ANNUAL REPORT 2021

BALTIC HORIZON

Company's consolidated financial statements in pdf-format without European Single Electronic Format (ESEF) markups. The original document is submitted in machine-readable .xhtml format to the Nasdaq Tallinn Stock Exchange and digitally signed (Link: https://nasdaqbaltic.com/)

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.

CONTENTS

KEY FIGURES

Portfolio highlights

Offices

High-quality office portfolio comprising of single and multi-tenant buildings across Baltic capital cities.

Portfolio value
EUR 327.4m
2020: EUR 340.0m

Central retail

Shopping centres in the middle of Old town or central business districts of Baltic capital cities.

Occupancy rate
92.1%
2020: 94.3%

Regional retail

Neighbourhood grocery stores with strong grocery chains as anchor tenants.

WAULT
3.3yr
2020: 3.5yr

Leisure

Cinema in a central Tallinn location adjacent to Postimaja SC building owned by the Fund.

Net rental income
EUR 17.0m
2020: EUR 19.9m

Financial highlights

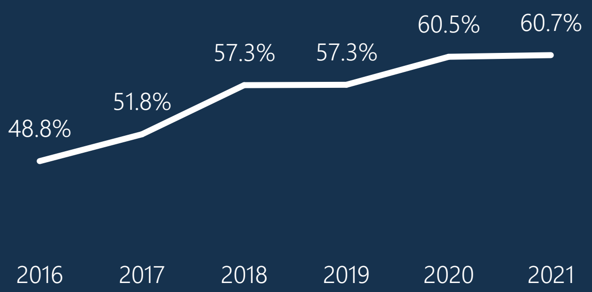
IFRS NAV
EUR 132.6m
2020: EUR 136.3m

EPRA NRV
EUR 142.2m
2020: EUR 146.2m

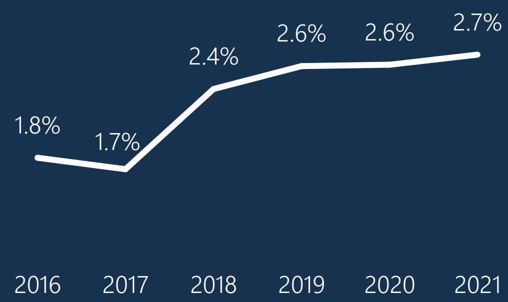
Dividends per unit
EUR 0.058
2020: EUR 0.067

GNCF per unit
EUR 0.073
2020: EUR 0.100

Loan to value



Average cost of debt



Key earnings figures	Unit	2021	2020	Change (%)
Rental income	EUR '000	19,495	21,697	(10.1%)
Net rental income	EUR '000	17,004	19,934	(14.7%)
Net rental income margin[1]	%	87.2	91.9	-
Valuation losses on investment properties	EUR '000	(7,161)	(25,245)	(71.6%)
EBIT	EUR '000	7,347	(8,025)	191.6%
EBIT margin[2]	%	37.7	(37.0)	
Net profit (loss)	EUR '000	1,413	(13,541)	110.4%
Net profit (loss) margin	%	7.2	(62.4)	-
Earnings per unit	EUR	0.01	(0.12)	108.3%
Generated net cash flow[3]	EUR '000	8,749	11,409	(23.3%)
Dividends per unit[4]	EUR/unit	0.058	0.067	(13.4%)
Generated net cash flow per unit[5]	EUR/unit	0.073	0.100	(27.0%)
Gross rolling dividend yield[6]	%	5.4	5.8	-

Key financial position figures	Unit	31.12.2021	31.12.2020	Change (%)
Total assets	EUR '000	346,338	355,602	(2.6%)
Return on assets	%	0.4	(3.7)	-
Total equity	EUR '000	132,584	136,321	(2.7%)
Equity ratio	%	38.3	38.3	-
Return on equity	%	1.1	(9.4)	-
Interest-bearing loans and borrowings	EUR '000	199,147	205,892	(3.3%)
Total liabilities	EUR '000	213,754	219,281	(2.5%)
LTV	%	60.7	60.5	-
Average cost of debt	%	2.7	2.6	-
Weighted average duration of debt	years	1.5	2.1	-
Current ratio	times	0.4	1.1	-
Quick ratio	times	0.4	1.0	-
Cash ratio	times	0.3	0.9	-
IFRS NAV per unit	EUR	1.1082	1.1395	(2.7%)

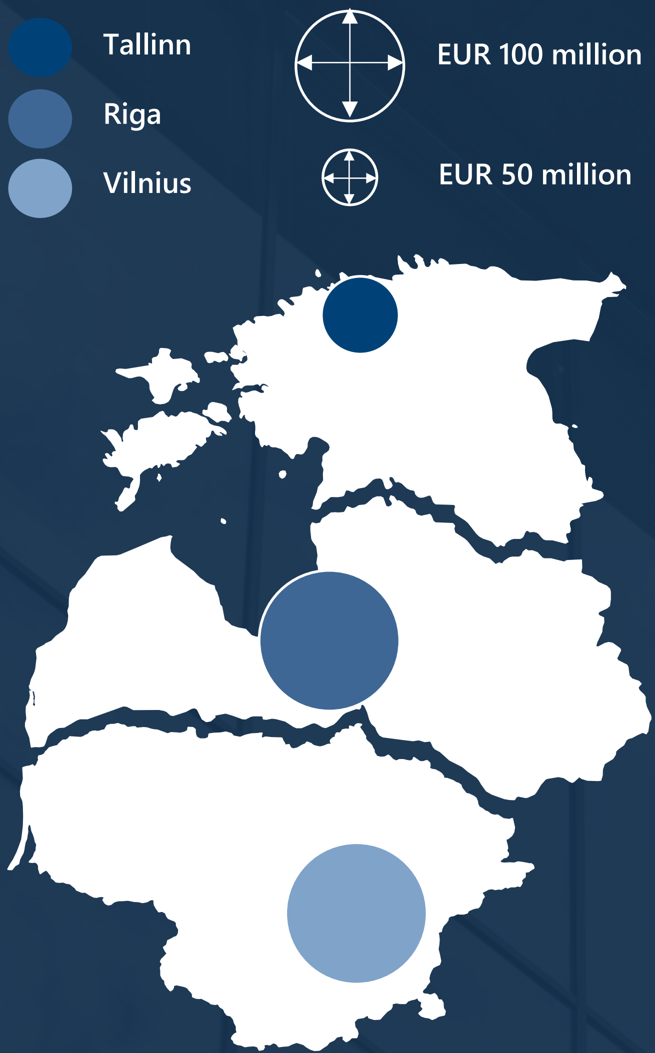
Key property portfolio figures	Unit	31.12.2021	31.12.2020	Change (%)
Fair value of portfolio	EUR '000	327,359	339,992	(3.7%)
Properties[7]	number	15	16	(6.3%)
Net leasable area	sq. m	144,081	153,345	(6.0%)
Occupancy rate	%	92.1	94.3	-
Direct property yield	%	5.0	5.8	-
Net initial yield	%	5.2	5.7	-
Average rent during the period	EUR/sq. m	11.3	12.1	(6.6%)
Weighted average unexpired lease term to expiry[8]	years	3.3	3.5	(5.7%)
Weighted average unexpired lease term to first break[9]	years	2.2	2.5	(12.0%)

Key unit figures	Unit	31.12.2021	31.12.2020	Change (%)
Number of units outstanding	units	119,635,429	119,635,429	-
Closing unit price	EUR	1.0690	1.1550	(7.4%)
Closing unit price	SEK	10.87	11.65	(6.7%)
Market capitalisation[10]	EUR	127,519,749	138,357,617	(7.8%)

Key EPRA figures	Unit	2021	2020	Change (%)
EPRA Earnings	EUR '000	8,867	11,517	(23.0%)
EPRA Earnings per unit	EUR	0.07	0.10	(30.0%)
EPRA Cost ratio (including direct vacancy costs)	%	27.5	21.6	-
EPRA Cost ratio (excluding direct vacancy costs)	%	24.0	19.7	-

Key EPRA figures	Unit	31.12.2021	31.12.2020	Change (%)
EPRA NRV (Net Reinstatement Value)	EUR '000	142,176	146,180	(2.7%)
EPRA NRV per unit	EUR	1.1884	1.2219	(2.7%)
EPRA NTA (Net Tangible Assets)	EUR '000	142,176	146,180	(2.7%)
EPRA NTA per unit	EUR	1.1884	1.2219	(2.7%)
EPRA NDV (Net Disposal Value)	EUR '000	132,622	136,798	(3.1%)
EPRA NDV per unit	EUR	1.1086	1.1435	(3.1%)
EPRA Net initial yield (NIY)	%	6.1	6.8	-
EPRA Topped-up NIY	%	6.2	6.8	-
EPRA Vacancy rate	%	6.7	7.1	-

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 (2021: closing market price of the unit as of 31 December 2021).
7. Properties includes 14 established cash flow properties and Meraki development project.
8. Weighted average unexpired lease term to expiry is based on the number of years of unexpired lease terms, as from the reporting date, weighted by the total annual income of each contract.
9. Weighted average unexpired lease term to first break is based on the number of years of unexpired lease terms until first break option date, as from the reporting date, weighted by the total annual income of each contract.
10. 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.

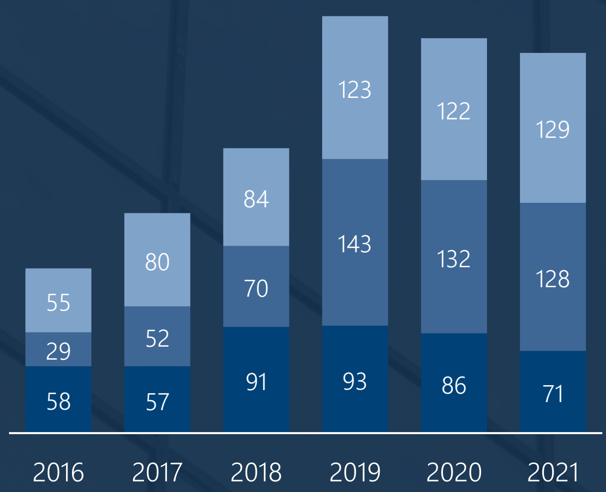
The Fund aims to use a 55% long-term leverage strategy. At no point in time may the Fund's leverage exceed 65%.

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.

14
Properties

1
Development project

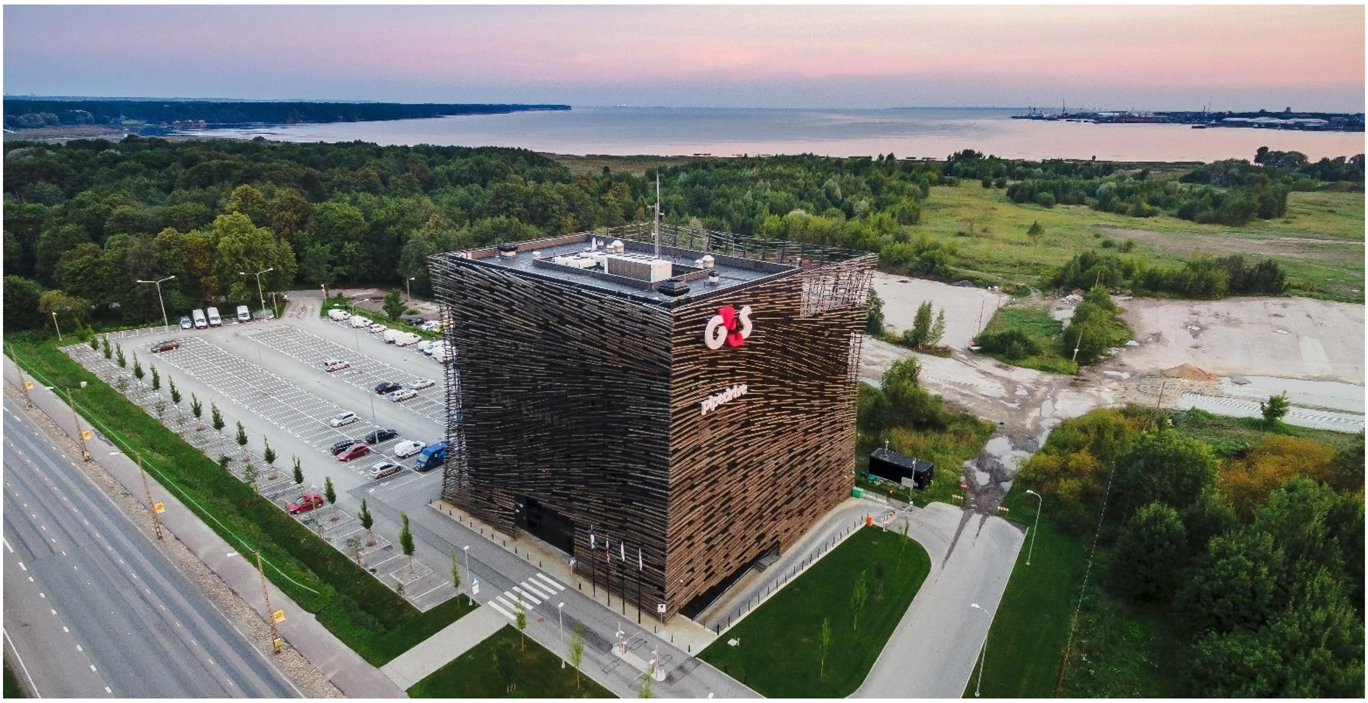
Portfolio value (EUR million)



Ten largest properties

1. Galerija Centrs	20.0%
2. Europa SC	11.2%
3. Postimaja	9.1%
4. Upmalas Biroji BC	6.7%
5. North Star	6.1%
6. Duetto II	6.0%
7. Vainodes	5.5%
8. Duetto I	5.3%
9. Lincona	5.2%
10. LNK Centre	5.1%
11. Others	19.8%

2021 AT A GLANCE



Q1 2021

Quarterly cash distribution
On 23 February 2021, the Fund distributed EUR 1.32 million to investors (EUR 0.011 per unit).

S&P affirms credit rating
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". The full report of the S&P Global Ratings analysis can be found on the S&P Global Ratings website.

Solar panels installed in Domus PRO
At the end of Q1 2021, the Fund installed a solar power plant in the Domus PRO complex. The Fund emphasizes the project's importance for sustainability – it is expected that the solar power plant will nurture the environment and reduce the climate impact of operations.

Q2 2021

Quarterly cash distribution
On 18 May 2021, the Fund distributed EUR 1.32 million to investors (EUR 0.011 per unit).

Oversubscribed bond issue of BH Meraki UAB
On 12 May 2021, BH Meraki UAB completed an oversubscribed 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. Investors subscribed bonds for a total of EUR 11.15 million which means that the issue volume was oversubscribed 2.78 times. 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.

Annual General Meeting
Annual General Meeting of Baltic Horizon Fund investors took place on 1 June 2021 in Tallinn, Estonia. Fund Manager Tarmo Karotam presented the FY2020 audited annual report of Baltic Horizon Fund.

Q3 2021

Quarterly cash distribution

On 16 August 2021, the Fund distributed EUR 1.32 million to investors (EUR 0.011 per unit).

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 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

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

Q4 2021

Quarterly cash distribution

On 16 November 2021, the Fund distributed EUR 2.03 million to investors (EUR 0.017 per unit).

G4S Headquarters office building disposal

On 8 November 2021, Baltic Horizon Fund signed a real right agreement with HITS Investments OÜ to sell the land plot located at Paldiski mnt 80, Tallinn together with the G4S Headquarters office building. The sales price was EUR 15.35 million (excluding value added tax) matching approximately the latest valuation. The IRR for the holding period of more than 5 years was around 11.2%, while equity multiple was 1.7. The decision to dispose of the asset was made to avoid high re-leasing risk and potential capital expenditure of bringing the asset to a high energy efficiency standard. The proceeds of the transaction will be used for new and more energy efficient investments for the Fund's portfolio in the Baltics.

Baltic Horizon Fund Meraki SPV bonds

On 15 November 2021, bonds issued by BH Meraki UAB were admitted to the Nasdaq Baltic First North Market by Nasdaq Vilnius. The size of the bond issue is EUR 4 million. The bonds have a nominal value of EUR 100 and an annual interest rate of 5% with interest paid semi-annually.

Six buildings received BREEAM certification

Baltic Horizon aimed to certify all currently operational office assets by the end of 2021 using the BREEAM In-Use environmental assessment method. During 2021, the Fund's North Star, Domus PRO SC, Upmalas Biroji BC, LNK Centre and Vainodes I properties were awarded the BREEAM In-Use "Very Good" and Lincona was awarded the BREEAM In-Use "Good" environmental certification. All office properties are now BREEAM certified.

LETTER TO UNITHOLDERS

The recent history has posed a notable challenge for all of us to deal with the uncertainty in the surrounding environment. For the past two years, the COVID virus has strongly affected travel and centrally located commercial properties – hotels, retail centres and somewhat offices – as people have been forced out of city centres to commute and socialize less and work, shop and entertain themselves from homes. Many people have had to struggle with the restrictions and lockdowns, limiting their yearned access to museums, restaurants, theatres and shops for a long period of time. It is now, however, time to visit shops, cinemas and restaurants again as restrictions are finally in the past in the Baltics as well.

There are many parallels to be drawn to the 1918 Spanish flu where after four waves of the virus and two years in, it evolved to become an ordinary seasonal flu. This can also be expected from today onwards whereas lockdowns triggered by previous uncertainty should not be occurring anymore. This experience has strengthened people and societies, making them more prepared to deal with the unexpected. The Baltics are small and open economies and businesses have had sufficient time to successfully adjust to the new environment. In this new environment, flexible working and experience-driven omnichannel shopping are here to stay and will be part of our future.

Recovery from lockdowns

In 2021, the Fund's most affected properties were Galerija Centrs and Europa, where due to the half-year lockdowns and subsequent discounts, about 60-70% of the NOI was lost compared to 2019. That being said, the remainder of the portfolio performed well and the Fund finished with a NOI of EUR 17.0 million for 2021, still a 15% decrease compared to 2020. As for distributable income for the investors, the Fund generated cash flow of 7.3 cents per unit of which 5.8 cents was distributed for the year in quarterly instalments to investors. I am content to state that regardless of the lockdowns, the Fund has been among the highest dividend payers on the Nasdaq Baltic Stock Exchange. Moreover, at least half of the Fund's lost income is expected to be recovered in 2022.

I am also pleased to state that during the closures, architects together with the asset management teams have been meticulously working on the new concepts of all three of our key assets: Europa, Galerija Centrs and Postimaja/CC Plaza. After more than a year of hard work in the uncertain environment, which has been affecting tenants and construction companies, we are thrilled to see the first results of the Europa SC reconstruction project with new tenants coming to the shopping centre. The opening of the Dialogai Food Hall and other renovated areas have created a great value proposition for office workers in Vilnius CBD. At the same time, preparations to open the finished Meraki first office tower in Q2 2022 are underway with increasing efforts to create a mix of flexible spaces suitable for small and large tenants. Other concept upgrades (Galerija Centrs), expansions (CC Plaza and Postimaja) and potential acquisitions will require full commitment from the team and partners but should ultimately allow the Fund to maximise the value and synergies of its portfolio.

War in Ukraine

At the time of writing this statement, a full-fledged war has broken out in Ukraine adding a much different level of uncertainty to the environment for the upcoming periods. What seems to be clear today is that Russia will be cut out from Europe for a longer period and NATO stands strong to defend its allies and every inch of their territories. At the same time, the exodus of Ukrainian war refugees is taking place in millions and hundreds of thousands of Ukrainians are estimated to become assimilated into the Baltic societies for an unknown period of time. Despite the fact that the Baltics have very limited direct economic relations with Russia, the crisis is likely to impact energy carriers' prices as the Baltics, while being able to meet their energy demand without Russia, will be using more expensive alternatives. The construction sector is also likely to be affected as many construction materials which used to come from Russia and Belarus now need to be imported from elsewhere, at least until the current level of the conflict remains. Therefore, the Baltics will very likely see double digit inflation in the periods ahead. On the other hand, real estate values have proven to withstand inflation in the past, especially over medium to long term.

As of today, the war has had no real impact on the Fund's portfolio as we continue signing new leases in our shopping centres, prolonging the office leases, indexing the rents and rolling over debt. On behalf of the management board of Baltic Horizon and our entire team, I can confirm that we are working hard to adapt to the changed environment and regardless of the extraordinary uncertainties, strive for the best possible results in our portfolio.

Tarmo Karotam
Fund Manager, Baltic Horizon Fund
18 March 2022

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 spike in late 2021 and early 2022 once the omicron variant became the dominant COVID variant. As a result of spiking cases, Latvian government decided to reimpose the lockdown for a period from 21 October to 15 November. Other Baltic countries also took restrictive actions, but without full lockdowns. While the omicron variant led to a drastically increased number of COVID-19 cases, hospitalization and death rates did not follow the same drastic trend due to the lower disease severity of the omicron variant. At the date of this report, Lithuania has already started lifting restrictions related to COVID-19 with other countries expected to follow.

BHF's operating results of 2021 continued to be affected by the pandemic through the support measures for weakened retail tenants, especially during the latest Latvian lockdown in November. It is expected that broad diversification of the portfolio should allow the Fund to limit the COVID-19 impacts and maintain healthy consolidated operational performance throughout the next year as the central retail sector is set to recover. The Fund's operational performance has largely recovered every time 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 temporarily retain approx. EUR 6.1 million of distributable cash flow from the results to strengthen the 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 reserve is expected to be distributed in future periods.

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.
- 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 2022.
- 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.

COVID-19 - economic impact

The spread of COVID-19 had a major initial impact on the global economy and in 2020 Europe witnessed sharp fluctuations in GDP movements. Yet in 2021, the EU economies mostly recovered. The Baltic economies have been frontrunners in COVID-19 resilience and recovery rates with only a small initial GDP drop and tremendous growth in 2021 compared to other EU countries.

During Q3 2021, the EU's GDP grew by 2.2%. Meanwhile, according to the preliminary flash estimate by Eurostat, in Q4 2021 seasonally adjusted GDP increased by 0.4% in the EU, compared with the previous quarter. Among the Baltic states, in Q3 2021 Estonia's GDP grew the most (+0.7% compared with Q2), with Latvia falling behind only slightly (+0.6%), whereas Lithuania's GDP growth was negligible. According to preliminary data, Lithuania's GDP grew by 0.5% in Q4, Estonia's GDP grew by 1.8% in Q4, while Latvia's GDP remained stable. Overall, the Baltic countries have been outperforming most of other EU countries in terms of GDP growth for a whole year now.

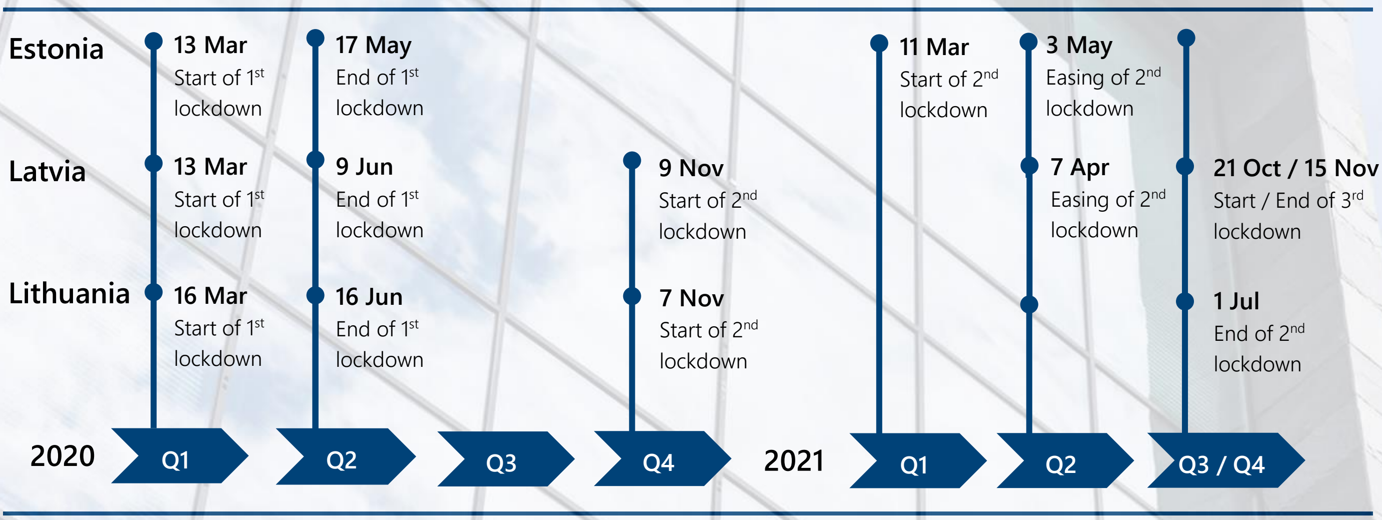
It is expected that the Baltic economies will continue to be one of the fastest growing economies in the EU after the pandemic. The rapid bounce back of the economy and retail spending during post-lockdown periods demonstrates that economies can recover quickly from economic downturns caused by the pandemic.

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 2021. 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 and November – December 2021. Reopening of retail shops and other businesses led to a substantial reduction of discounts and improvement in operational performance during June - October 2021. Discounts granted to Galerija Centrs tenants have been partially covered by a grant received from the Latvian government (EUR 0.4 million).



Portfolio value	Occupancy rate	Direct yield	Properties
EUR 327.4m	**92.1%**	**5.0%**	**15**

PROPERTY REPORT

Portfolio and market overview

The diversified property portfolio of Baltic Horizon Fund consists of 14 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.

During Q4 2021, shopping centres' sales and footfall figures were outperforming Q4 2020 results with the exception of the Latvian properties. Growth in sales and footfall figures in Latvia was limited due to heavy COVID-19 restrictions during November. Retail properties are yet to completely recover to pre-pandemic levels. It is expected, however, that sales and footfall figures will continue to increase with restrictions being lifted at the beginning of 2022. 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. 69% of the population have been fully vaccinated against the COVID-19 virus in Lithuania and Latvia, followed by Estonia with approx. 63% compared to 64% for Europe.

The CC Plaza cinema building was temporarily closed from March until the end of May due to COVID-19 restrictions and in December due to small reconstruction. The cinema is now fully ready to welcome cinema lovers for newly released and upcoming blockbuster movies to be premiered during 2022.

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, the year 2022 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. Concept upgrades are being explored also for Galerija Centrs and will be unveiled soon. 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. Concept changes have been already executed in Europa SC where the Food Hall Dialogai opened its doors in January 2022 with high interest from local office workers.

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 pandemic 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.

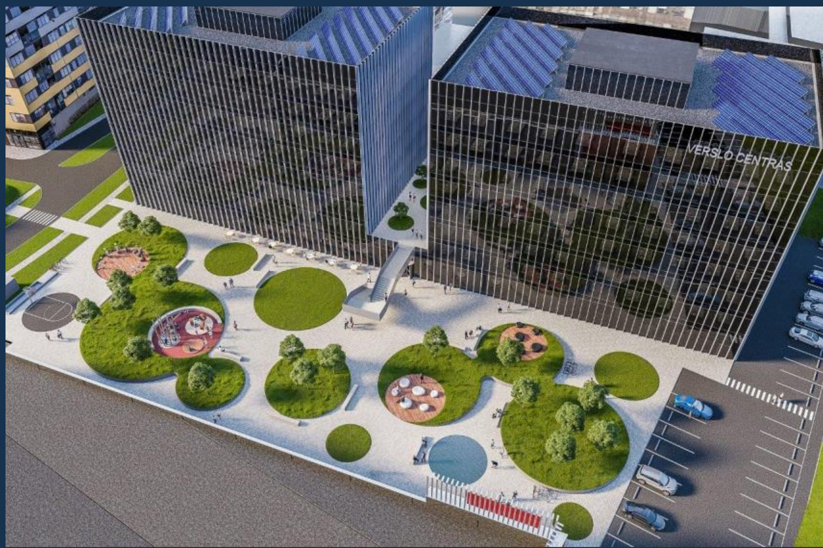
In summary, the COVID virus induced lockdown in the Baltics has impacted mainly Baltic Horizon's centrally located retail and entertainment centres. Retail assets located in the central business districts (Postimaja, Europa and Galerija Centrs) accounted for 20.5% of the total portfolio NOI in 2021.

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 allows to build approx. 15,800 sq. m of leasable office space along with a parking house. The first tower is expected to be completed in Q2 2022 and the second one in 2023. Meraki development costs reached EUR 13.7 million as of 31 December 2021 and the expected total development costs amount to EUR 32.7 million.

At the end of 2021, approx. 13.5% of the net leasable area of one tower was let to 3 local tenants. In December 2021, the Fund signed a lease agreement with an IT company on 433.53 sq. m. The Fund management team is currently working on an office hotel concept to meet high demand for smaller spaces with common areas from smaller tenants. First tenant fit-out works started at the beginning of 2022.



15,800

Net leasable area (sq. m)

Q2 2022

First tower to be completed

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.).

Reconstruction works started in September 2021 with the aim to finish reconstruction in two stages. The first stage was completed with the opening of the fully leased out Food Hall Dialogai (900 sq. m) on 24 January 2022. The second stage works were partially completed in 2021, the rest will be completed at the beginning of 2022. The interior of the ground floor passage has been already completed, while the shop fronts together with an amphitheatre, bakery, vertical connections, and 2nd and 3rd floor interior will be completed in Q2 2022.

The total investment in the project has increased to approx. EUR 6.0 million after the expansion of the initial scope of works. Out of the total amount, EUR 2.1 million is the Food Hall investment.

EUR 6.0m

Total investment

Q2 2022

Reconstruction to be completed

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.

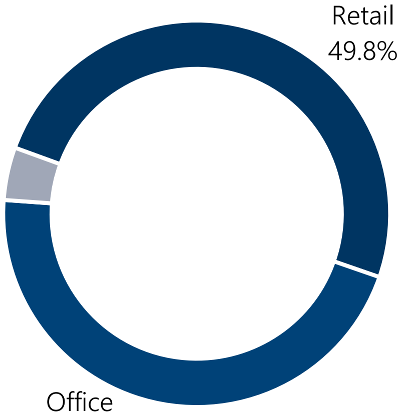
The first stage of the reconstruction project – Reval Café terrace construction - has been separated from the overall project and has already started. The opening of the terrace is expected in Q2 2022 with a planned investment of EUR 0.2 million. The second stage time schedule and investment volume are expected to be finalized in Q1 2022. In parallel the Fund is actively discussing with Tallinn municipality the plans to have a tram stop in front of Postimaja SC.

Q1 2021
Building permit was received

Q2 2022
Opening of the terrace

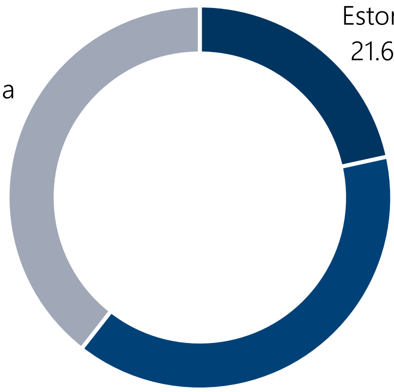
Property performance

Fund segment distribution as of 31 December 2021



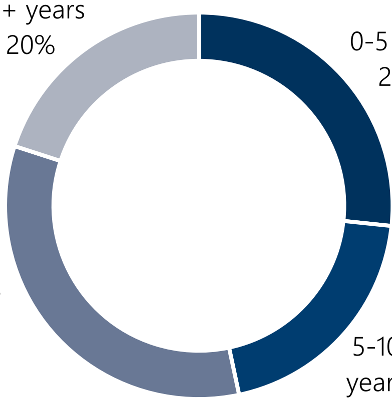
The Fund maintains a well-diversified mix of office, leisure, and retail buildings. At the end of 2021, the portfolio was comprised of 49.8% retail assets, followed by 45.8% office assets and 4.4% leisure assets. Portfolio properties in the office segment contributed 63.0% of net rental income in 2021 despite accounting for only 45.8% of the Fund's portfolio. At the end of 2021, the share of the office segment and Estonia in the Fund's portfolio decreased due to the disposal of G4S Headquarters.

Fund country distribution as of 31 December 2021



In terms of country distribution, in 2021 Lithuania's share in the Fund's portfolio increased due to the ongoing Meraki development works and Estonia's decreased due to the disposal of G4S Headquarters. At the end of 2021, the Fund's assets were located as follows: 39.4% in Lithuania, 39.0% in Latvia and 21.6% in Estonia.

Fund portfolio by age as of 31 December 2021

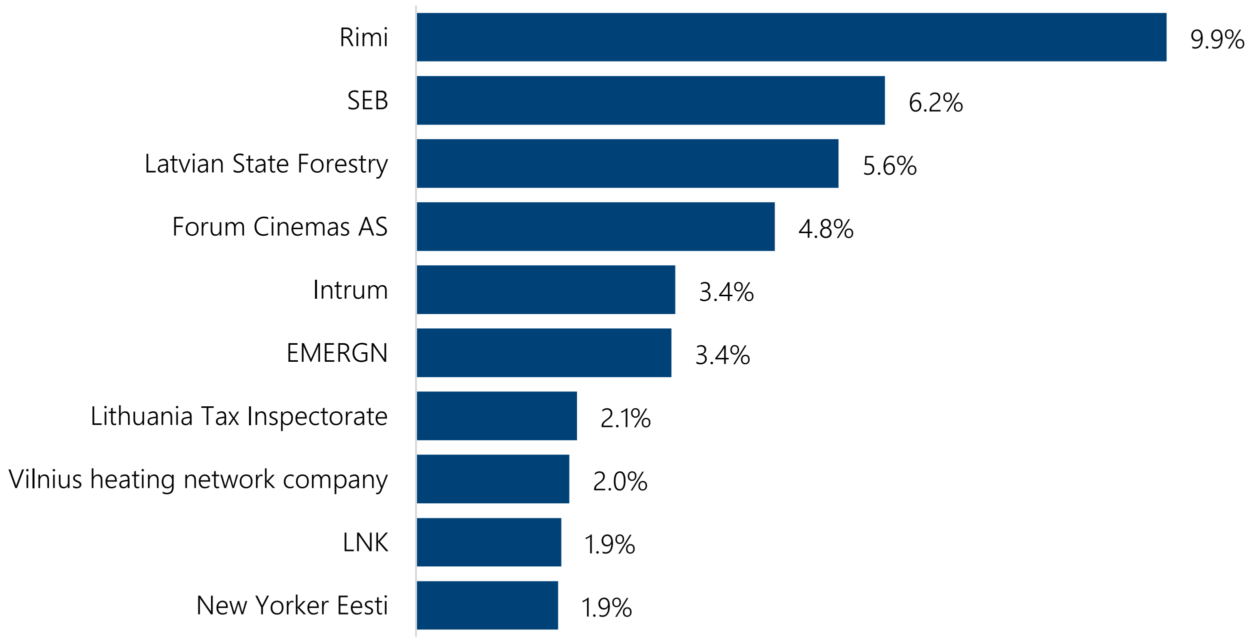


The graph above shows the age of assets in the Fund's portfolio since construction or the last major refurbishment. The management team is working on new development projects and expects to improve the Fund's average portfolio age in the future.

Rental concentration of the Fund's subsidiaries as of 31 December 2021

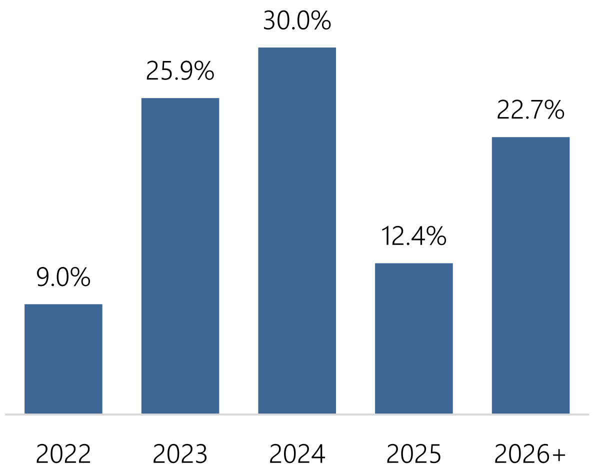
The tenant base of the Fund is well diversified. Baltic Horizon Fund has around 230 tenants in the portfolio. The rental concentration of the Fund's subsidiaries (rental income from the 10 largest tenants) is shown in the following chart with the largest tenant Rimi Baltic accounting for 9.9% of the annualised rental income. As further discussed in the risk management section, credit risk is mitigated by the high quality of the existing tenant base.

Rental concentration of the Fund's subsidiaries: 10 largest tenants as of 31 December 2021

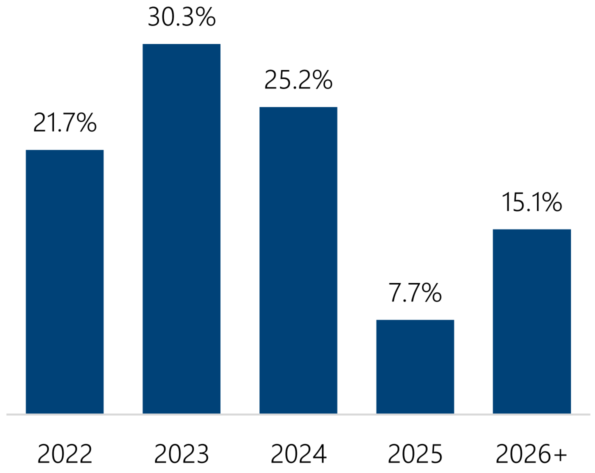


The Fund's teams have been actively negotiating with current tenants to extend lease agreements as well as with new tenants to fill the vacancies. Over 47% of Baltic Horizon Fund tenant leases will expire after 2023, while the rest will expire during the next two years. The weighted average unexpired lease term until first break option was 2.2 years at the end of 2021 (31 December 2020: 2.5). The weighted average unexpired lease term until the end of contract term was 3.3 years at the end of 2021 (31 December 2020: 3.5). The graph below shows the expiry dates of contractual rental income.

Maturity profile of lease agreements
% of contractual rent to end of contract



Maturity profile of lease agreements
% of contractual rent to first break option



Overview of the Fund's investment properties as of 31 December 2021

Property name	Sector	Fair value[1] (EUR '000)	NLA (sq. m)	Direct property yield[2]	Net initial yield[3]	Occupancy rate
Vilnius, Lithuania						
Duetto I	Office	17,345	8,587	8.2%	7.4%	100.0%
Duetto II	Office	19,683	8,674	7.3%	7.1%	100.0%
Europa SC	Retail	36,737	16,856	2.7%	2.7%	78.8%
Domus PRO Retail Park	Retail	16,255	11,226	7.3%	7.1%	99.4%
Domus PRO Office	Office	7,820	4,831	8.3%	7.0%	100.0%
North Star	Office	19,869	10,550	5.8%	6.3%	89.7%
Meraki Development		11,400	-	-	-	-
Total Vilnius		**129,109**	**60,724**	**5.7%**	**5.6%**	**92.2%**
Riga, Latvia						
Upmalas Biroji BC	Office	21,944	10,459	7.3%	7.8%	100.0%
Vainodes I	Office	18,150	8,052	6.7%	7.7%	100.0%
LNK Centre	Office	16,840	7,452	6.3%	6.7%	100.0%
Sky SC	Retail	5,096	3,249	7.8%	8.0%	97.6%
Galerija Centrs	Retail	65,544	20,022	1.9%	2.2%	79.2%
Total Riga		**127,574**	**49,234**	**4.3%**	**4.8%**	**91.4%**
Tallinn, Estonia						
Postimaja & CC Plaza complex	Retail	29,772	9,145	2.9%	3.4%	93.9%
Postimaja & CC Plaza complex	Leisure	14,442	8,664	6.5%	5.5%	100.0%
Lincona	Office	16,990	10,870	7.0%	6.9%	89.1%
Pirita SC	Retail	9,472	5,444	5.2%	6.8%	89.2%
Total Tallinn		**70,676**	**34,123**	**5.1%**	**5.5%**	**93.2%**
Total portfolio		**327,359**	**144,081**	**5.0%**	**5.2%**	**92.1%**

1. Based on the latest valuation as at 31 December 2021 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 2021, the average actual occupancy of the portfolio was 93.4% (2020: 95.8%). The occupancy rate as of 31 December 2021 was 92.1% (31 December 2020: 94.3%). 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 Lincona Office. Domus PRO Office building occupancy increased compared with the previous quarter, and the building was once again fully occupied starting from November as a new tenant moved to the vacant premises. The average direct property yield during 2021 was 5.0% (2020: 5.8%). The net initial yield for the whole portfolio for 2021 was 5.2% (2020: 5.7%). Property yields decreased compared to 2020 due to decreased occupancy levels. The average rental rate for the whole portfolio for 2021 was EUR 11.3 per sq. m (2020: EUR 12.1 per sq. m).

Breakdown of NOI development

Property	Date of acquisition	2016	2017	2018	2019	2020	2021
Postimaja & CC Plaza complex	8 March 2013[1]	972	985	2,447	2,495	1,932	1,805
Upmalas Biroji BC	30 August 2016	515	1,693	1,710	1,701	1,661	1,740
Vainodes I	12 December 2017	-	75	1,463	1,462	1,464	1,449
Galerija Centrs	13 June 2019	-	-	-	2,552	3,023	1,448
Duetto II	27 February 2019	-	-	-	1,090	1,354	1,353
Duetto I	22 March 2017	-	799	1,096	1,160	1,166	1,223
North Star	11 October 2019	-	-	-	315	1,419	1,208
Domus PRO Retail	1 May 2014	1,103	1,185	1,160	1,132	1,092	1,145
Lincona	1 July 2011	1,202	1,172	1,192	1,276	1,212	1,114
LNK Centre	15 August 2018	-	-	409	1,072	1,090	1,088
G4S Headquarters[2]	12 July 2016	546	1,149	1,189	1,127	1,223	1,009
Europa SC	2 March 2015	2,360	2,365	2,332	2,467	1,681	1,006
Domus PRO Office	1 October 2017	-	35	499	562	538	537
Pirita SC	16 December 2016	30	900	900	438	677	484
Sky SC	7 December 2013	425	410	407	370	402	395
Total portfolio		**7,153**	**10,768**	**14,804**	**19,219**	**19,934**	**17,004**

1. The Fund completed the acquisition of Postimaja SC on 13 February 2018.
2. The Fund completed the disposal of G4S Headquarters on 8 November 2021.

The Fund's portfolio produced EUR 17.0 million of net operating income (NOI) in 2021 (2020: EUR 19.9 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 31.12.2021	Net rental income 2021	Net rental income 2020	Change (EUR '000)	Change (%)
Like-for-like assets					
Retail	162,876	5,506	7,983	(2,477)	(31.0%)
Office	138,641	9,712	9,904	(192)	(1.9%)
Leisure	14,442	777	824	(47)	(5.7%)
Total like-for-like assets	**315,959**	**15,995**	**18,711**	**(2,716)**	**(14.5%)**
Development assets	11,400	-	-	-	-
Disposed assets	-	1,009	1,223	(214)	(17.5%)
Total portfolio assets	**327,359**	**17,004**	**19,934**	**(2,930)**	**(14.7%)**

Net rental income of the portfolio on a like-for-like basis decreased by 14.5% or EUR 2,716 thousand in 2021, as compared to 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.

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 1.9%. 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 2021 compared to 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 2021 compared to 2020. The overall performance of each country was mostly influenced by the weaker performance of CBD shopping centres due to forced closures. The Fund was partially compensated for supporting Galerija Centrs retail tenants during lockdowns. The Fund received a grant from the Latvian government in amount of EUR 0.4 million which is disclosed under other income.

Several assets of the portfolio showed positive results even throughout the second wave of COVID-19. In 2021, the net rental income of Duetto I, Domus PRO Retail 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 31.12.2021	Net rental income 2021	Net rental income 2020	Change (EUR '000)	Change (%)
Like-for-like assets					
Estonia	70,676	3,403	3,821	(418)	(10.9%)
Latvia	127,574	6,120	7,640	(1,520)	(19.9%)
Lithuania	117,709	6,472	7,250	(778)	(10.7%)
Total like-for-like assets	**315,959**	**15,995**	**18,711**	**(2,716)**	**(14.5%)**
Development assets	11,400	-	-	-	-
Disposed assets	-	1,009	1,223	(214)	(17.5%)
Total portfolio assets	**327,359**	**17,004**	**19,934**	**(2,930)**	**(14.7%)**

Property valuation

All real estate properties belonging to the Fund must be appraised at least once a year at the end of the financial year to determine the market value of the real estate portfolio. During 2020 and 2021, the Fund's property portfolio was appraised twice a year by an independent real estate appraiser. External property appraisals were carried out each year as of 30 June and 31 December.

The Management Company ensures that only a licensed independent real estate appraiser of high repute and sufficient experience in appraising similar property and operating in the country where the relevant real estate property is located evaluates real estate belonging to the Fund. As at 31 December 2021, new external valuations were performed by the independent property valuator Colliers International (as at 31 December 2020 by Newsec Baltics).

Independent appraisals are performed in accordance with the Practice Statements and Relevant Guidance Notes of the RICS Appraisal and Valuation approved by both the International Valuation Standards Committee

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

As of 31 December 2021, the fair value of the Baltic Horizon Fund portfolio decreased to EUR 327.4 million as compared to EUR 340.0 million as of 31 December 2020. During 2021, the Fund recognised valuation losses on investment properties of EUR 7.2 million (2020: EUR 25.2 million) in the consolidated financial statements. Even though the overall yearly valuation result is negative, the Fund recognised a valuation gain of EUR 7.1 million in Q4 2021, closing the year with promising valuation tendencies. The fair values of investment properties in the portfolio decreased mainly due to COVID-19 induced downward assumptions on (re)development projects and a more conservative view on the cash flows of several properties due to shortened existing lease terms and current vacancies.

Valuations of properties with (re)development potential are expected to improve after all planned works are completed and as the rental market recovers from the COVID-19 pandemic. Compared to the mid-year valuations, the change in the portfolio valuation at year-end was mainly driven by upward adjustments of future cash flow projections and changes in exit yields for most of the office properties.

The table below shows movements in the fair value of the Baltic Horizon Fund investment portfolio during 2021. The values of the properties are based on the valuation of investment properties performed by Colliers International (31 December 2021) and Newsec (31 December 2020), which have been increased by the value of right-of-use assets (IFRS 16). The table below does not reflect any capital investments during the year.

Portfolio fair value movements by segment

EUR '000	Fair value 31.12.2021	Fair value 31.12.2020	Change (EUR '000)	Change (%)	Proportion of portfolio (%) 31.12.2021
Like-for-like assets					
Retail	162,876	166,667	(3,791)	(2.3%)	49.8%
Office	138,641	137,521	1,120	0.8%	42.4%
Leisure	14,442	14,170	272	1.9%	4.4%
Total like-for-like assets	**315,959**	**318,358**	**(2,399)**	**(0.8%)**	**96.5%**
Development assets					
Office	11,400	5,474	5,926	108.3%	3.5%
Disposed assets					
Office	-	16,160	(16,160)	(100.0%)	-
Total portfolio assets	**327,359**	**339,992**	**(12,633)**	**(3.7%)**	**100.0%**

The like-for-like value of the portfolio excluding developments and disposed assets decreased by EUR 2.4 million (0.8%) in 2021, compared to year-end 2020. The decrease was mainly caused by a more conservative valuation approach to CBD shopping centres and single tenant office buildings with short lease terms. The figure includes downward adjustments to the fair values of the Europa SC of EUR 2.1 million, Galerija Centrs property of EUR 1.9 million, Vainodes I of EUR 1.8 million, Upmalas Biroji BC of EUR 1.5 million and Pirita SC of EUR 0.1 million. Multi-tenant office buildings and small neighbourhood shopping centres were less affected by the downward valuation adjustments related to COVID-19 due to their strong tenant base and payment discipline.

Compared to year-end 2020, the property valuation results increased in the Estonian market (EUR 1.0 million or 1.5%) and in the Lithuanian market (EUR 0.9 million or 0.8%), but decreased in the Latvian market (EUR 4.3 million or -3.3%). The valuations of Upmalas Biroji and Galerija Centrs were mostly affected by expected capital investments in the upcoming years. The dip in the value of the Vainodes extension rights additionally contributed to the overall valuation change for the country. In the Lithuanian and Estonian market, all valuations increased or remained relatively stable.

Property valuations increased for most of the assets in the portfolio: Duetto I (+5.6%), Lincona SC (+5.5%), Duetto II (+4.9%) and LNK Centre (+4.9%) showed the best valuation results across the whole portfolio. The biggest downward valuation changes were recognised for Vainodes (-9.1%), Upmalas Biroji (-6.5%) and Europa SC (-5.3%). For a summary of property valuations, please visit the Fund's website.

Portfolio fair value movements by country

EUR '000	Fair value 31.12.2021	Fair value 31.12.2020	Change (EUR '000)	Change (%)	Proportion of portfolio (%) 31.12.2021
Like-for-like assets					
Estonia	70,676	69,630	1,046	1.5%	21.6%
Latvia	127,574	131,920	(4,346)	(3.3%)	39.0%
Lithuania	117,709	116,808	901	0.8%	36.0%
Total like-for-like assets	**315,959**	**318,358**	**(2,399)**	**(0.8%)**	**96.5%**
Development assets					
Lithuania	11,400	5,474	5,926	108.3%	3.5%
Disposed assets					
Estonia	-	16,160	(16,160)	(100.0%)	-
Total portfolio assets	**327,359**	**339,992**	**(12,633)**	**(3.7%)**	**100.0%**

Divestments

11.2%

Net IRR

1.7

Equity multiple over 5 years

At the end of 2021, Baltic Horizon Fund signed a real right agreement with HITS Investments OÜ to sell the land plot located at Paldiski mnt 80, Tallinn together with the G4S Headquarters office building. The sales price was EUR 15.35 million (excluding value added tax) matching approximately the latest valuation. The IRR for the holding period of more than 5 years was around 11.2%, while equity multiple was 1.7.

The rationale behind the disposal was to recycle capital to assets with higher ESG standards through the development of Meraki and potential new acquisitions. The asset had one of the worst EPC (Energy Performance Certificate) ratings in the portfolio and would have required intensive capital investments to meet the Fund's established criteria for investments from ESG standpoint. The Fund capitalized on a good opportunity to dispose of the asset and avoid high re-leasing risk with G4S. The proceeds of the transaction will be used for new and more energy efficient investments for the Fund's portfolio in the Baltics.

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 was stronger than expected. Economic metrics bounced back strongly during Q1 – Q3 2021. According to Eurostat, in Q3 2021 the GDP of Estonia grew by 0.7% 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.

	2021	2022	2023
GDP	7.5%	3.1%	4.0%
Inflation	4.5%	6.1%	2.1%

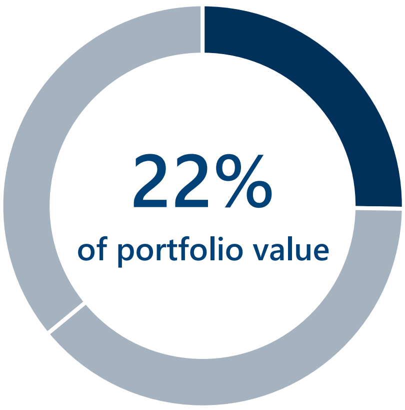
Source: European Commission Economic Forecast, Winter 2022

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-Q4 2021. The Fund supported the tenant operating a cinema in CC Plaza during lockdowns which led to reduced rental income in the previous quarters.

Office properties' results remained relatively stable during Q4 2021. G4S Headquarters generated income for the Fund only for one month in Q4 2021 before its disposal. Operational results in the retail segment showed temporary downturn during Q4 2021 after another wave of COVID-19 restrictions. As a result of restrictions, the Fund granted relief measures after extensive discussions, mostly to retail/leisure tenants to support them during the hardship. Results have already started to recover at the beginning of 2022.

Overall key performance metrics in 2021 decreased compared to the previous year after the disposal of the G4S Headquarters which had a high occupancy rate and stable cash flows. During 2021, the average direct property yield decreased to 5.1% (2020: 5.6%), while the average net initial yield was 5.5% (2020: 5.6%). Apart from G4S HQ disposal, the decrease in yields is also related to higher rental reliefs granted to retail tenants in the Postimaja and Coca Cola Plaza complex. The average occupancy level for 2021 decreased to 94.5% (2020: 95.7%). The occupancy rate as of 31 December 2021 was 93.2% (31 December 2020: 94.3%). During the year, occupancy slightly dropped in Lincona and Postimaja buildings after some small tenants vacated their premises. It was partially compensated by a sizeable uptake in Pirita SC, which corresponded to an increase from 81.9% to 89.2% in the occupancy rate. The fair value of the properties in Estonia on a like-for-like basis has increased from EUR 69,630 thousand measured in the 2020 valuation to EUR 70,676 thousand as of 31 December 2021.



4
Properties

93.2%
Occupancy rate

34,123
Total leasable area (sq. m)

5.1%
Direct property yield

4.4m
Net rental income (EUR)

70.7m
Portfolio value (EUR)

Postimaja	
Fair value (EUR '000)	29,772
Constructed	1980
Acquired	13 February 2018
Sector	Retail
Net leasable area (sq. m)	9,145

Lincona	
Fair value (EUR '000)	16,990
Constructed / Renovated	2002 / 2008
Acquired	1 July 2011
Sector	Office
Net leasable area (sq. m)	10,870

Coca Cola Plaza	
Fair value (EUR '000)	14,442
Constructed	1999
Acquired	8 March 2013
Sector	Leisure
Net leasable area (sq. m)	8,664

Pirita	
Fair value (EUR '000)	9,472
Constructed	2016
Acquired	16 December 2016
Sector	Retail
Net leasable area (sq. m)	5,444

Latvia

Economy

Following a temporary slowdown toward the end of 2021 due to new restrictions introduced by the government, Latvia's economy ended the year without any changes in GDP. Prior to year-end restrictions, the economy was showing positive tendencies with expansion of 0.6% in GDP during Q3 2021 compared to the previous quarter, according to seasonally adjusted data from Eurostat. As the unwinding of excess savings is driving up private consumption, GDP is forecast to return to strong growth in Q2 of 2022. Future growth will also depend heavily on the situation with COVID-19 albeit sizeable government support measures and solid export performance points to potential further growth in Latvian economic indicators.

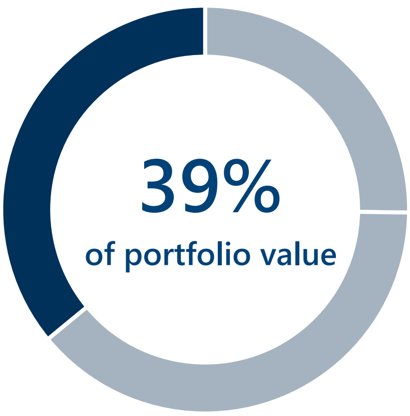
	2021	2022	2023
GDP	4.7%	4.4%	3.8%
Inflation	3.2%	5.9%	0.9%

Source: European Commission Economic Forecast, Winter 2022

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 19.9%. 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 two lockdowns. Like-for-like net rental income for 2021 improved in Upmalas Biroji, while SKY SC, Vainodes I and LNK Centre showed slightly worse results compared to 2020, resulting from increased property expenditure following the inflation spike in Europe. Meanwhile, Galerija Centrs underperformed in 2021 due to significantly reduced turnover rents during the lockdown periods, rent concessions and doubtful debt provisions. The Fund has continued to support the tenants with the aim of retaining market leading brands in the building for the long term. Galerija Centrs operational performance has showed tendencies of recovery during restriction-free months. The Fund has already initiated a strategic plan to upgrade the Galerija Centrs concept in 2022 to immediately boost occupancy levels by 5-10% and gradually take property back to 95-100% occupancy level. Announcements of new leases are on the horizon as tenants continue to show interest in the refreshed concept.

The average direct property yield decreased to 4.3% during 2021 (2020: 5.4%). The average net initial yield was 4.8% (2020: 5.5%). The changes in the Latvian portfolio yields are almost entirely attributable to rent reliefs in Galerija Centrs. The average occupancy level for 2021 decreased slightly to 92.3% (2020: 93.9%), mostly due to increased vacancies in Galerija Centrs. The occupancy rate as of 31 December 2021 was 91.4% (31 December 2020: 93.9%). At the end of 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. The fair value of the properties in Latvia has decreased from EUR 131,920 thousand measured in the 2020 valuation to EUR 127,574 thousand as of 31 December 2021.



5
Properties

91.4%
Occupancy rate

49,234
Total leasable area (sq. m)

4.3%
Direct property yield

6.1m
Net rental income (EUR)

127.6m
Portfolio value (EUR)

Galerija Centrs

Fair value (EUR '000)	65,544
Constructed / Renovated	1939 / 2006
Acquired	13 June 2019
Sector	Retail
Net leasable area (sq. m)	20,022

Upmalas Biroji

Fair value (EUR '000)	21,944
Constructed	2008
Acquired	30 August 2016
Sector	Office
Net leasable area (sq. m)	10,459

Vainodes I

Fair value (EUR '000)	18,150
Constructed	2014
Acquired	12 December 2017
Sector	Office
Net leasable area (sq. m)	8,052

LNK Centre

Fair value (EUR '000)	16,840
Constructed / Renovated	2006 / 2014
Acquired	15 August 2018
Sector	Office
Net leasable area (sq. m)	7,452

Sky SC

Fair value (EUR '000)	5,096
Constructed / Renovated	2000 / 2010
Acquired	7 December 2013
Sector	Retail
Net leasable area (sq. m)	3,249

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 and Q2 2021. In 2021, higher than-expected tax revenues are leading to a smaller general government deficit than anticipated in spring. However, GDP growth during Q3 2021 was negligible compared to the previous quarter, according to data from Eurostat. While growth is set to be moderate, the economy is projected to continue to be supported by the good financial position of businesses, rising household income and accumulated household savings. Overall, during the 2021 real GDP is forecast to grow 5.0%.

	2021	2022	2023
GDP	4.8%	3.4%	3.4%
Inflation	4.6%	6.7%	2.2%

Source: European Commission Economic Forecast, Winter 2022

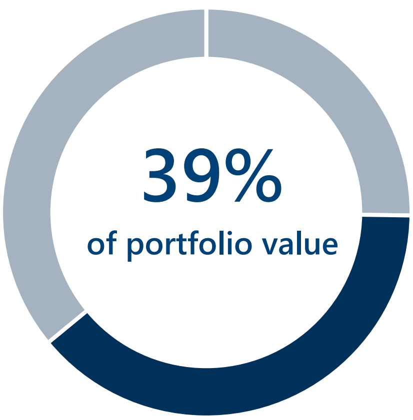
Portfolio

Across all Baltic Horizon Fund markets, the properties in Lithuania showed the best like-for-like results in 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. Temporary vacancies are already being filled at the beginning of 2022 after the opening of the Food Hall Dialogai and other renovated areas. Uptake in Europa SC during January 2022 was 1,380 sq. m. In recent months, the Fund has signed extensions with major tenants in Duetto and Domus PRO including prolongations with Intrum, Pernod Ricard, Vilniaus Vandenys and Narbutas.

Rent concessions, recognised doubtful debts and increased vacancies in Europa SC resulted in an 10.7% combined decline in the like-for-like rental income of Lithuanian properties during 2021 as compared to 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 2020 results, while Duetto II results were identical.

During 2021, the average direct property yield decreased to 5.7% (2020: 6.4%). The average net initial yield was 5.6% (2020: 6.1%). The average occupancy level for 2021 decreased due to planned reconstruction-related vacancies in Europa to 93.5% (2020: 97.3%). The occupancy rate as of 31 December 2021 was 92.2% (31 December 2020: 94.7%). Duetto I and Duetto II complex were fully leased out at the end of 2021. The fair value of the properties in Lithuania has increased from EUR 122,282 thousand measured in the 2020 valuation to EUR 129,109 thousand as of 31 December 2021.



5 / 1
Properties / Development projects

92.2%
Occupancy rate

60,724
Total leasable area (sq. m)

5.7%
Direct property yield

6.5m
Net rental income (EUR)

129.1m
Portfolio value (EUR)

Europa SC

Fair value (EUR '000)	36,737
Constructed	2004
Acquired	2 March 2015
Sector	Retail
Net leasable area (sq. m)	16,856

North Star

Fair value (EUR '000)	19,869
Constructed	2009
Acquired	11 October 2019
Sector	Office
Net leasable area (sq. m)	10,550

Duetto I

Fair value (EUR '000)	17,345
Constructed	2017
Acquired	22 March 2017
Sector	Office
Net leasable area (sq. m)	8,587

Duetto II

Fair value (EUR '000)	19,683
Constructed	2018
Acquired	27 February 2019
Sector	Office
Net leasable area (sq. m)	8,674

Domus PRO Retail

Fair value (EUR '000)	16,255
Constructed	2013
Acquired	1 May 2014
Sector	Retail
Net leasable area (sq. m)	11,226

Domus PRO Office

Fair value (EUR '000)	7,820
Constructed	2017
Acquired	1 October 2017
Sector	Office
Net leasable area (sq. m)	4,831

Net rental income
EUR 17.0m

Net profit
EUR 1.4m

IFRS NAV
EUR 132.6m

IFRS NAV per unit
EUR 1.1082

FINANCIAL REPORT

Financial position and performance of the Fund

Net result and net rental income

In 2021, the Group recorded a net profit of EUR 1.4 million as compared to a net loss of EUR 13.5 million in 2020. Compared to 2020, the Fund recognised smaller valuation losses on investment properties but a decrease in net rental income throughout 2021. Even with hard COVID-19 restrictions in 2021, the Fund managed to maintain the positive operational performance of its investment properties. The net result for the whole 2021 was mostly impacted by a negative valuation result of EUR 7.2 million. Year-end valuations showed recovery as the Fund brought down overall yearly valuation losses by recognising a valuation gain of EUR 7.1 million in Q4 2021. Excluding the valuation impact on the net result, net profit for 2021 would have amounted to EUR 8.6 million (2020: EUR 11.7 million). Earnings per unit for 2021 were positive at EUR 0.01 (2020: negative at EUR 0.12). Earnings per unit excluding valuation losses on investment properties amounted to EUR 0.07 (2020: EUR 0.10).

In 2021, the Group earned net rental income of EUR 17.0 million, a decrease of 14.7% compared to the net rental income of EUR 19.9 million for 2020. Net rental income decreased due to increased vacancies across portfolio, relief measures granted to tenants during the pandemic and disposal of G4S Headquarters in November 2021.

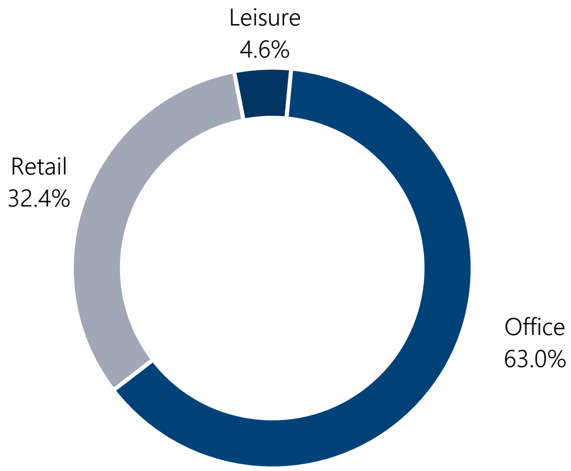
On an EPRA like-for-like basis, portfolio net rental income decreased by 14.5% year on year mainly due to weaker performance in the retail and leisure segments. The decrease was partially offset by the relatively stable performance of the office segment which remained largely unaffected by the lockdown in the Baltic states.

Portfolio properties in the office segment contributed 63.0% (2020: 55.8%) of net rental income in 2021 followed by the retail segment with 32.4% (2020: 40.1%) and the leisure segment with 4.6% (2020: 4.1%).

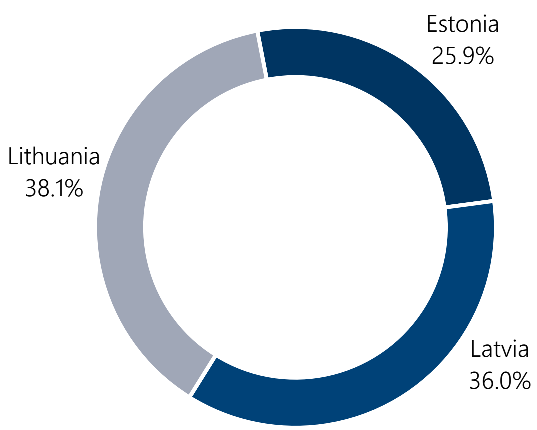
Retail assets located in the central business districts (Postimaja, Europa and Galerija Centrs) accounted for 20.5% of the total portfolio net rental income in 2021. Total net rental income attributable to neighbourhood shopping centres was 11.9% in 2021.

During 2021, investment properties in Lithuania and Latvia contributed 38.1% (2020: 36.4%) and 36.0% (2020: 38.3%) of net rental income, respectively, while investment properties in Estonia contributed 25.9% (2020: 25.3%). In 2021, Estonia's share in the Fund's portfolio decreased due to the disposal of G4S Headquarters.

Net rental income by segment



Net rental income by country



Gross Asset Value (GAV)

At the end of December 2021, the Fund's GAV was EUR 346.3 million (31 December 2020: EUR 355.6 million), which was a drop of 2.6% over the period. The decrease is mainly related to the negative property revaluation of EUR 7.2 million and the disposal of G4S Headquarters which was slightly offset by capital investments in assets and an increase in the cash balance. The Group made capital investments (EUR 7.0 million) in the Meraki office building development project during 2021. The Fund aims to carry on with the construction of the Meraki office building throughout 2022/2023. An additional EUR 2.1 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 14 cash flow generating investment properties in the Baltic capitals and an investment property under construction on the Meraki land plot. At the end of 2021, the fair value of the Fund's portfolio was EUR 327.4 million (31 December 2020: EUR 340.0 million) and incorporated a total net leasable area of 144,081 sq. m. During 2021, the Group sold G4S Headquarters for EUR 15.4 million, invested EUR 0.4 million in the existing property portfolio, EUR 2.2 million in the reconstruction projects and an additional EUR 7.0 million in the Meraki development project.

Interest-bearing loans and bonds

During 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 were used for financing the construction of the Meraki office building. The Fund also fully repaid the G4S Headquarters bank loan of EUR 7.8 million and made a partial EUR 3.0 million early repayment of the Europa bank loan. Outstanding bank loans also decreased slightly due to regular bank loan amortisation. Annual loan amortisation accounts for 0.2% of total debt outstanding. After the bond subscription and loan repayments interest-bearing loans and bonds (excluding lease liabilities) decreased to EUR 198.6 million (31 December 2020: EUR 205.6 million).

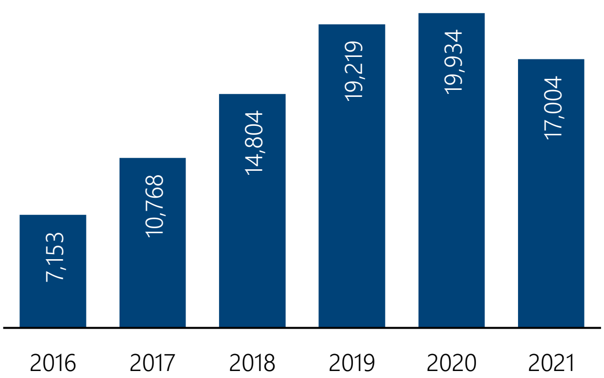
Key earnings figures

EUR '000	2021	2020	Change (%)
Net rental income	**17,004**	**19,934**	**(14.7%)**
Administrative expenses	(2,869)	(2,918)	(1.7%)
Other operating income	444	204	117.6%
Losses on disposal of investment properties	(71)	-	-
Valuation gains (losses) on investment properties	(7,161)	(25,245)	(71.6%)
Operating profit (loss)	**7,347**	**(8,025)**	**191.6%**
Net financing costs	(5,705)	(5,521)	3.3%
Profit (loss) before tax	**1,642**	**(13,546)**	**112.1%**
Income tax	(229)	5	(4,680.0%)
Net profit (loss) for the period	**1,413**	**(13,541)**	**110.4%**
Weighted average number of units outstanding (units)	119,635,429	119,635,429	-
Earnings per unit (EUR)	**0.01**	**(0.12)**	**110.4%**

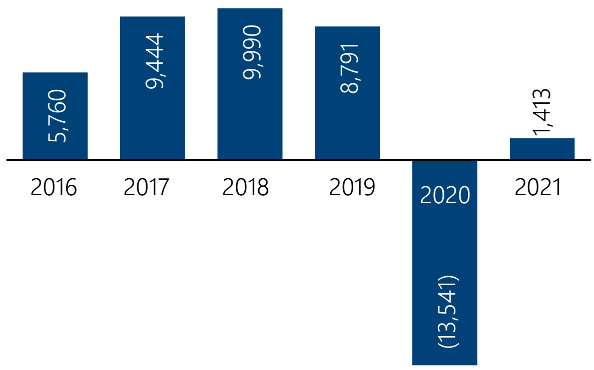
Key financial position figures

EUR '000	31.12.2021	31.12.2020	Change (%)
Investment properties in use	315,959	334,518	(5.5%)
Investment property under construction	11,400	5,474	108.3%
Gross asset value (GAV)	**346,338**	**355,602**	**(2.6%)**
Interest-bearing loans and bonds	198,571	205,604	(3.4%)
Total liabilities	**213,754**	**219,281**	**(2.5%)**
IFRS Net asset value (IFRS NAV)	**132,584**	**136,321**	**(2.7%)**
EPRA Net Reinstatement Value (EPRA NRV)	**142,176**	**146,180**	**(2.7%)**
Number of units outstanding (units)	119,635,429	119,635,429	-
IFRS Net asset value (IFRS NAV) per unit (EUR)	**1.1082**	**1.1395**	**(2.7%)**
EPRA Net Reinstatement Value (EPRA NRV) per unit (EUR)	**1.1884**	**1.2219**	**(2.7%)**
Loan-to-Value ratio (%)	60.7%	60.5%	-
Average effective interest rate (%)	2.7%	2.6%	-

Net rental income
EUR '000



Net profit (loss)
EUR '000



Cash flow

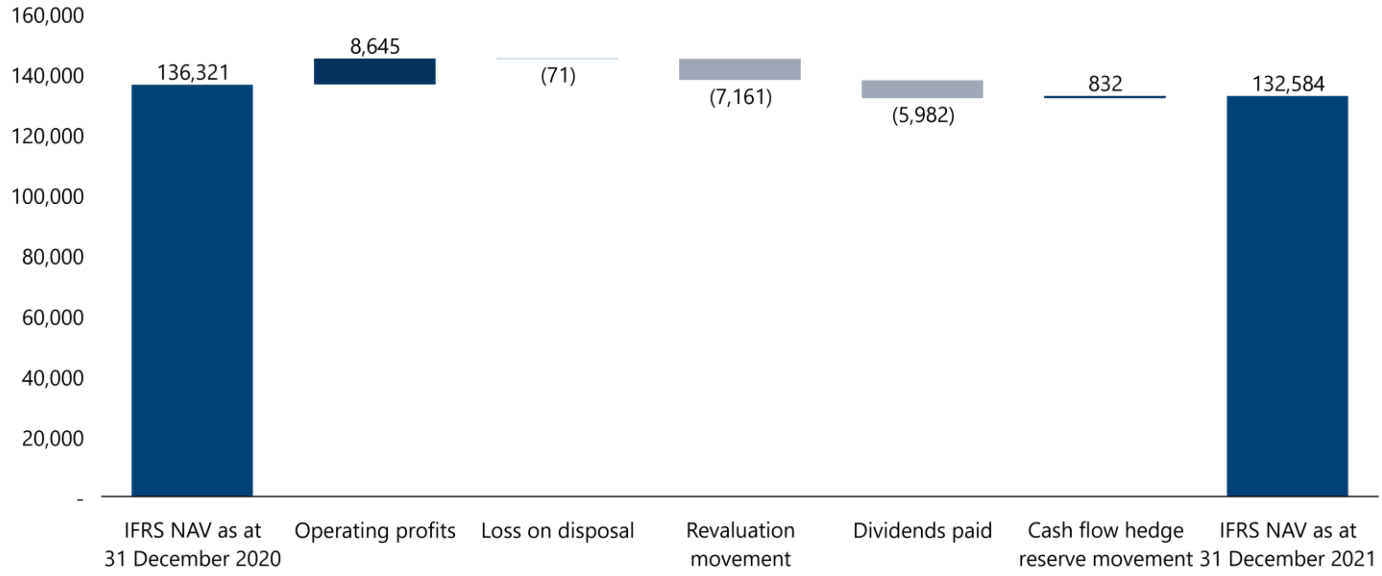
Cash inflow from core operating activities for 2021 amounted to EUR 14.7 million (2020: cash inflow of EUR 16.1 million). Cash inflow from investing activities was EUR 6.9 million (2020: cash outflow of EUR 4.3 million) due to disposal of G4S Headquarters building in Q4 2021. Net proceeds from the sale were partially used to finance 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 18.7 million (2020: cash outflow of EUR 8.3 million). During 2021, the Fund made a cash distribution of EUR 6.0 million, paid regular interest on debt and fully repaid G4S Headquarters bank loan. In December 2021, the Fund also repaid early EUR 3.0 million of Europa SC bank loan. At the end of 2021, the Fund's consolidated cash and cash equivalents amounted to EUR 16.1 million (31 December 2020: EUR 13.3 million) which demonstrates sufficient liquidity and financial flexibility. Available cash will be used to finance new acquisitions and continue with development projects.

Net Asset Value (NAV)

At the end of December 2021, the Fund's NAV slightly decreased to EUR 132.6 million (31 December 2020: EUR 136.3 million) due to a negative overall investment property revaluation for the financial year. Compared to the year-end 2020 NAV, the Fund's NAV decreased by 2.7%. The increase in operational performance was offset by a EUR 6.0 million dividend distribution to the unitholders. As at 31 December 2021, IFRS NAV per unit stood at EUR 1.1082 (31 December 2020: EUR 1.1395), while EPRA net tangible assets and EPRA net reinstatement value were EUR 1.1884 per unit (31 December 2020: EUR 1.2219). EPRA net disposal value was EUR 1.1086 per unit (31 December 2020: EUR 1.1435).

Movement in IFRS NAV

EUR'000



LTV
60.7%

Average interest rate
2.7%

Bank loan amortisation
0.2% p.a.

Weighted average time to debt maturity
1.5 years

FINANCING

The Fund currently aims to use a 55% long-term leverage strategy. At no point in time may the Fund's leverage exceed 65%. The ability to borrow on attractive terms plays a major role in the investment strategy and cash distributions to unitholders.

S&P affirms credit rating

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

On 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

At the end of 2021, the Fund received binding offers for Europa SC, Domus PRO, Pirita SC and Sky SC bank loan prolongations. Therefore these bank loans were reclassified to long-term loans. In Q1 2022, all aforementioned loans have been extended. Galerija Centrs bank loan is expected to be prolonged in Q1 2022.

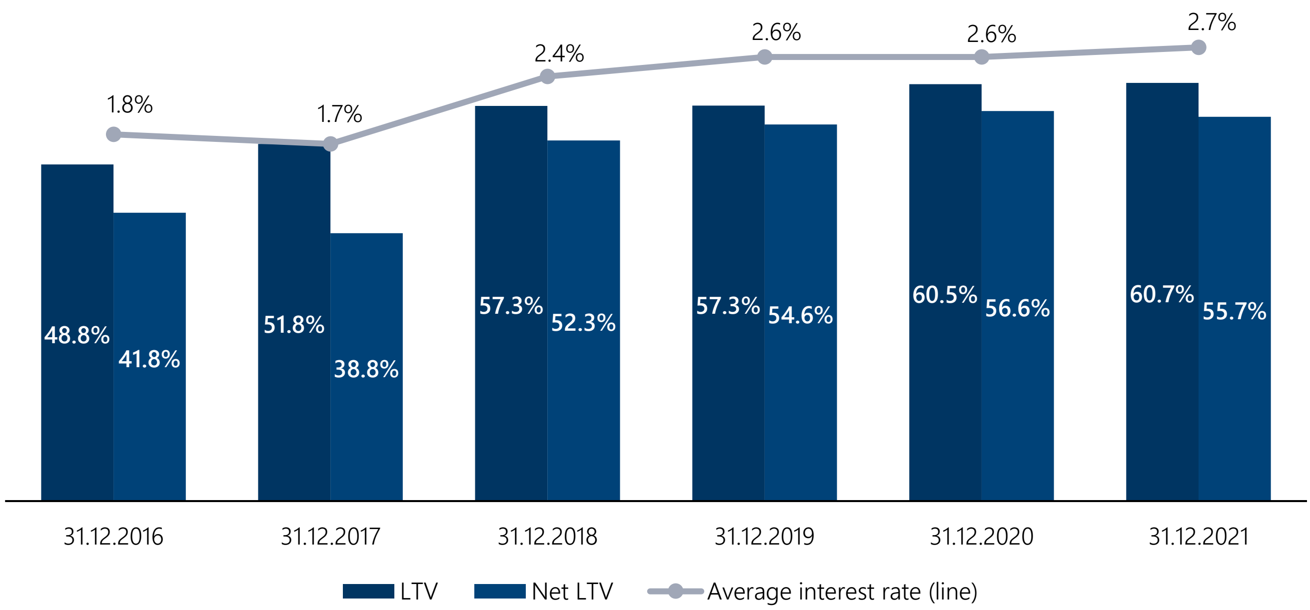
Bond issue

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 were used for financing the construction of the Meraki office building. As of 31 December 2021, the unused cash from the bond issue stood at EUR 11 thousand. On 15 November 2021, the bonds issued were admitted to the Nasdaq Baltic First North Market.

Bank loans and bonds

During 2021, regular bank loan amortisation remained low at 0.2% p.a. (EUR 388 thousand p.a.). As of the end of 2021, LTV ratio decreased and reached 60.7% due to property revaluation, a bond issue of EUR 4.0 million, early repayment of EUR 3.0 million of Europa SC bank loan and G4S Headquarters disposal. The average interest rate as of 31 December 2021 remained stable at 2.7% (31 December 2020: 2.6%). The management team is working on maintaining a low average interest rate and reducing LTV in the future.

Debt financing terms of the Fund's assets



The table below provides a detailed breakdown of the structure of the Fund's consolidated financial debt as of 31 December 2021. Interest-bearing debt was comprised of bank loans with a total carrying value of EUR 144.7

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 2021, the unamortised balance of loan arrangement costs for all loans and bonds was EUR 279 thousand.

Financial debt structure of the Fund as of 31 December 2021

Property	Maturity	Currency	Carrying amount (EUR '000)	% of total	Fixed rate portion (%)
Galerija Centrs	26 May 2022	EUR	30,000	15.1%	100.0%
Europa SC	15 March 2024	EUR	17,900	9.0%	102.8%
CC Plaza and Postimaja	12 February 2023	EUR	17,200	8.7%	100.0%[1]
Duetto I and II	31 March 2023	EUR	15,376	7.7%	46.8%[2]
Upmalas Biroji BC	31 August 2023	EUR	11,750	5.9%	90.0%
Domus PRO	15 March 2024	EUR	11,000	5.5%	62.4%
Vainodes I	13 November 2024	EUR	9,842	5.0%	50.0%
North Star	15 March 2024	EUR	9,000	4.5%	-%
LNK	27 September 2023	EUR	8,582	4.3%	67.6%
Lincona	31 December 2022	EUR	7,188	3.6%	95.4%
Pirita SC	20 February 2026	EUR	4,944	2.5%	116.6%
Sky SC	31 January 2023	EUR	2,068	1.0%	-%
Total bank loans		**EUR**	**144,850**	**72.8%**	**78.4%**
Less capitalised loan arrangement fees[3]		EUR	(115)		
Total bank loans recognised in the statement of financial position		**EUR**	**144,735**		
5-year unsecured bonds	8 May 2023	EUR	50,000	25.2%	100.0%
1.5-year secured bonds	19 Nov 2022	EUR	4,000	2.0%	100.0%
Total bonds		**EUR**	**54,000**	**27.2%**	**100.0%**
Less capitalised bond arrangement fees[3]		EUR	(164)		
Total bonds recognised in the statement of financial position		**EUR**	**53,836**		
Total debt recognised in the statement of financial position		**EUR**	**198,571**	**100.0%**	**84.3%**

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.

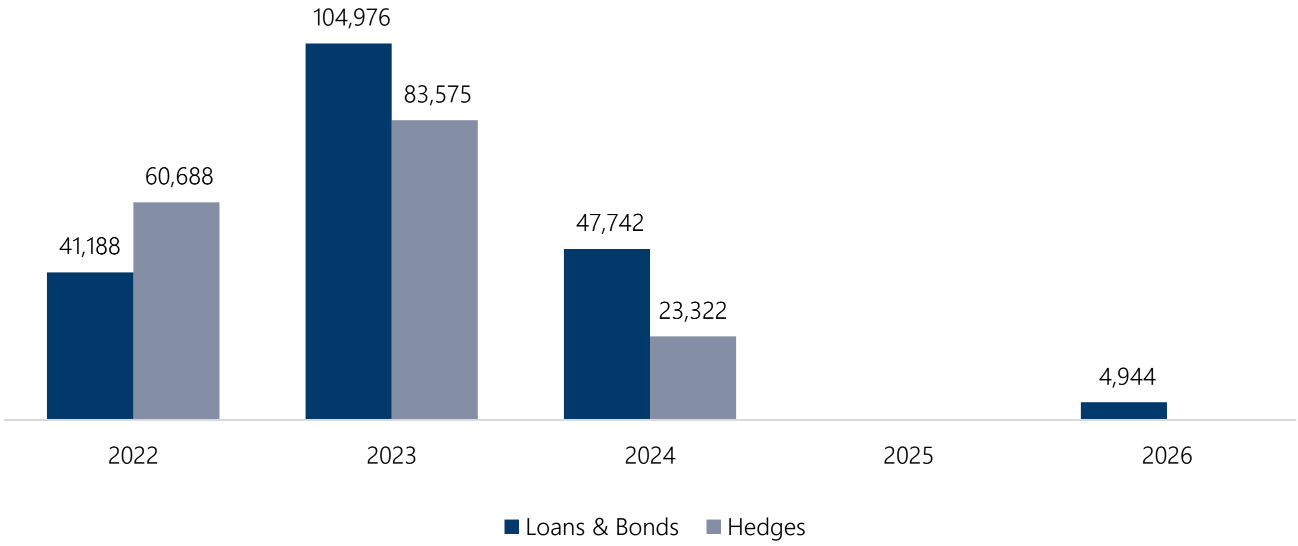
Weighted debt financing average time to maturity was 1.5 years and weighted hedge average time to maturity was 1.2 years at the end of 2021.

As of 31 December 2021, 84.3% of total debt had fixed interest rates while the remaining 15.7% 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 31 December 2021 around 73.5% of total debt financing matures in 2022-2023. At the end of 2021, the Fund received binding offers for Europa SC, Domus PRO, Pirita SC and Sky SC bank loan prolongations, therefore these bank loans were reclassified to long-term loans.

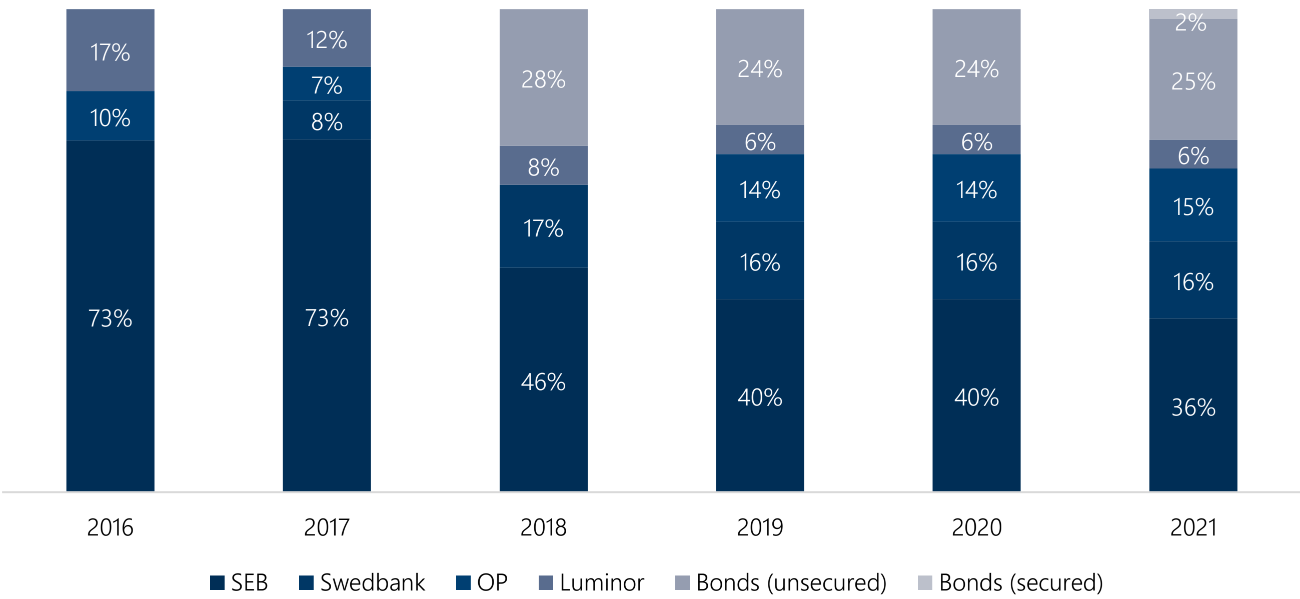
Loans, bonds and hedges maturity terms

EUR’000



The graph below shows that the Fund’s debt financing is diversified between 4 most reputable domestic and international banks in the Baltics, and unsecured and secured bonds. SEB exposure decreased from 73% in 2016 to 36% in 2021. 5-year unsecured bonds and 1.5-year secured bonds accounted for 27% of total debt financing in 2021.

Financing diversification



Covenant reporting

As of 31 December 2021, the Fund was in compliance with all the covenants set under the bond issue terms and conditions dated 8 May 2018.

As of 31 December 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 17.9 million) was below the required minimum level of 4.00 at the end of 2021, but this did not result in any consequences because the Fund received a formal waiver from the lender for the mentioned covenant breach. Upon extension of the bank loan of Europa property in February 2022, this covenant was removed. Management is monitoring the situation proactively with the banks to ensure timely measures.

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 31.12.2020	Ratio 31.03.2021	Ratio 30.06.2021	Ratio 30.09.2021	Ratio 31.12.2021
Equity Ratio	> 35.0%	40.3%	40.3%	38.1%	38.0%	40.4%
Debt Service Coverage Ratio	> 1.20	3.05	2.71	2.65	2.58	2.49

EPRA NRV
EUR 1.1884
per unit

EPRA Earnings
EUR 0.07
per unit

EPRA NIY
6.1%
net initial yield

EPRA Vacancy
6.7%

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 were 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.

EPRA BPR GOLD

Key performance indicators – definition and use

EPRA Indicators	EPRA definition	EPRA purpose
EPRA Earnings	Earnings from operational activities	A key measure of a company's underlying results and an indication of the extent to which current dividend payments are supported by earnings.
EPRA NRV	Assumes that entities never sell assets and aims to represent the value required to rebuild the entity.	Makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities of a real estate investment company, under different scenarios.
EPRA NTA	Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.	
EPRA NDV	Represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.	
EPRA NAV	Net Asset Value adjusted to include properties and other investments at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model.	Makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate company with a long-term investment strategy.
EPRA Net initial yield (NIY)	Annualised rental income based on the cash rents passing at the reporting date, less non-recoverable property operating expenses, divided by the market value of the property, increased by (estimated) purchasers' costs.	A comparable measure for portfolio valuations. This measure should make it easier for investors to judge themselves, how the valuation of portfolio X compares with portfolio Y.
EPRA Topped-up NIY	This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).	

EPRA Indicators	EPRA definition	EPRA purpose
EPRA Vacancy rate	Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.	A 'pure' (%) measure of investment property space that is vacant, based on ERV.
EPRA Cost ratio	Administrative & operating costs (including & excluding the costs of direct vacancy) divided by gross rental income.	A key measure to enable meaningful measurement of the changes in a company's operating costs.

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

EPRA Net asset value

	31.12.2021		
EUR '000	EPRA NRV	EPRA NTA	EPRA NDV
IFRS NAV	**132,584**	**132,584**	**132,584**
Exclude:			
V. Deferred tax liability on investment properties[1]	8,763	8,763	-
V. Deferred tax on fair value of financial instruments	(36)	(36)	-
VI. Fair value of financial instruments	865	865	-
Include:			
IX. Revaluation at fair value of fixed-rate loans	-	-	38
NAV	**142,176**	**142,176**	**132,622**
Fully diluted number of units	119,635,429	119,635,429	119,635,429
NAV per unit (EUR)	**1.1884**	**1.1884**	**1.1086**

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 in Lithuania.

	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 in Lithuania.

EPRA Earnings

EUR '000	2021	2020
Net result IFRS	**1,413**	**(13,541)**
Exclude:		
I. Changes in fair value of investment properties	7,161	25,245
II. Profits or losses on disposal of investment properties	71	-
VIII. Deferred tax in respect of EPRA adjustments	222	(187)
EPRA Earnings	**8,867**	**11,517**
Weighted number of units during the period	119,635,429	114,568,636
EPRA Earnings per unit	**0.07**	**0.10**

EPRA Vacancy rate

EUR '000	31.12.2021	31.12.2020
Estimated rental value of vacant space	1,549	1,723
Estimated rental value of the whole portfolio	23,021	24,142
EPRA Vacancy rate	**6.7%**	**7.1%**

EPRA Cost ratios

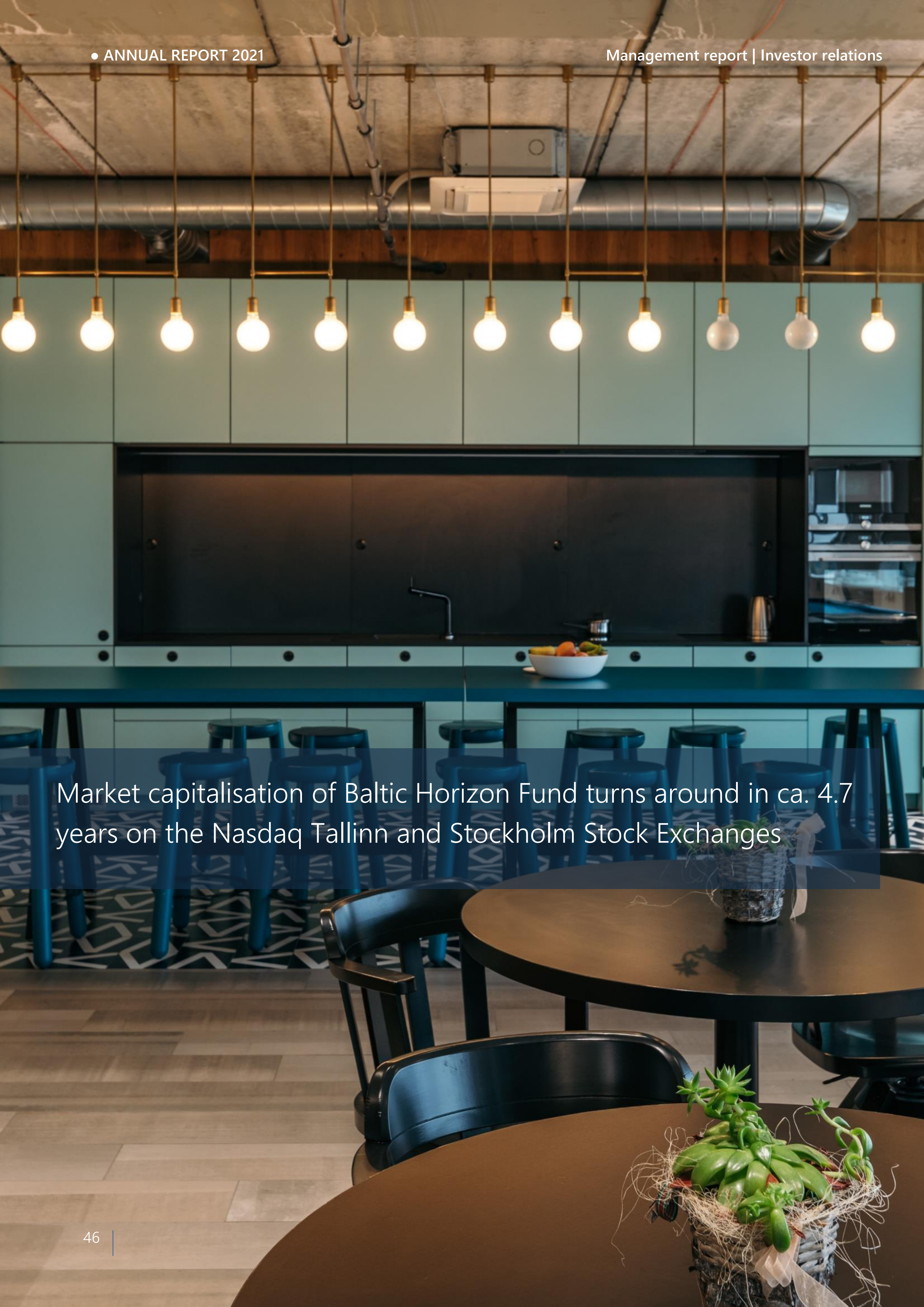
EUR '000	2021	2020
Property expenses not recharged to tenants	2,491	1,763
Administrative expenses	2,869	2,918
EPRA costs (including direct vacancy costs) (A)	**5,360**	**4,681**
Direct vacancy costs	(674)	(417)
EPRA costs (excluding direct vacancy costs) (B)	**4,686**	**4,264**
Rental income	19,495	21,697
Gross rental income (C)	**19,495**	**21,697**
EPRA Cost ratio (including direct vacancy costs) (A/C, %)	**27.5%**	**21.6%**
EPRA Cost ratio (excluding direct vacancy costs) (B/C, %)	**24.0%**	**19.7%**

EPRA NIY and “topped-up” NIY

EUR ’000	31.12.2021	31.12.2020
Investment properties	327,359	339,704
Exclude:		
Developments	(11,400)	(5,474)
Completed property portfolio GAV	**315,959**	**334,230**
Annualised cash passing rental income	20,995	23,534
Property expenses not recharged to tenants	(1,772)	(801)
Annualised net rental income	**19,223**	**22,733**
Include:		
Notional rent expiration of rent free periods or other lease incentives	323	43
Topped-up net annualised rental income	**19,546**	**22,776**
EPRA NIY	**6.1%**	**6.8%**
EPRA “topped-up” NIY	**6.2%**	**6.8%**

EPRA Capital expenditure

EUR ’000	31.12.2021	31.12.2020
Acquisitions	-	90
Development	7,047	4,181
Investment properties:		
No incremental lettable space	2,567	2,024
Total capital expenditure	**9,614**	**6,295**
Conversion from accrual to cash basis	(1,147)	(2,025)
Total capital expenditure on cash basis	**8,467**	**4,270**



Market capitalisation of Baltic Horizon Fund turns around in ca. 4.7 years on the Nasdaq Tallinn and Stockholm Stock Exchanges

INVESTOR RELATIONS

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

As at 31 December 2021, the market capitalisation for Baltic Horizon Fund was approx. EUR 127.5 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 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. The market price of the unit remained relatively stable during H1 2021 but entered a downward trend in H2 2021. During the last weeks of the year, the market price slightly recovered from the lowest point. The market price started to fluctuate heavily following the news of the Ukraine-Russia war in February 2022. At the end of 2021, the closing unit price on the Nasdaq Tallinn Stock Exchange was EUR 1.0690.

Key information

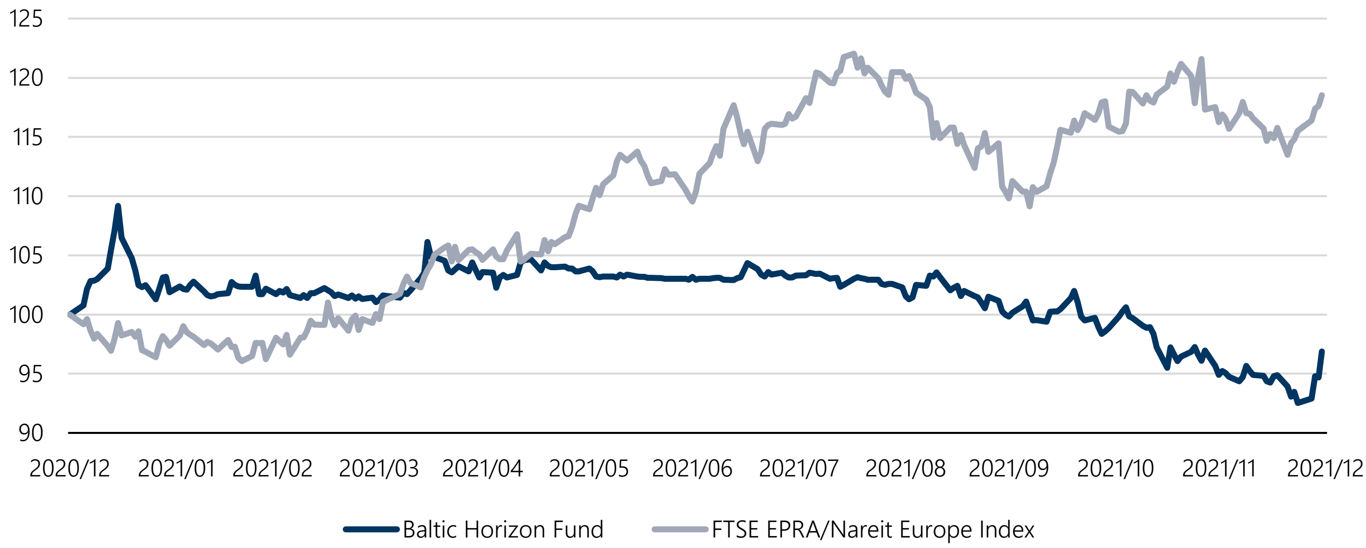
ISIN code	EE3500110244
Markets	Nasdaq Tallinn Nasdaq Stockholm
Ticker symbols:	
Nasdaq Tallinn	NHCBHFFT
Nasdaq Stockholm	NHCBHFFS
Bloomberg tickers:	
Nasdaq Tallinn	NHCBHFFT:ET
Nasdaq Stockholm	NHCBHFFS:SS

Key figures	31.12.2021	31.12.2020
Number of units issued (units)	119,635,429	119,635,429
Market capitalisation[1] (EUR)	127,519,749	138,357,617
IFRS NAV per unit (EUR)	1.1082	1.1395
Unit price premium (discount) from IFRS NAV per unit[2] (%)	(3.5%)	1.4%
EPRA NRV per unit (EUR)	1.1884	1.2219
Unit price premium (discount) from EPRA NRV per unit[3] (%)	(10.0%)	(5.5%)

Key figures	2021	2020
Nasdaq Tallinn:		
Highest unit price during the period (EUR)	1.2800	1.4000
Lowest unit price during the period (EUR)	1.0160	0.9500
Closing unit price (EUR)	1.0690	1.1550
Nasdaq Stockholm:		
Highest unit price during the period (SEK)	13.05	14.70
Lowest unit price during the period (SEK)	10.27	10.25
Closing unit price (SEK)	10.87	11.65
Earnings per units during the period (EUR)	0.01	(0.12)
Distribution per unit for the period[4] (EUR)	0.058	0.067

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 2021 and 2020 Fund results.

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

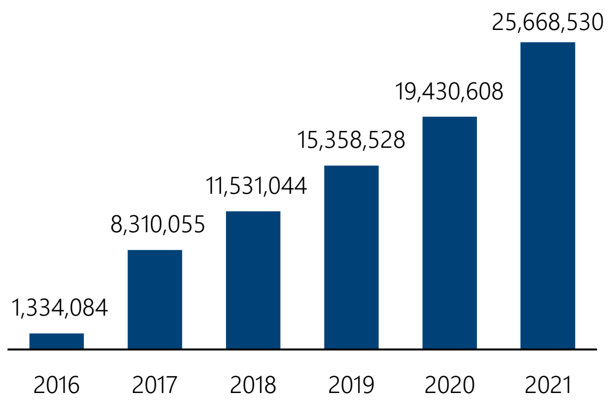


Baltic Horizon Fund's total shareholder return on unit in 2021 amounted to -3.1%. Total shareholder return for a given period is equivalent to the movement in the unit price on the Nasdaq Tallinn Stock Exchange over the period plus dividends paid, divided by the opening unit price.

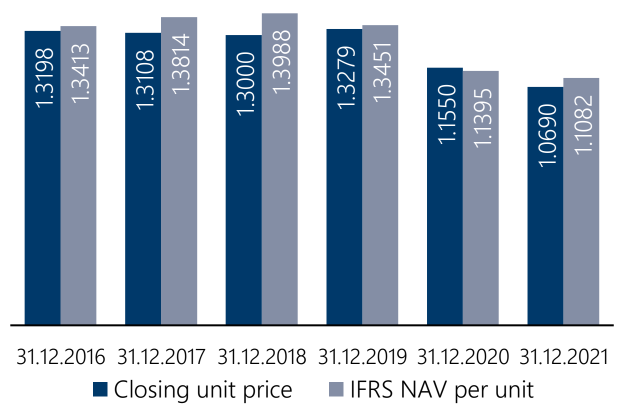
In 2021, Baltic Horizon Fund unit trading volume showed an upward trend, while the price showed a downward trend compared to the previous year. In total, 119,635,429 units were traded on the Nasdaq Tallinn and Nasdaq Stockholm stock exchanges, while the total trailing twelve-month trading volume reached 25.7 million units. Market capitalisation of approx. EUR 127.5 million turns around in ca. 4.7 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 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 2021, Baltic Horizon Fund units on the Nasdaq Tallinn Stock Exchange were mostly trading at a discount compared to the net asset value per unit. At the end of 2021, units were traded at a 3.5% discount compared to the IFRS NAV per unit and 10.0% 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.

Yearly 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. The private placement was aimed mostly at institutional investors in select European countries. The intention was 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 management team of the Fund has extended the private placement period to 2022.

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
(+) Extraordinary income related to investment properties	
(+) 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 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.

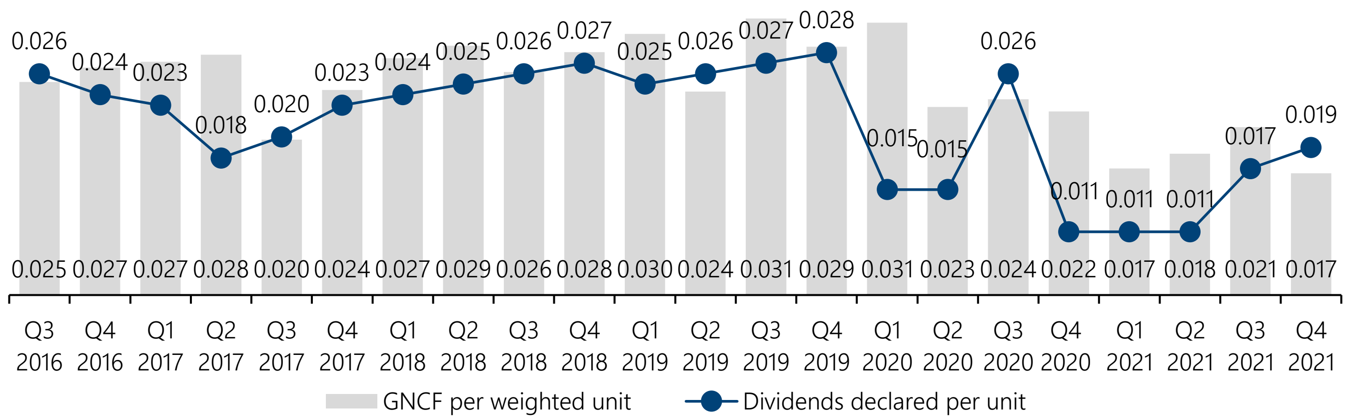
On 28 July 2021, the Fund declared a cash distribution of EUR 1,316 thousand (EUR 0.011 per unit) to the Fund unitholders for Q2 2021 results. This represents a 0.98% return on the weighted average Q2 2021 net asset value to its unitholders.

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.

On 3 February 2022, the Fund declared a cash distribution of EUR 2,273 thousand (EUR 0.019 per unit) to the Fund unitholders for Q4 2021 results. This represents a 1.79% return on the weighted average Q4 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 6.1 million of distributable cash flow. During 2021, the Fund declared for distribution EUR 6.9 million out of total generated distributable cash flow of EUR 8.7 million.

Dividend per unit (EUR)

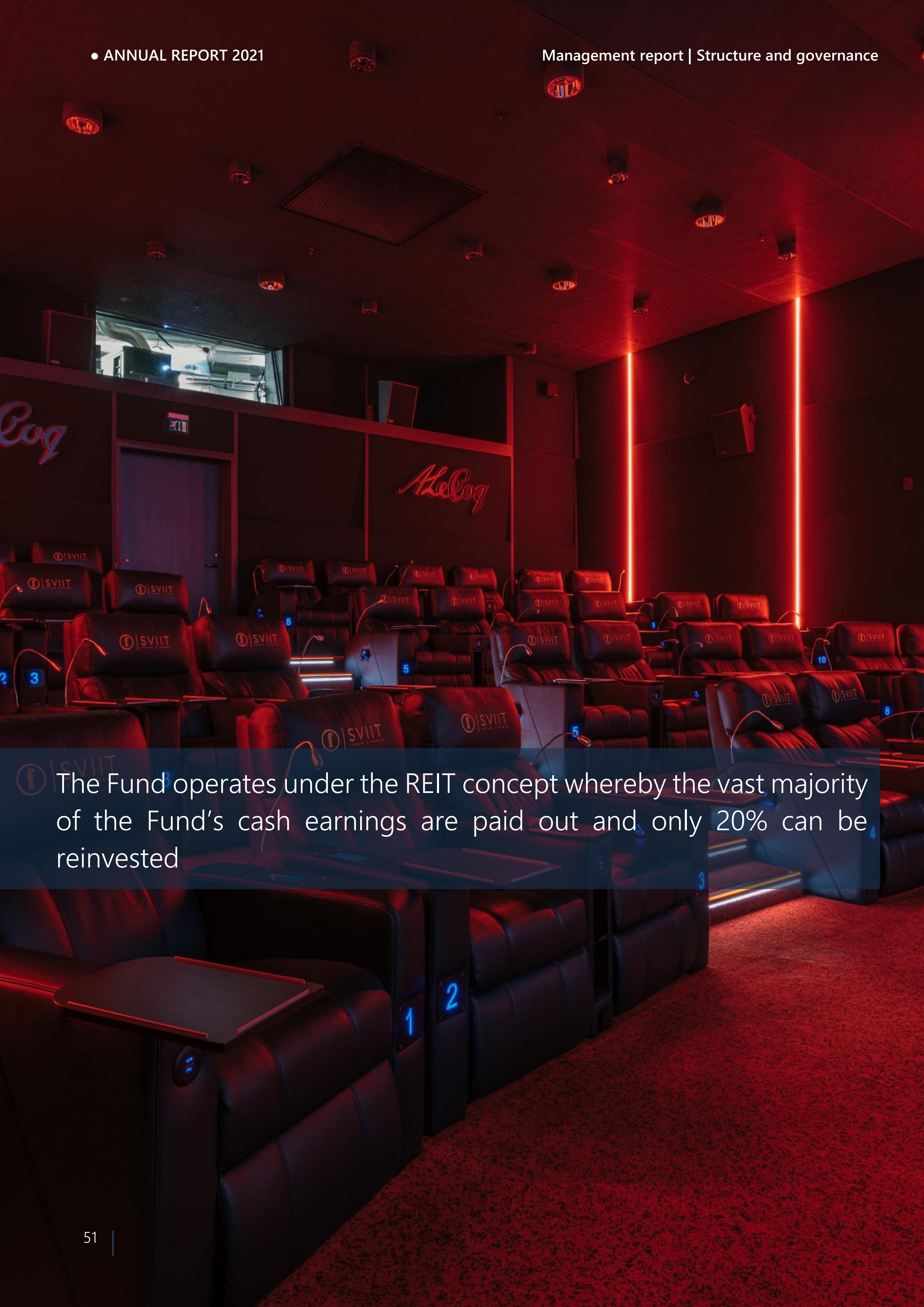


The management of the Fund remains committed to a long-term target of 7-9% annual dividend yield to investors on invested equity, which is defined as paid-in-capital since listing the Fund on the stock exchange on 30 June 2016. The table below provides the summary of historical calculations.

Dividend capacity calculation

EUR '000	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
(+) Net rental income	4,745	4,173	4,357	4,676	3,798
(-) Fund administrative expenses	(713)	(745)	(756)	(735)	(633)
(-) External interest expenses	(1,362)	(1,346)	(1,311)	(1,407)	(1,408)
(-) CAPEX expenditure[1]	(131)	(79)	(92)	(38)	(222)
(+) Extraordinary income related to investment properties[2]	-	-	-	-	440
(+) Added back listing related expenses	85	-	-	-	-
(+) Added back acquisition related expenses	26	31	5	9	32
Generated net cash flow (GNCF)	**2,650**	**2,034**	**2,203**	**2,505**	**2,007**
GNCF per weighted unit (EUR)	**0.022**	**0.017**	**0.018**	**0.021**	**0.017**
12-months rolling GNCF yield[3] (%)	**8.6%**	**7.4%**	**7.0%**	**7.0%**	**6.8%**
Dividends declared for the period	**1,316**	**1,316**	**1,316**	**2,034**	**2,273**
Dividends declared per unit[4] (EUR)	**0.011**	**0.011**	**0.011**	**0.017**	**0.019**
12-months rolling dividend yield[3] (%)	**5.8%**	**5.4%**	**5.0%**	**4.5%**	**5.4%**

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. Latvian government COVID-19 grant related to decrease of net rental income in Galerija Centrs due to discounts to tenants. The grant is used to off-set property operating expenses.
3. 12-month rolling GNCF and dividend yields are based on the closing market price of the unit as at the end of the quarter (Q4 2021: closing market price of the unit as of 31 December 2021).
4. Based on the number of units entitled to dividends.



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

STRUCTURE AND GOVERNANCE

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

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

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

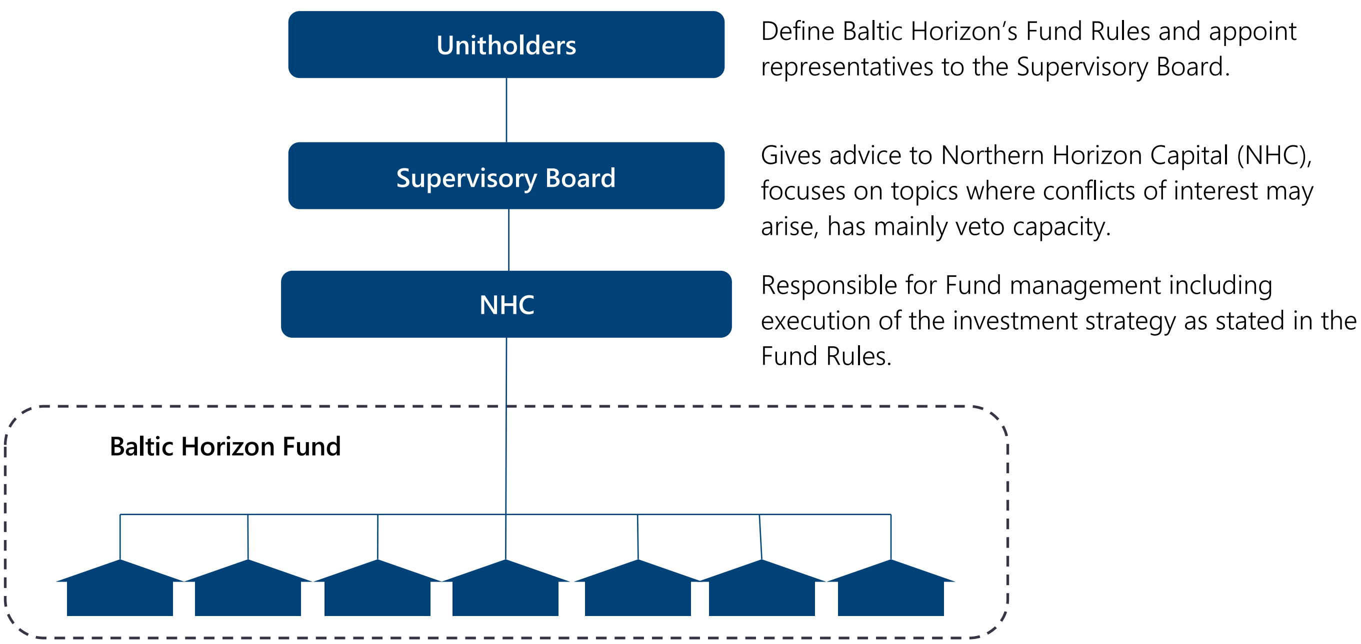
The Fund is managed by the Management Company, which is Northern Horizon Capital AS. The immediate team comprises of the Management Board, which is headed by the Fund Manager, and the Supervisory Board of the Management Company. The Fund also has its own Supervisory Board, which comprises of 4 independent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

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

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

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

Governance chart



Management Board and Supervisory Board of the Management Company

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

Supervisory Board of the Fund

The Fund has a Supervisory Board which consists of qualified members with recognised experience in the real estate markets in Estonia, Latvia, and Lithuania, impeccable reputation and appropriate education. In accordance with the Fund Rules, members of the Supervisory Board are appointed by the General Meeting. The Supervisory Board consists of three to five members.

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

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

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

Valuations

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

Each potential acquisition opportunity is subject to extensive commercial, legal, technical and financial/tax due diligence performed by the Management Company in cooperation with reputable local and international advisers.

Audit

The auditor of the Fund is KPMG Baltics OÜ which is a member of the Estonian Association of Auditors. In addition to statutory audit services, KPMG Baltics OÜ has provided the Fund with translation services and other assurance services.

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

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

Tarmo Karotam

Chairman of the Management Board / Fund Manager

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

Aušra Stankevičienė

Member of the Management Board / Fund Service Director

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

Algirdas Vaitiekūnas

Member of the Management Board / Director of Business Development

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

RISK MANAGEMENT

The risk management function of the Fund is outsourced to a sister company of the Management Company: Northern Horizon Capital AIFM Oy, which is a licensed AIFM in Finland. The Risk Manager of the Fund is responsible for identifying the Fund's market risk portfolio, preparing proposals regarding market risk limits, monitoring the utilisation 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 6.0% and 7.0% in the office and retail segments, with prime office yields at approx. 5.0-5.5%.
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.

The Fund is aiming to become a market leader in the GRESB benchmark in the coming two years and has raised a very ambitious goal to be a market leader in ESG performance overall in 8 years' time

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 (UN PRI) and for 2020 received A+/A evaluation. The Fund also issues a separate annual ESG report based on GRI guidelines

Environmental impact
Baltic Horizon maintains that all its employees are committed to environmental responsibility at all times. We believe that making the right environmental decisions leads to better investment outcomes and increased wellbeing of our stakeholders and society. As such, it is our aim to ensure that we can continuously reduce the negative environmental impact of our operations in all scopes.

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. To support it, in 2021 we signed as Sustainable Finance Disclosure Regulation ("SFDR") article 8 Fund.

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 based on transparency and trust by engaging in dialogue and finding the best solutions for both parties to strengthen positive ESG impacts on our investments and community.
Tenants: tenant retention and commitment to our asset maintenance is a core focus of our asset management. We aim to be a considerate asset owner that reacts to the needs and suggestions of our tenants and to create a sustainability culture in the communities we have an impact on.
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.

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. In 2021, a roof solar power plant was successfully installed in Domus PRO Retail and

started producing green electricity. The 220-kW solar power plant is expected to cover about 6-8% of the park's annual electricity needs and reduce the site's CO_2 footprint by approximately 15 tonnes per annum. The goal for 2022 is to consider and assess the commercial and technical viability of installing solar power plants on the remaining office buildings. Other options such as distant solar plants will also be considered during Q1 2022.

Certification

Baltic Horizon certified all currently operational office assets in 2021 using BREEAM In-Use environmental assessment method and thus achieved one of the ESG goals. Minimum certification target – BREEAM In-Use "Very Good" was mostly achieved. Only one asset, Lincona was evaluated "Good" while all the other assets secured "Very Good" evaluation. The Fund's team exceeded certification coverage target and now has 55% 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.

Duetto I, Duetto II, Domus PRO Retail, LNK Centre, North Star, Vainodes, Upmalas Biroji

BREEAM
Very Good

Lincona, Domus PRO Office

BREEAM
Good

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 and facilitate collaboration with tenants on ESG matters.

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). Electric vehicle charging stations will be installed in Domus PRO and Meraki in 2022. For Latvian and Estonian properties data is being gathered and EV charging stations will be installed in 2022 for office buildings. In the retail portfolio, EV stations are considered only for Europa SC in 2022. To date, in Duetto 8 charging points (or 4 stations) and in North Star 4 charging points (2 stations) have been installed.

PRI Assessment

In the 2020 PRI assessment Northern Horizon Capital achieved the highest A+ rating in the Strategy & Governance module and an A rating in the Property module, outperforming peer groups in both scoring categories. These ratings reflect the situation across the Northern Horizon Capital Group as a whole and the progress made by all its managed funds.

Baltic Horizon is one of the largest funds under Northern Horizon's management and contributed heavily to the strong PRI assessment performance in 2020. There was no assessment for the year 2021 due to changes in the assessment system, but Northern Horizon Capital has all intentions to remain the market leader and to improve the current score in the upcoming reporting years.

GRESB

In 2020 Baltic Horizon Fund submitted the first data for a GRESB benchmark evaluation in a very competitive real estate sector and just in one year managed to increase the score from 63 out of 100 to 70 out of 100 points in 2021, showing steady improvement. The Fund is aiming to become a market leader in the GRESB benchmark in the coming two years and has raised a very ambitious goal to be a market leader in ESG performance overall in 8 years' time.

In the 2021 GRESB Reporting Baltic Horizon is very proud of its high score in the Management module, also Social and Governance modules and is investing extra efforts to improve other modules to continuously improve the results each year. The Fund is aiming to reach 3 stars in GRESB in 2022.

The Fund achieved a score of 26 out of 30 in the Management dimension, which is dependent on fund level policies and initiatives. The Fund achieved 44 out of 70 in the Performance dimension, which represents the level of control landlords have on energy management, service charges, environmental data and other similar factors.

Baltic Horizon has linked material sustainability areas to the United Nations Sustainable Development Goals (UN SDGs) and their sub-targets.

Baltic Horizon 9 Focus Areas from the UN Sustainable Development Goals

OUTLOOK FOR 2022

The diversified property portfolio of Baltic Horizon Fund consists of 14 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.

Ironically, 2021 started and ended on a similar note with growing COVID-19 cases and government restrictions in all three Baltic countries. However, the latest wave of COVID-19 seems to have less impact on the Baltic economies and the operations of the Baltic Horizon portfolio. The beginning of 2022 is already showing signs of quick recovery as governments are lifting restrictions and visitors/office workers are coming back to shopping centres and offices. People in general are becoming less fearful of the pandemic and want to get back to life prior to COVID-19. This statement is well supported by the visible boost in economic activity throughout summer 2021 after reopening from lockdowns. Customers returned to shops to spend their increased savings and enjoy leisure/social activities.

Although COVID-19 cases are still at a high level, a long-awaited complete rebound of the economies could be expected in 2022 when population immunity is reached, which will then again allow free movement of people and hopefully prevent 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 20.5% of the total portfolio NOI in 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.

The bank loans for several Baltic Horizon properties will mature in 2022. At the beginning of 2022, the Fund has already prolonged most of the bank loans maturing in 2022 or at least received indications from the banks on prolongations.

An important aim in our Environmental, Social and Governance activities is to achieve the third star from GRESB as further improvements are in motion. This is the next goal for the Fund after achieving an important ESG goal of obtaining BREEAM certificates for all of our office buildings. In addition, the aim to introduce green lease clauses into 100% of our lease agreements 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 companies, 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 made across the whole portfolio to improve financial performance and create added value in the existing portfolio.

The Fund's management team is thrilled to see the first results of the Europa SC reconstruction project with new tenants coming to the shopping centre. The opening of the Food Hall Dialogai and other renovated areas should allow to create a perfect value proposition for office workers in Vilnius CBD. At the same time, preparations to open Meraki first tower in Q2 2022 are underway with increasing efforts to create a mixture of flexible spaces suitable for small and large tenants. Other concept upgrades (Galerija Centrs), expansions (CC Plaza and Postimaja) and potential acquisitions will require hard commitment from the Fund's team and partners but ultimately they should allow Baltic Horizon Fund to maximise the value and synergies of its portfolio. With openings of new buildings and new areas in current buildings, 2022 is positioned to become a year of openings and new beginnings.

In addition to the above, the latest developments in Ukraine and the cut-off of Russia will likely impact energy carriers' prices as the Baltics, while being able to match energy demand without Russia, will be using more expensive alternatives. The construction sector will also be affected as many construction materials which used to come from Russia and Belarus now need to be imported from elsewhere, at least until the current level of conflict remains. Therefore, the Baltics will very likely see double digit inflation in the periods ahead. On the other hand, real estate values have proven to withstand any kind of inflation in the past, especially over medium to long term.

As of today, the war has had no real impact on the Fund's portfolio as we continue signing new leases in our shopping centres, prolonging the office leases, indexing the rents and rolling over debt. The team will be working hard to adapt to the changed environment and regardless of the extraordinary uncertainties, strive for the best possible results in our portfolio.

Financial calendar

Annual Report		**AGM of unitholders**	
2021	18 March 2022	2021	2 June 2022
Interim Report		**Distribution to unitholders**	
January 2021 – December 2021	15 February 2022	Q4 2021	22 February 2022
Interim Report		**Distribution to unitholders**	
January 2022 – March 2022	9 May 2022	Q1 2022	18 May 2022
Interim Report		**Distribution to unitholders**	
January 2022 – June 2022	8 August 2022	Q2 2022	16 August 2022
Interim Report		**Distribution to unitholders**	
January 2022 – September 2022	7 November 2022	Q3 2021	16 November 2022

MANAGEMENT BOARD'S CONFIRMATION

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

Independent auditors’ report

To the Unitholders of Baltic Horizon Fund

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Baltic Horizon Fund (the Fund or the Group), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia). Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (Estonia) (including International Independence Standards), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

<table>
<tr><th colspan="2">Fair value of investment properties</th></tr>
<tr><td colspan="2">The carrying amount of investment properties in the consolidated statement of financial position as at 31 December 2021 was EUR 315 959 thousand; revaluation loss recognised in 2021 profit or loss and other comprehensive income was EUR 7 161 thousand.

We refer to the consolidated financial statements: Note 2d (accounting policy), Note 6 (operating segments) and Note 12. Investment property.</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The Fund’s primary activity is investing in commercial real estate. Consequently, investment properties represent the single largest category of assets on the Fund’s statement of financial position as at 31 December 2021.</td><td>In this area, we conducted, among others, the following audit procedures:

— We assessed the process applied by management in selecting, reviewing and assessing the work of the external appraisers engaged by the Fund.</td></tr>
</table>

This version of our auditors’ report is a copy from the original, which was prepared in xhtml format and presented to Nasdaq Tallinn together with the original version of the consolidated financial statements. All possible care has been taken to ensure that the copy is an accurate representation of the original, excluding xbrl tagging. However, in all matters of interpretation of information, views or opinions, the original version of our report takes precedence over this copy.

The investment properties are measured at fair value, estimated by the Fund with the assistance of external appraisers, using the discounted cash flow method. We have assessed this area to be a key audit matter as the valuation process involves significant judgement in determining the appropriate valuation methodology, and in selecting and estimating the underlying assumptions to be applied. The valuations are highly sensitive to these key assumptions, including those relating to the capitalization rates and estimated net income, and a change in the assumptions may have a material impact on the valuation.	— We assessed the competence and objectivity of the external appraisers, and also inspected the terms of their engagement with the Fund, to determine whether there were any matters that might have affected their objectivity or limited the scope of their work; — Assisted by our own valuation specialists, we: • Evaluated the appropriateness of the valuation methodology applied by the Fund's external appraisers against relevant financial reporting standards, and against those applied by other appraisers for similar properties; • challenged the reasonableness of the key assumptions and inputs used by the Fund in estimating the fair values of investment properties (including market rent rates, exit yield, inflation and vacancy rates) by reference to our independent expectations developed based on our experience with the Fund's industry and external sources (such as publicly available market research by leading real estate appraisal agencies); • compared the estimated cash inflows to the terms of rental agreements; • made alternative calculations for discount rate (WACC – weighted average cost of capital), based on available market data, and compared it to the rate used in the Fund's calculations. — We assessed the appropriateness and sufficiency of disclosures (including in respect of sensitivities to key assumptions) in the consolidated financial statements.

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, our responsibility is to state whether the information presented in the management report has been prepared in accordance with the applicable legal and regulatory requirements.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard and we state that the information presented in the management report is materially consistent with the consolidated financial statements and in accordance with the applicable legal and regulatory requirements.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

We have undertaken a reasonable assurance engagement on the iXBRL tagging of the consolidated financial statements included in the digital files Baltic_Horizon_Fund_2021-12-31_EN.zip prepared by Baltic Horizon Fund.

Responsibilities of Management for the Digital Files Prepared in Compliance with the ESEF RTS

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

– the selection and application of appropriate iXBRL tags using judgement where necessary;

– ensuring consistency between digitised information and the consolidated financial statements presented in human-readable format; and

– the design, implementation and maintenance of internal control relevant to the application of the ESEF RTS.

Auditors' Responsibilities

Our responsibility is to express an opinion on whether the electronic tagging of the consolidated financial statements complies in all material respects with the ESEF RTS based on the evidence we have obtained.

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

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (Estonia) (including International Independence Standards), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

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

– obtaining an understanding of the tagging and the ESEF RTS, including of internal control over the tagging process relevant to the engagement;

– reconciling the tagged data with the audited consolidated financial statements of the Group dated 31 December 2021;

– evaluating the completeness of the tagging of the consolidated financial statements;

– evaluating the appropriateness of the Group's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;

– evaluating the use of anchoring in relation to the extension elements.

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

In our opinion, the consolidated financial statements included in the annual report of Baltic Horizon Fund identified as Baltic_Horizon_Fund_2021-12-31_EN.zip for the year ended 31 December 2021 are tagged, in all material respects, in compliance with the ESEF RTS.

Other Requirements of the Auditors' Report in Accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council

We were appointed by those charged with governance on 29 March 2016 to audit the consolidated financial statements of Baltic Horizon Fund for the year ended 31 December 2015. Our total uninterrupted period of engagement is 7 years, covering the periods ending 31 December 2015 to 31 December 2021.

We confirm that:

– our audit opinion is consistent with the additional report presented to the Audit Committee of the Group;

– we have not provided to the Group the prohibited non-audit services (NASs) referred to in Article 5(1) of EU Regulation (EU) No 537/2014. We also remained independent of the audited entity in conducting the audit.

Tallinn, 18 March 2022

/digitally signed/

Eero Kaup

Certified Public Accountant, Licence No 459

KPMG Baltics OÜ
Licence no 17

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

EUR '000	Notes	2021	2020
Rental income		19,495	21,697
Service charge income	7	4,901	4,990
Cost of rental activities	7	(7,392)	(6,753)
Net rental income	**6**	**17,004**	**19,934**
Administrative expenses	8	(2,869)	(2,918)
Other operating income		444	204
Losses on disposal of investment properties	12	(71)	-
Valuation losses on investment properties	12, 13	(7,161)	(25,245)
Operating profit (loss)		**7,347**	**(8,025)**
Financial income		1	3
Financial expenses	9	(5,706)	(5,524)
Net financing costs		**(5,705)**	**(5,521)**
Profit (loss) before tax		**1,642**	**(13,546)**
Income tax charge	6, 11	(229)	5
Profit (loss) for the period	**6**	**1,413**	**(13,541)**
Other comprehensive income that is or may be reclassified to profit or loss in subsequent periods			
Net gain (loss) on cash flow hedges	16b	898	(108)
Income tax relating to net (loss) gain on cash flow hedges	16b, 11	(66)	3
Other comprehensive income (expense), net of tax, that is or may be reclassified to profit or loss in subsequent periods		**832**	**(105)**
Total comprehensive income (expense) for the period, net of tax		**2,245**	**(13,646)**
Basic and diluted earnings per unit (EUR)	**10**	**0.01**	**(0.12)**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR '000	Notes	31.12.2021	31.12.2020
Non-current assets			
Investment properties	6, 12	315,959	334,518
Investment property under construction	6, 13	11,400	5,474
Intangible assets		9	-
Property, plant and equipment		2	2
Other non-current assets		23	22
Total non-current assets		**327,393**	**340,016**
Current assets			
Trade and other receivables	14	2,708	1,901
Prepayments		137	352
Cash and cash equivalents	15	16,100	13,333
Total current assets		**18,945**	**15,586**
Total assets	**6**	**346,338**	**355,602**
Equity			
Paid in capital	16a	145,200	145,200
Cash flow hedge reserve	16b	(829)	(1,661)
Retained earnings		(11,787)	(7,218)
Total equity		**132,584**	**136,321**
Non-current liabilities			
Interest-bearing loans and borrowings	17	157,471	195,670
Deferred tax liabilities	11	6,297	6,009
Derivative financial instruments	22	756	1,736
Other non-current liabilities		1,103	1,026
Total non-current liabilities		**165,627**	**204,441**
Current liabilities			
Interest-bearing loans and borrowings	17	41,676	10,222
Trade and other payables	18	5,223	3,640
Income tax payable		5	1
Derivative financial instruments	22	109	27
Other current liabilities		1,114	950
Total current liabilities		**48,127**	**14,840**
Total liabilities	**6**	**213,754**	**219,281**
Total equity and liabilities		**346,338**	**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	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		-	-	(13,541)	**(13,541)**
Other comprehensive expense	16b	-	(105)	-	**(105)**
Total comprehensive expense		**-**	**(105)**	**(13,541)**	**(13,646)**
Transactions with unitholders					
Paid in capital – units issued		7,136	-	-	**7,136**
Profit distribution to unitholders	16c	**-**	-	(9,687)	**(9,687)**
Total transactions with unitholders		**7,136**	**-**	**(9,687)**	**(2,551)**
As at 31 December 2020		**145,200**	**(1,661)**	**(7,218)**	**136,321**
As at 1 January 2021		**145,200**	**(1,661)**	**(7,218)**	**136,321**
Comprehensive income					
Net profit for the period		-	-	1,413	**1,413**
Other comprehensive income	16b	-	832	-	**832**
Total comprehensive income		**-**	**832**	**1,413**	**2,245**
Transactions with unitholders					
Profit distribution to unitholders	16c	-	-	(5,982)	**(5,982)**
Total transactions with unitholders		**-**	**-**	**(5,982)**	**(5,982)**
As at 31 December 2021		**145,200**	**(829)**	**(11,787)**	**132,584**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR '000	Notes	2021	2020
Cash flows from core activities			
Profit (loss) before tax		**1,642**	**(13,546)**
Adjustments for non-cash items:			
Value adjustment of investment properties		7,161	25,245
Losses on disposal of investment properties		71	-
Depreciation of property, plant and equipment		1	-
Change in impairment losses for trade receivables		106	215
Financial income		(1)	(3)
Financial expenses	9	5,706	5,524
Unrealised exchange differences		(1)	(1)
Working capital adjustments:			
Change in trade and other accounts receivable		(913)	(322)
Change in other current assets		215	(51)
Change in other non-current liabilities		77	(272)
Change in trade and other accounts payable		455	(92)
Change in other current liabilities		132	(438)
Income tax paid		(1)	(190)
Total cash flows from core activities		**14,650**	**16,069**
Cash flows from investing activities			
Interest received		1	3
Acquisition of investment property		-	(90)
Acquisition of property, plant and equipment and intangible assets		(12)	-
Proceeds from disposal of investment property		15,332	-
Investment property development expenditure		(5,952)	(2,890)
Capital expenditure on investment properties		(2,515)	(1,290)
Total cash flows from investing activities		**6,854**	**(4,267)**
Cash flows from financial activities			
Proceeds from a bond issue		4,000	-
Repayment of bank loans		(11,138)	(397)
Proceeds from issue of new units		-	7,136
Profit distribution to unitholders	16c	(5,982)	(9,687)
Transaction costs related to loans and borrowings		(121)	(3)
Repayment of lease liabilities		(28)	(17)
Interest paid		(5,468)	(5,337)
Total cash flows from financing activities		**(18,737)**	**(8,305)**
Net change in cash and cash equivalents		**2,767**	**3,497**
Cash and cash equivalents at the beginning of the year		**13,333**	**9,836**
Cash and cash equivalents at the end of the period		**16,100**	**13,333**

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	31.12.2021	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%

Baltic Horizon Fund merger with Baltic Opportunity Fund

On 30 June 2016 Baltic Horizon Fund was merged with Baltic Opportunity Fund by issuing 100 units in exchange for each unit in Baltic Opportunity Fund (ratio 1:100). During the public offering 41,979,150 units were listed on the NASDAQ Tallinn stock exchange, the offer price was EUR 1.3086 per unit, the total issue proceeds were EUR 29.7 million. Share capital was increased by EUR 21 million and the remaining amount of EUR 8.7 million was used to redeem the units for investors who decided to exit the Fund (EUR 7.5 million) and to pay off subscription fees (EUR 1.2 million).

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

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

2. Summary of significant accounting policies

Basis of preparation

The Group's consolidated financial statements for the year ended 31 December 2021 have been prepared in accordance with International Financial Reporting Standards (the "IFRS") as adopted for use in the European Union.

Going concern assessment

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

New standards, amendments and interpretations adopted

The Fund applies certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. These new standards and amendments did not have a material impact on the consolidated annual financial statements of the Fund when initially applied.

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

The following new standards, interpretations and amendments are not yet effective for the annual reporting period ended 31 December 2021 and have not been applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective.

Amendments to IFRS 16 Leases – COVID-19 Related Rent Concessions
(Effective for annual periods beginning on or after 1 April 2021)

The amendments to IFRS 16 Leases provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. On issuance, the practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021.

Amendments to IAS 1 Presentation of Financial Statements
(Effective for annual periods beginning on or after 1 January 2023)

These amendments are not yet endorsed by the EU.

The amendments clarify that the classification of liabilities as current or non-current is based solely on the entity's right to defer settlement at the end of the reporting period. The company's right to defer settlement for at least 12 months from the reporting date need not be unconditional but must have substance. The classification is not affected by management's intentions or expectations about whether and when the entity will exercise its right. The amendments also clarify the situations that are considered settlement of a liability.

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

Other changes

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

- Amendments to IFRS 3 Business Combinations Reference to the Conceptual Framework;
- Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use;
- Amendments to IAS 37 Provisions, Contingent Liabilities, Contingent Assets Onerous Contracts – Cost of Fulfilling a Contract;
- Annual Improvements 2018 – 2020

Significant accounting policies

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

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

2a. Presentation currency

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

2b. Consolidated financial statements

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

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

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

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

2c. Foreign currency translation

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

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

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

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

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

2d. Investment properties

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

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

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

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

2e. Dividends (distributions)

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

2f. Provisions

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

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

2g. Derivative financial instruments

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

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

2h. Hedge accounting

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

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

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

2i. Interest bearing loans and borrowings

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

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

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

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

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

2j. Other liabilities

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

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

2k. Financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

2l. Accounts receivable

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

2m. Cash and cash equivalents

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

2n. Contingencies

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

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

2o. Subsequent events

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

2p. Revenue recognition

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

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

2q. Expense recognition

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

2r. Administrative expenses

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

2s. Current taxation

Taxation of the Group subsidiaries

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

Taxation of the Fund

Gains from transfer of property

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

1) the transferred immovable is located in Estonia; or
2) the transferred real right or right of claim is related to an immovable or a structure as a movable, which is located in Estonia; or
3) the transferred or returned holding is a holding in a company, contractual investment fund or other pool of assets of whose property, at the time of the transfer or return or during a period within two years prior to that, more than 50% was directly or indirectly made up of immovables or structures as movables located in Estonia and in which the transferor had a holding of at least 10% at the time of conclusion of the specified transaction.
4) gains were derived on the conditions specified in clause 3) upon the liquidation of a company, contractual investment fund or other pool of assets specified in the same clause.

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

2t. Deferred taxation

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

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

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

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

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

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

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

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

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

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

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

2u. Fair value measurements

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

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

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

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

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

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

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

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

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

2v. Business combinations

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

2w. Paid in capital

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

Applying the acquisition method

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

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

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

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

Business combinations between entities under common control

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

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

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

3. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgments

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

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

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

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

Business combinations

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

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

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

Estimates and assumptions

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

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

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

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

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

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

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

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

Fair value of investment properties
The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The Group engages independent valuation specialists to determine fair value. Information about valuation techniques and assumptions are disclosed in note 12 and 13.

4. Financial risk management

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

4a. Credit risk

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

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

There are no significant concentrations of credit risk within the Group. As at 31 December 2021, the total credit risk exposure was as follows:

EUR '000	2021	2020
Cash and cash equivalents (note 15)	16,100	13,333
Trade and other receivables (note 14)	2,708	1,901
Derivative financial instruments (note 22)	-	-
Total exposure to credit risk	**18,808**	**15,234**

At the end of 2021, the Group's provisions for bad debts amounted to EUR 508 thousand (2020: EUR 589 thousand).

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

4b. Interest rate risk

The Group's interest rate risk is related to interest-bearing borrowings. Fluctuations in interest rates affect interest expense (note 16b). The Group's exposure to interest rate cash flow risk is mitigated by the use of interest rate swaps and interest rate caps.

At 31 December 2021, after taking into account the effect of interest rate swaps, 84.3% of the Group's borrowings had a fixed rate of interest (31 December 2020: 83.3%). The Group's management is of an opinion that an 84.3% hedge ratio is fully sufficient in the current interest environment. Development of interest rates is closely monitored and additional hedges can be concluded any time if the interest environment changes.

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

	2021		2020	
EUR '000	Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
Increase in basis points, +50	(285)	556	(177)	1,063
Decrease in basis points, -50	285	(556)	177	(1,063)

The Group uses interest rate swaps to fix the interest rate of long-term loans with floating interest rates. This converts floating rate liabilities to fixed rate liabilities. In order to achieve this, the Fund either takes fixed rate loans or swaps floating interest rates for fixed using interest rate derivatives. As 1) the Fund seeks to obtain financing on the best terms and conditions and 2) in the current market, fixed rate loans are often more expensive, the Fund hedges interest rate exposure by using derivative instruments such as interest rate swaps, forwards and options.

The Group acquire swaps purely for cash flow hedge purposes and not for trading.

4c. Liquidity risk

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

The table below summarises the contractual maturity profile of the Group's financial liabilities at 31 December 2021. The amounts are gross and undiscounted and include contractual interest payments.

EUR '000	Less than 3 months	3 months - 1 year	1-2 years	2-5 years	More than 5 years	Total	Carrying amount
Interest bearing loans and borrowings (note 17)	1,465	45,290	106,999	53,263	-	207,017	199,147
Derivative financial instruments (note 22)	7	102	189	567	-	865	865
Trade and other payables (note 18)	5,223	-	-	-	-	5,223	5,223
Total current and non-current	**6,695**	**45,392**	**107,188**	**53,830**	**-**	**213,105**	**205,235**

4d. Foreign exchange risk

The Fund's primary currency is the euro. In 2021 and 2020 the Group held no significant assets or liabilities and was not committed to undertake significant transactions in any currency other than the euro from this date.

5. Capital management

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

The capital structure of the Group consists of borrowings (as detailed in note 17) and equity. The capital structure of the Group is reviewed regularly based on the cost of capital and the risks associated with each class of capital.

Management monitors capital using the loan-to-value ratio, which is borrowings divided by property value. The Group's target loan to value ratio is 55%. As at 31 December 2021, the Group complied with all externally imposed capital requirements.

EUR '000	2021	2020
Interest bearing loans and borrowings (excluding lease liabilities)	198,571	205,604
Investment properties	315,959	334,518
Investment property under construction	11,400	5,474
Gearing ratio (loan-to-value)	**60.7%**	**60.5%**

6. Operating segments

The Group's reportable segments are as follows:

- Retail segment – includes Europa Shopping Centre (Lithuania), Domus PRO Retail Park (Lithuania), SKY Shopping Centre (Latvia), Pirita Shopping Centre (Estonia), Postimaja Shopping centre (Estonia), and Galerija Centrs Shopping Centre (Latvia) investment properties.
- Office segment – includes Lincona Office Complex (Estonia), G4S Headquarters (Estonia) (sold in Q4 2021), Upmalas Biroji (Latvia), Duetto I (Lithuania), Duetto II (Lithuania), Domus PRO stage III (Lithuania), Vainodes I (Latvia), LNK Centre (Latvia), Meraki (Lithuania) and North Star (Lithuania) investment properties.
- Leisure segment – includes Coca-Cola Plaza (Estonia) investment property.

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

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

Operating segments – 31 December 2021

EUR '000	Retail	Office	Leisure	Total segments
2021:				
External revenue[1]	11,049	12,527	820	24,396
Segment net rental income	**5,506**	**10,721**	**777**	**17,004**
Net (loss) gain from fair value adjustment	(6,355)	(1,078)	272	(7,161)
Interest expenses[2]	(1,678)	(1,590)	(79)	(3,347)
Income tax income (expenses)	285	(514)	-	(229)
Segment net (loss) profit	**(1,885)**	**6,955**	**961**	**6,031**
As at 31.12.2021:				
Segment assets	**168,464**	**158,234**	**15,344**	**342,042**
Investment properties[3]	162,876	138,641	14,442	315,959
Investment property under construction[3]	-	11,400	-	11,400
Segment liabilities	**81,856**	**75,469**	**5,661**	**162,986**

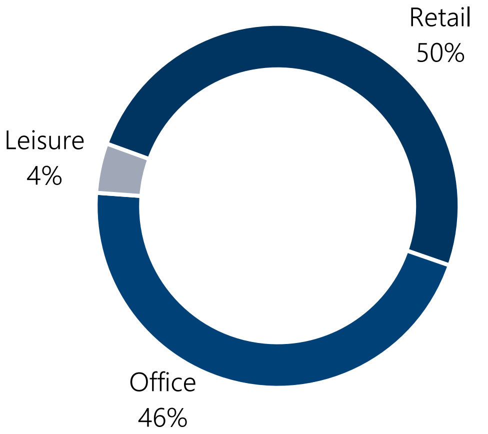
1. External revenue includes rental income and service charge income. The segments do not have inter-segment revenue.
2. Interest expenses include only external bank loan interest expenses.
3. Additions to non-current assets consist of subsequent expenditure on investment property (EUR 2,567 thousand), additions to right-of-use assets (EUR 317 thousand) and additions to investment property under construction (EUR 7,047 thousand). Please refer to notes 12 and 13 for more information.

Operating segments – 31 December 2020

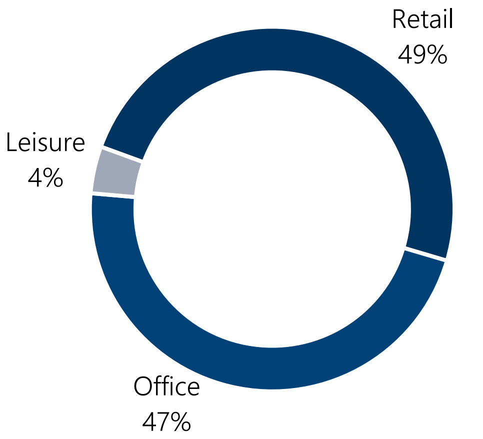
EUR '000	Retail	Office	Leisure	Total segments
2020:				
External revenue[1]	13,095	12,736	856	26,687
Segment net rental income	**7,983**	**11,127**	**824**	**19,934**
Net loss from fair value adjustment	(15,762)	(8,503)	(980)	(25,245)
Interest expenses[2]	(1,675)	(1,478)	(69)	(3,222)
Income tax income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

1. External revenue includes rental income and service charge income. The segments do not have inter-segment revenue.
2. Interest expenses include only external bank loan interest expenses 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 12 and 13 for more information.

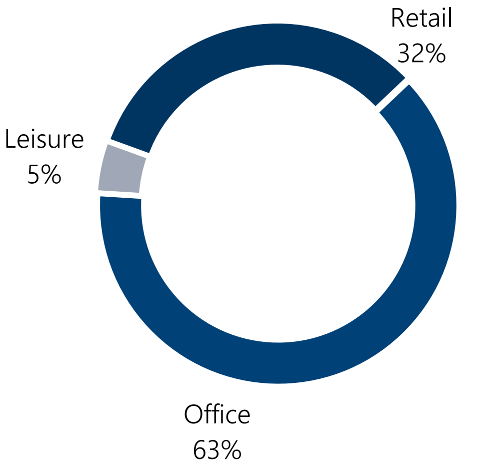
Investment properties as at 31 December 2021*



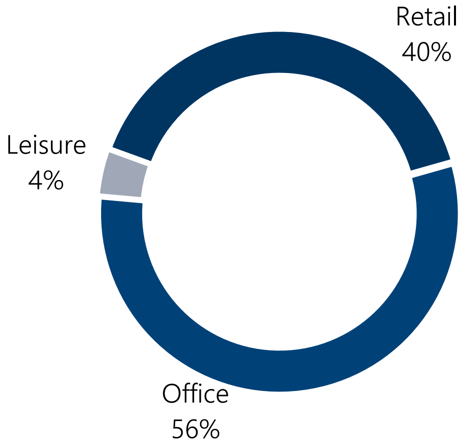
Investment properties as at 31 December 2020*



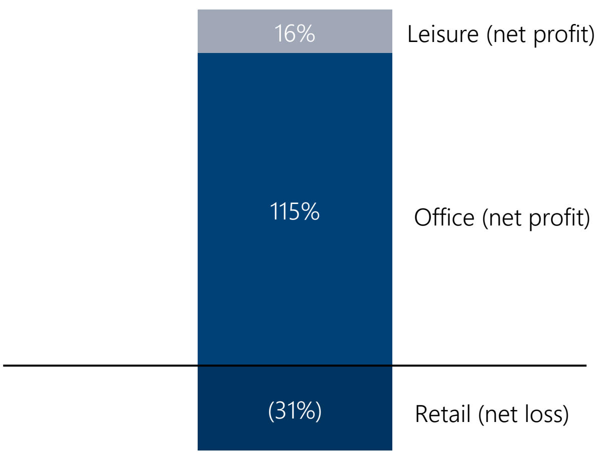
Segment net rental income for 2021*



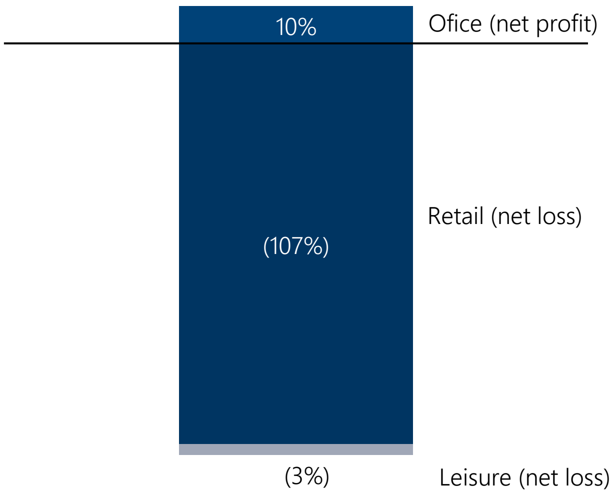
Segment net rental income for 2020*



Segment net profit (loss) for 2021*



Segment net profit (loss) for 2020*



*As a percentage of the total for all reportable segments

Reconciliation of information on reportable segments to IFRS measures

Operating segments – 31 December 2021

EUR '000	Total reportable segments	Adjustments	Consolidated
2021:			
Net profit	**6,031**	(4,618)[1]	**1,413**
As at 31.12.2021:			
Segment assets	**342,042**	4,296[2]	**346,338**
Segment liabilities	**162,986**	50,768[3]	**213,754**

1. Segment net profit for 2021 does not include Fund management fee (EUR 1,765 thousand), bond interest expenses (EUR 2,125 thousand), bond arrangement fee amortisation (EUR 69 thousand), Fund custodian fees (EUR 65 thousand), and other Fund-level administrative expenses (EUR 594 thousand).
2. Segment assets do not include cash, which is held at the Fund level (EUR 4,296 thousand).
3. Segment liabilities do not include liabilities related to a bond issue at the Fund level (EUR 49,907 thousand), accrued bond coupon expenses (EUR 313 thousand), management fee payable (EUR 420 thousand), and other short-term payables (EUR 128 thousand) at the Fund level.

Operating segments – 31 December 2020

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

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

Geographic information

	External revenue		Investment property value[1]	
EUR '000	**2021**	**2020**	**31.12.2021**	**31.12.2020**
Lithuania	9,574	10,024	129,109	122,282
Latvia	9,403	10,778	127,574	131,920
Estonia	5,419	5,885	70,676	85,790
Total	**24,396**	**26,687**	**327,359**	**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 1,200 thousand of the total rental income for 2021 (EUR 1,200 thousand for 2020).

7. Cost of rental activities

EUR '000	2021	2020
Repair and maintenance	2,270	2,235
Utilities	1,549	1,310
Property management expenses	1,251	1,086
Real estate taxes	1,144	1,030
Sales and marketing expenses	789	685
Property insurance	90	92
Allowance (reversal of allowance) for bad debts	106	215
Other	193	100
Total cost of rental activities	**7,392**	**6,753**

Part of the total cost of rental activities (mainly utilities, repair and maintenance expenses) was recharged to tenants: EUR 4,901 thousand during 2021 (EUR 4,990 thousand during 2020).

8. Administrative expenses

EUR '000	2021	2020
Management fee	1,765	1,715
Consultancy fees	262	198
Fund marketing expenses	134	92
Legal fees	130	136
Audit fee	125	104
Custodian fees	65	71
Supervisory board fees	48	48
Listing related expenses	-	267
Other administrative expenses	340	287
Total administrative expenses	**2,869**	**2,918**

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 20.

9. Financial expenses

EUR ’000	2021	2020
Interest on external loans and borrowings	5,449	5,336
Loan arrangement fee amortisation	226	176
Interest on lease liabilities	23	11
Foreign exchange loss	1	1
Other financial expenses	7	-
Total financial expenses	**5,706**	**5,524**

10. Earnings per unit

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

Profit or loss attributable to the unitholders of the Fund:

EUR ’000	2021	2020
Profit (loss) for the period, attributed to the unitholders of the Fund	1,413	(13,541)
Profit (loss) for the period, attributed to the unitholders of the Fund	**1,413**	**(13,541)**

Weighted-average number of units:

	2021	2020
Issued units at 1 January	119,635,429	113,387,525
Effect of units issued in October 2020	-	1,181,111
Weighted-average number of units	**119,635,429**	**114,568,636**

Basic and diluted earnings per unit:

	2021	2020
Basic and diluted earnings per unit*	0.01	(0.12)

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

11. Income tax

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

The Group’s consolidated effective tax rate in respect of continuing operations for 2021 was 13.9% (2020: 0.0%). The high effective tax rate for 2021 is related to an increase in the deferred tax liability due to a lift in the fair values of Lithuanian investment properties and an increase in partially non-deductible intragroup interest expenses in Europa SC.
The major components of income tax for the periods ended 31 December 2021 and 2020 were as follows:

EUR '000	2021	2020
Consolidated statement of profit or loss		
Current income tax for the period	(7)	(182)
Deferred tax for the period	(222)	187
Income tax (expense) income reported in profit or loss	**(229)**	**5**
Consolidated statement of other comprehensive income		
Deferred income tax related to items charged or credited to equity:		
Revaluation of derivative instruments to fair value	(66)	3
Income tax reported in other comprehensive income	**(66)**	**3**

Deferred tax is only applicable for the Fund's subsidiaries in Lithuania. Deferred income tax as at 31 December 2021 and 2020 relates to the following:

	Consolidated statement of financial position		Recognised in profit or loss	
EUR '000	31.12.2021	31.12.2020	2021	2020
Tax losses brought forward	2,414	2,146	268	36
Revaluation of derivative instruments to fair value	80	146	-	-
Deferred income tax assets	**2,494**	**2,292**	**-**	**-**
Investment property	(8,763)	(8,288)	(475)	152
Other tax liability	(28)	(13)	(15)	(1)
Deferred income tax liabilities	**(8,791)**	**(8,301)**	**-**	**-**
Deferred income tax income/(expenses)	**-**	**-**	**(222)**	**187**
Deferred tax liabilities net	**(6,297)**	**(6,009)**	**-**	**-**
Reflected in the statement of financial position as follows:				
Deferred tax assets	-	-	-	-
Deferred tax liabilities	(6,297)	(6,009)	-	-
Deferred tax liabilities net	**(6,297)**	**(6,009)**	**-**	**-**

The reconciliation of effective tax rate for the years ended 31 December 2021 and 2020 is as follows:

EUR '000	2021		2020	
Profit (loss) before income tax		**1,642**		**(13,546)**
At statutory tax rate	0.0%	-	0.0%	-
Effect of tax rates in foreign jurisdictions	(5.1%)	(83)	1.3%	178
Tax effect of non-deductible expenses	(0.3%)	(5)	(0.2%)	(23)
Income tax on dividends	0.0%	-	(1.3%)	(181)
Change in unrecognised deferred tax	(8.6%)	(141)	0.2%	31
Total income tax expenses	**(13.9%)**	**(229)**	**0.0%**	**5**

As at 31 December 2021, the Group had tax losses of EUR 2,414 thousand that are available indefinitely for offset against future taxable profits of the Lithuanian companies in which the losses arose.

Summary of taxation rates by country is presented below:

	2021	2020
Lithuania	15%	15%
Latvia[1]	0%	0%
Estonia[2]	0%	0%

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

The maximum income tax liability which would arise if all of the available retained earnings in subsidiaries in Estonia and Latvia were distributed as dividends to the Fund, is EUR 5,907 thousand.

12. Investment property

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

As at 31 December 2021, new external valuations were performed by independent property valuator Colliers International.

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

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

The yield requirement (discount factor) is determined for each property. Investment property comprises buildings, which are rented out under lease contracts.

EUR '000	31.12.2021	31.12.2020
Balance at 1 January	**334,518**	**356,575**
Acquisitions	-	90
Capital expenditure	431	553
Development and refurbishment expenditure	2,136	1,471
Disposals	(15,403)	-
Net revaluation loss on investment property	(6,012)	(24,154)
Additions to right-of-use assets (new leases)	317	-
Net revaluation loss on right-of-use assets	(28)	(17)
Closing balance	**315,959**	**334,518**
Closing balance excluding right-of-use assets	**315,383**	**334,230**

Disposal of G4S Headquarters

On 8 November 2021, the Group disposed of the G4S Headquarters building located in Tallinn, Estonia, in an asset deal for a price of EUR 15,350 thousand. After transactions costs of EUR 18 thousand, the transaction resulted in a net loss of EUR 71 thousand.

Fair value hierarchy

The following table shows an analysis of the fair values of investment properties recognised in the statement of financial position by their level in the fair value hierarchy as at 31 December 2021:

EUR '000	Total fair value Level 3	Total gain or (loss) for 2021 recognised in profit or loss
Latvia - Galerija Centrs (retail)	65,544	(1,979)
Lithuania – Europa (retail)	36,737	(4,055)
Estonia – Postimaja (retail)	29,772	(189)
Lithuania – Domus PRO (retail/office)	24,075	95
Latvia – Upmalas Biroji (office)	21,944	(1,641)
Lithuania – North Star (office)	19,869	661
Lithuania – Duetto II (office)	19,683	929
Latvia – Vainodes I (office)	18,150	(1,893)
Lithuania – Duetto I (office)	17,345	930
Estonia – Lincona (office)	16,990	827
Latvia – LNK Centre (office)	16,840	765
Estonia – Coca-Cola Plaza (leisure)	14,442	272
Estonia – Pirita (retail)	9,472	(108)
Latvia – SKY (retail)	5,096	111
Estonia – G4S (office)	-	(765)
Total	**315,959**	**(6,040)**

There were no transfers between levels during the years. Gains and losses recorded in profit or loss for fair value measurements categorised within Level 3 of the fair value hierarchy amounted to a net loss of EUR 6,040 thousand as at 31 December 2021 (2020: a net loss of EUR 24,171 thousand) and are presented in the consolidated statement of profit or loss and other comprehensive income on the line 'Valuation losses on investment properties'.

Valuation techniques used to derive Level 3 fair values

The values of the properties are based on the valuation of investment properties performed by Colliers International as at 31 December 2021 increased by right-of-use assets.

The table below presents the following for each investment property:

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

As of 31 December 2021:

Property	Valuation technique	Key unobservable inputs	Range
Europa Shopping centre, Vilnius (Lithuania)	DCF	- Discount rate	8.2%
Net leasable area (NLA) – 17,189 sq. m		- Rental growth p.a.	1.5% - 3.4%
Segment – Retail		- Long-term vacancy rate	5.0% - 10.0%
Year of construction/renovation – 2004		- Exit yield	7.0%
		- Average rent (EUR/sq. m)	12.0
Domus PRO, Vilnius (Lithuania)	DCF	- Discount rate	8.2% - 8.6%
Net leasable area (NLA) – 16,117 sq. m		- Rental growth p.a.	1.5% - 3.4%
Segment – Retail/Office		- Long-term vacancy rate	5.0% - 10.0%
Year of construction/renovation – 2013		- Exit yield	7.0% - 7.8%
		- Average rent (EUR/sq. m)	9.9
Lincona Office Complex, Tallinn (Estonia)	DCF	- Discount rate	8.2%
Net leasable area (NLA) – 10,788 sq. m		- Rental growth p.a.	3.7%
Segment – Office		- Long-term vacancy rate	8.0% - 10.0%
Year of construction/renovation – 2002 / 2008		- Exit yield	7.2%
		- Average rent (EUR/sq. m)	10.1
Coca-Cola Plaza, Tallinn (Estonia)	DCF	- Discount rate	8.2%
Net leasable area (NLA) – 11,458 sq. m		- Rental growth p.a.	3.7%
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
SKY Shopping Centre, Riga (Latvia)	DCF	- Discount rate	8.6%
Net leasable area (NLA) – 3,285 sq. m		- Rental growth p.a.	0.5% - 3.3%
Segment – Retail		- Long-term vacancy rate	1.0% - 5.0%
Year of construction/renovation – 2000 / 2010		- Exit yield	7.3%
		- Average rent (EUR/sq. m)	11.3
Upmalas Biroji, Riga (Latvia)	DCF	- Discount rate	7.9%
Net leasable area (NLA) – 9,863 sq. m		- Rental growth p.a.	0.5% - 3.3%
Segment – Office		- Long-term vacancy rate	2.0% - 5.0%
Year of construction/renovation – 2008		- Exit yield	6.6%
		- Average rent (EUR/sq. m)	14.4
Pirita Shopping Centre, Tallinn (Estonia)	DCF	- Discount rate	8.5%
Net leasable area (NLA) – 5,448 sq. m		- Rental growth p.a.	3.7%
Segment – Retail		- Long-term vacancy rate	6.0% - 10.0%
Year of construction/renovation – 2016		- Exit yield	7.5%
		- Average rent (EUR/sq. m)	12.6

Property	Valuation technique	Key unobservable inputs	Range
Duetto I, Vilnius (Lithuania)	DCF	- Discount rate	8.2%
Net leasable area (NLA) – 8,255 sq. m		- Rental growth p.a.	1.3% - 2.8%
Segment – Office		- Long-term vacancy rate	2.5% - 10.0%
Year of construction/renovation – 2017		- Exit yield	6.8%
		- Average rent (EUR/sq. m)	12.5
Duetto II, Vilnius (Lithuania)	DCF	- Discount rate	8.2%
Net leasable area (NLA) – 8,225 sq. m		- Rental growth p.a.	2.2% - 2.8%
Segment – Office		- Long-term vacancy rate	2.5% - 10.0%
Year of construction/renovation – 2018		- Exit yield	6.8%
		- Average rent (EUR/sq. m)	14.1
Vainodes I, Riga (Latvia)*	DCF / Sales comparison approach for extension	- Discount rate	7.8%
Net leasable area (NLA) – 6,950 sq. m		- Rental growth p.a.	0.5% - 3.3%
Segment – Office		- Long-term vacancy rate	0.0% - 5.0%
Year of construction/renovation – 2014		- Exit yield	6.5%
		- Average rent (EUR/sq. m)	15.2
Postimaja, Tallinn (Estonia)*	DCF	- Discount rate	7.5%
Net leasable area (NLA) – 9,148 sq. m		- Rental growth p.a.	3.7%
Segment – Retail		- Long-term vacancy rate	3.0%
Year of construction/renovation – 1980		- Exit yield	6.2%
		- Average rent (EUR/sq. m)	14.3
LNK Centre, Riga (Latvia)	DCF	- Discount rate	7.4%
Net leasable area (NLA) – 6,848 sq. m		- Rental growth p.a.	0.5% - 3.3%
Segment – Office		- Long-term vacancy rate	2.0% - 5.0%
Year of construction/renovation – 2006 / 2014		- Exit yield	6.1%
		- Average rent (EUR/sq. m)	14.2
Galerija Centrs, Riga (Latvia)	DCF	- Discount rate	8.0%
Net leasable area (NLA) – 20,054 sq. m		- Rental growth p.a.	0.0% - 3.3%
Segment – Retail		- Long-term vacancy rate	1.0% - 10.0%
Year of construction/renovation – 1939 / 2006		- Exit yield	6.8%
		- Average rent (EUR/sq. m)	17.8
North Star, Vilnius (Lithuania)	DCF	- Discount rate	8.2%
Net leasable area (NLA) – 10,550 sq. m		- Rental growth p.a.	2.2% - 3.4%
Segment – Office		- Long-term vacancy rate	5.0% - 10.0%
Year of construction/renovation – 2009		- Exit yield	6.8%
		- Average rent (EUR/sq. m)	12.1

*Postimaja 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 and EUR 1.0 million for Vainodes I.

As of 31 December 2020:

Property	Valuation technique	Key unobservable inputs	Range
Europa Shopping centre, Vilnius (Lithuania)	DCF	- Discount rate	8.1%
Net leasable area (NLA) – 16,982 sq. m		- Rental growth p.a.	0.0% - 2.0%
Segment – Retail		- Long-term vacancy rate	2.0% - 5.0%
Year of construction/renovation – 2004		- Exit yield	6.8%
		- Average rent (EUR/sq. m)	13.0
Domus PRO, Vilnius (Lithuania)	DCF	- Discount rate	8.5% - 9.1%
Net leasable area (NLA) – 16,057 sq. m		- Rental growth p.a.	0.3% - 2.2%
Segment – Retail/Office		- Long-term vacancy rate	2.0% - 5.0%
Year of construction/renovation – 2013		- Exit yield	7.5%
		- Average rent (EUR/sq. m)	9.6
Lincona Office Complex, Tallinn (Estonia)	DCF	- Discount rate	8.2%
Net leasable area (NLA) – 10,745 sq. m		- Rental growth p.a.	0.0% - 1.7%
Segment – Office		- Long-term vacancy rate	5.0%
Year of construction/renovation – 2002 / 2008		- Exit yield	7.5%
		- Average rent (EUR/sq. m)	10.2
Coca-Cola Plaza, Tallinn (Estonia)	DCF	- Discount rate	8.8%
Net leasable area (NLA) – 8,664 sq. m		- Rental growth p.a.	0.8% - 2.1%
Segment – Leisure		- Long-term vacancy rate	2.0%
Year of construction/renovation – 1999		- Exit yield	7.5%
		- Average rent (EUR/sq. m)	10.9
G4S Headquarters, Tallinn (Estonia)*	DCF	- Discount rate	8.7%
Net leasable area (NLA) – 8,991 sq. m		- Rental growth p.a.	1.8% - 2.1%
Segment – Office		- Long-term vacancy rate	5.0%
Year of construction/renovation – 2013		- Exit yield	7.3%
		- Average rent (EUR/sq. m)	11.2
SKY Shopping Centre, Riga (Latvia)	DCF	- Discount rate	9.8%
Net leasable area (NLA) – 3,254 sq. m		- Rental growth p.a.	0.3% - 1.7%
Segment – Retail		- Long-term vacancy rate	2.0% -5.0%
Year of construction/renovation – 2000 / 2010		- Exit yield	7.8%
		- Average rent (EUR/sq. m)	11.6
Upmalas Biroji, Riga (Latvia)	DCF	- Discount rate	8.1%
Net leasable area (NLA) – 10,459 sq. m		- Rental growth p.a.	0.3% - 1.7%
Segment – Office		- Long-term vacancy rate	2.0% -5.0%
Year of construction/renovation – 2008		- Exit yield	7.0%
		- Average rent (EUR/sq. m)	13.2
Pirita Shopping Centre, Tallinn (Estonia)	DCF	- Discount rate	9.9%
Net leasable area (NLA) – 5,460 sq. m		- Rental growth p.a.	0.0% - 3.1%
Segment – Retail		- Long-term vacancy rate	2.0% - 5.0%
Year of construction/renovation – 2016		- Exit yield	8.0%
		- Average rent (EUR/sq. m)	13.1

Property	Valuation technique	Key unobservable inputs	Range
Duetto I, Vilnius (Lithuania)	DCF	- Discount rate	8.1%
Net leasable area (NLA) – 8,384 sq. m		- Rental growth p.a.	0.3% - 2.0%
Segment – Office		- Long-term vacancy rate	5%
Year of construction/renovation – 2017		- Exit yield	7.3%
		- Average rent (EUR/sq. m)	12.1
Duetto II, Vilnius (Lithuania)	DCF	- Discount rate	8.1%
Net leasable area (NLA) – 8,515 sq. m		- Rental growth p.a.	0.0% - 2.0%
Segment – Office		- Long-term vacancy rate	5%
Year of construction/renovation – 2018		- Exit yield	7.3%
		- Average rent (EUR/sq. m)	12.9
Vainodes I, Riga (Latvia)*	DCF	- Discount rate	8.1%
Net leasable area (NLA) – 8,052 sq. m		- Rental growth p.a.	0.0% - 2.0%
Segment – Office		- Long-term vacancy rate	1.0% - 5.0%
Year of construction/renovation – 2014		- Exit yield	7.0%
		- Average rent (EUR/sq. m)	13.2
Postimaja, Tallinn (Estonia)*	DCF	- Discount rate	7.6%
Net leasable area (NLA) – 9,208 sq. m		- Rental growth p.a.	0.0% - 2.2%
Segment – Retail		- Long-term vacancy rate	2.0%
Year of construction/renovation – 1980		- Exit yield	6.0%
		- Average rent (EUR/sq. m)	15.0
LNK Centre, Riga (Latvia)	DCF	- Discount rate	7.4%
Net leasable area (NLA) – 7,452 sq. m		- Rental growth p.a.	0.1% - 2.0%
Segment – Office		- Long-term vacancy rate	5.0%
Year of construction/renovation – 2006 / 2014		- Exit yield	6.5%
		- Average rent (EUR/sq. m)	12.3
Galerija Centrs, Riga (Latvia)	DCF	- Discount rate	7.6%
Net leasable area (NLA) – 20,022 sq. m		- Rental growth p.a.	0.2% - 2.0%
Segment – Retail		- Long-term vacancy rate	2.0% - 5.0%
Year of construction/renovation – 1939 / 2006		- Exit yield	6.8%
		- Average rent (EUR/sq. m)	20.3
North Star, Vilnius (Lithuania)	DCF	- Discount rate	8.1%
Net leasable area (NLA) – 10,550 sq. m		- Rental growth p.a.	0.0% - 2.0%
Segment – Office		- Long-term vacancy rate	5.0%
Year of construction/renovation – 2009		- Exit yield	7.0%
		- Average rent (EUR/sq. m)	12.3

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

The table below sets out information about significant unobservable inputs used at 31 December 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: 6.1% - 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% - 8.6% 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% - 3.7% 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.

Sensitivity analysis of investment properties portfolio as at 31 December 2021 based on possible changes in exit yield and discount rate (WACC) are provided in the table below:

EUR '000		Movement in discount rate				
		-0.50%	-0.25%	0.00%	+0.25%	+0.50%
Movement in exit yield	-0.50%	346,367	337,268	328,722	320,661	312,975
	-0.25%	339,504	330,586	322,175	314,238	306,695
	0.00%	332,993	324,225	**315,959**	308,184	300,792
	+0.25%	326,841	318,213	310,103	302,430	295,167
	+0.50%	320,992	312,501	304,506	296,974	289,848

Descriptions and definitions

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

Discounted cash flows (DCF)

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

Rental growth

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

Long-term vacancy rate

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

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

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

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

13. Investment property under construction

EUR '000	31.12.2021	31.12.2020
Balance at 1 January	**5,474**	**2,367**
Additions	7,047	4,181
Net revaluation loss	(1,121)	(1,074)
Closing balance	**11,400**	**5,474**

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.

As of 31 December 2021, the investment property under construction was valued by the independent external valuator Colliers International.

Fair value hierarchy
The following table shows an analysis of the fair value of investment property under construction recognised in the statement of financial position by their level in the fair value hierarchy as at 31 December 2021:

EUR '000	Total fair value Level 3	Total gain or (loss) for 2021 recognised in profit or loss
Lithuania – Meraki (land)	11,400	(1,121)
Total	**11,400**	**(1,121)**

There were no transfers between levels during the years. Gains and losses recorded in profit or loss for the fair value measurement categorised within Level 3 of the fair value hierarchy amounted to a net loss of EUR 1,121 thousand as at 31 December 2021 (2020: a net loss of EUR 1,074 thousand) and are presented in the consolidated statement of profit or loss and other comprehensive income on the line 'Valuation losses on investment properties'.

Valuation techniques used to derive Level 3 fair values

The value of the investment property under construction is based on the valuation of investment properties performed by Colliers International as at 31 December 2021.

Property	Valuation technique		Key unobservable inputs	Range
Meraki, Vilnius (Lithuania)	DCF	-	Discount rate	9.0%
Net leasable area (NLA) – 15,933 sq. m		-	Rental growth p.a.	1.5% - 1.9%
Segment – Office		-	Long-term vacancy rate	5.0%
Year of construction/renovation – 2021		-	Exit yield	7.0%
		-	Average rent (EUR/sq. m)	12.0

As of 31 December 2020:

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

Sensitivity analysis of investment property under construction as at 31 December 2021 based on possible changes in exit yield and discount rate (WACC) are provided in the table below:

EUR '000		Movement in discount rate				
		-0.50%	-0.25%	0.00%	+0.25%	+0.50%
Movement in exit yield	-0.50%	13,570	13,060	12,560	12,080	11,600
	-0.25%	12,940	12,440	11,960	11,490	11,030
	0.00%	12,350	11,870	**11,400**	10,940	10,490
	+0.25%	11,800	11,330	10,880	10,430	9,990
	+0.50%	11,290	10,830	10,390	9,950	9,530

14. Trade and other receivables

EUR '000	31.12.2021	31.12.2020
Trade receivables, gross	2,992	2,021
Less impairment allowance for doubtful receivables	(508)	(589)
Accrued income	174	410
Other accounts receivable	50	59
Total	**2,708**	**1,901**

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

As at 31 December 2021, trade receivables at a nominal value of EUR 508 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	2021	2020
Balance at 1 January	(589)	(399)
Charge for the period	(517)	(505)
Amounts written off	187	25
Reversal of allowances recognised in previous periods	411	290
Balance at end of period	**(508)**	**(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
31.12.2021	**2,484**	1,023	286	347	353	135	340
31.12.2020	**1,432**	742	397	165	53	-	75

15. Cash and cash equivalents

EUR '000	31.12.2021	31.12.2020
Cash at banks and on hand	16,100	13,333
Total cash	**16,100**	**13,333**

As at 31 December 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 12 thousand of secured bonds proceeds in an escrow account.

16. Equity
16a. Paid in capital

The units are currently dual-listed on the Fund List of the Nasdaq Tallinn Stock Exchange and the Nasdaq Stockholm Alternative Investment Funds market. As at 31 December 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 31 December 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 31 December 2021 and 31 December 2020.

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

16b. Cash flow hedge reserve

This reserve represents the fair value of the effective part of the derivative financial instruments (interest rate swaps), used by the Fund to hedge the cash flows from interest rate risk in the periods ended on 31 December 2021 and 31 December 2020. Please refer to note 22 for more information.

EUR '000	2021	2020
Balance at the beginning of the year	**(1,661)**	**(1,556)**
Movement in fair value of existing hedges	898	(108)
Movement in deferred income tax (note 11)	(66)	3
Net variation during the period	**832**	**(105)**
Balance at the end of the period	**(829)**	**(1,661)**

16c. Dividends (distributions)

EUR '000	2021	2020
Declared during the period	(5,982)	(9,687)
Total distributions made	**(5,982)**	**(9,687)**

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

On 24 April 2020, the Fund declared a cash distribution of EUR 1,701 thousand (EUR 0.015 per unit).

On 24 July 2020, the Fund declared a cash distribution of EUR 1,701 thousand (EUR 0.015 per unit)

On 20 October 2020, the Fund declared a cash distribution of EUR 3,111 thousand (EUR 0.026 per unit).

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

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).

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

17. Interest-bearing loans and borrowings

EUR '000	Maturity	Effective interest rate	31.12.2021	31.12.2020
Non-current borrowings				
Unsecured bonds	May 2023	4.25%	49,907	49,839
Bank 1	Jan 2023	3M EURIBOR + 2.10%	2,068	-
Bank 1	Sep 2023	3M EURIBOR + 1.75%	8,565	8,838
Bank 1	Mar 2024	3M EURIBOR + 1.30%	17,894	20,881
Bank 1	Mar 2024	3M EURIBOR + 1.55%	7,500	7,500
Bank 1	Mar 2024	6M EURIBOR + 1.55%	3,497	3,489
Bank 1	Mar 2024	6M EURIBOR + 2.65%	8,985	8,979
Bank 1	Nov 2024	3M EURIBOR + 1.55%	9,817	9,809
Bank 1	Feb 2026	6M EURIBOR + 1.40%	4,943	4,941
Bank 1	Dec 2022	6M EURIBOR + 1.40%	-	7,183
Bank 2	May 2022	6M EURIBOR + 2.75%	-	29,957
Bank 3	Aug 2023	1M EURIBOR + 1.55%	11,740	11,734
Bank 4	Feb 2023	6M EURIBOR + 1.38%	17,189	17,178
Bank 4	Mar 2023	6M EURIBOR + 2.15%	15,364	15,354
Lease liabilities			576	288
Less current portion of bank loans and bonds			(539)	(282)
Less current portion of lease liabilities			(35)	(18)
Total non-current debt			**157,471**	**195,670**
Current borrowings				
Secured bonds	Nov 2022	5.00%	3,929	-
Bank 1	Dec 2022	6M EURIBOR + 1.40%	7,185	-
Bank 1	Jan 2023	3M EURIBOR + 2.10%	-	2,174
Bank 1	Oct 2022	6M EURIBOR + 1.80%	-	7,748
Bank 2	May 2022	6M EURIBOR + 2.75%	29,988	-
Current portion of non-current bank loans and bonds			539	282
Current portion of lease liabilities			35	18
Total current debt			**41,676**	**10,222**
Total			**199,147**	**205,892**

In Q4 2021, the Fund fully repaid the G4S Headquarters bank loan of EUR 7.8 million and made a partial EUR 3.0 million early repayment of the Europa bank loan.

On 17 March 2022, the bank's credit committee approved the prolongation of the Galerija Centrs loan in the amount of EUR 30.0 million until 2024 January.

Financial covenants for bank loans

As of 31 December 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 17.9 million) was below the required minimum level of 4.00 at the end of 2021, but this did not result in any consequences because the Fund received a formal waiver from the lender for the mentioned covenant breach. Upon extension of the bank loan of Europa property in February 2022, this covenant was removed. Management is monitoring situation proactively with the banks to ensure timely measures.

Reconciliation of movements of liabilities to cash flow arising from financing

EUR '000	1 January 2021	Changes from financing cash flows	New leases	Other movements	Change in fair value	31 December 2021
Liabilities						
Interest bearing loans and borrowings (excluding lease liabilities)	205,604	(7,259)	-	226	-	198,571
Lease liabilities	288	(28)	317	(1)	-	576
Derivative financial instruments	1,763	-	-	-	(898)	865
Accrued financial expenses	420	(5,468)	-	5,479[1]	-	431
Total liabilities from financing activities	**208,075**	**(12,755)**	**317**	**5,704**	**(898)**	**200,443**
Equity						
Paid in capital	145,200	-	-		-	145,200
Retained earnings	(7,218)	(5,982)	-	1,413[2]	-	(11,787)
Total equity related changes	**137,982**	**(5,982)**	**-**	**1,413**	**-**	**133,413**
Total	**346,057**	**(18,737)**	**317**	**7,117**	**(898)**	**333,857**

1. During 2021, the Fund's interest expenses amounted to EUR 5,479 thousand. Please refer to note 9 for more information.
2. In 2021, the Fund earned a net profit of EUR 1,413 thousand. Please refer to note 10 for more information.

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

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

Loan and bond securities

Borrowings received were secured with the following pledges and securities as of 31 December 2021:

	Mortgages of the property*	Second rank mortgages for derivatives	Cross-mortgage	Commercial pledge of the entire assets
Bank 1	Lincona, SKY, Europa, Domus PRO, LNK, Vainodes I, North Star and Pirita	Europa, Domus PRO, Vainodes I	Pirita, Lincona for Pirita, Lincona, 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 12 and 13 for the carrying amounts of assets pledged at period end.

	Guarantee	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)	

18. Trade and other payables

EUR '000	31.12.2021	31.12.2020
Payables related to Meraki development	2,386	1,291
Trade payables	1,327	829
Accrued financial expenses	431	420
Management fee payable	420	434
Tax payables	285	355
Accrued expenses	244	205
Other payables	130	106
Total trade and other payables	**5,223**	**3,640**

As of 31 December 2021, the Fund had a payable in the amount of EUR 2,375 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 11 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.

19. Commitments and contingencies

19a. Operating leases – the Group as a lessor

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

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

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

EUR '000	2021		2020	
Year of expiry or first break option	Amount receivable	%	Amount receivable	%
Within 1 year	17,722	40%	19,297	35%
Between 2 and 5 years	25,209	56%	34,299	62%
5 years and more	1,771	4%	1,724	3%
Total	**44,702**	**100%**	**55,320**	**100%**

19b. Litigation

As at 31 December 2021, there was no ongoing litigation, which could materially affect the consolidated financial position of the Group.

19c. Contingent assets

The Group did not have any contingent assets as at 31 December 2021.

19d. Contingent liabilities

The Group did not have any contingent liabilities as at 31 December 2021.

20. Related parties

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

Northern Horizon Capital AS
As set out in Baltic Horizon Fund Rules, Northern Horizon Capital AS (the Management Company) carries out asset manager functions on behalf of the Fund and the Fund pays management fees for it (note 8).

The Group's transactions with related parties during the 2021 and 2020 were the following:

EUR '000	2021	2020
Northern Horizon Capital AS group		
Management fees	1,765	1,715

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

EUR '000	31.12.2021	31.12.2020
Northern Horizon Capital AS group		
Management fees payable	420	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 31 December 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. During 2021, the annual remuneration of the Supervisory Board of the Fund amounted to EUR 48 thousand (2020: EUR 48 thousand). Please refer to note 8 for more information regarding the total expenses related to the Supervisory Board of the Fund.

Entities having control or significant influence over the Fund
The holders of units owning more than 5% of the units in total as of 31 December 2021 and 31 December 2020 are presented in the tables below:

As at 31 December 2021

	Number of units	Percentage
Nordea Bank AB clients	47,661,240	39.84%
Raiffeisen Bank International AG clients	13,632,289	11.39%

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.

21. Financial instruments

Fair values

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

	Carrying amount		Fair value	
EUR '000	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Financial assets				
Trade and other receivables	2,708	1,901	2,708	1,901
Cash and cash equivalents	16,100	13,333	16,100	13,333
Financial liabilities				
Interest-bearing loans and borrowings				
Bank loans	(144,735)	(155,765)	(144,524)	(155,126)
Bonds	(53,836)	(49,839)	(54,009)	(50,001)
Trade and other payables	(5,223)	(3,640)	(5,223)	(3,640)
Derivative financial instruments	(865)	(1,763)	(865)	(1,763)

Fair value hierarchy

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

Period ended 31 December 2021

EUR '000	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Trade and other receivables	-	-	2,708	2,708
Cash and cash equivalents	-	16,100	-	16,100
Financial liabilities				
Interest-bearing loans and borrowings				
Bank loans	-	-	(144,524)	(144,524)
Bonds	-	-	(54,009)	(54,009)
Trade and other payables	-	-	(5,223)	(5,223)
Derivative financial instruments	-	(865)	-	(865)

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 31 December 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 +2.03% and -1.13%.
- Cash and cash equivalents are attributed to Level 2 in the fair value hierarchy.

22. Derivative financial instruments

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

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

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

Derivative type EUR '000	Starting date	Maturity date	Notional amount	Variable rate (received)	Fixed rate (paid)	Fair value 31.12.2021	Fair value 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%	(7)	(55)
IRS	Sep 2017	May 2022	6,862	3M EURIBOR	0.26%	(23)	(80)
IRS	July 2019	May 2022	30,000	6M EURIBOR	-0.37%	(20)	(63)
IRS	Mar 2018	Nov 2022	6,860	6M EURIBOR	0.46%	(59)	(129)
IRS	Nov 2016	Aug 2023	10,575	1M EURIBOR	0.26%	(119)	(235)
IRS	Jan 2019	Sep 2023	5,800	3M EURIBOR	0.32%	(70)	(138)
IRS	May 2018	Apr 2024	4,920	3M EURIBOR	0.63%	(104)	(192)
IRS	Mar 2018	Aug 2024	18,402	3M EURIBOR	0.73%	(463)	(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						**(865)**	**(1,763)**
Net value of financial derivatives						**(865)**	**(1,763)**

*Interest rate cap

Derivative financial instruments were accounted for at fair value as at 31 December 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 31.12.2021	Liabilities 31.12.2020	Assets 31.12.2021	Assets 31.12.2020
Non-current	(756)	(1,736)	-	-
Current	(109)	(27)	-	-
Total	**(865)**	**(1,763)**	**-**	**-**

23. Subsequent events

On 11 January 2022, 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 2023.

On 3 February 2022, the Fund extended a EUR 4.9 million bank loan to finance Pirita SC. According to the agreement, the maturity date of the loan is 20 February 2026.

On 3 February 2022, the Fund declared a cash distribution of EUR 2,273 thousand (EUR 0.019 per unit) to unitholders.

On 9 February 2022, the Fund extended a EUR 11.0 million bank loan to finance Domus PRO. According to the agreement, the maturity date of the loan is 15 March 2024.

On 10 February 2022, the Fund extended a EUR 17.9 million bank loan to finance Europa SC. According to the agreement, the maturity date of the loan is 15 March 2024.

On 24 February 2022, Russian troops invaded Ukraine. The war will have an impact on businesses and economies, including in the Baltics. However, as of today, the war has had no real impact on the Fund's portfolio as the Fund continues signing new leases in shopping centres, prolonging office leases, indexing rents and rolling over debt. The impact of the war on the Fund will be taken into account in the 2022 financial statements.

On 17 March 2022, the bank's credit committee approved the prolongation of the Galerija Centrs loan in the amount of EUR 30.0 million until 2024 January.

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

24. List of consolidated companies

Name	Registered office	Registration Number	Date of incorporation / acquisition	Activity	Interest in capital
BH Lincona OÜ	Hobujaama str. 4, Tallinn, Estonia	12127485	20 June 2011	Asset holding company	100%
BH Domus PRO UAB	Ukmergės str. 308-1, Vilnius, Lithuania	225439110	1 May 2014	Asset holding company	100%
BOF SKY SIA	Valdemara str. 21-20, Riga, Latvia	40103538571	27 March 2012	Asset holding company	100%
BH CC Plaza OÜ	Hobujaama str. 4, Tallinn, Estonia	12399823	11 December 2012	Asset holding company	100%
BH Europa UAB	Konstitucijos ave. 7A-1, Vilnius, Lithuania	300059140	2 March 2015	Asset holding company	100%
BH P80 OÜ	Hobujaama str. 5, Tallinn, Estonia	14065606	6 July 2016	Asset holding company	100%
Kontor SIA	Mūkusalas str. 101, Rīga, Latvia	40003771618	30 August 2016	Asset holding company	100%
Pirita Center OÜ	Hobujaama str. 5, Tallinn, Estonia	12992834	16 December 2016	Asset holding company	100%
BH Duetto UAB	Spaudos str. 8-1, Vilnius, Lithuania	304443754	13 January 2017	Asset holding company	100%
Vainodes Krasti SIA	Audeju str. 16, Riga, Latvia	50103684291	12 December 2017	Asset holding company	100%
BH S27 SIA	Skanstes iela 27, Riga, Latvia	40103810023	15 August 2018	Asset holding company	100%
BH Meraki UAB	Ukmergės str. 308-1, Vilnius, Lithuania	304875582	18 July 2018	Asset holding company	100%
BH Galerija Centrs SIA	Audeju str. 16, Riga, Latvia	40003311422	13 June 2019	Asset holding company	100%
BH Northstar UAB	Ulonų str. 2, Vilnius, Lithuania	305175896	29 May 2019	Asset holding company	100%

MANAGEMENT APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of Baltic Horizon Fund were approved for issue by the Management Board of the Management Company on 18 March 2022.

/digitally signed/

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 multiple
The ratio is calculated as total cash distribution received from investment divided by total equity invested.

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.

IRR
Internal rate of return.

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.