.

As at 31 December 2019, new external valuations were performed by independent property valuator Newsec.

Valuations are prepared using the discounted cash flow model. Under the discounted cash flow model, the value of the property is estimated by compiling the net present values of future cash flows, which are obtained by applying a discount rate. This method first requires an estimate of potential gross income to which deductions for vacancy and collection losses are applied. The resulting net income is then capitalised or discounted at a rate that is commensurate with the risk inherent in the ownership of the property involved to produce a value estimate.

Fair value does not necessarily represent the liquidation value of the properties which would be dependent upon the price negotiated at the time net of selling costs. Fair value is largely based on estimates which are inherently subjective.

The yield requirement (discount factor) is determined for each property.

Investment property comprises buildings, which are rented out under lease contracts.

Euro '000	**2019**	**2018**
Balance at 1 January	**245,160**	**189,317**
Acquisition of investment property	114,133	51,545
Acquisition of land	-	1,661
Additions (subsequent expenditure)	651	623
Disposals	(5)	-
Transfer to investment property under construction	(1,700)	-
Net revaluation gain on investment property	(1,969)	2,014
Closing balance excluding right-of-use assets	**356,270**	**245,160**
Initial recognition of right-of-use assets at 1 January (IFRS 16)	163	-
Additions to right-of-use assets (new leases)	158	-
Net revaluation gains on right-of-use assets	(16)	-
Closing balance	**356,575**	**245,160**

Acquisition of Duetto II

On 18 December 2018, the Fund signed a sales-purchase agreement to acquire the newly constructed Duetto II office building located in Vilnius, Lithuania. The agreed purchase price for the property was EUR 18,324 thousand corresponding to an approximate acquisition yield of 7.1%. The transaction was closed on 27 February 2019. Transaction costs related to the acquisition amounted to EUR 17 thousand. In accordance with IFRS 3, this acquisition is treated as an asset deal.

Acquisition of Galerija Centrs

On 13 June 2019, the Fund acquired 100% of the voting shares in Tampere Invest SIA, an unlisted company based in Riga, Latvia. Tampere Invest SIA owns Galerija Centrs investment property which at the time of acquisition was valued at EUR 75,000 thousand corresponding to an approximate acquisition yield of 6.7%. In accordance with IFRS 3, this acquisition is treated as an asset deal.

Acquisition of North Star

On 11 October 2019, the Fund acquired North Star Business Centre located in Vilnius, Lithuania. The agreed purchase price for the property was EUR 20,750 thousand corresponding to an approximate acquisition yield of 7.3%. Transaction costs related to the acquisition amounted to EUR 42 thousand. In accordance with IFRS 3, this acquisition is treated as an asset deal.

Valuation techniques used to derive Level 3 fair values

The values of the properties are based on the valuation of investment properties performed by Newsec as at 31 December 2019 increased by right-of-use assets.

The table below presents the following for each investment property:

- A description of the valuation techniques applied;
- The inputs used in the fair value measurement;
- Quantitative information about the significant unobservable inputs used in the fair value measurement.

Property	**Valuation technique**	**Key unobservable inputs**	**Range**
Europa Shopping centre, Vilnius (Lithuania)	DCF	- Discount rate	8.0%
Net leasable area (NLA) – 17,426 sq. m.		- Rental growth p.a.	1.2% - 2.3%
Segment – Retail		- Long term vacancy rate	2.0% - 5.0%
Year of construction/renovation – 2004		- Exit yield	6.8%
		- Average rent (EUR/sq. m.)	13.8

Property	Valuation technique	Key unobservable inputs	Range
Domus Pro, Vilnius (Lithuania)	DCF	- Discount rate	8.1% - 8.5%
Net leasable area (NLA) – 16,057 sq. m.		- Rental growth p.a.	1.2% - 2.3%
Segment – Retail/Office		- Long term vacancy rate	2.0% - 5.0%
Year of construction/renovation – 2013		- Exit yield	7.5%
		- Average rent (EUR/sq. m.)	9.6
Lincona Office Complex, Tallinn (Estonia)	DCF	- Discount rate	8.1%
Net leasable area (NLA) – 10,865 sq. m.		- Rental growth p.a.	1.2% - 2.2%
Segment – Office		- Long term vacancy rate	5.0%
Year of construction/renovation – 2002 / 2008		- Exit yield	7.5%
		- Average rent (EUR/sq. m.)	10.1
Coca-Cola Plaza , Tallinn (Estonia)	DCF	- Discount rate	8.1%
Net leasable area (NLA) – 8,664 sq. m.		- Rental growth p.a.	1.0% - 3.0%
Segment – Leisure		- Long term vacancy rate	2.0%
Year of construction/renovation – 1999		- Exit yield	7.5%
		- Average rent (EUR/sq. m.)	10.7
G4S Headquarters, Tallinn (Estonia)*	DCF	- Discount rate	8.0%
Net leasable area (NLA) – 9,179 sq. m.		- Rental growth p.a.	2.0% - 2.2%
Segment – Office		- Long term vacancy rate	2.0%
Year of construction/renovation – 2013		- Exit yield	7.3%
		- Average rent (EUR/sq. m.)	10.8
SKY Supermarket, Riga (Latvia)	DCF	- Discount rate	9.3%
Net leasable area (NLA) – 3,254 sq. m.		- Rental growth p.a.	1.2% - 1.7%
Segment – Retail		- Long term vacancy rate	2.0% - 5.0%
Year of construction/renovation – 2000 / 2010		- Exit yield	7.8%
		- Average rent (EUR/sq. m.)	11.0
Upmalas Biroji, Riga (Latvia)	DCF	- Discount rate	8.0%
Net leasable area (NLA) – 10,458 sq. m.		- Rental growth p.a.	0.7% - 1.7%
Segment – Office		- Long term vacancy rate	2.0% - 5.0%
Year of construction/renovation – 2008		- Exit yield	7.0%
		- Average rent (EUR/sq. m.)	13.0
Pirita Shopping centre, Tallinn (Estonia)	DCF	- Discount rate	9.3%
Net leasable area (NLA) – 5,460 sq. m		- Rental growth p.a.	1.9% - 2.2%
Segment – Retail		- Long term vacancy rate	2.0% - 5.0%
Year of construction/renovation – 2016		- Exit yield	8.0%
		- Average rent (EUR/sq. m.)	13.4
Duetto I, Vilnius (Lithuania)	DCF	- Discount rate	8.0%
Net leasable area (NLA) – 8,498 sq. m		- Rental growth p.a.	0.5% - 2.3%
Segment – Office		- Long term vacancy rate	5%
Year of construction/renovation – 2017		- Exit yield	7.3%
		- Average rent (EUR/sq. m.)	11.7
Duetto II, Vilnius (Lithuania)	DCF	- Discount rate	8.0%
Net leasable area (NLA) – 8,515 sq. m		- Rental growth p.a.	1.2% - 2.3%
Segment – Office		- Long term vacancy rate	5%
Year of construction/renovation – 2018		- Exit yield	7.3%
		- Average rent (EUR/sq. m.)	12.6

Property	Valuation technique	Key unobservable inputs	Range
Vainodes I, Riga (Latvia)*	DCF	- Discount rate	8.0%
Net leasable area (NLA) – 8,052 sq. m		- Rental growth p.a.	0.0% - 2.5%
Segment – Office		- Long term vacancy rate	1.0% - 5.0%
Year of construction/renovation – 2014		- Exit yield	7.0%
		- Average rent (EUR/sq. m.)	13.2
Postimaja, Tallinn (Estonia)*	DCF	- Discount rate	7.4%
Net leasable area (NLA) – 9,145 sq. m		- Rental growth p.a.	0.5% - 2.8%
Segment – Retail		- Long term vacancy rate	2.0%
Year of construction/renovation – 1980		- Exit yield	6.0%
		- Average rent (EUR/sq. m.)	16.4
LNK Centre, Riga (Latvia)	DCF	- Discount rate	7.4%
Net leasable area (NLA) – 7,453 sq. m		- Rental growth p.a.	0.7% - 2.6%
Segment – Office		- Long term vacancy rate	2.0% - 5.0%
Year of construction/renovation – 2006 / 2014		- Exit yield	6.5%
		- Average rent (EUR/sq. m.)	12.2
Galerija Centrs, Riga (Latvia)	DCF	- Discount rate	7.4%
Net leasable area (NLA) – 19,945 sq. m		- Rental growth p.a.	2.0% - 2.8%
Segment – Retail		- Long term vacancy rate	2.0% - 5.0%
Year of construction/renovation – 1939 / 2006		- Exit yield	6.8%
		- Average rent (EUR/sq. m.)	22.9
North Star, Vilnius (Lithuania)	DCF	- Discount rate	8.1%
Net leasable area (NLA) – 10,562 sq. m		- Rental growth p.a.	0.0% - 2.3%
Segment – Office		- Long term vacancy rate	5.0%
Year of construction/renovation – 2009		- Exit yield	7.0%
		- Average rent (EUR/sq. m.)	12.2

*Postimaja, G4S and Vainodes I property valuations also include building expansion rights. The market value of the additional building rights is EUR 5.4 million for Postimaja, EUR 0.4 million for G4S and EUR 2.8 million for Vainodes I.

The table below sets out information about significant unobservable inputs used at 31 December 2019 in measuring investment properties categorised to Level 3 in the fair value hierarchy.

Type of asset class	Valuation technique	Significant unobservable input	Range of estimates	Fair value measurement sensitivity to unobservable inputs
Investment property	Discounted cash flow	Exit yield	2019: 6.0% - 8.0%	An increase in exit yield in isolation would result in a lower value of Investment property.
		Discount rate	2019: 7.4% - 9.3%	An increase in discount rate in isolation would result in a lower value of Investment property.
		Rental growth p.a.	2019: 0.0% - 3.0%	An increase in rental growth in isolation would result in a higher value of Investment property.
		Long term vacancy rate	2019: 1.0% - 5.0%	An increase in long-term vacancy rate in isolation would result in a lower value of Investment property.

The carrying book values of investment properties as at 31 December 2019 were as follows:

Euro '000	**Value**
Lithuania – Europa (retail)	40,711
Estonia – Postimaja (retail)	32,250
Lithuania – Domus Pro (retail/office)	24,410
Latvia – SKY (retail)	4,850
Latvia – Upmalas Biroji (office)	24,198
Estonia – Lincona (office)	17,820
Estonia – Coca-Cola Plaza (leisure)	15,150
Estonia – G4S (office)	17,550
Estonia – Pirita (retail)	9,850
Lithuania – Duetto I (office)	16,460
Lithuania – Duetto II (office)	18,935
Latvia – Vainodes I (office)	20,890
Latvia – LNK Centre (office)	17,000
Latvia - Galerija Centrs (retail)	76,409
Lithuania – North Star (office)	20,092
Total	**356,575**

12. Investment property under construction

On 16 May 2018, the Fund completed the acquisition of land next to the Domus Pro retail park. In December 2019, the Group started construction and development works to build an office on the acquired land plot. The land plot was initially recognised as an investment property, but was reclassified to investment property under construction at the beginning of construction.

'000 Euro	**31.12.2019**	**31.12.2018**
Balance at 1 January	-	-
Transfer from investment property	1,700	
Additions	746	-
Net revaluation gain	(79)	-
Closing balance	**2,367**	**-**

As of 31 December 2019, the investment property under construction was valued by the independent external valuator Newsec.

Valuation techniques used to derive Level 3 fair values

The value of the investment property under construction is based on the valuation of investment properties performed by Newsec as at 31 December 2019 increased by capitalised costs (EUR 67 thousand) that were not considered during valuation.

Meraki, Vilnius (Lithuania)	DCF	-	Discount rate	18.0%
Net leasable area (NLA) – 15,621 sq. m		-	Rental growth p.a.	2.1% - 2.3%
Segment – Office		-	Long term vacancy rate	5.0%
Year of construction/renovation – 2021		-	Exit yield	7.3%
		-	Average rent (EUR/sq. m.)	11.6

13. Trade and other receivables

Euro '000	**31.12.2019**	**31.12.2018**
Trade receivables, gross	1,644	1,709
Less impairment allowance for expected credit losses	(399)	(221)
Accrued income	477	614
Other accounts receivable	72	127
Total	**1,794**	**2,229**

Trade receivables are non-interest bearing and are generally on 30-day terms.

As at 31 December 2019, trade receivables at a nominal value of EUR 399 thousand were fully impaired (EUR 221 thousand as at 31 December 2018).

Movements in the impairment allowance for expected credit losses of trade receivables were as follows:

Euro '000	**2019**	**2018**
Balance at 1 January	**(221)**	**(84)**
Acquisitions of subsidiaries	(190)	-
Charge for the period	(233)	(152)
Amounts written off	177	6
Reversal of allowances recognised in previous periods	68	9
Balance at end of period	**(399)**	**(221)**

The ageing analysis of trade receivables not impaired is as follows (at the end of the period):

		Neither past due	**Past due but not impaired**				
Euro '000	**Total**	**nor impaired**	**<30 days**	**30-60 days**	**60-90 days**	**90-120 days**	**>120 days**
31.12.2019	**1,245**	920	210	48	13	9	45
31.12.2018	**1,488**	635	339	78	27	73	336

14. Other current assets

Other current assets comprise of prepaid expenses related to future investment property acquisitions and development projects in Lithuania, Latvia and Estonia.

15. Cash and cash equivalents

Euro '000	**31.12.2019**	**31.12.2018**
Cash at banks and on hand	9,836	12,225
Total cash	**9,836**	**12,225**

As at 31 December 2019, the Group had to keep at least EUR 350 thousand of cash in its bank accounts due to certain restrictions in bank loan agreements.

16. Equity
16a. Paid in capital

The units are dual-listed on the NASDAQ Stockholm and the NASDAQ Tallinn stock exchanges. As at 31 December 2019, the total number of the Fund's units was 113,387,525 (as at 31 December 2018: 78,752,800). Units issued are presented in the table below:

Euro '000	**Number of units**	**Amount**
As at 1 January 2019	**78,752,800**	**93,673**
Cancelled own units	(255,969)	(335)
Units issued in April 2019	18,839,239	23,742
Units issued in May 2019	627,974	803
Units issued in July 2019	2,951,158	4,000
Units issued in October 2019	12,472,323	16,181
Total change during the period	**34,634,725**	**44,391**
As at 31 December 2019	**113,387,525**	**138,064**

A unit represents the investor's share in the assets of the Fund. The Fund has one class of units. The investors have the following rights deriving from their ownership of units:
- to own a share of the Fund's assets corresponding to the number of units owned by the investor;
- to receive, when payments are made a share of the net income of the Fund in proportion to the number of units owned by the investor (pursuant to the Fund rules);
- to call a general meeting in the cases prescribed in the Fund rules and the law;
- to participate and vote in a general meeting pursuant to the number of votes arising from units belonging to the investor and the number of votes arising from units which have been issued and not redeemed as at ten days before the general meeting is held.

Subsidiaries did not hold any units of the Fund as at 31 December 2019 and 31 December 2018.

The Fund did not hold its own units as at 31 December 2019. On 1 August 2018, the Fund commenced a unit buy-back program, which lasted until 19 June 2019. During the buy-back program, the Fund could acquire up to 5 million units for up to EUR 5 million. Until 31 December 2018, the Fund bought back 660,263 units for EUR 860 thousand and held 255,969 units as at that date. On 25 October 2018, the Fund cancelled and deleted 404,294 units that were held on its own account. On 1 February 2019, the remaining 255,969 units were cancelled and deleted.

16b. Cash flow hedge reserve

This reserve represents the fair value of the effective part of the derivative financial instruments (interest rate swaps), used by the Fund to hedge the cash flows from interest rate risk in the period ended on 31 December 2019 and 31 December 2018.

Euro '000	**2019**	**2018**
Balance at the beginning of the year	**(1,005)**	**(56)**
Movement in fair value of existing hedges	(595)	(1,013)
Recognition of initial interest rate cap costs	-	(33)
Movement in deferred income tax (note 10)	44	97
Net variation during the period	**(551)**	**(949)**
Balance at the end of the period	**(1,556)**	**(1,005)**

16c. Dividends (distributions)

Euro '000	**2019**	**2018**
Declared during the period	(10,253)	(7,702)
Total distributions made	**(10,253)**	**(7,702)**

On 31 January 2018, the Fund declared a cash distribution of EUR 1,781 thousand (EUR 0.023 per unit).
On 4 May 2018, the Fund declared a cash distribution of EUR 1,900 thousand (EUR 0.024 per unit).
On 16 August 2018, the Fund declared a cash distribution of EUR 1,977 thousand (EUR 0.025 per unit).
On 31 October 2018, the Fund declared a cash distribution of EUR 2,044 thousand (EUR 0.026 per unit).

On 13 February 2019, the Fund declared a cash distribution of EUR 2,119 thousand (EUR 0.027 per unit).
On 17 May 2019, the Fund declared a cash distribution of EUR 2,449 thousand (EUR 0.025 per unit).
On 2 August 2019, the Fund declared a cash distribution of EUR 2,624 thousand (EUR 0.026 per unit).
On 18 October 2019, the Fund declared a cash distribution of EUR 3,061 thousand (EUR 0.027 per unit).

17. Interest bearing loans and borrowings

Euro '000	**Maturity**	**Effective interest rate**	**31.12.2019**	**31.12.2018**
Non-current borrowings				
Bonds	May 2023	4.25%	49,770	39,755
Bank 1	Jul 2022	3M EURIBOR + 1.40%	20,874	20,863
Bank 1	Aug 2021	3M EURIBOR + 1.75%	2,286	2,386
Bank 1	Aug 2021	6M EURIBOR + 1.40%	7,746	7,743
Bank 1	Feb 2022	6M EURIBOR + 1.40%	4,939	4,937
Bank 1	Dec 2022	6M EURIBOR + 1.40%	7,180	7,178
Bank 1	Nov 2024	3M EURIBOR + 1.55%	9,800	9,842
Bank 1	May 2022	3M EURIBOR + 1.55%	7,328	7,325
Bank 1	May 2022	6M EURIBOR + 1.55%	3,654	3,649
Bank 1	Sep 2023	3M EURIBOR + 1.75%	9,111	662
Bank 1[1]	Mar 2023	6M EURIBOR + 1.75%	8,972	-
Bank 2[2]	May 2022	6M EURIBOR + 2.75%	29,928	-
Bank 3	Aug 2023	1M EURIBOR + 1.55%	11,727	11,722
Bank 4	Mar 2023	6M EURIBOR + 2.15%	15,344	7,287
Bank 4	Feb 2023	6M EURIBOR + 1.18%	17,168	17,158
Lease liabilities			305	-
Less current portion of bank loans and bonds			(397)	(106)
Less current portion of lease liabilities			(17)	-
Total non-current debt			**205,718**	**140,401**
Current borrowings				
Current portion of non-current bank loans and bonds			397	106
Current portion of lease liabilities			17	-
Total current debt			**414**	**106**
Total			**206,132**	**140,507**

1. In October 2019, the Fund drew down a bank loan of EUR 9 million.
2. In June 2019, the Fund drew down a bank loan of EUR 30 million.

Loan securities

Borrowings received were secured with the following pledges and securities as of 31 December 2019:

	Mortgages of the property*	Second rank mortgages for derivatives	Cross-mortgage	Commercial pledge of the entire assets
Bank 1	Lincona, SKY, G4S Headquarters, Europa, Domus Pro, LNK, Vainodes I, North Star and Pirita	Europa, Domus Pro, Vainodes I	Pirita, Lincona, G4S Headquarters for Pirita, Lincona, G4S Headquarters bank loans, Vainodes I and LNK for Vainodes I and LNK bank loan	Vainodes I, LNK
Bank 2	Galerija Centrs	Galerija Centrs		Galerija Centrs
Bank 3	Coca-Cola Plaza and Postimaja, Duetto I and II			
Bank 4	Upmalas Biroji			

*Please refer to note 11 for the carrying amounts of assets pledged at period end.

	Suretyship	Pledges of receivables	Pledges of bank accounts	Share pledge
Bank 1	Europa for Domus Pro bank loan, Europa for North Star bank loan, Vainodes I for LNK bank loan, LNK for Vainodes I bank loan	Lincona, SKY, Europa, and Domus Pro	Europa, SKY	BH Domus Pro UAB, Vainodes Krasti SIA, BH S27 SIA
Bank 3		Duetto I and II	Duetto I and II	BH Duetto UAB
Bank 4			Upmalas Biroji	

18. Trade and other payables

Euro '000	**31.12.2019**	**31.12.2018**
Trade payables	875	733
Accrued expenses	830	418
Management fee payable	474	354
Tax payables	471	431
Accrued financial expenses	410	313
Other payables	111	148
Total trade and other payables	**3,171**	**2,397**

Terms and conditions of trade and other payables:

- Trade payables are non-interest bearing and are normally settled on 30-day terms.
- Other payables are non-interest bearing and have an average term of 3 months.

19. Commitments and contingencies

19a. Litigation

As at 31 December 2019, there was no ongoing litigation, which could materially affect the consolidated financial position of the Group.

19b. Contingent assets

On 18 December 2018, the Fund signed an additional agreement to the sales and purchase agreement with the seller of the Duetto II property. The seller agreed to provide a rental income guarantee in the aggregate amount of EUR 1,300 thousand per annum (EUR 108 thousand per month) of the effective net operating income from the Building for the first 24 months starting from 27 February 2019. An asset has not been recognised in the financial statements as the management of the Fund expects that Duetto II will be able to earn the guaranteed amount of rent.

19c. Contingent liabilities

The Group did not have any contingent liabilities as at 31 December 2019.

20. Related parties

During the reporting period, the Group entered into transactions with related parties. Those transactions and related balances are presented below. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. All transactions between related parties are priced on an arm's length basis.

Northern Horizon Capital AS

As set out in Baltic Horizon Fund Rules, Northern Horizon Capital AS (the Management Company) carries out asset manager functions on behalf of the Fund and the Fund pays management fees for it (note 7).

The Group's transactions with related parties during the 12-month period ended 31 December 2019 and 2018 were the following:

Euro '000	**01.01.2019-31.12.2019**	**01.01.2018-31.12.2018**
Northern Horizon Capital AS group		
Management fees	1,679	1,391
Performance fees	379	166

The Group's balances with related parties as at 31 December 2019 and 31 December 2018 were the following:

Euro '000	**31.12.2019**	**31.12.2018**
Northern Horizon Capital AS group		
Management fees payable	474	354
Accrued performance fees	545	166

The Management Company is entitled to receive an annual management fee which is calculated quarterly, based on the 3-month average market capitalisation of the Fund. In case the market capitalisation is lower than 90% of the NAV of the Fund, the amount equal to 90% of the NAV of the Fund shall be used for the management fee calculation instead of the market capitalisation.

The fee is based on the following rates and in the following tranches:
- 1.50% of the market capitalisation below EUR 50 million;
- 1.25% of the part of the market capitalisation that is equal to or exceeds EUR 50 million and is below EUR 100 million;
- 1.00% of the part of the market capitalisation that is equal to or exceeds EUR 100 million and is below EUR 200 million;
- 0.75% of the part of the market capitalisation that is equal to or exceeds EUR 200 and is below EUR 300 million;
- 0.50% of the part of the market capitalisation that is equal to or exceeds EUR 300 million.

The Management Company is entitled to calculate the performance fee based on the annual adjusted funds from operations (AFFO) of the Fund. If AFFO divided by paid in capital during the year exceeds 8% per annum, the Management Company is entitled to a performance fee in the amount of 20% of the amount exceeding 8%. The performance fee based on this formula will be calculated starting from 1 January 2017. The performance fee first becomes payable in the fifth year of the Fund (i.e. 2020).

Northern Horizon Capital AS Group owns 7,737 units of the Fund.

Entities having control or significant influence over the Fund
The holders of units owning more than 5% of the units in total as of 31 December 2019 and 31 December 2018 are presented in the tables below:

As at 31 December 2019

	Number of units	Percentage
Nordea Bank AB clients	54,428,197	48.00%
Raiffeisen Bank International AG clients	17,561,032	15.49%

As at 31 December 2018

	Number of units	Percentage
Nordea Bank AB clients	34,630,979	43.97%
Clearstream Banking Luxembourg S.A.A clients	16,474,489	20.92%
Skandinaviska Enskilda Banken SA clients	4,565,556	5.80%

Except for dividends paid, there were no transactions with the unitholders disclosed in the tables above.

21. Financial instruments

Fair values

Set out below is a comparison by category of the carrying amounts and fair values of all of the Group's financial instruments carried in the consolidated financial statements:

	Carrying amount		Fair value	
Euro '000	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Financial assets				
Trade and other receivables	1,794	2,229	1,794	2,229
Cash and cash equivalents	9,836	12,225	9,836	12,225
Derivative financial instruments	73	9	73	9

	Carrying amount		Fair value	
Euro '000	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Financial liabilities				
Interest-bearing loans and borrowings				
Bank loans	(156,057)	(100,752)	(155,718)	(100,794)
Bonds	(49,770)	(39,755)	(50,687)	(41,100)
Trade and other payables	(3,171)	(2,397)	(3,171)	(2,397)
Derivative financial instruments	(1,728)	(1,069)	(1,728)	(1,069)

Fair value hierarchy
Quantitative disclosures of the Group's financial instruments in the fair value measurement hierarchy as at 31 December 2019 and 31 December 2018:

Period ended 31 December 2019 *Euro '000*	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Financial assets				
Trade and other receivables	-	-	1,794	**1,794**
Cash and cash equivalents	-	9,836	-	**9,836**
Derivative financial instruments	-	73	-	**73**
Financial liabilities				
Interest-bearing loans and borrowings				
Bank loans	-	-	(155,718)	**(155,718)**
Bonds	-	-	(50,687)	**(50,687)**
Trade and other payables	-	-	(3,171)	**(3,171)**
Derivative financial instruments	-	(1,728)	-	**(1,728)**

Period ended 31 December 2018 *Euro '000*	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Financial assets				
Trade and other receivables	-	-	2,229	**2,229**
Cash and cash equivalents	-	12,225	-	**12,225**
Derivative financial instruments	-	9	-	**9**
Financial liabilities				
Interest-bearing loans and borrowings				
Bank loans	-	-	(100,794)	**(100,794)**
Bonds	-	-	(41,100)	**(41,100)**
Trade and other payables	-	-	(2,397)	**(2,397)**
Derivative financial instruments	-	(1,069)	-	**(1,069)**

Management assessed that the carrying amounts of cash and short-term deposits, rent and other receivables, trade payables and other current liabilities approximate their fair values largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions are used to estimate the fair values:

- Trade and other receivables are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer, and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses on these receivables. As at 31 December 2019 the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The fair value of derivatives has been calculated by discounting the expected future cash flows at prevailing interest rates.
- The fair values of the Group's interest-bearing loans and borrowings are determined by discounting the expected future cash flows at prevailing interest rates.
- Cash and cash equivalents are attributed to Level 2 in the fair value hierarchy.

22. Derivative financial instruments

The Group has entered into a number of interest rate swaps (IRS) with SEB, OP and Luminor banks. Also, the Group has interest rate cap (CAP) agreements with Swedbank.

The purpose of derivative instruments is to hedge the interest rate risk arising from the interest rate fluctuations of the Group's non-current loans and some of the Group's current loans because the Group's policy is to have fixed interest expenses. According to the IRS agreements, the Group makes fixed interest payments to the bank and receives variable interest rate payments from the bank. An interest rate cap allows to limit the interest rate fluctuation to a certain level.

IFRS 9 allows hedge accounting provided that the hedge is effective. In such cases, any gain or loss recorded on the fair value changes of the financial instrument is recognised in an equity reserve rather than the income statement. The ineffective part of the change in the fair value of the hedging instrument (if any) is recognised in the income statement. Specific documentation on each financial instrument is required to be maintained to ensure compliance with hedge accounting principles. Please refer to note 16b for more information.

Derivative type *Euro '000*	**Starting date**	**Maturity date**	**Notional amount**	**Variable rate (received)**	**Fixed rate (paid)**	**Fair value 31.12.2019**	**Fair value 31.12.2018**
CAP	May 2018	Feb 2023	17,200	6M EURIBOR	3.5%*	-	8
CAP	Nov 2017	Mar 2022	7,200	6M EURIBOR	1.0%*	-	1
IRS	July 2019	May 2022	30,000	6M EURIBOR	-0.37%	73	-
Derivative financial instruments, assets						**73**	**9**
IRS	Mar 2018	Aug 2024	18,402	3M EURIBOR	0.73%	(805)	(529)
IRS	Mar 2018	Nov 2022	6,860	6M EURIBOR	0.46%	(142)	(113)
IRS	Sep 2017	May 2022	7,188	3M EURIBOR	0.26%	(102)	(85)
IRS	Nov 2016	Aug 2023	10,575	1M EURIBOR	0.26%	(228)	(123)
IRS	Aug 2017	Feb 2022	6,020	6M EURIBOR	0.305%	(76)	(69)
IRS	Aug 2016	Aug 2021	7,750	6M EURIBOR	0.05%	(46)	(34)
IRS	May 2018	Apr 2024	4,920	3M EURIBOR	0.63%	(194)	(116)
IRS	Jan 2019	Sep 2023	5,800	3M EURIBOR	0.32%	(135)	-
Derivative financial instruments, liabilities						**(1,728)**	**(1,069)**
Net value of financial derivatives						**(1,655)**	**(1,060)**

*Interest rate cap

Derivative financial instruments were accounted for at fair value as at 31 December 2019 and 31 December 2018. The maturity of the derivative financial instruments of the Group is as follows:

Classification according to maturity	**Liabilities**		**Assets**	
Euro '000	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Non-current	(1,728)	(1,069)	73	9
Current	-	-	-	-
Total	**(1,728)**	**(1,069)**	**73**	**9**

23. Subsequent events

On 31 January 2020, the Fund declared a cash distribution of EUR 3,175 thousand (EUR 0.028 per unit).

There have been no other significant events after the end of the reporting period.

24. List of consolidated companies

Name	Registered office	Registration Number	Date of incorporation / acquisition	Activity	Interest in capital
BH Lincona OÜ	Rävala 5, Tallinn, Estonia	12127485	20 June 2011	Asset holding company	100%
BH Domus Pro UAB	Bieliūnų g. 1-1, Vilnius, Lithuania	225439110	1 May 2014	Asset holding company	100%
BOF SKY SIA	Valdemara 21-20, Riga, Latvia	40103538571	27 March 2012	Asset holding company	100%
BH CC Plaza OÜ	Rävala 5, Tallinn, Estonia	12399823	11 December 2012	Asset holding company	100%
BH Europa UAB	Gynėjų 16, Vilnius, Lithuania	300059140	2 March 2015	Asset holding company	100%
BH P80 OÜ	Hobujaama 5, Tallinn, Estonia	14065606	6 July 2016	Asset holding company	100%
Kontor SIA	Mūkusalas iela 101, Rīga, Latvia	40003771618	30 August 2016	Asset holding company	100%
Pirita Center OÜ	Hobujaama 5, Tallinn, Estonia	12992834	16 December 2016	Asset holding company	100%
BH Duetto UAB	Jogailos 9, Vilnius, Lithuania	304443754	13 January 2017	Asset holding company	100%
Vainodes Krasti SIA	Agenskalna 33, Riga, Latvia	50103684291	12 December 2017	Asset holding company	100%
BH S27 SIA	Skanstes iela 27, Riga, Latvia	40103810023	15 August 2018	Asset holding company	100%
BH Meraki UAB	Ukmergės str. 308-1, Vilnius, Lithuania	304875582	18 July 2018	Asset holding company	100%
Tampere Invest SIA	Audeju iela 16, Riga, Latvia	40003311422	13 June 2019	Asset holding company	100%
BH Northstar UAB	Bieliūnų g. 8-1, Vilnius, Lithuania	305175896	29 May 2019	Asset holding company	100%

The interim condensed consolidated financial statements of Baltic Horizon Fund were approved for issue by the Management Board of the Management Company on 14 February 2020.

Name and position	Signature
Tarmo Karotam Chairman of the Management Board	__________________
Aušra Stankevičienė Member of the Management Board	__________________
Algirdas Jonas Vaitiekūnas Member of the Management Board	__________________