BALTIC HORIZON

ANNUAL REPORT

2020

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 and Resolution 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 Alternative Investment Funds market.

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

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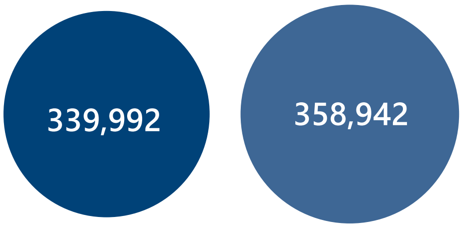
Management report

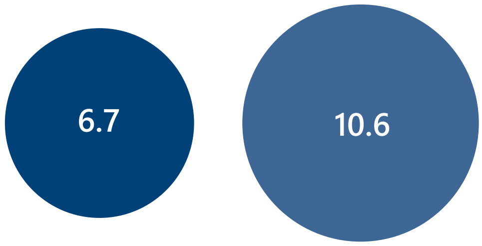
Consolidated financial statements

KEY FIGURES

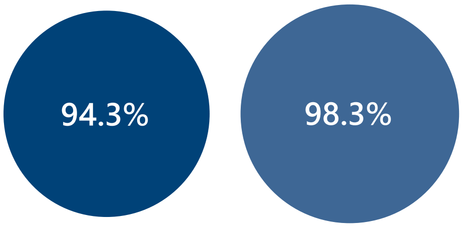
Fair value of portfolio
EUR thousand



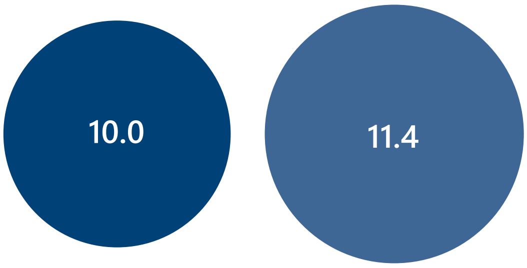
Dividends per unit*
EUR cent



Occupancy
%



Generated net cash flow per unit*
EUR cent

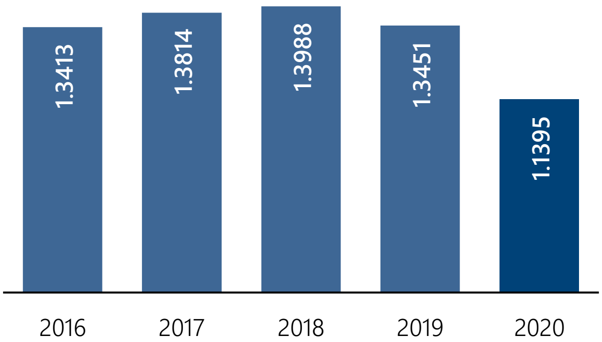


Net rental income
EUR thousand

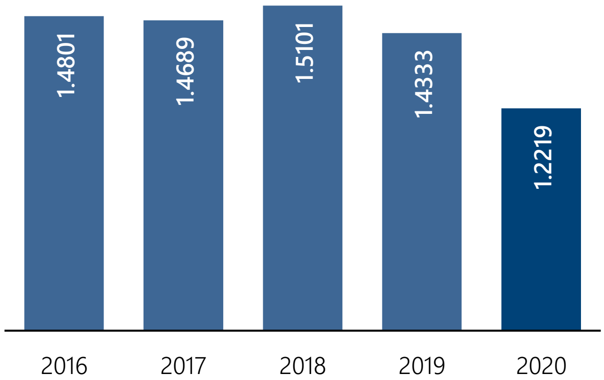
Net (loss) profit
EUR thousand

■ 2020 ■ 2019

IFRS NAV per unit
EUR



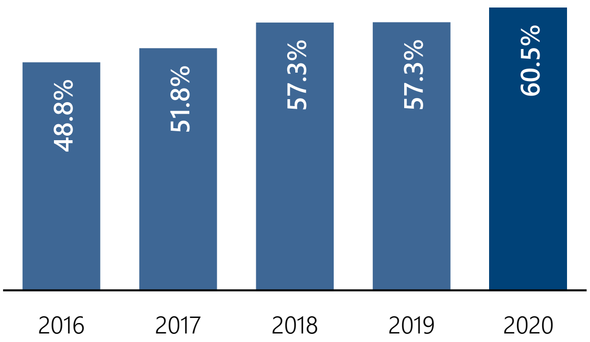
EPRA NAV per unit
EUR



*The Fund's generated net cash flow for 2020 was EUR 0.10 per weighted average number of units for the year (2019: EUR 0.11). The payout ratio based on total generated net cash flow was 68.6% for 2020 (2019: 102.8%).

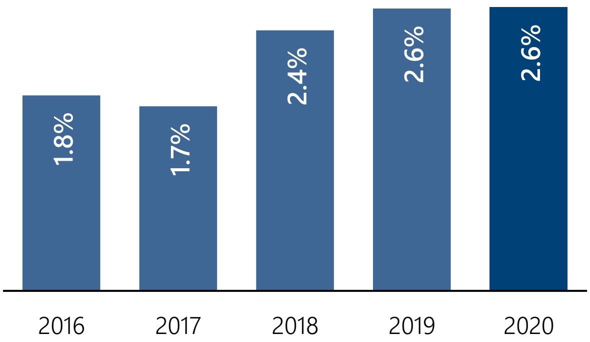
Loan to value

%



Average cost of debt

%



EPRA BPR GOLD

MOST IMPROVED AWARD EPRA BPR

Key earnings figures	Unit	2020	2019	%
Rental income	EUR '000	21,697	20,776	4.4%
Net rental income	EUR '000	19,934	19,219	3.7%
Net rental income margin (%)[1]	%	91.9	92.5	-
Valuation losses on investment properties	EUR '000	(25,245)	(2,064)	1,123.1%
EBIT	EUR '000	(8,025)	13,930	(157.6%)
EBIT margin (%)[2]	%	(37.0)	67.0	-
Net (loss) profit	EUR '000	(13,541)	8,791	(254.0%)
Net (loss) profit margin	%	(62.4)	42.3	-
Earnings per unit (EUR)	EUR	(0.12)	0.09	(233.3%)
Generated net cash flow[3]	EUR '000	11,409	10,996	3.8%

Key financial position figures	Unit	31.12.2020	31.12.2019	%
Total assets	EUR '000	355,602	371,734	(4.3%)
Return on assets	%	(3.7)	2.8	-
Total equity	EUR '000	136,321	152,518	(10.6%)
Equity ratio	%	38.3	41.0	-
Return on equity	%	(9.4)	6.7	-
Interest bearing loans and borrowings	EUR '000	205,892	206,132	(0.1%)
Total liabilities	EUR '000	219,281	219,216	0.0%
LTV	%	60.5	57.3	-
Average cost of debt	%	2.6	2.6	-
Weighted average duration of debt	years	2.1	3.1	(32.3%)
Current ratio	times	1.1	3.0	-
Quick ratio	times	1.0	2.9	-
Cash ratio	times	0.9	2.3	-
IFRS NAV per unit	EUR	1.1395	1.3451	(15.3%)

Key property portfolio figures	Unit	31.12.2020	31.12.2019	%
Fair value of portfolio	EUR '000	339,992	358,942	(5.3%)
Properties[4]	number	16	16	-
Net leasable area	sq. m	153,345	153,350	0.0%
Direct property yield	%	5.8	6.6	-
Net initial yield	%	5.7	6.3	-
Occupancy rate[5]	%	94.3	98.3	-
Average rent during the period	EUR/sq. m	12.1	13.1	(7.6%)
Weighted average unexpired lease term to expiry[6]	years	3.5	3.9	(10.3%)

Key unit figures	Unit	31.12.2020	31.12.2019	%
Number of units outstanding	units	119,635,429	113,387,525	5.5%
Weighted average number of units during the period	units	114,568,636	96,718,348	18.5%
Closing unit price	EUR	1.1550	1.3279	(13.0%)
Closing unit price	SEK	11.65	14.00	(16.8%)
Market capitalisation[7]	EUR	138,357,617	151,232,586	(8.5%)
Dividends per unit[8]	EUR/unit	0.067	0.106	(36.8%)
Generated net cash flow per unit[9]	EUR/unit	0.100	0.114	(12.3%)
Gross dividend yield[10]	%	5.8	8.0	-

Key EPRA figures	Unit	2020	2019	%
EPRA Earnings	EUR '000	11,517	11,254	2.3%
EPRA Earnings per unit	EUR	0.10	0.12	(16.7%)
EPRA Cost ratio (including direct vacancy costs)	%	21.6	23.1	-
EPRA Cost ratio (excluding direct vacancy costs)	%	19.7	21.2	-

Key EPRA figures	Unit	31.12.2020	31.12.2019	%
EPRA NRV (Net Reinstatement Value)[11]	EUR '000	146,180	162,514	(10.1%)
EPRA NRV per unit[11]	EUR	1.2219	1.4333	(14.7%)
EPRA NTA (Net Tangible Assets)[11]	EUR '000	146,180	162,514	(10.1%)
EPRA NTA per unit[11]	EUR	1.2219	1.4333	(14.7%)
EPRA NDV (Net Disposal Value)[11]	EUR '000	136,798	151,940	(10.0%)
EPRA NDV per unit[11]	EUR	1.1435	1.3400	(14.7%)
EPRA NAV[11]	EUR '000	146,180	162,514	(10.1%)
EPRA NAV per unit[12]	EUR	1.2219	1.4333	(14.7%)
EPRA NNNAV[11]	EUR '000	144,996	160,380	(9.6%)
EPRA NNNAV per unit[12]	EUR	1.2120	1.4144	(14.3%)
EPRA Net initial yield (NIY)	%	6.8	6.7	-
EPRA Topped-up NIY	%	6.8	6.7	-
EPRA Vacancy rate	%	7.1	2.2	-

1. Net rental income as a % of rental income.
2. EBIT (earnings before interest and taxes) as a % of rental income.
3. Generated net cash flow is calculated based on net rental income less administrative expenses, less external interest expenses, less CAPEX expenditure. Listing related expenses and acquisition related expenses are added back in GNCF calculation.
4. Properties includes 15 established cash flow properties and Meraki development project.
5. Effective occupancy rate including a rental guarantee.
6. Weighted average unexpired lease term to expiry is based on the number of years of unexpired lease terms, as from the reporting date, weighted by the total annual income of each contract.
7. Based on the closing prices and split between units on the Nasdaq Tallinn and the Nasdaq Stockholm Stock Exchanges.
8. Distributions to unitholders for 2020 Fund results.
9. Generated net cash flow per weighted average numbers of units during the period.
10. Gross dividend yield is based on the closing market price of the unit as at the end of the year (2020: closing market price of the unit as of 31 December 2020).
11. According to new EPRA BPR, three new EPRA NAV figures should be disclosed starting from the 2020 financial year.
12. EPRA NAV and EPRA NNNAV figures are disclosed to provide a comparison between the new NAV figures and the old NAV figures.

Investment strategy

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, leisure 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 allocated to investments of a more opportunistic nature such as forward funding development projects and undeveloped land purchases.

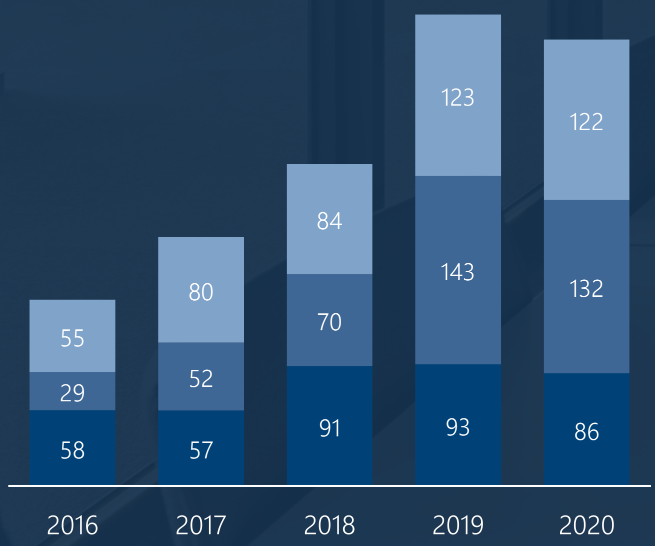
The Fund aims to use a 50% long-term leverage strategy. At no point in time may the Fund's leverage exceed 65%.

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

15
Properties

1
Development project

Portfolio value (EUR million)



Ten largest properties

1. Galerija Centrs	19.8%
2. Europa SC	11.4%
3. Postimaja	8.8%
4. Upmalas Biroji BC	6.9%
5. Vainodes	5.9%
6. North Star	5.6%
7. Duetto II	5.5%
8. Duetto I	4.8%
9. G4S Headquarters	4.8%
10. Lincona	4.7%
11. Others	21.8%

2020 AT A GLANCE

Q1 2020

On 19 February 2020, the Fund distributed EUR 3.18 million to investors (EUR 0.028 per unit).

Q2 2020

On 14 May 2020, the Fund distributed EUR 1.70 million to investors (EUR 0.015 per unit).

The repeated Annual General Meeting on 9 June 2020 approved all proposals of the Management Company. The repeat meeting was convened as no quorum was reached at the initial Annual General Meeting on 26 May 2020. The investors resolved to approve the issue of new Baltic Horizon Fund units during 2020.

Q3 2020

On 14 July 2020, the Fund distributed EUR 1.70 million to investors (EUR 0.015 per unit).

On 27 July 2020, S&P Global Ratings affirmed Baltic Horizon Fund "MM3" mid-market rating and removed the Fund from CreditWatch with negative implications, where the Fund was placed on 7 May 2020. The indicative corresponding rating for "MM3" on the global rating scale is "BB+/ BB".

Q4 2020

On 24 September 2020, Galerija Centrs, located in the Old Town of Riga, became the first shopping centre in Latvia to obtain the SAFE RetailDestination© certificate. It received the designation from the SAFE Asset Group, which offers the only internationally acknowledged resilience certification program for shopping centres.

On 2 October 2020, Europa shopping centre (Europa SC), located in Vilnius, also obtained the SAFE RetailDestination© certificate.

On 23 October 2020, the Fund announced the issue of new units in a secondary public offering. In total, gross equity of EUR 7.2 million was raised through the transaction. The new units were issued at a price of EUR 1.1566, which was calculated according to the procedure adopted at the general meeting and was equal to the year-to-date weighted average price of units on the Nasdaq Tallinn Stock Exchange at a date 7 calendar days prior to the first day of the subscription period. After the transaction, the total number of Fund units registered in the Estonian Register of Securities increased to 119,635,429.

On 6 November 2020, the Fund distributed EUR 3.11 million to investors (EUR 0.026 per unit).

LETTER TO UNITHOLDERS

Baltic Horizon Fund is the first listed real estate fund in the Baltic states that follows traditional REIT principles with a primary focus on paying its unitholders regular quarterly dividends from its rental operations. We at Baltic Horizon truly believe that over the years we have built a portfolio of strong retail and office assets with well-known and long-term tenants, including local commercial leaders, government agencies, nearshoring shared service centres and the Baltic headquarters of leading international companies that are capable of surviving different crises and cycles. The past 12 months has definitely put our principles to a good test.

The year 2020 will go down in history as an extraordinary year with unparalleled and sudden halts of travel and lockdowns affecting most real estate sectors. It is even more unexpected that this crisis has affected mostly the centrally located commercial properties – hotels, retail centres and somewhat offices – have been hit the hardest as people have been forced out of the city centres to commute and socialize less and work, shop and entertain themselves from home. Uncertainties about the virus - how it spreads and which social groups are the most vulnerable have induced governments to lock down cities, and to introduce other restrictions and measures to limit social contact. This in turn has had a direct negative impact on economies and forced everyone to re-evaluate their business models to adjust to the changed environment.

Despite the very ambiguous and stressful environment, I am proud to say that our property and asset management teams have done a tremendous job and recovered more than 84% of total contractual rent from the retail segment and more than 98% from the office segment. The diversified portfolio with a strong tenant mix allowed us to generate a NOI of close to EUR 20 million for 2020 (only approx. 15% less than budgeted). The decline in the rental income of the office segment is mainly attributable to cafeterias located in office buildings being closed for almost the entire period. The decrease in the retail segment is primarily related to rental discounts provided to the most affected tenants.

At the same time, our finance team has been able to maintain strong relationships with our financiers that have granted us additional flexibility around debt covenants. With a debt portfolio where virtually all loans have to be settled in a lump sum at the end of the loan term and only interest payments need to be made regularly, we have not needed to ask for grace periods and it has improved our liquidity. Additional equity of EUR 7.2 million raised between the two waves has further strengthened our financial standing and allowed us to focus on new acquisition opportunities and ongoing expansion projects.

I am very pleased to state that despite the discounts we have had to make and the highly uncertain environment, the Fund's operating cash flow was clearly positive and thus we were able to continue our quarterly dividend payouts throughout 2020, although with some reductions. Overall generated net cash flow (GNCF) for the year was a commendable EUR 11.4 million (EUR 11.0 million in 2019) and EUR 0.10 per unit (EUR 0.11 per unit in 2019) despite the shopping centre lockdowns. EUR 4.4 million of unpaid dividends was retained at the end of 2020 and we aim to gradually restore our quarterly payouts to the pre-crisis levels as soon as it becomes clear that the virus waves can be managed, lockdowns of such magnitude will not be repeated and tourists will start to return to the Baltic capitals.

"Never waste a good crisis" – we are going to transform our central retail centres into life-style centres

With the acquisition of Europa, Postimaja and Galerija retail centres in the hearts of Vilnius, Tallinn and Riga, we had something very specific in mind. Firstly to own properties in locations with long-term viability that would attract the highest income bracket target groups including tourists and secondly, to be a one-stop-shop for new international retailers looking to enter the Baltics. We hope to announce the first news demonstrating the success of our strategy quite soon.

The Baltic states are still transitioning from manufacturing to service-based value added economies and this trend will continue in the 2020s. The strong emergence of the tech start-up sector is a good example of such transformation with revenues of more than EUR 1.0 billion (yearly increase of approx. +30%) and attracting investments of more than EUR 0.6 billion across the Baltics only in 2020 (yearly increase of approx. +65%). The sector, which is also generating growing demand for the office segment, was virtually inexistent ten years ago and now it has tens of thousands of employees earning twice the average salary. It is even more encouraging to note that already today Estonia has 4.6 times as many start-ups per capita as Europe on average.

The average salaries in the Baltic capital cities are likely to continue to increase as they have over the past decade with higher disposable incomes to be spent on goods and, more importantly, on restaurant experiences, healthy food and entertainment. A popular slogan in the Baltic retail today is "Food is the new fashion!". Therefore, healthy fashionable restaurants, food markets, pick-up points, after sales and convenience services and upgraded experience driven fashion stores will be in the forefront of the new concepts and tenant mixes of all three of our centrally located life-style centres. We have already started negotiations with several operators that share our vision. The new concepts will have to offer something that attracts customers from morning to evening in order to maximize the revenue potential and thus rental income.

One of our most important achievements in 2020 was putting in place new centre management teams for two of our largest centres Europa and Galerija. They are full of enthusiasm and excited to take the properties to the next level. Due to the growth years and long leases, it has been difficult to interrupt the business, but during the crisis, when there are increased vacancies and stronger tenants are open to bright new ideas, we can finally carry out the upgrade. Our management and retail teams have been preparing for the concept change for several years. Architects and designers have been meticulously working on the new concepts and as building permits have been received, 2021 will be the time for execution. We have hired the most innovative interior designers for Europa and Postimaja and the plan is to roll out the full concepts with new tenant mixes during 2021-2023. We expect that with the new concepts we can increase NOI of these properties by at least 25% compared to the pre-crisis levels and maximize the investment value for our investors while maintaining attractive quarterly dividend payouts.

"Cinema will come back big time, companies will continue to need office space and not all sales will go online"

After the first lockdown ended in summer 2020, we monitored closely how quickly the cinemas filled up again as the need for entertainment and socializing presented its obvious case. Despite Netflix, Amazon and many other video on demand (VOD) providers gaining momentum, it is hard to believe that they can replace the social and cultural benefits of cinemas, theatres, museums and other public attractions. Furthermore, several film directors have even refused to sell their art to the big VOD companies, as they strongly believe that their art is best experienced on the big screen. It is somewhat comparable to gaining a fulfilling experience from viewing an original Monet painting in the art museum versus having the same painting as a desktop background for a computer. The best way to test public interest is to ask children whether they want to go to the cinema when the lockdown ends, particularly, as the number of blockbuster movies, to be premiered after the pandemic is under control, will be sensational.

In regards to the office segment, working in the office from nine to five, five days a week is a working model from the previous century, which will become essentially obsolete for many companies with this crisis. Does that mean that there will be no offices in the future, and we will all work only from our homes? I don't think anyone really believes that. Companies have grown to respect healthy work habits and better work-life balance. Thus more flexibility and a certain amount of remote working will be the way forward for people to feel more satisfied, rested and motivated.

Based on the discussions with our tenants and other market players, this in turn means that working spaces will change. More office space will be converted to team meeting and business innovation discussion areas while open plan areas will decrease as focused work will either be done in separate rooms or at home. This may mean that in office layouts, the popularity of the open plan concept will likely decrease significantly. Team based custom-made office space solutions will be on top of every CEO's mind in order to provide their staff with the most attractive environment for bouncing ideas off each other and generating innovation and, at the same time, to adjust to the rapidly changing business environment. Our newest and greenest office building Meraki, currently under construction in Vilnius, aims to meet exactly those needs.

This crisis has accelerated all trends that had emerged already before COVID-19. As to the prospects of retail real estate, we believe that in the future shopping will be a multi-level experience and the key words will be the environment (excitement, comfort) and mixed use (diverse functionality). The environment should entice the visitor with an opportunity to experience audio-visual entertainment, a cosy atmosphere for meetings, etc. Only then customers will start spending money (otherwise goods can easily be bought online). Mixed use including offices/entertainment/health will attract visitors to do more than just buy goods. Understanding the ever-changing mind of a customer is of course a challenge and the property should be able to adapt to it without too many architectural changes, even though some investments will be needed for the turnarounds. We also believe that the tourist flows will return, which will positively affect our centrally located properties, as people are impatient to travel but the speed of recovery will largely depend on the speed of vaccination.

The retail industry is very different in the largest cities of the US, Europe and the Baltic states. For example, in the US the number of department stores is huge compared to Europe and the Baltics, whereas in the Baltics fashion high streets have not (yet) emerged. The COVID crisis has boosted online sales for many companies. Still, in the Baltics the ratio of online sales to total sales is between 3-9%, depending on the type of goods or services. Our retailers have said that in the Baltics, where any shop is a 15-minute drive away, they do not believe that in the next 5 years more than 15% of retail sales on average would be done online, which means that 85% or more of retail sales will remain in physical shops. According to our tenants, another major problem with online sales is that allowing customers to return goods free of charge is a lossmaking model for any retailer. Therefore, attracting customers to the stores will be quite existential for many retailers. Furthermore, one of the largest online retailers, Amazon, is planning to open approx. 2000 offline stores and showrooms worldwide with a primary goal to maximize customer satisfaction. All in all, we believe that in the future we will see omnichannel retail, which combines both physical and digital options to target maximum customer convenience and satisfaction.

Across the cycles with a sustainable and diversified real estate portfolio

In retail, new and upgraded concepts will appear while customers will become more sophisticated about their needs and landlords need to maintain a close dialogue with their tenants in order to evolve together.

In the long run, physical retail will evolve into a frilling customer service experience, while being strongly supported by e-commerce and the development of artificial intelligence. 2021 will be a year when retailers seek refreshing solutions while competition between traditional and innovative retailers becomes more intense. More attention will be paid to local newcomers with well-developed branding and a capacity for story-telling.

An important aim in our Environmental, Social and Governance activities is to achieve the third star from GRESB as further improvements are in motion, including obtaining BREEAM very good/excellent certificates for all of our office buildings and introducing green lease clauses to 100% of our approx. 300 lease agreements in 2021. In order to have attractive premises to rent over the long-term, we are planning to reduce the energy consumption and improve the energy efficiency of all properties by at least one energy efficiency class by 2025 and to have a clear strategy to achieve carbon neutrality in our portfolio by 2030.

In conclusion, the second wave is here with restrictions again impacting the environment and our business throughout the first quarter of 2021 and there are still many lessons to be learned. Hopefully, the ongoing vaccination will render this period the low point of the crisis and spring will arrive more brightly than ever. It is difficult to estimate the length of the economic shock for the affected business segments but strong performance is predicted for conveniently located logistics, green technology and health-care, which are also the sectors on which Baltic Horizon will focus in the coming years in addition to the existing portfolio.

On behalf of the management board of Baltic Horizon and our entire team, I would like to thank all unitholders and partners for the continuous trust, and I can assure you that we are enthusiastic about the future of our portfolio and are committed to deliver strong long-term results.

Tarmo Karotam
Fund Manager, Baltic Horizon Fund
19 March 2021

COVID-19 UPDATE

COVID-19 – our response

At the beginning of 2020, a new coronavirus (COVID-19) started spreading all over the world, which has had a strong impact on businesses and economies, including in the Baltics. The virus outbreak has caused significant shifts in the Fund's operating environment, which has had a negative overall impact on the Fund's performance in 2020.

The operating results of Q2-Q4 2020 and property valuations were affected by the COVID-19 effects on the tenants' financial performance and the relief measures taken to deal with the pandemic. However, broad diversification of the portfolio should allow the Fund to limit the COVID-19 impacts and maintain healthy consolidated operational performance.

Northern Horizon Capital AS, the Management Company of the Fund, has taken assertive action to manage the risks arising from the pandemic and to protect the long-term value for the investors. The Management Company is focusing on optimizing operating costs and maintaining active communication with the tenants to ensure long-term rent collection.

The Fund has opted to retain approx. EUR 4.4 million of distributable cash flow from the results to strengthen the its financial position. The Management Company believes that it is in the best interest of the investors and the Fund to reduce its quarterly cash distributions during the outbreak of COVID-19 in order to protect and strengthen the Fund's financial position. The management team will continue to actively monitor the economic impact of the pandemic and reassess future distribution levels depending on the upcoming operating results.

The list on the right represents measures that are also in place to further mitigate the risks and protect the long-term interests of Baltic Horizon Fund and its investors.

Action taken by management

- We actively communicate with our tenants and property managers who on a regular basis inform us of the measures they are taking to ensure their business continuity. We have agreed on regular updates on tenants' performance and any issues in relation to COVID-19.
- We have approached the developers and construction companies to inform us promptly of any interruptions in the supply chain of materials or any other potential delays in development projects. None have been reported thus far.
- There is a sufficient liquidity buffer in the form of the cash balance to meet financial obligations in case of the worst-case scenarios in 2021.
- We are continuously performing stress testing of debt covenants to be able to take any necessary measures in due time.
- The Management Company has initiated additional measures to protect the key staff of the Fund and ensure continuity: all employees are working remotely, all business travel is suspended, and the succession plan has been reviewed and updated.
- We are fulfilling all safety and health requirements to ensure secure shopping experience and work for office clients.
- As a result of steps taken to prevent the spread of COVID-19, Baltic Horizon's Europa shopping centre in Vilnius and Galerija Centrs in Riga received SAFE RetailDestination© certification from the COVID-19 shopping centre certification program.
- We partially postponed investments in (re)development projects to ensure a sufficient cash balance.
- We ensured prompt payment of invoices to aid our suppliers and partners.

COVID-19 - economic impact

The spread of COVID 19 has had a major impact on the global economy and in 2020 Europe witnessed sharp fluctuations in GDP movements. After a sharp decline of -11.8% in Q2 2020, GDP in the euro area grew by 12.7% in Q3 2020 (compared to the quarter before). According to the first estimation by Eurostat of annual change for 2020, based on seasonally and calendar adjusted quarterly data, GDP fell by -6.8% in the euro area and -6.4% in the EU.

The quarter-on-quarter fluctuations in the Baltic states were one of the lowest in the EU in 2020. Tourism, accommodation and catering were among the hardest-hit sectors during the previous quarters. Among the EU member states for which data are available for Q4 2020, Austria recorded the highest decrease of -4.3% compared to the previous quarter, followed by Italy with 2.0% and France -1.3% while Lithuania and Latvia recorded the highest increases of 1.2% and 1.1%, respectively. Latvia's and Lithuania's GDP contraction compared with the same quarter of 2019 was also among the smallest in the EU: only by -1.3% and -1.7% respectively. In Estonia, where tourism contribution to GDP is higher, the drop is expected to be -2.5%.

It is expected that the Baltic economies will continue to be one of the fastest growing economies in the EU after the pandemic will be controlled by vaccination. The rapid bounce back of the economy and retail spending in Q3 of 2020 demonstrated that they are able to grow rapidly once restrictions are removed.

COVID-19 - relief measures

The Fund has implemented several relief initiatives focused on alleviating the financial hardship of the most vulnerable group of tenants whose operations have been severely affected by the outbreak and the lockdowns. The Fund has agreed to grant rent payment deferral for a period of 90 days and to waive related penalties and interest for those tenants.

Baltic Horizon Fund has been in negotiations mainly with retail tenants regarding rent reductions and waivers during the lockdown and post-lockdown periods, which has had a negative impact on the Fund's performance in Q2-Q4 2020. By 19 March 2021, the Fund management had decided on various pandemic-related discounts based on discussions with retail and other tenants. The Fund assessed the impact of COVID-19 on each tenant's operating performance during the lockdown and granted discounts to the most affected tenants, while at the same time protecting the best interests of unitholders and other stakeholders. The Fund's management team reviewed each rent discount request individually in order to find suitable solutions for all parties.

Relief measures granted to tenants helped to improve collection rates and maintain trade receivables and operating cash inflows at healthy levels during Q2-Q4 2020.

Portfolio value
EUR 340.0m

Occupancy rate
94.3%

WAULT (to expiry)
3.5 years

Direct yield
5.8%

PROPERTY REPORT

Portfolio and market overview

The diversified property portfolio of Baltic Horizon Fund consists of 15 cash flow generating properties, and one property under development in the search of an anchor tenant, in the Baltic capitals. 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 Fund had a successful Q1 2020 before COVID-19 started impacting the Baltic economies. During 2020 net rental income of the portfolio on a like-for-like basis decreased by 7.4% compared to 2019 due to the temporary lockdowns of the shopping centres. The office segment decreased only by 0.1% in terms of net rental income during 2020. Occupancy drop on a year-over-year basis and rent reliefs led to like-for-like net rental income decrease of 15.4% and 20.8% in the retail and leisure segments, respectively.

Food stores and pharmacies were allowed to remain operational during the lockdown from March to May or June. Larger shopping centres were allowed to be open from the beginning of May or June, remaining closed for only about 6-10 weeks. During Q3, the sales figures for neighbourhood shopping centres recovered to pre-COVID levels whereas in centrally located centres the sales and footfall were still on average 20-30% lower mainly due to a lower number of tourists. Q3 2020 saw stronger recovery in footfall and tenant turnovers but due to the second wave of the virus and the associated restrictions, retail sales in December were lower than a year earlier. In terms of segments, the winners in 2020 were home improvements stores, DIY, gardening and pet stores. The biggest negative impact was recorded in high street fashion and restaurant businesses.

The vacancies in all shopping centres remained stable in 2020 at around 4-6% on average in Tallinn and Riga and around 3% in Vilnius. Higher vacancies were recorded in centrally located retail centres and high streets.

The COVID crisis has had virtually no impact on Baltic Horizon's office segment due to fixed lease agreements. The CC Plaza cinema building was closed for a month during Q4 2020 and reopened on 1 February 2021, however with 50% visitor limitations. The number of blockbuster movies to be premiered in 2021 is estimated to be at a record level as most films have been postponed from 2020.

Although Baltic retail centres have been affected by the COVID lockdown restrictions and the increase in e-commerce, it is important to note that retail influences and trends are different in the US, Canada, Asia and the Nordics including the Baltics. For example, the Baltic states have considerably less big box mid-sized destination shopping centres and retail parks like those in the US which have been affected the most, with some of them never opening again. In the Baltics, most of the shopping centres are major destination hubs or are located in the hearts of the cities, near the old towns. There are also small supermarkets with direct residential catchment areas which have worked especially well during the COVID crisis. With mid-sized centres suffering, the increased focus of Baltic Horizon together with its tenants will be on established flagship stores, own parcel terminals, pick-up points and other services appealing to the catchment areas of each retail centre. River Island, Blender, Yamamay closed their stores and pulled out in 2020, at the same time, several notable international brands (PEPCO, Deichmann, Peek & Cloppenburg, C&A, Van Graaf, H&M brands, IKEA) remain interested in entering or further expanding in 2021-2023.

When it comes to e-commerce in the Baltics, the share of consumer goods bought online of 3-5% is one of the lowest in Europe, the share of services bought online being between 4-10% (the UK, Sweden and Denmark being close to 20%). While the share of online shopping will be increasing, so will traditional retail spending as shopping centres are virtually only a 15-minute drive away. Furthermore, average salaries have increased 30-50% over the past 5 years and are likely to maintain strong growth as the modern start-up tech sector continues to boom and industries are moving up the value-added productivity curve.

During the past quarters, in the office segment across the Baltics, many tenants adopted remote working practices where the nature of the job allowed it. Several tenants had employees work remotely already before the pandemic and looking ahead, especially SMEs intend to allow employees to work from home once the situation stabilizes on more flexible schedules (e.g. home Fridays). At the same time, it is also apparent from several interviews that employees are eager to return to the offices as social interaction and collaboration in physical meetings are still highly valued. The future of office work will very likely include an additional level of flexibility for tenants as they are continuously evaluating their future needs. Being able to expand or decrease their leased areas will become increasingly important and so will flexible working hours, rotating team working and being able to work partly from remote locations, if the nature of the job allows it.

In summary, the COVID virus induced lockdown in the Baltics has impacted mainly Baltic Horizon's centrally located retail and entertainment centres. Retail assets located in the central business districts (Postimaja, Europa and Galerija Centrs) accounted for 29.2% of total portfolio NOI in 2020.

"The future of office work will very likely include an additional level of flexibility for tenants as they are continuously evaluating their future needs."

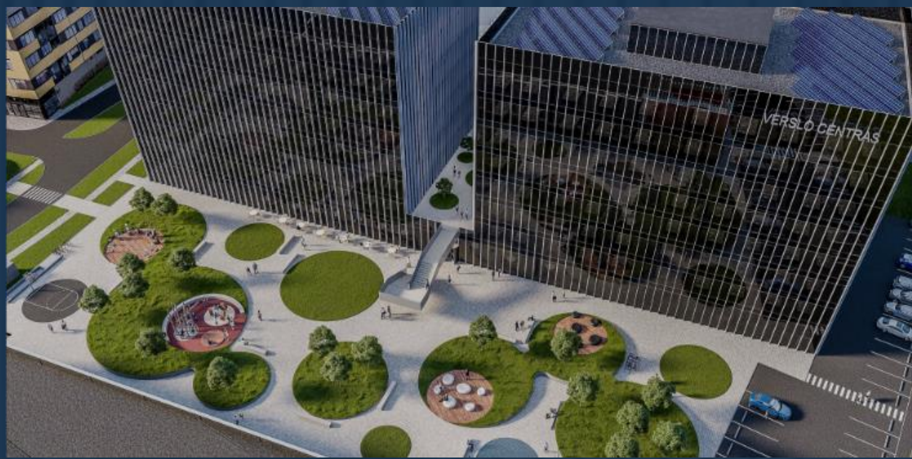
Developments

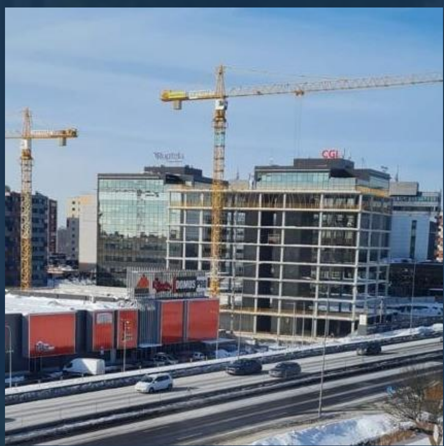
Meraki

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 in Vilnius, Lithuania. The building permit received in Q4 2019 allows to build approx. 15,800 sq. m of leasable office space along with a parking house. The construction preparations were started in Q4 2019 as the required level of pre-leases had been achieved.

On 6 February 2020, the Group signed a construction contract for the Meraki development project. The total capital commitment in respect of construction costs contracted amounts to EUR 4.3 million for the current construction phase. The total construction commitment could increase to EUR 22.9 million once the Fund approves all construction phases.

At the end of 2020, 22% of the net leasable area of one tower was pre-let to 3 local tenants and the management team is in negotiations to find additional anchor tenants for the property. The building is expected to be completed in Q4 2021. Meraki development costs were EUR 6.6 million as of 31 December 2020, while the expected total development costs amount to EUR 26.5 million.





15,800
Net leasable area (sq. m)

Very good
Target BREEAM rating

2
Towers

2021 2023

Europa SC

At the end of 2020, the Fund's management initiated the Europa SC refurbishment project with the aim to introduce a new concept that would meet growing central business district (CBD) and changing clients' post-COVID-19 needs (free working zones, dining and etc.). The first phase of the project is planned to be completed in 2021, while other phases should be completed by 2023.

2021 2024

Postimaja

A final design and construction project was started in Q1 2020 for phase I of the CC Plaza and Postimaja expansion. A building permit to connect underground parking has been received from the City of Tallinn. Final interior design concept details including the tenant mix and a new name for the complex are being finalized. The final building permit for joining the two buildings was received in January 2021. The team is now involved in signing on new anchor tenants in order to be able to start construction in 2022.

Track record of development projects

Domus PRO 1st stage

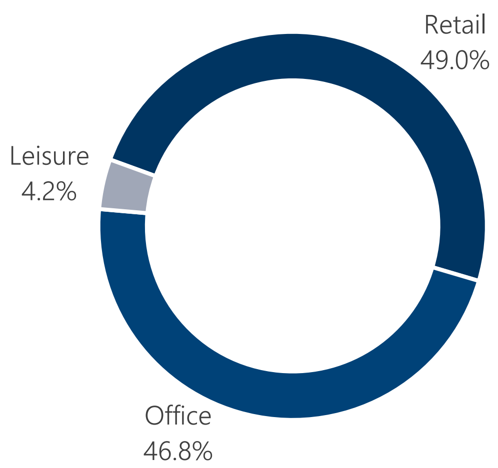
Domus PRO 2nd stage


Domus PRO 3rd stage

2013 2015 2017

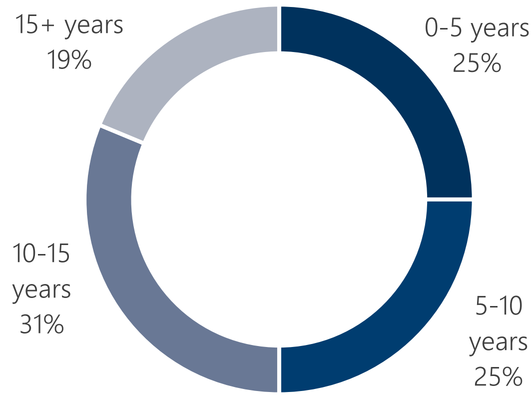
Property performance

Fund segment distribution as of 31 December 2020



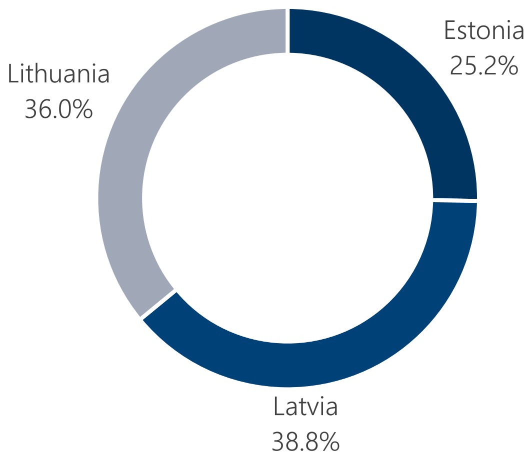
The Fund maintains a well-diversified mix of office, leisure, and retail buildings. At the end of 2020, the portfolio was comprised of 49.0% retail assets, followed by 46.8% office assets and 4.2% leisure assets. Portfolio properties in the office segment contributed 55.8% of net rental income in 2020 despite accounting for only 46.8% of the Fund's portfolio.

Fund portfolio by age as of 31 December 2020



The graph above shows the age of assets in the Fund's portfolio since construction or the last major refurbishment. The management team is working on new development projects and expects to improve the Fund's average portfolio age in the future.

Fund country distribution as of 31 December 2020

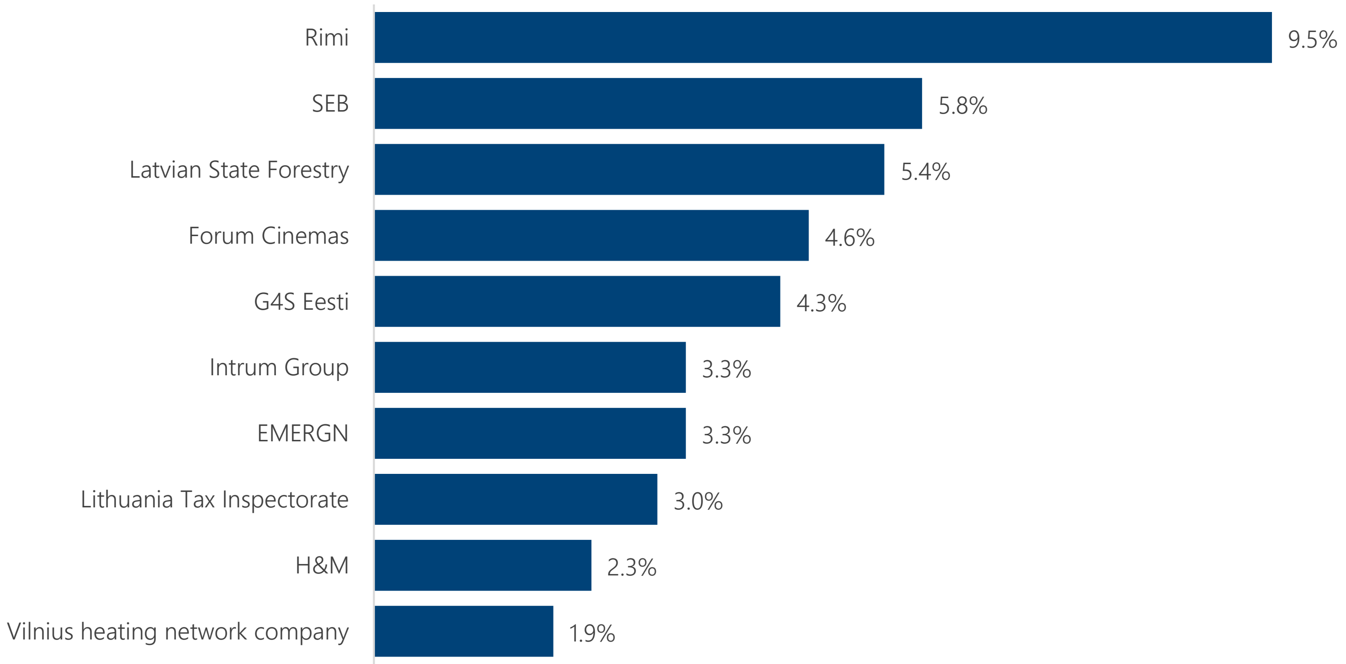


In terms of country distribution, in 2020 Lithuania's share in the Fund's portfolio increased due to ongoing Meraki development works and better investment property valuation results compared to Latvia and Estonia. At the end of 2020, the Fund's assets were located as follows: 38.8% in Latvia, 36.0% in Lithuania and 25.2% in Estonia.

Rental concentration of the Fund's subsidiaries

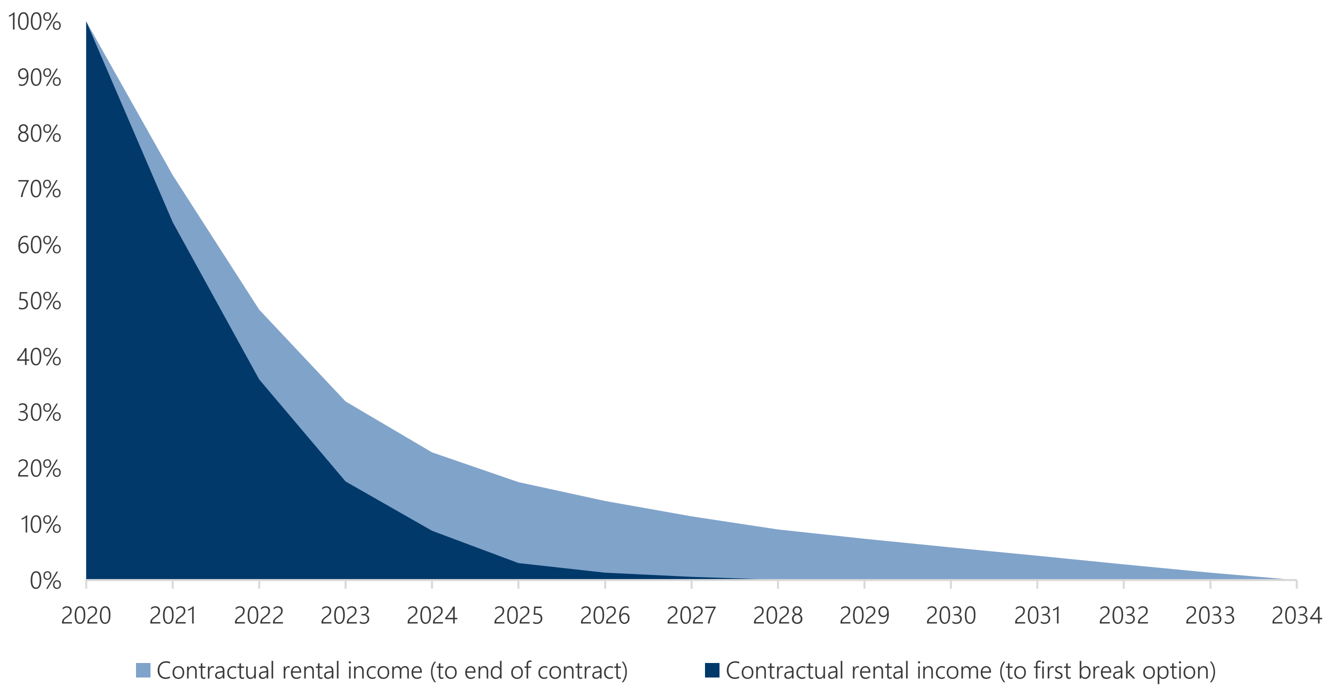
The tenant base of the Fund is well diversified. The rental concentration of the Fund's subsidiaries (rental income from the 10 largest tenants) is shown in the chart on the following page with the largest tenant Rimi Baltic accounting for 9.5% of the annualised rental income. As further discussed in the risk management section, credit risk is mitigated by the high quality of the existing tenant base.

Rental concentration of the Fund's subsidiaries: 10 largest tenants as of 31 December 2020



The Fund's teams have been actively negotiating with current tenants on prolongation of lease agreements as well as new tenants to fill vacancies. Over 48% of Baltic Horizon Fund tenant leases will expire after 2022, while the rest will expire during the next two years. The weighted average unexpired lease term until first break option was 2.5 years at the end of 2020. The weighted average unexpired lease term until the end of contract term was 3.5 years at the end of 2020. The graph below shows the expiry dates of contractual rental income.

Maturity profile of rental income expiry



Overview of the Fund's investment properties as of 31 December 2020

Property name	Sector	Fair value[1] (EUR '000)	NLA (sq. m)	Direct property yield[2]	Net initial yield[3]	Occupancy rate
Vilnius, Lithuania						
Duetto I	Office	16,419	8,587	7.8%	7.1%	100.0%
Duetto II	Office	18,765	8,674	7.3%	7.2%	100.0%[4]
Europa SC	Retail	38,811	16,856	4.5%	4.2%	89.5%
Domus Pro Retail Park	Retail	16,090	11,247	7.0%	6.7%	100.0%
Domus Pro Office	Office	7,590	4,831	8.3%	7.0%	100.0%
North Star	Office	19,133	10,550	6.8%	7.2%	86.3%
Meraki Land		5,474	-	-		-
Total Vilnius		**122,282**	**60,745**	**6.4%**	**6.1%**	**94.7%**
Riga, Latvia						
Upmalas Biroji BC	Office	23,474	10,458	7.0%	7.0%	100.0%
Vainodes I	Office	19,970	8,052	6.9%	7.0%	100.0%
LNK Centre	Office	16,060	7,453	6.4%	6.5%	100.0%
Sky SC	Retail	4,970	3,254	8.0%	8.2%	98.3%
Galerija Centrs	Retail	67,446	20,022	4.0%	4.1%	85.1%
Total Riga		**131,920**	**49,239**	**5.4%**	**5.5%**	**93.8%**
Tallinn, Estonia						
Postimaja & CC Plaza complex	Retail	29,770	9,145	3.2%	3.5%	95.6%
Postimaja & CC Plaza complex	Leisure	14,170	8,664	6.9%	5.6%	100.0%
G4S Headquarters	Office	16,160	9,179	7.9%	7.2%	100.0%
Lincona	Office	16,110	10,865	7.7%	7.1%	90.3%
Pirita SC	Retail	9,580	5,508	5.5%	7.0%	81.9%
Total Tallinn		**85,790**	**43,361**	**5.6%**	**5.6%**	**94.3%**
Total portfolio		**339,992**	**153,345**	**5.8%**	**5.7%**	**94.3%**

1. Based on the latest valuation as at 31 December 2020 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.
4. Effective occupancy rate is 100% due to a rental guarantee.

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 2020, the average actual occupancy of the portfolio was 95.8% (2019: 97.5%). Taking into account all rental guarantees, the effective occupancy rate was 95.8% (2019: 97.5%). Occupancy rate as of 31 December 2020 was 94.3% (31 December 2019: 98.3%). Occupancy rates in the retail segment decreased because of additional vacancies in Europa SC, Pirita SC and Galerija Centrs. Occupancy rates in the office segment still remain strong albeit Lithuania Tax Inspectorate vacated part of their premises in North Star resulting in a minor negative effect on the occupancy levels. Average direct property yield during 2020 was 5.8% (2019: 6.6%). The net initial yield for the whole portfolio for 2020 was 5.7% (2019: 6.3%). The decrease is mainly related to the lockdowns and additionally granted rent concessions to tenants whose operations were restricted by government regulations. The average rent rate for the whole portfolio for 2020 was EUR 12.1 per sq. m.

Breakdown of NOI development

Property	Date of acquisition	2015	2016	2017	2018	2019	2020
Galerija Centrs	13 June 2019	-	-	-	-	2,552	3,023
Postimaja & CC Plaza complex	8 March 2013[1]	962	972	985	2,447	2,495	1,932
Europa SC	2 March 2015	1,962	2,360	2,365	2,332	2,467	1,681
Upmalas Biroji BC	30 August 2016	-	515	1,693	1,710	1,701	1,661
Vainodes I	12 December 2017	-	-	75	1,463	1,462	1,464
North Star	11 October 2019	-	-	-	-	315	1,419
Duetto II	27 February 2019	-	-	-	-	1,090	1,354
Lincona	1 July 2011	1,143	1,202	1,172	1,192	1,276	1,212
G4S Headquarters	12 July 2016	-	546	1,149	1,189	1,127	1,223
Duetto I	22 March 2017	-	-	799	1,096	1,160	1,166
Domus Pro Retail	1 May 2014	857	1,103	1,185	1,160	1,132	1,092
LNK Centre	15 August 2018	-	-	-	409	1,072	1,090
Pirita SC	16 December 2016	-	30	900	900	438	677
Domus Pro Office	1 October 2017	-	-	35	499	562	538
Sky SC	7 December 2013	415	425	410	407	370	402
Total portfolio		**5,339**	**7,153**	**10,768**	**14,804**	**19,219**	**19,934**

1. The Fund completed the acquisition of Postimaja SC on 13 February 2018.

The Fund's portfolio produced EUR 19.9 million of net operating income (NOI) during 2020 (2019: EUR 19.2 million). Please refer to the table above for a breakdown of NOI development by each property, which has been generating stable rental income over the years.

Like-for-like net rental growth provides a more clear view on the performance of the underlying assets, as these calculations exclude the impact of net rental growth or decline due to acquisitions, developments or disposals in 2019 and 2020. The change in the Fund's like-for-like net rental income compares the growth in the net rental income of the portfolio that has been consistently in operation, and not under development, during the two full periods that are presented.

EPRA like-for-like net rental income by segment

EUR '000	Fair value 31.12.2020	Net rental income 2020	Net rental income 2019	Change (EUR '000)	Change (%)
Like-for-like assets					
Retail	99,221	4,960	5,861	(901)	(15.4%)
Office	115,783	8,354	8,360	(6)	(0.1%)
Leisure	14,170	824	1,041	(217)	(20.8%)
Total like-for-like assets	**229,174**	**14,138**	**15,262**	**(1,124)**	**(7.4%)**
Acquired assets	105,344	5,796	3,957	1,839	46.5%
Development assets	5,474	-	-	-	-
Total portfolio assets	**339,992**	**19,934**	**19,219**	**715**	**3.7%**

Net rental income of the portfolio on a like-for-like basis decreased by 7.4% or EUR 1,124 thousand in 2020, as compared to the same period last year. The decrease in net rental income from the retail and leisure segments was mainly driven by an increase in provisions associated with overdue receivables from tenants and temporary discounts granted with the aim to provide support to tenants in connection with the lockdown periods of the COVID-19 crisis.

The Fund's office segment properties have barely been affected by the COVID-19 pandemic. The office segment showed only a slightly negative change with a decrease of like-for-like net rental income of 0.1%. The slight decrease in office performance was caused by a temporary vacancy in Upmalas Biroji and increased vacancies in Lincona compared to last year. The Fund's portfolio diversification strategy has proved that a well-balanced mix of retail, leisure and office segments can help optimize the risk of the portfolio and withstand the challenges arising from the COVID-19 pandemic.

EPRA like-for-like net rental income by country

EUR '000	Fair value 31.12.2020	Net rental income 2020	Net rental income 2019	Change (EUR '000)	Change (%)
Like-for-like assets					
Estonia	85,790	5,044	5,336	(292)	(5.5%)
Latvia	64,474	4,617	4,605	12	0.3%
Lithuania	78,910	4,477	5,321	(844)	(15.9%)
Total like-for-like assets	**229,174**	**14,138**	**15,262**	**(1,124)**	**(7.4%)**
Acquired assets	105,344	5,796	3,957	1,839	46.5%
Development assets	5,474	-	-	-	-
Total portfolio assets	**339,992**	**19,934**	**19,219**	**715**	**3.7%**

Property valuation

All real estate properties belonging to the Fund must be appraised at least once a year at the end of the financial year to determine the market value of the real estate portfolio. During 2019 and 2020, the Fund's property portfolio was appraised twice a year by an independent real estate appraiser. External property appraisals were carried out each year as of 30 June and 31 December.

The Management Company ensures that 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 evaluates real estate belonging to the Fund. As at 31 December 2020 and 31 December 2019, new external valuations were performed by the independent property valuator Newsec.

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 the European Group of Valuers' Associations (TEGoVA). The appraisal methodology employed by the external appraiser is explained in more detail in notes 12 and 13 to the financial statements.

As of 31 December 2020, the fair value of the Baltic Horizon Fund portfolio decreased to EUR 340.0 million as compared to EUR 358.9 million as of 31 December 2019. During 2020, the Fund recognised valuation losses on investment properties of EUR 25.2 million (2019: EUR 2.1 million) in the consolidated financial statements. The fair values of investment properties in the portfolio decreased mainly due to downward adjustments to the main valuation assumptions compared to previous valuations, resulting from the uncertainty associated with the COVID-19 pandemic. All valuations were prepared on the basis of "material valuation uncertainty".

Property appraisers have reflected the increasing investment market uncertainty by adjusting discount rate assumptions and lowering cash flow projections compared to the previous valuations. Discount rates for the majority of the portfolio were raised by 30 basis points to reflect the expected increase in the cost of debt. Operating cash flow projections of the portfolio were lowered as a result of a decrease in the EU and Baltic consumer price index level projections and increased vacancy assumptions during the years 2021-2023. Exit yields remained the same compared to 2019 valuations due to a lack of comparable market deals during the COVID-19 pandemic.

The table below shows the Baltic Horizon Fund investment portfolio fair value movements during 2020. The values of the properties are based on the valuation of investment properties performed by Newsec, which have been increased by the value of right-of-use assets (IFRS 16). The table below does not reflect any capital investments during the year.

Portfolio fair value movements by segment

EUR '000	Fair value 31.12.2020	Fair value 31.12.2019	Change (EUR '000)	Change (%)	Proportion of portfolio (%) 31.12.2020
Like-for-like assets					
Retail	166,667	180,740	(14,073)	(7.8%)	49.0%
Office	153,681	160,685	(7,004)	(4.4%)	45.2%
Leisure	14,170	15,150	(980)	(6.5%)	4.2%
Total like-for-like assets	**334,518**	**356,575**	**(22,057)**	**(6.2%)**	**98.4%**
Development assets					
Office	5,474	2,367	3,107	131.3%	1.6%
Total portfolio assets	**339,992**	**358,942**	**(18,950)**	**(5.3%)**	**100.0%**

The like-for-like value of the property portfolio excluding developments decreased by EUR 22.1 million (6.2%) in 2020, compared to year-end 2019. The decrease was mainly due to a more conservative valuation approach on CBD shopping centres, single tenant office buildings and the cinema building, out of which the Galerija Centrs property fair value drop amounted to EUR 9.0 million. Multi-tenant office buildings and small neighbourhood shopping centres were less affected by the downward valuation adjustments related to COVID-19 due to a strong tenant base and payment discipline. Appraisers are expecting that the retail portfolio will have higher than usual vacancies during 2021, 2022 and 2023.

Compared to year-end 2019, the property valuation results in Lithuania decreased by EUR 3.8 million (3.2%) of which only EUR 1.3 million related to office buildings. Property valuations for Duetto I (-0.24%) and Duetto II (-0.90%) together with SKY SC (+2.47%) showed the best valuation results across the whole portfolio. Valuation results in Latvia were mostly affected by generally worsened key valuation inputs (discount rates, vacancy assumptions, rent indexation), while results in Estonia were affected by generally worsened valuation inputs and additional building-specific adjustments for the cinema and single tenant office buildings. For a summary of property valuations, please visit the Fund's website.

Portfolio fair value movements by country

EUR '000	Fair value 31.12.2020	Fair value 31.12.2019	Change (EUR '000)	Change (%)	Proportion of portfolio (%) 31.12.2020
Like-for-like assets					
Estonia	85,790	92,620	(6,830)	(7.4%)	25.2%
Latvia	131,920	143,347	(11,427)	(8.0%)	38.8%
Lithuania	116,808	120,608	(3,800)	(3.2%)	34.4%
Total like-for-like assets	**334,518**	**356,575**	**(22,057)**	**(6.2%)**	**98.4%**
Development assets					
Lithuania	5,474	2,367	3,107	131.3%	1.6%
Total portfolio assets	**339,992**	**358,942**	**(18,950)**	**(5.3%)**	**100.0%**

Estonia

Economy

The Estonian economy adapted very quickly to the changed environment when the COVID-19 crisis started and the blow was softened quite effectively by the local economic and employment stimulus package. Imports decreased substantially while exports decreased less than expected. The drop in Estonia's GDP was mainly due to a decrease in private spending and lower investments but the recovery in Q3 2020 was stronger than expected. The months in Q4 2020 were more difficult due to the second wave of the coronavirus and the subsequent new restrictions but the economy should be able to recover quickly in 2021.

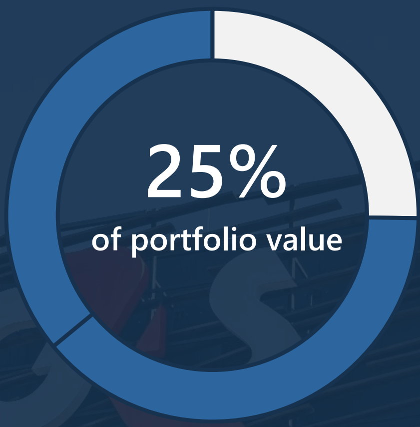
	2020	2021	2022
GDP	(3.0%)	2.6%	3.8%
Inflation	(0.6%)	1.0%	2.0%

Source: European Commission Economic Forecast, Winter 2021 (Interim)

Portfolio

Portfolio properties based in Estonia started the year with significant growth in the net rental income and improvement in the key portfolio metrics, although rapid growth abruptly ended once the Fund started to grant COVID-19 relief measures to tenants starting from Q2 2020. Relief measures were granted after extensive discussions with mostly retail/leisure tenants in order to support them during the hardship, as well as to improve tenant rental payment discipline which was significantly affected by the lockdown in Estonia. Additional safety restrictions imposed by the government during Q4 2020 had a direct impact on the Estonian portfolio's net rental income through lower amounts of tenant turnover rents and lower footfalls.

During 2020, the average direct property yield decreased to 5.6% (2019: 5.9%), while the average net initial yield was down to 5.6% (2019: 5.8%). The decrease in yields and net rental income is mainly related to temporary occupancy drops in Pirita SC and Lincona and also rent reliefs granted to tenants in the Postimaja and Coca Cola Plaza complex. The average occupancy level for 2020 remained stable at 95.7% (2019: 95.7%). At the end of 2020, 2 out of the 5 properties in Estonia were fully leased to local and international tenants. The fair value of the properties in Estonia on a like-for-like basis has decreased from EUR 92,620 thousand measured in the 2019 valuation to EUR 85,790 thousand as of 31 December 2020.



5
Properties

43,361
Total leasable area (sq. m)

5.0m
Rental income (EUR)

95.7%
Occupancy rate

5.6%
Net direct yield

(5.5%)
Like-for-like rental income change

Postimaja

Fair value (EUR ‘000)	29,770
Constructed	1980
Acquired	13 February 2018
Sector	Retail
Net leasable area (sq. m)	9,145

G4S Headquarters

Fair value (EUR ‘000)	16,160
Constructed	2013
Acquired	12 July 2016
Sector	Office
Net leasable area (sq. m)	9,179

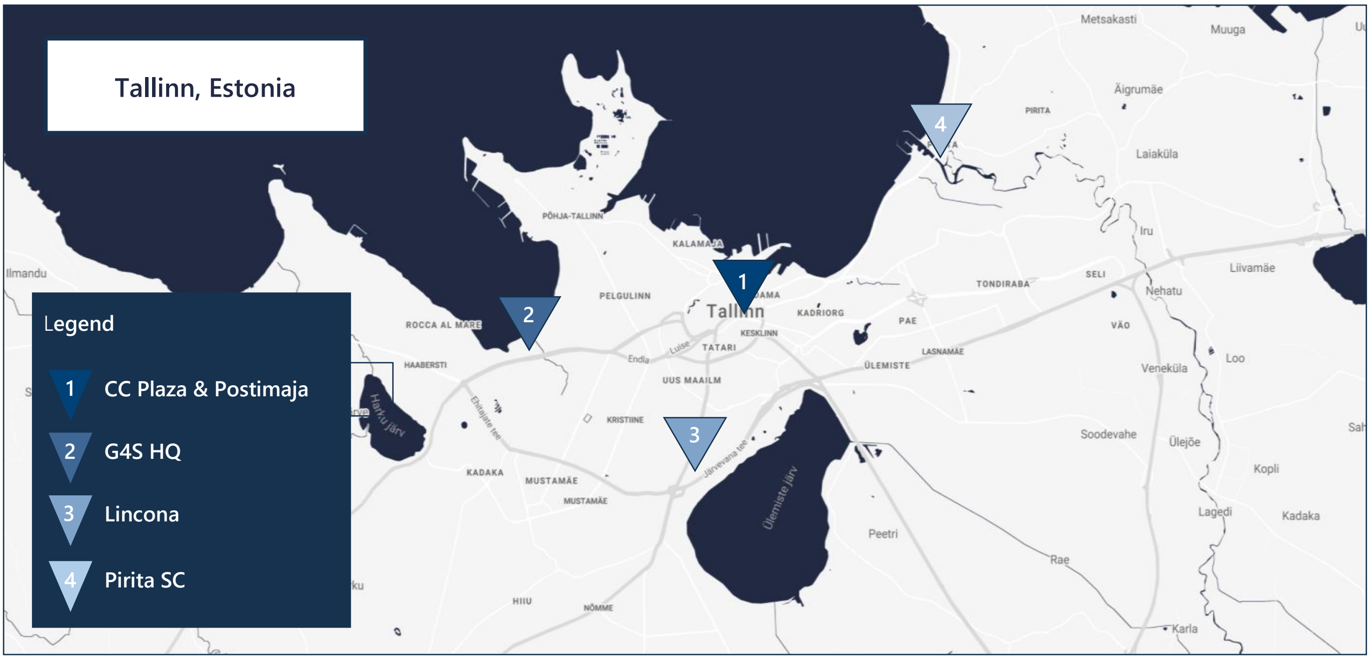
Lincona

Fair value (EUR ‘000)	16,110
Constructed/Renovated	2002 / 2008
Acquired	1 July 2011
Sector	Office
Net leasable area (sq. m)	10,865

Coca Cola Plaza

Fair value (EUR ‘000)	14,170
Constructed	1999
Acquired	8 March 2013
Sector	Leisure
Net leasable area (sq. m)	8,664

Pirita	
Fair value (EUR '000)	9,580
Constructed	2016
Acquired	16 December 2016
Sector	Retail
Net leasable area (sq. m)	5,508



Latvia

Economy

Latvian GDP growth in Q3 2020 was also better than expected. GDP was supported by strong performance in retail trade. Better than expected results were recorded also in manufacturing and exports of goods, while exports of services have shown little improvement since spring and the second wave is casting further shadow on their quick recovery. Still, compared to Q3 of 2020, Q4 2020 GDP increased by 1.1%, according to seasonally and calendar adjusted data from Leta.

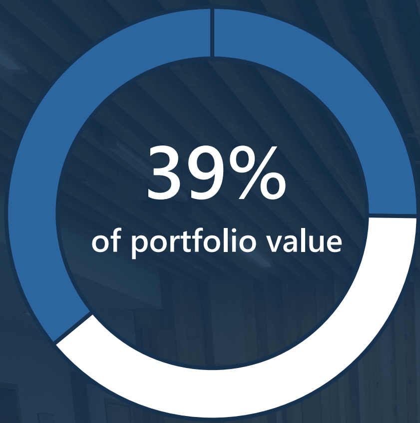
	2020	2021	2022
GDP	(3.5%)	3.5%	3.1%
Inflation	0.1%	1.5%	1.9%

Source: European Commission Economic Forecast, Winter 2021 (Interim)

Portfolio

Latvian properties recognised a like-for-like growth in net rental income year over year resulting in a total increase of 0.3% for the Latvian market, which is a positive result under current market conditions. Like-for-like net rental income improved in 3 out of 4 Latvian properties – Vainodes, LNK Centre and SKY SC. Meanwhile, Galerija Centrs underperformed during Q3-Q4 2020 compared to Q3-Q4 2019 due to significantly reduced turnover rents during the lockdown period, rent concessions and doubtful debt provisions resulting from weakened tenant payment discipline. The average direct property yield declined to 5.4% during 2020 (2019: 6.6%). The average net initial yield was 5.5% (2019: 6.5%). The decrease in the Latvian portfolio yields was entirely caused by the drop in Galerija Centrs net rental income following new COVID-19 related government restrictions. Latvian properties have development potential, which the Fund's management team aims to execute in the coming years in order to maximise the value of the properties.

At the end of 2020, 3 out of the 5 properties in Latvia were fully leased to local and international tenants. The average occupancy level for 2020 fell to 93.9% (2019: 99.0%), mostly due to increased vacancies in Galerija Centrs and a temporary vacancy in Upmalas Biroji. During Q4 2020, the Fund leased vacant premises in Upmalas Biroji to SEB, expanding their current premises by approx. 1,000 sq. m. The fair value of the properties in Latvia has decreased from EUR 143,347 thousand measured in the 2019 valuation to EUR 131,920 thousand as of 31 December 2020.



5
Properties

49,239
Total leasable area (sq. m)

7.6m
Rental income (EUR)

93.9%
Occupancy rate

5.4%
Net direct yield

0.3%
Like-for-like rental income change

Galerija Centrs

Fair value (EUR '000)	67,446
Constructed/Renovated	1939/2006
Acquired	13 June 2019
Sector	Retail
Net leasable area (sq. m)	20,022

Upmalas Biroji

Fair value (EUR '000)	23,474
Constructed	2008
Acquired	30 August 2016
Sector	Office
Net leasable area (sq. m)	10,458

Vainodes I

Fair value (EUR '000)	19,970
Constructed	2014
Acquired	12 December 2017
Sector	Office
Net leasable area (sq. m)	8,052

LNK Centre

Fair value (EUR '000)	16,060
Constructed/renovated	2006 / 2014
Acquired	15 August 2018
Sector	Office
Net leasable area (sq. m)	7,453

Sky SC	
Fair value (EUR ’000)	4,970
Constructed/renovated	2000 / 2010
Acquired	7 December 2013
Sector	Retail
Net leasable area (sq. m)	3,254

Lithuania

Economy

In Q3 2020, the Lithuanian GDP was supported by great performance in exports of goods of national origin and better than expected results in retail trade. Once the lockdown restrictions were lifted, Lithuanians were eager to quickly get out and consume. The second wave of COVID-19 with its restrictions arrived in December and is likely to have an impact on the economy again, albeit less than in Q2 2020. In Q4 2020, the change in GDP was positively influenced by the results of professional, scientific and technical, industrial, wholesale and retail trade enterprises.

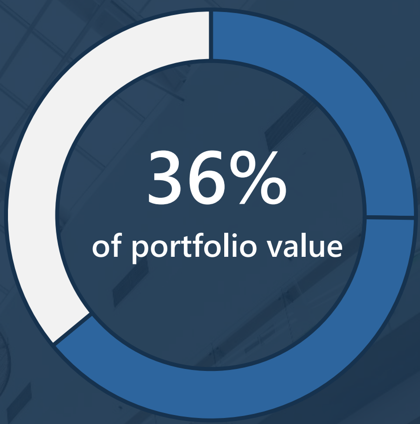
	2020	2021	2022
GDP	(0.9%)	2.2%	3.1%
Inflation	1.1%	1.7%	1.8%

Source: European Commission Economic Forecast, Winter 2021 (Interim)

Portfolio

Across all Baltic Horizon Fund markets, the properties in Lithuania showed the least promising results due to the mandatory closure of all shopping centres during March-April and December 2020 in Lithuania. Results suffered due to the lockdown and post-lockdown effects on the footfalls and turnovers of retail shops. The closure of retail operations resulted in the financial distress of several tenants in Europa SC and required immediate action from the Fund. The management of the Fund decided to grant discounts to tenants most affected by COVID-19 which together with government compensation helped the tenants to save at least 80% of rental expenses and overcome financial difficulties. No government compensation mechanisms were implemented during the second lockdown period which started in November 2020. Rent concessions, recognised doubtful debts and increased vacancies in Europa SC and Domus PRO complex resulted in a 15.9% combined decline in the like-for-like rental income of Lithuanian properties during 2020.

During 2020, the average direct property yield declined to 6.4% (2019: 7.2%). The average net initial yield was 6.1% (2019: 6.7%). The average occupancy level for 2020 was down to 97.3% (2019: 98.0%). The effective vacancy rate of Duetto II was zero because net rental income is covered by a rental guarantee provided by YIT Lietuva for two years after each acquisition. Duetto II was fully leased out at the end of 2020. The fair value of the properties in Lithuania has dipped from EUR 122,975 thousand measured in the 2019 valuation to EUR 122,282 thousand as of 31 December 2020.



5 / 1
Properties / Development projects

60,745
Total leasable area (sq. m)

7.3m
Rental income (EUR)

97.3%
Occupancy rate

6.4%
Net direct yield

(15.9%)
Like-for-like rental income change

Europa SC

Fair value (EUR '000)	38,811
Constructed	2004
Acquired	2 March 2015
Sector	Retail
Net leasable area (sq. m)	16,856

North Star

Fair value (EUR '000)	19,133
Constructed	2009
Acquired	11 October 2019
Sector	Office
Net leasable area (sq. m)	10,550

Duetto I

Fair value (EUR '000)	16,419
Constructed	2017
Acquired	22 March 2017
Sector	Office
Net leasable area (sq. m)	8,587

Duetto II

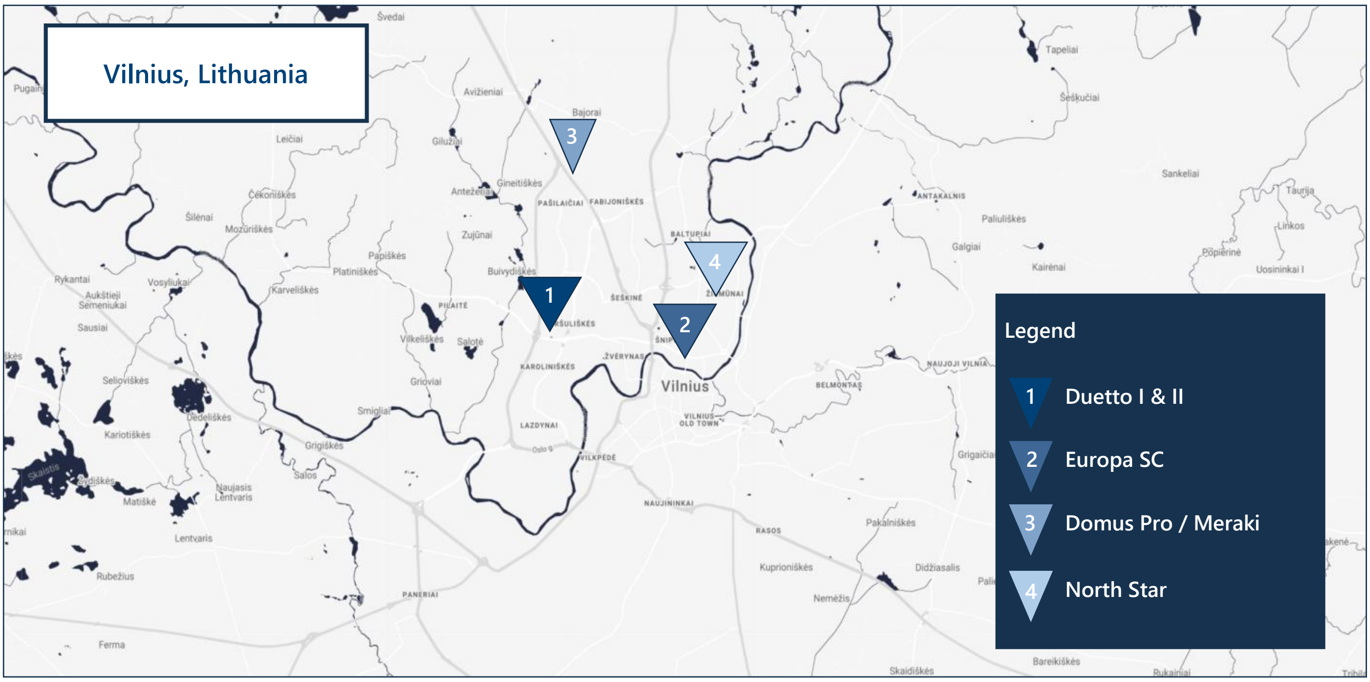
Fair value (EUR '000)	18,765
Constructed	2018
Acquired	27 February 2019
Sector	Office
Net leasable area (sq. m)	8,674

Domus Pro Retail

Fair value (EUR '000)	16,090
Constructed	2013
Acquired	1 May 2014
Sector	Retail
Net leasable area (sq. m)	11,247

Domus Pro Office

Fair value (EUR '000)	7,590
Constructed	2017
Acquired	1 October 2017
Sector	Office
Net leasable area (sq. m)	4,831



Net rental income
EUR 19.9m

Net loss
EUR 13.5m

IFRS NAV
EUR 136.3m

IFRS NAV per unit
EUR 1.1395

FINANCIAL REPORT

Financial position and performance of the Fund

Net (loss) profit and net rental income

The Group recorded a net loss of EUR 13.5 million for 2020 against a net profit of EUR 8.8 million for 2019. The net result was significantly impacted by the negative valuation result of EUR 25.2 million recognised in June and December 2020. The negative impact of valuation losses on investment properties was partially offset by an increase in net rental income, other operating income and a slight decrease in administrative expenses. Excluding the valuation impact on the net result, net profit for 2020 would have amounted to EUR 11.7 million (2019: EUR 10.9 million). Earnings per unit for 2020 were negative at EUR 0.12 (2019: positive EUR 0.09). Earnings per unit excluding valuation losses on investment properties would have amounted to EUR 0.10 (2019: EUR 0.11).

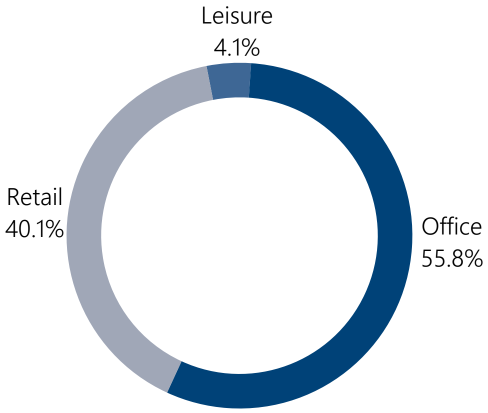
On an EPRA like-for-like basis, portfolio net rental income decreased by 7.4% year on year mainly due to weaker performance in retail and leisure segments. The decrease was partially offset by the relatively stable performance of the office segment which remained largely unaffected by the lockdown in the Baltic states.

Portfolio properties in the office segment contributed 55.8% (2019: 50.8%) of net rental income in 2020 followed by the retail segment with 40.1% (2019: 43.8%) and the leisure segment with 4.1% (2019: 5.4%).

Retail assets located in the central business districts (Postimaja, Europa and Galerija Centrs) accounted for 29.2% of total portfolio net rental income in 2020. Total net rental income attributable to neighbourhood shopping centres was 10.9% in 2020.

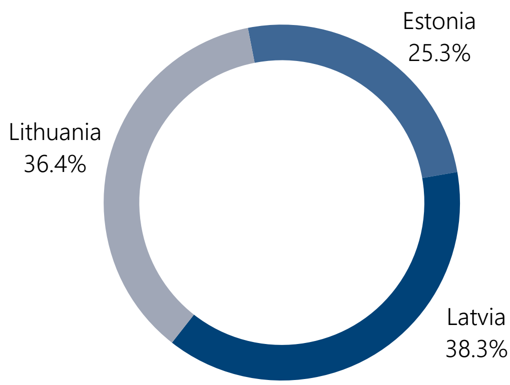
Net rental income by segment

%



Net rental income by country

%



In 2020, the Group earned net rental income of EUR 19.9 million exceeding the previous year's net rental income by EUR 0.7 million or 3.7% (2019: 19.2 million). The increase was achieved through new acquisitions that were made following the capital raisings in 2019. The acquisition of Galerija Centrs and North Star had a significant effect on the Group's net rental income growth in 2020 as compared to 2019, albeit rental income growth in Q2-Q4 2020 was slower due to the relief measures granted to tenants during the COVID-19 pandemic. The addition of Galerija Centrs added EUR 3.0 million to the net rental income during 2020, while North Star added EUR 1.4 million.

During 2020, investment properties in Latvia and Lithuania contributed 38.3% (2019: 37.2%) and 36.4% (2019: 35.0%) of net rental income respectively, while investment properties in Estonia contributed 25.3% (2019: 27.8%).

Gross Asset Value (GAV)

By the end of December 2020, the GAV decreased to EUR 355.6 million (31 December 2019: EUR 371.7 million) which was a drop of 4.3% over 2020. The decrease is mainly related to the negative property revaluation of EUR 25.2 million. The Fund aims to carry on with the construction of the Meraki office building throughout 2021. The Management Company will continue to actively monitor the economic impact of the pandemic and ensure sufficient liquidity levels during the construction period.

Investment properties

The Baltic Horizon Fund portfolio consists of 15 cash flow investment properties in the Baltic capitals and an investment property under construction on the Meraki land plot. At the end of 2020, the fair value of the Fund's portfolio was EUR 340.0 million (31 December 2019: EUR 358.9 million) and incorporated a total net leasable area of 153,345 sq. m.

The valuation losses on the property portfolio came to EUR 25.2 million during 2020 (2019: EUR 2.1 million). Valuations were negatively affected primarily due to downward adjustments to valuation assumptions resulting from the uncertainty associated with the COVID-19 pandemic. Due to global market uncertainty caused by the virus, valuations were reported on the basis of "material valuation uncertainty". During 2020, the Group invested EUR 2.1 million in the existing property portfolio and an additional EUR 4.2 million in the Meraki development project.

Key earnings figures

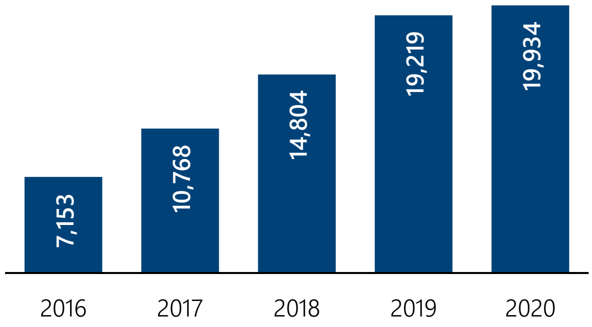
EUR '000	2020	2019	Change (%)
Net rental income	**19,934**	**19,219**	**3.7%**
Administrative expenses	(2,918)	(3,251)	(10.2%)
Other operating income	204	26	684.6%
Valuation losses on investment properties	(25,245)	(2,064)	1,123.1%
Operating (loss) profit	**(8,025)**	**13,930**	**(157.6%)**
Net financing costs	(5,521)	(4,713)	17.1%
(Loss) profit before tax	**(13,546)**	**9,217**	**(247.0%)**
Income tax	5	(426)	(101.2%)
Net (loss) profit for the period	**(13,541)**	**8,791**	**(254.0%)**
Weighted average number of units outstanding (units)	114,568,636	96,718,348	18.5%
Earnings per unit (EUR)	**(0.12)**	**0.09**	**(233.3%)**

Key financial position figures

EUR '000	31.12.2020	31.12.2019	Change (%)
Investment properties in use	334,518	356,575	(6.2%)
Investment property under construction	5,474	2,367	131.3%
Gross asset value (GAV)	**355,602**	**371,734**	**(4.3%)**
Interest bearing loans and bonds	205,604	205,827	(0.1%)
Total liabilities	**219,281**	**219,216**	**0.0%**
IFRS Net asset value (IFRS NAV)	**136,321**	**152,518**	**(10.6%)**
Number of units outstanding (units)	119,635,429	113,387,525	5.5%
IFRS Net asset value (IFRS NAV) per unit (EUR)	**1.1395**	**1.3451**	**(15.3%)**
Loan-to-Value ratio (%)	60.5%	57.3%	-
Average effective interest rate (%)	2.6%	2.6%	-

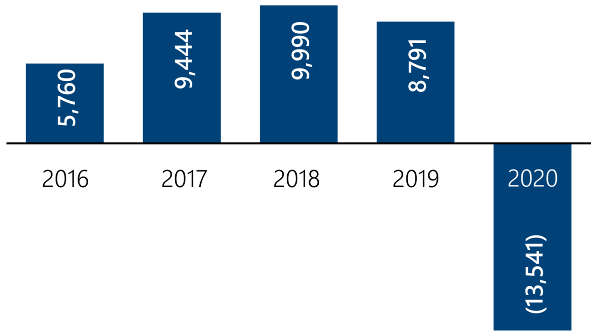
Net rental income

EUR '000



Net profit (loss)

EUR '000



Interest bearing loans and bonds

Interest bearing loans and bonds (excluding lease liabilities) remained at a similar level of EUR 205.6 million compared to year-end 2019 figures (31 December 2019: EUR 205.8 million). Outstanding bank loans decreased slightly due to regular bank loan amortisation. Annual loan amortisation accounts for 0.2% of total debt outstanding.

Cash flow

Cash inflow from core operating activities for 2020 amounted to EUR 16.1 million (2019: cash inflow of EUR 16.4 million). Cash outflow from investing activities was EUR 4.3 million (2019: cash outflow of EUR 78.2 million) due to subsequent capital expenditure on existing portfolio properties and investments in the Meraki development project. Cash outflow from financing activities was EUR 8.3 million (2019: cash inflow of EUR 59.4 million). During 2020, the Fund made four cash distributions of EUR 9.7 million and paid regular interest on bank loans and bonds. At the end of December 2020, the Fund's consolidated cash and cash equivalents amounted to EUR 13.3 million (31 December 2019: EUR 9.8 million) which demonstrates sufficient liquidity and financial flexibility.

Net Asset Value (NAV)

By the end of December 2020, the Fund's net asset value (NAV) decreased to EUR 136.3 million (31 December 2019: EUR 152.5 million) as a result of the negative portfolio revaluation which was impacted by the high market uncertainty surrounding the COVID-19 pandemic. Compared to the year-end 2019 NAV, the Fund's NAV decreased by 10.6%. Positive operational performance over the period was offset by EUR 25.2 million valuation losses, EUR 9.7 million dividend distributions to the unitholders and a negative cash flow hedge reserve movement of EUR 0.1 million. At 31 December 2020, IFRS NAV per unit stood at EUR 1.1395 (31 December 2019: EUR 1.3451), while EPRA net tangible assets and EPRA net reinstatement value were EUR 1.2219 per unit (31 December 2019: EUR 1.4333). EPRA net disposal value was EUR 1.1435 per unit (31 December 2019: EUR 1.3400).

LTV
60.5%

Average interest rate
2.6%

Bank loan amortisation
0.2% p.a.

Weighted average time to debt maturity
2.1 years

FINANCING

The Fund currently aims to use a 55% 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.

S&P affirms credit rating

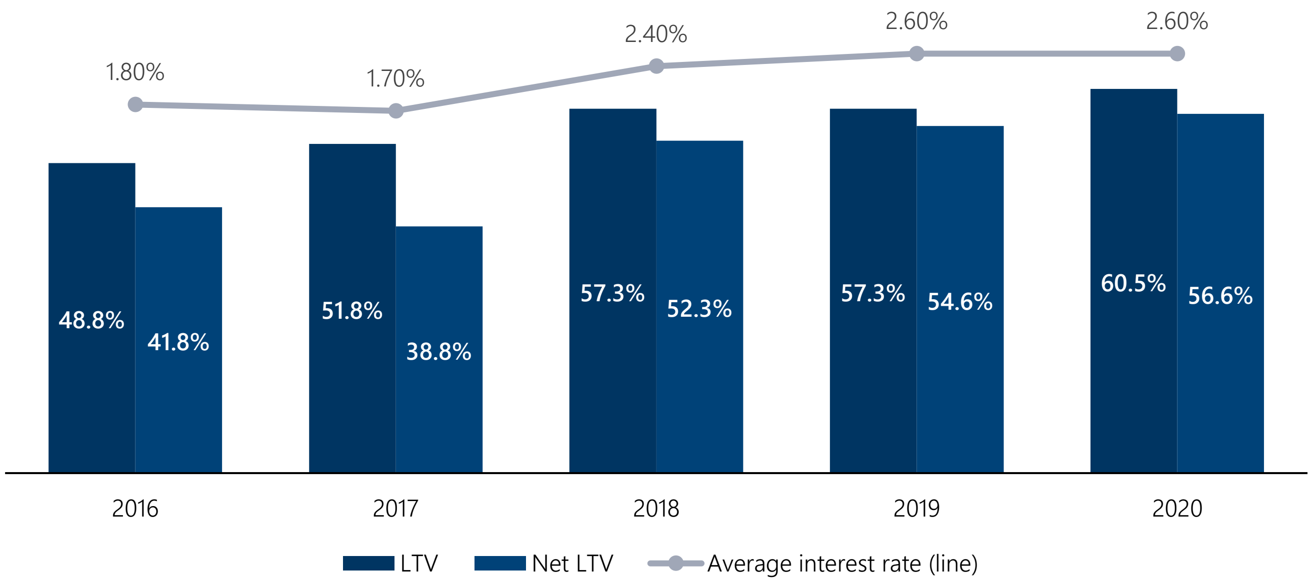
On 24 April 2018, S&P Global Ratings assigned an "MM3" mid-market evaluation (MME rating) to Baltic Horizon Fund. The indicative corresponding rating for "MM3" on the global rating scale is "BB+/ BB".

On 27 July 2020, S&P Global Ratings affirmed Baltic Horizon Fund "MM3" mid-market rating and removed the Fund from CreditWatch with negative implications, where the Fund was placed on 7 May 2020. The indicative corresponding rating for "MM3" on the global rating scale is "BB+/ BB".

Bank loans

During 2020, regular bank loan amortisation remained low at 0.2% p.a. (EUR 388 thousand p.a.), while the average interest rate as of 31 December 2020 remained stable at 2.6% (31 December 2019: 2.6%). LTV ratio increased and reached 60.5% after the revaluation of the investment portfolio. The management team is working on maintaining a low average interest rate and reducing LTV in the future.

Debt financing terms of the Fund's assets



The table below provides a detailed breakdown of the structure of the Fund's consolidated financial debt as of 31 December 2020. Interest bearing debt was comprised of bank loans with a total carrying value of EUR 155.8 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.

Loan arrangement costs are capitalised and amortised over the terms of the respective loans. At the end of 2020, the unamortised balance of loan arrangement costs for all loans and bonds was EUR 384 thousand.

Financial debt structure of the Fund as of 31 December 2020

Property	Maturity	Currency	Carrying amount (EUR '000)	% of total	Fixed rate portion (%)
Galerija Centrs	26 May 2022	EUR	30,000	14.6%	100%
Europa SC	5 July 2022	EUR	20,900	10.1%	88%
CC Plaza and Postimaja	12 February 2023	EUR	17,200	8.3%	100%[1]
Duetto I and II	31 March 2023	EUR	15,376	7.5%	47%[2]
Upmalas Biroji BC	31 August 2023	EUR	11,750	5.7%	90%
Domus Pro	31 May 2022	EUR	11,000	5.3%	64%
Vainodes I	13 November 2024	EUR	9,842	4.8%	50%
North Star	15 March 2024	EUR	9,000	4.4%	-%
LNK	27 September 2023	EUR	8,864	4.3%	65%
G4S Headquarters	16 August 2021	EUR	7,750	3.8%	100%
Lincona	31 December 2022	EUR	7,188	3.5%	95%
Pirita SC	20 February 2022	EUR	4,944	2.4%	119%
Sky SC	1 August 2021	EUR	2,174	1.1%	-%
Total bank loans		**EUR**	**155,988**	**75.8%**	**78%**
Less capitalised loan arrangement fees[3]		EUR	(223)		
Total bank loans recognised in the statement of financial position		**EUR**	**155,765**		
5 year-unsecured bonds	8 May 2023	EUR	50,000	24.2%	100%
Less capitalised bond arrangement fees[3]		EUR	(161)		
Total debt recognised in the statement of financial position		**EUR**	**205,604**	**100.0%**	**83%**

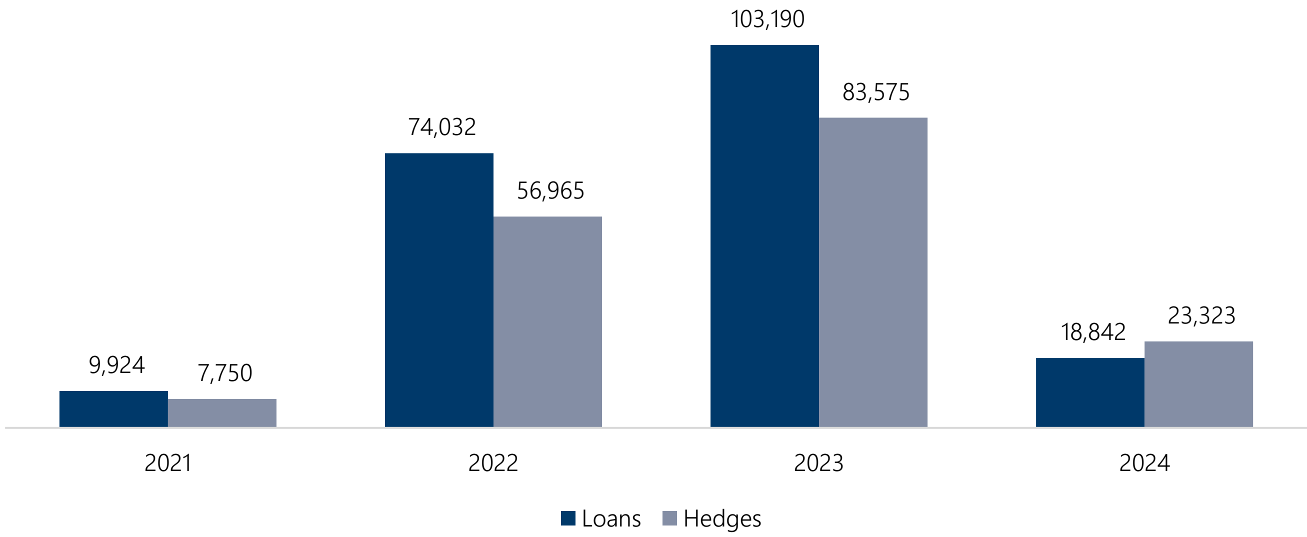
1. CC Plaza and Postimaja loan has an interest rate cap at 3.5% for the variable interest rate part.
2. Duetto loan has an interest rate cap at 1% for the variable interest rate part.
3. Amortised each month over the term of a loan/bond.

Weighted debt financing average time to maturity was 2.1 years and weighted hedge average time to maturity was 2.2 years at the end of 2020.

As of 31 December 2020, 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 rate cap instruments (CAP). The unsecured bonds have a fixed coupon rate of 4.25%.

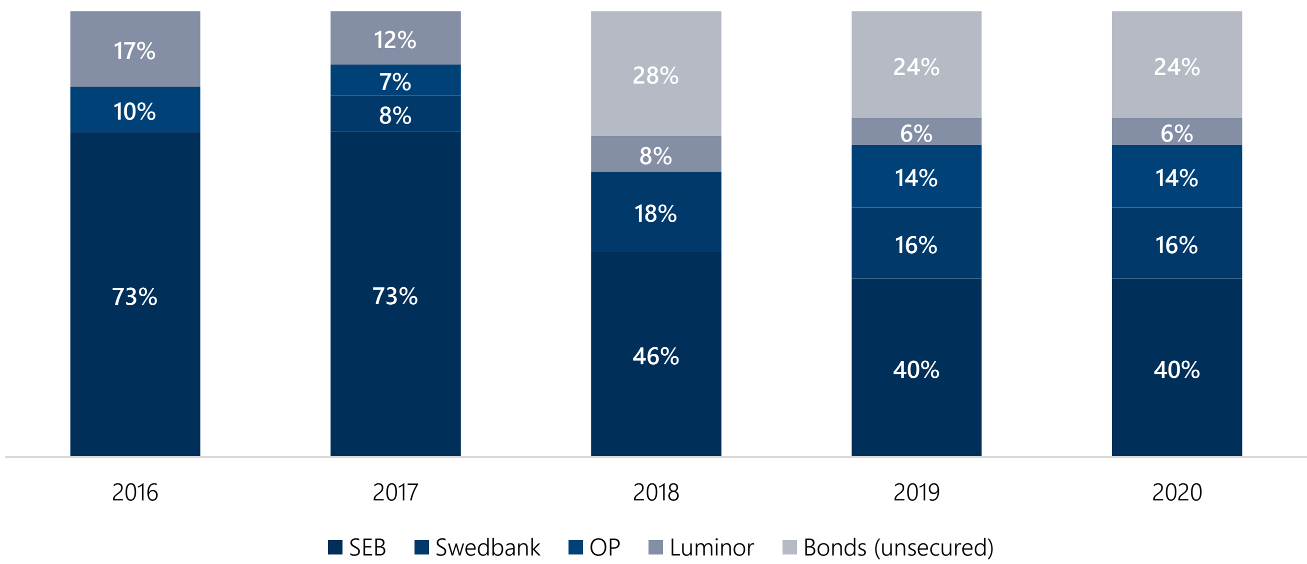
The graph below shows that around 86% of total debt financing matures in 2022-2023. G4S Headquarters and SKY SC bank loans, which account for 4.8% of total debt, will be maturing in August 2021. The Management Company is looking at potential options to refinance or extend these loans during 2021.

Loan and hedge maturity terms
EUR'000



The graph below shows that the Fund's debt financing is diversified between 4 most reputable domestic and international banks in the Baltics and unsecured bonds. SEB exposure decreased from 73% in 2016 to 40% in 2019 and remained stable through 2020. 5-year unsecured bonds accounted for to 24% of total debt financing in 2020.

Financing diversification



Covenant reporting

As of 31 December 2020, the Fund was in compliance with all the covenants set under the bond issue terms and conditions dated 8 May 2018.

As of 31 December 2020, the Fund was in compliance with all special conditions and covenants set under the bank loan agreements except for the Interest Service Coverage Ratio (ISCR) of the Europa property (carrying amount – EUR 20.9 million) which was below the required minimum level of 4.00 for the year 2020. The Fund received a formal waiver from the lender for the mentioned covenant breach. The waiver is valid until the end of Q3 2021. The covenant breach will not be construed as a loan default until end of Q4 2021. The Management is monitoring situation pro-actively with the bank to ensure timely measures.

In July 2020, the Fund applied for a temporary reduction of the equity covenant in the terms and conditions of the bonds in connection with the Baltic Horizon Fund EUR 50 million 5-year unsecured bonds maturing in 2023 by way of written procedure announced on 6 July 2020. The bondholders decided by way of written procedure to temporarily reduce the equity ratio bond covenant to 25% or greater (previously 35% or greater). The original equity ratio covenant of 35% or greater will be automatically reinstated as of 1 August 2021.

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.

Debt Service Coverage Ratio - EBITDA divided by the principal payments and interest expenses of interest-bearing debt obligations, on a rolling 12-month basis.

Interest Service Coverage Ratio - EBITDA divided by the interest expenses of interest-bearing debt obligations, on a rolling 12-month basis.

Financial covenants of bonds

Covenant	Requirement	Ratio 31.12.2019	Ratio 31.03.2020	Ratio 30.06.2020	Ratio 30.09.2020	Ratio 31.12.2020
Equity Ratio	> 25.0[1] / 35.0%	42.6%	42.4%	40.0%	40.2%	40.3%
Debt Service Coverage Ratio	> 1.20	3.32	3.35	3.30	3.16	3.05

1. On 28 July 2020, the bondholders decided by way of written procedure to temporarily reduce the equity ratio bond covenant to 25% or greater until 31 July 2021.

EPRA NRV
EUR 1.2219
per unit

EPRA Earnings
EUR 0.10
per unit

EPRA NIY
6.8%
net initial yield

EPRA Vacancy
7.1%

EPRA PERFORMANCE MEASURES

New EPRA performance metrics

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.

In October 2019, EPRA published new best practices recommendations (BPR) for financial disclosures by listed real estate companies. New EPRA BPR introduced three new measures of net asset value: EPRA net tangible assets (NTA), EPRA net reinstatement value (NRV) and EPRA net disposal value (NDV). The three new measures of net asset value replaced the old net asset value indicators: EPRA NAV and EPRA NNNAV.

New best practices recommendations are effective for accounting periods starting on 1 January 2020 and have been adopted by the Group to present the financial figures for the year 2020.

The Fund provides a bridge between the previous EPRA NAV metrics, as calculated in line with the EPRA November 2016 BPR, and the three new net asset value indicators in 2020 reporting for both the current and comparative accounting periods. A reconciliation of the new EPRA NAV indicators and old EPRA NAV indicators is presented below.

Baltic Horizon wins EPRA Gold award and Most Improved Annual Report award

Baltic Horizon Fund received two prestigious accolades at the European Public Real Estate Association (EPRA) virtual annual conference 2020. The Fund scored a "Gold Award" for the adoption of EPRA Best Practices Recommendations (BPR) – widely accepted industry standards for the highest level of transparency, comparability and compliance in financial reporting. Baltic Horizon was also awarded a "Most Improved Annual Report Award" for the outstanding improvement in reporting quality and compliance with the Association's BPR. EPRA assessed the financial statements of 168 European listed real estate as part of its annual award process.

Key performance indicators – definition and use

EPRA Indicators	EPRA definition	EPRA purpose
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.
EPRA NRV	Assumes that entities never sell assets and aims to represent the value required to rebuild the entity.	Makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities of a real estate investment company, under different scenarios.
EPRA NTA	Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.	
EPRA NDV	Represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.	
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 the fair value of the assets and liabilities within a true real estate company with a long-term investment strategy.

EPRA Indicators	EPRA definition	EPRA purpose
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.
EPRA Net initial yield (NIY)	Annualised rental income based on the cash rents passing at the reporting date, less non-recoverable property operating expenses, divided by the market value of the property, increased by (estimated) purchasers' costs.	A comparable measure for portfolio valuations. This measure should make it easier for investors to judge themselves, how the valuation of portfolio X compares with portfolio Y.
EPRA Topped-up NIY	This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).	
EPRA Vacancy rate	Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.	A 'pure' (%) measure of investment property space that is vacant, based on ERV.
EPRA Cost ratio	Administrative & operating costs (including & excluding the costs of direct vacancy) divided by gross rental income.	A key measure to enable meaningful measurement of the changes in a company's operating costs.

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

EPRA Net asset value

	31.12.2020				
EUR '000	**EPRA NRV**	**EPRA NTA**	**EPRA NDV**	**EPRA NAV**	**EPRA NNNAV**
IFRS NAV	**136,321**	**136,321**	**136,321**	**136,321**	**136,321**
Exclude:					
V. Deferred tax liability on investment properties[1]	8,198	8,198	-	8,198	8,198
V. Deferred tax on fair value of financial instruments	(102)	(102)	-	(102)	(102)
VI. Fair value of financial instruments	1,763	1,763	-	1,763	1,763
Include:					
IX. Revaluation at fair value of fixed-rate loans	-	-	477	-	477
XII. Fair value of financial instruments	-	-	-	-	(1,763)
XII. Deferred tax on fair value of financial instruments	-	-	-	-	102
NAV	**146,180**	**146,180**	**136,798**	**146,180**	**144,996**
Fully diluted number of units	119,635,429	119,635,429	119,635,429	119,635,429	119,635,429
NAV per unit (EUR)	**1.2219**	**1.2219**	**1.1435**	**1.2219**	**1.2120**

1. All deferred taxes attributable to investment properties have been excluded from EPRA NTA calculations as the Fund intends to hold and does not intend to sell its investment properties.

EPRA Net asset value

EUR '000	31.12.2019 EPRA NRV	EPRA NTA	EPRA NDV	EPRA NAV	EPRA NNNAV
IFRS NAV	**152,518**	**152,518**	**152,518**	**152,518**	**152,518**
Exclude:					
V. Deferred tax liability on investment properties[1]	8,440	8,440	-	8,440	8,440
V. Deferred tax on fair value of financial instruments	(99)	(99)	-	(99)	(99)
VI. Fair value of financial instruments	1,655	1,655	-	1,655	1,655
Include:					
IX. Revaluation at fair value of fixed-rate loans	-	-	(578)	-	(578)
XII. Fair value of financial instruments	-	-	-	-	(1,655)
XII. Deferred tax on fair value of financial instruments	-	-	-	-	99
NAV	**162,514**	**162,514**	**151,940**	**162,514**	**160,380**
Fully diluted number of units	113,387,525	113,387,525	113,387,525	113,387,525	113,387,525
NAV per unit (EUR)	**1.4333**	**1.4333**	**1.3400**	**1.4333**	**1.4144**

1. All deferred taxes attributable to investment properties have been excluded from EPRA NTA calculations as the Fund intends to hold and does not intend to sell its investment properties.

EPRA Earnings

EUR '000	2020	2019
Net result IFRS	**(13,541)**	**8,791**
Exclude:		
I. Changes in fair value of investment properties	25,245	2,064
VIII. Deferred tax in respect of EPRA adjustments	(187)	399
EPRA Earnings	**11,517**	**11,254**
Weighted number of units during the period	114,568,636	96,718,348
EPRA Earnings per unit	**0.10**	**0.12**

EPRA Vacancy rate

EUR '000	31.12.2020	31.12.2019
Estimated rental value of vacant space	1,723	544
Estimated rental value of the whole portfolio	24,142	24,940
EPRA Vacancy rate	**7.1%**	**2.2%**

EPRA Cost ratios

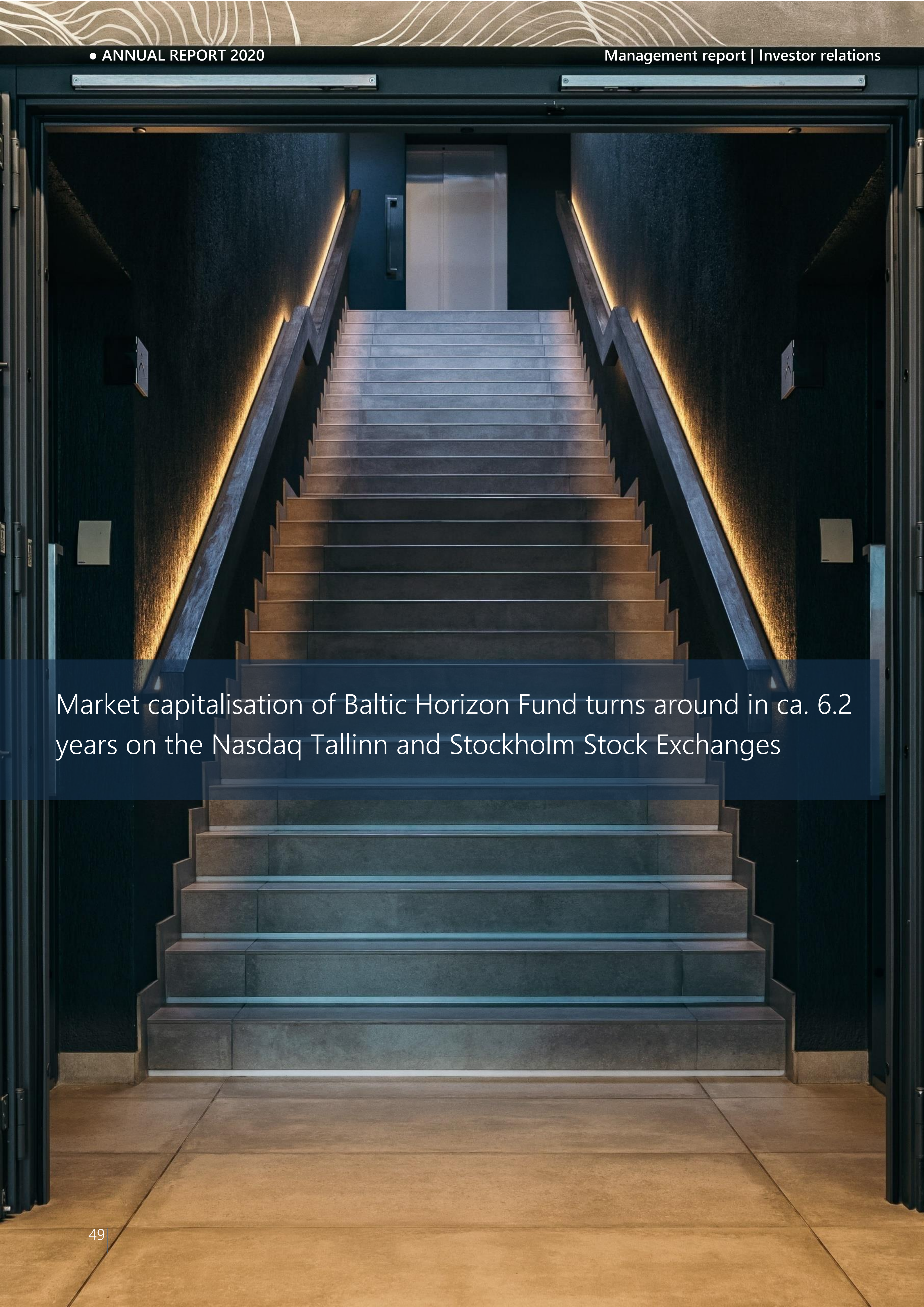
EUR '000	2020	2019
Property expenses not recharged to tenants	1,763	1,557
Administrative expenses	2,918	3,251
EPRA costs (including direct vacancy costs) (A)	**4,681**	**4,808**
Direct vacancy costs	(417)	(408)
EPRA costs (excluding direct vacancy costs) (B)	**4,264**	**4,400**
Rental income	21,697	20,776
Gross rental income (C)	**21,697**	**20,776**
EPRA Cost ratio (including direct vacancy costs) (A/C, %)	**21.6%**	**23.1%**
EPRA Cost ratio (excluding direct vacancy costs) (B/C, %)	**19.7%**	**21.2%**

EPRA NIY and "topped-up" NIY

EUR '000	31.12.2020	31.12.2019
Investment properties	339,704	358,637
Exclude:		
Developments	(5,474)	(2,367)
Completed property portfolio GAV	**334,230**	**356,270**
Annualised cash passing rental income	23,534	25,156
Property expenses not recharged to tenants	(801)	(1,238)
Annualised net rental income	**22,733**	**23,918**
Include:		
Notional rent expiration of rent free periods or other lease incentives	43	-
Topped-up net annualised rental income	**22,776**	**23,918**
EPRA NIY	**6.8%**	**6.7%**
EPRA "topped-up" NIY	**6.8%**	**6.7%**

EPRA Capital expenditure

EUR '000	31.12.2020	31.12.2019
Acquisitions	90	114,133
Development	4,181	746
Investment properties:		
No incremental lettable space	2,024	651
Capitalised interest	-	-
Total capital expenditure	**6,295**	**115,530**
Conversion from accrual to cash basis	(2,025)	(37,339)
Total capital expenditure on cash basis	**4,270**	**78,191**



Market capitalisation of Baltic Horizon Fund turns around in ca. 6.2 years on the Nasdaq Tallinn and Stockholm Stock Exchanges

INVESTOR RELATIONS

Baltic Horizon Fund units are currently dual-listed on the Fund List of the Nasdaq Tallinn Stock Exchange and the Nasdaq Stockholm Alternative Investment Funds market. Trading with Baltic Horizon units on the Nasdaq Tallinn Stock Exchange began on 6 July 2016. The first trading day on Nasdaq Stockholm was on 23 December 2016.

As at 31 December 2020, the market capitalisation for Baltic Horizon Fund was approx. EUR 138.4 million (31 December 2019: EUR 151.2 million) based on the closing unit market prices on the Nasdaq Tallinn Stock Exchange and the Nasdaq Stockholm Alternative Investment Funds market. During Q4 2020, Baltic Horizon Fund units on the Nasdaq Tallinn Stock Exchange were trading at a discount compared to the net asset value per unit. The COVID-19 outbreak had a negative impact on the capital and real estate markets all around the world including the Baltics. Despite the heavy initial downtrend in the unit price at the beginning of the COVID-19 outbreak, Baltic Horizon Fund units regained investors' confidence at the end of Q2 2020 and remained relatively stable throughout Q3 and Q4 2020. At the end of the Q4 2020, unit price on the Nasdaq Tallinn Stock Exchange (EUR 1.155 per unit) increased significantly from the lowest unit trading price this year (EUR 0.95 per unit) which was reached at the end of March 2020.

Key information

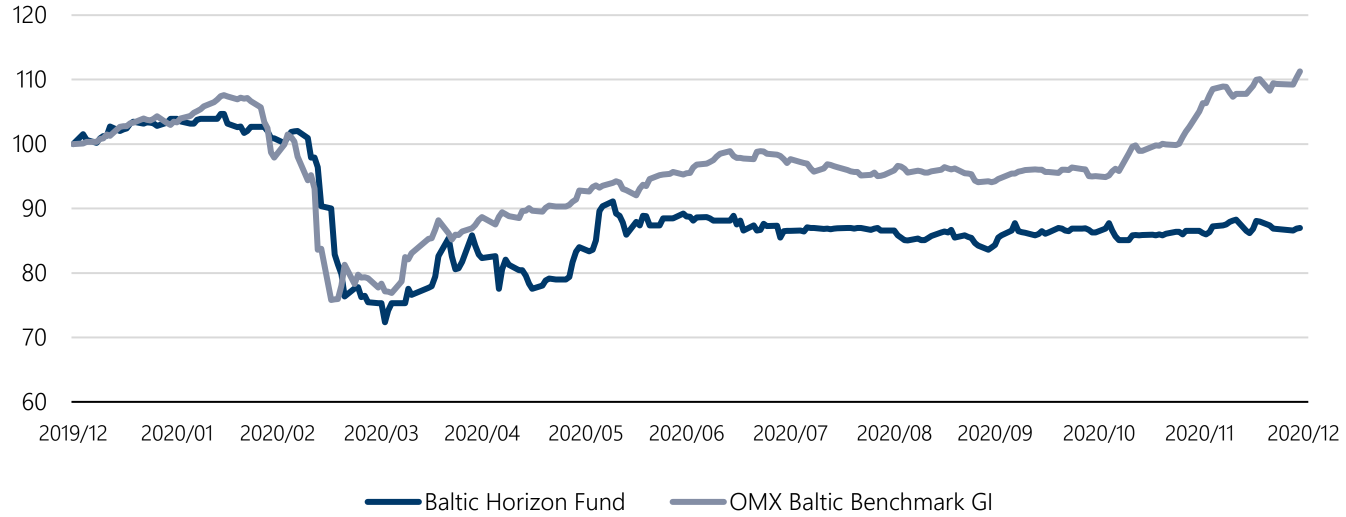
ISIN code	EE3500110244
Markets	Nasdaq Tallinn Nasdaq Stockholm
Ticker symbols:	
Nasdaq Tallinn	NHCBHFFT
Nasdaq Stockholm	NHCBHFFS
Bloomberg tickers:	
Nasdaq Tallinn	NHCBHFFT:ET
Nasdaq Stockholm	NHCBHFFS:SS

Key figures	31.12.2020	31.12.2019
Number of units issued (units)	119,635,429	113,387,525
Nasdaq Tallinn:		
Highest unit price during the period (EUR)	1.4000	1.4195
Lowest unit price during the period (EUR)	0.9500	1.3000
Closing unit price (EUR)	1.1550	1.3279
Nasdaq Stockholm:		
Highest unit price during the period (SEK)	14.70	15.60
Lowest unit price during the period (SEK)	10.25	13.21
Closing unit price (SEK)	11.65	14.00
Market capitalisation[1] (EUR)	138,357,617	151,232,586
Earnings per units during the period (EUR)	(0.12)	0.09
IFRS NAV per unit (EUR)	1.1395	1.3451
Unit price premium (discount) from IFRS NAV per unit[2] (%)	1.4%	(1.3%)
EPRA NAV per unit (EUR)	1.2219	1.4333
Unit price premium (discount) from EPRA NAV per unit[3] (%)	(5.5%)	(7.4%)
Distribution per unit[4] (EUR)	0.067	0.106

1. Based on the closing prices and split between units on the Nasdaq Tallinn and the Nasdaq Stockholm Stock Exchanges.
2. Based on the closing price on the Nasdaq Tallinn Stock Exchange at 31.12.2020 and the IFRS NAV per unit.
3. Based on the closing price on the Nasdaq Tallinn Stock Exchange at 31.12.2020 and the EPRA NAV per unit.
4. Distributions to unitholders for 2020 and 2019 Fund results.

Development of the Baltic Horizon Fund unit price on the Nasdaq Tallinn Stock Exchange

%



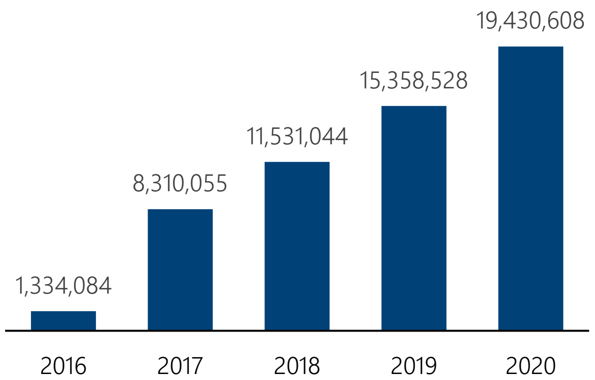
Baltic Horizon Fund's total shareholder return on unit price in 2020 amounted to -6.7% (2019: 10.2%). Total shareholder return for a given year is equivalent to the movement in the unit price on the Nasdaq Tallinn Stock Exchange over the year plus dividends paid, divided by the opening unit price.

In 2020, Baltic Horizon Fund unit offered good liquidity and continued positive development. In total, 119,635,429 units were traded on the Nasdaq Tallinn and Nasdaq Stockholm stock exchanges, while the total yearly trading volume reached 19.4 million units (2019: 15.4 million units). Market capitalisation of approx. EUR 139.3 million turns around in ca. 6.2 years on the Nasdaq Tallinn and Stockholm Stock Exchanges. Baltic Horizon Fund was the 9th most traded listed security on the Nasdaq Tallinn Exchange in 2020. The first graph below shows the Baltic Horizon Fund units' yearly trading volume on the Nasdaq Tallinn and the Nasdaq Stockholm Stock Exchanges.

During 2020, Baltic Horizon Fund units on the Nasdaq Tallinn Stock Exchange were mostly trading at a discount compared to the net asset value per unit. At the end of the 2020, units were traded at a 1.4% premium compared to the IFRS NAV and 5.5% discount compared to the EPRA NAV. The second graph below shows the Baltic Horizon Fund unit price in relation to its IFRS net asset value since inception.

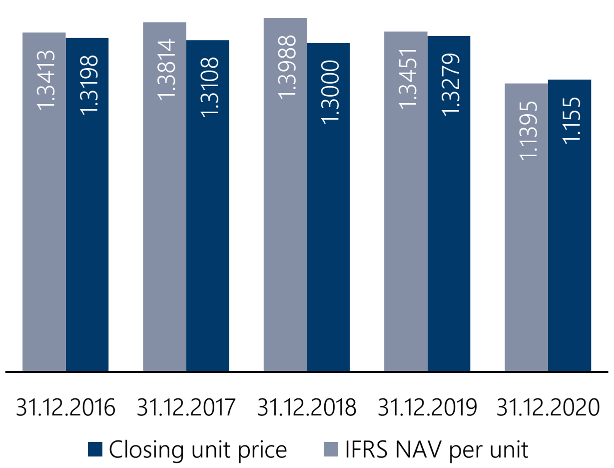
Yearly trading volume on Nasdaq Tallinn and Stockholm Stock Exchanges

units



Nasdaq Tallinn unit price compared with NAV

EUR



Capital raisings

On 23 October 2020, the Fund announced the issue of new units in a secondary public offering. In total, gross equity of EUR 7.2 million was raised through the transaction. The new units were issued at a price of EUR 1.1566, which was calculated according to the procedure adopted at the general meeting and was equal to the year-to-date weighted average price of units on the Nasdaq Tallinn Stock Exchange at a date 7 calendar days prior to the first day of the subscription period. After the transaction, the total number of Fund units registered in the Estonian Register of Securities increased to 119,635,429.

Summary of issued units

Date	Description	Price per unit (EUR)	Number of units
31 December 2019	**Total number of units**		**113,387,525**
October 2020	Issue of new units	1.1566	6,247,904
31 December 2020	**Total number of units**		**119,635,429**

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 net profit after unrealized P&L items are adjusted. The distribution is based on the Fund's short-term and long-term performance projections. Management has discretion to distribute lower dividends than 80% of generated net cash flow (GNCF) if the liquidity of the Fund is endangered.

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 did not occur
Generated net cash flow (GNCF)	

Distributions to unitholders for 2020 Fund results

On 24 April 2020, the Fund declared a cash distribution of EUR 1,701 thousand (EUR 0.015 per unit) to the Fund unitholders for Q1 2020 results. This represents a 1.12% return on the weighted average Q1 2020 net asset value to its unitholders.

On 24 July 2020, the Fund declared a cash distribution of EUR 1,701 thousand (EUR 0.015 per unit) to the Fund unitholders for Q2 2020 results. This represents a 1.14% return on the weighted average Q2 2020 net asset value to its unitholders.

On 20 October 2020, the Fund declared a higher cash distribution of EUR 3,111 thousand (EUR 0.026 per unit) to the Fund unitholders for Q3 2020 results due to stabilisation of COVID-19 pandemic and low number of new cases when the decision on distribution was made. This represents a 2.25% return on the weighted average Q3 2020 net asset value to its unitholders.

On 4 February 2021, due to introduced restrictions and increased market uncertainty the Fund returned to more conservative approach and declared a cash distribution of EUR 1,316 thousand (EUR 0.011 per unit) to the Fund unitholders for Q4 2020 results. This represents a 0.93% return on the weighted average Q4 2020 net asset value to its unitholders.

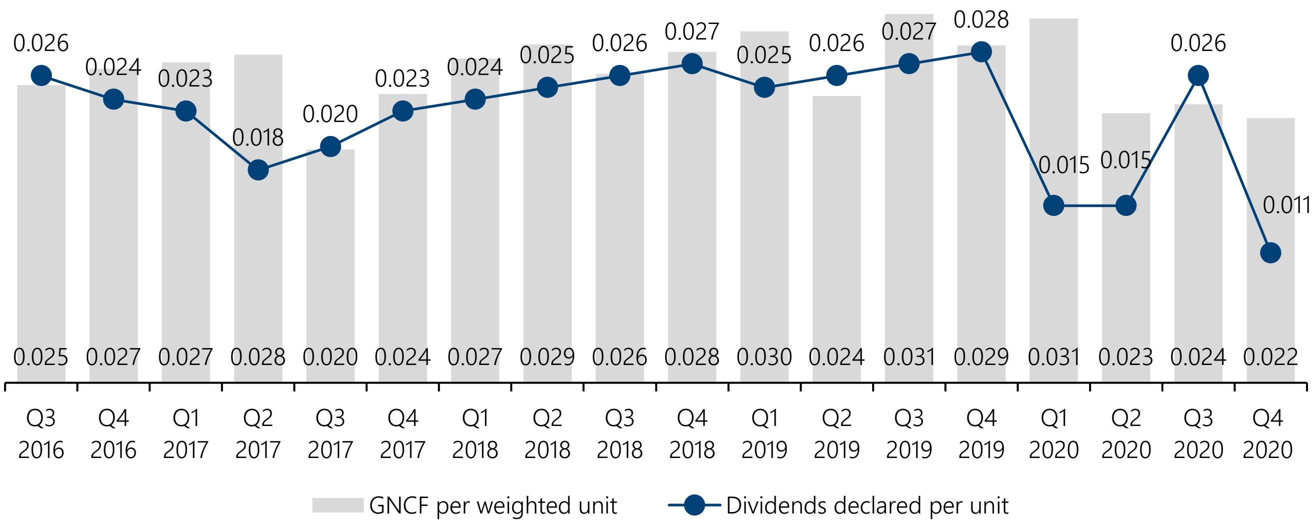
In total, the Fund declared a cash distribution of EUR 7,829 thousand from the operating results of 2020 (EUR 1,701 thousand from Q1 2020, EUR 1,701 thousand from Q2 2020, EUR 3,111 thousand from Q3 2020 and EUR 1,316 thousand from Q4 2020). Dividends for the operating results of 2020 correspond to a gross yield of 5.8% based on the closing price on the Nasdaq Tallinn Stock Exchange at 31 December 2020.

With reduced payouts over 2020 in the light of prevailing market uncertainty, the Fund has opted to retain EUR 4.4 million of distributable cash flow. The Management Company of the Fund will continue to actively monitor the economic impact of the pandemic and reassess future distribution levels depending on the upcoming operating results.

Cash distributions during 2020

Payments to unitholders for Q4 2019, Q1 2020, Q2 2020 and Q3 2020 results were distributed in 2020, while payments for Q4 2020 results were distributed in 2021. Total cash distributions during 2020 amounted to EUR 9,687 thousand (2019: EUR 10,253 thousand) or EUR 0.084 per unit (2019: EUR 0.105 per unit). Dividend paid-out in 2020 corresponds to a gross yield of 7.3% based on the closing price on the Nasdaq Tallinn Stock Exchange at 31 December 2020.

Dividend per unit (EUR)



The management of the Fund remains committed to target a 7-9% yield of annual dividends to investors on 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.

Dividend capacity calculation

EUR '000	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
(+) Net rental income	5,635	5,772	4,618	4,799	4,745
(-) Fund administrative expenses	(846)	(889)	(634)	(682)	(713)
(-) External interest expenses	(1,346)	(1,331)	(1,327)	(1,327)	(1,362)
(-) CAPEX expenditure[1]	(225)	(95)	(97)	(230)	(131)
(+) Added back listing related expenses	-	39	29	114	85
(+) Added back acquisition related expenses	-	-	-	-	26
Generated net cash flow (GNCF)	**3,218**	**3,496**	**2,589**	**2,674**	**2,650**
GNCF per weighted unit (EUR)	**0.029**	**0.031**	**0.023**	**0.024**	**0.022**
12-months rolling GNCF yield[2] (%)	**8.6%**	**11.5%**	**9.6%**	**9.4%**	**8.6%**
Dividends declared for the period	**3,175**	**1,701**	**1,701**	**3,111**	**1,316**
Dividends declared per unit[3] (EUR)	**0.028**	**0.015**	**0.015**	**0.026**	**0.011**
12-months rolling dividend yield[2] (%)	**8.0%**	**9.6%**	**7.2%**	**7.5%**	**5.8%**

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 2020: closing market price of the unit as of 31 December 2020).
3. Based on the number of units entitled to dividends.

Financial calendar

Annual Report 2020	19 March 2021	**AGM of unitholders** 2020	2 June 2021
Interim Report January 2020 – December 2020	15 February 2021	**Distribution to unitholders** Q4 2020	23 February 2021
Interim Report January 2021 – March 2021	6 May 2021	**Distribution to unitholders** Q1 2021	18 May 2021
Interim Report January 2021 – June 2021	5 August 2021	**Distribution to unitholders** Q2 2021	16 August 2021
Interim Report January 2021 – September 2021	4 November 2021	**Distribution to unitholders** Q3 2021	28 October 2021

Architects and designers have been meticulously working on the new retail concepts and as building permits have been received, 2021 will be the time for execution.

STRUCTURE AND GOVERNANCE

Baltic Horizon Fund is a closed-end contractual investment fund registered in Estonia on 23 May 2016. The Fund is defined as a real estate fund under the Estonian Investment Funds Act. The Fund cannot enter into agreements on its own. The unitholders own all the Fund's assets.

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.

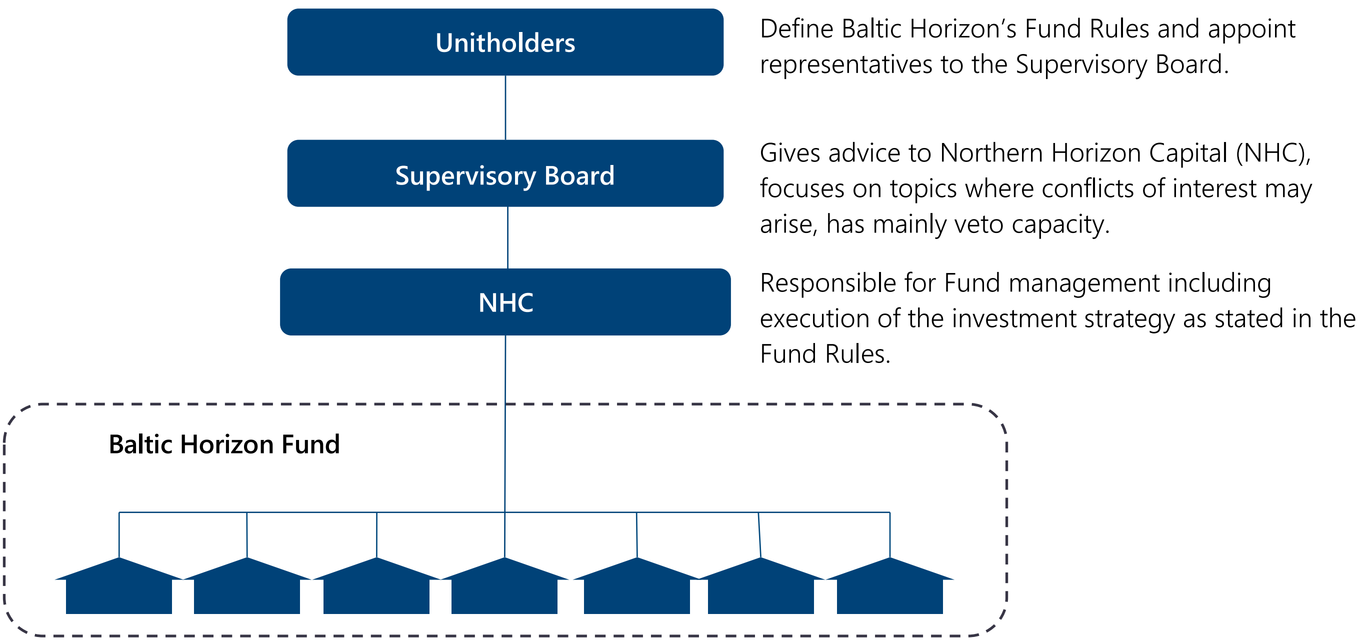
The Fund is managed by the Management Company, which is Northern Horizon Capital AS. The immediate team comprises of the Management Board, which is headed by the Fund Manager, and the Supervisory Board of the Management Company. The Fund also has its own Supervisory Board, which comprises of 4 independent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

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.

Governance chart



Management Board and Supervisory Board of the Management Company

The Management Board bears overall responsibility for the daily business of Baltic Horizon Fund. The Management Company's Management Board is composed of three members. The Management Board is supervised and advised by the Supervisory Board of the Management Company.

Supervisory Board of the Fund

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. In accordance with the Fund Rules, members of the Supervisory Board are appointed by the General Meeting. The Supervisory Board consists of three to five members.

The Supervisory Board acts solely in an advisory capacity and the Management Company remains responsible for making the decisions in connection with the Fund's management. The Supervisory Board members fulfil their consultation responsibilities collectively.

Supervisory Board members are entitled to remuneration for their service in the amount determined by the General Meeting. The chairman of the Supervisory Board is entitled to an annual remuneration of EUR 15,000 and a regular member is entitled to an annual remuneration of EUR 11,000. On the basis of the agreements concluded with each Supervisory Board member, Supervisory Board members are not entitled to any benefits from the Fund or the Management Company upon termination of their term of office.

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

Valuations

The real estate property valuation policies of the Fund are determined in the Fund Rules based on 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.

Audit

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 and other assurance services.

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

Members of the Management Board of the Management Company	Members of the Supervisory Board of the Management Company	Members of the Supervisory Board of the Fund
Tarmo Karotam (Chairman)	Milda Dargužaitė (Chairman)	Raivo Vare (Chairman)
Aušra Stankevičienė	Nerijus Žebrauskas	Andris Kraujins
Algirdas Vaitiekūnas	Daiva Liubomirskienė	Per Moller
		David Bergendahl

Tarmo Karotam

Chairman of the Management Board/ Fund Manager

Mr. Karotam, born 1981, is a member of the Management Board of the Management Company. Mr. Karotam has been a long-time member of Northern Horizon Capital investment management team and has acted as the Fund Manager for BOF, which was the predecessor fund for the Fund, from the beginning. Mr. Karotam is a member of RICS (MRICS). He graduated from Eçole Hôtelière de Lausanne (B.Sc.) in 2005.

Aušra Stankevičienė

Member of the Management Board/ Fund Service Director

Mrs. Stankevičienė, born 1974, is a member of the Management Board of the Management Company. Prior to joining Northern Horizon Capital group as fund treasurer and later as head of fund administration and from 1 March 2019 as Fund Service Director, she worked at Swedbank Lithuania. She holds a Chartered Financial Analyst (CFA) credential. She graduated from Vilnius University (MBA) in 1998.

Algirdas Vaitiekūnas

Member of the Management Board/ Director of Business Development

Mr. Vaitiekunas, born 1963, is a member of the Management Board of the Management Company. Prior to joining Northern Horizon Capital group, he held senior positions at PwC in Melbourne, Hong Kong and Vilnius. He is Chairman of RICS Baltics being also a Fellow member (FRICS) and a member of the CAANZ, Institute of Chartered Accountants in Australia and New Zealand. He graduated from University of Melbourne (B.Sc.) in 1984 and again from the same university (B.Com.) in 1988.

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. The Risk Manager reports to the Fund's boards 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.

Principal risks faced by the Fund

Risk	Risk description
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 are on average around 6.5% and 7.5% in the office and retail segments, with prime office yields at 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 minimized 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 minimized 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.

An important aim in our ESG activities is to achieve the third star from GRESB and obtain BREEAM very good or excellent certificates for all of our office buildings in 2021.

SUSTAINABILITY

Our commitment

At Baltic Horizon we acknowledge that our business activities affect the society and the environment around us, and that we have an opportunity and an implicit duty to ensure this impact is positive. We also believe that efficient and sustainable operations are a necessity for long-term value creation.

Consequently, we are committed to being responsible when conducting our business by integrating environmental, social and governance ("ESG") factors into our investment decisions and operational processes.

We strongly feel that continued commitment to high ESG standards is the best way for our investors to achieve their investment goals and at the same time to ensure that the environment and communities can benefit as well. For that we align our efforts with leading market standards: the Management Company of Baltic Horizon Fund and Northern Horizon group are members of EPRA, INREV, SIPA and GRESB, as well as a signatories of the United Nations-supported Principles for Responsible Investment since 2014.

Environmental impact

Baltic Horizon maintains that all its employees are committed to environmental responsibility at all times. We are firmly of the belief that making the right environmental decision leads to better investment outcomes and increased wellbeing of our stakeholders and society at large. As such, it is our aim to ensure that we can continuously improve the environmental impacts of our business.

We are taking steps to integrate ESG factors into our investment process in all steps of the investment life cycle by assigning positive value to measures that improve ESG. In Baltic Horizon our responsibility to national and international ESG legislation is recognised by monitoring present compliance and actively managing the risks of future proposed ESG regulation.

Stakeholder engagement

By ensuring that our investment activities have a positive environmental impact, we put a strong emphasis on the benefits that our business can have to our stakeholders. We define 4 core groups of stakeholders that are key to the success of our business:

Investors: we build relationships with our investors on transparency by ensuring strong performance together positive ESG impacts.

Tenants: tenant retention and commitment to our assets is a core focus of our asset management efforts. We aim to be a considerate asset owner that reacts to the needs and suggestions of our tenants.

Partners: we continuously engage with our business partners to ensure smooth communication that is built on mutual values of trust, transparency and professionalism.

Employees: we are committed to creating sustainable value to our shareholders with integrity, and believe empowering our employees is the key to maintaining and creating excellent performance.

Governance

Baltic Horizon is dedicated to good corporate governance principles. We strive to have a transparent, fair and professional dialogue with our investors, business partners and employees. A lot of emphasis is put on identifying, monitoring, managing and minimizing potential risks, while protecting the full upside potential of investments. We will refuse any investment opportunity, which challenges our integrity or is in conflict with our mission statement and values.

We hold ourselves accountable to the highest standards of professionalism and ethics. Our group Code of Conduct ensures that our business activities are undertaken in an environment of integrity, transparency and accountability. This approach allows Baltic Horizon to be a trustworthy and accountable partner to all of our stakeholders.

Certification

Baltic Horizon team is actively working to make all office properties BREEAM certified (BREEAM In-Use or BREEAM New Construction) by the end of 2021. The Fund's team has a target to obtain the rating of "Very Good" for all properties that are not yet certified.

OUTLOOK FOR 2021

The spread of COVID-19 is having a major impact on global economies and many countries are heading for a recession. A lockdown of the Baltic societies during the period from March to May has led to an economic downturn but less than recorded in most other EU countries. The partial recovery of the economies is being hampered by the second wave restrictions. However, quick recovery is expected in 2021 when vaccination has been carried out, which will then again allow free movement of people.

The diversified property portfolio of Baltic Horizon Fund consists of 15 cash flow generating properties, and one property under development and in the search of an anchor tenant, in the Baltic capitals. 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.

In summary, it may be concluded that the COVID virus induced lockdown in the Baltics has impacted mainly Baltic Horizon's centrally located retail and entertainment centres. Retail assets located in the central business districts (Postimaja, Europa and Galerija Centrs) accounted for 29.2% of total portfolio NOI in 2020.

It is quite certain that international tourism will recover slowly over the next few years. Therefore, bringing our CBD shopping centres back to full performance will take a similar amount of time. The economy is forecasted to rebound back to growth in 2021 as domestic and external demand gradually strengthen. An improving labour market is poised to support incomes and thus private consumption, while reduced uncertainty will support investment.

It is expected that the Baltic economies will continue to be one of the fastest growing economies in the EU after the pandemic will be controlled by vaccines. The rapid bounce back of the economy and retail spending in Q3 of 2020 demonstrated that they are likely to grow rapidly once restrictions are removed.

The low public debt levels of the Baltic States allowed the governments to make decisive supportive decisions without increasing the public debt to critical levels. The latest economic forecasts from the Baltic bational banks expect the Baltic economies to recover quickly from the crisis and return to pre-COVID levels in the second half of 2021.

The Fund management team continues to focus on filling up the increased vacancies caused by the lockdowns, mainly in CBD shopping centres, and on creating added value in the already owned investment properties. In addition to the reconstruction of Europa SC and preparation for CC Plaza and Postimaja expansion, this also includes preparing for the expansion of the Upmalas Biroji complex, Pirita SC, Vainodes I, and G4S properties and further construction of Meraki.

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 consolidated annual financial statements, 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 principal risks and significant events which took place during the financial year and their effect on the consolidated annual financial statements.

Independent Auditors' Report

(Translation of the Estonian original)

To the Unitholders of Baltic Horizon Fund

Report on the Audit of the Consolidated Financial Statements

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Baltic Horizon Fund as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What We Have Audited

We have audited the consolidated financial statements of Baltic Horizon Fund (the Fund or the Group) as set out on pages from 69 to 114. The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020,
- the consolidated statement of profit or loss and other comprehensive income for the year then ended,
- the consolidated statement of changes in equity for the year then ended,
- the consolidated of statement of cash flows for the year then ended, and
- the notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Estonia, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Audit Approach

- Because we are solely responsible for our audit opinion, we are also responsible for the direction, supervision and performance of the Group audit. In this respect, we have determined the type of our work to be performed on the financial information of the entities (components) within the Group based on their financial significance and other risk characteristics.
- We, as Group auditors, performed full scope audits in five of the Group entities, including the Fund's separate accounts.

- KPMG audit teams in Latvia and Lithuania (component auditors) performed full scope audits in the remaining Group entities (except one insignificant entity) located in those countries. We, among other things, discussed with component auditors those of the components' business activities that are significant to the Group and the susceptibility of the components to material misstatement of the financial information due to fraud or error, and also determined the information required to be reported to us. We had other regular communication with component auditors and reviewed the component auditors' audit documentation, as deemed necessary.
- In total, the procedures performed by the KPMG Group engagement team and KPMG component auditors for the purpose of supporting our opinion on the consolidated financial statements covered 100% of the Fund's consolidated total assets and consolidated gross revenues.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year of 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Fair value of investment properties

The carrying amount of investment properties in the consolidated financial statements as at 31 December 2020 was EUR 334 518 thousand; revaluation loss recognised in 2020 loss was EUR 24 154 thousand.

We refer to the consolidated financial statements: Note 2d (accounting policy), Note 6 (operating segments) and Note 12 (financial disclosures).

The key audit matter	How the matter was addressed in our audit
The Fund's primary activity is investing in commercial real estate. Consequently, investment properties represent the single largest category of assets on the Fund's statement of financial position as at 31 December 2020. The investment properties are measured at fair value, estimated by the Fund with the assistance of external appraisers, using the discounted cash flow method. We have assessed this area to be a key audit matter as the valuation process involves significant judgement in determining the appropriate valuation methodology, and in selecting and estimating the underlying assumptions to be applied. The valuations are highly sensitive to these key assumptions, including those relating to the capitalization rates and estimated net income, and a change in the assumptions may have a material impact on the valuation.	As part of our audit in the area, we, among other things, performed the following procedures: • We assessed the process applied by management in selecting, reviewing and assessing the work of the external appraisers engaged by the Fund; • We assessed the competence and objectivity of the external appraisers, and also inspected the terms of their engagement with the Fund, to determine whether there were any matters that might have affected their objectivity or limited the scope of their work; • Assisted by our own valuation specialists, we: - evaluated the appropriateness of the valuation methodology applied by the Fund's external appraisers against relevant financial reporting standards, and against those applied by other appraisers for similar properties; - challenged the reasonableness of the key assumptions and inputs used by the Fund in estimating the fair values of investment

	properties (including market rent rates, exit yield, inflation and vacancy rates) by reference to our independent expectations developed based on our experience with the Fund's industry and external sources (such as publicly available market research by leading real estate appraisal agencies); - compared the estimated cash inflows to the terms of rental agreements; - made alternative calculations for discount rate (WACC – weighted average cost of capital), based on available market data, and compared it to the rate used in the Fund's calculations. • We assessed the appropriateness and sufficiency of disclosures (including in respect of sensitivities to key assumptions) in the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the Management Report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged With Governance for the Consolidated Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (Estonia), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

Report on Other Legal and Regulatory Requirements

Report on Other Legal and Regulatory Requirements

Report on Compliance with the Requirements for iXBRL tagging of Consolidated Financial Statements included within the European Single Electronic Format Regulatory Technical Standard (ESEF RTS)

We have undertaken a reasonable assurance engagement on the iXBRL tagging of the consolidated financial statements included in the digital files Baltic_Horizon_Fund_2020-12-31_EN.zip prepared by Baltic Horizon Fund.

Management responsibility for the digital files prepared in compliance with the ESEF RTS

Management is responsible for preparing digital files that comply with the ESEF RTS. This responsibility includes:

- the selection and application of appropriate iXBRL tags using judgement where necessary;
- ensuring consistency between digitised information and the consolidated financial statements presented in human-readable format; and
- the design, implementation and maintenance of internal control relevant to the application of the ESEF RTS.

Auditors responsibility

Our responsibility is to express an opinion on whether the electronic tagging of the consolidated financial statements complies in all material respects with the ESEF RTS based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the ESEF RTS. The nature, timing and extent of procedures selected depend on the practitioner's judgment, including the assessment of the risks of material departures from the requirements set out in the ESEF RTS, whether due to fraud or error. A reasonable assurance engagement includes:

- obtaining an understanding of the tagging and the ESEF RTS, including of internal control over the tagging process relevant to the engagement;
- obtaining sufficient appropriate evidence as to the operating effectiveness of relevant controls over the tagging process when the assessment of the risks of material misstatement includes an expectation that such internal controls are operating effectively or procedures other than testing controls cannot alone provide sufficient appropriate evidence;
- reconciling the tagged data with the audited consolidated financial statements of the Company dated 31 December 2020;
- evaluating the completeness of the Company's tagging of the consolidated financial statements;
- evaluating the appropriateness of the Company’s use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- and evaluating the use of anchoring in relation to the extension elements.

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

In our opinion, the consolidated financial statements included in the annual financial report of Baltic Horizon Fund identified as Baltic_Horizon_Fund_2020-12-31_EN.zip for the year ended 31 December 2020 are tagged, in all material respects, in compliance with the ESEF RTS.

Other requirements of the auditor's report in accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council

We were appointed on 29 March 2016 by the Supervisory Board of the Management Company to audit the financial statements of Baltic Horizon Fund. Our total uninterrupted period of engagement is 6 years, covering the periods ending 31 December 2015 to 31 December 2020.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Fund;
- we have not provided to the Fund the prohibited non-audit services (NASs) referred to in Article 5(1) of EU Regulation (EU) No 537/2014. We also remained independent of the audited entity in conducting the audit.

For the period to which our statutory audit relates, in addition to the audit and audit related services, we have not provided any additional services to the Fund and its controlled entities, which are not disclosed in the Management Report.

Tallinn, 19 March 2021

Eero Kaup
Certified Public Accountant, Licence No 459

KPMG Baltics OÜ

Licence No 17

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

EUR '000	Notes	2020	2019
Rental income		21,697	20,776
Service charge income	7	4,990	4,525
Cost of rental activities	7	(6,753)	(6,082)
Net rental income	6	**19,934**	**19,219**
Administrative expenses	8	(2,918)	(3,251)
Other operating income		204	26
Valuation losses on investment properties	12, 13	(25,245)	(2,064)
Operating (loss) profit		**(8,025)**	**13,930**
Financial income		3	5
Financial expenses	9	(5,524)	(4,718)
Net financing costs		**(5,521)**	**(4,713)**
(Loss) profit before tax		**(13,546)**	**9,217**
Income tax charge	6, 11	5	(426)
(Loss) profit for the period	6	**(13,541)**	**8,791**
Other comprehensive income that is or may be reclassified to profit or loss in subsequent periods			
Net loss on cash flow hedges	17b	(108)	(595)
Income tax relating to net loss on cash flow hedges	17b, 11	3	44
Other comprehensive expense, net of tax, that is or may be reclassified to profit or loss in subsequent periods		**(105)**	**(551)**
Total comprehensive (expense) income for the period, net of tax		**(13,646)**	**8,240**
Basic and diluted earnings per unit (EUR)	10	**(0.12)**	**0.09**

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

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19. 03. 2021
Signature / allkiri
KPMG, Tallinn

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR '000	Notes	31.12.2020	31.12.2019
Non-current assets			
Investment properties	6, 12	334,518	356,575
Investment property under construction	6, 13	5,474	2,367
Property, plant and equipment		2	-
Derivative financial instruments	23	-	73
Other non-current assets		22	54
Total non-current assets		**340,016**	**359,069**
Current assets			
Trade and other receivables	14	1,901	1,794
Prepayments		352	301
Other current assets	15	-	734
Cash and cash equivalents	16	13,333	9,836
Total current assets		**15,586**	**12,665**
Total assets	6	**355,602**	**371,734**
Equity			
Paid in capital	17a	145,200	138,064
Cash flow hedge reserve	17b	(1,661)	(1,556)
Retained earnings		(7,218)	16,010
Total equity		**136,321**	**152,518**
Non-current liabilities			
Interest bearing loans and borrowings	18	195,670	205,718
Deferred tax liabilities	11	6,009	6,199
Derivative financial instruments	23	1,736	1,728
Other non-current liabilities		1,026	1,298
Total non-current liabilities		**204,441**	**214,943**
Current liabilities			
Interest bearing loans and borrowings	18	10,222	414
Trade and other payables	19	3,640	3,171
Income tax payable		1	8
Derivative financial instruments	23	27	-
Other current liabilities		950	680
Total current liabilities		**14,840**	**4,273**
Total liabilities	6	**219,281**	**219,216**
Total equity and liabilities		**355,602**	**371,734**

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR '000	Notes	Paid in capital	Own units	Cash flow hedge reserve	Retained earnings	Total equity
As at 1 January 2019		**93,673**	**(335)**	**(1,005)**	**17,472**	**109,805**
Comprehensive income						
Net profit for the period		-	-	-	8,791	**8,791**
Other comprehensive expense		-	-	(551)	-	**(551)**
Total comprehensive income		**-**	**-**	**(551)**	**8,791**	**8,240**
Transactions with unitholders						
Paid in capital – units issued		44,726	-	-	-	**44,726**
Cancellation of own units		(335)	335	-	-	**-**
Profit distribution to unitholders	17c	-	-	-	(10,253)	**(10,253)**
Total transactions with unitholders		**44,391**	**335**	**-**	**(10,253)**	**34,473**
As at 31 December 2019		**138,064**	**-**	**(1,556)**	**16,010**	**152,518**
As at 1 January 2020		**138,064**	**-**	**(1,556)**	**16,010**	**152,518**
Comprehensive income						
Net loss for the period		-	-	-	(13,541)	**(13,541)**
Other comprehensive expense		-	-	(105)	-	**(105)**
Total comprehensive expense		**-**	**-**	**(105)**	**(13,541)**	**(13,646)**
Transactions with unitholders						
Paid in capital – units issued	17a	7,136	-	-	-	**7,136**
Profit distribution to unitholders	17c	-	-	-	(9,687)	**(9,687)**
Total transactions with unitholders		**7,136**	**-**	**-**	**(9,687)**	**(2,551)**
As at 31 December 2020		**145,200**	**-**	**(1,661)**	**(7,218)**	**136,321**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR '000	Notes	2020	2019
Cash flows from core activities			
(Loss) profit before tax		**(13,546)**	**9,217**
Adjustments for non-cash items:			
Value adjustment of investment properties	12, 13	25,245	2,064
Change in impairment losses for trade receivables		215	165
Financial income		(3)	(5)
Financial expenses	9	5,524	4,718
Unrealised exchange differences		(1)	(3)
Working capital adjustments:			
Change in trade and other accounts receivable		(322)	780
Change in other current assets		(51)	(427)
Change in other non-current liabilities		(272)	75
Change in trade and other accounts payable		(92)	156
Change in other current liabilities		(438)	(340)
Income tax paid		(190)	(8)
Total cash flows from core activities		**16,069**	**16,392**
Cash flows from investing activities			
Interest received		3	6
Acquisition of subsidiaries, net of cash acquired	12	-	(38,161)
Acquisition of investment property	12	(90)	(38,633)
Proceeds from disposal of investment property		-	5
Investment property development expenditure	13	(2,890)	(746)
Capital expenditure on investment properties		(1,290)	(651)
Total cash flows from investing activities		**(4,267)**	**(78,180)**
Cash flows from financial activities			
Proceeds from the issue of bonds		-	10,000
Proceeds from bank loans		-	57,409
Repayment of bank loans		(397)	(37,796)
Proceeds from issue of units	17a	7,136	44,726
Profit distribution to unitholders	17c	(9,687)	(10,253)
Transaction costs related to loans and borrowings		(3)	(206)
Repayment of lease liabilities		(17)	(16)
Interest paid		(5,337)	(4,465)
Total cash flows from financing activities		**(8,305)**	**59,399**
Net change in cash and cash equivalents		**3,497**	**(2,389)**
Cash and cash equivalents at the beginning of the year		**9,836**	**12,225**
Cash and cash equivalents at the end of the period		**13,333**	**9,836**

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

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19. 03. 2021
Signature / allkiri
KPMG, Tallinn

Notes to the 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 and Resolution 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.

The objective of the Fund is to combine attractive income yields with medium to long-term value appreciation by investing primarily in commercial real estate, portfolios of real estate, and/or real estate companies and making exits from these investments. The objective of the Fund is to provide its investors with consistent and above average risk-adjusted returns by acquiring and managing a portfolio of high quality cash flow-generating commercial properties, thereby creating a stable stream of high yielding current income combined with capital gains at exit. Although the objective of the Fund is to generate positive returns to investors, the profitability of the Fund is not guaranteed to investors.

The consolidated financial statements of Baltic Horizon Fund were approved for issue by the Management Board of the Management Company on 19 March 2021.

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

Name	31.12.2020	31.12.2019
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%
BH Galerija Centrs SIA	100%	100%
BH Northstar UAB	100%	100%

Baltic Horizon Fund merger with Baltic Opportunity Fund

On 30 June 2016 Baltic Horizon Fund was merged with Baltic Opportunity Fund by issuing 100 units in exchange for each unit in Baltic Opportunity Fund (ratio 1:100). During the public offering 41,979,150 units were listed on the NASDAQ Tallinn

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stock exchange, the offer price was EUR 1.3086 per unit, the total issue proceeds were EUR 29.7 million. Share capital was increased by EUR 21 million and the remaining amount of EUR 8.7 million was used to redeem the units for investors who decided to exit the Fund (EUR 7.5 million) and to pay off subscription fees (EUR 1.2 million).

The merger was treated as a restructuring of entities under common control. During the merger of Baltic Horizon Fund and Baltic Opportunity Fund, the assets and liabilities of the involved parties were recognised based on the Baltic Opportunity Fund's book values. As a result of this merger, no goodwill was recognised. At the time of the merger, the Fund had no assets and liabilities of its own. Thus, the historical financial and operational performance of Baltic Opportunity Fund prior to the merger is directly comparable the Fund's performance after the merger. In these consolidated financial statements, Baltic Opportunity Fund's financial results prior to the merger are presented as those of the Fund.

During four additional secondary public offerings in 2016, 2017 and 2020 and seven private placements in 2018 and 2019 the Fund raised additional net capital of EUR 99,424 thousand. During 2018, the Fund bought back and cancelled 404,294 units that were held on its own account. As a result of the offering of the new units and cancellation of own units, the total number of the Fund's units increased to 119,635,429. The units are dual-listed on the NASDAQ Stockholm and the NASDAQ Tallinn stock exchanges.

2. Summary of significant accounting policies

Basis of preparation

The Group's consolidated financial statements for the year ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards (the "IFRS") as adopted for use in the European Union.

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 adopted

The Fund applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. These new standards and amendments did not have a material impact on the consolidated annual financial statements of the Fund. The nature of the new standards and amendments is as follows:

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures

The amendments are mandatory and apply to all hedging relationships directly affected by uncertainties related to the IBOR reform. The amendments provide temporary relief from applying specific hedge accounting requirements to the hedging relationships with the effect that the IBOR reform should not generally cause hedge accounting to terminate. The key reliefs provided by the amendments relate to:

- 'Highly probable' requirement;
- Risk components;

- Prospective assessments;
- Retrospective effectiveness test (for IAS 39);
- Recycling of the cash flow hedging reserve.

The amendments also require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Amendments to IFRS 3 Business Combinations

The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business.

Standards, interpretations and amendments to published standards that are not yet effective

The following new standards, interpretations and amendments are not yet effective for the annual reporting period ended 31 December 2020 and have not been applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective.

Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases

The amendments are mandatory and apply to all hedging relationships directly affected by uncertainties related to the IBOR reform. The amendments provide temporary reliefs that allow hedging relationships to continue if an existing interest rate benchmark is replaced with an RFR (risk-free rate) with the effect that the IBOR reform should not generally cause hedge accounting to terminate. The amended requirements in accounting standards provided by the amendments relate to:

- Changes in the basis determining contractual cash flows of financial assets, financial liabilities and lease liabilities;
- Hedge accounting;
- Disclosures.

The Group does not expect the amendments to have a material impact on its financial statements when initially applied.

Other changes

Other new standards, amendments to standards and interpretations that are not yet effective are not expected to have a significant impact on the Group's financial statements.

Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied unless otherwise stated in the following text.

The significant accounting policies applied by the Fund are as follows:

2a. Presentation currency

The consolidated financial statements have been presented in thousands of euros (EUR), unless otherwise stated. The euro is the Fund's functional and presentation currency.

2b. Consolidated financial statements

The consolidated financial statements include the Fund and its subsidiaries (together "the Group").The Fund controls a subsidiary when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Inter-company balances and transactions, including unrealised profits and losses, are eliminated in consolidation.

Assets are recognised in the consolidated statement of financial position when it is probable that future economic benefits will flow to the Group and the value of the assets can be measured reliably.

Liabilities are recognised in the consolidated statement of financial position when it is probable that an outflow of resources will be required to settle the obligation and they can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each financial statement item below.

2c. Foreign currency translation

The functional currency of each Group company is determined with reference to the currency of the primary economic environment in which the entity operates. Transactions in other currencies than the functional currency are transactions in foreign currencies.

Foreign currency transactions are translated into the functional currency using the official exchange rate of the European Central Bank prevailing at the date of the initial transaction. Monetary assets and liabilities denominated in such currencies are translated at the rate of exchange ruling at the reporting date.

The cumulative effect of exchange differences on cash transactions are considered as realised gains and losses in the consolidated statement of profit or loss and other comprehensive income in the period in which they are settled.

On consolidation, where the functional currency of a foreign operation is different from the functional currency of the parent, the assets and liabilities are translated at the rate of exchange ruling at the reporting date. The consolidated statements of profit or loss and other comprehensive income of such subsidiaries are translated at the rate in effect at the transaction date. The exchange differences arising on the currency translation are recorded as a separate component of equity reserves under the heading of "Foreign currency translation reserve". On the disposal of a foreign operation, accumulated exchange differences are recognised in other comprehensive income as a component of the gain or loss on disposal.

Fair value adjustments and goodwill arising on the acquisition of a foreign entity are treated as assets and liabilities of the acquired entity and are recorded at the exchange rate at the date of the transaction.

2d. Investment properties

Investment properties are real estate properties (land or a building – or part of a building – or both) held to earn rentals or for capital appreciation or both, rather than for the use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of business.

Investment property is initially recorded at cost including costs directly resulting from the acquisition such as transfer taxes and legal fees. The costs of adding new or improved qualities to an investment property compared to the date of acquisition, and which thereby improve the future yield of the property, are added to cost as an improvement. Costs, which do not add new or improved qualities to an investment property, are expensed in profit or loss under operating expenses.

Under IAS 40, investment properties are subsequently measured at fair value, as determined by independent appraisers, being the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

Value adjustments are recognised in profit or loss within valuation gains or losses on investment properties.

2e. Dividends (distributions)

Proposed distributions are recognised as a liability at the time of declaration.

2f. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each reporting date and adjusted in order to present the most reasonable current estimate. If the effect of the time value of money is material, the amount of a provision is equal to the present value of the expenses, which are expected to be incurred to settle the liability.

2g. Derivative financial instruments

The Group engages in interest rate swap contracts for interest rate risk management purposes. Derivative financial instruments are carried in the consolidated statement of financial position at fair value. The estimated fair values of these contracts are reported as financial assets for contracts having a positive fair value; and financial liabilities for contracts with a negative fair value.

Gains or losses from changes in the fair value of derivative financial instruments, which are not classified as hedging instruments, are recognised in profit or loss as they arise.

2h. Hedge accounting

The Group applies hedge accounting for all interest rate swap contracts. The effectiveness of a hedge is assessed by comparing the value of the hedged item with the notional value implicit in the contractual terms of the financial instruments used in the hedge.

For the purposes of hedge accounting, hedges are classified as cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to cash flow hedges, which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised initially in other comprehensive income and the ineffective portion is recognised in profit or loss. The gains or losses on effective cash flow hedges recognised initially in other comprehensive income are either transferred to profit or loss in the period in which the hedged transaction impacts the income statement or in which the hedge instrument or hedge relationship terminates.

2i. Interest bearing loans and borrowings

Debts to banks and financial institutions are initially recognised at fair value less transaction costs incurred. Subsequently, these debt items are measured at amortised cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instruments. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

The Group classifies its financial liabilities as current when they are due to be settled within twelve months after reporting date, even if:

(a) the original term was for a period longer than twelve months; and
(b) an agreement to refinance, or to reschedule, payments on a long-term basis is completed after the reporting date and before the consolidated financial statements are authorised for issue.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

2j. Other liabilities

Other liabilities, comprising payables to suppliers, guarantee deposits received from tenants and other payables, are measured at amortised cost using the effective interest rate method.

Deferred income is recognised under liabilities and includes payments received for future income.

2k. Financial assets

The Group recognises financial assets on its consolidated statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Classification
Financial assets in the scope of IFRS 9 are classified as either financial assets at amortised cost, fair value through profit or loss or fair value through other comprehensive income, as appropriate. The classification of financial assets depends on the contractual cash flow characteristics of the financial asset and the Fund's business model for managing them.

Financial assets held by the Group are comprised of trade and other receivables, cash and cash equivalents and derivative financial instruments. All financial assets unless otherwise stated are held to collect contractual cash flows and they are solely payments of principal and interest. Thus they are measured using the amortised cost method. Derivative financial instruments do not meet measurement at amortised cost criteria and are measured at fair value through profit or loss.

Recognition and derecognition
When financial assets are recognised initially, they are measured at fair value, plus, in case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All "regular way" purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention are recognised at the trade date (the date that the Group commits to purchase or sell the asset), otherwise such transactions are treated as derivatives until the settlement date.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;

- the Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and
- the Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment
Following the adoption of IFRS 9, the Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group's financial assets subject to the expected credit loss model within IFRS 9 are only trade and other receivables and cash and cash equivalents. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The expected loss rates are based on the payment profiles of receivables over a period of 36 months before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the tenants to settle the receivable. Such forward-looking information would include:

- changes in economic, regulatory, technological and environmental factors, (such as industry outlook, GDP, employment and politics); and
- external market indicators; and
- tenant base.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognised when they are assessed as uncollectible.

The Group's cash and cash equivalents are considered to have low credit risk when they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term.

2l. Accounts receivable

Trade and other receivables are measured at amortised cost. Management assesses specific impairment on a customer by customer basis throughout the year. The Group holds trade and other receivables with the objective to collect the contractual cash flows.

2m. Cash and cash equivalents

Cash includes cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

2n. Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow or economic benefits is possible.

2o. Subsequent events

Post-reporting date events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post-reporting date events that are not adjusting events are disclosed in the notes when material.

2p. Revenue recognition

Rental income from operating leases represents rents charged to customers and is recognised on a straight line basis, net of any sales taxes, over the lease term. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Service charge income is recognised on a gross basis in profit or loss when the Group is not acting as an agent on behalf of third parties and charging commissions for the collections. Revenue is presented on a gross basis as the Group makes a contract with third party service providers and carries the risks associated with such contracts. Service charge income is recognised in the accounting period in which the service is rendered. The transaction prices include fixed or variable fees that are specified in contractual terms with each customer. Invoices for service charges are issued on a monthly basis and the normal credit term is 30 days. When the Group is acting as an agent on behalf of the third parties, amounts collected from the tenants for the goods or services provided by the third party are recognised in accordance with IFRS 15 on a net basis in profit or loss and recharge revenue is recognised in the amount of commissions earned, if any.

2q. Expense recognition

Expenses are accounted for an accrual basis. Expenses are charged to the consolidated statement of profit or loss and other comprehensive income, except for those incurred in the acquisition of an investment property which are capitalised as part of the cost the investment property and costs incurred to acquire borrowings which are capitalised. Operating expenses comprise costs incurred to earn rental revenue during the financial year to cover operations and maintenance of investment properties.

2r. Administrative expenses

Administrative expenses include costs and expenses which were incurred for the management of investment properties and the Group during the year.

2s. Current taxation

Taxation of the Group subsidiaries

The consolidated subsidiaries of the Group are subject to taxation in the countries in which they operate. Current taxation is provided for at the applicable current rates on the respective taxable profits.

Taxation of the Fund

Gains from transfer of property

Income tax is charged on gains derived from the transfer of property by a contractual investment fund if:

1) the transferred immovable is located in Estonia; or
2) the transferred real right or right of claim is related to an immovable or a structure as a movable, which is located in Estonia; or
3) the transferred or returned holding is a holding in a company, contractual investment fund or other pool of assets of whose property, at the time of the transfer or return or during a period within two years prior to that, more than

50% was directly or indirectly made up of immovables or structures as movables located in Estonia and in which the transferor had a holding of at least 10% at the time of conclusion of the specified transaction.

4) gains were derived on the conditions specified in clause 3) upon the liquidation of a company, contractual investment fund or other pool of assets specified in the same clause.

Income tax is not charged on the part of the gains derived from the return of a holding specified in clause 3) or liquidation specified in clause 4) above if the income constituting the basis thereof has been taxed with income tax pursuant to the provisions of the Income Tax Act or at the level of a company that has repurchased the holding or paid the liquidation proceeds.

2t. Deferred taxation

Deferred taxes are calculated in the Fund's Lithuanian subsidiaries as follows:

Deferred income tax is provided using the liability method on temporary differences at the reporting date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

i) where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
ii) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward of unused tax credits and unused tax losses can be utilised except:

i) where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
ii) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilised. Unrecognised deferred income tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when an asset is realised or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in profit or loss or directly in equity.

Under Estonian and Latvian laws, corporate profit for the year is not subject to income tax. Income tax is levied on dividends, gifts, donations, entertainment expenses, non-business expenditures and transfer price adjustments.

Income tax payable on dividends is recognised as income tax expense and a liability at the time the dividend is declared, regardless of the period for which the dividend is declared or the period in which the dividend is actually distributed. The obligation to pay income tax arises on the 10th day of the month following the distribution of the dividend in Estonia and on the 20th day of the month a following the distribution of the dividend in Latvia.

2u. Fair value measurements

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.

2v. Business combinations

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control.

2w. Paid in capital

Incremental costs directly attributable to the issue or redemption of units are recognised directly in equity as a deduction from proceeds or part of the acquisition costs. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

Applying the acquisition method

The acquisition method is applied in the acquisition of new subsidiaries which qualify as a business, under which the identifiable assets and liabilities and contingent liabilities of these companies are measured at fair value at the acquisition date. The cost of the acquired company consists of the fair value of the paid consideration (cash or own shares). If the final determination of the consideration is conditional on one or several future events, these are only recognised in cost if the relevant event is likely and the effect on cost can be calculated reliably. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, is recognised in accordance with IFRS 9 either in profit or loss or as a change in other comprehensive income. If the contingent consideration is classified as equity, it is not re-measured until it is finally settled within equity.

When a transaction has not been identified as a business combination, it is accounted for as an acquisition of individual assets and liabilities where the initial purchase consideration is allocated to the separate assets and liabilities acquired, based on the price paid for them.

Assets are recognised in the consolidated statement of financial position when it is probable that future economic benefits will flow to the Group and the value of the assets can be measured reliably.

Liabilities are recognised in the consolidated statement of financial position when it is probable that an outflow of resources will be required to settle the obligation and they can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each financial statement item above.

Business combinations between entities under common control

A business combination is a combination between entities under common control if:

- the combining entities are ultimately controlled by the same party (or parties) both before and after the combination;
- common control is not transitory (not short-lived).

If a business combination is treated as a combination between entities under common control, then the transaction is accounted for under the predecessor values method. Under this method, the acquired assets and liabilities are recorded at their pre-acquisition carrying values and no goodwill is recorded.

3. Significant accounting judgments, estimates and assumptions

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 asset or liability affected in the future.

Judgments

Management considers the following indicators to determine that a Group entity is acting as a principal in the agreement with the tenants in regards to service charge income:

- the entity is primarily responsible for fulfilling the contract and has the right to terminate, freeze or amend the utilities and other services contracts, to enter into contracts with other providers or to switch to other supply types at any time;
- the entity is exposed to credit risk for the amount receivable from a tenant in exchange for the other party's goods or services; if the tenant defaults, the entity is responsible to pay a supplier regardless of whether payment is collected from the tenant.

When the tenants have the right to contract directly with the utility service companies from their suppliers upon the prior written consent of the entities, the Fund is treated as an agent.

When the Group acts as a principal, service charge income is recognised on a gross basis in the consolidated statement of profit or loss and other comprehensive income. When the Group acts as an agent, both expenses and income are netted in the consolidated statement of profit or loss and other comprehensive income and recharge revenue is recognised in the amount of commissions earned.

Business combinations
The Group has acquired ownership interests in subsidiaries which hold real estate properties. When the acquisition of a subsidiary does not represent "an integrated set of activities and assets" in accordance with IFRS 3, the acquisition of the subsidiary is accounted for as an asset acquisition, in which the cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill and no deferred tax assets or liabilities resulting from the allocation of the cost of acquisition is recognised. The Group will account for the acquisition as a business combination where an integrated set of activities is acquired in addition to the properties. The Group has not accounted any acquisition as a business combination during the current or prior financial year. Please refer to the note 12 for more information regarding asset acquisitions.

The following recognition criteria are considered as indicators of a business combination:
- multiple items of land and buildings;
- existence of ancillary services to tenants (e.g. maintenance, cleaning, security, bookkeeping etc.);
- existence of employees to have processes in operation (including all relevant administration such as invoicing, cash collection, provision of management information to the entity's owners and tenant information);
- management of the acquired properties is a complex process.

Operating lease contracts – the Group as lessor
Leases in which substantially all risks and rewards of ownership are retained by the lessor are classified as operating leases. The Group has determined, based on an evaluation of the terms and conditions of the arrangements that it retains all the significant risks and rewards of ownership of its properties and so accounts for their leases as operating leases. One of the Fund's assets, Coca-Cola Plaza, has only one tenant with a long-term tenancy agreement acquired via a sale-lease back transaction. Based on the terms and conditions, the lease arrangement is treated as an operating lease due to the following reasons:
- all significant risks and rewards of the ownership of this property are retained by the Group;
- the ownership of the property will remain to the Group by the end of the lease term;
- there is no agreement with the lessee that would allow the lessee to purchase the property at a discount or significantly lower amount than the fair value of the property;
- the initial rent period agreed was for 10 years with a lease expiration on 18 March 2023. The tenant has the right to prolong their agreement once for a 5 year- period with by giving 12 months' notice. Therefore, the lease term does not comprise the major part of the economic life of the property;
- there is no agreement with the lessee that would allow for the lessee to continue the lease for a secondary period at a rent that is substantially lower than market rent;
- at the inception of the lease the present value of the minimum lease payments does not amount to all of the fair value of the leased property.

Estimates and assumptions

Deferred tax
The Group is subject to income and capital gains taxes in numerous jurisdictions. Significant judgment is required in determining the total provision for current and deferred taxes. There are many transactions and calculations for which the ultimate tax determination and timing of payment is uncertain during the ordinary course of business. In particular, the effective tax rate applicable on the temporary differences on investment properties depends on the way and timing the investment property will be disposed of.

The Group recognises liabilities for anticipated tax provisions based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the net profit and deferred tax provisions in the period in which the determination is made.

In 2018, a new income tax system entered into force in Latvia. The system resembles the Estonian one but upon its application Latvian entities began to recognise deferred tax in their consolidated IFRS financial statements differently from the Estonian approach. In accordance with the Latvian treatment, deferred tax for investments in subsidiaries is to be recognised even if the investments are located in jurisdictions where corporate income tax is to be paid on the distribution of profit (Estonia and Latvia), except to the extent that the company is able to control the timing of the reversal of the taxable temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. In line with the treatment used in Estonia until that date, deferred tax liabilities were not recognised in such cases.

The Estonian Ministry of Finance asked the IFRS Interpretations Committee (IFRIC) to express an opinion on the correct interpretation of IAS 12 Income Taxes. In June 2020, IFRIC communicated its opinion on the correct interpretation of IAS 12 Income Taxes. IFRIC concluded that paragraph 39 of IAS 12 requires an entity to recognise a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, except to the extent that:

a) the parent is able to control the timing of the reversal of the temporary difference; and
b) it is probable that the temporary difference will not reverse in the foreseeable future.

The Fund have determined that it can control the timing of the reversal of taxable temporary differences in subsidiaries due to 100% ownership in all subsidiaries. The taxable temporary difference in subsidiaries are not expected to reverse in the foreseeable future through a distribution of profits from subsidiaries due to the structure of the Group. The Fund has granted sizeable intercompany loans to subsidiaries and expects to receive repayments of intercompany loans instead of distributions of profits. In the view of the Group’s management, the Fund meets the criteria for deferred tax liability recognition exemption. In the case of investments in subsidiaries, the Group’s management has decided to continue to account for deferred tax liabilities using the policy applied to date. In line with the latter, in jurisdictions where corporate income tax is to be paid on the distribution of profit (as in Estonia and Latvia), a deferred tax liability is always zero because deferred tax liabilities arising on investments located in those jurisdictions are measured at the zero rate applicable to undistributed profits, as provided in paragraph 52A of IAS 12.

The maximum income tax liability which would arise if all of the available equity were distributed as dividends, is disclosed in note 11.

Detailed information on the deferred tax asset and liability of the Lithuanian subsidiary is disclosed in note 11.

Fair value of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The Group engages independent valuation specialists to determine fair value. Information about valuation techniques and assumptions are disclosed in note 12.

4. Financial risk management

The risk management function of the Fund is the responsibility of the Management Company Northern Horizon Capital AS. The manager of the Fund is responsible for identifying the Fund’s market risk portfolio, preparing proposals regarding market risk limits, monitoring the limit utilization and producing overall risk analyses of market risk. The manager maintains a list of all risk management related instructions, monitors their compliance with internationally recommended best practice, and initiates changes and improvements when needed. The manager assessed at the end of the financial year that the Fund is currently in compliance with the intended risk management framework.

4a. Credit risk

The Group has procedures in place to ensure that rental agreements are concluded with customers with an appropriate credit history and acceptable credit exposure limits are not exceeded. Credit risk related to tenants is also reduced by collecting rental deposits and taking rental guarantees. The Group limits its exposure to credit risk from trade and other receivables by establishing a credit term of 30 days or less. An amount is considered to be in default if it is more than 90 days past due.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, if any, in the statement of financial position.

There are no significant concentrations of credit risk within the Group. As at 31 December 2020, the total credit risk exposure was as follows:

EUR '000	2020	2019
Cash and cash equivalents (note 16)	13,333	9,836
Trade and other receivables (note 14)	1,901	1,794
Derivative financial instruments (note 23)	-	73
Total exposure to credit risk	**15,234**	**11,703**

At the end of 2020, the Group's provisions for bad debts amounted to EUR 589 thousand (2019: EUR 399 thousand).

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

4b. Interest rate risk

The Group's interest rate risk is related to interest-bearing borrowings. Fluctuations in interest rates affect interest expense (note 17b). The Group's exposure to interest rate cash flow risk is mitigated by the use of interest rate swaps and interest rate caps.

At 31 December 2020, after taking into account the effect of interest rate swaps, 83% of the Group's borrowings had a fixed rate of interest (31 December 2019: 83%). The Group's management is of an opinion that an 83% hedge ratio is fully sufficient in the current interest environment. Development of interest rates is closely monitored and additional hedges can be concluded any time if the interest environment changes.

The following table demonstrates the sensitivity of the Group's profit before tax and equity (through the impact on cash flow hedge reserve) to a reasonably possible change in interest rates, with all other variables held constant):

EUR '000	2020 Effect on profit before tax	2020 Effect on equity	2019 Effect on profit before tax	2019 Effect on equity
Increase in basis points, +50	(177)	1,063	(178)	1,547
Decrease in basis points, -50	177	(1,063)	178	(1,547)

The Group uses interest rate swaps to fix the interest rate of long-term loans with floating interest rates. This converts floating rate liabilities to fixed rate liabilities. In order to achieve this, the Fund either takes fixed rate loans or swaps

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floating interest rates for fixed 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 Group acquire swaps purely for cash flow hedge purposes and not for trading.

4c. Liquidity risk

The Fund's objectives are to maintain a balance between the continuity of funding and flexibility through the use of bank loans. For more comprehensive information about managing liquidity risk please refer to the risk management section in management review.

The table below summarises the contractual maturity profile of the Group's financial liabilities at 31 December 2020. The amounts are gross and undiscounted, and include contractual interest payments.

EUR '000	Less than 3 months	3 months - 1 year	1-2 years	2-5 years	More than 5 years	Total	Carrying amount
Interest bearing loans and borrowings (note 18)	1,410	14,026	78,671	123,557	-	217,664	205,892
Derivative financial instruments (note 23)	-	27	327	1,436	-	1,763	1,763
Trade and other payables (note 19)	3,640	-	-	-	-	3,640	3,640
Total current and non-current	**5,050**	**14,053**	**78,998**	**124,993**	**-**	**223,067**	**211,295**

4d. Foreign exchange risk

The Fund's primary currency is the euro. In 2020 and 2019 the Group held no significant assets or liabilities and was not committed to undertake significant transactions in any currency other than the euro from this date.

5. Capital management

The Group seeks to maintain a strong capital base while generating a solid return over the long-term to unitholders through improving the capital structure.

The capital structure of the Group consists of borrowings (as detailed in note 18) and equity. The capital structure of the Group is reviewed regularly based on the cost of capital and the risks associated with each class of capital.

Management monitors capital using the loan-to-value ratio, which is borrowings divided by property value. The Group's target loan to value ratio is 50%. As at 31 December 2020, the Group complied with all externally imposed capital requirements.

EUR '000	2020	2019
Interest bearing loans and borrowings (excluding lease liabilities)	205,604	205,827
Investment properties	334,518	356,575
Investment property under construction	5,474	2,367
Gearing ratio (loan-to-value)	**60.5%**	**57.3%**

6. Operating segments

The Group's reportable segments are as follows:

- Retail segment – includes Europa Shopping Centre (Lithuania), Domus Pro Retail Park (Lithuania), SKY Shopping Centre (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), Meraki (Lithuania) and North Star (Lithuania) investment properties.
- Leisure segment – includes Coca-Cola Plaza (Estonia) investment property.

For management purposes, the Group is organized 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/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 2020

EUR '000	Retail	Office	Leisure	Total segments
2020:				
External revenue[1]	13,095	12,736	856	26,687
Segment net rental income	**7,983**	**11,127**	**824**	**19,934**
Net loss from fair value adjustment	(15,762)	(8,503)	(980)	(25,245)
Interest expenses[2]	(1,675)	(1,478)	(69)	(3,222)
Income tax income (expense)	196	(191)	-	5
Segment net (loss) profit	**(9,533)**	**887**	**(245)**	**(8,891)**
As at 31.12.2020:				
Segment assets	**172,555**	**165,822**	**14,657**	**353,034**
Investment properties[3]	166,667	153,681	14,170	334,518
Investment property under construction[3]	-	5,474	-	5,474
Segment liabilities	**85,146**	**77,828**	**5,617**	**168,591**

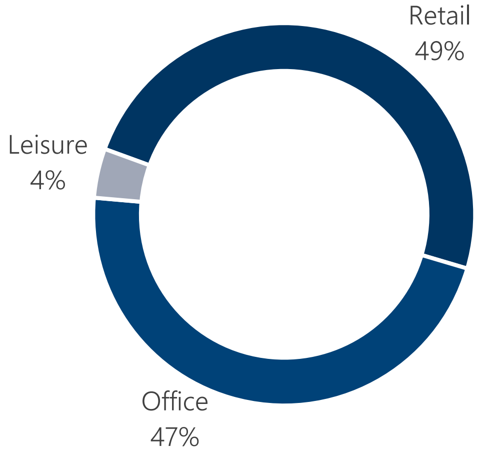
1. External revenue includes rental income and service charge income. The segments do not have inter-segment revenue.
2. Interest expenses include only external bank loan interest expenses.
3. Additions to non-current assets consist of subsequent expenditure on investment property (EUR 2,024 thousand), acquisition of land (EUR 90 thousand) and additions to investment property under construction (EUR 4,181 thousand). Please refer to notes 12 and 13 for more information.

Operating segments – 31 December 2019

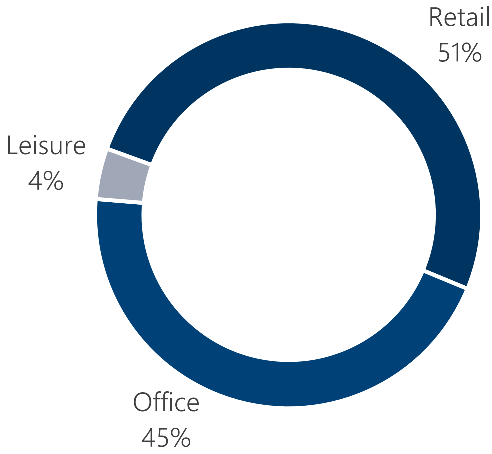
EUR '000	Retail	Office	Leisure	Total segments
2019:				
External revenue[1]	12,871	11,356	1,074	25,301
Segment net rental income	**8,413**	**9,765**	**1,041**	**19,219**
Net gain (loss) from fair value adjustment	(988)	(1,756)	680	(2,064)
Interest expenses[2]	(1,343)	(1,187)	(66)	(2,596)
Income tax expenses	(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[3]	180,740	160,685	15,150	356,575
Investment property under construction[3]	-	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.
3. Additions to non-current assets consist of acquisition of investment property (EUR 114,133 thousand), subsequent expenditure on investment property (EUR 651 thousand), additions to right-of-use assets (EUR 321 thousand) and additions to investment property under construction (EUR 746 thousand). Please refer to notes 12 and 13 for more information.

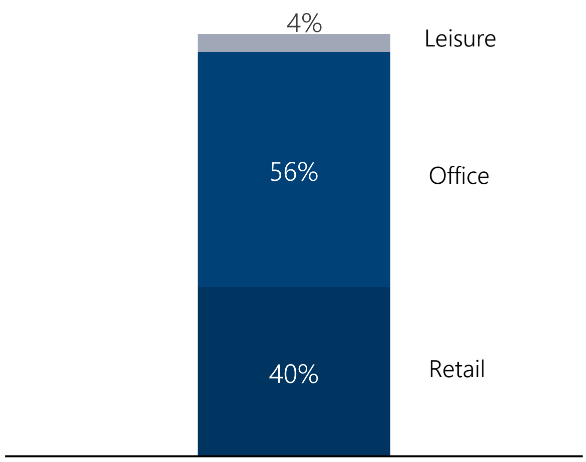
Investment properties as at 31 December 2020*



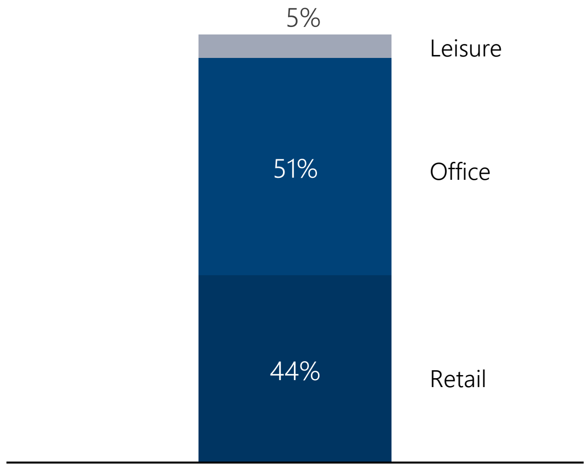
Investment properties as at 31 December 2019*



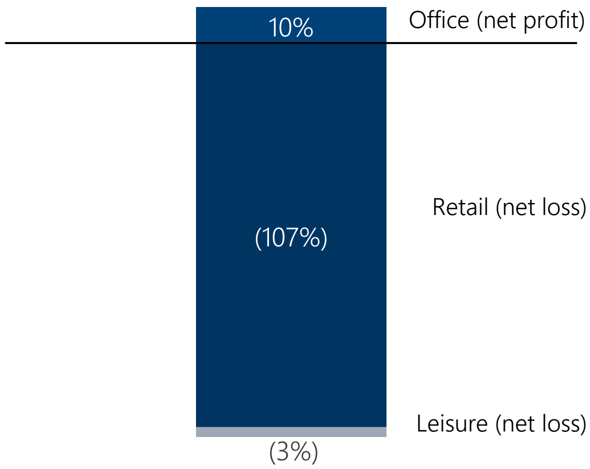
Segment net rental income for 2020*



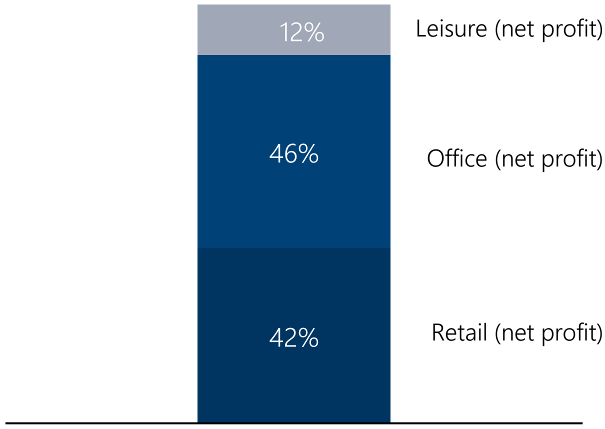
Segment net rental income for 2019*



Segment net profit (loss) for 2020*



Segment net profit for 2019*



*As a percentage of the total for all reportable segments

Reconciliation of information on reportable segments to IFRS measures

Operating segments – 31 December 2020

EUR '000	Total reportable segments	Adjustments	Consolidated
2020:			
Net loss	**(8,891)**	(4,650)[1]	**(13,541)**
As at 31.12.2020:			
Segment assets	**353,034**	2,568[2]	**355,602**
Segment liabilities	**168,591**	50,690[3]	**219,281**

1. Segment net loss for 2020 does not include Fund management fee (EUR 1,715 thousand), bond interest expenses (EUR 2,125 thousand), bond arrangement fee amortisation (EUR 69 thousand), Fund custodian fees (EUR 71 thousand), and other Fund-level administrative expenses (EUR 670 thousand).
2. Segment assets do not include cash, which is held at the Fund level (EUR 2,568 thousand).
3. Segment liabilities do not include liabilities related to a bond issue at the Fund level (EUR 49,839 thousand), accrued bond coupon expenses (EUR 313 thousand), management fee payable (EUR 434 thousand), and other short-term payables (EUR 104 thousand) at the Fund level.

Operating segments – 31 December 2019

EUR '000	Total reportable segments	Adjustments	Consolidated
2019:			
Net profit	**13,583**	(4,792)[1]	**8,791**
As at 31.12.2019:			
Segment assets	**370,439**	1,295[2]	**371,734**
Segment liabilities	**168,004**	51,212[3]	**219,216**

1. Segment net profit for 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).
2. Segment assets do not include cash, which is held at the Fund level (EUR 1,295 thousand).
3. 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 655 thousand) at the Fund level.

Geographic information

	External revenue		Investment property value[1]	
EUR '000	2020	2019	31.12.2020	31.12.2019
Lithuania	10,024	9,326	122,282	122,975
Latvia	10,778	9,569	131,920	143,347
Estonia	5,885	6,406	85,790	92,620
Total	**26,687**	**25,301**	**339,992**	**358,942**

1. Investment property fair value including investment property under construction.

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 1,199 thousand of the Group's total rental income for 2020 (EUR 1,200 thousand for 2019).

7. Cost of rental activities

EUR '000	2020	2019
Repair and maintenance	2,235	2,085
Utilities	1,310	1,102
Property management expenses	1,086	936
Real estate taxes	1,030	842
Sales and marketing expenses	685	681
Allowance (reversal of allowance) for bad debts	215	165
Property insurance	92	84
Other	100	187
Total cost of rental activities	**6,753**	**6,082**

Part of the total cost of rental activities (mainly utilities and repair and maintenance expenses) was recharged to tenants: EUR 4,990 thousand during 2020 (EUR 4,525 thousand during 2019).

8. Administrative expenses

EUR '000	2020	2019
Management fee	1,715	1,679
Listing related expenses	267	114
Consultancy fees	198	270
Legal fees	136	221
Audit fee	104	102
Fund marketing expenses	92	94
Custodian fees	71	65
Supervisory board fees	48	51
Performance fee	-	379
Other administrative expenses	287	276
Total administrative expenses	**2,918**	**3,251**

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.

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). Transactions with related parties are disclosed in note 21.

9. Financial expenses

EUR '000	2020	2019
Interest on external loans and borrowings	5,336	4,553
Loan arrangement fee amortisation	176	152
Interest on lease liabilities	11	10
Foreign exchange loss	1	3
Total financial expenses	**5,524**	**4,718**

10. 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 or loss attributable to the unitholders of the Fund:

EUR '000	2020	2019
(Loss) profit for the period, attributed to the unitholders of the Fund	(13,541)	8,791
(Loss) profit for the period, attributed to the unitholders of the Fund	**(13,541)**	**8,791**

Weighted-average number of units:

	2020	2019
Issued units at 1 January	113,387,525	78,496,831[6]
Effect of units issued in April 2019[1]	-	13,508,355
Effect of units issued in May 2019[2]	-	400,247
Effect of units issued in July 2019[3]	-	1,370,181
Effect of units issued in October 2019[4]	-	2,942,734
Effect of units issued in October 2020[5]	1,181,111	-
Weighted-average number of units	**114,568,636**	**96,718,348**

1. In April 2019, the Fund issued 18,839,239 units through two private placements, which were part of the BH Galerija Centrs SIA acquisition deal.
2. In May 2019, the Fund issued 627,974 units through a private placement, which was part of the BH Galerija Centrs SIA acquisition deal.
3. In July 2019, the Fund issued 2,951,158 units through a private placement, which was part of the BH Galerija Centrs SIA acquisition deal.
4. In October 2019, the Fund issued 12,472,323 units through two private placements, which were part of the North Star acquisition deal.
5. In October 2020, the Fund issued 6,247,904 units through a secondary public offering.
6. 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:

	2020	2019
Basic and diluted earnings per unit*	(0.12)	0.09

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

11. 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 in Lithuania 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 2020 was 0.0% (2019: 4.6%).

The major components of income tax for the periods ended 31 December 2020 and 2019 were as follows:

EUR '000	2020	2019
Consolidated statement of profit or loss		
Current income tax for the period	(182)	(27)
Deferred tax for the period	187	(399)
Income tax expense reported in profit or loss	**5**	**(426)**
Consolidated statement of other comprehensive income		
Deferred income tax related to items charged or credited to equity:		
Revaluation of derivative instruments to fair value	3	44
Income tax reported in other comprehensive income	**3**	**44**

Deferred tax is only applicable for the Fund's subsidiaries in Lithuania. Deferred income tax as at 31 December 2020 and 2019 relates to the following:

	Consolidated statement of financial position		Recognised in profit or loss	
EUR '000	31.12.2020	31.12.2019	2020	2019
Tax losses brought forward	2,146	2,110	36	298
Revaluation of derivative instruments to fair value	146	143	-	-
Deferred income tax assets	**2,292**	**2,253**	**-**	**-**
Investment property	(8,288)	(8,440)	152	(709)
Other tax liability	(13)	(12)	(1)	12
Deferred income tax liabilities	**(8,301)**	**(8,452)**	**-**	**-**
Deferred income tax income/(expenses)	**-**	**-**	**187**	**(101)**
Deferred tax liabilities net	**(6,009)**	**(6,199)**	**-**	**-**
Reflected in the statement of financial position as follows:				
Deferred tax assets	-	-	-	-
Deferred tax liabilities	(6,009)	(6,199)	-	-
Deferred tax liabilities net	**(6,009)**	**(6,199)**	**-**	**-**

The reconciliation of effective tax rate for the years ended 31 December 2020 and 2019 is as follows:

EUR '000	2020		2019	
(Loss) profit before income tax		**(13,546)**		**9,217**
At statutory tax rate	0.0%	-	0.0%	-
Effect of tax rates in foreign jurisdictions	1.3%	178	(4.0%)	(369)
Tax effect of non-deductible expenses	(0.2%)	(23)	(0.2%)	(24)
Income tax on dividends	(1.3%)	(181)	0.0%	-
Change in unrecognised deferred tax	0.2%	31	(0.4%)	(33)
Total income tax expenses	**0.0%**	**5**	**(4.6%)**	**(426)**

As at 31 December 2020, the Group had tax losses of EUR 2,146 thousand that are available indefinitely for offset against future taxable profits of the Lithuanian companies in which the losses arose.

Summary of taxation rates by country is presented below:

	2020	2019
Lithuania	15%	15%
Latvia[1]	0%	0%
Estonia[2]	0%	0%

1. 20% income tax rate applies to gross distributed profits or 25% rate applies to net distributed profits.
2. 20% income tax rate applies to gross distributed profits or 25% rate applies to net distributed profits.

The maximum income tax liability which would arise if all of the available retained earnings in subsidiaries in Estonia and Latvia were distributed as dividends to the Fund, is EUR 5,435 thousand.

12. 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 2020, 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 capitalized 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.

EUR '000	31.12.2020	31.12.2019
Balance at 1 January	**356,575**	**245,160**
Acquisitions	90	114,133
Capital expenditure	553	651
Development and refurbishment expenditure	1,471	-
Disposals	-	(5)
Transfer to investment property under construction	-	(1,700)
Net revaluation loss on investment property	(24,154)	(1,969)
Initial recognition of right-of-use assets at 1 January (IFRS 16)	-	163
Additions to right-of-use assets (new leases)	-	158
Net revaluation loss on right-of-use assets	(17)	(16)
Closing balance	**334,518**	**356,575**
Closing balance excluding right-of-use assets	**334,230**	**356,270**

Fair value hierarchy
The following table shows an analysis of the fair values of investment properties recognised in the statement of financial position by their level in the fair value hierarchy as at 31 December 2020:

EUR '000	Total fair value Level 3	Total gain or (loss) for 2020 recognised in profit or loss
Latvia - Galerija Centrs (retail)	67,446	(9,117)
Lithuania – Europa (retail)	38,811	(2,151)
Estonia – Postimaja (retail)	29,770	(3,485)
Lithuania – Domus Pro (retail/office)	23,680	(732)
Latvia – Upmalas Biroji (office)	23,474	(872)
Latvia – Vainodes I (office)	19,970	(1,238)
Lithuania – North Star (office)	19,133	(972)
Lithuania – Duetto II (office)	18,765	(170)
Lithuania – Duetto I (office)	16,419	(40)
Estonia – G4S (office)	16,160	(1,423)
Estonia – Lincona (office)	16,110	(1,736)
Latvia – LNK Centre (office)	16,060	(978)
Estonia – Coca-Cola Plaza (leisure)	14,170	(980)
Estonia – Pirita (retail)	9,580	(394)
Latvia – SKY (retail)	4,970	117
Total	**334,518**	**(24,171)**

There were no transfers between levels during the years. Gains and losses recorded in profit or loss for fair value measurements categorised within Level 3 of the fair value hierarchy amounted to a net loss of EUR 24,171 thousand as at 31 December 2020 (2019: a net loss of EUR 1,985 thousand) and are presented in the consolidated statement of profit or loss and other comprehensive income on the line 'Valuation losses on investment properties'.

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 2020 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.

As of 31 December 2020:

Property	Valuation technique	Key unobservable inputs	Range
Europa Shopping centre, Vilnius (Lithuania)	DCF	- Discount rate	8.1%
Net leasable area (NLA) – 16,982 sq. m		- Rental growth p.a.	0.0% - 2.0%
Segment – Retail		- Long-term vacancy rate	2.0% - 5.0%
Year of construction/renovation – 2004		- Exit yield	6.8%
		- Average rent (EUR/sq. m)	13.0
Domus Pro, Vilnius (Lithuania)	DCF	- Discount rate	8.5% - 9.1%
Net leasable area (NLA) – 16,057 sq. m		- Rental growth p.a.	0.3% - 2.2%
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	8.2%
Net leasable area (NLA) – 10,745 sq. m		- Rental growth p.a.	0.0% - 1.7%
Segment – Office		- Long-term vacancy rate	5.0%
Year of construction/renovation – 2002 / 2008		- Exit yield	7.5%
		- Average rent (EUR/sq. m)	10.2
Coca-Cola Plaza, Tallinn (Estonia)	DCF	- Discount rate	8.8%
Net leasable area (NLA) – 8,664 sq. m		- Rental growth p.a.	0.8% - 2.1%
Segment – Leisure		- Long-term vacancy rate	2.0%
Year of construction/renovation – 1999		- Exit yield	7.5%
		- Average rent (EUR/sq. m)	10.9
G4S Headquarters, Tallinn (Estonia)*	DCF	- Discount rate	8.7%
Net leasable area (NLA) – 8,991 sq. m		- Rental growth p.a.	1.8% - 2.1%
Segment – Office		- Long-term vacancy rate	5.0%
Year of construction/renovation – 2013		- Exit yield	7.3%
		- Average rent (EUR/sq. m)	11.2
SKY Shopping Centre, Riga (Latvia)	DCF	- Discount rate	9.8%
Net leasable area (NLA) – 3,254 sq. m		- Rental growth p.a.	0.3% - 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)	11.6
Upmalas Biroji, Riga (Latvia)	DCF	- Discount rate	8.1%
Net leasable area (NLA) – 10,459 sq. m		- Rental growth p.a.	0.3% - 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)	13.2

Property	Valuation technique	Key unobservable inputs	Range
Pirita Shopping Centre, Tallinn (Estonia)	DCF	- Discount rate	9.9%
Net leasable area (NLA) – 5,460 sq. m		- Rental growth p.a.	0.0% - 3.1%
Segment – Retail		- Long-term vacancy rate	2.0% - 5.0%
Year of construction/renovation – 2016		- Exit yield	8.0%
		- Average rent (EUR/sq. m)	13.1
Duetto I, Vilnius (Lithuania)	DCF	- Discount rate	8.1%
Net leasable area (NLA) – 8,384 sq. m		- Rental growth p.a.	0.3% - 2.0%
Segment – Office		- Long-term vacancy rate	5.0%
Year of construction/renovation – 2017		- Exit yield	7.3%
		- Average rent (EUR/sq. m)	12.1
Duetto II, Vilnius (Lithuania)	DCF	- Discount rate	8.1%
Net leasable area (NLA) – 8,515 sq. m		- Rental growth p.a.	0.0% - 2.0%
Segment – Office		- Long-term vacancy rate	5.0%
Year of construction/renovation – 2018		- Exit yield	7.3%
		- Average rent (EUR/sq. m)	12.9
Vainodes I, Riga (Latvia)*	DCF	- Discount rate	8.1%
Net leasable area (NLA) – 8,052 sq. m		- Rental growth p.a.	0.0% - 2.0%
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	7.6%
Net leasable area (NLA) – 9,208 sq. m		- Rental growth p.a.	0.0% - 2.2%
Segment – Retail		- Long-term vacancy rate	2.0%
Year of construction/renovation – 1980		- Exit yield	6.0%
		- Average rent (EUR/sq. m)	15.0
LNK Centre, Riga (Latvia)	DCF	- Discount rate	7.4%
Net leasable area (NLA) – 7,452 sq. m		- Rental growth p.a.	0.1% - 2.0%
Segment – Office		- Long-term vacancy rate	5.0%
Year of construction/renovation – 2006 / 2014		- Exit yield	6.5%
		- Average rent (EUR/sq. m)	12.3
Galerija Centrs, Riga (Latvia)	DCF	- Discount rate	7.6%
Net leasable area (NLA) – 20,022 sq. m		- Rental growth p.a.	0.2% - 2.0%
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)	20.3
North Star, Vilnius (Lithuania)	DCF	- Discount rate	8.1%
Net leasable area (NLA) – 10,550 sq. m		- Rental growth p.a.	0.0% - 2.0%
Segment – Office		- Long-term vacancy rate	5.0%
Year of construction/renovation – 2009		- Exit yield	7.0%
		- Average rent (EUR/sq. m)	12.3

*Postimaja, G4S and Vainodes I property valuations also include building expansion rights. The market value of the additional building rights is EUR 4.4 million for Postimaja, EUR 0.1 million for G4S and EUR 2.7 million for Vainodes I.

As of 31 December 2019:

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
Domus Pro, Vilnius (Lithuania)	DCF	- Discount rate	8.0% - 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 Shopping Centre, 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

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Property	Valuation technique	Key unobservable inputs	Range
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	5.0%
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	5.0%
Year of construction/renovation – 2018		- Exit yield	7.3%
		- Average rent (EUR/sq. m)	12.6
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 2020 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	2020: 6.0% - 8.0% 2019: 6.0% - 8.0%	An increase in exit yield in isolation would result in a lower value of Investment property.
		Discount rate	2020: 7.4% - 9.9% 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.	2020: 0.0% - 3.1% 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	2020: 1.0% - 5.0% 2019: 1.0% - 5.0%	An increase in long-term vacancy rate in isolation would result in a lower value of Investment property.

Sensitivity analysis of investment properties portfolio as at 31 December 2020 based on possible changes in exit yield and discount rate (WACC) are provided in the table below:

EUR '000		Movement in discount rate				
		-0.50%	-0.25%	0.00%	+0.25%	+0.50%
Movement in Exit yield	-0.50%	362,758	356,258	349,898	343,658	337,558
	-0.25%	354,568	348,218	342,058	335,968	330,108
	0.00%	346,698	340,548	**334,518**	328,668	323,088
	+0.25%	339,668	333,668	327,858	322,278	316,798
	+0.50%	333,128	327,328	321,748	316,278	310,948

Descriptions and definitions
The table above includes the following descriptions and definitions relating to valuation techniques and key unobservable inputs made in determining the fair values.

Discounted cash flows (DCF)
Under the DCF method, a property's fair value is estimated using explicit assumptions about the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This involves the projection of a series of cash flows and applying to this an appropriate, market-derived discount rate to establish the present value of the income stream. The duration of the cash flow and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related lease up periods, re-letting, redevelopment, or refurbishment.

Rental growth
The estimated average increase in rent based on both market estimations and contractual indexations.

Long-term vacancy rate
Long-term vacancy rate is determined based on the percentage of estimated vacant space divided by the total lettable area.

Discount rate
Rate used to discount the net cash flows generated from rental activities during the period of analysis.

Exit yield
A rate used to estimate the resale value of a property at the end of the holding period. The expected net operating income per year is divided by the terminal cap rate to get the terminal value. The exit yield is calculated according to the growth rate of the stabilized net operating income or based on forecast.

Highest and best use
For all investment property that is measured at fair value, the current use of the property is considered the highest and best use.

13. 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. On 6 February 2020, the Group signed a construction contract for the Meraki development project in Vilnius, Lithuania. The land plot was initially recognised as an investment property, but was reclassified to investment property under construction at the beginning of construction.

EUR '000	31.12.2020	31.12.2019
Balance at 1 January	**2,367**	**-**
Transfer from investment property	-	1,700
Additions	4,181	746
Net revaluation loss	(1,074)	(79)
Closing balance	**5,474**	**2,367**

As of 31 December 2020, the investment property under construction was valued by the independent external valuator Newsec.

Fair value hierarchy
The following table shows an analysis of the fair value of investment property under construction recognised in the statement of financial position by their level in the fair value hierarchy as at 31 December 2020:

EUR '000	Total fair value Level 3	Total gain or (loss) for 2020 recognised in profit or loss
Lithuania – Meraki (land)	5,474	(1,074)
Total	**5,474**	**(1,074)**

There were no transfers between levels during the years. Gains and losses recorded in profit or loss for the fair value measurement categorised within Level 3 of the fair value hierarchy amounted to a net loss of EUR 1,074 thousand as at 31 December 2020 (2019: a net loss of EUR 79 thousand) and are presented in the consolidated statement of profit or loss and other comprehensive income on the line 'Valuation losses on investment properties'.

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 2020 increased by capitalised costs (EUR 54 thousand) that were not considered during valuation.

As of 31 December 2020:

Property	Valuation technique		Key unobservable inputs	Range
Meraki, Vilnius (Lithuania)	DCF	-	Discount rate	18.0%
Net leasable area (NLA) – 15,621 sq. m		-	Rental growth p.a.	0.0% - 2.0%
Segment – Office		-	Long-term vacancy rate	5.0%
Year of construction/renovation – 2021		-	Exit yield	7.3%
		-	Average rent (EUR/sq. m)	12.0

As of 31 December 2019:

Property	Valuation technique		Key unobservable inputs	Range
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

Sensitivity analysis of investment property under construction as at 31 December 2020 based on possible changes in exit yield and discount rate (WACC) are provided in the table below:

EUR '000		Movement in discount rate				
		-0.50%	-0.25%	0.00%	+0.25%	+0.50%
Movement in Exit yield	-0.50%	6,914	6,854	6,794	6,734	6,674
	-0.25%	6,224	6,164	6,114	6,054	6,004
	0.00%	5,574	5,524	**5,474**	5,424	5,374
	+0.25%	4,974	4,934	4,884	4,834	4,794
	+0.50%	4,414	4,374	4,334	4,284	4,244

14. Trade and other receivables

EUR '000	31.12.2020	31.12.2019
Trade receivables, gross	2,021	1,644
Less impairment allowance for doubtful receivables	(589)	(399)
Accrued income	410	477
Other accounts receivable	59	72
Total	**1,901**	**1,794**

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

As at 31 December 2020, trade receivables at a nominal value of EUR 589 thousand were fully impaired (EUR 399 thousand as at 31 December 2019).

Movements in the impairment allowance for doubtful receivables were as follows:

EUR '000	2020	2019
Balance at 1 January	(399)	(221)
Acquisitions of subsidiaries	-	(190)
Charge for the period	(505)	(233)
Amounts written off	25	177
Reversal of allowances recognised in previous periods	290	68
Balance at end of period	**(589)**	**(399)**

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

EUR '000	Total	Neither past due nor impaired	Past due but not impaired				
			<30 days	30-60 days	60-90 days	90-120 days	>120 days
31.12.2020	**1,432**	742	397	165	53	-	75
31.12.2019	**1,245**	920	210	48	13	9	45

15. Other current assets

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

16. Cash and cash equivalents

EUR '000	31.12.2020	31.12.2019
Cash at banks and on hand	13,333	9,836
Total cash	**13,333**	**9,836**

As at 31 December 2020, the Group had to keep at least EUR 350 thousand (2019: EUR 350 thousand) of cash in its bank accounts due to certain restrictions in bank loan agreements.

17. Equity
17a. Paid in capital

The units are currently dual-listed on the Fund List of the Nasdaq Tallinn Stock Exchange and the Nasdaq Stockholm Alternative Investment Funds market. As at 31 December 2020, the total number of the Fund's units was 119,635,429 (as at 31 December 2019: 113,387,525). Units issued are presented in the table below:

EUR '000	Number of units	Amount
As at 1 January 2020	**113,387,525**	**138,064**
Units issued in October 2020	6,247,904	7,136
Total change during the period	**6,247,904**	**7,136**
As at 31 December 2020	**119,635,429**	**145,200**

Incremental costs directly attributable to the issue of units in the amount of EUR 90 thousand (2019: EUR 1,278 thousand) were recognised as a deduction from paid in capital.

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 2020 and 31 December 2019.

The Fund did not hold its own units as at 31 December 2020 and 31 December 2019.

17b. 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 2020 and 31 December 2019. Please refer to note 23 for more information.

EUR '000	2020	2019
Balance at the beginning of the year	**(1,556)**	**(1,005)**
Movement in fair value of existing hedges	(108)	(595)
Movement in deferred income tax (note 11)	3	44
Net variation during the period	**(105)**	**(551)**
Balance at the end of the period	**(1,661)**	**(1,556)**

17c. Dividends (distributions)

EUR '000	2020	2019
Declared during the period	(9,687)	(10,253)
Total distributions made	**(9,687)**	**(10,253)**

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).

On 31 January 2020, the Fund declared a cash distribution of EUR 3,175 thousand (EUR 0.028 per unit).
On 24 April 2020, the Fund declared a cash distribution of EUR 1,701 thousand (EUR 0.015 per unit).
On 24 July 2020, the Fund declared a cash distribution of EUR 1,701 thousand (EUR 0.015 per unit).
On 20 October 2020, the Fund declared a cash distribution of EUR 3,111 thousand (EUR 0.026 per unit).

On 4 February 2021, the Fund declared a cash distribution of EUR 1,316 thousand (EUR 0.011 per unit).

18. Interest bearing loans and borrowings

EUR '000	Maturity	Effective interest rate	31.12.2020	31.12.2019
Non-current borrowings				
Bonds	May 2023	4.25%	49,839	49,770
Bank 1	Jul 2022	3M EURIBOR + 1.30%	20,881	20,874
Bank 1	Aug 2021	3M EURIBOR + 1.75%	-	2,286
Bank 1	Aug 2021	6M EURIBOR + 1.40%	-	7,746
Bank 1	Feb 2022	6M EURIBOR + 1.40%	4,941	4,939
Bank 1	Dec 2022	6M EURIBOR + 1.40%	7,183	7,180
Bank 1	Nov 2024	3M EURIBOR + 1.55%	9,809	9,800
Bank 1	May 2022	3M EURIBOR + 1.55%	7,500	7,328
Bank 1	May 2022	6M EURIBOR + 1.55%	3,489	3,654
Bank 1	Sep 2023	3M EURIBOR + 1.75%	8,838	9,111
Bank 1	Mar 2024	6M EURIBOR + 2.65%	8,979	8,972
Bank 2	May 2022	6M EURIBOR + 2.75%	29,957	29,928
Bank 3	Aug 2023	1M EURIBOR + 1.55%	11,734	11,727
Bank 4	Mar 2023	6M EURIBOR + 2.15%	15,354	15,344
Bank 4	Feb 2023	6M EURIBOR + 1.38%	17,178	17,168
Lease liabilities			288	305
Less current portion of bank loans and bonds			(282)	(397)
Less current portion of lease liabilities			(18)	(17)
Total non-current debt			**195,670**	**205,718**
Current borrowings				
Bank 1	Aug 2021	3M EURIBOR + 1.75%	2,174	-
Bank 1	Aug 2021	6M EURIBOR + 1.40%	7,748	-
Current portion of non-current bank loans and bonds			282	397
Current portion of lease liabilities			18	17
Total current debt			**10,222**	**414**
Total			**205,892**	**206,132**

Financial covenants for bank loans

As of 31 December 2020, the Fund was in compliance with all special conditions and covenants set under the bank loan agreements except for ISCR ratio of the Europa property (carrying amount – EUR 20.9 million) which was below the required minimum level of 4.00 for the year 2020. The Fund received a formal waiver from the lender for the mentioned covenant breach. The waiver is valid until the end of Q3 2021. The covenant breach will not be construed as a loan default until end of Q4 2021. The Management is monitoring situation pro-actively with the bank to ensure timely measures.

Reconciliation of movements of liabilities to cash flow arising from financing

EUR '000	1 January 2020	Changes from financing cash flows	Acquisition	New leases	Other movements	Change in fair value	31 December 2020
Liabilities							
Interest bearing loans and borrowings (excluding lease liabilities)	205,827	(400)	-	-	177	-	205,604
Lease liabilities	305	(17)	-	-	-	-	288
Derivative financial instruments	1,728	-	-	-	-	35	1,763
Accrued financial expenses	410	(5,337)	-	-	5,347[1]	-	420
Total liabilities from financing activities	**208,270**	**(5,754)**	**-**	**-**	**5,524**	**35**	**208,075**
Equity							
Paid in capital	138,064	7,136	-	-		-	145,200
Retained earnings	16,010	(9,687)	-	-	(13,541)[2]	-	(7,218)
Total equity related changes	**154,074**	**(2,551)**	**-**	**-**	**(13,541)**	**-**	**137,982**
Total	**362,344**	**(8,305)**	**-**	**-**	**(8,017)**	**35**	**346,057**

1. During 2020, the Fund's interest expenses amounted to EUR 5,347 thousand. Please refer to note 9 for more information.
2. In 2020, the Fund earned a net loss of EUR 13,541 thousand. Please refer to note 10 for more information.

EUR '000	1 January 2019 (restated)[1]	Changes from financing cash flows	Acquisition	New leases	Other movements	Change in fair value	31 December 2019
Liabilities							
Interest bearing loans and borrowings (excluding lease liabilities)	140,507	29,407	35,813[2]	-	100	-	205,827
Lease liabilities	163	(16)	-	158	-	-	305
Derivative financial instruments	1,069		-	-	-	659	1,728
Accrued financial expenses	313	(4,465)	-	-	4,562[3]	-	410
Total liabilities from financing activities	**142,052**	**24,926**	**35,813**	**158**	**4,662**	**659**	**208,270**
Equity							
Paid in capital	93,673	44,726	-	-	(335)	-	138,064
Retained earnings	17,472	(10,253)	-	-	8,791[4]	-	16,010
Total equity related changes	**111,145**	**34,473**	**-**	**-**	**8,456**	**-**	**154,074**
Total	**253,197**	**59,399**	**35,813**	**158**	**13,118**	**659**	**362,344**

1. In 2019, the Group adopted IFRS 16 Leases, effective from 1 January 2019. As a result, the comparative figures were adjusted.
2. As part of BH Galerija Centrs SIA acquisition, the Group acquired a bank loan of EUR 35,813 thousand which was refinanced during 2019. Please refer to note 12 for more information.
3. During 2019, the Fund's interest expenses amounted to EUR 4,562 thousand. Please refer to note 9 for more information.
4. In 2019, the Fund earned a net profit of EUR 8,791 thousand. Please refer to note 10 for more information.

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Loan securities

Borrowings received were secured with the following pledges and securities as of 31 December 2020:

	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	Upmalas Biroji			
Bank 4	Coca-Cola Plaza and Postimaja, Duetto I and II			

*Please refer to note 12 for the carrying amounts of assets pledged at period end.

	Suretyship	Pledges of receivables	Pledge of land lease rights of the land plots	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	BH Northstar UAB	Europa, SKY, LNK and Vainodes I	BH Domus Pro UAB, Vainodes Krasti SIA, BH S27 SIA
Bank 2					BH Galerija Centrs SIA
Bank 3				Upmalas Biroji	
Bank 4		Duetto I and II	BH Duetto UAB	Duetto I and II	BH Duetto UAB

19. Trade and other payables

EUR '000	31.12.2020	31.12.2019
Payables related to Meraki development	1,291	-
Trade payables	829	875
Management fee payable	434	474
Accrued financial expenses	420	410
Tax payables	355	471
Accrued expenses	205	830
Other payables	106	111
Total trade and other payables	**3,640**	**3,171**

As of 31 December 2020, the Fund had a payable in the amount of EUR 1,278 thousand for the construction costs of the Meraki development project as per the construction contract signed on 6 February 2020. Other costs related to the Meraki construction works amounted to EUR 13 thousand.

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.

20. Commitments and contingencies

20a. Operating leases – the Group as a lessor

The Group leases real estate under operating leases. The terms of the leases are in line with normal practices in each market. Leases are reviewed or subject to automatic inflationary adjustments as appropriate.

The leasing arrangements entered into or in relation with the Group's investment properties portfolio which include a clause authorising tenants to terminate the leasing arrangements with up to six-month notice are not considered as non-cancellable leases.

Lease payments receivable under non-cancellable leases are shown below. For the purposes of this schedule it is conservatively assumed that a lease expires on the date of the first break option.

EUR '000	2020		2019	
Year of expiry or first break option	Amount receivable	%	Amount receivable	%
Within 1 year	19,297	35%	21,254	28%
Between 2 and 5 years	34,299	62%	47,445	64%
5 years and more	1,724	3%	5,680	8%
Total	**55,320**	**100%**	**74,379**	**100%**

20b. Litigation

As at 31 December 2020, there was no ongoing litigation, which could materially affect the consolidated financial position of the Group.

20c. 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.

20d. Contingent liabilities

The Group did not have any contingent liabilities at the end of 31 December 2020.

21. 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 8).

The Group's transactions with related parties during 2020 and 2019 were the following:

EUR '000	2020	2019
Northern Horizon Capital AS group		
Management fees	1,715	1,679
Performance fees	-	379

The Group's balances with related parties as at 31 December 2020 and 31 December 2019 were the following:

EUR '000	31.12.2020	31.12.2019
Northern Horizon Capital AS group		
Management fees payable	434	474
Accrued performance fees	-	545

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 did not own any units of the Fund as of 31 December 2020.

Supervisory Board of the Fund
As set out in Baltic Horizon Fund Rules, Supervisory Board members are entitled to remuneration for their service in the amount determined by the General Meeting. During 2020, the annual remuneration of the Supervisory Board of the Fund amounted to EUR 48 thousand (2019: EUR 48 thousand). Please refer to note 8 for more information regarding the total expenses related to the Supervisory Board 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 2020 and 31 December 2019 are presented in the tables below:

As at 31 December 2020

	Number of units	Percentage
Nordea Bank AB clients	53,451,511	44.68%
Raiffeisen Bank International AG clients	16,959,368	14.18%

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%

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

22. 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	
EUR '000	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Financial assets				
Trade and other receivables	1,901	1,794	1,901	1,794
Cash and cash equivalents	13,333	9,836	13,333	9,836
Derivative financial instruments	-	73	-	73
Financial liabilities				
Interest-bearing loans and borrowings				
Bank loans	(155,765)	(156,057)	(155,126)	(155,718)
Bonds	(49,839)	(49,770)	(50,001)	(50,687)
Trade and other payables	(3,640)	(3,171)	(3,640)	(3,171)
Derivative financial instruments	(1,763)	(1,728)	(1,763)	(1,728)

Fair value hierarchy

Quantitative disclosures of the Group's financial instruments in the fair value measurement hierarchy as at 31 December 2020 and 31 December 2019:

Period ended 31 December 2020

EUR '000	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Trade and other receivables	-	-	1,901	1,901
Cash and cash equivalents	-	13,333	-	13,333
Derivative financial instruments	-	-	-	-

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EUR '000	Level 1	Level 2	Level 3	Total fair value
Financial liabilities				
Interest-bearing loans and borrowings				
Bank loans	-	-	(155,126)	(155,126)
Bonds	-	-	(50,001)	(50,001)
Trade and other payables	-	-	(3,640)	(3,640)
Derivative financial instruments	-	(1,763)	-	(1,763)

Period ended 31 December 2019

EUR '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)

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 2020 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. The estimated fair values of the Group's interest-bearing loans and borrowings were determined using discount rates in a range of +1.14% and -1.34%.
- Cash and cash equivalents are attributed to Level 2 in the fair value hierarchy.

23. 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 4b and 17b for more information.

Derivative type EUR '000	Starting date	Maturity date	Notional amount	Variable rate (received)	Fixed rate (paid)	Fair value 31.12.2020	Fair value 31.12.2019
CAP	Nov 2017	Mar 2022	7,200	6M EURIBOR	1.0%*	-	-
CAP	May 2018	Feb 2023	17,200	6M EURIBOR	3.5%*	-	-
IRS	July 2019	May 2022	30,000	6M EURIBOR	-0.37%	-	73
Derivative financial instruments, assets						**-**	**73**
IRS	Aug 2016	Aug 2021	7,750	6M EURIBOR	0.05%	(27)	(46)
IRS	Aug 2017	Feb 2022	5,893	6M EURIBOR	0.305%	(55)	(76)
IRS	Sep 2017	May 2022	7,013	3M EURIBOR	0.26%	(80)	(102)
IRS	July 2019	May 2022	30,000	6M EURIBOR	-0.37%	(63)	-
IRS	Mar 2018	Nov 2022	6,860	6M EURIBOR	0.46%	(129)	(142)
IRS	Nov 2016	Aug 2023	10,575	1M EURIBOR	0.26%	(235)	(228)
IRS	Jan 2019	Sep 2023	5,800	3M EURIBOR	0.32%	(138)	(135)
IRS	May 2018	Apr 2024	4,920	3M EURIBOR	0.63%	(192)	(194)
IRS	Mar 2018	Aug 2024	18,402	3M EURIBOR	0.73%	(844)	(805)
Derivative financial instruments, liabilities						**(1,763)**	**(1,728)**
Net value of financial derivatives						**(1,763)**	**(1,655)**

*Interest rate cap

Derivative financial instruments were accounted for at fair value as at 31 December 2020 and 31 December 2019. The maturity of the derivative financial instruments of the Group is as follows:

Classification according to maturity EUR '000	Liabilities 31.12.2020	Liabilities 31.12.2019	Assets 31.12.2020	Assets 31.12.2019
Non-current	(1,736)	(1,728)	-	73
Current	(27)	-	-	-
Total	**(1,763)**	**(1,728)**	**-**	**73**

24. Subsequent events

On 4 February 2021, the Fund declared a cash distribution of EUR 1,316 thousand (EUR 0.011 per unit) to unitholders.

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

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25. List of consolidated companies

Name	Registered office	Registration Number	Date of incorporation / acquisition	Activity	Interest in capital
BH Lincona OÜ	Hobujaama str. 4, Tallinn, Estonia	12127485	20 June 2011	Asset holding company	100%
BH Domus Pro UAB	Ukmergės str. 308-1, Vilnius, Lithuania	225439110	1 May 2014	Asset holding company	100%
BOF SKY SIA	Valdemara str. 21-20, Riga, Latvia	40103538571	27 March 2012	Asset holding company	100%
BH CC Plaza OÜ	Hobujaama str. 4, Tallinn, Estonia	12399823	11 December 2012	Asset holding company	100%
BH Europa UAB	Konstitucijos ave. 7A-1, Vilnius, Lithuania	300059140	2 March 2015	Asset holding company	100%
BH P80 OÜ	Hobujaama str. 5, Tallinn, Estonia	14065606	6 July 2016	Asset holding company	100%
Kontor SIA	Mūkusalas str. 101, Rīga, Latvia	40003771618	30 August 2016	Asset holding company	100%
Pirita Center OÜ	Hobujaama str. 5, Tallinn, Estonia	12992834	16 December 2016	Asset holding company	100%
BH Duetto UAB	Spaudos str. 8-1, Vilnius, Lithuania	304443754	13 January 2017	Asset holding company	100%
Vainodes Krasti SIA	Audeju str. 16, 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%
BH Galerija Centrs SIA	Audeju str. 16, Riga, Latvia	40003311422	13 June 2019	Asset holding company	100%
BH Northstar UAB	Ulonų str. 2, Vilnius, Lithuania	305175896	29 May 2019	Asset holding company	100%

MANAGEMENT APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of Baltic Horizon Fund were approved for issue by the Management Board of the Management Company on 19 March 2021.

Tarmo Karotam Chairman of the Management Board	Aušra Stankevičienė Member of the Management Board	Algirdas Jonas Vaitiekūnas Member of the Management Board

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.

Cash ratio
The ratio is calculated as cash and cash equivalents divided by current liabilities.

Current ratio
The ratio is calculated as current assets divided by current liabilities.

Direct Property Yield
NOI divided by acquisition value and subsequent capital expenditure of the property.

Dividend
Cash distributions paid out of the cash flows of the Fund in accordance with the Fund Rules.

Equity ratio
The ratio is calculated as total equity divided by total assets.

Fund
Baltic Horizon Fund.

GAV
Gross Asset Value of the Fund.

IFRS
International Financial Reporting Standards.

LTV
Loan to value ratio. The ratio is calculated as the amount of the external bank loan debt less lease liabilities (IFRS 16) divided by the carrying amount of investment property (including investment property under construction).

Management Company
Northern Horizon Capital AS, register code 11025345.

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.

Net Initial Yield
NOI divided by market value of the property.

Net LTV
Net Loan to value ratio. The ratio is calculated as the amount of the external bank loan debt less lease liabilities (IFRS 16) and cash and cash equivalents divided by the carrying amount of investment property (including investment property under construction).

NOI
Net operating income.

Occupancy rate
The ratio is calculated as rented area divided by net leasable area.

Quick ratio
The ratio is calculated as current assets less inventory and prepaid expenses divided by current liabilities.

Return on assets
The ratio is calculated as profit/loss for the period divided by average assets.

Return on equity
The ratio is calculated as profit/loss for the period divided by average equity.