INTERIM REPORT

Q3 2021

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2021

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Baltic Horizon Fund

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

KEY FIGURES

Key earnings figures	Unit	Q1-Q3 2021	Q1-Q3 2020	Change
Rental income	EUR '000	14,844	16,549	(10.3%)
Net rental income	EUR '000	13,206	15,189	(13.1%)
Net rental income margin[1]	%	89.0	91.8	-
Valuation losses on investment properties	EUR '000	(14,264)	(15,757)	(9.5%)
EBIT	EUR '000	(3,290)	(2,587)	27.2%
EBIT margin[2]	%	(22.2)	(15.6)	
Net loss	EUR '000	(6,879)	(6,863)	0.2%
Net loss margin	%	(46.3)	(41.5)	-
Earnings per unit	EUR	(0.06)	(0.06)	-
Generated net cash flow[3]	EUR '000	6,742	8,759	(23.0%)
Dividends per unit[4]	EUR/unit	0.039	0.056	(30.4%)
Generated net cash flow per unit[5]	EUR/unit	0.056	0.078	(28.2%)
Gross rolling dividend yield[6]	%	4.5	7.5	-

Key financial position figures	Unit	30.09.2021	31.12.2020	Change
Total assets	EUR '000	349,555	355,602	(1.7%)
Return on assets (TTM)	%	(3.8)	(3.7)	-
Total equity	EUR '000	126,079	136,321	(7.5%)
Equity ratio	%	36.1	38.3	-
Return on equity (TTM)	%	(10.2)	(9.4)	-
Interest-bearing loans and borrowings	EUR '000	209,831	205,892	1.9%
Total liabilities	EUR '000	223,476	219,281	1.9%
LTV	%	63.3	60.5	-
Average cost of debt	%	2.7	2.6	-
Weighted average duration of debt	years	1.4	2.1	-
Current ratio	times	0.2	1.1	-
Quick ratio	times	0.2	1.0	-
Cash ratio	times	0.2	0.9	-
IFRS NAV per unit	EUR	1.0539	1.1395	(7.5%)

Key property portfolio figures	Unit	30.09.2021	31.12.2020	Change
Fair value of portfolio	EUR '000	330,860	339,992	(2.7%)
Properties[7]	number	16	16	-
Net leasable area	sq. m	153,351	153,345	-
Occupancy rate	%	92.9	94.3	-

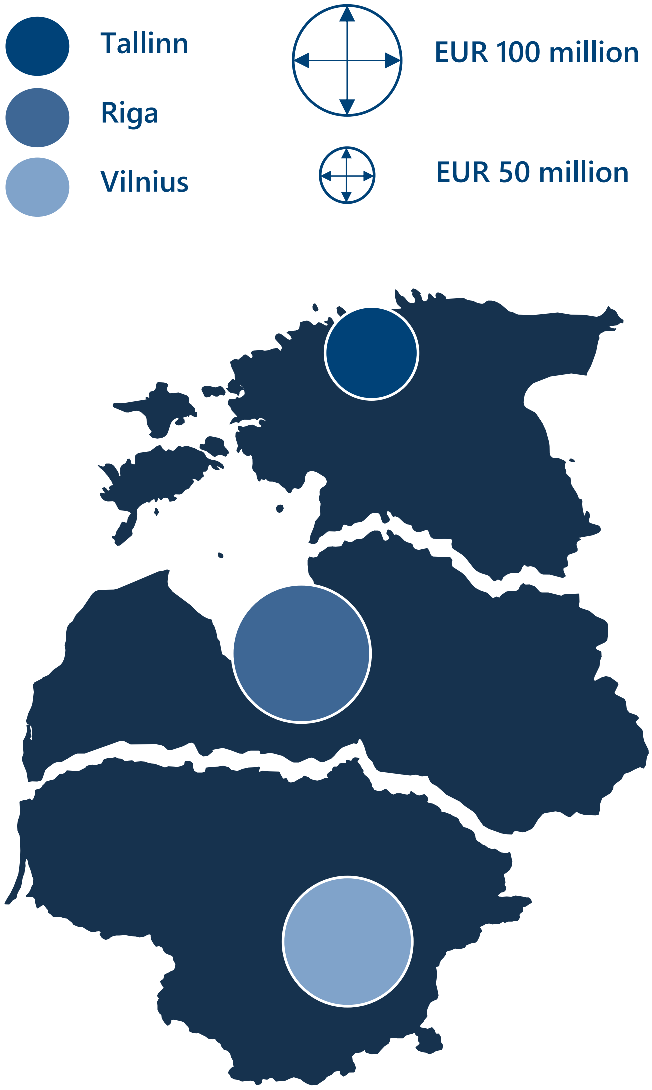
Key property portfolio figures	Unit	Q1-Q3 2021	Q1-Q3 2020	Change
Direct property yield	%	5.1	5.8	-
Net initial yield	%	5.4	5.8	-

Key unit figures	Unit	30.09.2021	31.12.2020	Change
Number of units outstanding	units	119,635,429	119,635,429	-
Closing unit price	EUR	1.1200	1.1550	(3.0%)
Closing unit price	SEK	11.25	11.65	(3.4%)
Market capitalisation[8]	EUR	133,326,648	138,357,617	(3.6%)

Key EPRA figures	Unit	Q1-Q3 2021	Q1-Q3 2020	Change
EPRA Earnings	EUR '000	6,749	8,874	(23.9%)
EPRA Earnings per unit	EUR	0.06	0.08	(25.0%)

Key EPRA figures	Unit	30.09.2021	31.12.2020	Change
EPRA NRV (Net Reinstatement Value)	EUR '000	134,864	146,180	(7.7%)
EPRA NRV per unit	EUR	1.1273	1.2219	(7.7%)
EPRA NTA (Net Tangible Assets)	EUR '000	134,864	146,180	(7.7%)
EPRA NTA per unit	EUR	1.1273	1.2219	(7.7%)
EPRA NDV (Net Disposal Value)	EUR '000	126,235	136,798	(7.7%)
EPRA NDV per unit	EUR	1.0552	1.1435	(7.7%)

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. Distributions to unitholders for 2020/2021 Fund results.
5. Generated net cash flow per weighted average numbers of units during the period.
6. Gross dividend yield is based on the closing market price of the unit as at the end of the period (Q3 2021: closing market price of the unit as of 30 September 2021).
7. Properties includes 15 established cash flow properties and Meraki development project.
8. Based on the closing prices and split between units on the Nasdaq Tallinn and the Nasdaq Stockholm Stock Exchanges.



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.

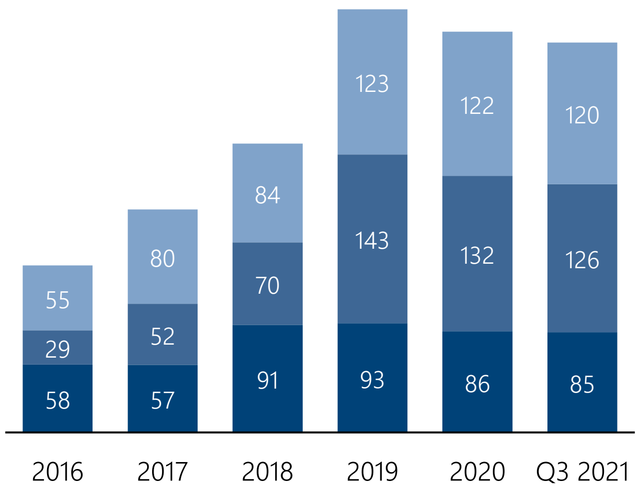
The Fund aims to use a 55% long-term leverage strategy. At no point in time may the Fund's leverage exceed 65%.

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	19.7%
2. Europa SC	10.7%
3. Postimaja	9.0%
4. Upmalas Biroji BC	6.4%
5. Duetto II	5.9%
6. North Star	5.7%
7. Vainodes	5.5%
8. Duetto I	5.0%
9. Domus PRO Retail Park	4.9%
10. LNK Centre	4.9%
11. Others	22.3%

Q3 2021 AT A GLANCE

Quarterly cash distribution

On 16 August 2021, the Fund distributed EUR 1.32 million to investors (EUR 0.011 per unit). This equals approx. 0.98% of the Fund's Q2 2021 weighted average net asset value. The payout also represents a 5.0% rolling distribution yield for the past 12 months based on the closing unit price of the last day of Q2 2021 on the Nasdaq Tallinn Stock Exchange.

Baltic Horizon wins EPRA Gold award

Baltic Horizon Fund received a prestigious award at the European Public Real Estate Association (EPRA) virtual annual conference 2021 for the second year in a row. 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. EPRA assessed the financial statements of 181 European listed real estate entities as part of its annual award process.

Extension of bank loans

On 14 July 2021, the Fund extended a EUR 7.8 million bank loan to finance G4S Headquarters. According to the agreement, the maturity date of the loan is 31 October 2022.

On 19 July 2021, the Fund extended a EUR 2.1 million bank loan to finance Sky SC. According to the agreement, the maturity date of the loan is 31 January 2022.

Property management

As of 1st September 2021, CBRE Baltics and Censeo became the partners of Baltic Horizon Fund and will be providing property management, leasing and accounting services for the entire portfolio of the Fund. Censeo will provide services to the Lithuanian business centres Duetto and North Star, as well as to the Domus Pro shopping centre and office complex. CBRE Baltics will provide services to the remaining portfolio.

Two buildings receive BREEAM certification

Baltic Horizon is aiming to certify all currently operational office assets by the end of 2021 using BREEAM In-Use environmental assessment method. During Q3 2021, the Fund's North Star and G4S Headquarters properties were awarded the BREEAM In-Use "Very Good" environmental certification.

COVID-19 UPDATE

COVID-19 – update and 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 and 2021.

At the end of 2020, the Baltic countries entered the second round of lockdowns and heavy government restrictions for residents and businesses to fight the spread of the COVID-19 virus. Shopping centres were forced to close for a limited period except for essential retail shops (groceries, pharmacies). In summer 2021, all three Baltics countries eased COVID-19 restrictions as new virus cases dropped and the situation stabilised. However, COVID-19 cases in all three countries started to substantially increase at the end of Q3 2021. As a result of spiking cases, Latvian government decided to reimpose the lockdown for a period between 21 October to 15 November. At the date of this report, Galerija Centrs is operating with heavy restrictions.

BHF's operating results of Q3 2021 were affected by the COVID-19 lockdown 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 throughout the year. The Fund's operational performance has largely recovered once heavy restrictions were lifted in all Baltic countries.

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 6.4 million of distributable cash flow from the results to strengthen the 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 below 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.
- 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 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. According to the information provided by Eurostat of annual change for 2020, based on seasonally and calendar adjusted data, GDP decreased by -6.0% in the EU. The Baltic economies showed resilience to the COVID-19 crisis with the annual GDP decline in 2020 for Lithuania, Estonia and Latvia at only -0.9%, -2.9% and -3.6%, respectively.

The quarter-on-quarter GDP growth rates in the Baltic states were among the higher ones in the EU during Q2 2021. GDP increased for the majority of EU member states during Q2 2021 outlining accelerating growth of the economies. According to Eurostat, GDP increased by 2.0% in the EU over Q2 2021. Among the EU member states for which data are available for Q2 2021, Ireland recorded the highest increase of +6.3% compared to the previous quarter, followed by Portugal (+4.5%) and Austria (+4.0%). Meanwhile, the GDP change of other countries mostly remained in the range of approx. 0%-2% during Q2 2021. Out of the three Baltic countries Estonia's GDP grew the most (+4.3%), while Lithuania's and Latvia's GDP increased by 2.0% and 2.6% respectively during Q2 2021. Baltic countries have been outperforming most of other EU countries in terms of GDP growth for a whole year now.

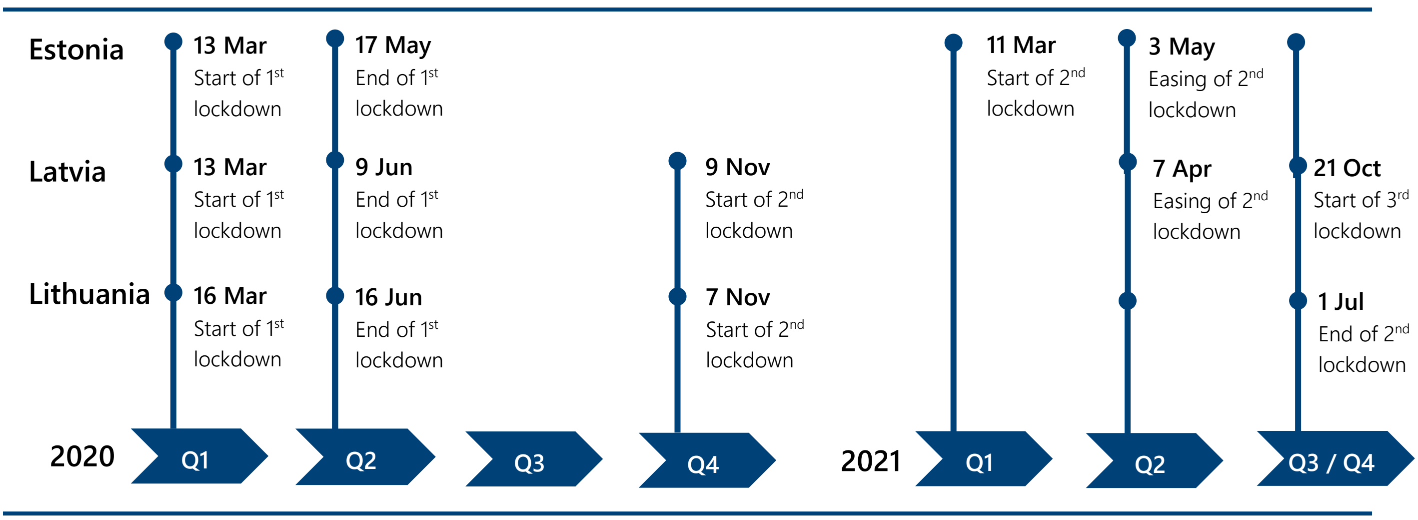
It is expected that the Baltic economies will continue to be one of the fastest growing economies in the EU after the pandemic. The rapid bounce back of the economy and retail spending during post-lockdown periods demonstrates that economies can recover quickly from economic downturns caused by the pandemic.

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 had a negative impact on the Fund's performance in Q3 2021. By 4 November 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 majority of tenant support measures were granted to tenants occupying premises in CBD areas due to low turnovers throughout lockdowns. 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 maintain tenants on the premises and to maintain trade receivables and operating cash inflows at healthy levels during 2021. Discounts in 2021 were mostly granted during January – May 2021. Reopening of retail shops and other businesses led to a substantial reduction of discounts and improvement in operational performance starting from June 2021.



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.

In Q2 and Q3 2021, the sales figures for neighbourhood shopping centres for grocery chains and other necessity stores remained quite strong, even sometimes exceeding pre-COVID levels. In centrally located centres sales and footfall figures showed promising recovery from the lockdowns but are yet to fully recover. Growth in sales and footfall figures in September was limited due to increasing COVID-19 cases in all Baltic countries, especially in Lithuania and Latvia. It is expected, however, that temporary restrictions should not diminish the confidence of the population to visit and buy goods in larger shopping centres for a prolonged time. At the date of this report, approx. 61% of the population had been fully vaccinated against the COVID-19 virus in Lithuania, followed by Estonia with approx. 57% and Latvia with approx. 53% as compared to 55% for Europe.

The CC Plaza cinema building was closed from March until the end of May. Cinema lovers can now enjoy newly released and upcoming blockbuster movies to be premiered during the remainder of 2021.

Although Baltic retail centres have been affected by the COVID-19 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 fewer 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.

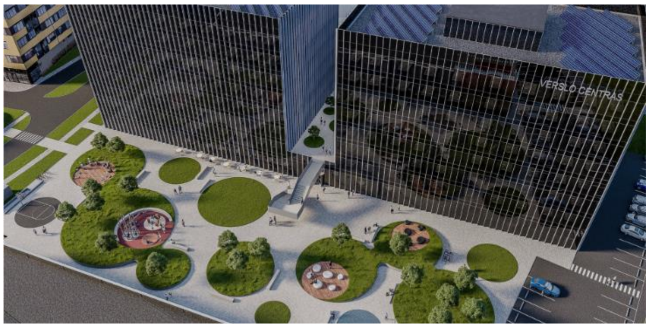
Our management and retail teams have been preparing for a concept change for several years. Architects and designers have been meticulously working on the new concepts and as building permits have been received, 2021 will be the time for execution. We have hired the most innovative interior designers 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 the NOI of these properties by 25% in the long-term compared to the pre-crisis levels. In Europa SC, we have already been able to attract Pinko to open their first store in the Baltics. Several noticeable sales promotions with famous Lithuanian celebrities have been launched in Europa as part of the planned concept change after the reconstruction.

During the pandemic, in the office segment across the Baltics, many tenants adopted remote working practices where the nature of the job allowed it. 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. The COVID-19 crisis has had a very limited impact on Baltic Horizon's office segment due to fixed lease agreements but also as many tenants are expecting their employees to go back to the offices after the pandemic ends.

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 21.8% of total portfolio NOI in Q1-Q3 2021.

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.

At the end of Q3 2021, approx. 8% of the net leasable area of one tower was let to 2 local tenants and the management team is in negotiations to find anchor and additional tenants for the property. The first tower is expected to be completed in Q2 2022 and the second one in 2023. Meraki development costs were EUR 10.7 million as of 30 September 2021 and the expected total development costs amount to EUR 32.7 million

Europa

At the end of 2020, the Fund's management initiated the Europa SC refurbishment project with the aim of introducing a new concept that would meet growing central business district (CBD) and clients' post-COVID-19 needs (free working zones, dining, etc.). The first phase of the project (simple repair of the ground, 2nd and 3rd floor interior, food hall and outdoor terraces) is planned to be completed by the end of 2021, while the second phase (capital repair, new and reconstructed vertical connections) will be completed in Q1 2022 (municipality approval for capital repairs was received in October 2021). At the beginning of 2021, the Fund announced intentions to invest approx. EUR 5 million in the reconstruction of Europa SC during 2021 with the aim of creating a food hall, upgrading interior design and installing new vertical connections. The shopping centre will remain open throughout the whole reconstruction period. The Fund has already signed a master lease contract with the food hall operator (860 sq. m, 10 restaurants), completed project design stage, selected main contractor - JSC Agentus. The simple repair stage started in September 2021.

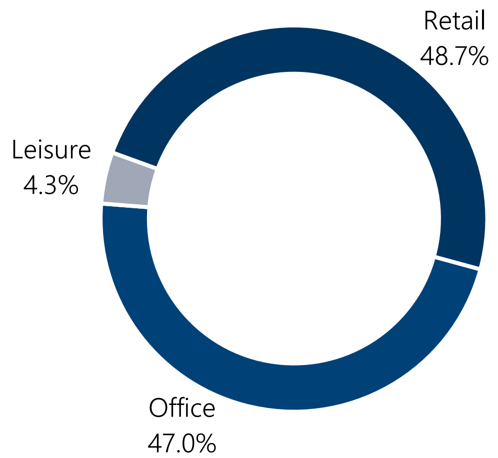
Postimaja

A final design and construction project was started in Q1 2020 for phase I of connecting the Postimaja and CC Plaza buildings. A building permit to connect underground parking has been received from the City of Tallinn. The final building permit for joining the two buildings was received in January 2021.

At the current stage the Fund is preparing control estimates of the project to set the precise time schedule and start signing letters of intent with the anchor and core tenants in the reconstruction area. In parallel the Fund is actively discussing with Tallinn municipality the plans to have a tram stop in front of Postimaja SC.

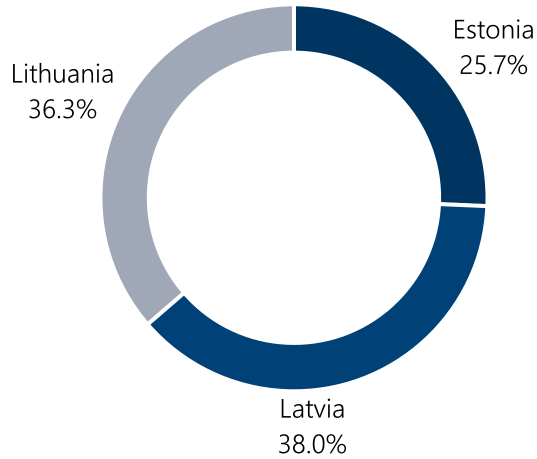
Property performance

Fund segment distribution as of 30 September 2021



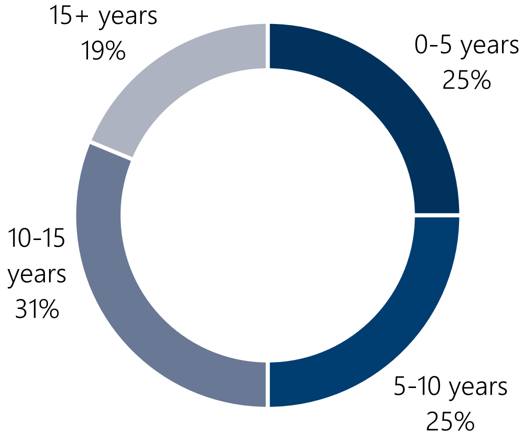
The Fund maintains a well-diversified mix of office, leisure, and retail buildings. At the end of Q3 2021, the portfolio was comprised of 48.7% retail assets, followed by 47.0% office assets and 4.3% leisure assets. Portfolio properties in the office segment contributed 62.4% of net rental income in Q1-Q3 2021 despite accounting for only 47.0% of the Fund's portfolio.

Fund country distribution as of 30 September 2021



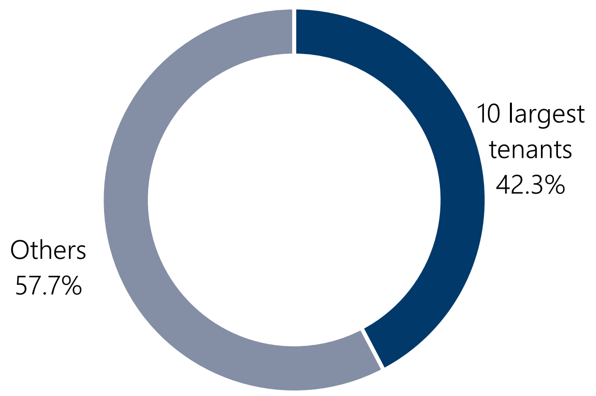
In terms of country distribution, in Q3 2021 Lithuania's share in the Fund's portfolio increased due to ongoing Meraki development works. At the end of Q3 2021, the Fund's assets were located as follows: 38.0% in Latvia, 36.3% in Lithuania and 25.7% in Estonia.

Fund portfolio by age as of 30 September 2021



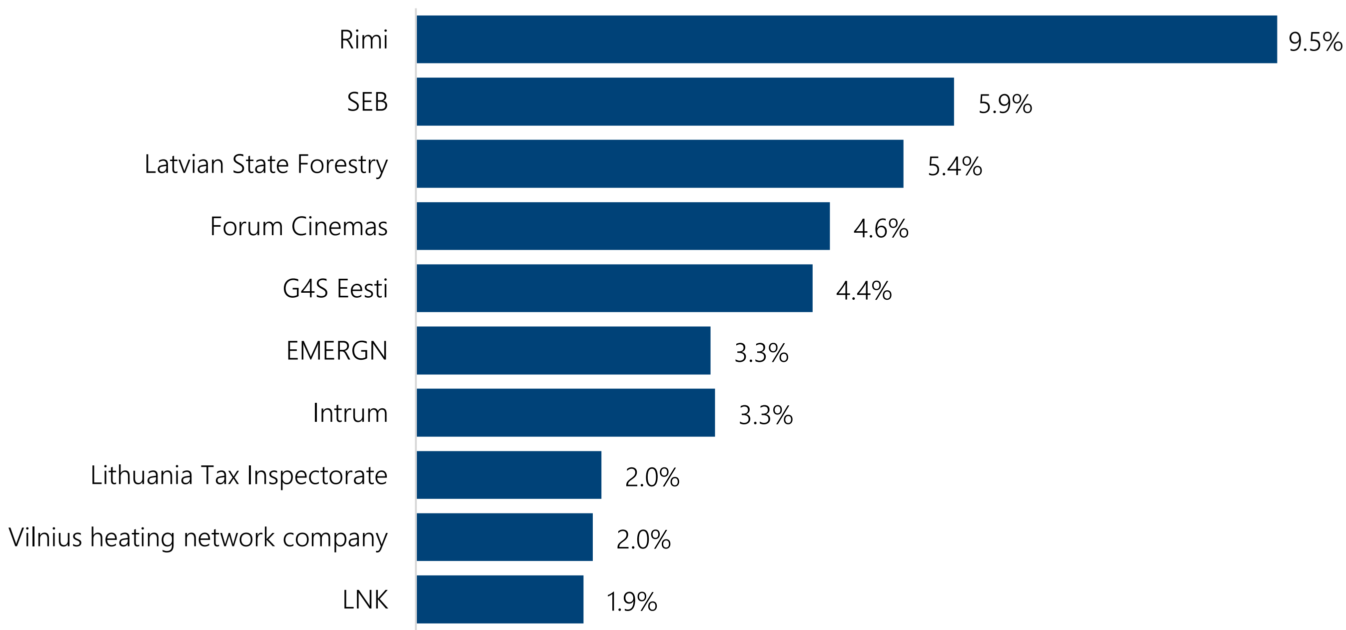
The graph above shows the age of assets in the Fund's portfolio since construction or the last major refurbishment. The management team is working on new development projects and expects to improve the Fund's average portfolio age in the future.

Rental concentration of the Fund's subsidiaries as of 30 September 2021



The tenant base of the Fund is well diversified. Baltic Horizon Fund has around 230 tenants in the portfolio. The rental concentration of the Fund's subsidiaries (rental income from the 10 largest tenants) is shown in the following chart with the largest tenant Rimi Baltic accounting for 9.4% 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 30 September 2021



Overview of the Fund's investment properties as of 30 September 2021

Property name	Sector	Fair value[1] (EUR '000)	NLA (sq. m)	Direct property yield Q3 2021[2]	Net initial yield Q3 2021[3]	Occupancy rate
Vilnius, Lithuania						
Duetto I	Office	16,569	8,587	8.0%	7.2%	100.0%
Duetto II	Office	19,455	8,674	7.4%	7.1%	100.0%
Europa SC	Retail	35,284	16,856	2.7%	2.9%	82.0%
Domus Pro Retail Park	Retail	16,241	11,247	8.3%	8.0%	99.5%
Domus Pro Office	Office	7,620	4,831	8.9%	7.6%	91.6%
North Star	Office	18,999	10,550	6.0%	6.6%	89.7%
Meraki Development		6,072	-	-	-	-
Total Vilnius		**120,240**	**60,745**	**5.9%**	**5.9%**	**92.5%**
Riga, Latvia						
Upmalas Biroji BC	Office	21,244	10,459	7.4%	8.3%	100.0%
Vainodes I	Office	18,141	8,052	6.7%	8.0%	100.0%
LNK Centre	Office	16,124	7,453	6.4%	6.8%	100.0%
Sky SC	Retail	4,916	3,254	7.3%	7.5%	96.9%
Galerija Centrs	Retail	65,181	20,022	2.6%	3.0%	80.6%
Total Riga		**125,606**	**49,240**	**4.6%**	**5.3%**	**91.9%**
Tallinn, Estonia						
Postimaja & CC Plaza complex	Retail	29,852	9,145	3.4%	4.1%	92.9%
Postimaja & CC Plaza complex	Leisure	14,260	8,664	9.1%	7.6%	100.0%
G4S Headquarters	Office	15,401	9,179	7.7%	7.8%	100.0%
Lincona	Office	15,911	10,870	7.2%	7.1%	90.3%
Pirita SC	Retail	9,590	5,508	5.9%	7.7%	88.5%
Total Tallinn		**85,014**	**43,366**	**5.9%**	**6.3%**	**94.6%**
Total portfolio		**330,860**	**153,351**	**5.4%**	**5.8%**	**92.9%**

1. Based on the latest valuation as at 30 June 2021, subsequent capital expenditure and recognised right-of-use assets.
2. Direct property yield (DPY) is calculated by dividing annualized NOI by the acquisition value and subsequent capital expenditure of the property.
3. The net initial yield (NIY) is calculated by dividing annualized NOI by the market value of the property.

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 Q3 2021, the average actual occupancy of the portfolio was 93.1% (Q2 2021: 93.9%). The occupancy rate as of 30 September 2021 was 92.9% (30 June 2021: 93.7%). Occupancy rates in the retail segment dipped, mostly due to the Europa SC reconstruction as part of the premises were temporarily vacated to be reconstructed in upcoming months. Occupancy rates in the office segment remained strong, but slightly decreased resulting from a temporary vacancy in Domus PRO Office at the end of Q3 2021. This building was once again fully occupied at the beginning of November as a new tenant moved to the vacant premises. The average direct property yield during Q3 2021 was 5.4% (Q2 2021: 5.2%). The net initial yield for the whole portfolio for Q3 2021 was 5.8% (Q2 2021: 5.5%). Property yields increased compared to Q2 2021 albeit rent vacancies and relief measures are still affecting the Fund's performance. The average rental rate for the whole portfolio for Q3 2021 was EUR 12.2 per sq. m (Q2 2021: EUR 11.3 per sq. m).

Breakdown of NOI development

Property	Date of acquisition	2016	2017	2018	2019	2020	Q1-Q3 2020	Q1-Q3 2021
Postimaja & CC Plaza complex	8 March 2013[1]	972	985	2,447	2,495	1,932	1,479	1,369
Upmalas Biroji BC	30 August 2016	515	1,693	1,710	1,701	1,661	1,268	1,312
Galerija Centrs	13 June 2019	-	-	-	2,552	3,023	2,507	1,301
Vainodes I	12 December 2017	-	75	1,463	1,462	1,464	1,096	1,099
Duetto II	27 February 2019	-	-	-	1,090	1,354	1,014	1,009
G4S Headquarters	12 July 2016	546	1,149	1,189	1,127	1,223	917	923
North Star	11 October 2019	-	-	-	315	1,419	1,064	921
Duetto I	22 March 2017	-	799	1,096	1,160	1,166	867	914
Lincona	1 July 2011	1,202	1,172	1,192	1,276	1,212	935	844
Domus Pro Retail	1 May 2014	1,103	1,185	1,160	1,132	1,092	800	844
LNK Centre	15 August 2018	-	-	409	1,072	1,090	819	824
Europa SC	2 March 2015	2,360	2,365	2,332	2,467	1,681	1,219	813
Domus Pro Office	1 October 2017	-	35	499	562	538	394	400
Pirita SC	16 December 2016	30	900	900	438	677	507	335
Sky SC	7 December 2013	425	410	407	370	402	303	298
Total portfolio		**7,153**	**10,768**	**14,804**	**19,219**	**19,934**	**15,189**	**13,206**

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

The Fund's portfolio produced EUR 13.2 million of net operating income (NOI) during Q1-Q3 2021 and EUR 4.7 million during Q3 2021 (Q1-Q3 2020: EUR 15.2 million; Q3 2020: EUR 4.8 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 comparable 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 2021 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 30.09.2021	Net rental income Q1-Q3 2021	Net rental income Q1-Q3 2020	Change (EUR '000)	Change (%)
Like-for-like assets					
Retail	161,064	4,355	6,164	(1,809)	(29.3%)
Office	149,464	8,246	8,374	(128)	(1.5%)
Leisure	14,260	605	651	(46)	(7.1%)
Total like-for-like assets	**324,788**	**13,206**	**15,189**	**(1,983)**	**(13.1%)**
Acquired assets	-	-	-	-	-
Development assets	6,072	-	-	-	-
Total portfolio assets	**330,860**	**13,206**	**15,189**	**(1,983)**	**(13.1%)**

Net rental income of the portfolio on a like-for-like basis decreased by 13.1% or EUR 1,983 thousand in Q1-Q3 2021, 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 of providing support to tenants in connection with the lockdown periods of the COVID-19 crisis. During Q2 2021, the Fund recognised a one-off rental guarantee write-off associated with Pirita SC in the amount of EUR 0.2 million.

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 1.5%. The decrease in office performance was caused by temporary discounts granted to restaurants and increased vacancies in Lincona and North Star. Most of the other properties saw an uplift in net rental income during Q1-Q3 2021 compared to the same period last year. It is evident that the performance of retail and leisure segments was heavily affected by the COVID-19 pandemic during the second wave. The Fund's management team decided to provide sizeable support to the tenants with the aim of keeping them on the premises long-term. Such a strategy allowed the Fund to maintain occupancy levels at relatively stable levels considering the situation in the market and create ground for a quick recovery for periods when major COVID-19 pandemic restrictions are lifted.

Like-for-like net rental income changes in all three Baltic countries were negative throughout Q1-Q3 2021 compared to Q1-Q3 2020. The overall performance of each country was mostly influenced by the weaker performance of CBD shopping centres due to forced closures.

Several assets of the portfolio showed positive results even throughout the second wave of COVID-19. In Q1-Q3 2021, the net rental income of Duetto I, Vainodes I, LNK Centre, G4S Headquarters, Domus Pro Retail, Domus Pro Office and Upmalas Biroji BC exceeded the previous year's results. Solid performance of the aforementioned assets as well as operating cost reductions across the portfolio helped to reduce the negative impact of the COVID-19 related loss in rental income on the overall performance of the portfolio.

EPRA like-for-like net rental income by country

EUR '000	Fair value 30.09.2021	Net rental income Q1-Q3 2021	Net rental income Q1-Q3 2020	Change (EUR '000)	Change (%)
Like-for-like assets					
Estonia	85,014	3,471	3,838	(367)	(9.6%)
Latvia	125,606	4,834	5,993	(1,159)	(19.3%)
Lithuania	114,168	4,901	5,358	(457)	(8.5%)
Total like-for-like assets	**324,788**	**13,206**	**15,189**	**(1,983)**	**(13.1%)**
Acquired assets	-	-	-	-	-
Development assets	6,072	-	-	-	-
Total portfolio assets	**330,860**	**13,206**	**15,189**	**(1,983)**	**(13.1%)**

Estonia

Economy

The Estonian economy adapted very quickly to the changed environment when the COVID-19 crisis started and the blow to the economy was softened quite effectively by the local economic and employment stimulus package. Estonia's GDP dropped at the beginning of the COVID-19 pandemic due to a decrease in private spending and lower investments but the recovery in Q3 2020 was stronger than expected. Economic metrics decreased during Q4 2020 but bounced back strongly during Q1 and Q2 2021. According to Eurostat, in Q2 2021 the GDP of Estonia increased by 4.3% compared with the previous quarter. Economic outlook for the Estonian market is improving as demand for manufacturing and services sectors and government spending is rapidly increasing.

	2020	2021	2022
GDP	(2.9%)	4.9%	3.8%
Inflation	(0.6%)	2.2%	2.4%

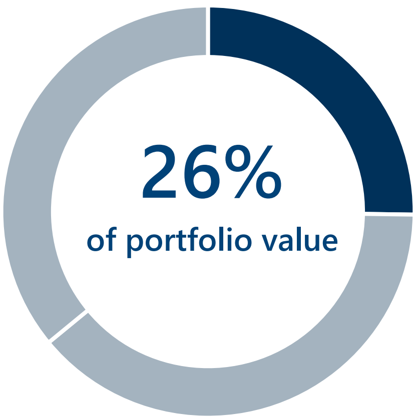
Source: European Commission Economic Forecast, Summer 2021

Portfolio

Portfolio properties based in Estonia started the year with a downward movement in the net rental income and other key portfolio metrics. The trend reversed at the end of half-year leading to a slight improvement in operational metrics during Q2 and Q3 2021. The Fund supported the tenant operating a cinema in CC Plaza during lockdowns which led to reduced rental income in the previous quarters. Once the cinema reopened in May, it was agreed that the tenant will pay the full rental payments as agreed in the contract. Similar arrangements with tenants in Postimaja led to a substantial increase in net rental income for Estonia during Q3 2021.

Office properties' results remained relatively stable during Q3 2021. Operational results in the retail segment improved during Q3 2021 after the easing of COVID-19 restrictions (excluding the Pirita SC rental guarantee write-off). Q1 2021 results were heavily impacted by additional safety restrictions imposed by the government. As a result of restrictions, the Fund granted relief measures after extensive discussions, mostly to retail/leisure tenants to support them during the hardship. Key performance metrics in Q2 and Q3 2021 showed an uplift after the easing of government restrictions.

During Q3 2021, the average direct property yield increased to 5.9% (Q2 2021: 5.1%), while the average net initial yield was 6.3% (Q2 2021: 5.4%). The yields exclude the Pirita SC one-off rental guarantee write-off of EUR 0.2 million made in Q2 2021. The increase in yields is mainly related to lower rental reliefs granted to retail tenants in the Postimaja and Coca Cola Plaza complex. The average occupancy level for Q3 2021 decreased to 94.7% (Q2 2021: 94.8%). The occupancy rate as of 30 September 2021 was 94.6% (30 June 2021: 94.9%). During the quarter, occupancy slightly dropped in Postimaja SC and Pirita SC after several small tenants vacated their premises. At the end of Q3 2021, 2 out of the 5 properties in Estonia were fully leased out to local and international tenants.



5
Properties

94.6%
Occupancy rate

43,366
Total leasable area (sq. m)

5.9%
Direct property yield

3.5m
Net rental income (EUR)

85.0m
Portfolio value (EUR)

Latvia

Economy

After a negative start of the year, the Latvian economic situation quickly improved and showed promising results in Q2 2021. The easing of restrictions resulted in an expansion of 2.6% in Latvia's GDP during Q2 2021 compared to the previous quarter according to seasonally adjusted data from Eurostat. GDP growth in Q2 2021 compared to the same quarter in 2020 reached 10.5%. It is evident that this recovery is accompanied by rising labour and materials shortages which have caused price surges in various sectors. Future growth will depend heavily on the situation with COVID-19 albeit recent economic growth points to potential further growth in Latvian economic indicators.

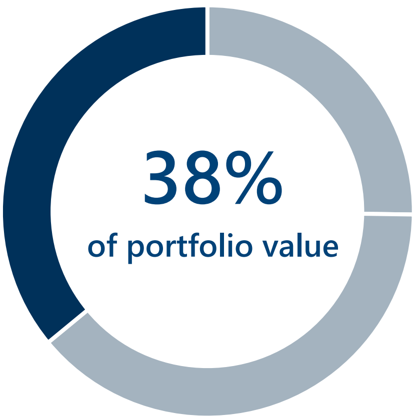
	2020	2021	2022
GDP	(3.6%)	3.8%	6.0%
Inflation	0.1%	2.0%	2.1%

Source: European Commission Economic Forecast, Summer 2021

Portfolio

Latvian properties recognised the highest like-for-like decrease in net rental income year over year in all Baltic countries resulting in a total decrease of 19.3% for the Latvian market. This change was mostly influenced by a sizeable NOI decrease in Galerija Centrs after most of the tenants were forced to shut down their operations during lockdowns. Like-for-like net rental income for Q1-Q3 2021 improved in Upmalas Biroji, Vainodes and LNK, while SKY SC showed slightly worse results compared to Q1-Q3 2020. Meanwhile, Galerija Centrs underperformed during Q1-Q3 2021 due to significantly reduced turnover rents during the lockdown period, rent concessions and doubtful debt provisions resulting from weakened tenant payment discipline. The performance of Galerija Centrs recovered in June and reached the highest net rental income since the beginning of the pandemic. Even though, Galerija Centrs results have recovered compared to periods with the toughest restrictions, increasing COVID-19 cases and new restrictions limited the recovery of Galerija Centrs net rental income during Q3 2021.

The average direct property yield decreased to 4.6% during Q3 2021 (Q2 2021: 4.8%). The average net initial yield was 5.3% (Q2 2021: 5.3%). The results in the Latvian portfolio yields remained relatively stable, as no major real estate market changes took place in Q3. The average occupancy level for Q3 2021 decreased slightly to 92.0% (Q2 2021: 92.4%), mostly due to increased vacancies in Galerija Centrs. The occupancy rate as of 30 September 2021 was 91.9% (30 June 2021: 92.4%). At the end of Q3 2021, 3 out of the 5 properties in Latvia were fully leased out to local and international tenants. 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.



5
Properties

91.9%
Occupancy rate

49,240
Total leasable area (sq. m)

4.6%
Direct property yield

4.8m
Net rental income (EUR)

125.6m
Portfolio value (EUR)

Lithuania

Economy

The second wave of COVID-19, which arrived with its restrictions in December 2020, affected the economy but strong recovery of exports and household consumption led to a positive GDP development in Q1 2021. Initially it was expected that GDP will contract during Q1 2021 due to new restrictions. Resilience to the pandemic, however, resulted in 2.1% growth in Lithuania's GDP during Q1 2021 and 2.0% in Q2 2021 compared to the previous quarters, according to data from Eurostat. The employment rate and GDP continue to grow steadily to levels above the pre-pandemic level and create promising expectations for the future.

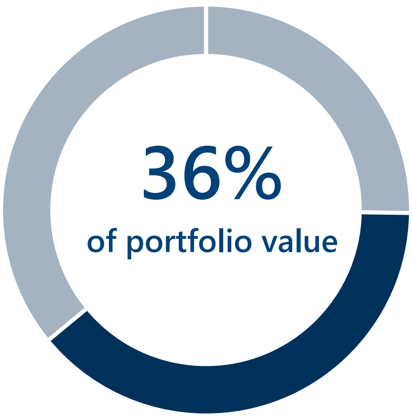
	2020	2021	2022
GDP	(0.9%)	3.8%	3.9%
Inflation	1.1%	2.3%	2.0%

Source: *European Commission Economic Forecast, Summer 2021)*

Portfolio

Across all Baltic Horizon Fund markets, the properties in Lithuania showed the best like-for-like results in Q1-Q3 2021 due to solid diversification of assets. Results were impacted by the closure of restaurants and retail shops which significantly affected the performance of the retail segment. The closure of retail operations resulted in the financial distress of several tenants in Europa SC and required an active search for solutions to support tenants. The management of the Fund decided to grant discounts to tenants most affected by COVID-19 to help them survive until the reopening after lockdowns. There is an additional minor temporary loss in the income of Europa SC due to planned relocations/changes of tenants during the reconstruction period. Rent concessions, recognised doubtful debts and increased vacancies in Europa SC resulted in an 8.5% combined decline in the like-for-like rental income of Lithuanian properties during Q1-Q3 2021 as compared to Q1-Q3 2020. A vacancy of approx. 10% in North Star was another reason for the decrease in net rental income. Even in the turbulent times, Duetto I and Domus PRO complex managed to outperform the previous year's results, while Duetto II results were on a similar level.

During Q3 2021, the average direct property yield increased to 5.9% (Q2 2021: 5.8%). The average net initial yield was 5.9% (Q2 2021: 5.6%). The average occupancy level for Q3 2021 decreased due to planned reconstruction-related vacancies in Europa to 92.9% (Q2 2021: 94.5%). The occupancy rate as of 30 September 2021 was 92.5% (30 June 2021: 94.1%). Duetto I and Duetto II complex were fully leased out at the end of Q3 2021.



5 / 1
Properties / Development projects

92.5%
Occupancy rate

60,745
Total leasable area (sq. m)

5.9%
Direct property yield

4.9m
Net rental income (EUR)

120.2m
Portfolio value (EUR)

FINANCIAL REPORT

Financial position and performance of the Fund

Net result and net rental income

During Q1-Q3 2021, the Group recorded a net loss of EUR 6.9 million (Q1-Q3 2020: a net loss of EUR 6.9 million). The net result was significantly impacted by the one-off negative valuation result of EUR 14.3 million recognised in June 2021 (a valuation loss of EUR 15.8 million recognised in June 2020). Compared to Q1-Q3 2020, the Fund recognised smaller valuation losses on investment properties but a decrease in net rental income throughout Q1-Q3 2021 led to similar net results in Q1-Q3 2021 and 2020. Even with COVID-19 restrictions, the Fund managed to maintain positive operational performance of investment properties. Excluding the valuation impact on the net result, net profit for Q1-Q3 2021 would have amounted to EUR 7.4 million (Q1-Q3 2020: EUR 8.9 million). Earnings per unit for Q1-Q3 2021 were negative at EUR 0.06 (Q1-Q3 2020: negative at EUR 0.06). Earnings per unit excluding valuation losses on investment properties amounted to EUR 0.06 (Q1-Q3 2020: EUR 0.08).

In Q1-Q3 2021, the Group earned net rental income of EUR 13.2 million, a decrease of 13.1% compared to the net rental income of EUR 15.2 million for Q1-Q3 2020. Net rental income decreased due to the relief measures granted to tenants during the pandemic and a one-off rental guarantee write-off at Pirita Shopping Centre in the amount of EUR 0.2 million.

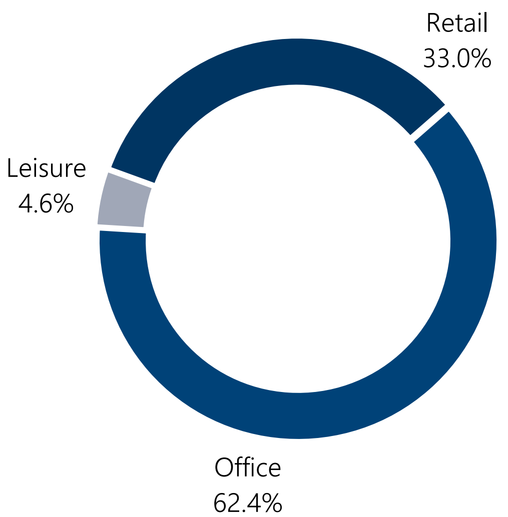
On an EPRA like-for-like basis, portfolio net rental income decreased by 13.1% year on year mainly due to weaker performance in the retail and leisure segments. The decrease was partially offset by the relatively stable performance of the office segment which remained largely unaffected by the lockdown in the Baltic states.

Portfolio properties in the office segment contributed 62.4% (Q1-Q3 2020: 55.1%) of net rental income in Q1-Q3 2021 followed by the retail segment with 33.0% (Q1-Q3 2020: 40.6%) and the leisure segment with 4.6% (Q1-Q3 2020: 4.3%).

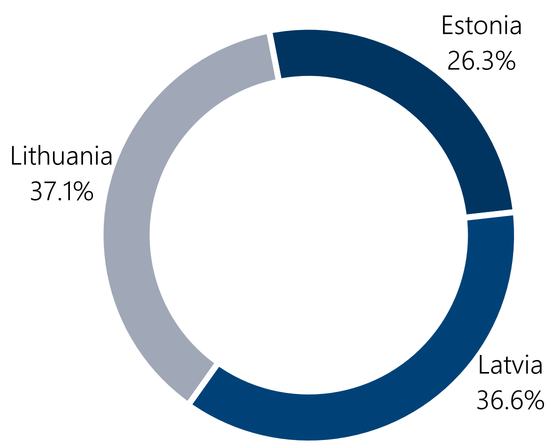
Retail assets located in the central business districts (Postimaja, Europa and Galerija Centrs) accounted for 21.8% of total portfolio net rental income in Q1-Q3 2021. Total net rental income attributable to neighbourhood shopping centres was 11.2% in Q1-Q3 2021.

During Q1-Q3 2021, investment properties in Latvia and Lithuania contributed 36.6% (Q1-Q3 2020: 39.4%) and 37.1% (Q1-Q3 2020: 35.3%) of net rental income, respectively, while investment properties in Estonia contributed 26.3% (Q1-Q3 2020: 25.3%).

Net rental income by segment



Net rental income by country



Gross Asset Value (GAV)

At the end of September 2021, the Fund's GAV was EUR 349.6 million (31 December 2020: EUR 355.6 million), which was a drop of 1.7% over the period. The decrease is mainly related to the negative property revaluation of EUR 14.3 million which was slightly offset by capital investments in assets and an increase in the cash balance. The Group made capital investments (EUR 4.0 million) in the Meraki office building development project during Q1-Q3 2021. The Fund aims to carry on with the construction of the Meraki office building throughout 2021. An additional EUR 0.7 million was invested in other (re)development projects. 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 Q3 2021, the fair value of the Fund's portfolio was EUR 330.9 million (31 December 2020: EUR 340.0 million) and incorporated a total net leasable area of 153,351 sq. m. During Q3 2021, the Group invested EUR 0.1 million in the existing property portfolio, EUR 0.2 million in the reconstruction projects and an additional EUR 2.1 million in the Meraki development project.

Interest-bearing loans and bonds

During Q1-Q3 2021, the Fund completed a private placement of 18 months secured bonds of EUR 4.0 million. The bonds bear a fixed-rate coupon of 5.0% payable semi-annually. The net proceeds from the issuance of the bonds will be used for financing the construction of the Meraki office building. The bonds are issued in tranches to match the financing and investment cash flows for the project. After the bond subscription interest-bearing loans and bonds (excluding lease liabilities) increased to EUR 209.3 million (31 December 2020: EUR 205.6 million). Outstanding bank loans decreased slightly due to regular bank loan amortisation. Annual loan amortisation accounts for 0.2% of total debt outstanding.

Key earnings figures

EUR '000	Q3 2021	Q3 2020	Change (%)
Net rental income	**4,676**	**4,799**	**(2.6%)**
Administrative expenses	(735)	(682)	7.8%
Other operating income	4	-	-
Valuation losses on investment properties	(5)	(4)	25.0%
Operating profit	**3,940**	**4,113**	**(4.2%)**
Net financing costs	(1,470)	(1,367)	7.5%
Profit before tax	**2,470**	**2,746**	**(10.1%)**
Income tax	(127)	(153)	(17.0%)
Net profit for the period	**2,343**	**2,593**	**(9.6%)**
Weighted average number of units outstanding (units)	119,635,429	113,387,525	5.5%
Earnings per unit (EUR)	**0.02**	**0.02**	**-**

Key financial position figures

EUR '000	30.09.2021	31.12.2020	Change (%)
Investment properties in use	324,788	334,518	(2.9%)
Investment property under construction	6,072	5,474	10.9%
Gross asset value (GAV)	**349,555**	**355,602**	**(1.7%)**
Interest-bearing loans and bonds	209,346	205,604	1.8%
Total liabilities	**223,476**	**219,281**	**1.9%**
IFRS Net asset value (IFRS NAV)	**126,079**	**136,321**	**(7.5%)**
EPRA Net Reinstatement Value (EPRA NRV)	**134,864**	**146,180**	**(7.7%)**
Number of units outstanding (units)	119,635,429	119,635,429	-
IFRS Net asset value (IFRS NAV) per unit (EUR)	**1.0539**	**1.1395**	**(7.5%)**
EPRA Net Reinstatement Value (EPRA NRV) per unit (EUR)	**1.1273**	**1.2219**	**(7.7%)**
Loan-to-Value ratio (%)	63.3%	60.5%	-
Average effective interest rate (%)	2.7%	2.6%	-

Cash flow

Cash inflow from core operating activities for Q1-Q3 2021 amounted to EUR 9.7 million (Q1-Q3 2020: cash inflow of EUR 11.9 million). Cash outflow from investing activities was EUR 4.0 million (Q1-Q3 2020: cash outflow of EUR 2.5 million) due to subsequent capital expenditure on existing portfolio properties and investments in the Meraki, Postimaja and CC Plaza complex and Europa development projects. Cash outflow from financing activities was EUR 4.4 million (Q1-Q3 2020: cash outflow of EUR 10.9 million). During Q1-Q3 2021, the Fund made a cash distribution of EUR 3.9 million and paid regular interest on bank loans and bonds. At the end of Q3 2021, the Fund's consolidated cash and cash equivalents amounted to EUR 14.6 million (31 December 2020: EUR 13.3 million) which demonstrates sufficient liquidity and financial flexibility.

Net Asset Value (NAV)

At the end of September 2021, the Fund's NAV decreased to EUR 126.1 million (31 December 2020: EUR 136.3 million) as a result of a negative portfolio revaluation. Compared to the year-end 2020 NAV, the Fund's NAV decreased by 7.5%. The increase in operational performance and positive cash flow hedge reserve movement of EUR 0.6 million over the period was offset by a EUR 3.9 million dividend distribution to the unitholders. As at 30 September 2021, IFRS NAV per unit stood at EUR 1.0539 (31 December 2020: EUR 1.1395), while EPRA net tangible assets and EPRA net reinstatement value were EUR 1.1273 per unit (31 December 2020: EUR 1.2219). EPRA net disposal value was EUR 1.0552 per unit (31 December 2020: EUR 1.1435).

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 12 April 2021, S&P Global Ratings affirmed Baltic Horizon Fund "MM3" mid-market rating despite the pandemic. The indicative corresponding rating for "MM3" on the global rating scale is "BB+/ BB". A full report of the S&P Global Ratings analysis can be found on the S&P Global Ratings website.

Extension of bank loans

On 14 July 2021, the Fund extended a EUR 7.8 million bank loan to finance G4S Headquarters. According to the agreement, the maturity date of the loan is 31 October 2022.

On 19 July 2021, the Fund extended a EUR 2.1 million bank loan to finance Sky SC. According to the agreement, the maturity date of the loan is 31 January 2022.

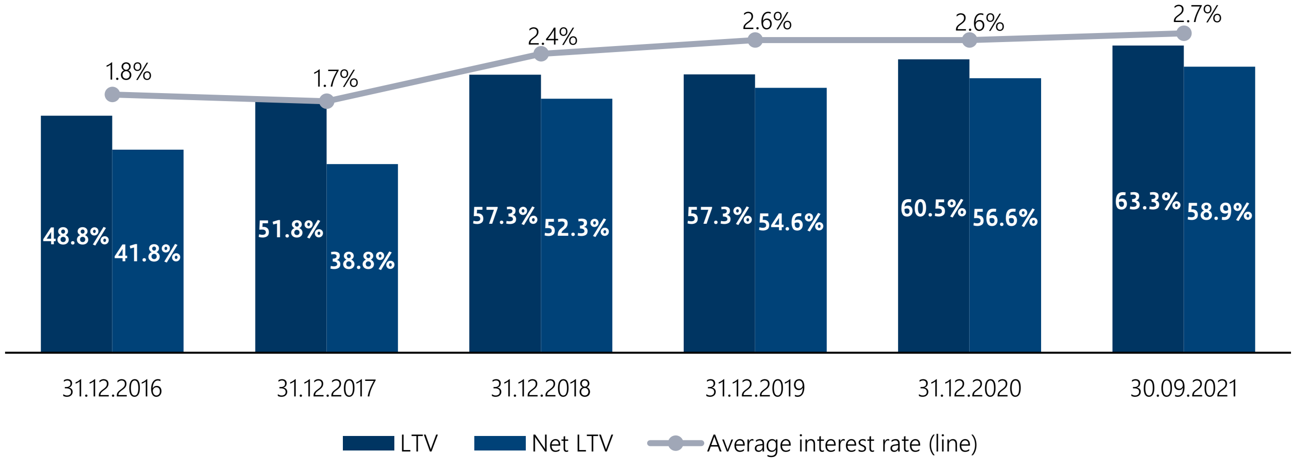
Bond issue

On 12 May 2021, BH Meraki UAB completed an oversubscribed private placement of 18 months secured bonds of EUR 4.0 million (out of EUR 8.0 million bond program). The bonds bear a fixed-rate coupon of 5.0% payable semi-annually. The net proceeds from the issuance of the bonds will be used for financing the construction of the Meraki office building. The bonds are issued in tranches to match the financing and investment cash flows for the project. As of 30 September 2021, the unused cash from the bond issue stood at EUR 2.6 million. This amount will be used during the upcoming months.

Bank loans and bonds

During Q3 2021, regular bank loan amortisation remained low at 0.2% p.a. (EUR 388 thousand p.a.). After the bond issue in Q2 2021, the average interest rate as of 30 September 2021 slightly increased to 2.7% (31 December 2020: 2.6%). As of the end of Q2 2021, LTV ratio increased and reached 63.8% due to property revaluation and the bond issue, but due to capital investments in portfolio assets over Q3 2021 it slightly decreased and reached 63.3%. 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 30 September 2021. Interest-bearing debt was comprised of bank loans with a total carrying value of EUR 155.5 million and bonds with a carrying value of EUR 53.8 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, while BH Meraki UAB holds the 1.5-year secured bonds on Meraki office building.

Loan arrangement costs are capitalised and amortised over the terms of the respective loans. At the end of Q3 2021, the unamortised balance of loan arrangement costs for all loans and bonds was EUR 351 thousand.

Financial debt structure of the Fund as of 30 September 2021

Property	Maturity	Currency	Carrying amount (EUR '000)	% of total	Fixed rate portion (%)
Galerija Centrs	26 May 2022	EUR	30,000	14.3%	100.0%
Europa SC	5 July 2022	EUR	20,900	10.0%	88.0%
CC Plaza and Postimaja	12 February 2023	EUR	17,200	8.2%	100.0%[1]
Duetto I and II	31 March 2023	EUR	15,376	7.3%	46.8%[2]
Upmalas Biroji BC	31 August 2023	EUR	11,750	5.6%	90.0%
Domus Pro	31 May 2022	EUR	11,000	5.2%	62.7%
Vainodes I	13 November 2024	EUR	9,842	4.7%	50.0%
North Star	15 March 2024	EUR	9,000	4.3%	-%
LNK	27 September 2023	EUR	8,653	4.2%	67.0%
G4S Headquarters	31 October 2022	EUR	7,750	3.7%	-%
Lincona	31 December 2022	EUR	7,188	3.4%	95.4%
Pirita SC	20 February 2022	EUR	4,944	2.4%	116.6%
Sky SC	31 January 2022	EUR	2,094	1.0%	-%
Total bank loans		**EUR**	**155,697**	**74.3%**	**73.0%**
Less capitalised loan arrangement fees[3]		EUR	(148)		
Total bank loans recognised in the statement of financial position		**EUR**	**155,549**		
5-year unsecured bonds	8 May 2023	EUR	50,000	23.8%	100.0%
1.5-year secured bonds	19 Nov 2022	EUR	4,000	1.9%	100.0%
Total bonds		**EUR**	**54,000**	**25.7%**	**100.0%**
Less capitalised bond arrangement fees[3]		EUR	(203)		
Total bonds recognised in the statement of financial position		**EUR**	**53,797**		
Total debt recognised in the statement of financial position		**EUR**	**209,346**	**100.0%**	**79.9%**

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.

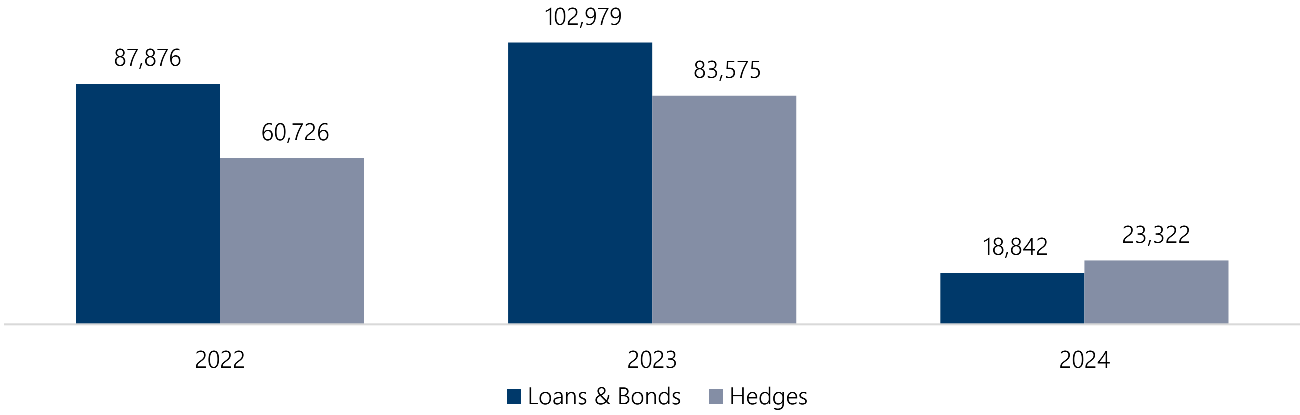
Weighted debt financing average time to maturity was 1.4 years and weighted hedge average time to maturity was 1.3 years at the end of Q3 2021.

As of 30 September 2021, 79.9% of total debt had fixed interest rates while the remaining 21.1% 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% and the secured Meraki bonds have a fixed coupon rate of 5.0%.

The graph below shows that as of 30 September 2021 around 91.0% of total debt financing matures in 2022-2023. G4S Headquarters and SKY SC bank loans were extended at the beginning of Q3 2021.

Loans, bonds and hedges maturity terms

EUR'000



Covenant reporting

As of 30 September 2021, the Fund was in compliance with all the covenants set under the bond issue terms and conditions dated 8 May 2018.

As of 30 September 2021, the Fund was in compliance with all special conditions and covenants set under the bank loan agreements except for Europa property. The Interest Service Coverage Ratio (ISCR) of the Europa property (carrying amount – EUR 20.9 million) was below the required minimum level of 4.00 at the end of Q3 2021, but this did not result in any consequences because 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 was 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 unsecured bonds

Covenant	Requirement	Ratio 30.09.2020	Ratio 31.12.2020	Ratio 31.03.2021	Ratio 30.06.2021	Ratio 30.09.2021
Equity Ratio	> 35.0%	40.2%	40.3%	40.3%	38.1%	38.0%
Debt Service Coverage Ratio	> 1.20	3.16	3.05	2.71	2.65	2.58

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 from the year 2020.

Baltic Horizon wins EPRA Gold award

Baltic Horizon Fund received a prestigious award at the European Public Real Estate Association (EPRA) virtual annual conference 2021 for the second year in a row. 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. EPRA assessed the financial statements of 181 European listed real estate entities 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.	

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

EPRA Net asset value

	30.09.2021		
EUR '000	EPRA NRV	EPRA NTA	EPRA NDV
IFRS NAV	**126,079**	**126,079**	**126,079**
Exclude:			
V. Deferred tax liability on investment properties[1]	7,709	7,709	-
V. Deferred tax on fair value of financial instruments	(68)	(68)	-
VI. Fair value of financial instruments	1,144	1,144	-
Include:			
IX. Revaluation at fair value of fixed-rate loans	-	-	156
NAV	**134,864**	**134,864**	**126,235**
Fully diluted number of units	119,635,429	119,635,429	119,635,429
NAV per unit (EUR)	**1.1273**	**1.1273**	**1.0552**

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.

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

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	Q3 2021	Q3 2020	Q1-Q3 2021	Q1-Q3 2020
Net result IFRS	**2,343**	**2,593**	**(6,879)**	**(6,863)**
Exclude:				
I. Changes in fair value of investment properties	5	4	14,264	15,757
VIII. Deferred tax in respect of EPRA adjustments	124	153	(636)	(20)
EPRA Earnings	**2,472**	**2,750**	**6,749**	**8,874**
Weighted number of units during the period	119,635,429	113,387,525	119,635,429	113,387,525
EPRA Earnings per unit	**0.02**	**0.02**	**0.06**	**0.08**

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 30 September 2021, the market capitalisation for Baltic Horizon Fund was approx. EUR 133.3 million (31 December 2020: EUR 138.4 million) based on the closing unit market prices on the Nasdaq Tallinn Stock Exchange and the Nasdaq Stockholm Alternative Investment Funds market. During Q3 2021, Baltic Horizon Fund units on the Nasdaq Tallinn Stock Exchange were trading at a premium compared to the net asset value per unit. There have been no major fluctuations in the market price of the unit during 2021 and the price has stayed in the range of EUR 1.13-1.19 for most of the year. At the end of the Q3 2021, the closing unit price on the Nasdaq Tallinn Stock Exchange was EUR 1.1200.

Key information

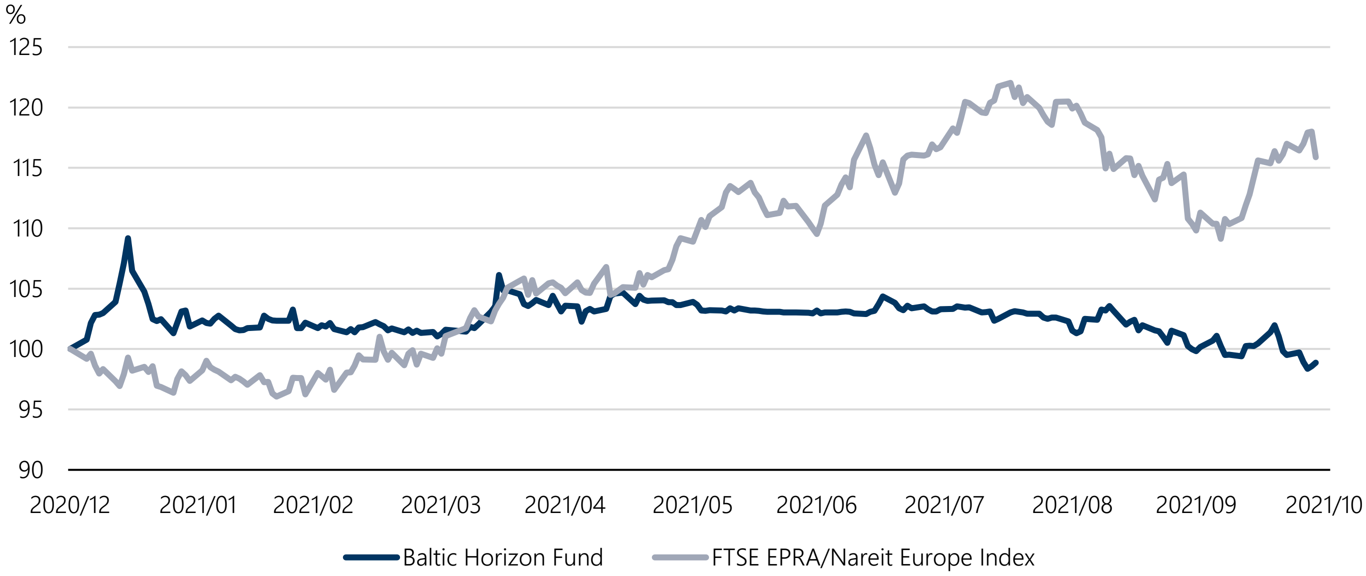
ISIN code	EE3500110244
Markets	Nasdaq Tallinn Nasdaq Stockholm
Ticker symbols:	
Nasdaq Tallinn	NHCBHFFT
Nasdaq Stockholm	NHCBHFFS
Bloomberg tickers:	
Nasdaq Tallinn	NHCBHFFT:ET
Nasdaq Stockholm	NHCBHFFS:SS

Key figures	30.09.2021	31.12.2020
Number of units issued (units)	119,635,429	119,635,429
Market capitalisation[1] (EUR)	133,326,648	138,357,617
IFRS NAV per unit (EUR)	1.0539	1.1395
Unit price premium (discount) from IFRS NAV per unit[2] (%)	6.3%	1.4%
EPRA NRV per unit (EUR)	1.1273	1.2219
Unit price premium (discount) from EPRA NRV per unit[3] (%)	(0.6%)	(5.5%)

Key figures	Q1-Q3 2021	Q1-Q3 2020
Nasdaq Tallinn:		
Highest unit price during the period (EUR)	1.2800	1.4000
Lowest unit price during the period (EUR)	1.1200	0.9500
Closing unit price (EUR)	1.1200	1.1200
Nasdaq Stockholm:		
Highest unit price during the period (SEK)	13.05	14.70
Lowest unit price during the period (SEK)	11.15	10.25
Closing unit price (SEK)	11.25	11.90
Earnings per units during the period (EUR)	(0.06)	(0.06)
Distribution per unit for the period[4] (EUR)	0.039	0.056

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 and the IFRS NAV per unit at the end of period.
3. Based on the closing price on the Nasdaq Tallinn Stock Exchange and the EPRA NRV per unit at the end of period.
4. Distributions to unitholders for Q1-Q3 2021 and Q1-Q3 2020 Fund results.

Development of the Baltic Horizon Fund total return on the Nasdaq Tallinn Stock Exchange



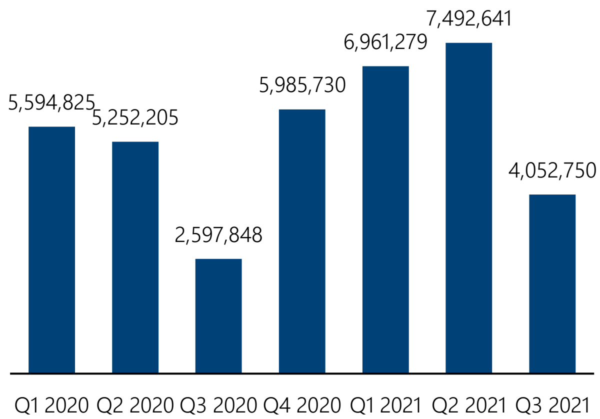
Baltic Horizon Fund's total shareholder return on unit in Q1-Q3 2021 amounted to -0.2%. Total shareholder return for a given period is equivalent to the movement in the unit price on the Nasdaq Tallinn Stock Exchange over the period plus dividends paid, divided by the opening unit price.

In Q3 2021, Baltic Horizon Fund unit trading volume dipped, followed by a slight decrease in the unit price. In total, 119,635,429 units were traded on the Nasdaq Tallinn and Nasdaq Stockholm stock exchanges, while the total trailing twelve-month trading volume reached 24.5 million units. Market capitalisation of approx. EUR 133.3 million turns around in ca. 4.9 years on the Nasdaq Tallinn and Stockholm Stock Exchanges. Baltic Horizon Fund was the 9th most traded listed security on the Nasdaq Tallinn Stock Exchange during Q1-Q3 2021. The first graph below shows the Baltic Horizon Fund units' quarterly trading volume on the Nasdaq Tallinn and the Nasdaq Stockholm Stock Exchanges.

During Q3 2021, Baltic Horizon Fund units on the Nasdaq Tallinn Stock Exchange were mostly trading at a premium compared to the net asset value per unit. At the end of the Q3 2021, units were traded at a 6.3% premium compared to the IFRS NAV per unit and 0.6% discount compared to the EPRA NRV per unit. The second graph below shows the Baltic Horizon Fund unit price in relation to its IFRS net asset value since inception.

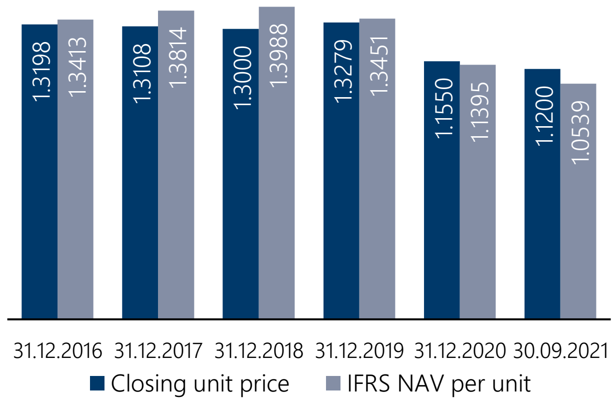
Quarterly trading volume on Nasdaq Tallinn and Stockholm Stock Exchanges

Units



Nasdaq Tallinn unit price compared with NAV

EUR



Private placement

In October 2021, Baltic Horizon Fund announced the intention to raise new equity for the Fund through a private placement of new Baltic Horizon Fund units in Q4 2021. The private placement is aimed mostly at institutional investors in select European countries. The intention is to raise approximately EUR 15 million for Baltic Horizon Fund's new acquisitions and investments in existing properties in accordance with the Fund´s investment policy. The amount to be raised may be increased up to EUR 25 million. New units will be issued at the price corresponding to most recent NAV of the fund unit and will be listed on the Nasdaq Tallinn Stock Exchange.

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 Fund results

On 4 February 2021, due to introduced restrictions and increased market uncertainty the Fund applied a 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.

On 29 April 2021, the Fund declared a cash distribution of EUR 1,316 thousand (EUR 0.011 per unit) to the Fund unitholders for Q1 2021 results. This represents a 0.96% return on the weighted average Q1 2021 net asset value to its unitholders.

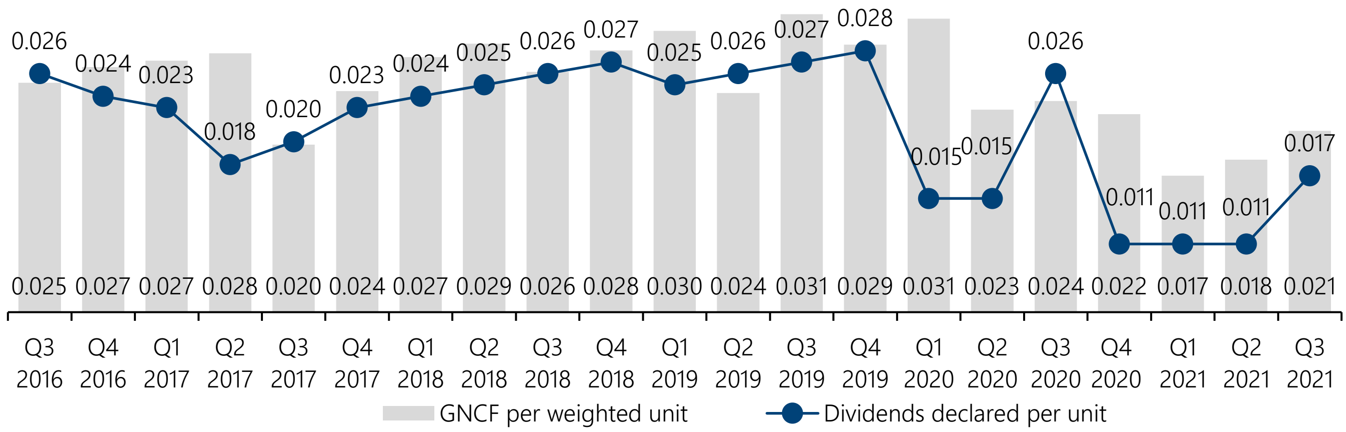
On 28 July 2021, the Fund declared a cash distribution of EUR 1,316 thousand (EUR 0.011 per unit) to the Fund unitholders for Q2 2021 results. This represents a 0.98%

return on the weighted average Q2 2021 net asset value to its unitholders.

On 28 October 2021, the Fund declared a cash distribution of EUR 2,034 thousand (EUR 0.017 per unit) to the Fund unitholders for Q3 2021 results. This represents a 1.63% return on the weighted average Q3 2021 net asset value to its unitholders.

With reduced payouts over 2020 and 2021 in the light of prevailing market uncertainty, the Fund has opted to retain EUR 6.4 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.

Dividend per unit (EUR)



The management of the Fund remains committed to a long-term target of 7-9% annual dividend yield 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	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
(+) Net rental income	4,799	4,745	4,173	4,357	4,676
(-) Fund administrative expenses	(682)	(713)	(745)	(756)	(735)
(-) External interest expenses	(1,327)	(1,362)	(1,346)	(1,311)	(1,407)
(-) CAPEX expenditure[1]	(230)	(131)	(79)	(92)	(38)
(+) Added back listing related expenses	114	85	-	-	-
(+) Added back acquisition related expenses	-	26	31	5	9
Generated net cash flow (GNCF)	**2,674**	**2,650**	**2,034**	**2,203**	**2,505**
GNCF per weighted unit (EUR)	**0.024**	**0.022**	**0.017**	**0.018**	**0.021**
12-months rolling GNCF yield[2] (%)	**9.4%**	**8.6%**	**7.4%**	**7.0%**	**7.0%**
Dividends declared for the period	**3,111**	**1,316**	**1,316**	**1,316**	**2,034**
Dividends declared per unit[3] (EUR)	**0.026**	**0.011**	**0.011**	**0.011**	**0.017**
12-months rolling dividend yield[2] (%)	**7.5%**	**5.8%**	**5.4%**	**5.0%**	**4.5%**

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 (Q3 2021: closing market price of the unit as of 30 September 2021).
3. Based on the number of units entitled to dividends.

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.

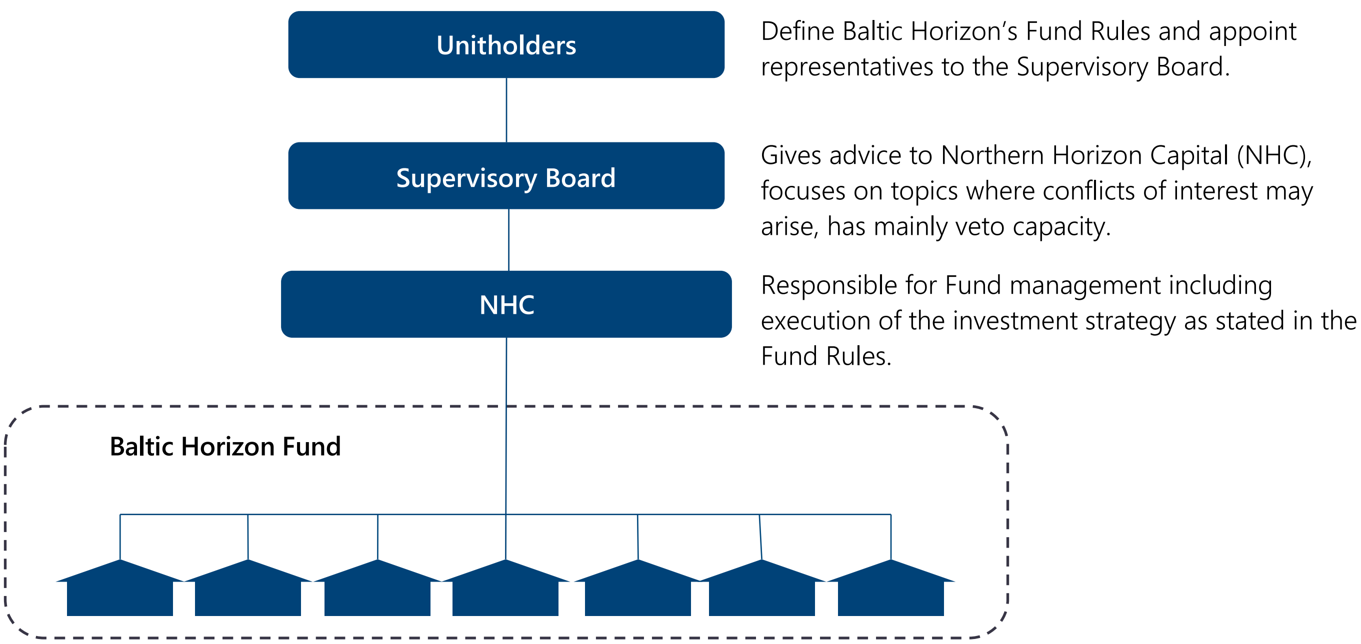
The Fund is managed by the Management Company, which is Northern Horizon Capital AS. The immediate team comprises of the Management Board, which is headed by the Fund Manager, and the Supervisory Board of the Management Company. The Fund also has its own Supervisory Board, which comprises of 4 independent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

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.

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 is aiming to certify all currently operational office assets by the end of 2021 using BREEAM In-Use environmental assessment method. Minimum certification target – BREEAM In-Use Very Good. The team of Baltic Horizon has made strong progress to date: all preliminary assessment reports were finalized by the end of Q2 2021 and the team is working to implement additional upgrades to make sure that the certification target could be achieved. The Fund has already secured two BREEAM In-Use certificates for North Star and G4S Headquarters, both evaluated as "Very Good". The Fund's team is confident that the Fund can achieve this ambitious target by the end of the year, resulting in 45% certification coverage for the entire portfolio.

Baltic Horizon Fund also plans to include retail assets in the certification program once the ongoing reconstruction projects are completed.

Renewable energy

A key aspect in achieving our net zero by 2030 target is ensuring that our portfolio assets are powered by clean and renewable energy sources. We are taking small steps to achieve this ambition. At the end of Q1 2021, Domus Pro, our Vilnius based retail and office park, saw a completion and launch of a solar plant that will power the operations of the park. The 220-kW solar power plant will cover about 6-8% of park's annual electricity needs and will reduce the site's CO_2 footprint by approximately 15 tonnes per annum. Other buildings of Baltic Horizon are also being assessed to determine the commercial and technical viability of supplying them with solar power.

Electric vehicle charging stations

ESG requirements are rapidly evolving and one area of expected rapid change is mobility. Electrification of standard modes of transportation is accelerating and the Fund's intention is to ensure that its assets can meet the increasing charging demands of electric vehicles (EV). In Q1-Q3 2021 the Fund started installing additional EV charging stations in Lithuanian office locations and plan to expand the exposure gradually to Estonia and Latvia over the next couple of years. To date, an additional 8 charging points have been installed to the assets of Baltic Horizon Fund and an additional 36 charging points in Domus PRO, Meraki and North Star are under further consideration.

Green leases

Achieving our ESG targets would be impossible without cooperation with our tenants. To ensure that our ESG efforts will lead to a successful futureproofing of our real estate assets we have started including green lease clauses in our standard lease agreements. Green lease clauses, which cover such topics as sustainable operations, information sharing, use of renewable energy sources and other relevant topics, are important tools that enable long-term ESG oriented changes in our portfolio.

OUTLOOK FOR 2021

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.

At the beginning of the year, Estonia, Latvia and Lithuania were in lockdown with major shopping centres closed. As expected, the shopping centres reopened again in May/June with customers returning to shops to spend their increased savings. The reopening of the economies of the Baltic countries in the summer months has boosted economic activity, especially on the side of private consumption. The slowing vaccination pace in Latvia and Lithuania and increased spread of the COVID-19 Delta variant in Estonia pose some risks in terms of short-term recovery. However, a long-awaited complete rebound of the economies could be expected by the end of 2021 and in 2022 when vaccination has been fully carried out, which will then again allow free movement of people and hopefully to avoid further lockdowns. As it was witnessed after the first and second lockdowns, visitor numbers and tenant turnovers recover rapidly in the months following the lockdowns. Retail assets located in the central business districts (Postimaja, Europa and Galerija Centrs) accounted for 21.8% of total portfolio NOI in Q1-Q3 2021.

It is quite certain, however, 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. 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 bank loans for several Baltic Horizon properties will mature in 2022. After the prolongation of SKY and G4S bank loans in Q3 2021, the Fund's treasury team has been working on extending the bank loans that mature in 2022. Preliminary indicative offers for most of the maturing bank loans have already been received by the Fund.

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. This has already been partially achieved as Baltic Horizon has received two BREEAM In-Use certificates, for North Star and G4S properties, both evaluated as very good. In addition, the aim to introduce green lease clauses into 100% of our lease agreements in 2021 remains in place. 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.

After completing the onboarding of the new property management company, the Fund management teams are focusing heavily on leasing to fill the vacancies caused by the lockdowns. At the same time, operational improvements are being done across the whole portfolio to improve financial performance and create added value in the existing portfolio. Other focus areas include the reconstruction of Europa SC and preparation for CC Plaza and Postimaja expansion 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 condensed consolidated interim financial statements for the first nine months of 2021, prepared in accordance with IFRS as adopted by the European Union, present a correct and fair view of the assets, liabilities, equity, financial position, financial performance and cash flows of the Fund and its subsidiaries, taken as a whole, and the management report gives a true and fair view of the development, the results of the business activities and the financial position of the Fund and its subsidiaries, taken as a whole, as well as of the significant events which took place during the first nine months of the financial year and their effect on the condensed consolidated accounts.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

EUR '000	Notes	01.07.2021-30.09.2021	01.07.2020-30.09.2020	01.01.2021-30.09.2021	01.01.2020-30.09.2020
Rental income		5,332	5,267	14,844	16,549
Service charge income	5	1,271	1,245	3,697	3,749
Cost of rental activities	5	(1,927)	(1,713)	(5,335)	(5,109)
Net rental income	**4**	**4,676**	**4,799**	**13,206**	**15,189**
Administrative expenses	6	(735)	(682)	(2,236)	(2,205)
Other operating income		4	-	4	186
Valuation losses on investment properties		(5)	(4)	(14,264)	(15,757)
Operating profit (loss)		**3,940**	**4,113**	**(3,290)**	**(2,587)**
Financial income		-	1	1	3
Financial expenses	7	(1,470)	(1,368)	(4,222)	(4,118)
Net financing costs		**(1,470)**	**(1,367)**	**(4,221)**	**(4,115)**
Profit (loss) before tax		**2,470**	**2,746**	**(7,511)**	**(6,702)**
Income tax charge	4, 9	(127)	(153)	632	(161)
Profit (loss) for the period	**4**	**2,343**	**2,593**	**(6,879)**	**(6,863)**
Other comprehensive income that is or may be reclassified to profit or loss in subsequent periods					
Net gain (loss) on cash flow hedges	14b	168	(3)	619	(227)
Income tax relating to net gain (loss) on cash flow hedges	14b, 9	(3)	(2)	(34)	13
Other comprehensive income (expense), net of tax, that is or may be reclassified to profit or loss in subsequent periods		**165**	**(5)**	**585**	**(214)**
Total comprehensive income (expense) for the period, net of tax		**2,508**	**2,588**	**(6,294)**	**(7,077)**
Basic and diluted earnings per unit (EUR)	**8**	**0.02**	**0.02**	**(0.06)**	**(0.06)**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR '000	Notes	30.09.2021	31.12.2020
Non-current assets			
Investment properties	4, 10	324,788	334,518
Investment property under construction	4, 11	6,072	5,474
Property, plant and equipment		3	2
Other non-current assets		22	22
Total non-current assets		**330,885**	**340,016**
Current assets			
Trade and other receivables	12	3,523	1,901
Prepayments		549	352
Cash and cash equivalents	13	14,598	13,333
Total current assets		**18,670**	**15,586**
Total assets	**4**	**349,555**	**355,602**
Equity			
Paid in capital	14a	145,200	145,200
Cash flow hedge reserve	14b	(1,076)	(1,661)
Retained earnings		(18,045)	(7,218)
Total equity		**126,079**	**136,321**
Non-current liabilities			
Interest-bearing loans and borrowings	15	140,611	195,670
Deferred tax liabilities	9	5,407	6,009
Derivative financial instruments	20	1,060	1,736
Other non-current liabilities		1,136	1,026
Total non-current liabilities		**148,214**	**204,441**
Current liabilities			
Interest-bearing loans and borrowings	15	69,220	10,222
Trade and other payables	16	4,719	3,640
Income tax payable		4	1
Derivative financial instruments	20	84	27
Other current liabilities		1,235	950
Total current liabilities		**75,262**	**14,840**
Total liabilities	**4**	**223,476**	**219,281**
Total equity and liabilities		**349,555**	**355,602**

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

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 2020		**138,064**	**-**	**(1,556)**	**16,010**	**152,518**
Comprehensive income						
Net loss for the period		-	-	-	(6,863)	**(6,863)**
Other comprehensive expense		-	-	(214)	-	**(214)**
Total comprehensive expense		**-**	**-**	**(214)**	**(6,863)**	**(7,077)**
Transactions with unitholders						
Profit distribution to unitholders	14c	**-**	**-**	-	(6,576)	**(6,576)**
Total transactions with unitholders		**-**	**-**	**-**	**(6,576)**	**(6,576)**
As at 30 September 2020		**138,064**	**-**	**(1,770)**	**2,571**	**138,865**
As at 1 January 2021		**145,200**	**-**	**(1,661)**	**(7,218)**	**136,321**
Comprehensive income						
Net loss for the period		-	-	-	(6,879)	**(6,879)**
Other comprehensive income	14b	-	-	585	-	**585**
Total comprehensive expense		**-**	**-**	**585**	**(6,879)**	**(6,294)**
Transactions with unitholders						
Profit distribution to unitholders	14c	-	-	-	(3,948)	**(3,948)**
Total transactions with unitholders		**-**	**-**	**-**	**(3,948)**	**(3,948)**
As at 30 September 2021		**145,200**	**-**	**(1,076)**	**(18,045)**	**126,079**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR '000	Notes	01.01.2021-30.09.2021	01.01.2020-30.09.2020
Cash flows from core activities			
Loss before tax		**(7,511)**	**(6,702)**
Adjustments for non-cash items:			
Value adjustment of investment properties		14,264	15,757
Depreciation of property, plant and equipment		1	-
Change in impairment losses for trade receivables		90	195
Financial income		(1)	(3)
Financial expenses	7	4,222	4,118
Unrealised exchange differences		(1)	(1)
Working capital adjustments:			
Change in trade and other accounts receivable		(1,712)	(250)
Change in other current assets		(197)	(385)
Change in other non-current liabilities		110	(136)
Change in trade and other accounts payable		67	83
Change in other current liabilities		390	(589)
Income tax paid		(1)	(190)
Total cash flows from core activities		**9,721**	**11,897**
Cash flows from investing activities			
Interest received		1	2
Acquisition of investment property		-	(90)
Acquisition of property, plant and equipment		(2)	-
Investment property development expenditure		(3,180)	(1,484)
Capital expenditure on investment properties		(888)	(878)
Total cash flows from investing activities		**(4,069)**	**(2,450)**
Cash flows from financial activities			
Proceeds from a bond issue		4,000	-
Repayment of bank loans		(291)	(300)
Profit distribution to unitholders	14c	(3,948)	(6,576)
Transaction costs related to loans and borrowings		(124)	-
Repayment of lease liabilities		(16)	(13)
Interest paid		(4,008)	(4,007)
Total cash flows from financing activities		**(4,387)**	**(10,896)**
Net change in cash and cash equivalents		**1,265**	**(1,449)**
Cash and cash equivalents at the beginning of the year		**13,333**	**9,836**
Cash and cash equivalents at the end of the period		**14,598**	**8,387**

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

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.

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

Name	30.09.2021	31.12.2020
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%

2. Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Group's latest consolidated annual financial statements as at and for the year ended 31 December 2020. These interim condensed consolidated financial statements do not include all of the information required in the complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are relevant to understanding the changes in the Group's financial position and performance since the last annual financial statements.

Going concern assessment

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

New standards, amendments and interpretations

A number of new standards and amendments to standards are not effective for annual periods beginning on 1 January 2021 but their earlier application is permitted. However, the Group has not early adopted any of the new or amended standards in preparing these interim condensed consolidated financial statements.

3. Summary of significant account policies

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the reported item in the future. The assumptions and judgements applied in these interim condensed consolidated financial statements were the same as those applied in the Group's consolidated financial statements for the year ended 31 December 2020.

Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements for the year ended 31 December 2020.

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.

4. 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 – 30 September 2021

EUR '000	Retail	Office	Leisure	Total segments
01.07.2021-30.09.2021:				
External revenue[1]	3,097	3,223	283	6,603
Segment net rental income	**1,645**	**2,760**	**271**	**4,676**
Net loss from fair value adjustment	(1)	(4)	-	(5)
Interest expenses[2]	(434)	(424)	(19)	(877)
Income tax expenses	(53)	(74)	-	(127)
Segment net profit	**1,051**	**2,185**	**249**	**3,485**
01.01.2021-30.09.2021:				
External revenue[1]	8,315	9,595	631	18,541
Segment net rental income	**4,358**	**8,243**	**605**	**13,206**

EUR '000	Retail	Office	Leisure	Total segments
Net (loss) gain from fair value adjustment	(6,612)	(7,742)	90	(14,264)
Interest expenses[2]	(1,241)	(1,177)	(58)	(2,476)
Income tax income	458	174	-	632
Segment net (loss) profit	**(3,274)**	**(739)**	**629**	**(3,384)**
As at 30.09.2021:				
Segment assets	**166,718**	**162,137**	**15,037**	**343,892**
Investment properties[3]	161,064	149,464	14,260	324,788
Investment property under construction[3]	-	6,072	-	6,072
Segment liabilities	**84,948**	**82,155**	**5,604**	**172,707**

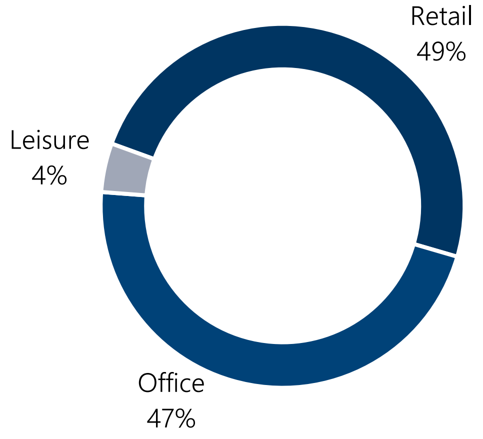
1. External revenue includes rental income and service charge income. The segments do not have inter-segment revenue.
2. Interest expenses include only external bank loan interest expenses.
3. Additions to non-current assets consist of subsequent expenditure on investment property (EUR 888 thousand), additions to right-of-use assets (EUR 212 thousand) and additions to investment property under construction (EUR 4,032 thousand). Please refer to notes 10 and 11 for more information.

Operating segments – 30 September 2020

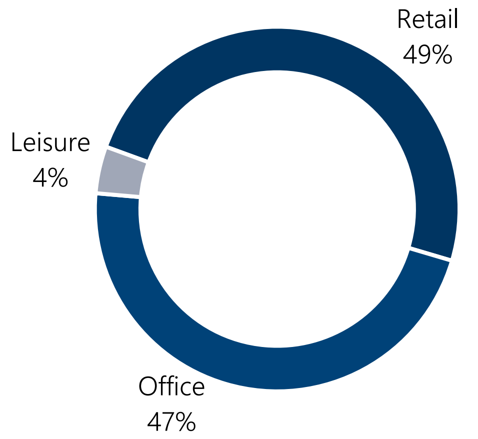
EUR '000	Retail	Office	Leisure	Total segments
01.07.2020-30.09.2020:				
External revenue[1]	3,114	3,152	246	6,512
Segment net rental income	**1,815**	**2,746**	**238**	**4,799**
Net loss from fair value adjustment	(1)	(3)	-	(4)
Interest expenses[2]	(406)	(372)	(16)	(794)
Income tax expenses	(65)	(88)	-	(153)
Segment net profit	**1,299**	**2,226**	**215**	**3,740**
01.01.2020-30.09.2020:				
External revenue[1]	10,047	9,576	675	20,298
Segment net rental income	**6,164**	**8,374**	**651**	**15,189**
Net loss from fair value adjustment	(9,499)	(5,358)	(900)	(15,757)
Interest expenses[2]	(1,241)	(1,107)	(49)	(2,397)
Income tax income (expenses)	87	(248)	-	(161)
Segment net profit (loss)	**(4,677)**	**1,647**	**(309)**	**(3,339)**
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 and interest expenses on lease liabilities.
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 10 and 11 for more information.

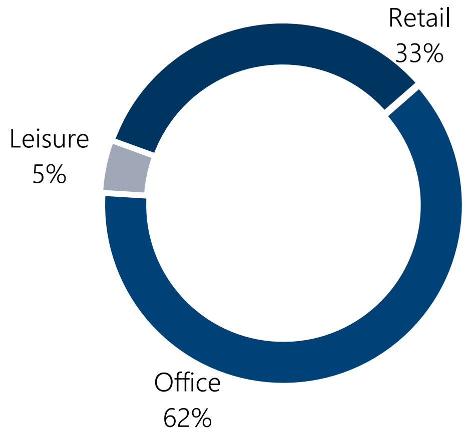
Investment properties as at 30 September 2021*



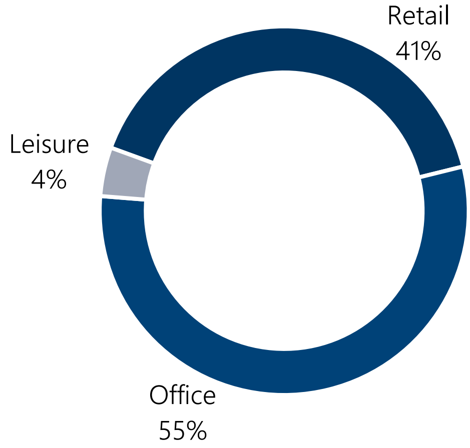
Investment properties as at 31 December 2020*



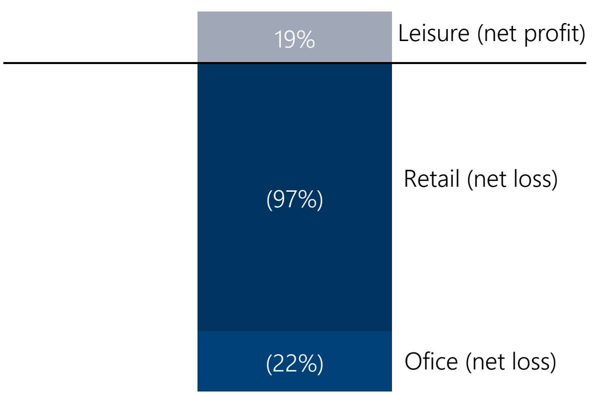
Segment net rental income for Q1-Q3 2021*



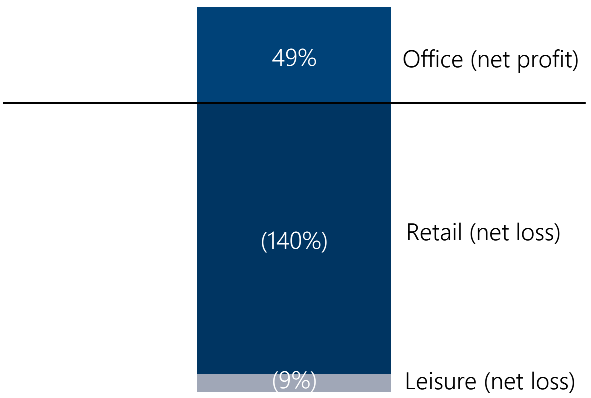
Segment net rental income for Q1-Q3 2020*



Segment net (loss) profit for Q1-Q3 2021*



Segment net loss for Q1-Q3 2020*



*As a percentage of the total for all reportable segments

Reconciliation of information on reportable segments to IFRS measures

Operating segments – 30 September 2021

EUR '000	Total reportable segments	Adjustments	Consolidated
01.07.2021 – 30.09.2021:			
Net profit	**3,485**	(1,142)[1]	**2,343**
01.01.2021 – 30.09.2021:			
Net loss	**(3,384)**	(3,495)[2]	**(6,879)**
As at 30.09.2021:			
Segment assets	**343,892**	5,663[3]	**349,555**
Segment liabilities	**172,707**	50,769[4]	**223,476**

1. Segment net profit for Q3 2021 does not include Fund management fee (EUR 443 thousand), bond interest expenses (EUR 531 thousand), bond arrangement fee amortisation (EUR 18 thousand), Fund custodian fees (EUR 16 thousand), and other Fund-level administrative expenses (EUR 134 thousand).
2. Segment net loss for the nine-month period ended 30 September 2021 does not include Fund management fee (EUR 1,345 thousand), bond interest expenses (EUR 1,588 thousand), bond arrangement fee amortisation (EUR 52 thousand), Fund custodian fees (EUR 49 thousand), and other Fund-level administrative expenses (EUR 461 thousand).
3. Segment assets do not include cash, which is held at the Fund level (EUR 5,633 thousand).
4. Segment liabilities do not include liabilities related to a bond issue at the Fund level (EUR 49,890 thousand), accrued bond coupon expenses (EUR 307 thousand), management fee payable (EUR 442 thousand), and other short-term payables (EUR 130 thousand) at the Fund level.

Operating segments – 30 September 2020

EUR '000	Total reportable segments	Adjustments	Consolidated
01.07.2020 – 30.09.2020:			
Net profit	**3,740**	(1,147)[1]	**2,593**
01.01.2020 – 30.09.2020			
Net loss	**(3,339)**	(3,524)[2]	**(6,863)**
As at 31.12.2020:			
Segment assets	**353,034**	2,568[3]	**355,602**
Segment liabilities	**168,591**	50,690[4]	**219,281**

1. Segment net profit for Q3 2020 does not include Fund management fee (EUR 419 thousand), bond interest expenses (EUR 531 thousand), bond arrangement fee amortisation (EUR 18 thousand), reversal of Fund performance fee accrual (minus EUR 50 thousand), Fund custodian fees (EUR 17 thousand), and other Fund-level administrative expenses (EUR 212 thousand).
2. Segment net loss for the nine-month period ended 30 September 2020 does not include Fund management fee (EUR 1,281 thousand), bond interest expenses (EUR 1,588 thousand), bond arrangement fee amortisation (EUR 52 thousand), Fund performance fee accrual (EUR 74 thousand), Fund custodian fees (EUR 53 thousand), and other Fund-level administrative expenses (EUR 476 thousand).
3. Segment assets do not include cash, which is held at the Fund level (EUR 2,568 thousand).
4. 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.

Geographic information

	External revenue				Investment property value[1]	
EUR '000	01.07.2021-30.09.2021	01.07.2020-30.09.2020	01.01.2021 -30.09.2021	01.01.2020-30.09.2020	30.09.2021	31.12.2020
Lithuania	2,534	2,558	7,173	7,518	120,240	122,282
Latvia	2,464	2,631	7,171	8,323	125,606	131,920
Estonia	1,605	1,323	4,197	4,457	85,014	85,790
Total	**6,603**	**6,512**	**18,541**	**20,298**	**330,860**	**339,992**

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 900 thousand of the total rental income for the nine months ended 30 September 2021 and EUR 300 thousand for Q3 2021 (EUR 900 thousand for the nine months ended 30 September 2020 and EUR 300 thousand for Q3 2020).

5. Cost of rental activities

EUR '000	01.07.2021-30.09.2021	01.07.2020-30.09.2020	01.01.2021-30.09.2021	01.01.2020-30.09.2020
Repair and maintenance	532	576	1,639	1,678
Utilities	394	347	1,105	971
Property management expenses	374	278	914	815
Real estate taxes	281	265	843	798
Sales and marketing expenses	256	213	562	515
Property insurance	22	23	67	68
Allowance (reversal of allowance) for bad debts	18	(22)	90	195
Other	50	33	115	69
Total cost of rental activities	**1,927**	**1,713**	**5,335**	**5,109**

Part of the total cost of rental activities (mainly utilities and repair and maintenance expenses) was recharged to tenants: EUR 3,697 thousand during the nine-month period ended 30 September 2021 and EUR 1,271 thousand during Q3 2021 (EUR 3,749 thousand during the nine-month period ended 30 September 2020 and EUR 1,245 thousand during Q3 2020).

6. Administrative expenses

EUR '000	01.07.2021-30.09.2021	01.07.2020-30.09.2020	01.01.2021-30.09.2021	01.01.2020-30.09.2020
Management fee	443	419	1,345	1,281
Consultancy fees	80	29	211	128
Legal fees	30	44	113	108
Fund marketing expenses	42	12	105	70
Audit fee	27	28	97	78
Custodian fees	16	17	49	53
Supervisory board fees	12	12	36	36
Performance fee	-	(50)	-	74
Listing related expenses	-	114	-	182
Other administrative expenses	85	57	280	195
Total administrative expenses	**735**	**682**	**2,236**	**2,205**

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 18.

7. Financial expenses

EUR '000	01.07.2021-30.09.2021	01.07.2020-30.09.2020	01.01.2021-30.09.2021	01.01.2020-30.09.2020
Interest on external loans and borrowings	1,404	1,319	4,054	3,977
Loan arrangement fee amortisation	62	46	157	132
Interest on lease liabilities	3	3	10	8
Foreign exchange loss	1	-	1	1
Total financial expenses	**1,470**	**1,368**	**4,222**	**4,118**

8. 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	01.07.2021-30.09.2021	01.07.2020-30.09.2020	01.01.2021-30.09.2021	01.01.2020-31.09.2020
Profit (loss) for the period, attributed to the unitholders of the Fund	2,343	2,593	(6,879)	(6,863)
Profit (loss) for the period, attributed to the unitholders of the Fund	**2,343**	**2,593**	**(6,879)**	**(6,863)**

Weighted-average number of units:

	01.07.2021-30.09.2021	01.07.2020-30.09.2020	01.01.2021-30.09.2021	01.01.2020-30.09.2020
Issued units at 1 January	119,635,429	113,387,525	119,635,429	113,387,525
Weighted-average number of units	**119,635,429**	**113,387,525**	**119,635,429**	**113,387,525**

Basic and diluted earnings per unit:

	01.07.2021-30.09.2021	01.07.2020-30.09.2020	01.01.2021-30.09.2021	01.01.2020-30.09.2020
Basic and diluted earnings per unit*	0.02	0.02	(0.06)	(0.06)

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

9. 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 the nine-month period ended 30 September 2021 was 8.4% (nine-month period ended 30 September 2020: negative 2.4%). The low effective tax rate for the nine-month period ended 30 September 2021 is related to a decrease in the deferred tax liability due to a drop in the fair values of Lithuanian investment properties.

As of 30 September 2021, the Group had tax losses of EUR 2,226 thousand (31 December 2020: EUR 2,146 thousand) that are available indefinitely for offset against future taxable profits of the Lithuanian companies in which the losses arose. The deferred tax asset arising from the revaluation of derivative instruments to fair value amounted to EUR 112 thousand as of 30 September 2021 (31 December 2020: EUR 146 thousand). As of 30 September 2021, deferred tax liabilities on the difference between investment property fair and tax value and other deferred tax liabilities amounted to EUR 7,744 thousand (31 December 2020: EUR 8,301 thousand). Deferred tax is only applicable for the Fund's subsidiaries in Lithuania.

The major components of income tax for the periods ended 30 September 2021 and 2020 were as follows:

EUR '000	01.07.2021-30.09.2021	01.07.2020-30.09.2020	01.01.2021-30.09.2021	01.01.2020-30.09.2020
Consolidated statement of profit or loss				
Current income tax for the period	(3)	-	(4)	(181)
Deferred tax for the period	(124)	(153)	636	20
Income tax (expense) income reported in profit or loss	**(127)**	**(153)**	**632**	**(161)**
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)	(2)	(34)	13
Income tax reported in other comprehensive income	**(3)**	**(2)**	**(34)**	**13**

10. Investment property

EUR '000	30.09.2021	31.12.2020
Balance at 1 January	**334,518**	**356,575**
Acquisitions	-	90
Capital expenditure	209	553
Development and refurbishment expenditure	679	1,471
Net revaluation loss on investment property	(10,814)	(24,154)
Additions to right-of-use assets (new leases)	212	-
Net revaluation loss on right-of-use assets	(16)	(17)
Closing balance	**324,788**	**334,518**
Closing balance excluding right-of-use assets	**324,303**	**334,230**

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

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.

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.

Valuation techniques used to derive Level 3 fair values

The Fund did not perform any property valuations as at 30 September 2021. The values of the properties are based on the valuation of investment properties performed by Colliers as at 30 June 2021 increased by right-of-use assets and subsequent capital expenditure.

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 30 June 2021:

Property	Valuation technique	Key unobservable inputs	Range
Europa Shopping centre, Vilnius (Lithuania)	DCF	- Discount rate	8.2%
Net leasable area (NLA) – 17,154 sq. m		- Rental growth p.a.	1.3% - 2.1%
Segment – Retail		- Long-term vacancy rate	5.0%
Year of construction/renovation – 2004		- Exit yield	7.0%
		- Average rent (EUR/sq. m)	12.2
Domus Pro, Vilnius (Lithuania)	DCF	- Discount rate	8.2% - 8.6%
Net leasable area (NLA) – 16,117 sq. m		- Rental growth p.a.	0.3% - 2.1%
Segment – Retail/Office		- Long-term vacancy rate	5.0% - 10.0%
Year of construction/renovation – 2013		- Exit yield	7.3 - 7.8%
		- Average rent (EUR/sq. m)	9.7
Lincona Office Complex, Tallinn (Estonia)	DCF	- Discount rate	8.2%
Net leasable area (NLA) – 10,870 sq. m		- Rental growth p.a.	0.0% - 2.2%
Segment – Office		- Long-term vacancy rate	5.0% - 8.0%
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	8.2%
Net leasable area (NLA) – 11,440 sq. m		- Rental growth p.a.	0.0% - 2.2%
Segment – Leisure		- Long-term vacancy rate	1.0% - 3.0%
Year of construction/renovation – 1999		- Exit yield	7.5%
		- Average rent (EUR/sq. m)	8.3

Property	Valuation technique	Key unobservable inputs	Range
G4S Headquarters, Tallinn (Estonia)*	DCF	- Discount rate	8.2%
Net leasable area (NLA) – 7,731 sq. m		- Rental growth p.a.	0.0% - 2.2%
Segment – Office		- Long-term vacancy rate	5.0% - 10.0%
Year of construction/renovation – 2013		- Exit yield	7.2%
		- Average rent (EUR/sq. m)	13.2
SKY Shopping Centre, Riga (Latvia)	DCF	- Discount rate	8.9%
Net leasable area (NLA) – 3,285 sq. m		- Rental growth p.a.	0.5% - 2.4%
Segment – Retail		- Long-term vacancy rate	1.0% - 5.0%
Year of construction/renovation – 2000 / 2010		- Exit yield	7.8%
		- Average rent (EUR/sq. m)	11.5
Upmalas Biroji, Riga (Latvia)	DCF	- Discount rate	7.9%
Net leasable area (NLA) – 9,863 sq. m		- Rental growth p.a.	0.5% - 1.8%
Segment – Office		- Long-term vacancy rate	2.0% - 5.0%
Year of construction/renovation – 2008		- Exit yield	6.8%
		- Average rent (EUR/sq. m)	14.5
Pirita Shopping Centre, Tallinn (Estonia)	DCF	- Discount rate	8.8%
Net leasable area (NLA) – 5,445 sq. m		- Rental growth p.a.	0.0% - 2.2%
Segment – Retail		- Long-term vacancy rate	5.0% - 8.0%
Year of construction/renovation – 2016		- Exit yield	7.5%
		- Average rent (EUR/sq. m)	12.6
Duetto I, Vilnius (Lithuania)	DCF	- Discount rate	8.2%
Net leasable area (NLA) – 8,255 sq. m		- Rental growth p.a.	1.3% - 2.1%
Segment – Office		- Long-term vacancy rate	2.5%
Year of construction/renovation – 2017		- Exit yield	7.0%
		- Average rent (EUR/sq. m)	12.2
Duetto II, Vilnius (Lithuania)	DCF	- Discount rate	8.2%
Net leasable area (NLA) – 8,255 sq. m		- Rental growth p.a.	1.3% - 2.1%
Segment – Office		- Long-term vacancy rate	2.5%
Year of construction/renovation – 2018		- Exit yield	7.0%
		- Average rent (EUR/sq. m)	13.7
Vainodes I, Riga (Latvia)*	DCF / Sales comparison approach for extension	- Discount rate	7.9%
Net leasable area (NLA) – 6,950 sq. m		- Rental growth p.a.	0.5% - 2.4%
Segment – Office		- Long-term vacancy rate	0.0% - 5.0%
Year of construction/renovation – 2014		- Exit yield	6.7%
		- Average rent (EUR/sq. m)	13.2
Postimaja, Tallinn (Estonia)*	DCF	- Discount rate	7.5%
Net leasable area (NLA) – 9,145 sq. m		- Rental growth p.a.	0.0% - 2.2%
Segment – Retail		- Long-term vacancy rate	3.0 – 6.0%
Year of construction/renovation – 1980		- Exit yield	6.2%
		- Average rent (EUR/sq. m)	15.7

Property	Valuation technique	Key unobservable inputs	Range
LNK Centre, Riga (Latvia)	DCF	- Discount rate	7.4%
Net leasable area (NLA) – 6,848 sq. m		- Rental growth p.a.	0.5% - 2.4%
Segment – Office		- Long-term vacancy rate	2.0% - 5.0%
Year of construction/renovation – 2006 / 2014		- Exit yield	6.3%
		- Average rent (EUR/sq. m)	14.1
Galerija Centrs, Riga (Latvia)	DCF	- Discount rate	8.0%
Net leasable area (NLA) – 20,054 sq. m		- Rental growth p.a.	0.5% - 2.1%
Segment – Retail		- Long-term vacancy rate	5.0%
Year of construction/renovation – 1939 / 2006		- Exit yield	6.8%
		- Average rent (EUR/sq. m)	18.7
North Star, Vilnius (Lithuania)	DCF	- Discount rate	8.2%
Net leasable area (NLA) – 10,550 sq. m		- Rental growth p.a.	1.7% - 2.1%
Segment – Office		- Long-term vacancy rate	5.0%
Year of construction/renovation – 2009		- Exit yield	7.0%
		- Average rent (EUR/sq. m)	11.9

*Postimaja, G4S and Vainodes I property valuations also include building expansion rights. The market value of the additional building rights is EUR 4.7 million for Postimaja, EUR 2.1 million for G4S and EUR 1.0 million for Vainodes I.

The table below sets out information about significant unobservable inputs used at 30 June 2021 and 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	2021: 6.2% - 7.8% 2020: 6.0% - 8.0%	An increase in exit yield in isolation would result in a lower value of Investment property.
		Discount rate	2021: 7.4% - 8.9% 2020: 7.4% - 9.9%	An increase in discount rate in isolation would result in a lower value of Investment property.
		Rental growth p.a.	2021: 0.0% - 2.4% 2020: 0.0% - 3.1%	An increase in rental growth in isolation would result in a higher value of Investment property.
		Long-term vacancy rate	2021: 0.0% - 10.0% 2020: 1.0% - 5.0%	An increase in long-term vacancy rate in isolation would result in a lower value of Investment property.

The book values of investment properties as at 30 September 2021 were as follows:

EUR '000	Total fair value Level 3
Latvia - Galerija Centrs (retail)	65,181
Lithuania – Europa (retail)	35,284
Estonia – Postimaja (retail)	29,852
Lithuania – Domus Pro (retail/office)	23,861
Latvia – Upmalas Biroji (office)	21,244
Lithuania – Duetto II (office)	19,455
Lithuania – North Star (office)	18,999
Latvia – Vainodes I (office)	18,141
Lithuania – Duetto I (office)	16,569
Latvia – LNK Centre (office)	16,124
Estonia – Lincona (office)	15,911
Estonia – G4S (office)	15,401
Estonia – Coca-Cola Plaza (leisure)	14,260
Estonia – Pirita (retail)	9,590
Latvia – SKY (retail)	4,916
Total	**324,788**

11. 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	30.09.2021	31.12.2020
Balance at 1 January	**5,474**	**2,367**
Additions	4,032	4,181
Net revaluation loss	(3,434)	(1,074)
Closing balance	**6,072**	**5,474**

Valuation techniques used to derive Level 3 fair values

The Fund did not perform any property valuations as at 30 September 2021. The value of the investment property under construction is based on the valuation of investment properties performed by Colliers as at 30 June 2021 increased by subsequent capital expenditure.

Property	Valuation technique		Key unobservable inputs	Range
Meraki, Vilnius (Lithuania)	DCF	-	Discount rate	9.0%
Net leasable area (NLA) – 15,030 sq. m		-	Rental growth p.a.	1.3% - 1.8%
Segment – Office		-	Long-term vacancy rate	5.0%
Year of construction/renovation – 2021		-	Exit yield	7.0%
		-	Average rent (EUR/sq. m)	12.0

12. Trade and other receivables

EUR ’000	30.09.2021	31.12.2020
Trade receivables, gross	3,727	2,021
Less impairment allowance for doubtful receivables	(532)	(589)
Accrued income	307	410
Other accounts receivable	21	59
Total	**3,523**	**1,901**

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

As at 30 September 2021, trade receivables at a nominal value of EUR 532 thousand were fully impaired (EUR 589 thousand as at 31 December 2020).

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

EUR ’000	30.09.2021	31.12.2020
Balance at 1 January	(589)	(399)
Charge for the period	(333)	(505)
Amounts written off	147	25
Reversal of allowances recognised in previous periods	243	290
Balance at end of period	**(532)**	**(589)**

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

		Neither past due	Past due but not impaired				
EUR ’000	Total	nor impaired	<30 days	30-60 days	60-90 days	90-120 days	>120 days
30.09.2021	**3,195**	2,044	282	219	127	103	420
31.12.2020	**1,432**	742	397	165	53	-	75

13. Cash and cash equivalents

EUR ’000	30.09.2021	31.12.2020
Cash at banks and on hand	14,598	13,333
Total cash	**14,598**	**13,333**

As at 30 September 2021, the Group had to keep at least EUR 350 thousand (31 December 2020: EUR 350 thousand) of cash in its bank accounts due to certain restrictions in bank loan agreements. The Group also keeps EUR 2,592 thousand of secured bonds proceeds in an escrow account.

14. Equity
14a. 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 30 September 2021, the total number of the Fund's units was 119,635,429 (as at 31 December 2020: 119,635,429). Units issued are presented in the table below:

EUR '000	Number of units	Amount
As at 1 January 2021 and 30 September 2021	**119,635,429**	**145,200**

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 30 September 2021 and 31 December 2020.

The Fund did not hold its own units as at 30 September 2021 and 31 December 2020.

14b. 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 periods ended on 30 September 2021 and 31 December 2020. Please refer to note 20 for more information.

EUR '000	30.09.2021	31.12.2020
Balance at the beginning of the year	**(1,661)**	**(1,556)**
Movement in fair value of existing hedges	619	(108)
Movement in deferred income tax (note 9)	(34)	3
Net variation during the period	**585**	**(105)**
Balance at the end of the period	**(1,076)**	**(1,661)**

14c. Dividends (distributions)

EUR '000	01.01.2021-30.09.2021	01.01.2020-30.09.2020
Declared during the period	(3,948)	(6,576)
Total distributions made	**(3,948)**	**(6,576)**

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 4 February 2021, the Fund declared a cash distribution of EUR 1,316 thousand (EUR 0.011 per unit).
On 29 April 2021, the Fund declared a cash distribution of EUR 1,316 thousand (EUR 0.011 per unit).
On 28 July 2021, the Fund declared a cash distribution of EUR 1,316 thousand (EUR 0.011 per unit).

15. Interest-bearing loans and borrowings

EUR '000	Maturity	Effective interest rate	30.09.2021	31.12.2020
Non-current borrowings				
Unsecured bonds	May 2023	4.25%	49,890	49,839
Secured bonds	Nov 2022	5.00%	3,907	-
Bank 1	Jul 2022	3M EURIBOR + 1.30%	-	20,881
Bank 1	Feb 2022	6M EURIBOR + 1.40%	-	4,941
Bank 1	May 2022	3M EURIBOR + 1.55%	-	7,500
Bank 1	May 2022	6M EURIBOR + 1.55%	-	3,489
Bank 1	Oct 2022	6M EURIBOR + 1.80%	7,743	-
Bank 1	Dec 2022	6M EURIBOR + 1.40%	7,185	7,183
Bank 1	Nov 2024	3M EURIBOR + 1.55%	9,815	9,809
Bank 1	Sep 2023	3M EURIBOR + 1.75%	8,633	8,838
Bank 1	Mar 2024	6M EURIBOR + 2.65%	8,984	8,979
Bank 2	May 2022	6M EURIBOR + 2.75%	-	29,957
Bank 3	Aug 2023	1M EURIBOR + 1.55%	11,738	11,734
Bank 4	Mar 2023	6M EURIBOR + 2.15%	15,361	15,354
Bank 4	Feb 2023	6M EURIBOR + 1.38%	17,186	17,178
Lease liabilities			485	288
Less current portion of bank loans and bonds			(282)	(282)
Less current portion of lease liabilities			(34)	(18)
Total non-current debt			**140,611**	**195,670**
Current borrowings				
Bank 1	Jan 2022	3M EURIBOR + 2.10%	2,095	2,174
Bank 1	Feb 2022	6M EURIBOR + 1.40%	4,943	-
Bank 1	May 2022	3M EURIBOR + 1.55%	7,500	-
Bank 1	May 2022	6M EURIBOR + 1.55%	3,495	-
Bank 1	Jul 2022	3M EURIBOR + 1.30%	20,891	-
Bank 1	Oct 2022	6M EURIBOR + 1.80%	-	7,748
Bank 2	May 2022	6M EURIBOR + 2.75%	29,980	-
Current portion of non-current bank loans and bonds			282	282
Current portion of lease liabilities			34	18
Total current debt			**69,220**	**10,222**
Total			**209,831**	**205,892**

Financial covenants for bank loans

As of 30 September 2021, the Fund was in compliance with all special conditions and covenants set under the bank loan agreements except for Europa property. The Interest Service Coverage Ratio (ISCR) of the Europa property (carrying amount – EUR 20.9 million) was below the required minimum level of 4.00 at the end of Q3 2021, but this did not result in any consequences because 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.

Loan and bond securities

Borrowings received were secured with the following pledges and securities as of 30 September 2021:

	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			
Secured bonds	Meraki (land plots and office building)			

*Please refer to note 10 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
Secured bonds	Baltic Horizon Fund for Meraki secured bonds			Meraki (escrow account)	

16. Trade and other payables

EUR '000	30.09.2021	31.12.2020
Payables related to Meraki development	2,143	1,291
Trade payables	863	829
Accrued financial expenses	478	420
Management fee payable	442	434
Tax payables	366	355
Accrued expenses	294	205
Other payables	133	106
Total trade and other payables	**4,719**	**3,640**

As of 30 September 2021, the Fund had a payable in the amount of EUR 2,109 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 34 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.

17. Commitments and contingencies

17a. Litigation

As at 30 September 2021, there was no ongoing litigation, which could materially affect the consolidated financial position of the Group.

17b. Contingent assets

The Group did not have any contingent assets as at 30 September 2021.

17c. Contingent liabilities

The Group did not have any contingent liabilities as at 30 September 2021.

18. 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.

<u>Northern Horizon Capital AS</u>
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 6).

The Group's transactions with related parties during the first nine-months of 2021 and 2020 were the following:

EUR '000	01.01.2021-30.09.2021	01.01.2020-30.09.2020
Northern Horizon Capital AS group		
Management fees	1,345	1,281
Performance fees	-	74

The Group's balances with related parties as at 30 September 2021 and 31 December 2020 were the following:

EUR '000	30.09.2021	31.12.2020
Northern Horizon Capital AS group		
Management fees payable	442	434

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 30 September 2021.

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. The remuneration of the Supervisory Board of the Fund amounted to EUR 36 thousand during the nine-month period ended 30 September 2021 and EUR 12 thousand during Q3 2021 (EUR 36 thousand during the nine-month period ended 30 September 2020 and EUR 12 thousand during Q3 2020). Please refer to note 6 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 30 September 2021 and 31 December 2020 are presented in the tables below:

As at 30 September 2021

	Number of units	Percentage
Nordea Bank AB clients	49,928,508	41.73%
Raiffeisen Bank International AG clients	13,927,878	11.64%

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%

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

19. 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	30.09.2021	31.12.2020	30.09.2021	31.12.2020
Financial assets				
Trade and other receivables	3,523	1,901	3,523	1,901
Cash and cash equivalents	14,598	13,333	14,598	13,333
Financial liabilities				
Interest-bearing loans and borrowings				
Bank loans	(155,549)	(155,765)	(155,185)	(155,126)
Bonds	(53,797)	(49,839)	(54,005)	(50,001)
Trade and other payables	(4,719)	(3,640)	(4,719)	(3,640)
Derivative financial instruments	(1,144)	(1,763)	(1,144)	(1,763)

Fair value hierarchy

Quantitative disclosures of the Group's financial instruments in the fair value measurement hierarchy as at 30 September 2021 and 31 December 2020:

Period ended 30 September 2021

EUR '000	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Trade and other receivables	-	-	3,523	3,523
Cash and cash equivalents	-	14,598	-	14,598
Financial liabilities				
Interest-bearing loans and borrowings				
Bank loans	-	-	(155,185)	(155,185)
Bonds	-	-	(54,005)	(54,005)
Trade and other payables	-	-	(4,719)	(4,719)
Derivative financial instruments	-	(1,144)	-	(1,144)

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
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)

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 30 September 2021 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 0.45 and -0.99%.
- Cash and cash equivalents are attributed to Level 2 in the fair value hierarchy.

20. 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 14b for more information.

Derivative type EUR '000	Starting date	Maturity date	Notional amount	Variable rate (received)	Fixed rate (paid)	Fair value	
						30.09.2021	31.12.2020
IRS	Aug 2016	Aug 2021	7,750	6M EURIBOR	0.05%	-	(27)
IRS	Aug 2017	Feb 2022	5,766	6M EURIBOR	0.305%	(20)	(55)
IRS	Sep 2017	May 2022	6,900	3M EURIBOR	0.26%	(37)	(80)
IRS	July 2019	May 2022	30,000	6M EURIBOR	-0.37%	(28)	(63)
IRS	Mar 2018	Nov 2022	6,860	6M EURIBOR	0.46%	(75)	(129)
IRS	Nov 2016	Aug 2023	10,575	1M EURIBOR	0.26%	(154)	(235)
IRS	Jan 2019	Sep 2023	5,800	3M EURIBOR	0.32%	(91)	(138)
IRS	May 2018	Apr 2024	4,920	3M EURIBOR	0.63%	(136)	(192)
IRS	Mar 2018	Aug 2024	18,402	3M EURIBOR	0.73%	(603)	(844)
CAP	May 2018	Feb 2023	17,200	6M EURIBOR	3.5%*	-	-
CAP	Nov 2017	Mar 2022	7,200	6M EURIBOR	1.0%*	-	-
Derivative financial instruments, liabilities						**(1,144)**	**(1,763)**
Net value of financial derivatives						**(1,144)**	**(1,763)**

*Interest rate cap

Derivative financial instruments were accounted for at fair value as at 30 September 2021 and 31 December 2020. The maturity of the derivative financial instruments of the Group is as follows:

Classification according to maturity EUR '000	Liabilities		Assets	
	30.09.2021	31.12.2020	30.09.2021	31.12.2020
Non-current	(1,060)	(1,736)	-	-
Current	(84)	(27)	-	-
Total	**(1,144)**	**(1,763)**	**-**	**-**

21. Subsequent events

On 28 October 2021, the Fund declared a cash distribution of EUR 2,034 thousand (EUR 0.017 per unit) to unitholders.

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

22. 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 interim condensed consolidated financial statements of Baltic Horizon Fund were approved for issue by the Management Board of the Management Company on 4 November 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.

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.

TTM
Trailing 12 months