LISTING PROSPECTUS

Listing of EUR 10,000,000 4.25 per cent Bonds due 2023

Baltic Horizon Fund

(a closed-ended contractual investment fund registered in the Republic of Estonia)

Baltic Horizon Fund (the "Issuer" or the "Fund") closed a non-public offering of unsecured fixed rate bonds with an aggregate amount of EUR 10,000,000 (the "Bonds") to eligible counterparties and professional clients (each as defined in Directive 2014/65/EU, as amended) on 8 May 2019. The non-public offering was a subsequent issue to the initial bond issue of 8 May 2018 under the same terms and conditions of the bond issue (the "Terms and Conditions"). The Bonds were offered in a minimum subscription amount of EUR 100,000 and they are represented by units in denominations of EUR 1,000. The Bonds carry a fixed rate interest of 4.25 per cent per annum. The ISIN code of the Bonds is EE3300111467. This document (this document and the documents incorporated herein by reference jointly referred to as the "Listing Prospectus") has been prepared solely for the purpose of the admission of the Bonds to trading on the official list of Nasdaq Tallinn AS ("Nasdaq Tallinn") and does not constitute any offering of the Bonds.

This Listing Prospectus has been drawn up in accordance with the Securities Market Act of Estonia and the Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing the Prospectus Directive, as amended (the "Prospectus Regulation"), in application of the Annexes V, XV and XXII thereof. This Listing Prospectus has been approved as such under the registration number 4.3-4.9/1705 by the Estonian Financial Supervisory Authority (Finantsinspektsioon) (the "EFSA"), in its capacity as the competent authority in the Republic of Estonia. Registration of the Listing Prospectus in the EFSA does not mean that the EFSA has controlled the correctness of the information presented in this Listing Prospectus.

Application will be made for the Bonds to be registered in the Register and subsequently admitted to trading on a regulated market on Nasdaq Tallinn (the "Listing") and the Listing is expected to take place on or about 16 May 2019.

Besides filing this Listing Prospectus with the EFSA and the application to Nasdaq Tallinn, neither the Issuer nor the Sole Bookrunner (defined hereafter) has taken any action, nor will it take any action to render the public offer of the Bonds or their possession, or the distribution of this Listing Prospectus or any other documents relating to the Bonds admissible in any other jurisdiction than Estonia requiring special measures to be taken for the purpose of public offer.

The Bonds have not been, and will not be, registered under the U.S. Securities Act 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state of the United States. The Bonds may not be offered, sold, pledged or otherwise transferred directly or indirectly within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act ("Regulation S")), except to a person which is not a U.S. Person (as defined in Regulation S) in an offshore transaction pursuant to Regulation S.

As at the date of this Listing Prospectus, the Issuer is rated MM3 by S&P Global Ratings and the Bonds are rated MM3 by S&P Global Ratings, which is established in the European Union and registered under Regulation (EC) No 1060/2009, as amended (the "CRA Regulation"). A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

An investment in the Bonds involves certain risks. Prospective investors should read this entire Listing Prospectus and, in particular "Risk Factors" when considering an investment in the Bonds.

The date of this Listing Prospectus is 13 May 2019

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APPENDICES

1. SUMMARY

This Summary is made up of disclosure requirements known as "Elements" in accordance with Annex XXII (Disclosure Requirements in Summaries) of the Prospectus Regulation. These elements are numbered in Sections A – E (A.1 – E.7) below. This Summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the Summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the Summary with the mention 'not applicable'.

Section A - Introduction and Warnings

A.1	**Warning**	This summary should be read as an introduction to the Listing Prospectus. The summary information set out below is based on, should be read in conjunction with, and is qualified in its entirety by, the full text of this Listing Prospectus, including the financial information presented herein. Any consideration to invest in the Bonds should be based on consideration of the Listing Prospectus as a whole by the investor. Where a claim relating to the information contained in the Listing Prospectus is brought before a court, the plaintiff investor might, under the applicable law, have to bear the costs of translating the Listing Prospectus in the course of the legal proceedings or before such proceedings are initiated. No person assumes civil liability for this summary or the information herein, unless it is misleading, inaccurate or inconsistent when read together with the other parts of the Listing Prospectus, or does not provide key information to allow investment decision making.
A.2	**Consent by the issuer**	Not applicable

Section B – Issuer

B.1	**Legal and commercial name**	Baltic Horizon Fund
B.2	**Domicile, legal form and legislation**	The Issuer is a public closed-ended contractual investment fund. The Issuer is a real estate fund. The Issuer is registered in the Republic of Estonia.
B.5	**Group**	Not applicable. The Issuer is a contractual fund and not a legal person. The term Group for the purposes of this Listing Prospectus is used in the meaning of consolidation group as defined in the Estonian Accounting Act.
B.6	**Unitholders**	Holdings in the Issuer are not notifiable under Estonian law. All Units rank pari passu without preference or priority among themselves. To the extent known to the Management Company, no Unit-holder holds majority of the Units and controls the Issuer.
B.7	**Selected historical key financial information**	On 30 June 2016 the Issuer merged with BOF and took over all assets and liabilities of BOF. Units of BOF were converted into units of the Issuer at a ratio of 1:100 (1 unit of BOF was exchanged into 100 units of the Issuer). At the time of the Merger, the Issuer had no assets and liabilities of its own. Thus, historical financial and operational performance of BOF prior to the Merger is directly comparable the Issuer's performance after the Merger. In the Issuer's audited consolidated financial statements for the year ended 31 December 2016, BOF's financial results prior to the Merger are presented as those of the Issuer. For these reasons, in this Listing Prospectus past results of BOF are presented as results of the Issuer. The consolidated financial information, provided in the following tables, has been derived as follows: - For the year 2018: the Issuer's audited condensed consolidated financial statements for the year ended 31 December 2018 prepared according to the IFRS; - For the year 2017: the Issuer's audited consolidated financial statements for the year ended 31 December 2017 prepared according to the IFRS; - For the year 2016: the Issuer's audited consolidated financial statements for the year ended 31 December 2016 prepared according to the IFRS; **Table 1: Consolidated income statement of the Issuer, EUR thousand**

	2016	2017 (restated)[1]	2018
Rental income	7,874	11,839	15,860
Service charge income	2,594	1,921	2,760
Cost of rental activities	-3,315	-2,992	-3,816
Net rental income	**7,153**	**10,768**	**14,804**
Administrative expenses	-2,190	-2,774	-2,813
Other operating income	97	14	74
Net loss on disposal of investment properties	-	-	-
Valuation gains/losses on investment properties	2,737	3,676	2,014
Operating profit	**7,797**	**11,684**	**14,079**
Financial income	14	47	8
Financial expenses	-1,253	-1,528	-2,789
Profit before tax	**6,558**	**10,203**	**11,298**
Income tax charge	-798	-759	-1308
Profit for the period	**5,760**	**9,444**	**9,990**
Earnings per unit (basic and diluted)[2], EUR	**0.12**	**0.15**	**0.13**

Source: audited consolidated financial statements of the Issuer for the year ended 31 December 2018, audited consolidated financial statements of the Issuer for years 2016-2017

[1] In 2018, the Group adopted IFRS 15 Revenue from Contracts with Customers, effective from 1 January 2018. As a result, the comparative figures for “service charge income” and “cost of rental activities” were adjusted. The adjustment did not have an impact on the Group’s equity.

[2] On 30 June 2016 the Issuer merged with BOF and took over all assets and liabilities of BOF. Units of BOF were converted into units of the Issuer at a ratio of 1:100 (1 unit of BOF was exchanged into 100 units of the Issuer). To ensure the comparability of historical *per unit* figures, numbers of units prior to the Merger were recalculated by multiplying them by 100 to reflect the effect of the conversion. The recalculated numbers or units were used to compute comparable *per unit* figures.

Table 2: Consolidated financial position of the Issuer, EUR thousand

	31-Dec-16	31-Dec-17	31-Dec-18
Investment properties	141,740	189,317	245,160
Investment property under construction	1,580	-	
Derivative financial instruments	-	89	9
Other non-current assets	288	146	596
Total non-current assets	**143,608**	**189,552**	**245,765**
Trade and other receivables	1,269	1,568	2,734
Prepayments	178	108	154
Cash and cash equivalents	9,883	24,557	12,225
Total current assets	**11,330**	**26,233**	**15,113**
TOTAL ASSETS	**154,938**	**215,785**	**260,878**
Paid in capital	66,224	91,848	93,673
Own units	-8	-	-335
Cash flow hedge reserve	-294	-56	-1005
Retained earnings	10,887	15,184	17,472

Total equity	**76,809**	**106,976**	**109,805**
Interest bearing loans and borrowings	58,981	96,497	140,401
Deferred tax liabilities	4,383	5,206	5,844
Derivative financial instruments	345	88	1069
Other non-current liabilities	935	859	905
Total non-current liabilities	**64,644**	**102,650**	**148,219**
Interest bearing loans and borrowings	10,191	1,590	106
Trade and other payables	2,876	4,202	2,397
Income tax payable	46	14	-
Derivative financial instruments	-	15	-
Other current liabilities	372	338	351
Total current liabilities	**13,485**	**6,159**	**2,854**
Total liabilities	**78,129**	**108,809**	**151,073**
TOTAL EQUITY AND LIABILITIES	**154,938**	**215,785**	**260,878**

Source: audited consolidated financial statements of the Issuer for the year ended 31 December 2018, audited consolidated financial statements of the Issuer for years 2016-2017

Table 3: Consolidated statement of cash flows of the Issuer, EUR thousand

	2016	2017	2018
Operating activities			
Profit before tax	6,558	10,203	11,298
Adjustments for non-cash items:			
Value adjustment of investment properties	-2,562	-3,676	-2,014
Value adjustment of investment properties under construction	-175	-	-
Gain/loss on disposal of investment property	-	-	-
Value adjustment of derivative finance instruments	-	-	-
Change in allowance for bad debts	17	45	143
Financial income	-14	-47	-8
Financial expenses	1,253	1,528	2,789
Working capital adjustments:			
Decrease/-increase in trade and other accounts receivables	-204	-241	-822
-Increase/decrease in other current assets	-106	-39	-540
-Decrease/increase in other non-current liabilities	69	-150	-76
Increase/-decrease in trade and other accounts payable	-398	-100	-522
-Decrease/increase in other current liabilities	-50	-6	702
Refunded/-paid income tax	-103	-42	-586
Net cash flow from operating activities	**4,285**	**7,475**	**10,364**
Investing activities			
Interest received	14	8	8
Acquisition of subsidiaries, net of cash acquired	-20,098	-8,614	-16,935
Acquisition of investment properties	-15,454	-14,362	-34,477
Acquisition of land plot	-	-	-1661

Advance payment on investment property	-200	-	-500
Investment property development expenditure	-1,660	-3,996	-2,237
Capital expenditure on investment properties	-380	-1,163	-623
Net cash flow from investing activities	**-37,778**	**-28,127**	**-56,425**
Financing activities			
Proceeds from issue of bonds	-	-	40,000
Proceeds from bank loans	8,211	40,566	26,000
Repayment of bank loans	-4,722	-24,112	-23,299
Proceeds from issue of units	40,550	25,632	2,350
Repurchase of units	-8	-	-860
Profit distribution to unitholders	-1,091	-5,147	-7702
Transaction costs related to loans and borrowings	-127	-223	-380
Interest paid	-1,114	-1,390	-2,380
Net cash flow from financing activities	**41,699**	**35,326**	**33,729**
Net change in cash and cash equivalents	**8,206**	**14,674**	**-12,332**
Cash and cash equivalents at the beginning of the year	1,677	9,883	24,557
Cash and cash equivalents at the end of the year[2]	**9,883**	**24,557**	**12,225**

Source: audited consolidated financial statements of the Issuer for the year ended 31 December 2018, audited consolidated financial statements of the Issuer for years 2016-2017

Table 4: Key indicators of the Issuer

	2016	2017	2018
Property-related			
Value of investment properties, EUR'000	141,740	189,317	245,160
Number of properties, period end	8	10	12
Rentable area, sqm			
Period end	75,107	96,512	113,934
Period average[1]	58,936	83,736	106,620
Vacancy rate			
Period end	2.60%	2.20%	1.2%
Period average[2]	3.20%	2.20%	2.00%
Net initial yield[3]	6.80%	6.80%	6.50%
Financial			
EPRA NAV per unit[4,5], EUR	1.48	1.47	1.51
NAV per unit[4], EUR	1.34	1.38	1.40
Adjusted earnings per unit[4,6], EUR	0.14	0.16	0.13
Adjusted ROE[7]	10.80%	11.90%	9.35%
Adjusted cash earnings[8], EUR'000	4,656	7,122	8,698
Adjusted cash earnings per unit[4], EUR	0.1	0.11	0.11
Adjusted cash ROE[9]	7.50%	8.40%	7.91%
Dividends per unit[4,10], EUR	0.05	0.084	0.102
Interest coverage ratio[11]	4.4	5.6	4.5
LTV[12]	48.80%	51.80%	57.3%
Weighted average number of units issued[4], '000	47,351	62,271	78,765

		Number of units issued at period end[4], '000	57,265	77,441	78,753

Source: ratios and indicators in the table have been computed using information provided in the Issuer's and BHF's audited consolidated financial statements, unaudited consolidated financial statements and internal management reports. The ratios and indicators themselves have neither been audited nor reviewed by independent auditors.

[1] Computed as average of monthly estimates.

[2] Computed as average of monthly estimates.

[3] Net initial yield = net rental income / value of investment properties. Calculated as average of monthly estimates.

[4] On 30 June 2016 the Issuer merged with BOF and took over all assets and liabilities of BOF. Units of BOF were converted into units of the Issuer at a ratio of 1:100 (1 unit of BOF was exchanged into 100 units of the Issuer). To ensure the comparability of historical *per unit* figures, numbers of units prior to the Merger were recalculated by multiplying them by 100 to reflect the effect of the conversion. The recalculated numbers or units were used to compute comparable *per unit* figures.

[5] EPRA NAV is a measure of long term NAV, proposed by European Public Real Estate Association (EPRA) and widely used by listed European property companies. It is designed to exclude assets and liabilities that are not expected to crystallise in normal circumstances such as the fair value of financial derivatives and deferred taxes on property valuation gains. EPRA NAV = NAV per financial statements + derivative financial instruments liability net of related deferred tax asset + deferred tax liability related to investment property fair and tax value differences. Calculation of EPRA NAV is explained in greater detail in section 5.15 "NAV".

[6] Earnings per unit for 2017 were adjusted to exclude EUR 637 thousand one-off expenses related to public offerings. Earnings per unit for 2016 were adjusted to exclude EUR 938 thousand one-off expenses related to public offerings.

[7] Adjusted return on average equity (ROE) = adjusted earnings per unit / average NAV per unit; where average NAV per unit = (NAV per unit at the beginning of the period + NAV per unit at the end of the period) / 2. Estimates for interim periods were annualized.

[8] Adjusted cash earnings = profit before tax - valuation gains or losses on investment properties - net gains or losses on disposals of investment properties - paid income taxes. A figure for 2017 was adjusted to exclude EUR 637 thousand one-off expenses related to public offerings. A figure for 2016 was adjusted to exclude EUR 938 thousand one-off expenses related to public offerings.

[9] Adjusted cash ROE = adjusted cash earnings per unit / average NAV per unit; where average NAV per unit = (NAV per unit at the beginning of the period + NAV per unit at the end of the period) / 2. Estimates for interim periods were annualized.

[10] With the initial public offering in June 2016 the Issuer started distributing dividends quarterly. A dividend figure for 2016 represents only two quarterly dividends (for Q3 2016 and Q4 2016) while a dividend figure for 2017 already reflects all four quarterly dividends.

[11] Interest coverage ratio = (operating profit - valuation gains or losses on investment properties - net gains or losses on disposals of investment properties) / interest on bank loans.

[12] Loan-to-value (LTV) = total interest bearing loans and borrowings / value of investment properties. Increase in LTV is related to additional EUR 10 million bond issue usedfor Duetto II acquisition in 2019. LTV excluding unused EUR 10 million bond issue would reach 53.2%.

Results in years 2016 - 2018

In 2018 the Issuer's rental income reached EUR 15.9m – an increase of 34% compared to the previous year attributable primarily to new property acquisitions. The increase is related to new acquisitions (Vainodes I office building, Postimaja shopping centre and LNK Centre). Vacancy of the Issuer's property portfolio averaged at 2.0% in 2018 improving from already low 2.2% in the year before.

In 2018, the Issuer incurred EUR 2.8m of administrative expenses – EUR 0.1m more than in the previous year. The management fee grew by EUR 0.2m to EUR 1.4m as the base for its calculation – NAV before the Merger and market capitalization after the Merger – expanded.

Valuation gains on investment properties amounted to EUR 2m in 2018, compared to EUR 3.6m in 2017. Properties have been recognised at fair value based on independent appraisals.

Net financial expenses grew to EUR 2.8m in 2018 from EUR 1.5m in 2017 and EUR 1.2m in 2017. Increases were attributable predominantly to rising interest expenses as an amount of financial debt expanded with an increasing size of the Issuer's property portfolio. The Issuer uses debt to partly finance acquisitions of new properties. As a result, financial debt grew to EUR 140m at the end of 2018 from EUR 98.1m at the end of 2017 and from EUR 69.2m at the end of 2016. Average cost of debt increased to 2.4% in 2018 compared to 1.7% in 2017 and 1.9% in 2016. The Issuer maintained a healthy leverage level with LTV at 57.3% at the end of 2018 compared to 51.8% at the end of 2017 and 48.8% at the end of 2016.

In 2018, the Issuer's income tax increased by 72% to EUR 1.3m consisting of EUR 573 thousand current income tax and EUR 0.7m deferred income tax. Deferred income tax was attributable to fair value gains from external property valuations as well as depreciation of properties' historical cost which is deducted from taxable profits in determining current taxable income. In 2017, the Issuer's income tax compared

		to 2016 declined by 5% to EUR 0.8m consisting of EUR 31 thousand current income tax and EUR 0.7m deferred income tax. In 2016, income tax amounted to EUR 0.8m comprised of EUR 0.1m current income tax and EUR 0.7m deferred income tax.
B.8	**Pro forma financial information**	Not applicable. Pro forma financial information is not provided in the Listing Prospectus.
B.9	**Profit forecast**	Not applicable. A profit forecast information is not provided in the Listing Prospectus.
B.10	**Qualifications in audit reports**	All financial statements provided in this Listing Prospectus received unqualified opinions from independent auditors.
B.17	**Credit ratings**	The Issuer is rated MM3 mid-market evaluation (MME) by S&P Global Ratings. The rating was assigned on 24 April 2018. The same MM3 rating was assigned to the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
B.34	**Investment objective and policy**	The objective of the Issuer is to provide its unit-holders with consistent and above average risk-adjusted returns by acquiring high quality cash flow generating commercial properties with the potential for adding value through active management, thereby creating a stable income stream of high yielding current income combined with capital gains. The focus of the Issuer is to invest, directly or indirectly, in real estate located in Estonia, Latvia, and Lithuania, with a particular focus on the capitals - Tallinn, Riga, and Vilnius - and a preference for city centres within or near the central business districts. At least 80% of the Issuer´s gross asset value must be invested in real estate and securities relating to real estate in accordance with the investment objectives and policy of the Issuer. Up to 20% of the Issuer's gross asset value may be invested in the deposits and financial instruments. The assets of the Issuer may be invested in derivative instruments only for the purpose of hedging the property loan risks. The Issuer shall meet the following risk diversification requirements: • up to 50% of the gross asset value of the Issuer may be invested in any single real estate property, or in any single real estate fund; • the annual rental income from one single tenant shall not form more than 30% of the total annual net rental income of the Issuer.
B.35	**Borrowing and/or leverage limits**	The Management Company has, on account of the Issuer, the right to guarantee an issue of securities, provide surety, take a loan, issue debt securities, enter into repurchase or reverse repurchase agreements, and conclude other securities borrowing transactions. Subject to the discretion of the Management Company, the Issuer aims to leverage its assets and targets a debt level of 50% of the value of its assets. At no point in time may the Issuer's leverage exceed 65% of the value of its assets. Loans may be taken for periods of up to 30 years.
B.36	**Regulatory status and the name of a regulator**	The Issuer is registered with, and is regulated by the Estonian Financial Supervision Authority (Finantsinspektsioon).
B.37	**Profile of a typical investor**	A typical investor of the Issuer is either an institutional or a retail investor seeking to have a medium or long term indirect exposure to commercial real estate property. Investors should be ready to accept investment risk generally inherent to real estate markets. Provided that Issuer´s investments are made with a long term perspective with a view to gain both from the increase of the property value over economic cycles and through continuous cash flow generation, also investors are expected to invest with a long term view. Furthermore, investors who expect regular distributions out of cash flows (e.g. dividends, interests) should consider an investment in the Issuer. Any investor, who has had no or very little experience in investing in real estate funds or directly in commercial real estate property, should consult their professional adviser in order to learn about the characteristics and risks associated with such investments.
B.38	**Identity of assets in which the Issuer invested more than 20% of its gross asset value**	The Issuer has not invested more than 20% of its gross asset value in any single real estate property, or in any single real estate fund.
B.39	**Identity of collective investment undertakings in which the Issuer**	The Issuer has no investments in other collective investment undertakings.

	invested more than 40% of its gross asset value	
B.40	**Service providers and fees**	The main service providers to the Issuer are the Management Company and the Depositary. See Element B.41 below. For the fund management services, the Management Company is paid a management fee and a performance fee on account of the Issuer. According to the Fund Rules, the management fee shall be calculated as follows: • the management fee shall be calculated quarterly based on the 3-month average market capitalisation of the Issuer. After each quarter, the management fee shall be calculated on the first banking day of the following quarter. • the management fee shall be calculated 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 fee shall be calculated after each quarter as follows: - the market capitalisation as calculated on the fee calculation date, split into the tranches and each tranche of the market capitalisation (MCapt) multiplied by - respective fee rate (Fn) applied to the respective tranche, then the aggregate of the fees from each tranches multiplied by - the quotinent of the actual number of days in the respective quarter (Actualq) divided by 365 days per calendar year, as also indicated in the formula below ((MCap1 x F1)+...+(MCap5 x F5)) x (Actualq / 365) • in case the market capitalisation is lower than 90% of the net asset value, the amount equal to 90% of the net asset value shall be used for the Management Fee calculation instead of the market capitalisation. In this case, the net asset value means the average quarterly net asset value and such management fee adjustments shall be calculated and paid annually after the annual report of the Issuer for the respective period(s) has been audited. For each year, if the annual adjusted funds from operations of the Issuer divided by the average paid in capital during the year (calculated on a monthly basis) 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 is calculated annually by the Management Company and is accrued to the performance fee reserve. Once the performance fee reserve becomes positive, the performance fee can be paid to the Management Company. However, the performance fee for the year shall not exceed 0.4% of the Issuer's average net asset value per year (upper performance fee limit). Negative performance Fee shall not be less than -0.4% of the Issuer's average net asset value per year (lower performance fee limit). A performance fee for the first year of the Issuer (i.e. 2016) shall not be calculated. The performance fee first becomes payable in the fifth year of the Issuer (i.e. 2020) for the period of 2017, 2018, and 2019. The Depositary shall be paid a depositary fee for the provision of depositary services. The annual Depositary Fee will be 0.03% of the gross asset value of the Issuer, but the fee shall not be less than EUR 10,000 per annum. In addition, the Depositary shall be paid or reimbursed for fees and out-of-pocket expenses related to the transactions made on account of the Issuer.

		The fees and other expenses paid out of the Issuer (including out of SPVs) shall not exceed 30% of the net asset value of the Issuer per calendar year.
B.41	**Investment manager**	Northern Horizon Capital AS, registry code 11025345, address Tornimäe 2, 10145 Tallinn, Estonia, acts as the fund management company of the Issuer (the "Management Company"). Swedbank AS, registry code 10060701, address Liivalaia 8, 15040 Tallinn, Estonia acts as the depositary for the Issuer. The depositary may delegate its tasks to third party service provider in compliance with the regulations and the Fund Rules (the "Depositary").
B.42	**Net asset value calculation and communication**	The net asset value of the Issuer is calculated monthly, as of the last banking day of each calendar month. The net asset value of the Issuer and of a Unit shall be made available on the Website (www.baltichorizon.com), via a stock exchange release, and at the registered office of the Management Company on the 15th day of the following month at the latest.
B.43	**Cross liabilities in the case of umbrella collective investment undertaking**	Not applicable. The Issuer is not an umbrella collective investment undertaking and it has no investments in other collective investment undertakings.
B.45	**Description of the Issuer's portfolio**	On 31 December 2018, the Issuer held a portfolio of 12 commercial properties all of which were based in the capital cities of the Baltic States. On 27 February 2019 13th property, Duetto II in Vilnius was added to the portfolio (see Table 5). All buildings in the portfolio were operational and generating rent revenue. In addition, the Issuer owned a 0.87 hectare land plot next to Domus Pro for its further expansion. The total size of the Issuer's property portfolio amounted to EUR 245.2m of fair value (including a land plot for Domus Pro's expansion) and 113.9 thousand sqm of rentable area. Europa SC was the largest holding accounting for 17% of the portfolio's value. Postimaja was the second largest asset constituting approximately 13% of the total fair value followed by Upmalas Biroji and Domus Pro, each with 10% of the portfolio's value. The smallest property – Sky Supermarket – accounted for 2% of the total value.

Table 5: the Issuer's property portfolio, as at 31 December 2018 (Duetto II as of 28 February 2019)

Property	Acquisition date	Sector	Fair value, EUR'000	Rentable area, sqm	Vacancy	WAULT, years	Number of tenants
Vilnius							
Europa SC	2-Mar-2015	Retail	41,100	16,856	4.4%	3.9	72
Domus Pro	1-May-2014	Retail/ office	24,920	16,078	1.6%	3.9	37
Duetto I	22-Mar-2017	Office	16,320	8,498	0.0%[1]	3.3	7
Duetto II	27-Feb-2019	Office	18,323	8,509	0.0%[2]	5.2	6
Total Vilnius			**100,663**	**49,941**	**2.0%**	**4.0**	**122**
Riga							
Upmalas Biroji	30-Aug-2016	Office	25,730	10,458	0.0%	3.0	9
Vainodes I	12-Dec-2017	Office	21,230	8,052	0.0%	14.9	3
LNK Centre	15-Aug-2018	Office	17,450	7,453	0.0%	6.6	4
Sky Supermarket	1-Jan-2013	Retail	5,390	3,254	0.6%	3.7	18
Total Riga			**69,800**	**29,217**	**0.1%**	**7.3**	**34**
Tallinn							
Postimaja	13-Feb-2018	Retail	32,450	9,145	4.0%	6.4	14
G4S Headquarters	12-Jul-2016	Office	17,240	9,179	0.0%	3.9	1

Lincona	1-Jul-2011	Office	17,170	10,870	1.5%	4.7	13
Coca Cola Plaza	8-Mar-2013	Leisure	14,470	8,664	0.0%	4.2	1
Piirita	16-Dec-2016	Retail	10,020	5,427	0.0%[3]	6.4	18
Total Tallinn			**91,350**	**43,285**	**1.2%**	**5.0**	**47**
TOTAL DEVELOPED PROPERTIES			**261,813**	**122,443**	**1.2%**	**5.1**	**203**
Meraki land	16-May-2018		1,670				
TOTAL INVESTMENT PROPERTIES			**263,483**				

[1] An effective vacancy rate of Duetto I was zero because a seller of the property provided a 2-year (starting from the acquisition date) guarantee of full-occupancy net rental income which implies a 7.2% annual yield on the acquisition price.
[2] An effective vacancy rate of Duetto II was zero because a seller of the property provided a 2-year (starting from the acquisition date) guarantee of full-occupancy net rental income which implies a 7.1% annual yield on the acquisition price.
[3] An effective vacancy rate of Piirita amounted to zero because a seller of the property provided a 2-year (starting from the acquisition date) guarantee of full-occupancy net rental income which implies a 7.4% annual yield on the acquisition price.

Low level of vacancy – 1.2% for the overall portfolio in December 2018 – indicated strong demand for space at the Issuer's properties. 5 buildings – Vainodes I, LNK Centre, G4S Headquarters, Coca Cola Plaza and Upmalas Biroji – had no vacant space. Effective vacancy rates at Duetto I and Piirita were equal to zero because their sellers provided 2-year (starting from acquisition dates) guarantees of full-occupancy net rental income. Vacant premises in Domus Pro, Lincona and Sky Supermarket comprised less than 2% of their rentable area. Vacancy rates of Postimaja and Europa SC were slightly higher – in the region of 4-4.5%.

The property portfolio was well diversified both in terms of sectors and locations. At the end of December 2018, retail and office segments constituted 43% and 51% of the total fair value of developed properties respectively. The remaining 6% were attributable to Coca Cola Plaza cinema complex representing a leisure segment. Location-wise, Tallinn with 5 properties comprised 37% of the total fair value of developed properties followed by Vilnius with 3 properties at 34% and Riga with 4 properties at 29%.

B.46	**Most recent net asset value per security**	N/A

Section C - Securities

C.1	**Type and class of securities**	Unsecured fixed rate bonds with an aggregate nominal amount of EUR 10,000,000. Denomination of a book-entry unit: EUR 1,000. The ISIN code of the Bonds is EE3300111467.
C.2	**Currency of securities issue**	Euro
C.3	**Number of securities issued**	10,000
C.5	**Restrictions on transferability of securities**	Each Bond will be freely transferable after it has been registered into the respective book-entry account.
C.7	**A description of dividend policy**	The Issuer targets dividend distributions to its Unit-holders in the range between 80% of generated net cash flow and net profit adjusted for unrealized P&L items (such as valuation gains/losses on investment properties, net gains/losses on disposals of investment properties and deferred income tax). Dividends are to be paid on a quarterly basis.
C.8	**Rights attached to the securities; ranking and limitations**	The Bonds constitute direct, unsecured and unsubordinated obligations of the Issuer ranking pari passu among each other and with all other unsecured and unsubordinated indebtedness of the Issuer, save for such obligations as may be preferred by mandatory provisions of the law.

		The Holders have the right to attend the Holders´ Meeting or the procedure in writing. The Holders are entitled to repayment of the principal amount of the Bonds upon maturity and quarterly interest payments as stipulated in the Terms and Conditions of the Bond issue.
C.9	**Interest and yield; name of the representative of debt security holders**	The issue date of the Bonds is 15 May 2019 (the "Issue Date"). The Bonds shall be repaid in full at their nominal principal amount on 8 May 2023 (the "Redemption Date") unless the Issuer has prepaid the Bonds. By subscribing for the Bonds, each initial holder of the Bonds, and, by acquiring the Bonds, each subsequent holder of the Bonds agrees to be bound by the Terms and Conditions of the Bond issue. The Bonds bear interest at the fixed rate of 4.25 per cent per annum. Interest shall be payable quarterly in arrears on each 8 February, 8 May and 8 August and 8 November until the Redemption Date. The Issuer may have to redeem the Bonds on a date earlier than the Redemption Date upon an Event of Default (as defined in the Terms and Conditions of the Bond issue), in which case interest shall be payable until such earlier date. In addition, the Issuer may voluntarily redeem all but not only some, of the Bonds in full: (a) on any business day falling on or after the date falling two (2) years before the Redemption Date, at a price equal to one hundred and two (102.00) per cent. of the nominal principal amount together with accrued but unpaid interest; or (b) on any business day falling on or after the date falling one (1) year before the Redemption Date, at a price equal to one hundred and one (101.00) per cent. of the nominal principal amount together with accrued but unpaid interest. (c) on any business day falling on or after the date falling six (6) months before the Redemption Date, at a price equal to one hundred (100.00) per cent. of the nominal principal amount together with accrued but unpaid interest. The Bonds will bear interest at the interest rate applied to the nominal principal amount from, but excluding, the Issue Date up to and including the relevant Redemption Date. Interest shall be calculated on the basis of a 360-day year comprised of twelve months of 30 days each (30/360-days basis) and, in case of an incomplete month, the actual number of days elapsed. At the Issue Date, the yield to maturity of the Bonds at the issue price of 100 per cent, was 4.25 per cent per annum. The holders of the Bonds (the "Holders") are represented by the Holders´ meeting or a procedure in writing.
C.10	**Effect of the value of the underlying instrument on the interest amount**	Not applicable. The Bonds have no underlying component that would affect the interest amount.
C.11	**Listing and admission to trading**	The Management Company is planning to list the Bonds on Nasdaq Tallinn. Trading in the Bonds is expected to commence on Nasdaq Tallinn on or about 16 May 2019.

Section D - Risks

D.2	**Key risks specific to the Issuer**	There are risks related to the Issuer and its business environment as well as to the Bonds which are listed below. The list is not exhaustive, because there may be additional risks and uncertainties not presently known to the Management Company, or risks that the Management Company currently believes are immaterial, which could also impair the Issuer´s business, financial condition and results of operations and, thereby, the Issuer´s ability to fulfil its obligations under the Bonds and the value of the Bonds. • Macroeconomic fluctuations could negatively affect the rent rates, vacancy levels, rental yields and cost of financing which, in turn, could have an adverse effect of the Issuer´s value of properties, financial position and cash flows. • Imbalance of euro area could have material adverse effect on the Issuer´s business, results of operations or financial condition. • The Issuer has a limited past performance, whereas also past performance is not a guarantee of the future performance of the Issuer.

		• The successful implementation of the Issuer's investment strategy is subject to risks such as limited availability of attractive commercial properties for sale, unfavourable economic terms of potential investment targets, intensive competition among investors for high quality properties and inability to raise debt financing at attractive terms. • Newly acquired real estate assets could require unforeseen investments and/or demonstrate lower than expected performance and financial returns. • If a tenant leaves, there is a risk that a new tenant may not be found at the equivalent economic terms or at all for some time. There is also a risk that a tenant may not pay rent on time or at all. • Increased competition in property industry may require the Issuer to invest in upgrading its properties and offer rent discounts to attract tenants. • A fair value of the Issuer's property portfolio is subject to fluctuations. • Investments in real estate are relatively illiquid and the Issuer may face difficulties if required to dispose of investments. • The Issuer employs a significant financial leverage when acquiring properties which also leads to interest rate risk, hedging risk and refinancing risk. • The Issuer may to a limited extent invest in development projects which typically involve greater risks than fully-developed properties. • The Issuer is dependant of the performance of the Management Company. • The Issuer´s insurance policies could be inadequate to compensate for losses associated with damage to its property assets, including loss of rent. • The Issuer's properties could be subject to unidentified technical problems which could require significant capital investments. • The Issuer may be drawn into legal disputes with tenants or counterparties in real estate transactions. • Use of external service providers involves risks related to the quality of services and their cost. • The Issuer could be held liable for environmental damage incurred in a property owned by the Issuer. • Potential damage to the Issuer´s reputation could affect its ability to attract and retain tenants at its properties as well as Management Company's ability to retain personnel.
D.3	**Key risks specific to the securities**	Risks related to the Bonds: • The Bonds may not be suitable investment for all investors. • The investors may loose the expected interest and their principle amount invested. • There is no guarantee or security provided, the Bonds will not constitute an obligation to anyone else than the Issuer. • Adverse change in the financial condition of the Issuer may cause decline in the market price of the Bonds as well as illiquidity of the Bonds. • The Issuer may issue additional debt which may negatively affect the position of the Holders as the number of creditors and the amount of debt increase. • The Issuer´s inability to refinance its outstanding debt, including the Bonds, may have negative impact on the Issuer´s operations and financial conditions and thus also on the ability to repay the Bonds. • An active market for the Bonds may not develop. • The price of the fixed interest rate Bonds may decrease due to changes in the market interest rate. • Inflation may result in decline of the market price of the Bonds. • Investors whose financial activities are denominated in other currencies than euro, may suffer from changing currency exchange rates. • The rating assigned to the Bonds by a credit rating agency may be withdrawn any time and this could adversely affect the trading price of the Bonds. • The Issuer´s right to early redemption of the Bonds may cause the market price of the Bonds decrease. • The Holders have no voting rights in the Issuer and are not able to influence decisions by the Management Company. • Majority bondholders are in certain cases able to take decisions on behalf of all the Holders. • The Agent is acting as the representative of the Holders and the Holders will not be able to take direct actions against the Issuer.

		• Changes in legislation may have material adverse effect of the Issuer´s business and financial condition. • Issuing agent may have conflicting interests. • Investors are dependent on the functionality of Nasdaq CSD SE.

Section E - Offer

E.2b	**Reasons for the offer and use of proceeds**	Proceeds from the issue of the Bonds will be used mainly for new acquisitions and also to invest into expansion of existing properties.
E.3	**Terms and conditions of the offering**	Issue date: 15 May 2019. Redemption Date: 8 May 2023. Aggregate nominal value of the Bonds: EUR 10,000,000. Interest payment dates: quarterly in arrears on each 8 February, 8 May, 8 August and 8 November. Interest: 4.25 per cent per annum. At the Issue Date, the yield to maturity of the Bonds at the Issue Price of 100% was 4.25 per cent per annum. Redemption: at par, bullet, on the Redemption Date. Minimum subscription amount: EUR 100,000. Register of the Bonds: Nasdaq CSD SE. Applicable law: Estonian law.
E.4	**Material and conflicting interests**	Interests of the Sole Bookrunner: Business interest customary in the financial markets. The Sole Bookrunner will be paid a fee by the Issuer in respect of the issue of the Bonds. The Management Company is not aware of any conflicts of interests related to the Bonds.
E.7	**Expenses charged to the investor**	The Issuer will not charge any expenses to the investor with respect to issuance of the Bonds. The Issuer shall pay any registration fee and other public fees accruing in connection with the Initial Bond Issue or a Subsequent Bond Issue, but not in respect of trading in the secondary market (except to the extent required by applicable law), and shall deduct at source any applicable withholding tax payable pursuant to law. The Issuer shall not be liable to reimburse any registration fee or public fee or to gross-up any payments under the Terms and Conditions of the Bonds by virtue of any withholding tax.

2. RISK FACTORS

Any investment in the Bonds is subject to a number of risks. Accordingly, prior to making any investment decision, prospective investors should carefully consider all the information contained in the Terms and Conditions and, in particular, the risk factors described below. The Management Company considers the following risks to be material for prospective investors in the Issuer.

However, the following is not an exhaustive list or explanation of all risks that prospective investors may face when making an investment in the Bonds and should be used as guidance only. Additional risks and uncertainties not currently known to the Management Company, or that the Management Company currently deems immaterial, may also have an adverse effect on the Issuer's financial condition, business, prospects and/or results of operations. In such case, the market price of the Bonds could decline and investors may lose all or part of their investment. Investors should consider carefully whether an investment in the Bonds is suitable for them in light of the information in the Terms and Conditions and their personal circumstances. Investors should consult a competent independent professional advisor who specializes in advising on the acquisition of debt securities. The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materializing, of the potential significance of the risks or of the scope of any potential harm to the Issuer's business, financial condition, results of operations and prospects. Prospective investors should read this section in conjunction with the entire Terms and Conditions.

Risks related to the Issuer

Exposure to macroeconomic fluctuations

Real estate industry in general and the Issuer are materially exposed to macroeconomic fluctuations. Such factors as general business cycle, GDP growth, inflation, employment, wage growth and interest rates influence demand and supply in the property market. Economic downturn could negatively affect rent rates, vacancy levels, rental yields and cost of financing which, in turn, could have an adverse effect on the Issuer's value of properties, financial position and cash flows.

Real estate properties that the Issuer owns are all located in the Baltic States. The Issuer's investment strategy stipulates that all additions to the property portfolio will also be based in the Baltics. Hence, the Issuer is primarily exposed to the economic developments in Lithuania, Latvia and Estonia. However, since these economies are rather small and actively engaged in foreign trade, the Baltics are not immune to regional and global macroeconomic fluctuations. Baltic economies are closely linked with the health of the overall EU and the euro area - their main trading partner, a source of structural funds and, due to the adoption of single currency, a base for monetary policy. A slowdown in the EU may negatively affect economies of the Baltic States leading to an adverse effect on the Issuer's business operations.

Economic growth impacts employment which drives demand for office space. Employment and wage growth, also influenced by GDP expansion, affect retail trade – a basis for demand for retail space. Thus, GDP growth rate (as well as expectations for future growth) is an important factor in regards to formation of demand for commercial space.

Expansion rates of Baltic economies gathered pace in the course of 2018 with Estonian GDP adding 3.9%, Lithuanian 3.4% and Latvian 4.8%. In Estonia, The largest contributor to the GDP growth in Estonia was the construction sector, which remains highly dependent on public sector demand and, in turn, susceptible to fluctuations in the absorption EU funding. The employment level stands above 68% placing Estonia at the top in the ranking of EU countries. The situation in Lithuanian and Latvian labour markets has also become tighter, mainly due to emigration and skill mismatches (the two respective levels unemployment were 5.8% and 7.1% in 2018). Trends in migration, last quarter of 2017 and during 2018 in Lithuania have started to turn with the number of people leaving the country finally falling, whereas immigration has started to increase. In Latvia, due to rising number of vacancies and demand for workers in construction, retail, and transport sectors, unemployment level is expected to drop to 6.4% in 2019.

GDP growth in all three Baltic countries is expected to slow down moderately (by 0.5-1.3 percentage points) in 2019, but still remain well above the last 5 years' average in the next couple of years. Extended periods of slower economic growth could put pressure on vacancy levels, rent rates and yield requirements that may negatively affect the Issuer's value of properties, financial position and cash flows.

The majority of the Issuer's lease agreements with tenants stipulate that rent rates are indexed to CPI. Low inflation or deflation could result in slower than anticipated growth in rent rates and rental income. The European Central Bank (ECB), which sets the monetary policy for the Baltic States (as they are members of the euro zone), targets consumer price growth of slightly below 2%. In 2018, the rate of inflation in the Baltics increased well above the ECB target and was among the highest in EU-28 (prices increased 3.4% in Estonia and 2.5% in Lithuania, whereas in Latvia a rate of 2.6% was registered). In 2019-2020, price growth in all three countries is expected to slow, but to remain above the 2% mark. More moderate price growth should ease the downward pressure on private consumption in the Baltics.

Imbalance of the EMU could have a material impact on the Issuer's business

All the countries where the Issuer holds its real estate property are member states of the EU as well as belong to the EMU, i. e. have euro as their currency. Financial risks related to the euro area and its member states may affect the Issuer's operating environment either directly or indirectly through the common currency and monetary policy. The prolonged and deep fiscal deficits, high indebtedness and unemployment rate in certain EMU member state constitute significant economic problems. If the normalization of the imbalances arisen in the economy of the euro area cannot be solved to a sufficient extent and confidence in the public economy of the euro area cannot be restored, this may have a material adverse on the Issuer's business, results of the operations, or financial condition.

Limited operating history of the Issuer

The Issuer was established in 2016 and has limited prior operating history upon which an investor can base his/her expectations for future success or failure. However, before formation of the Issuer the Management Company has been engaged in the management of Baltic Opportunity Fund which was merged into the Issuer. The Management Company has significant experience from managing the property that was assigned to the Issuer through the Merger. Therefore, the experience from managing of BOF and success in the business in general and in structuring and negotiating acquisitions and investments in particular can be used in the managing of the Issuer. Still, the past performance of these investments is not necessarily indicative of the future investment results of the Issuer.

Implementation of investment strategy

As at the date of this Listing Prospectus, the Issuer owns 13 commercial properties, representing a total rentable area of 122.4 thousand sqm. Using proceeds from the Bond issuance, the Issuer continues developing existing portfolio, e.g. further development of Postimaja and next stage of Domus Pro. Proceeds can also be used for possible future acquisitions. Over long term the Issuer aims to expand the property portfolio substantially by acquiring attractive commercial, primarily office and retail, real estate assets at central and strategic locations in Lithuania, Latvia and Estonia. The successful implementation of the investment strategy is subject to risks such as limited availability of attractive commercial properties for sale, unfavourable economic terms of potential investment targets, intensive competition among investors for high quality properties and inability to raise debt financing at attractive terms.

Availability of properties for potential acquisitions depends on the total size of the real estate market, development activity of new projects, yield dynamics and general macroeconomic conditions. According to Colliers, in 2017 volume of property transactions in the Baltics reached EUR 0.9 bn of which office and retail properties accounted for ~70% (~0.66 bn). At the end of 2017 office stock amounted to ca. 2,0 million sqm GLA and space in shopping centers was 1,9 million sqm GLA in the capital cities of the Baltic States. Development of new projects has accelerated in recent years and most of new developments were successful in attracting tenants so far. Not all properties fall under the Issuer's selection criteria for investment targets. The Issuer is pursuing top-of-the-market assets at central and strategic locations and in high demand from tenants.

Availability of commercial properties is also determined by their owners' willingness to sell which tends to increase with declining yield requirements in the real estate market. However, this may result in assets being too highly priced and, hence, economically unattractive for investment. Property prices may also be pushed up by intensive competition among real estate investors. Competitors could have greater financial resources and lower cost of capital than the Issuer allowing them to pay higher prices.

In long term, the Issuer targets LTV ratio of 50%. Ability to borrow at attractive terms plays a major role in the investment strategy. Availability and attractiveness of debt financing are linked to interest rates and general situation in financial markets. Increased interest rates and a negative climate in the markets could limit the Issuer's ability to pursue its investment strategy.

The past performance is not a guarantee of the future performance of the Issuer

The Issuer is reliant on the Management Company to identify and manage prospective investments in order to create value for Issuer unit-holders and bondholders. The past performance of the Issuer is not indicative, or intended to be indicative, of the future performance or results of the Issuer. As a result, none of the historical information presented by the Issuer or available publicly is directly comparable to the Issuer's business or the returns which the Issuer may generate. In addition, the previous investments of the Issuer may not be directly comparable with the Issuer's proposed business.

Acquisition of properties and their performance

Any decision by the Issuer to acquire a property is based on thorough evaluation and due diligence of an asset. Numerous factors that the Issuer assesses include the technical shape of a property, operating and financial performance, tenants mix, future cash flow generation, rate of return and how an asset fits the Issuer's investment strategy and existing portfolio. However, there is a risk that the Issuer in its examination of potential investment target could fail to identify and address certain important factors and associated risks.

The Issuer aims to acquire full title to each property, however in some cases the Issuer may decide to acquire property in co-ownership with third parties. Thus, situations may arise where the Issuer may be prevented from the use of land on commercially acceptable terms due to the use of land or conditions set by other co-owners. For example, Europa SC is located on land plots in co-ownership with third persons. Although, Europa SPV is in the process of agreeing on specific land use and lease terms with the other co-owner, there is a risk in such situations that the Issuer may be obliged to pay unplanned rent for the use of the land (also retrospectively). In addition, disagreements or lack of agreements with other co-owners may restrict the Issuer to obtain relevant construction permits for reconstruction or repair the property. If the co-ownerships were to develop in a way that is disadvantageous to the Issuer, this could have a negative impact on the Issuer's operation, financial positions and earnings.

There is no guarantee that cash flow projections in property appraisals will resemble actual future cash flows. Hence, newly acquired real estate assets could require unforeseen investments and/or demonstrate lower than expected performance and financial return adversely affecting the Issuer's financial position and cash flows.

Specific investment risks

With respect to investments in the form of real estate property, the Issuer will incur the burden of ownership, which includes the paying of expenses, taxes, maintaining such property and any improvements thereon and ultimately disposing of such property. In order to meet demands from the market or government authorities or other legal requirements, maintenance costs may be substantial and unforeseen. In addition, certain of the mortgage financing is structured so that all or a substantial portion of the principal will not be paid until maturity, which increases the risk of default at that time. The risk of partial or a total loss of capital does exist and investors should not subscribe unless they can readily bear the consequences of such a loss.

Tenants and rental income

The Issuer's revenue will be mainly comprised of rents paid by tenants at its retail and office properties. If a tenant decides not to renew or extend a lease agreement, there is a risk that a new tenant may not be found at the equivalent economic terms or at all for some time adversely affecting rental income of the property. The Issuer seeks to minimize this risk by limiting concentration of tenants, signing long term lease agreements and scattering their ending dates over time horizon (to avoid many lease contracts ending at one point in time). There is also a risk that a tenant may not pay rent on time or at all failing to meet its contractual obligations to the Issuer. This risk increases in the times of economic downturn. Any decrease in rental income is likely to negatively affect the Issuer's value of properties, financial position and cash flows.

2 of the properties belonging to the Issuer - Coca Cola Plaza and G4S Headquarters in Tallinn - have a single tenant, Forum Cinemas and G4S respectively, occupying 100% of the properties. If they terminate their lease agreements, there is a risk involved with finding new tenants. Furthermore, the premises may have to be renovated and adjusted to serve new tenants, which could affect the Issuer's financial condition and returns negatively.

If tenants risk realizes, the Issuer's ability to comply with the loan agreements may be endangered. Should the Issuer breach the covenants of the loan agreements, additional financing costs may arise and accelerated debt repayments may be demanded. That may lead to additional capital raisings by the Issuer or its restructuring.

Competition

Commercial real estate is a competitive industry. To maintain the attractiveness of its properties the Issuer has to react quickly to changes in the competitive environment. Possible responses to competitors' actions include upgrading properties with new features (for instance, smart technologies and environmental solutions), their refurbishment, rent discounts and greater promotion and marketing activities. These could result in unforeseen substantial expenses adversely affecting the Issuer's financial position and cash flows.

Supply of commercial premises increases with commissioning of newly developed properties. If additions to the supply are not matched by an increase in demand for commercial space, new properties could raise vacancy levels and reduce rent rates in the market, especially, for older and lower quality premises as tenants tend to prefer newer spaces. Therefore, elevated development activity in office and retail property markets in the Baltics may have an adverse effect on the Issuer's rental income and, in turn, on its value of properties, financial position and cash flows.

Fluctuations in value of property portfolio

The Issuer's properties will be recognized at fair value on the balance sheet while changes in this value are recorded on the income statement. The fair value of each property is estimated by an independent appraiser twice a year. Valuation is based on a discounted cash flow model which takes into account property-specific factors (rents, vacancy rates and operating costs) and industry-specific factors (costs of capital and exit yield). Since these factors are subject to variation over time, the fair value of the Issuer's properties could both appreciate and depreciate. Weakening characteristics of the property portfolio (declining rents and occupancy) and/or negative climate in the real estate industry (increased cost of capital and higher yield requirement) would result in the decrease in the fair value of the Issuer's assets adversely affecting its earnings and financial position.

Real estate investments are relatively illiquid

Investments in property can be relatively illiquid for reasons including but not limited to the long-term nature of leases, commercial properties being tailored to tenants' specific requirements and varying demand for commercial property. Such illiquidity may affect the Issuer's ability to vary its portfolio or dispose of properties in a timely fashion and/or at satisfactory prices in response to changes in economic, property market or other conditions. This may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

If the Issuer is required to dispose of investments at any time (for example due to a requirement of the lending bank), there can be no assurance that, at the time the Issuer seeks to dispose of assets (whether voluntarily or otherwise) relevant market conditions will be favourable or that the Issuer will be able to maximise the returns on such disposed assets. It may be especially difficult to dispose of certain types of real estate during recessionary times. To the extent that market conditions are not favourable, the Issuer may not be able to dispose of property assets at a gain and may even have to dispose of property assets at a loss. Furthermore, the Issuer may be unable to dispose of investments at all, which would tie up the capital invested in such assets and could impede the Issuer's ability to take advantage of other investment opportunities.

Interest rate risk

Debt is a significant source of financing for the Issuer. It targets 50% LTV ratio implying that half of the capital requires interest payments. The Issuer's cost of debt depends primarily on the market interest rates, margin demanded by credit providers and Issuer's targeted debt management strategy – weights of fixed and variable debt, duration of debt. Fluctuations in interest rates could adversely affect the Issuer's financial position, cash flows and its ability to acquire new properties.

Hedging Risks

In connection with certain investments the Management Company may employ hedging techniques designed to protect the Assets against adverse movements in for example interest rates. While such transactions may reduce certain risks, such transactions themselves may entail certain other risks. In case the derivative has to be terminated prematurely due prepayment of the loan ahead of its schedule, change of other financing terms or full repayment of the loan before its maturity, termination cost of hedging might be very high depending on interest rate on the market.

Thus, while the Issuer may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates or currency exchange rates may result in a poorer overall performance for the Issuer than if it had not entered into such hedging transactions.

Refinancing risk

At maturity of the Issuer's debts, the Issuer will be required to refinance such debt. The Issuer's ability to successfully refinance such debt is dependent on the conditions of the financial markets in general at such time. As a result, the Issuer's access to financing sources at a particular time may not be available on favourable terms, or at all. The Issuer's inability to refinance its debt obligations on favourable terms could have a material adverse effect on the Issuer's business, financial condition and results of operations.

Credit risk

Credit risk is the risk that a counterparty is unable to fulfil its financial obligations to the Issuer. Credit risk exists e.g. in relation to the Issuer's tenants, when investing excess liquidity and when entering into loan agreements. Should these counterparties be unable to fulfil their financial obligations towards the Issuer, this could have a material adverse effect on the Issuer's business, financial condition and results of operations.

Liquidity risk

Liquidity risk is the risk that the Issuer cannot meet its payment obligations at the due date without the cost of obtaining means of payment increasing substantially. If the Issuer's sources of funding are not deemed sufficient, this may have a material adverse effect on the Issuer's business, financial condition and results of operations.

Property development risks

The Issuer may, to a limited extent, invest in distressed assets, undeveloped land and certain development properties. Such investments may also be made in companies or ventures, with a view to acquiring or leasing land upon which such co-investors may become tenants on favourable terms. Undeveloped land and development properties typically involve greater risk than existing properties as they do not generate operating revenue while incurring costs, including construction and development costs, property taxes and insurance. Risks associated with development activities also include the risk of spending capital and resources on projects that may end up being abandoned, construction cost overruns, time delays and that occupancy levels and rental rates are lower than originally anticipated.

Moreover, if the Issuer's third party contractors fail to successfully perform the services for which they have been engaged, either as a result of their own fault or negligence, or due to the Issuer's failure to properly supervise any such contractors, this could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

Reliance on the performance of the Management Company

The Issuer's asset portfolio is to be externally managed and the Issuer will rely on the Management Company, and the experience, skill and judgment of the Management Company, in identifying, selecting and negotiating the acquisition of suitable investments. Furthermore, the Issuer will be dependent upon the Management Company's successful implementation of the Issuer's investment policy and investment strategies, and ultimately on its ability to create a property investment portfolio capable of generating desirable returns. There can be no assurance that the Management Company will be successful in achieving the Issuer's objectives.

The Management Company is also responsible for carrying out the day-to-day management and administration of the Issuer's affairs and, therefore, any disruption to the services of the Management Company could cause a significant disruption to the Issuer's operations until a suitable replacement is found. The Management Company holds an alternative investment fund manager license issued by EFSA. If due to any reason the license is revoked or suspended, the Management Company will not be allowed to manage the Issuer. In such case the management of the Issuer will be transferred to the Depositary of the Issuer, who will have to find a new management company, or start liquidation. During such period the Issuer will not have active management, which may have negative consequences for the financial results of the Issuer.

Moreover, there may be circumstances in which the members of the Management Board or Supervisory Council of the Management Company have, directly or indirectly, a material interest in a transaction being considered by the Issuer or a conflict of interest with the Issuer. The Supervisory Board of the Issuer has the right to decide on the situations of conflict of interest.

The Issuer or its subsidiaries employ no staff. However, the Management Company of the Issuer needs personnel in order to facilitate management of the Issuer and provide related services. Therefore, the success of the Issuer's operations depends on its Management Company's ability to hire, motivate and retain professionals with required skills, knowledge and experience. An unexpected departure of a fund manager and delays in selection of a replacement may negatively affect the Issuer's operations, implementation of its strategy and financial results.

Insurance coverage

The Issuer's insurance policies could be inadequate to compensate for losses associated with damage to its property assets, including loss of rent. According to the Issuer's strategy, insurance of each property has to include rent coverage of at least 18 months in the case of fire, destruction or other events that could damage a property. Any losses exceeding amounts covered by insurance contracts may have an adverse effect on the Issuer's business operations, financial position and cash flows.

Technical risks

Although the Issuer invests in the maintenance of its existing properties and conducts a thorough technical examination of potential investment targets, its properties could be subject to technical problems such as construction defects, other hidden defects and contamination. Elimination of these problems could require substantial investments and, thus, have an adverse effect on Issuer's financial position and cash flow.

Changes in legislation and taxes

The Issuer's operations are regulated by the legislation of each country where itself or its SPVs operate. In addition, the Issuer's operations may be affected by regional or supranational regulations, such as EU legislation. In the view of the Management Company, the Issuer complies with all legislative requirements and other regulations as at the date of this Listing Prospectus. Legislation and other regulations may, however, change, and the Management Company cannot guarantee that it would in such cases be able to comply immediately, without material measures, with the requirements of changed legislation or other regulations. For instance, changes in law and regulations or their interpretation or application practices concerning investment activities, environmental protection and taxation may have a material adverse effect on the Issuer's operations. Adapting the Issuer's operations to any of the changes described above may incur costs for the Issuer that are difficult to anticipate, which in turn may have a material adverse effect on the Issuer's business, results of operations, and financial condition.

Dispute risks

The Issuer has currently no ongoing tax or civil court cases or other issues that could have a significant negative impact on the Issuer's business, financial position and earnings.

The Issuer's business is investing in real estate properties whose space is leased out to tenants. There is a risk that the Issuer may be drawn into legal disputes with tenants or counterparties in real estate transactions. Negative outcome of such disputes could adversely affect Issuer's operations, financial position and cash flows. The Management Company uses its best endeavours to conclude agreements correctly and communicate in a respectful manner with all counterparties. All misunderstandings are tried to be settled by a mutual agreement. Nevertheless, the emergence of disputes cannot be excluded.

Use of external service providers

The Management Company utilises external service providers in its operations in connection with maintaining and constructing the Issuer's properties, generally in relation to the Issuer management, as well as in connection with the planning development projects. The availability, terms and conditions, price, and quality of these external services, as well as the possibility of transferring any increases in the cost of these services to the tenants, are material to the Issuer's business. The failure to procedure services or to transfer the increase in their costs to tenants may have a material adverse effect on the Issuer's business, result of operations, and financial condition. Nevertheless, the Management Company does not regard this risk as a major risk, because firstly, the Management Company chooses service providers with due care, and secondly, in case of a failure of a service provider to provide a service, the Management Company is able to find a replacement or is able to provide the services itself.

Environmental liabilities

As the owner of real estate property, the Issuer could be held liable for possible environmental damage caused by operations carried out in such property if such operations have not been carried out in accordance with applicable regulations. Although in the Management Company's view properties that the Issuer targets to invest in are generally not used for operations that could be particularly harmful to the environment, it cannot be ruled out that the Issuer could be held liable for environmental damage incurred in a property owned by the Issuer. Such environmental liability could, if materialised, have a material adverse effect on the Issuer's business, results of operations, and financial condition.

Damage to the Issuer's reputation risk

The Issuer's ability to attract and retain tenants at its properties as well as Management Company's ability to retain personnel in its employment may suffer if the Issuer's reputation is damaged. Matters affecting the Issuer's reputation may include, among other things, the quality and safety of its properties and compliance with legislation and official regulations. Any damage to the Issuer's reputation may have a material adverse effect on the Issuer's business, results of operation, and financial condition.

Risks Related to the Bonds

The following risk factors are, among other things, material in order to assess the risks associated with the Bonds.

The Bonds may not be a suitable investment for all investors

The Bonds may not be a suitable investment for all investors. Thus, each potential investor in the Bonds must assess the suitability of that investment in light of their own circumstances. A potential investor should not invest in the Bonds unless it has the expertise (either personal or with the relevant support from a financial advisor) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of the Bonds and the impact this investment will have on the potential investor's overall investment portfolio. In particular, each potential investor should:

- have a sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or referred to in this Listing Prospectus, the Terms and Conditions and documents attached to this Listing Prospectus;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;
- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant financial markets; and
- be able to evaluate either independently or with the relevant support from a financial adviser possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the associated risk.

Possibility to forfeit interest and principle amount invested

Should the Issuer become insolvent, and insolvency proceedings of the Issuer are initiated during the term of the Bonds, an investor may forfeit interest payable on, and the principle amount of, the Bonds in whole or in part. An investor is always solely responsible for the economic consequences of its investment decisions.

No guarantee or security

The Bonds will not constitute an obligation of anyone other than the Issuer and they will not be guaranteed. No one other than the Issuer will accept any liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Bonds.

The Bonds are unsecured debt instruments and the Holders would be unsecured creditors in the event of Issuer's insolvency. As of 31 December 2018, the secured creditors of the Issuer are AB SEB bankas, AS SEB Pank, AS SEB banka, Swedbank AB, Nordea Bank AB and OP Corporate Bank Plc (total amount 101.0 million EUR). In the event of insolvency, the Issuer's assets will be used for settling the Holders' claims only after the claims of mentioned banks and other preferential creditors are satisfied.

The Bonds do not contain provisions designed to protect the Holders from a reduction in the creditworthiness of the Issuer.

Adverse change in the financial condition or prospects of the Issuer

Any adverse change in the financial condition or prospects of Issuer may have a material adverse effect on the liquidity of the Bonds, and may result in a material decline in their market price. Such adverse change may result in a reduced probability that the Holders will be fully repaid on time. This provision concerns for the principal and interest amounts and/or any other amounts and items payable to the Holders pursuant to the Terms and Conditions of the Bond issue from time to time.

No limitation on issuing additional debt

The Issuer is not prohibited from issuing further debt up to 65% leverage which is limited by the Issuer rules. If the Issuer incurs significant additional debt of an equivalent seniority with the Bonds, it will increase the number of claims that would be equally entitled to receive the proceeds, including those related to the Issuer's possible insolvency. Further, any provision which confers, purports to confer, or waives a right to create security interest in favour of third parties, such as a negative pledge, is ineffective against third parties since: (i) it is an issue of a contractual arrangement only being binding upon the parties to such contractual arrangement; (ii) there is no specific legislation in Estonia providing beneficiaries of negative pledge undertakings or covenants with a preferred position vis-a-vis the claims of third parties; and (iii) no registry or public record exists in Estonia through which negative pledge undertakings or covenants could be filed to obtain a preferred position. Should the Issuer breach its obligations under such undertakings and covenants and create a security interest in favour of a third party, such third party would obtain a valid and enforceable security interest over the pledged asset.

Refinancing risk

The Issuer may be required to refinance certain or all of its outstanding debt, including the Bonds. The Issuer's ability to successfully refinance its debt depends on the conditions of debt capital markets and its own financial condition. The Issuer's inability to refinance its debt obligations on favourable terms, or at all, could have a negative impact on the Issuer's operations, financial condition, earnings and on the Holders' recovery under the Bonds.

An active market for the Bonds may not develop

The Bonds constitute a new issue of securities by the Issuer. Prior to the admission to trading on the regulated market, there is no public market for the Bonds.

Although application will be made for the Bonds to be admitted to trading on Nasdaq Tallinn stock exchange, there is no assurance that such application(s) will be accepted and the Bonds will be admitted to trading. In addition, admission of the Bonds on a regulated market will not guarantee that a liquid public market for the Bonds will develop or, if such market develops, that it will be maintained, and neither the Issuer, nor the Sole Bookrunner or the Issuing Agent is under any obligation to maintain such market. If an active market for the Bonds does not develop or is not maintained, it may result in a material decline in the market price of the Bonds, and the liquidity of the Bonds may be adversely affected. In addition, the liquidity and the market price of the Bonds can be expected to vary along with the changes in market and economic conditions, the financial condition and the prospects of the Issuer, as well as many other factors that generally influence the market price for securities. Accordingly, due to such factors the Bonds may trade at a discount to the price at which the Holders purchased the Bonds. Therefore, investors may not be able to sell their Bonds at all or at a price that will provide them with a yield comparable to similar financial instruments that are traded on a developed and functioning secondary market. Further, if additional and competing financial instruments are introduced on the markets, this may also result in a material decline in the market price and value of the Bonds.

Risks related to interest rate and inflation

Investor to the Bonds with a fixed interest rate is exposed to the risk that the price of such security could fall as a result of changes in the market interest rate. Market interest rates follow the changes in general economic conditions, and are affected by, among many other things, demand and supply for money, liquidity, inflation rate, economic growth, central banks' benchmark rates, and changes and expectations related thereto.

While the nominal compensation rate of a security with a fixed interest rate is fixed during the term of such security or during a certain period of time, market interest rates typically change continuously. In case market interest rates increase, the market price of such a security typically falls, until the yield of such security provides competitive risk-adjusted return. If market interest rates fall, the price of a security with a fixed interest rate typically increases, until the yield of such a security provides competitive risk-adjusted return. Consequently, the Holders should be aware that movements of market interest rates may result in a material decline in the market price of the Bonds and can result in losses for the Holders if they sell the Bonds. Furthermore, past performance of the Bonds is not an indication of their future performance.

Also, inflation may result in a decline of the market price of the Bonds, as it decreases the purchasing power of a currency unit and respectively the received interest.

Exchange rate risk

The Issuer will pay principal and interest on the Bonds in EUR. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than EUR. These include the risk that exchange rates may significantly change (including changes due to evaluation of EUR or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify currency exchange controls. An appreciation in the value of the Investor's Currency relative to EUR would decrease the Investor's Currency-equivalent: (i) yield on the Bonds; (ii) value of the principal payable on the Bonds; and (iii) market value of the Bonds.

Credit ratings

While the Bonds are rated by a credit rating agency, such rating may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above, or other factors that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. Any adverse change in an applicable credit rating of the Issuer could adversely affect the trading price of the Bonds.

Risks related to early redemption

The Terms and Conditions give the Issuer a right to redeem the Bonds early, which means that all, not only some, Bonds may be redeemed prior to agreed maturity date. There is a risk that such right entails that the market value of such Bonds will be lower. As long as the Issuer has such right, the market value of such Bonds will generally not increase substantially above the rate at which they can be redeemed.

As stated in the Terms and Conditions, the Issuer may due to a Delisting Event be obliged to repurchase the Bonds prior to the maturity date, therefore it may not be possible for Holders to reinvest such proceeds at an effective interest rate as high as the interest rate on the Bonds and may only be able to do so at a significantly lower rate. It is further possible that the Issuer will not have sufficient funds at the time of the mandatory prepayment to make the required redemption of Bonds.

No voting rights

The Bonds carry no voting rights. Consequently, the Holders cannot influence any decisions by the Issuer's management concerning, for instance, the capital structure of the Issuer.

Holders' meeting

The Terms and Conditions include certain conditions regarding Holders' meetings, or Written Procedures, that can be held in order to resolve matters relating to the Holders' interests. The Terms and Conditions allow for stated majorities to bind all Holders, including Holders who have not participated in and voted at the actual Holders' meeting, or Written Procedure, or have voted differently than the required majority, to decisions that have been taken at a duly convened and conducted Holders' meeting or through Written Procedure. This entails a risk that a Holder will be bound by a decision with which the Holder disagrees.

Amendments to the Bonds bind all Holders

The Terms and Conditions of the Bonds contain provisions for Holders to consider matters affecting their interests generally. The decisions of Holders (including amendments to the Terms and Conditions of the Bonds), subject to defined majorities requirements, will be binding to all Holders, including Holders who did not vote and Holders who voted in a manner contrary to the majority**.** This may cause financial losses, among other things, to all Holders, including the Holders who did not vote and Holders who voted in a manner contrary to the majority.

Holders' representation

The Agent will, in accordance with the Terms and Conditions, represent the Holders in respect of the Bonds. Thus, a Holder is not entitled to bring directly any actions against the Issuer relating to the Bonds. However, there is still a possibility that a Holder, in certain situations, brings own actions against the Issuer, which may adversely affect the accomplishment of actions against the Issuer, including acceleration of the Bonds. To enable the Agent to represent the Holders in court, the Holders may have to submit a written power of attorney for legal proceedings. Should such power of attorney not be submitted by all Holders, such legal proceedings could be negatively affected.

Under the Terms and Conditions a Holders interest protector (the Agent) has the right in some cases to make decisions and take measures that bind all Holders. Consequently, the actions of the Agent in such matters could impact a Holder's rights under the Terms and Conditions in a manner that would be undesirable for some of the Holders.

No assurance on change of laws or practices

The Bonds are governed by the laws of the Republic of Estonia. Estonian laws (including but not limited to tax laws) and regulations governing the Bonds may change during the life of the Bonds, and new judicial decisions can be issued and/or new administrative practices be adopted. No assurance can be given as to the impact of any of such possible changes of laws or regulations, or new judicial decision or administrative practice taking place after the date of the Bond issuance. Hence, such change may have a material adverse effect on the Issuer's business, financial condition, results of operations and/or future prospects and, thereby, the Issuer's ability to fulfil its obligations under the Bonds.

Adverse changes in the tax regime applicable in respect of transacting with the Bonds or receiving interest or principal payments based on the Bonds may result in an increased tax burden of the Holders and may therefore have adverse effect on the rate of return from the investment into the Bonds.

Certain material interests

The Issuing agent has engaged in, and may in the future engage in, investment banking and/or commercial banking or other services provided to the Issuer´s Group in the ordinary course of business. Therefore, conflicts of interest may exist or may arise as a result of the Issuing Agent's current or future engagement in transactions with other parties, having multiple roles or carrying out other transactions for third parties with conflicting interests.

Nasdaq CSD SE

The Bonds will be affiliated to the account-based system of the Nasdaq CSD SE (Societas Europaea) – the regional central securities depository in the Baltics, and no physical Bonds will be issued. Clearing and settlement relating to the Bonds will be carried out within the depository's book-entry system as well as payment of interest and repayment of the principal. Investors are therefore dependent on the functionality of the Nasdaq CSD SE's account-based system.

Restrictions on the transferability of the Bonds

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended, or any U.S. state securities laws. Subject to certain exemptions, a holder of the Bonds may not offer or sell the Bonds in the United States. The Issuer has not undertaken to register the Bonds under the U.S. Securities Act or any U.S. federal or state securities laws or to effect any exchange offer for the Bonds in the future. Furthermore, the Issuer has not registered the Bonds under any other country's securities laws, other than laws of the Republic of Estonia. Each potential investor should read the information under the heading "*Notice to Investors and Restrictions on Distribution*" for further information about the transfer restrictions that apply to the Bonds. It is the Holder's obligation to ensure that the offers and sales of Bonds comply with all applicable securities laws.

3. PERSONS RESPONSIBLE FOR THE LISTING PROSPECTUS

The information contained in this Listing Prospectus has been provided by the Management Company and received from other sources identified herein. It is prohibited to copy or distribute the Listing Prospectus or to reveal or use the information contained herein for any other purpose than considering an investment in the Bonds. The Management Company accepts responsibility for the information contained in this Listing Prospectus. To the best of the knowledge and belief of the Management Company, having taken all reasonable care to ensure that such is the case, the information contained in this Listing Prospectus is in accordance with the facts and contains no omission likely to affect its import.

Where information used in this Listing Prospectus has been sourced from a third party, this information has been accurately reproduced and that as far as the Management Company or the Sole Bookrunner are aware and have been able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The contents of this Listing Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult with its own legal adviser, business adviser or tax adviser as to legal, business and tax advice.

Tallinn, 13 May 2019

Northern Horizon Capital AS

/signed electronically/ *//signed electronically/* */signed electronically/*

Tarmo Karotam *Member of the Management Board*	*Ausra Stankevičienė* *Member of the Management Board*	*Algirdas Vaitiekūnas* *Member of the Management Board*

4. GENERAL INFORMATION

This Listing Prospectus has been prepared by the Management Company in connection with the admission to trading of the Bonds on the Nasdaq Tallinn in accordance with the Estonian laws implementing Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC, as amended, (the "Prospectus Directive") and in accordance with the Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing the Prospectus Directive, as amended (the "Prospectus Regulation"). The Listing Prospectus has been prepared in accordance with Annexes V, XV and XXII of the Prospectus Regulation.

This Listing Prospectus constitutes a prospectus in the form of a single document within the meaning of the Prospectus Directive and the Securities Market Act of Estonia and has been approved as such under the registration number 4.3-4.9/1705 by the Estonian Financial Supervision Authority (Finantsinspektsioon) (the "EFSA"), in its capacity as the competent authority in the Republic of Estonia. Registration of the Listing Prospectus in the EFSA does not mean that the EFSA has controlled the correctness of the information presented in this Listing Prospectus.

In case any new significant circumstances, mistakes or inaccuracies relating to the information included in the Listing Prospectus, capable of affecting the assessment of the Bonds, become known after the registration of the Listing Prospectus but before starting the trading of Bonds on a regulated market, a supplement to the Listing Prospectus (the "Prospectus Supplement") shall be prepared. The Prospectus Supplement shall be registered with the EFSA and made public in the same way and in accordance with at least the same arrangements as were applied when the Listing Prospectus was made public. Prospectus Supplement is an integral part of the Listing Prospectus.

No person has been authorized to give any information or to make any representation in connection with the Bonds other than as contained in this Listing Prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by the Management Company or by the Sole Bookrunner. This Listing Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The distribution of this Listing Prospectus in certain jurisdictions is restricted by law. Persons into whose possession this Listing Prospectus may come are required by the Management Company and the Sole Bookrunner to inform themselves about and to observe such restrictions. The delivery of this Listing Prospectus shall, under no circumstances, create any implication that the information contained herein is correct as of any time subsequent to the date hereof or that the affairs of the Issuer have not since changed. The Management Company will update any information presented in this Listing Prospectus in accordance with the applicable provisions of the Estonian Securities Market Act.

THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

Each prospective purchaser and subscriber of the Bonds must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, subscribes, offers or sells the Bonds or possesses or distributes this Listing Prospectus and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, subscriptions, offers or sales, and none of the Management Company and the Sole Bookrunner shall have any responsibility for these obligations.

The Listing Prospectus will be governed by and construed in accordance with Estonian law. Any disputes relating to the Listing Prospectus will be settled in Harju County Court.

4.1. DEFINITIONS

Baltics	Estonia, Latvia and Lithuania
BOF	Baltic Opportunity Fund, a predecessor of Baltic Horizon Fund, a non-public closed-ended contractual real estate fund, was established under the laws of the Republic of Estonia and was managed by the Management Company (with a previous name BPT Baltic Opportunity Fund). Baltic Opportunity Fund merged into Baltic Horizon Fund.
Bond	The Issuer´s debt obligation issued under the Terms and Conditions.
CBD	Central business district
Colliers	Colliers International Advisors OÜ and any of its affiliates belonging to the same consolidation group with it

CPI	Consumer price index
Dividend	Cash distributions paid out of the cash flows of the Issuer in accordance with the Fund Rules
EC	The European Commission
EFSA	Estonian Financial Supervision Authority, which is the capital market regulatory authority of the Republic of Estonia
EMU	European Economic and Monetary Union
EPRA NAV	A measure of long term NAV, proposed by European Public Real Estate Association (EPRA) and widely used by listed European property companies. It is designed to exclude assets and liabilities that are not expected to crystallise in normal circumstances such as the fair value of financial derivatives and deferred taxes on property valuation gains.
EU	The European Union
EUR, €, euro	The lawful currency of the European Economic and Monetary Union
Euroclear Sweden	Euroclear Sweden AB
Europa SC	Europa shopping centre held by Europa SPV which is fully owned by the Issuer
Europa SPV	BOF Europa UAB, registry code 300059140, a special purpose vehicle registered in the Republic of Lithuania and holding title to the Europa SC property.
Group	The Issuer and the SPV-s collectively as a consolidation group as defined in the Estonian Accounting Act.
Holder	A Person who is a registered holder of a securities account where Bonds are registered or the person who´s Bonds are registered on a nominee account
Issuer	Baltic Horizon Fund, a public closed-ended contractual real estate investment fund
Fund Rules	Fund rules of the Issuer as registered with the Estonian Financial Supervisory Authority on 23 May 2016 and appended to the Listing Prospectus as Appendix A
Gross leasable area (GLA)	Total floor space (measured in sqm) at a property including areas dedicated as public spaces or thoroughfares such as building service areas
IAS	The International Accounting Standards forming part of the IFRS
IFA	Investment Funds Act of Estonia
IFRS	The International Financial Reporting Standards as adopted by the European Union
Listing	Start of trading with the Bonds on Nasdaq Tallinn on or about 16 May 2019
LTV	Loan to value ratio. It is calculated as a ratio of interest bearing debt to the value of investment property
Management Company	Northern Horizon Capital AS, the management company of the Issuer
Member State	A member state of the European Economic Area
Merger	The merger of the Issuer and BOF on 30 June 2016. The Issuer took over all assets and liabilities of BOF. Units of BOF were converted into units of the Issuer at a ratio of 1:100 (1 unit of BOF was exchanged into 100 Units of the Issuer). At the time of the merger, the Issuer had no assets and liabilities of its own.
NAV	Net Asset Value of the Issuer or a Unit as calculated in accordance with the Fund Rules
Listing Prospectus	This listing prospectus, which is registered with EFSA on 13 May 2019
Prospectus Directive	Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, on the prospectus to be published when securities are offered to the public or admitted to trading, and amending Directive 2001/34/EC and any relevant implementing measures, as amended
Prospectus Regulation	Commission Regulation (EC) no 809/2004 of 29 April 2004, implementing Directive 2003/71/EC of the European Parliament, and of the Council as regards information contained in prospectuses, as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended
Register, ERS	Estonian Register of Securities operated by Nasdaq CSD SE, the register of the Bonds
Registrar	Nasdaq CSD SE
Related Parties	As defined in the International Accounting Standard 24, *Related Party Disclosures*
Rentable area, leasable area, net leasable area (NLA)	Floor space (measured in sqm) at a property that can be leased out to tenants. It excludes areas dedicated as public spaces or thoroughfares such as building service areas
SC	Shopping center
Sole Bookrunner	AB SEB bankas, a bank organised and existing under the laws of the Republic of Lithuania, legal person code 112021238, Gedimino ave. 12, LT-01103 Vilnius, Lithuania
SSC	Shared services centre

SPA	Sale and Purchase Agreement
SPV	A special purpose vehicle established for the purposes of making and maintaining real estate investments for the benefit of the Issuer
sqm	Square meter
Summary	The summary of this Listing Prospectus presented on page 3
Unit	A unit of the Issuer
Unit-holder	A person holding Units of the Issuer and entitled to exercise rights attached to the Units in accordance with the Fund Rules
WAULT	Weighted average unused lease term calculated by weighting remaining terms of each lease contract by rental income
Website	www.baltichorizon.com, website of the Issuer

4.2. INFORMATION INCORPORATED BY REFERENCE

The Issuer´s financial results for the financial years ended 31 December 2018, 31 December 2017 and 31 December 2016 are incorporated in and form part of the Listing Prospectus by reference. The referenced documents are available for inspection at the offices of the Management Company at Tornimäe 2 (24th floor) Tallinn, 10145 Estonia, as well as on the Issuer Website at https://www.baltichorizon.com/reports-and-financialcalendar/. For the avoidance of doubt, other that the documents incorporated by reference, the contents of Issuer´s website or any other website do not form a part of this Listing Prospectus and prospective investors should not rely on such information in making their decision to invest into Bonds. The parts of the following documents that have not been incorporated by reference to this Listing Prospectus are either not relevant for the investors or covered elsewhere in the prospectus.

The documents incorporated by reference to this Listing Prospectus are presented below:

Document	Information incorporated by reference
Annual report 2018, pages 26-73	Issuer´s IFRS financial statements for the year 2018
Annual report 2018, pages 21-25	Auditor´s report for the year 2018
Annual Report 2017, pages 25-69	Issuer´s IFRS financial statements for the year 2017
Annual Report 2017, pages 20-24	Auditor´s report for the year 2017
Annual Report 2016, pages 20-62	Issuer´s IFRS financial statements for the year 2016
Annual Report 2016, pages 15-19	Auditor´s report for the year 2016

4.3. DOCUMENTS ON DISPLAY AND AVAILABLE INFORMATION

In addition to the documents incorporated by reference and in accordance with the fund rules of the Issuer (the "Fund Rules") copies of the following documents will be available free of charge at the office of the Management Company at Tornimäe 2, Tallinn 10145, during the normal business hours and on the Website:

- the Fund Rules;
- internal rules and procedures of the Management Company for determination of the net asset value;
- the rules for the valuation of real estate;
- the rules for handling conflicts of interest;
- a description of the Issuer's liquidity risk management;
- the three most recent annual reports of the Management Company.

This Listing Prospectus has been published in an electronic form on the Website and on the website of the EFSA (www.fi.ee). Full versions of valuation reports regarding the property belonging to the Issuer, and prepared by independent property advisors at the request of the Management Company are available for inspection until the full redemption of the Bonds at the registered office of the Management Company.

The Management Company has disclosed and will disclose in the future also other information on the Webpage and also through stock exchange releases regarding the Issuer in accordance with the Fund Rules, applicable laws and regulations.

4.4. CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in sections 1 "Summary", 2 "Risk Factors", 7.10 "Investment Pipeline", 7.12 "Operating and Financial Review" and elsewhere in this Listing Prospectus are forward-looking. Such forward-looking statements and information are based on the beliefs of the Management Company's management (the "Management") or are assumptions based on information available regarding the Issuer. When used in this document, the words "believe," "estimate", "target" and "expect" and similar expressions, as they relate to the Issuer or the Management Company, are intended to identify forward-looking statements. Such forward-looking statements reflect the current views of the Management Company or its management with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of the Issuer to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, risks or uncertainties associated with the Issuer's development, growth management, relations with tenants and suppliers and, more generally, general economic and business conditions, changes in domestic and foreign laws and regulations (including those of the EU), taxes, changes in competition and pricing environments, and other factors referenced in this document. Some of these factors are discussed in more detail in section 2 "Risk Factors." Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this document as anticipated, believed, estimated or expected.

The Management Company does not intend, and does not assume any obligation, to update the forward-looking statements included in this Listing Prospectus as at the date set forth on the cover.

4.5. PRESENTATION OF FINANCIAL INFORMATION

Financial information presented in this Listing Prospectus

On 30 June 2016 the Issuer merged with BOF and took over all assets and liabilities of BOF. Units of BOF were converted into Units of the Issuer at a ratio of 1:100 (1 unit of BOF was exchanged into 100 Units of the Issuer). At the time of the Merger, the Issuer had no assets and liabilities of its own. Thus, historical financial and operational performance of BOF prior to the Merger is directly comparable the Issuer's performance after the Merger. In the Issuer's audited consolidated financial statements for the year ended 31 December 2016, BOF's financial results prior to the Merger are presented as those of the Issuer. For these reasons, in this Listing Prospectus past results of BOF are presented as results of the Issuer.

The Issuer prepares its financial statements in a consolidated form and according to international financial reporting standards as adopted by the EU ("IFRS").

Approximation of Numbers

Numerical and quantitative values in this Listing Prospectus (e. g. monetary values, percentage values, etc.) are presented with such precision which the Management Company deems sufficient in order to convey adequate and appropriate information on the relevant matter. From time to time, quantitative values have been rounded up to the nearest reasonable decimal or whole value in order to avoid excessive level of detail. As a result, certain values presented as percentages do not necessarily add up 100% due to effects of approximation. Exact numbers may be derived from the financial statements of the Issuer or BOF, to the extent that the relevant information is reflected therein.

Currencies

In this Listing Prospectus, financial information is presented in euro (EUR), i. e. the official currency of the EU Member States participating in the EMU. With respect to the state fees, taxes and similar country specific values, information may occasionally be presented in currencies to the state fees, taxes and similar country specific values information may be occasionally presented in currencies other that EUR. The exchange rates between such currencies and the euro may change from time to time.

Dating of Information

This Listing Prospectus has been drawn up based on the financial information valid for the Issuer's most recent reporting date of 31 December 2018 for which consolidated financial statements were prepared.

Where not expressly indicated otherwise, all information presented in this Listing Prospectus (including the financial information of the Issuer, the facts concerning its operations and any information on the markets in which it operates) must be understood to refer to the state of affairs as at the aforementioned date. Information referring to the other than 31 December 2018 is identified either by specifying the relevant date through the use of such expressions as "the date of this Listing Prospectus", "to date", "until the date of this document" and other similar expressions, which must all be construed to mean the date of this Listing Prospectus.

5. TERMS AND CONDITIONS OF THE BONDS

TERMS AND CONDITIONS FOR
BALTIC HORIZON FUND
MAXIMUM EUR 50,000,000
UNSECURED FIXED RATE
BONDS 2018/2023
ISIN: EE3300111467

First Issue Date: 8 May 2018

Other than the registration of the Bonds under Estonian law, no action is being taken in any jurisdiction that would or is intended to permit a public offering of the Bonds or the possession, circulation or distribution of this document or any other material relating to the Issuer or the Bonds in any jurisdiction where action for that purpose is required.
The distribution of this document and the private placement of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required to inform themselves about, and to observe, such restrictions.
The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and are subject to U.S. tax law requirements. The Bonds may not be offered, sold or delivered within the United States of America or to, or for the account or benefit of, U.S. persons.

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TERMS AND CONDITIONS FOR

BALTIC HORIZON FUND

MAXIMUM EUR 50,000,000

UNSECURED FIXED RATE
BONDS 2018/2023

ISIN: EE3300111467

1. Definitions and construction

1.1 DEFINITIONS

In these terms and conditions (the "**Terms and Conditions**"):

"**Account Operator**" means AB SEB bankas, registry code 112021238, Gedimino ave 12, LT-01103 Vilnius, Lithuania.

"**Accounting Principles**" means the international financial reporting standards (IFRS) within the meaning of Regulation 1606/2002/EC (or as otherwise adopted or amended from time to time).

"**Adjusted Nominal Amount**" means the total aggregate Nominal Amount of the Bonds outstanding at the relevant time less the Nominal Amount of all Bonds owned by a Group Company or an Affiliate of a Group Company, irrespective of whether such Person is directly registered as owner of such Bonds.

"**Affiliate**" means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purpose of this definition, "**control**" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing.

"**Agent**" means the Holders' agent under these Terms and Conditions from time to time; initially Intertrust (Sweden) AB, reg. no.556625-5476, address Box 162 85, 103 25 Stockholm, Sweden.

"**Agent Agreement**" means the agreement entered into on or before the First Issue Date between the Issuer and the Agent, or any replacement agent agreement entered into after the First Issue Date between the Issuer and an Agent.

"**Bond**" means a debt obligation, for the Nominal Amount and of the type set forth in Section 2 (1) 2) of the Estonian Securities Market Act (in Estonian: *Väärtpaberituruseadus*), issued by the Issuer under these Terms and Conditions.

"**Business Day**" means a day other than a Saturday, Sunday, a national or a public holiday in Estonia.

"**Business Day Convention**" means the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day.

"**Cash and Cash Equivalents**" means cash and cash equivalents in accordance with the Accounting Principles.

"**Compliance Certificate**" means a certificate, in form and substance reasonably satisfactory to the Agent, signed by an authorised signatory of the Issuer certifying that so far as it is aware no Event of Default is continuing or, if it is aware that such event is continuing, specifying the event and steps, if any, being taken to remedy it and:

(a) if provided in connection with a Financial Report being made available, including calculations and figures in respect of the financial covenants as set forth in Clause 11.3.1, that the financial covenants are met as per the last day of the quarter to which the Compliance Certificate refers to (and has not been breached since the last day of the relevant quarter to which the most recent Compliance Certificate refers to); or

(b) if provided in connection with a Subsequent Bond Issue, that the financial covenants are met calculated *pro forma* including the Subsequent Bond Issue.

"**CSD**" means the Issuer's central securities depository and registrar in respect of the Bonds from time to time; initially Nasdaq CSD SE, reg. no. 40003242879, address Vaļņu iela 1, Riga LV-1050, Latvia. Clearstream Banking Luxembourg - Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg, Luxembourg may act as a supplementary depository for the Holders but will not be treated as CSD under these Terms and Conditions.

"**Debt Service Coverage Ratio**" means EBITDA divided by the principal payments of interest-bearing debt obligations and the amount of interest expenses, based on a rolling twelve-month basis, calculated in accordance with the latest consolidated Financial Report.

"**De-listing Event**" means the situation where (i) the Issuer's fund units are no longer listed and admitted to trading on Nasdaq Tallinn or any other Regulated Market; or (ii) trading of the Issuer's listed fund units on the aforementioned stock exchanges is suspended for a period of fifteen (15) consecutive Business Days (when Nasdaq Tallinn or the relevant Regulated Market (as applicable) is at the same time open for trading); or (iii) the Bonds are not listed and admitted to trading on Nasdaq Tallinn or another Regulated Market; or (iv) trading in the Bonds of the Issuer on the relevant Regulated Market is suspended for a period of fifteen (15) consecutive Business Days (when Nasdaq Tallinn or the relevant Regulated Market (as applicable) is at the same time open for trading).

"**EBITDA**" means, in respect of Relevant Period, the operating profit of the Group determined in accordance with the Accounting Principles plus depreciation minus extraordinary incomes and valuations plus extraordinary expenses.
"**Equity**" means the aggregate book value of the Group´s total equity on a consolidated basis according to the latest Financial Report.

"**Equity Ratio**" means Equity adjusted for cash flow hedge reserve divided by Total Assets excluding financial assets and cash equivalents according to the Accounting Principles.

"**EUR**" means the lawful currency of Estonia.

"**Event of Default**" means an event or circumstance specified in Clause 12.1.

"**Final Redemption Date**" means 8 May 2023.

"**Financial Indebtedness**" means any indebtedness in respect of:

(a) monies borrowed or raised, including Market Loans;

(b) the amount of any liability in respect of any finance leases, to the extent the arrangement is or would have been treated as a finance lease in accordance with the Accounting Principles as applicable on the First Issue Date (a lease which in the accounts of the Group is treated as an asset and a corresponding liability), and for the avoidance of doubt, any leases treated as operating leases under the Accounting Principles as applicable on the First Issue Date shall not, regardless of any subsequent changes or amendments of the Accounting Principles, be considered as finance or capital leases;

(c) receivables sold or discounted (other than on a non-recourse basis, provided that the requirements for de-recognition under the Accounting Principles are met);

(d) any amount raised under any other transaction having the commercial effect of a borrowing (including forward sale or purchase arrangements);

(e) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the mark to market value shall be taken into account);

(f) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and

(g) (without double counting) any guarantee or other assurance against financial loss in respect of a type referred to in the above items (a) to (f).

For the avoidance of doubt, deferred tax liability shall not be treated as Financial Indebtedness.

"**Financial Report**" means the annual audited consolidated financial statements of the Group, the annual audited unconsolidated financial statements of the Issuer, the quarterly interim unaudited consolidated reports of the Group or the quarterly interim unaudited unconsolidated reports of the Issuer, which shall be prepared and made available according to item (a) and (b) under Clause 11.8 (*Financial reporting*).

"**First Issue Date**" means 8 May 2018.

"**Force Majeure Event**" has the meaning set forth in Clause 23.1.

"**Group**" means the Issuer and all the Subsidiaries from time to time (each a "**Group Company**").

"**Holder**" means the Person who is a registered holder of a Securities Account where Bonds are registered or the Person who´s Bonds are registered on a nominee account.

"**Holders' Meeting**" means a meeting among the Holders held in accordance with Clause 15 (*Holders' Meeting*).

"**Initial Bond**" means any Bond issued on the First Issue Date.

"**Initial Bond Issue**" has the meaning set forth in Clause 2.1.

"**Interest**" means the interest on the Bonds calculated in accordance with Clauses 9.1 to 9.3.

"**Interest Payment Date**" means 8 August, 8 November, 8 February and 8 May each year or, to the extent such day is not a Business Day, the Business Day following from an application of the Business Day Convention (with the first Interest Payment Date on 8 August 2018 and the last Interest Payment Date being the Final Redemption Date).

"**Interest Period**" means each period beginning on (but excluding) the First Issue Date or any Interest Payment Date and ending on (and including) the next succeeding Interest Payment Date (or a shorter period if relevant) and, in respect of Subsequent Bonds, each period beginning on (but excluding) the Interest Payment Date falling immediately prior to their issuance and ending on (and including) the next succeeding Interest Payment Date (or a shorter period if relevant).

"**Interest Rate**" means a fixed rate of 4.25% *per annum*.

"**Issue Date**" means the First Issue Date and any subsequent date when issuance of Subsequent Bonds takes place.

"**Issuer**" means Baltic Horizon Fund, a public closed-ended contractual real estate investment fund registered in Estonia. Fund rules of the Issuer were registered with the Estonian Financial Supervisory Authority on 23 May 2016. Northern Horizon Capital AS, registry code 11025345, is acting as the management company of the Issuer and the management board members of the management company are acting as representatives of the Issuer.

"**Issuing Agent**" means AB SEB bankas, registry code 112021238, Gedimino ave. 12, LT-01103 Vilnius, Lithuania, or another party replacing it, as Issuing Agent, in accordance with these Terms and Conditions.

"**Listing Failure**" means a situation where the Bonds issued under the Initial Bond Issue have not been listed on the Baltic Bond List of Nasdaq Tallinn (or any other Regulated Market) within six (6) calendar months after the First Issue Date.

"**Market Loan**" means any loan or other indebtedness where an entity issues commercial paper, certificates, convertibles, subordinated debentures, bonds or any other debt securities (including, for the avoidance of doubt, medium term note programmes and other market funding programmes), provided in each case that such instruments and securities are or can be subject to trade on Nasdaq Tallinn or any other Regulated Market or unregulated recognised market place.

"**Material Adverse Effect**" means a material adverse effect on (i) the business, financial condition or operations of the Group taken as a whole, (ii) the Issuer's ability or willingness to perform and comply with its payment and other undertakings under these Terms and Conditions or (iii) the validity or enforceability of these Terms and Conditions.

"**Material Group Company**" means the Issuer or a Subsidiary representing more than five (5.00) per cent. of either (i) the total assets of the Group on a consolidated basis (for the avoidance of doubt, excluding any intra-group transactions) or (ii) the Net operating income of the Group according to the latest consolidated Financial Report.

"**Nasdaq Tallinn**" means the Regulated Market of Nasdaq Tallinn AS, reg. no. 10359206, Tartu mnt 2, 10145 Tallinn, Estonia.

"**Net Interest Bearing Debt**" means the aggregate interest bearing debt (excluding any interest bearing debt borrowed from any Group Company) less Cash and Cash Equivalents of the Group in accordance with the Accounting Principles.

"**Net Proceeds**" means the proceeds from the Initial Bond Issue or any Subsequent Bond Issue which, after deduction has been made for the transaction costs payable by the Issuer to the Issuing Agent and Sole Bookrunner for the services provided in relation to the placement and issuance of the Bonds, shall be transferred to the Issuer and used in accordance with Clause 4 (*Use of proceeds*).

"**Nominal Amount**" has the meaning set forth in Clause 2.1.

"**Person**" means any individual, corporation, partnership, limited liability company, joint venture, association, unincorporated organisation, contractual fund, government, or any agency or political subdivision thereof, or any other entity, whether or not having a separate legal personality.

"**Permitted Debt**" means any Financial Indebtedness:

(a) incurred under or in connection with the Initial Bond Issue;

(b) taken up from a Group Company;

(c) incurred pursuant to any financial lending arrangements in the ordinary course of the Group´s business, including but not limited for the purpose of acquiring new properties or refinancing activities;

(d) incurred as a result of any Group Company acquiring another entity and which is due to such acquired entity holding indebtedness, provided that the financial covenants set forth in Clause 11.3.1 are met, tested *pro forma* including the acquired entity in question;

(e) incurred in order to fully refinance the Bonds and provided further that such Financial Indebtedness is subject to an escrow arrangement up until the redemption of the Bonds (taking into account the rules and regulations of the CSD);

(f) incurred by the Issuer if such Financial Indebtedness is incurred as a result of issuance of Subsequent Bonds by the Issuer under the Terms and Conditions or any future corporate bonds issued by the Issuer and provided that financial covenants set forth in Clause 11.3.1 tested and met *pro forma* including such incurrence.

"**Profit Before Tax**" means, for the Relevant Period, the Group's consolidated profit before tax according to the latest consolidated Financial Report.

"**Property Value**" means the aggregate fair value of the properties (land and buildings) held by the Group according to the latest consolidated Financial Report, adjusted for any investments in and depreciations of the properties, respectively, during the period starting on the day falling immediately after the last day of the period covered by the latest consolidated Financial Report and ending on the relevant Record Date.

"**Quotation Day**" means, in relation to (i) an Interest Period for which an Interest Rate is to be determined, two (2) Business Days before the immediately preceding Interest Payment Date (or in respect of the first Interest Period, two (2) Business Days before the Issue Date), or (ii) any other period for which an interest rate is to be determined, two (2) Business Days before the first day of that period.

"**Record Date**" means the fifth (5th) Business Day prior to (i) an Interest Payment Date, (ii) a Redemption Date, (iii) a date on which a payment to the Holders is to be made under Clause 13 (*Distribution of proceeds*) or (iv) another relevant date, or in each case such other Business Day falling prior to a relevant date if generally applicable on the Estonian bond market.

"**Redemption Date**" means the date on which the relevant Bonds are to be redeemed or repurchased in accordance with Clause 10 (*Redemption and repurchase of the Bonds*).

"**Regulated Market**" means any regulated market (as defined in Directive 2014/65/EU on markets in financial instruments).

"**Relevant Period**" means each period of twelve (12) consecutive calendar months.

"**Securities Account**" means the account for dematerialised securities maintained by the CSD pursuant to the Securities Register Maintenance Act in which (i) an owner of such security is directly registered as a holder of the securities account or (ii) an owner's holding of securities is registered in the name of a nominee in a nominee account.

"**Securities Markets Act**" means the Estonian Securities Markets Act (in Estonian: *väärtpaberituruseadus*).

"**Securities Register Maintenance Act**" means the Estonian Securities Register Maintenance Act (in Estonian: v*äärtpaberite registri pidamise seadus*).

"**Sole Bookrunner**" means AB SEB bankas, registry code 112021238, Gedimino ave. 12, LT-01103 Vilnius, Lithuania.

"**Subsequent Bond**" means any Bond issued after the First Issue Date on one or more occasions.

"**Subsequent Bond Issue**" has the meaning set forth in Clause 2.5.

"**Subsidiary**" means, in relation to the Issuer, any legal entity, in respect of which the Issuer, directly or indirectly, (i) owns shares or ownership rights representing more than fifty (50.00) per cent. of the total number of votes held by the owners, (ii) otherwise controls more than fifty (50.00) per cent. of the total number of votes held by the owners, (iii) has the power to appoint and remove all, or the majority of, the members of the board of directors or other governing body or (iv) exercises control as determined in accordance with the Accounting Principles.

"**Total Assets**" means the aggregate book value of the Group's total assets on a consolidated basis according to the latest Financial Report.

"**Transaction Costs**" means all fees, costs and expenses incurred by the Issuer in connection with (i) the Initial Bond Issue or a Subsequent Bond Issue and (ii) the listing of the Bonds on Nasdaq Tallinn.

"**Written Procedure**" means the written or electronic procedure for decision making among the Holders in accordance with Clause 16 (*Written Procedure*).

1.2 **CONSTRUCTION**

1.2.1 Unless a contrary indication appears, any reference in these Terms and Conditions to:

(a) "assets" includes present and future properties, revenues and rights of every description;

(b) any agreement or instrument is a reference to that agreement or instrument as supplemented, amended, novated, extended, restated or replaced from time to time;

(c) a "regulation" includes any regulation, rule or official directive (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency or department;

(d) a provision of law is a reference to that provision as amended or re-enacted; and

(e) a time of day is a reference to Estonian local time (EET and EEST respectively).

1.2.2 An Event of Default is continuing if it has not been remedied or waived.

1.2.3 When ascertaining whether a limit or threshold specified in EUR has been attained or broken, an amount in another currency shall be counted on the basis of the rate of exchange for such currency against EUR for the previous Business Day, as published by the European Central Bank on its website (www.ecb.europa.eu). If no such rate is available, the most recently published rate shall be used instead.

1.2.4 A notice shall be deemed to be sent by way of press release if it is made available to the public within Estonia promptly and in a non-discriminatory manner.

1.2.5 No delay or omission of the Agent or of any Holder to exercise any right or remedy under these Terms and Conditions shall impair or operate as a waiver of any such right or remedy.

2. THE AMOUNT OF THE BONDS AND UNDERTAKING TO MAKE PAYMENTS

2.1 The aggregate amount of the bond loan will be an amount of up to EUR 50,000,000 which will be represented by Bonds, each of a nominal amount of EUR 1,000 or full multiples thereof (the "**Nominal Amount**"). The maximum nominal amount of the Initial Bonds is EUR 30,000,000 ("**Initial Bond Issue**").

2.2 All Initial Bonds are issued on a fully paid basis at an issue price of one hundred (100.00) per cent of the Nominal Amount.

2.3 The ISIN for the Bonds is EE3300111467.

2.4 The minimum permissible investment in connection with the Initial Bond Issue is EUR 100,000.

2.5 The Issuer may at one or more occasions after the First Issue Date issue Subsequent Bonds under these Terms and Conditions (each such issue, a "**Subsequent Bond Issue**"), until the total amount under such Subsequent Bond Issue(s) and the Initial Bond Issue equals EUR 50,000,000 always provided that:

(A) A Compliance Certificate duly signed by the Issuer is provided to the Agent confirming that (i) no Event of Default is continuing, or would result from the Subsequent Bond Issue and (ii) the financial covenants as set forth in Clause 11.3.1 are met, calculated *pro forma* including the Subsequent Bond Issue; and (iii) the financial covenants set forth in Clause 11.3.1 are met.

(B) Such other documents and information as is agreed between the Agent and the Issuer are provided to the Agent.

2.6 Any Subsequent Bonds shall be issued subject to these same Terms and Conditions. The price of Subsequent Bonds may be set at the Nominal Amount, at a discount or at a higher price than the Nominal Amount.

2.7 The Issuer undertakes to repay the Bonds, to pay Interest and to otherwise act in accordance and comply with these Terms and Conditions.

2.8 The Bonds are denominated in EUR and each Bond is constituted by these Terms and Conditions.

2.9 By subscribing for Bonds, each initial Holder agrees that the Bonds shall benefit from and be subject to these Terms and Conditions and by acquiring Bonds each subsequent Holder confirms these Terms and Conditions.

3. STATUS OF THE BONDS

3.1 The Bonds constitute direct, general, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank pari passu with all direct, general, unconditional, unsubordinated and unsecured obligations of the Issuer and without any preference among them, except as provided in Clause 3.2.

3.2 The Issuer hereby covenants and agrees that the satisfaction of the Group Companies claims under any credit agreement are expressly subordinated to the prior payment to the Holders in full and unconditionally of all Holders claims relating to the Bonds. The Issuer undertakes to ensure all claims arising from any credit agreements with Group Companies are subordinated to the claims of the Holders deriving from these Terms and Conditions.

4. USE OF PROCEEDS

The Net Proceeds from the Initial Bond Issue and any Subsequent Bond Issue shall be used towards refinancing existing loan obligations and general corporate purposes, including investment activities.

5. THE BONDS AND TRANSFERABILITY

5.1 Each Holder is bound by these Terms and Conditions without there being any further actions required to be taken or formalities to be complied with.

5.2 The Bonds are freely transferable. All Bond transfers are subject to these Terms and Conditions and these Terms and Conditions are automatically applicable in relation to all Bond transferees upon completed transfer.

5.3 Upon a transfer of Bonds, any rights and obligations under these Terms and Conditions relating to such Bonds are automatically transferred to the transferee.

5.4 No action is being taken in any jurisdiction that would or is intended to permit a public offering of the Bonds or the possession, circulation or distribution of any document or other material relating to the Issuer or the Bonds in any jurisdiction other than Estonia, where action for that purpose is required. Each Holder must inform itself about, and observe, any applicable restrictions to the transfer of material relating to the Issuer or the Bonds, (due to, *e.g.*, its nationality, its residency, its registered address or its place(s) of business). Each Holder must ensure compliance with such restrictions at its own cost and expense.

5.5 For the avoidance of doubt and notwithstanding the above, a Holder which allegedly has purchased Bonds in contradiction to mandatory restrictions applicable may nevertheless utilise its voting rights under these Terms and Conditions and shall be entitled to exercise its full rights as a Holder hereunder in each case until such allegations have been resolved.

6. BONDS IN BOOK-ENTRY FORM

6.1 The Bonds will be registered for the Holders on their respective Securities Accounts and no physical Bonds will be issued. Accordingly, the Bonds will be registered in accordance with the Securities Register Maintenance Act. Registration requests relating to the Bonds shall be directed to the Account Operator.

6.2 The Issuer (and the Agent when permitted under the CSD's applicable regulations) shall be entitled to obtain the list of the Holders from the Estonian register of securities kept by the CSD in respect of the Bonds. At the request of the Agent, the Issuer shall promptly obtain such information and provide it to the Agent.

6.3 For the purpose of or in connection with any Holders' Meeting or any Written Procedure, the Issuing Agent shall be entitled to obtain information from the Estonian register of securities kept by the CSD in respect of the Bonds. If the Agent does not otherwise obtain information from Estonian register of securities as contemplated under these Terms and Conditions, the Issuing Agent shall at the request of the Agent obtain information from the debt register and provide it to the Agent.

6.4 The Issuer shall issue any necessary power of attorney to such persons employed by the Agent, as notified by the Agent, in order for such individuals to independently obtain information directly from the Estonian register of securities kept by the CSD in respect of the Bonds. The Issuer may not revoke any such power of attorney unless directed by the Agent or unless consent thereto is given by the Holders.

6.5 At the request of the Agent, the Issuer shall promptly instruct the Issuing Agent to obtain information from the Estonian register of securities kept by the CSD in respect of the Bonds and provide it to the Agent.

6.6 The Issuer (and the Agent when permitted under the CSD's applicable regulations) may use the information referred to in Clause 6.2 only for the purposes of carrying out their duties and exercising their rights in accordance with these Terms and Conditions and shall not disclose such information to any Holder or third party unless necessary for such purposes.

7. RIGHT TO ACT ON BEHALF OF A HOLDER

7.1 If any Person other than a Holder wishes to exercise any rights under these Terms and Conditions, it must obtain a power of attorney (or, if applicable, a coherent chain of powers of attorney), a certificate from the authorised nominee or other sufficient proof of authorisation for such Person.

7.2 A Holder may issue one or several powers of attorney to third parties to represent it in relation to some or all of the Bonds held by it. Any such representative may act independently under these Terms and Conditions in relation to the Bonds for which such representative is entitled to represent the Holder.

7.3 The Agent shall only have to examine the face of a power of attorney or other proof of authorisation that has been provided to it pursuant to Clauses 7.1 and 7.2 and may assume that it has been duly authorised, is valid, has not been revoked or superseded and that it is in full force and effect, unless otherwise is apparent from its face.

8. PAYMENTS IN RESPECT OF THE BONDS

8.1 Any payment or repayment under these Terms and Conditions, or any amount due in respect of a repurchase of any Bonds, shall be made to such Person who is registered as a Holder on the Record Date prior to the relevant payment date, or to such other Person who is registered with the CSD on such date as being entitled to receive the relevant payment, repayment or repurchase amount.

8.2 If a Holder has registered, through an Account Operator, that principal, Interest and any other payment that shall be made under these Terms and Conditions shall be deposited in a certain bank account; such deposits will be effectuated by the CSD on the relevant payment date. In other cases, payments will be transferred by the CSD to the Holder (directly or through its securities account manager) registered with the CSD on the Record Date. Should the CSD, due to a delay on behalf of the Issuer or some other obstacle, not be able to effectuate payments as aforesaid, the Issuer shall procure that such amounts are paid to the Persons who are registered as Holders on the relevant Record Date as soon as possible after such obstacle has been removed.

8.3 If, due to any obstacle for the CSD, the Issuer cannot make a payment or repayment, such payment or repayment may be postponed until the obstacle has been removed. Interest shall accrue in accordance with Clause 9.3 during such postponement.

8.4 If payment or repayment is made in accordance with this Clause 8, the Issuer and the CSD shall be deemed to have fulfilled their obligation to pay, irrespective of whether such payment was made to a Person not entitled to receive such amount, unless the Issuer or the CSD (as applicable) was aware of that the payment was being made to a Person not entitled to receive such amount.

8.5 The Issuer shall pay any registration fee and other public fees accruing in connection with the Initial Bond Issue or a Subsequent Bond Issue, but not in respect of trading in the secondary market (except to the extent required by applicable law), and shall deduct at source any applicable withholding tax payable pursuant to law. The Issuer shall not be liable to reimburse any registration fee or public fee or to gross-up any payments under these Terms and Conditions by virtue of any withholding tax.

9. INTEREST

9.1 The Bonds will bear Interest at the Interest Rate applied to the Nominal Amount from, but excluding, the Issue Date up to and including the relevant Redemption Date. Any Subsequent Bond will, however, carry Interest at the Interest Rate from, but excluding, the Interest Payment Date falling immediately prior to its issuance up to and including the relevant Redemption Date.

9.2 Interest accrues during an Interest Period. Payment of Interest in respect of the Bonds shall be made quarterly in arrears to the Holders on each Interest Payment Date for the preceding Interest Period.

9.3 Interest shall be calculated on the basis of a 360-day year comprised of twelve months of 30 days each (30/360-days basis) and, in case of an incomplete month, the actual number of days elapsed.

9.4 If the Issuer fails to pay any amount payable by it under these Terms and Conditions on its due date, default interest shall accrue on the overdue amount from, but excluding, the due date up to and including the date of actual payment at a rate which is 200 basis points higher than the Interest Rate. Accrued default interest shall not be capitalised. No default interest shall accrue where the failure to pay was solely attributable to the Agent or the CSD, in which case the Interest Rate shall apply instead.

10. REDEMPTION AND REPURCHASE OF THE BONDS

10.1 REDEMPTION AT MATURITY

The Issuer shall redeem all, but not only some, of the Bonds in full on the Final Redemption Date (or, to the extent such day is not a Business Day and if permitted under the CSD's applicable regulations, on the Business Day following from an application of the Business Day Convention, and otherwise on the first following Business Day) with an amount per Bond equal to the Nominal Amount together with accrued but unpaid Interest.

10.2 THE GROUP COMPANIES' PURCHASE OF BONDS

Each Group Company may, subject to applicable law, at any time and at any price purchase Bonds. Bonds held by a Group Company may at such Group Company's discretion be retained or sold, but not cancelled, except in connection with a full redemption of the Bonds or if repurchased in connection with De-Listing Event or Listing Failure in accordance with Clause 10.4.

10.3 **EARLY VOLUNTARY REDEMPTION BY THE ISSUER (CALL OPTION)**

10.3.1 The Issuer may redeem all, but not only some, of the Bonds in full:

(a) on any Business Day falling on or after the date falling two (2) years before the Final Redemption Date, at a price equal to one hundred and two (102.00) per cent. of the Nominal Amount together with accrued but unpaid Interest; or

(b) on any Business Day falling on or after the date falling one (1) year before the Final Redemption Date, at a price equal to one hundred and one (101.00) per cent. of the Nominal Amount together with accrued but unpaid Interest.

(c) on any Business Day falling on or after the date falling six (6) months before the Final Redemption Date, at a price equal to one hundred (100.00) per cent. of the Nominal Amount together with accrued but unpaid Interest.

10.3.2 Redemption in accordance with Clause 10.3.1 shall be made by the Issuer giving not less than fifteen (15) Business Days' notice to the Holders and the Agent. Any such notice shall state the Redemption Date and the relevant Record Date and is irrevocable but may, at the Issuer's discretion, contain one or more conditions precedent. Upon expiry of such notice and the fulfilment of the conditions precedent (if any), the Issuer is bound to redeem the Bonds in full at the applicable amounts.

10.4 **MANDATORY REPURCHASE DUE TO A DE-LISTING EVENT OR LISTING FAILURE (PUT OPTION)**

10.4.1 Upon a De-listing Event or a Listing Failure occurring, each Holder shall have the right to request that all or only some of its Bonds are repurchased (whereby the Issuer shall have the obligation to repurchase such Bonds) at a price per Bond equal to one hundred and one (101.00) per cent. of the Nominal Amount together with accrued but unpaid Interest during a period of thirty (30) calendar days following receipt of a notice from the Issuer of the relevant event pursuant to Clause 11.8.1 (e). The thirty (30) calendar days' period may not start earlier than upon the occurrence of the De-listing Event or Listing Failure.

10.4.2 The notice from the Issuer pursuant to Clause 11.8.1 (e) shall specify the repurchase date and include instructions about the actions that a Holder needs to take if it wants Bonds held by it to be repurchased. If a Holder has so requested, and acted in accordance with the instructions in the notice from the Issuer, the Issuer, or a Person designated by the Issuer, shall repurchase the relevant Bonds and the repurchase amount shall fall due on the repurchase date specified in the notice given by the Issuer pursuant to Clause 11.8.1 (e). The repurchase date must fall no later than twenty (20) Business Days after the end of the period referred to in Clause 10.4.1.

10.4.3 The Issuer shall comply with the requirements of any applicable securities laws or regulations in connection with the repurchase of Bonds. To the extent that the provisions of such laws and regulations conflict with the provisions in this Clause 10.4, the Issuer shall comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Clause 10.4 by virtue of the conflict.

10.4.4 Any Bonds repurchased by the Issuer pursuant to this Clause 10.4 may at the Issuer's discretion be disposed of in accordance with Clause 10.2 (*The Group Companies' purchase of Bonds*).

10.4.5 The Issuer shall not be required to repurchase any Bonds pursuant to this Clause 10.4, if a third party in connection with the occurrence of a De-listing Event or Listing Failure, as applicable, offers to purchase the Bonds in the manner and on the terms set out in this Clause 10.4 (or on terms more favourable to the Holders) and purchases all Bonds validly tendered in accordance with such offer. If the Bonds tendered are not purchased within the time limits stipulated in this Clause 10.4, the Issuer shall repurchase any such Bonds within five (5) Business Days after the expiry of the time limit.

11. SPECIAL UNDERTAKINGS

So long as any Bond remains outstanding, the Issuer undertakes to comply with the special undertakings set forth in this Clause 11.

11.1 **LISTING OF BONDS**

The Issuer shall ensure:

(A) that the Bonds issued under the Initial Bond Issue are listed on the Baltic Bond List of Nasdaq Tallinn or, if such admission to trading is not possible to obtain or maintain, admitted to trading on another Regulated Market within six (6) months after the First Issue Date;

(B) that the Bonds, once admitted to trading on the relevant Regulated Market, continue being listed thereon (however, taking into account the rules and regulations of the relevant Regulated Market and the CSD (as amended from time to time) preventing trading in the Bonds in close connection to the redemption of the Bonds); and

(C) that, upon any Subsequent Bond Issue, the volume of Bonds listed on the relevant Regulated Market promptly, and not later than thirty (30) Business Days after the relevant Issue Date, is increased accordingly.

11.2 **NATURE OF BUSINESS**

The Issuer shall procure that no substantial change is made to the general nature of the business as carried out by the Group on the First Issue Date.

11.3 **Financial covenants**

11.3.1 The Issuer shall, during as long as any Bond is outstanding ensure compliance with the following financial covenants:

(a) the Equity Ratio of the Group is thirty five (35) per cent. or greater; and

(b) the Debt Service Coverage Ratio of the Group is one point twenty (1.20) or greater.

11.3.2 The financial covenants set forth in Clause 11.3.1 shall be tested as at the end of each quarter and published in the quarterly Financial Reports of the Group.

11.3.3 The Issuer may in its sole discretion choose to calculate the financial covenants in Clause 11.3.1 in accordance with the Accounting Principles as applicable on the Issue Date, or the Accounting Principles as otherwise adopted or amended from time to time.

11.4 **PROPERTY VALUATIONS**

11.4.1 The Issuer shall, at least once a year, procure that an external valuation report regarding the fair value of all of the properties (land and buildings) held by the Group is prepared by a reputable independent property advisor, such as Newsec Valuations, Colliers International Advisors, Oberhaus or any other reputable and licenced independent property advisor.

11.4.2 The Issuer shall further procure that the results of such valuation report as described in Clause 11.4.1, or (if available) any subsequent comparable valuation report(s) replacing such valuation report(s), are reflected in good faith and in accordance with the Group's valuation policy in the following Financial Report(s).

11.5 **MAINTENANCE OF PROPERTIES**

The Issuer shall, and shall procure that each Group Company will, keep the properties held by the Group in a good state of repair and maintenance subject to normal wear and tear and in accordance with normal market practice, and in such repair and condition as will enable the Issuer and each Group Company owning properties to comply in all material respects with the obligations under relevant rental agreements and in accordance with all applicable laws and regulations.

11.6 **DISPOSALS OF ASSETS**

The Issuer shall not, and shall procure that none of the Subsidiaries, sell or otherwise dispose of shares in any Group Company or of all or substantially all of its or any Group Company's assets or operations to any Person not being the Issuer or any of the wholly-owned Subsidiaries, unless the transaction (taken as a whole also taking into account any transaction ancillary or related thereto) is carried out at a price, which cannot be more than 5% lower than the fair market value based on the valuation reports set forth in Clause 11.4.1 and on terms and conditions customary for such transaction and provided that the Issuer complies with the financial covenants as set in Clause 11.3 also after the intended disposal. The Issuer shall notify the Agent of any such transaction and provide the Agent with a confirmation regarding compliance with the financial covenants and copies of the relevant valuation reports. In case a Group Company wishes to dispose any of the substantial assets at a price more than 5% below fair market value a consent in the form of a decision by the Holders is required.

11.7 **Compliance with laws**

The Issuer shall, and shall procure that the other Group Companies:

(A) comply in all material respects with all laws and regulations applicable from time to time, including but not limited to the rules and regulations of Nasdaq Tallinn or any other Regulated Market on which the Issuer's securities from time to time are listed; and

(B) obtain, maintain, and in all material respects comply with, the terms and conditions of any authorisation, approval, licence or other permit required for the business carried out by a Group Company.

11.8 **FINANCIAL REPORTING**

11.8.1 The Issuer shall:

(a) prepare and make available the annual audited consolidated financial statements of the Group and the annual audited unconsolidated financial statements of the Issuer, including a profit and loss account, a balance sheet, a cash flow statement and management review, to the Agent and on its website not later than four (4) months after the expiry of each financial year;

(b) prepare and make available the quarterly interim unaudited consolidated reports of the Group and the quarterly interim unaudited unconsolidated reports of the Issuer, including a profit and loss account, a balance sheet, a cash flow statement and management review, to the Agent and on its website not later than two (2) months after the expiry of each relevant interim period;

(c) issue a Compliance Certificate to the Agent (i) when a Financial Report is made available, (ii) in connection with any other Subsequent Bond Issue, which requires that the financial covenants set forth in Clause 11.3.1 are tested and met, and (iii) at the Agent's reasonable request, within twenty (20) calendar days from such request;

(d) keep the latest version of these Terms and Conditions (including documents amending these Terms and Conditions) available on its website;

(e) promptly notify the Agent (and, as regards a De-listing Event or a Listing Failure, the Holders) upon becoming aware of the occurrence of a De-listing Event, a Listing Failure or an Event of Default, and shall provide the Agent with such further information as the Agent may request (acting reasonably) following receipt of such notice (including, for the avoidance of doubt, calculations, figures and supporting documents in respect of the financial covenants as set forth in Clause 11.3.1);

(f) prepare the Financial Reports in accordance with the Accounting Principles and make them available in accordance with the rules and regulations of Nasdaq Tallinn (or any other Regulated Market, as applicable) (as amended from time to time) and the Estonian Investment Funds Act (in Estonian: *investeerimisfondide seadus*) (as amended from time to time); and

(g) provide any other information to the Agent required by the rules and regulations of Nasdaq Tallinn.

11.8.2 The Issuer shall notify the Agent of any transaction referred to in Clause 11.6 (*Disposals of assets*) and shall, upon request by the Agent, provide the Agent with (i) any information relating to the transaction which the Agent deems necessary (acting reasonably), and (ii) a determination from the Issuer which states whether the transaction is carried out on an arm's length basis and on terms and conditions customary for such transaction or not and whether it has a

Material Adverse Effect or not. The Agent may assume that any information provided by the Issuer is correct, and the Agent shall not be responsible or liable for the adequacy, accuracy or completeness of such information. The Agent is not responsible for assessing if the transaction is carried out on an arm's length basis and on terms and conditions customary for such transaction and whether it has a Material Adverse Effect, but is not bound by the Issuer's determination under item (ii) above.

11.9 **NEGATIVE PLEDGE**

The Issuer shall not, as long as the Bonds are not redeemed in full, create or permit to subsist any security over all or part the present or future assets of the Group as security for any debt, unless the security is created in the course of Permitted Debt and the financial covenants set forth in Clause 11.3.1 are met.

11.10 **AGENT AGREEMENT**

11.10.1 The Issuer shall, in accordance with the Agent Agreement:

(a) pay fees to the Agent;

(b) indemnify the Agent for costs, losses and liabilities;

(c) furnish to the Agent all information reasonably requested by or otherwise required to be delivered to the Agent; and

(d) not act in a way which would give the Agent a legal or contractual right to terminate the Agent Agreement.

11.10.2 The Issuer and the Agent shall not agree to amend any provisions of the Agent Agreement without the prior consent of the Holders if the amendment would be detrimental to the interests of the Holders.

11.11 **CSD RELATED UNDERTAKINGS**

The Issuer shall keep the Bonds affiliated with a CSD and comply with all CSD regulations applicable to the Issuer from time to time.

11.12 **GENERAL WARRANTIES AND UNDERTAKINGS**

The Issuer warrants to the Holders and the Agent at the date of these Terms and Conditions and for as long as any of the Bonds are outstanding that:

(a) The Issuer is a duly registered public closed-ended contractual real estate investment fund operating in compliance with the laws of Estonia;

(b) All the Issuer´s obligations assumed under the Terms and Conditions are valid and legally binding to the Issuer and performance of these obligations is not contrary to law or the fund rules of the Issuer;

(c) The Issuer has all the rights and sufficient authorizations to and the Issuer has performed all the formalities required for issuing the Bonds;

(d) All information that is provided by the Issuer to the Agent or the Holders is true, accurate, complete and correct as of the date of presenting the respective information and is not misleading in any respect;

(e) The Issuer is solvent, able to pay its debts as they fall due, there are no liquidation or insolvency proceedings pending or initiated against the Issuer;

(f) There are no legal or arbitration proceedings pending or initiated against the Issuer which may have, or have had significant effects on the Issuer´s or Group´s financial position or profitability;

(g) There are no criminal or misdemeanour proceedings pending or initiated against the Issuer.

12. Termination OF THE BONDS

12.1 The Agent is entitled to, and shall following a demand in writing from a Holder (or Holders) representing at least twenty five (25.00) per cent. of the Adjusted Nominal Amount (such demand may only be validly made by a person who is a

Holder on the second Business Day following the day on which the demand is received by the Agent and shall, if made by several Holders, be made by them jointly) or following an instruction or decision pursuant to Clause 12.6 or 12.7, on behalf of the Holders, terminate the Bonds and to declare all, but not only some, of the Bonds due for payment immediately or at such later date as the Agent determines (such later date not falling later than twenty (20) Business Days from the date on which the Agent made such declaration), if:

(a) **Non-payment**: The Issuer fails to pay an amount on the date it is due in accordance with these Terms and Conditions unless its failure to pay is due to technical or administrative error and is remedied within five (5) Business Days of the due date;

(b) **Other obligations**: The Issuer does not comply with these Terms and Conditions in any other way than as set out under item (a) above, excluding with financial covenants as set out under item (c) below, unless the non-compliance is (i) capable of being remedied and (ii) remedied within thirty (30) calendar days of the earlier of the Agent giving notice and the Issuer becoming aware of the non-compliance (if the failure or violation is not capable of being remedied, the Agent may declare the Bonds payable without such prior written request);

(c) **Financial covenants:** The Issuer does not comply with the financial covenants as set forth in Clause 11.3.1 unless the non-compliance is (i) capable of being remedied and (ii) remedied within forty five (45 calendar days of the earlier of the Agent giving notice and the Issuer becoming aware of the non-compliance;

(d) **Cross- Default**:

(i) Any Financial Indebtedness of any Material Group Company is not paid when due nor within any originally applicable grace period or is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default howsoever described under any document relating to Financial Indebtedness of any Material Group Company; or

(ii) any security interest securing Financial Indebtedness over any asset of any Material Group Company is enforced,

provided however that the amount of Financial Indebtedness referred to under item (i) and/or (ii) above, individually or in the aggregate exceeds an amount corresponding to EUR 500,000 and provided that it does not apply to any Financial Indebtedness owed to a Group Company;

(e) **Insolvency**:

Any Material Group Company is unable or admits inability to pay its debts as they fall due or is declared to be unable to pay its debts under applicable law, suspends making payments on its debts generally or, by reason of actual or anticipated financial difficulties, commences negotiations with its creditors (other than under these Terms and Conditions) with a view to rescheduling its Financial Indebtedness.

(f) **Insolvency proceedings**: Any corporate action, legal proceedings or other procedures are taken (other than (i) proceedings or petitions which are being disputed in good faith and are discharged, stayed or dismissed within thirty (30) calendar days of commencement or, if earlier, the date on which it is advertised and (ii), in relation to the Subsidiaries, voluntary liquidations) in relation to:

(i) winding-up, dissolution, administration or reorganisation (in Estonian: *saneerimine*) (by way of voluntary agreement, scheme of arrangement or otherwise) of any Material Group Company;

(ii) the appointment of a liquidator, receiver, administrator, administrative receiver or other similar officer in respect of any Material Group Company or any of its assets; or

(iii) any analogous procedure or step is taken in any jurisdiction in respect of any Material Group Company;

(g) **Mergers and demergers**:

(i) A decision is made that any Material Group Company (other than the Issuer) shall be merged or demerged into a company which is not a Group Company, unless the Agent has given its consent (not to be unreasonably withheld or delayed) in writing prior to the merger and/or demerger (where consent is not to be understood as a waiver of the rights that applicable law at the time assigns the concerned creditors); or

(ii) the Issuer merges with any other Person or is subject to a demerger, with the effect that the Issuer is not the surviving entity;

(h) **Creditors' process**: Any expropriation, attachment, sequestration, distress or execution or any analogous process in any jurisdiction affects any asset or assets of any Material Group Company having an aggregate value equal to or exceeding EUR 200,000 and is not discharged within thirty (30) calendar days;

(i) **Impossibility or illegality**: It is or becomes impossible or unlawful for the Issuer to fulfil or perform any of the provisions of these Terms and Conditions or if the obligations under these Terms and Conditions are not, or cease to be, legal, valid, binding and enforceable; or

(j) **Continuation of the business**: The Issuer or any other Material Group Company ceases to carry on its business, except if due to (i) a permitted merger or demerger as stipulated in paragraph (g) (*Mergers and demergers*) above, or (ii) a permitted disposal as stipulated in Clause 11.6 (*Disposals of assets*).

(k) **Misrepresentation**: any representation or statement made or deemed to be made by the Issuer is or proves to have been materially incorrect or misleading when made or deemed to be made.

12.2 The Agent may not terminate the Bonds in accordance with Clause 12.1 by reference to a specific Event of Default if it is no longer continuing or if it has been decided, in accordance with these Terms and Conditions, to waive such Event of Default (temporarily or permanently).

12.3 If the right to terminate the Bonds is based upon a decision of a court of law or a government authority, it is not necessary that the decision has become enforceable under law or that the period of appeal has expired in order for cause of termination to be deemed to exist.

12.4 The Issuer is obliged to inform the Agent immediately if any circumstance of the type specified in Clause 12.1 should occur. Should the Agent not receive such information, the Agent is entitled to assume that no such circumstance exists or can be expected to occur, provided that the agent does not have knowledge of such circumstance. The Agent is under no obligations to make any investigations relating to the circumstances specified in Clause 12.1. The Issuer shall further, at the request of the Agent, provide the Agent with details of any circumstances referred to in Clause 12.1 and provide the agent with all documents that may be of significance for the application of this Clause 12.

12.5 The Issuer is only obliged to inform the Agent according to Clause 12.4 if informing the Agent would not conflict with any statute or the Issuer's registration contract with Nasdaq Tallinn (or any other Regulated Market, as applicable). If such a conflict would exist pursuant to the listing contract with Nasdaq Tallinn (or any other Regulated Market, as applicable) or otherwise, the Issuer shall however be obliged to either seek the approval from Nasdaq Tallinn (or any other Regulated Market, as applicable) or undertake other reasonable measures, including entering into a non-disclosure agreement with the Agent, in order to be able to timely inform the Agent according to Clause 12.4.

12.6 If the Agent has been notified by the Issuer or has otherwise determined that there is a default under these Terms and Conditions according to Clause 12.1, the Agent shall (i) notify, within five (5) Business Days of the day of notification or determination, the Holders of the default and (ii) decide, within twenty (20) Business Days of the day of notification or determination, if the Bonds shall be declared terminated. If the Agent has decided not to terminate the Bonds, the Agent shall, at the earliest possible date, notify the Holders that there exists a right of termination and obtain instructions from the Holders according to the provisions in Clause 14 (*Decisions by Holders*). If the Holders vote in favour of termination and instruct the Agent to terminate the Bonds, the Agent shall promptly declare the Bonds terminated. However, if the cause for termination according to the Agent's appraisal has ceased before the termination, the Agent shall not terminate the Bonds. The Agent shall in such case, at the earliest possible date, notify the Holders that the cause for termination has ceased. The Agent shall always be entitled to take the time necessary to consider whether an occurred event constitutes an Event of Default.

12.7 If the Holders, without any prior initiative to decision from the Agent or the Issuer, have made a decision regarding termination in accordance with Clause 14 (*Decisions by Holders*), the Agent shall promptly declare the Bonds terminated. The Agent is however not liable to take action if the Agent considers cause for termination not to be at hand, unless the instructing Holders agree in writing to indemnify and hold the Agent harmless from any loss or liability and, if requested by the Agent in its discretion, grant sufficient security for such indemnity.

12.8 If the Bonds are declared due and payable in accordance with the provisions in this Clause 12, the Agent shall take every reasonable measure necessary to recover the amounts outstanding under the Bonds.

12.9 For the avoidance of doubt, the Bonds cannot be terminated and become due for payment prematurely according to this Clause 12 without relevant decision by the Agent or following instructions from the Holders' pursuant to Clause 14 (*Decisions by Holders*).

12.10 If the Bonds are declared due and payable in accordance with this Clause 12, the Issuer shall redeem all Bonds with an amount per Bond equal to one hundred and one (101.00) per cent. of the Nominal Amount together with accrued but unpaid Interest.

13. DISTRIBUTION OF PROCEEDS

13.1 If the Bonds have been declared due and payable in accordance with Clause 12 (*Termination of the Bonds*), all payments by the Issuer relating to the Bonds shall be distributed in the following order of priority, in accordance with the instructions of the Agent:

(a) *first*, in or towards payment *pro rata* of (i) all unpaid fees, costs, expenses and indemnities payable by the Issuer to the Agent, (ii) other costs, expenses and indemnities relating to the termination of the Bonds or the protection of the Holders' rights, (iii) any non-reimbursed costs incurred by the Agent for external experts, and (iv) any non-reimbursed costs and expenses incurred by the Agent in relation to a Holders' Meeting or a Written Procedure;

(b) *secondly*, in or towards payment *pro rata* of accrued but unpaid Interest under the Bonds (Interest due on an earlier Interest Payment Date to be paid before any Interest due on a later Interest Payment Date);

(c) *thirdly*, in or towards payment *pro rata* of any unpaid principal under the Bonds; and

(d) *fourthly*, in or towards payment *pro rata* of any other costs or outstanding amounts unpaid under these Terms and Conditions.

Any excess funds after the application of proceeds in accordance with items (a) to (d) above shall be paid to the Issuer. The application of proceeds in accordance with items (a) to (d) above shall, however, not restrict a Holders' Meeting or a Written Procedure from resolving that accrued Interest (whether overdue or not) shall be reduced without a corresponding reduction of principal.

13.2 If a Holder or another party has paid any fees, costs, expenses or indemnities referred to in Clause 13.1, such Holder or other party shall be entitled to reimbursement by way of a corresponding distribution in accordance with Clause 13.1.

13.3 Funds that the Agent receives (directly or indirectly) in connection with the termination of the Bonds constitute escrow funds and must be held on a separate interest-bearing account on behalf of the Holders and the other interested parties. The Agent shall arrange for payments of such funds in accordance with this Clause 13 as soon as reasonably practicable.

13.4 If the Issuer or the Agent shall make any payment under this Clause 13, the Issuer or the Agent, as applicable, shall notify the Holders of any such payment at least fifteen (15) Business Days before the payment is made. Such notice shall specify the Record Date, the payment date and the amount to be paid. Notwithstanding the foregoing, for any Interest due but unpaid the Record Date specified in Clause 8.1 shall apply.

14. DECISIONS BY HOLDERS

14.1 A request by the Agent for a decision by the Holders on a matter relating to these Terms and Conditions shall (at the option of the Agent) be dealt with at a Holders' Meeting or by way of a Written Procedure.

14.2 Any request from the Issuer or a Holder (or Holders) representing at least ten (10.00) per cent. of the Adjusted Nominal Amount (such request may only be validly made by a Person who is a Holder on the Business Day immediately following the day on which the request is received by the Agent and shall, if made by several Holders, be made by them jointly) for a decision by the Holders on a matter relating to these Terms and Conditions shall be directed to the Agent and dealt with at a Holders' Meeting or by way of a Written Procedure, as determined by the Agent. The Person requesting the decision may suggest the form for decision making, but if it is in the Agent's opinion more appropriate that a matter is dealt with at a Holders' Meeting than by way of a Written Procedure, it shall be dealt with at a Holders' Meeting.

14.3 The Agent may refrain from convening a Holders' Meeting or instigating a Written Procedure if (i) the suggested decision must be approved by any Person in addition to the Holders and such Person has informed the Agent that an approval will not be given, or (ii) the suggested decision is not in accordance with applicable laws.

14.4 Only a Person who is, or who has been provided with a power of attorney or other proof of authorisation pursuant to Clause 7 (*Right to act on behalf of a Holder*) from a Person who is, registered as a Holder:

(a) on the Record Date prior to the date of the Holders' Meeting, in respect of a Holders' Meeting, or

(b) on the Business Day specified in the communication pursuant to Clause 16.3, in respect of a Written Procedure,

may exercise voting rights as a Holder at such Holders' Meeting or in such Written Procedure, provided that the relevant Bonds are included in the definition of Adjusted Nominal Amount.

14.5 The following matters shall require consent of Holders representing more than 2/3 of the Adjusted Nominal Amount for which Holders are voting at a Holders' Meeting or for which Holders reply in a Written Procedure in accordance with the instructions given pursuant to Clause 16.3:

(a) waive a breach of or amend an undertaking set out in Clause 11 (*Special undertakings*);

(b) a mandatory exchange of Bonds for other securities;

(c) reduce the principal amount, Interest Rate or Interest which shall be paid by the Issuer;

(d) amend any payment day for principal or Interest or waive any breach of a payment undertaking; or

(e) amend the provisions in this Clause 14.5.

14.6 Any matter not covered by Clause 14.5 shall require the consent of Holders representing more than fifty (50.00) per cent. of the Adjusted Nominal Amount for which Holders are voting at a Holders' Meeting or for which Holders reply in a Written Procedure in accordance with the instructions given pursuant to Clause 16.3. This includes, but is not limited to, any amendment to or waiver of these Terms and Conditions that does not require a higher majority (other than an amendment or waiver permitted pursuant to Clause 17.1 (a), (b) or (c)) or a termination of the Bonds.

14.7 Quorum at a Holders' Meeting or in respect of a Written Procedure only exists if a Holder (or Holders) representing at least twenty (20.00) per cent., or, if the matter to be resolved on includes any of the matters mentioned in Clause 14.5, fifty (50.00) per cent., of the Adjusted Nominal Amount:

(a) if at a Holders' Meeting, attend the meeting in person or by telephone conference (or appear through duly authorised representatives); or

(b) if in respect of a Written Procedure, reply to the request.

14.8 If a quorum does not exist at a Holders' Meeting or in respect of a Written Procedure, the Agent or the Issuer shall convene a second Holders' Meeting (in accordance with Clause 15.1) or initiate a second Written Procedure (in accordance with Clause 16.1), as the case may be, provided that the relevant proposal has not been withdrawn by the Person(s) who initiated the procedure for Holders' consent. The quorum requirement in Clause 14.7 shall not apply to such second Holders' Meeting or Written Procedure.

14.9 Any decision which extends or increases the obligations of the Issuer or the Agent, or limits, reduces or extinguishes the rights or benefits of the Issuer or the Agent, under these Terms and Conditions shall be subject to the Issuer's or the Agent's consent, as appropriate.

14.10 A Holder holding more than one Bond need not use all its votes or cast all the votes to which it is entitled in the same way and may in its discretion use or cast some of its votes only.

14.11 The Issuer may not, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Holder for or as inducement to any consent under these Terms and Conditions, unless such consideration is offered to all Holders that consent at the relevant Holders’ Meeting or in a Written Procedure within the time period stipulated for the consideration to be payable or the time period for replies in the Written Procedure, as the case may be.

14.12 A matter decided at a duly convened and held Holders’ Meeting or by way of Written Procedure is binding on all Holders, irrespective of them being present or represented at the Holders’ Meeting or responding in the Written Procedure. The Holders that have not adopted or voted for a decision shall not be liable for any damages that this may cause other Holders.

14.13 All costs and expenses incurred by the Issuer or the Agent for the purpose of convening a Holders’ Meeting or for the purpose of carrying out a Written Procedure, including reasonable fees to the Agent, shall be paid by the Issuer.

14.14 If a decision shall be taken by the Holders on a matter relating to these Terms and Conditions, the Issuer shall promptly at the request of the Agent provide the Agent with a certificate specifying the number of Bonds owned by Group Companies or (to the knowledge of the Issuer) their Affiliates, irrespective of whether such Person is directly registered as owner of such Bonds. The Agent shall not be responsible for the accuracy of such certificate or otherwise be responsible to determine whether a Bond is owned by a Group Company or an Affiliate of a Group Company.

14.15 Information about decisions taken at a Holders’ Meeting or by way of a Written Procedure shall promptly be sent by notice to the Holders and published on the websites of the Issuer and the Agent, provided that a failure to do so shall not invalidate any decision made or voting result achieved. The minutes from the relevant Holders’ Meeting or Written Procedure shall at the request of a Holder be sent to it by the Issuer or the Agent, as applicable.

15. HOLDERS’ MEETING

15.1 The Agent shall convene a Holders’ Meeting by sending a notice thereof to each Holder no later than five (5) Business Days after receipt of a request from the Issuer or the Holder(s) (or such later date as may be necessary for technical or administrative reasons). If the Holders’ Meeting has been requested by the Holder(s), the Agent shall send a copy of the notice to the Issuer.

15.2 Should the Issuer want to replace the Agent, it may convene a Holders’ Meeting in accordance with Clause 15.1 with a copy to the Agent. After a request from the Holders pursuant to Clause 18.4.3, the Issuer shall no later than five (5) Business Days after receipt of such request (or such later date as may be necessary for technical or administrative reasons) convene a Holders’ Meeting in accordance with Clause 15.1.

15.3 The notice pursuant to Clause 15.1 shall include (i) time for the meeting, (ii) place for the meeting, (iii) agenda for the meeting (including each request for a decision by the Holders) and (iv) a form of power of attorney. Only matters that have been included in the notice may be resolved upon at the Holders’ Meeting. Should prior notification by the Holders be required in order to attend the Holders’ Meeting, such requirement shall be included in the notice.

15.4 The Holders’ Meeting shall be held no earlier than ten (10) Business Days and no later than twenty (20) Business Days from the notice.

15.5 If the Agent, in breach of these Terms and Conditions, has not convened a Holders’ Meeting within five (5) Business Days after having received such notice, the requesting Person may convene the Holders’ Meeting itself. If the requesting Person is a Holder, the Issuer shall upon request from such Holder provide the Holder with necessary information from the register kept by the CSD and, if no Person to open the Holders’ Meeting has been appointed by the Agent, the meeting shall be opened by a Person appointed by the requesting Person.

15.6 At a Holders’ Meeting, the Issuer, the Holders (or the Holders’ representatives/proxies) and the Agent may attend along with each of their representatives, counsels and assistants. Further, the directors of the board, the managing director and other officials of the Issuer and the Issuer’s auditors may attend the Holders’ Meeting. The Holders’ Meeting may decide that further individuals may attend. If a representative/proxy shall attend the Holders’ Meeting instead of the Holder, the representative/proxy shall present a duly executed proxy or other document establishing its authority to represent the Holder.

15.7 Without amending or varying these Terms and Conditions, the Agent may prescribe such further regulations regarding the convening and holding of a Holders' Meeting as the Agent may deem appropriate. Such regulations may include e.g. a possibility for Holders to vote without attending the meeting in person, holding the Holders´ Meeting in the form of a video conference etc.

16. WRITTEN PROCEDURE

16.1 The Agent shall instigate a Written Procedure no later than five (5) Business Days after receipt of a request from the Issuer or the Holder(s) (or such later date as may be necessary for technical or administrative reasons) by sending a communication to each such Person who is registered as a Holder on the Business Day prior to the date on which the communication is sent. If the Written Procedure has been requested by the Holder(s), the Agent shall send a copy of the communication to the Issuer.

16.2 Should the Issuer want to replace the Agent, it may send a communication in accordance with Clause 16.1 to each Holder with a copy to the Agent.

16.3 A communication pursuant to Clause 16.1 shall include (i) each request for a decision by the Holders, (ii) a description of the reasons for each request, (iii) a specification of the Business Day on which a Person must be registered as a Holder in order to be entitled to exercise voting rights (such Business Day not to fall earlier than the effective date of the communication pursuant to Clause 16.1), (iv) instructions and directions on where to receive a form for replying to the request (such form to include an option to vote yes or no for each request) as well as a form of power of attorney, and (v) the stipulated time period within which the Holder must reply to the request (such time period to last at least ten (10) Business Days but not more than twenty (20) Business Days from the communication pursuant to Clause 16.1). If the voting shall be made electronically, instructions for such voting shall be included in the communication.

16.4 If the Agent, in breach of these Terms and Conditions, has not instigated a Written Procedure within five (5) Business Days after having received such notice, the requesting Person may instigate a Written Procedure itself. If the requesting Person is a Holder, the Issuer shall upon request from such Holder provide the Holder with necessary information from the register kept by the CSD.

16.5 When the requisite majority consents of the total Adjusted Nominal Amount pursuant to Clauses 14.5 and 14.6 have been received in a Written Procedure, the relevant decision shall be deemed to be adopted pursuant to Clause 14.5 or 14.6, as the case may be, even if the time period for replies in the Written Procedure has not yet expired.

17. AMENDMENTS AND WAIVERS

17.1 The Issuer and the Agent (acting on behalf of the Holders) may agree to amend these Terms and Conditions or waive any provision in these Terms and Conditions, provided that:

(a) such amendment or waiver is not detrimental to the interest of the Holders, or is made solely for the purpose of rectifying obvious errors and mistakes;

(b) such amendment or waiver is required by applicable law, a court ruling or a decision by a relevant authority;

(c) such amendment or waiver is necessary for the purpose of listing the Bonds on the Baltic bond list of Nasdaq Tallinn (or any other Regulated Market, as applicable) provided such amendment or waiver does not materially adversely affect the rights of the Holders; or

(d) such amendment or waiver has been duly approved by the Holders in accordance with Clause 14 (*Decisions by Holders*).

17.2 The consent of the Holders is not necessary to approve the particular form of any amendment or waiver to these Terms and Conditions. It is sufficient if such consent approves the substance of the amendment or waiver.

17.3 The Agent shall promptly notify the Holders of any amendments or waivers made in accordance with Clause 17.1, setting out the date from which the amendment or waiver will be effective, and ensure that any amendments to these Terms and Conditions are available on the websites of the Issuer and the Agent. The Issuer shall ensure that any amendments to these Terms and Conditions are duly registered with the CSD and each other relevant organisation or authority.

17.4 An amendment or waiver to these Terms and Conditions shall take effect on the date determined by the Holders' Meeting, in the Written Procedure or by the Agent, as the case may be.

18. APPOINTMENT AND REPLACEMENT OF THE Agent

18.1 **APPOINTMENT OF AGENT**

18.1.1 By subscribing for Bonds, each initial Holder appoints the Agent to act as its agent in all matters relating to the Bonds and these Terms and Conditions, and authorises the Agent to act on its behalf (without first having to obtain its consent, unless such consent is specifically required by these Terms and Conditions) in any legal or arbitration proceedings relating to the Bonds held by such Holder, including the winding-up, dissolution, liquidation or insolvency (or its equivalent in any other jurisdiction) of the Issuer. By acquiring Bonds, each subsequent Holder confirms such appointment and authorisation for the Agent to act on its behalf.

18.1.2 Each Holder shall immediately upon request by the Agent provide the Agent with any such documents, including a written power of attorney (in form and substance satisfactory to the Agent), as the Agent deems necessary for the purpose of exercising its rights and/or carrying out its duties under these Terms and Conditions. The Agent is under no obligation to represent a Holder which does not comply with such request.

18.1.3 The Issuer shall promptly upon request provide the Agent with any documents and other assistance (in form and substance satisfactory to the Agent), that the Agent deems necessary for the purpose of exercising its rights and/or carrying out its duties under these Terms and Conditions.

18.1.4 The Agent is entitled to fees for its work and to be indemnified for costs, losses and liabilities on the terms set out in these Terms and Conditions and the Agent Agreement, and the Agent's obligations as agent under these Terms and Conditions are conditioned upon the due payment of such fees and indemnifications.

18.1.5 The Agent may act as agent for several issues of securities issued by or relating to the Issuer and other Group Companies notwithstanding potential conflicts of interest.

18.2 **DUTIES OF THE AGENT**

18.2.1 The Agent shall represent the Holders in accordance with these Terms and Conditions. However, the Agent is not responsible for the execution or enforceability of these Terms and Conditions. The Agent shall keep the latest version of these Terms and Conditions (including any document amending these Terms and Conditions) available on the website of the Agent.

18.2.2 Upon request by a Holder, the Agent shall promptly distribute to the Holders any information from such Holder which relates to the Bonds (at the discretion of the Agent). The Agent may require that the requesting Holder reimburses any costs or expenses incurred, or to be incurred, by the Agent in doing so (including a reasonable fee for the work of the Agent) before any such information is distributed. The Agent shall upon request by a Holder disclose the identity of any other Holder who has consented to the Agent in doing so.

18.2.3 When acting in accordance with these Terms and Conditions, the Agent is always acting with binding effect on behalf of the Holders. The Agent shall carry out its duties under these Terms and Conditions in a reasonable, proficient and professional manner, with reasonable care and skill.

18.2.4 The Agent is entitled to delegate its duties to other professional parties, but the Agent shall remain liable for the actions of such parties under these Terms and Conditions.

18.2.5 The Agent shall treat all Holders equally and, when acting pursuant to these Terms and Conditions, act with regard only to the interests of the Holders and shall not be required to have regard to the interests or to act upon or comply with any direction or request of any other Person, other than as explicitly stated in these Terms and Conditions and the Agent Agreement.

18.2.6 The Agent shall be entitled to disclose to the Holders any event or circumstance directly or indirectly relating to the Issuer or the Bonds. Notwithstanding the foregoing, the Agent may if it considers it to be beneficial to the interests of the Holders delay disclosure or refrain from disclosing certain information other than in respect of an Event of Default that has occurred and is continuing.

18.2.7 The Agent is entitled to engage external experts when carrying out its duties under these Terms and Conditions. The Issuer shall on demand by the Agent pay all reasonable costs for external experts engaged (i) after the occurrence of an Event of Default, (ii) for the purpose of investigating or considering an event which the Agent reasonably believes is or may lead to an Event of Default or a matter relating to the Issuer which the Agent reasonably believes may be detrimental to the interests of the Holders under these Terms and Conditions or (iii) when the Agent is to make a determination under these Terms and Conditions. Any compensation for damages or other recoveries received by the Agent from external experts engaged by it for the purpose of carrying out its duties under these Terms and Conditions shall be distributed in accordance with Clause 13 (*Distribution of proceeds*).

18.2.8 The Agent shall enter into agreements with the CSD, and comply with such agreement and the CSD regulations applicable to the Agent, as may be necessary in order for the Agent to carry out its duties under these Terms and Conditions.

18.2.9 Notwithstanding any other provision of these Terms and Conditions to the contrary, the Agent is not obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation.

18.2.10 If in the Agent's reasonable opinion the cost, loss or liability which it may incur (including reasonable fees to the Agent) in complying with instructions of the Holders, or taking any action at its own initiative, will not be covered by the Issuer, the Agent may refrain from acting in accordance with such instructions, or taking such action, until it has received such funding or indemnities (or adequate security has been provided therefore) as it may reasonably require.

18.2.11 The Agent shall give a notice to the Holders (i) before it ceases to perform its obligations under these Terms and Conditions by reason of the non-payment by the Issuer of any fee or indemnity due to the Agent under these Terms and Conditions or the Agent Agreement, or (ii) if it refrains from acting for any reason described in Clause 18.2.10.

18.3 **LIMITED LIABILITY FOR THE AGENT**

18.3.1 The Agent will not be liable to the Holders for damage or loss caused by any action taken or omitted by it under or in connection with these Terms and Conditions, unless directly caused by its negligence or wilful misconduct. The Agent shall never be responsible for indirect loss.

18.3.2 The Agent shall not be considered to have acted negligently if it has acted in accordance with advice from or opinions of reputable external experts engaged by the Agent or if the Agent has acted with reasonable care in a situation when the Agent considers that it is detrimental to the interests of the Holders to delay the action in order to first obtain instructions from the Holders.

18.3.3 The Agent shall not be liable for any delay (or any related consequences) in crediting an account with an amount required pursuant to these Terms and Conditions to be paid by the Agent to the Holders, provided that the Agent has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by the Agent for that purpose.

18.3.4 The Agent shall have no liability to the Holders for damage caused by the Agent acting in accordance with instructions of the Holders given in accordance with Clause 14 (*Decisions by Holders*).

18.3.5 Any liability towards the Issuer which is incurred by the Agent in acting under, or in relation to, these Terms and Conditions shall not be subject to set-off against the obligations of the Issuer to the Holders under these Terms and Conditions.

18.4 **REPLACEMENT OF THE AGENT**

18.4.1 Subject to Clause 18.4.6, the Agent may resign by giving notice to the Issuer and the Holders, in which case the Holders shall appoint a successor Agent at a Holders' Meeting convened by the retiring Agent or by way of Written Procedure initiated by the retiring Agent.

18.4.2 Subject to Clause 18.4.6, if the Agent is insolvent or becomes subject to bankruptcy proceedings, the Agent shall be deemed to resign as Agent and the Issuer shall within ten (10) Business Days appoint a successor Agent which shall be an independent financial institution or other reputable company which regularly acts as agent under debt issuances.

18.4.3 A Holder (or Holders) representing at least ten (10.00) per cent. of the Adjusted Nominal Amount may, by notice to the Issuer (such notice may only be validly given by a Person who is a Holder on the Business Day immediately following the day on which the notice is received by the Issuer and shall, if given by several Holders, be given by them jointly), require that a Holders' Meeting is held for the purpose of dismissing the Agent and appointing a new Agent. The Issuer may, at a Holders' Meeting convened by it or by way of Written Procedure initiated by it, propose to the Holders that the Agent be dismissed and a new Agent appointed.

18.4.4 If the Holders have not appointed a successor Agent within ninety (90) calendar days after (i) the earlier of the notice of resignation was given or the resignation otherwise took place or (ii) the Agent was dismissed through a decision by the Holders, the Issuer shall appoint a successor Agent which shall be an independent financial institution or other reputable company which regularly acts as agent under debt issuances.

18.4.5 The retiring Agent shall, at its own cost, make available to the successor Agent such documents and records and provide such assistance as the successor Agent may reasonably request for the purposes of performing its functions as Agent under these Terms and Conditions.

18.4.6 The Agent's resignation or dismissal shall only take effect upon the appointment of a successor Agent and acceptance by such successor Agent of such appointment and the execution of all necessary documentation to effectively substitute the retiring Agent.

18.4.7 Upon the appointment of a successor, the retiring Agent shall be discharged from any further obligation in respect of these Terms and Conditions but shall remain entitled to the benefit of these Terms and Conditions and remain liable under these Terms and Conditions in respect of any action which it took or failed to take whilst acting as Agent. Its successor, the Issuer and each of the Holders shall have the same rights and obligations amongst themselves under these Terms and Conditions as they would have had if such successor had been the original Agent.

18.4.8 In the event that there is a change of the Agent in accordance with this Clause 18.4, the Issuer shall execute such documents and take such actions as the new Agent may reasonably require for the purpose of vesting in such new Agent the rights, powers and obligation of the Agent and releasing the retiring Agent from its further obligations under these Terms and Conditions and the Agent Agreement. Unless the Issuer and the new Agent agrees otherwise, the new Agent shall be entitled to the same fees and the same indemnities as the retiring Agent.

19. APPOINTMENT AND REPLACEMENT OF THE Issuing Agent

19.1 The Issuer appoints the Issuing Agent to manage certain specified tasks under these Terms and Conditions and in accordance with the legislation, rules and regulations applicable to and/or issued by the CSD and relating to the Bonds.

19.2 The Issuing Agent may retire from its assignment or be dismissed by the Issuer, provided that the Issuer has approved that a commercial bank or securities institution approved by the CSD accedes as new Issuing Agent at the same time as the old Issuing Agent retires or is dismissed. If the Issuing Agent is insolvent or becomes subject to bankruptcy proceedings, the Issuer shall immediately appoint a new Issuing Agent, which shall replace the old Issuing Agent as issuing agent in accordance with these Terms and Conditions.

20. APPOINTMENT AND REPLACEMENT OF THE CSD

20.1 The Issuer has appointed the CSD to manage certain tasks under these Terms and Conditions and in accordance with the legislation, rules and regulations applicable to the CSD.

20.2 The CSD may retire from its assignment or be dismissed by the Issuer, provided that the Issuer has effectively appointed a replacement CSD that accedes as CSD at the same time as the old CSD retires or is dismissed and provided also that the replacement does not have a negative effect on any Holder or the listing of the Bonds listed on the corporate bond list of Nasdaq Tallinn (or any other Regulated Market). The replacing CSD must be authorised to professionally conduct clearing operations pursuant to the Securities Register Maintenance Act.

21. NO DIRECT ACTIONS BY HOLDERS

21.1 A Holder may not take any action or take any legal steps whatsoever against the Issuer or a Subsidiary to enforce or recover any amount due or owing to it pursuant to these Terms and Conditions, or to initiate, support or procure the winding-up, dissolution, liquidation, declaring of insolvency or bankruptcy (or its equivalent in any other jurisdiction) of the Issuer or a Subsidiary in relation to any of the liabilities of the Issuer under these Terms and Conditions. Such steps may only be taken by the Agent.

21.2 Clause 21.1 shall not apply if the Agent has been instructed by the Holders in accordance with these Terms and Conditions to take certain actions but fails for any reason to take, or is unable to take (for any reason other than a failure by a Holder to provide documents in accordance with Clause 18.1.2), such actions within a reasonable period of time and such failure or inability is continuing. However, if the failure to take certain actions is caused by the non-payment by the Issuer of any fee or indemnity due to the Agent under these Terms and Conditions or the Agent Agreement or by any reason described in Clause 18.2.10, such failure must continue for at least forty (40) Business Days after notice pursuant to Clause 18.2.11 before a Holder may take any action referred to in Clause 21.1.

21.3 The provisions of Clause 21.1 shall not in any way limit an individual Holder's right to claim and enforce payments which are due to it under Clause 10.4 (*Mandatory repurchase due to a De-listing Event or Listing Failure (put option)*) or other payments which are due by the Issuer to some but not all Holders.

22. NOTICES AND PRESS RELEASES

22.1 **NOTICES**

22.1.1 Any notice or other communication to be made under or in connection with these Terms and Conditions:

(a) if to the Agent, shall be given at the registered address or, to such address as notified by the Agent to the Issuer from time to time, and if sent by email, to the email address as specified by the Agent from time to time;

(b) if to the Issuer, shall be given at the registered address or, to such address as notified by the Issuer to the Agent from time to time, and if sent by email, to the email address as specified by the Issuer from time to time; and

(c) if to the Holders, shall be given at their addresses as registered with the CSD, on the Business Day prior to dispatch, and by either courier delivery or letter for all Holders. A notice to the Holders shall also be published on the websites of the Issuer and the Agent. The Agent and the Issuer are also entitled to send any notice or other communication to the Holders by email if so requested by any Holder and provided the Holder has specified email recipient and address authorized to receive notices and communication related to the Bonds.

22.1.2 Any notice or other communication made by one Person to another under or in connection with these Terms and Conditions shall be sent by way of courier, personal delivery, letter or by email and will only be effective, in case of courier or personal delivery, when it has been left at the address specified in Clause 22.1.1 or, in case of letter, three (3) Business Days after being deposited postage prepaid in an envelope addressed to the address specified in Clause 22.1.1 or, in case of email to the Agent or the Issuer, when received in legible form by the email address specified in Clause 22.1.1.

22.1.3 Failure to send a notice or other communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

22.2 **PRESS RELEASES**

22.2.1 Any notice that the Issuer or the Agent shall send to the Holders pursuant to Clauses 10.3, 10.4, 11.8.1 (e), 12.6, 13.4, 14.15, 15.1, 16.1, 17.3, 18.2.11 and 18.4.1 shall also be published by way of press release by the Issuer or the Agent, as applicable.

22.2.2 In addition to Clause 22.2.1, if any information relating to the Bonds, the Issuer or the Group contained in a notice that the Agent may send to the Holders under these Terms and Conditions has not already been made public by way of a press release, the Agent shall before it sends such information to the Holders give the Issuer the opportunity to issue a press release containing such information. If the Issuer does not promptly issue a press release and the Agent considers it necessary to issue a press release containing such information before it can lawfully send a notice containing such information to the Holders, the Agent shall be entitled to issue such press release.

23. FORCE MAJEURE AND LIMITATION OF LIABILITY

23.1 Neither the Agent nor the Issuing Agent shall be held responsible for any damage arising out of any legal enactment, or any measure taken by a public authority, or war, strike, lockout, boycott, blockade or any other similar circumstance (a "**Force Majeure Event**"). The reservation in respect of strikes, lockouts, boycotts and blockades applies even if the Agent or the Issuing Agent itself takes such measures, or is subject to such measures.

23.2 The Issuing Agent shall have no liability to the Holders if it has observed reasonable care. The Issuing Agent shall never be responsible for indirect damage with exception of gross negligence and wilful misconduct.

23.3 Should a Force Majeure Event arise which prevents the Agent or the Issuing Agent from taking any action required to comply with these Terms and Conditions, such action may be postponed until the obstacle has been removed.

24. LISTING

The Issuer intends to list the Bonds issued under the Initial Bond Issue within sixty (60) calendar days, and has undertaken to list the Bonds issued under the Initial Bond Issue within six (6) months, after the First Issue Date on the corporate bond list of Nasdaq Tallinn (or any other Regulated Market) in accordance with Clause 11.1 (*Listing of the Bonds*). Further, if the Bonds issued under the Initial Bond Issue have not been listed on the corporate bond list of Nasdaq Tallinn within six (6) calendar months after the First Issue Date, each Holder has a right of repayment (put option) of its Bonds in accordance with Clause 10.4 (*Mandatory repurchase due to a De-listing Event or Listing Failure (put option)*).

25. GOVERNING LAW AND JURISDICTION

25.1 These Terms and Conditions, and any non-contractual obligations arising out of or in connection therewith, shall be governed by and construed in accordance with the laws of Estonia.

25.2 Any dispute or claim arising in relation to these Terms and Conditions shall be determined by Estonian courts and the Harju Country Court shall be the court of first instance.

6. ADDITIONAL INFORMATION ON THE ISSUE OF THE BONDS

Type and class of the Bonds:	The Bonds represent unsecured debt obligation of the Issuer before the Holders of the Bonds. The nominal value of the Bonds is EUR 1,000. The Bonds are not convertible bonds.
Form of the Bonds:	The Bonds are in dematerialised book-entry form, registered in Nasdaq CSD SE.
Offer period:	The Bonds were offered by way of private placement to select investors in the Baltics through a book-building procedure on 8 May 2019.
Issue date:	15 May 2019
ISIN code of the Bonds:	EE3300111467
Applicable law:	The Bonds were issued and are governed by the laws of Estonia.
Currency:	Euro
Ranking and subordination:	The Bonds constitute direct, unsecured and unsubordinated obligations of the Issuer ranking pari passu among each other and with all other unsecured and unsubordinated indebtedness of the Issuer, save for such obligations as may be preferred by mandatory provisions of the law.
Rights attached to the Bonds:	The Holders have the right to attend the Holders´ Meeting or the procedure in writing. The Holders are entitled to repayment of the principal amount of the Bonds upon maturity and quarterly interest payments as stipulated in the Terms and Conditions of the Bond issue.
Interest rate and yield:	The Bonds bear interest at the fixed rate of 4.25 per cent per annum. Interest shall be payable quarterly in arrears commencing on 8 August 2019 and thereafter on each 8 November, 8 February 8 May and 8 August until the maturity date. At the Issue Date, the yield to maturity of the Bonds at the issue price of 100 per cent, is 4.25 per cent per annum.
Maturity date and repayment:	The Bonds shall be repaid in full at their nominal principal amount on 8 May 2023. The Issuer may have to redeem the Bonds on a date earlier than the Redemption Date upon an Event of Default (as defined in the Terms and Conditions of the Bond issue), in which case interest shall be payable until such earlier date. In addition, the Issuer may voluntarily redeem all but not only some, of the Bonds in full: (a) on any business day falling on or after the date falling two (2) years before the Redemption Date, at a price equal to one hundred and two (102.00) per cent. of the nominal principal amount together with accrued but unpaid interest; or (b) on any business day falling on or after the date falling one (1) year before the Redemption Date, at a price equal to one hundred and one (101.00) per cent. of the nominal principal amount together with accrued but unpaid interest. (c) on any business day falling on or after the date falling six (6) months before the Redemption Date, at a price equal to one hundred (100.00) per cent. of the nominal principal amount together with accrued but unpaid interest.
Agent for the holders of the Bonds:	Intertrust (Sweden) AB (Swedish reg. no. 556625-5476), Box 162 85, 103 25 Stockholm, Sweden
Resolutions and authorisations:	Authorisation by the Management Board of the Management Company dated 8 May 2019.
Transferability:	The Bonds are freely transferable.
Interests of the participants:	Interests of the Sole Bookrunner: business interest customary in the financial markets. The Sole Bookrunner will be paid a fee by the Issuer in respect of the issue of the Bonds. The Management Company is not aware of any conflicts of interests related to the Bonds.
Taxation:	*Prospective investors are advised to consult their own professional tax advisors as to the tax consequences relating to the investment in the Bonds.* **Withholding Tax** *Non-resident Holders* According to the Estonian Income Tax Act ("EITA"), interest payments made by the Issuer to Estonian non-resident Holders (both corporate entities and natural persons) will not be subject to withholding tax in Estonia. The permanent establishments of non-residents in Estonia share the same tax treatment as resident corporate entities (see "—Resident Holders" below). As an exception from the above, withholding tax is charged on interest which a non-resident Holder received in connection with holding in the Issuer, provided it qualifies as a real estate fund as is the case for the Issuer. However, no withholding tax applies on interest if the income of the fund been taxed with income tax or it is exempt from the income tax.

	Resident Holders Pursuant to the EITA, interest payments made by the Issuer to Estonian resident corporate tax payer Holders will not be subject to withholding tax in Estonia. Withholding tax at the rate of 20 percent will be levied on the taxable interest payments made by the Issuer to Estonian resident natural person Holders. However, the Issuer will not withhold income tax if the Estonian resident natural person Holder has notified the Issuer that the income tax liability on the interest income has been postponed due to using an investment account regime by the Holder as specified in Article 172 of the EITA. No withholding tax is applicable to capital gains received by corporate and natural person residents of Estonia from the sale of the Bonds. **Income Taxation** *Non-resident Holders* According to the EITA, interest payments made by the Issuer to Estonian non-residents Holders (corporate entities and natural persons) is not subject to income tax in Estonia. The interest income and capital gains received by non-resident Holders may be subject to taxation in their country of residence. Withholding tax may apply in case the conditions described under heading "Withholding tax. Non-resident Holders" above are met. Income tax at the rate of 20 percent is charged on gains derived by a non-resident from a transfer of claim which is related to an immovable or a structure (building) as a movable, which is located in Estonia. With regard to interest income received by a permanent establishment located in Estonia, see "Resident Holders" below. *Resident Holders* CORPORATE RESIDENTS Interest income and capital gains received by resident legal entities and permanent establishments of non-residents is not subject to CIT in Estonia upon receiving the profit. Such income is included in their profits of the resident or a permanent establishment and taxed upon distribution of profit pursuant to the respective procedures. CIT is levied on a deferred basis upon distributing profits. Permanent establishments of non-residents of Estonia are taxed under the same rules as resident corporate entities, with some special rules. Profit attributed to permanent establishment is subject to CIT when it has been taken out of the permanent establishment in monetary or non-monetary form. RESIDENT INDIVIDUALS The interest income received by Estonian tax resident individuals is subject to 20 percent PIT in Estonia which is withheld by the Issuer acting through a fund manager. Interest income covers all interest accrued from loans, leases and other debt obligations, as well as securities and deposits, including such amount calculated on the debt obligations by which the initial debt obligations are increased. No income tax applies if the profit of the Issuer from which the interest is paid has been subject to tax already or it is exempt from income tax. Capital gains earned by Estonian tax resident individuals from the sale or exchange of Bonds is taxed as profit from the transfer of property, which is subject to PIT at the rate of 20 percent. Pursuant to Section 37 (1) of the EITA, a the gains or loss derived from the sale of Bonds is the difference between the acquisition cost and the selling price of the Bonds The gain or loss derived from the transfer of Bonds is the difference between the acquisition cost and the sale price of the Bonds. The gains or loss derived from the exchange of property is the difference between the acquisition cost of the property subject to exchange and the market price of the property received as a result of the exchange. Additionally, the Holder has the right to deduct certified expenses directly related to the sale or exchange of property from the Holder's gain or to add such expenses to the Holder's loss. Income tax is charged on the part of payment received upon the return of a unit of an common investment fund or a share of public limited fund and the liquidation of an common investment fund or public limited fund, which exceeds the acquisition cost of the unit or share, unless the Issuer's income from which such payment is made has been subject to income tax or it was exempt from income tax. Exclusively for natural person tax payers, EITA enables postponement of the taxation of income derived from the publicly offered securities by using an investment account regime specified in Section 172 of the EITA. This special regime applies strictly to the securities referred to in section 171 of the EITA. The moment of taxation of the financial income held on an investment account is postponed until such income is withdrawn from the investment account (i.e., the amount withdrawn from the account exceeds the amount which had been previously paid in to the account).

Listing and admission to trading:	The Issuer has applied for the Bonds to be admitted to trading on a regulated market on Nasdaq Tallinn and the first trading day is expected to be on or about 16 May 2019.
Rating:	The Issuer is rated MM3 by S&P Global Ratings and the Bonds are rated MM3 by S&P Global Ratings, which is established in the European Union and registered under Regulation (EC) No 1060/2009, as amended (the "CRA Regulation"). The indicative corresponding rating between the MME rating scale of 'MM3' to the global rating scale is 'BB+ / BB'. MME ratings are derived from a specific MME methodology and use a specific credit rating scale ranging from 'MM1' (highest) to 'MM8' and 'MMD' (default). Use of the MME rating scale on the issue level is only for long-term debt instruments, those with an original tenor of 365 days or longer. The rating MM3 on the rating scale means that the company has a good capacity to meet its financial commitments relative to other mid-market companies. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the company to meet its financial commitments.[1] A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Use of proceeds:	Proceeds from the issue of the Bonds will be used mainly for new acquisitions and also to invest into expansion of existing properties.

7. INFORMATION ABOUT THE ISSUER

7.1. SELECTED FINANCIAL INFORMATION

On 30 June 2016, the Issuer merged with BOF and took over all assets and liabilities of BOF. Units of BOF were converted into the Units of the Issuer at a ratio of 1:100 (1 unit of BOF was exchanged into 100 Units of the Issuer). At the time of the Merger, the Issuer had no assets and liabilities of its own. Thus, historical financial and operational performance of BOF prior to the Merger is directly comparable the Issuer´s performance after the Merger. In the Issuer´s audited consolidated financial statements for the year ended 31 December 2016, BOF's financial results prior to the Merger are presented as those of the Issuer. For these reasons, in this Listing Prospectus past results of BOF are presented as results of the Fund.

Tables in this section present selected historical consolidated financial information of the Issuer. The information has been derived as follows:

The consolidated financial information, provided in the following tables, has been derived as follows:
- For the year 2018: the Issuer's audited consolidated financial statements for the year ended 31 December 2018 prepared according to the IFRS;
- For the year 2017: the Issuer's audited consolidated financial statements for the year ended 31 December 2017 prepared according to the IFRS;
- For the year 2016: the Issuer's audited consolidated financial statements for the year ended 31 December 2016 prepared according to the IFRS.

The information in this section should be read in conjunction with, and is qualified in its entirety by reference to, the aforementioned financial statements and their related notes.

The ratios and indicators set forth in Table 9 are provided to better illustrate the performance and financial situation of the Issuer. These ratios and indicators have been computed using information provided in the audited consolidated financial statements listed above and the Issuer's internal management reports. The ratios and indicators themselves have neither been audited nor reviewed by independent auditors. Some of these ratios and indicators are used by the Management Company to evaluate the Issuer's performance while others are provided for the benefit of investors considering an investment in the Bonds.

A financial year of the Issuer starts on the 1st of January and ends on the 31st of December.

The Management Company confirms that according to their best knowledge, the annual accounts for the 2018 financial year, prepared according to the IFRS, present a correct and fair view of the assets, liabilities, financial situation and loss or profit of the issuer and the undertakings involved in the consolidation as a whole, and the management report gives a correct and fair view of the development and results of the business activities and financial status of the Issuer and the undertakings involved in the consolidation as a whole and contains a description of the main risks and doubts.

Table 6: Consolidated income statement of the Issuer, EUR thousand

	2016	2017 (restated)[1]	2018
Rental income	7,874	11,839	15,860

[1] Explanation of the meaning of the rating is based on S&P Global Ratings Mid-Market Evaluation Rating Methodology (2014), available on https://www.baltichorizon.com/information-private-placement-baltic-horizon-fund-bonds/

Service charge income	2,594	1,921	2,760
Cost of rental activities	-3,315	-2,992	-3,816
Net rental income	**7,153**	**10,768**	**14,804**
			-
Administrative expenses	-2,190	-2,774	-2,813
Other operating income	97	14	74
Net loss on disposal of investment properties	-	-	
Valuation gains/losses on investment properties	2,737	3,676	2,014
Operating profit	**7,797**	**11,684**	**14,079**
Financial income	14	47	8
Financial expenses	-1,253	-1,528	-2,789
Profit before tax	**6,558**	**10,203**	**11,298**
Income tax charge	-798	-759	-1308
Profit for the period	**5,760**	**9,444**	**9,990**
Earnings per unit (basic and diluted)[2], EUR	**0.12**	**0.15**	**0.13**

Source: audited consolidated financial statements of the Issuer for the year ended 31 December 2018, audited consolidated financial statements of the Issuer for years 2016-2017

[1] In 2018, the Group adopted IFRS 15 Revenue from Contracts with Customers, effective from 1 January 2018. As a result, the comparative figures for "service charge income" and "cost of rental activities" were adjusted. The adjustment did not have an impact on the Group's equity.

[2] On 30 June 2016 the Issuer merged with BOF and took over all assets and liabilities of BOF. Units of BOF were converted into units of the Issuer at a ratio of 1:100 (1 unit of BOF was exchanged into 100 units of the Issuer). To ensure the comparability of historical per unit figures, numbers of units prior to the Merger were recalculated by multiplying them by 100 to reflect the effect of the conversion. The recalculated numbers or units were used to compute comparable per unit figures.

Table 7: Consolidated financial position of the Issuer, EUR thousand

	31-Dec-16	31-Dec-17	31-Dec-18
Investment properties	141,740	189,317	245,160
Investment property under construction	1,580	-	-
Derivative financial instruments	-	89	9
Other non-current assets	288	146	596
Total non-current assets	**143,608**	**189,552**	**245,765**
Trade and other receivables	1,269	1,568	2,734
Prepayments	178	108	154
Cash and cash equivalents	9,883	24,557	12,225
Total current assets	**11,330**	**26,233**	**15,113**
TOTAL ASSETS	**154,938**	**215,785**	**260,878**
Paid in capital	66,224	91,848	93,673
Own units	-8	-	-335
Cash flow hedge reserve	-294	-56	-1005
Retained earnings	10,887	15,184	17,472
Total equity	**76,809**	**106,976**	**109,805**
Interest bearing loans and borrowings	58,981	96,497	140,401
Deferred tax liabilities	4,383	5,206	5,844
Derivative financial instruments	345	88	1069
Other non-current liabilities	935	859	905
Total non-current liabilities	**64,644**	**102,650**	**148,219**
Interest bearing loans and borrowings	10,191	1,590	106
Trade and other payables	2,876	4,202	2,397
Income tax payable	46	14	-
Derivative financial instruments	-	15	-
Other current liabilities	372	338	351
Total current liabilities	**13,485**	**6,159**	**2,854**
Total liabilities	**78,129**	**108,809**	**151,073**
TOTAL EQUITY AND LIABILITIES	**154,938**	**215,785**	**260,878**

Source: audited consolidated financial statements of the Issuer for the year ended 31 December 2018, audited consolidated financial statements of the Issuer for years 2016-2017

Table 8: Consolidated statement of cash flows of the Issuer, EUR thousand

	2016	2017	2018
Operating activities			
Profit before tax	6,558	10,203	11,298
Adjustments for non-cash items:			
Value adjustment of investment properties	-2,562	-3,676	-2,014
Value adjustment of investment properties under construction	-175	-	-
Gain/loss on disposal of investment property	-	-	-
Value adjustment of derivative finance instruments	-	-	-

Change in allowance for bad debts	17	45	143
Financial income	-14	-47	-8
Financial expenses	1,253	1,528	2,789
Working capital adjustments:			
Decrease/-increase in trade and other accounts receivables	-204	-241	-822
-Increase/decrease in other current assets	-106	-39	-540
-Decrease/increase in other non-current liabilities	69	-150	-76
Increase/-decrease in trade and other accounts payable	-398	-100	-522
-Decrease/increase in other current liabilities	-50	-6	702
Refunded/-paid income tax	-103	-42	-586
Net cash flow from operating activities	**4,285**	**7,475**	**10,364**
Investing activities			
Interest received	14	8	8
Acquisition of subsidiaries, net of cash acquired	-20,098	-8,614	-16,935
Acquisition of investment properties	-15,454	-14,362	-34,477
Acquisition of land plot	-	-	-1661
Advance payment on investment property	-200	-	-500
Investment property development expenditure	-1,660	-3,996	-2,237
Capital expenditure on investment properties	-380	-1,163	-623
Net cash flow from investing activities	**-37,778**	**-28,127**	**-56,425**
Financing activities			
Proceeds from issue of bonds	-	-	40,000
Proceeds from bank loans	8,211	40,566	26,000
Repayment of bank loans	-4,722	-24,112	-23,299
Proceeds from issue of units	40,550	25,632	2,350
Repurchase of units	-8	-	-860
Profit distribution to unitholders	-1,091	-5,147	-7702
Transaction costs related to loans and borrowings	-127	-223	-380
Interest paid	-1,114	-1,390	-2,380
Net cash flow from financing activities	**41,699**	**35,326**	**33,729**
Net change in cash and cash equivalents	**8,206**	**14,674**	**-12,332**
Cash and cash equivalents at the beginning of the year	1,677	9,883	24,557
Cash and cash equivalents at the end of the year[2]	**9,883**	**24,557**	**12,225**

Source: audited consolidated financial statements of the Issuer for the year ended 31 December 2018, audited consolidated financial statements of the Issuer for years 2016-2017

Table 9: Key indicators of the Issuer

	2016	2017	2018
Property-related			
Value of investment properties, EUR'000	141,740	189,317	245,160
Number of properties, period end	8	10	12
Rentable area, sqm			
Period end	75,107	96,512	113,934
Period average[1]	58,936	83,736	106,620

Vacancy rate			
Period end	2.60%	2.20%	1.2%
Period average[2]	3.20%	2.20%	2.00%
Net initial yield[3]	6.80%	6.80%	6.5%
Financial			
EPRA NAV per unit[4,5], EUR	1.48	1.47	1.51
NAV per unit[4], EUR	1.34	1.38	1.40
Adjusted earnings per unit[4,6], EUR	0.14	0.16	0.13
Adjusted ROE[7]	10.80%	11.90%	9.35%
Adjusted cash earnings[8], EUR'000	4,656	7,122	8,698
Adjusted cash earnings per unit[4], EUR	0.1	0.11	0.11
Adjusted cash ROE[9]	7.50%	8.40%	7.91%
Dividends per unit[4,10], EUR	0.05	0.084	0.102
Interest coverage ratio[11]	4.4	5.6	4.5
LTV[12]	48.80%	51.80%	57.3%
Weighted average number of units issued[4], '000	47,351	62,271	78,765
Number of units issued at period end[4], '000	57,265	77,441	78,753

Source: ratios and indicators in the table have been computed using information provided in the Issuer's and BHF's audited consolidated financial statements, unaudited consolidated financial statements and internal management reports. The ratios and indicators themselves have neither been audited nor reviewed by independent auditors.

[1] Computed as average of monthly estimates.

[2] Computed as average of monthly estimates.

[3] Net initial yield = net rental income / value of investment properties. Calculated as average of monthly estimates.

[4] On 30 June 2016 the Issuer merged with BOF and took over all assets and liabilities of BOF. Units of BOF were converted into units of the Issuer at a ratio of 1:100 (1 unit of BOF was exchanged into 100 units of the Issuer). To ensure the comparability of historical *per unit* figures, numbers of units prior to the Merger were recalculated by multiplying them by 100 to reflect the effect of the conversion. The recalculated numbers or units were used to compute comparable *per unit* figures.

[5] EPRA NAV is a measure of long term NAV, proposed by European Public Real Estate Association (EPRA) and widely used by listed European property companies. It is designed to exclude assets and liabilities that are not expected to crystallise in normal circumstances such as the fair value of financial derivatives and deferred taxes on property valuation gains. EPRA NAV = NAV per financial statements + derivative financial instruments liability net of related deferred tax asset + deferred tax liability related to investment property fair and tax value differences. Calculation of EPRA NAV is explained in greater detail in section 5.15 "NAV".

[6] Earnings per unit for 2017 were adjusted to exclude EUR 637 thousand one-off expenses related to public offerings. Earnings per unit for 2016 were adjusted to exclude EUR 938 thousand one-off expenses related to public offerings. No adjustments were performed for year 2015. No adjustments were performed for 9 months 2018. Earnings per unit for 9 months 2017 were adjusted to exclude EUR 434 thousand one-off expenses related to public offerings and EUR 452 thousand one-off deferred tax related to revaluation of Upmalas Biroji's land plot.

[7] Adjusted return on average equity (ROE) = adjusted earnings per unit / average NAV per unit; where average NAV per unit = (NAV per unit at the beginning of the period + NAV per unit at the end of the period) / 2. Estimates for interim periods were annualized.

[8] Adjusted cash earnings = profit before tax - valuation gains or losses on investment properties - net gains or losses on disposals of investment properties - paid income taxes. A figure for 2017 was adjusted to exclude EUR 637 thousand one-off expenses related to public offerings. A figure for 2016 was adjusted to exclude EUR 938 thousand one-off expenses related to public offerings. No adjustments were performed for 9 months 2018. A figure for 9 months 2017 was adjusted to exclude EUR 434 thousand one-off expenses related to public offerings.

[9] Adjusted cash ROE = adjusted cash earnings per unit / average NAV per unit; where average NAV per unit = (NAV per unit at the beginning of the period + NAV per unit at the end of the period) / 2. Estimates for interim periods were annualized.

[10] With the initial public offering in June 2016 the Issuer started distributing dividends quarterly. A dividend figure for 2016 represents only two quarterly dividends (for Q3 2016 and Q4 2016) while a dividend figure for 2017 already reflects all four quarterly dividends.

[11] Interest coverage ratio = (operating profit - valuation gains or losses on investment properties - net gains or losses on disposals of investment properties) / interest on bank loans.

[12] Loan-to-value (LTV) = total interest bearing loans and borrowings / value of investment properties. Increase in LTV is related to additional EUR 10 million bond issue used for Duetto II acquistiion in 2019. LTV excluding unused EUR 10 million bond issue would reach 53.2%.

7.2. GENERAL INFORMATION

Regulatory Status of the Issuer

The Issuer is a closed-ended contractual investment fund registered in Estonia and acting in accordance with the Estonian Investment Funds Act ("IFA"). A contractual fund is not a legal person, whereas it is the money collected through the issue of units and other assets acquired through the investment of such money, which is owned jointly by the unit-holders. A unit represents the unit-holder's share in the assets of a fund.

The Issuer is a real estate fund investing primarily in real estate, portfolios of real estate, and/or real estate companies. Northern Horizon Capital AS, registry code 11025345, is acting as the management company of the Issuer. Further information on the Management Company is set out in section 10.2 "The Management Company".

Fund Rules were registered with Estonian Financial Supervision Authority on 23 May 2016. The Issuer and the Management Company are regulated and supervised by Estonian Financial Supervisory Authority. The Issuer and the Management Company operate under the laws of Estonia and any disputes regarding rights and obligations under the Fund Rules and regarding the operations of the Management Company thereunder shall be resolved in the courts of Estonia. The Fund Rules are enclosed to the Listing Prospectus as Appendix A.

The Issuer is established without specified term.

The Issuer is a public fund. Units of the Issuer are made available to the public in accordance with the Fund Rules and applicable laws. Units of the Issuer are listed on Nasdaq Tallinn and secondary listed on Nasdaq Stockholm.

A typical investor of the Issuer is either an institutional or a retail investor seeking to have a medium or long term indirect exposure to commercial real estate property. Investors should be ready to accept investment risk generally inherent to real estate markets. Provided that Issuer's investments are made with a long term perspective with a view to gain both from the increase of the property value over economic cycles and through continuous cash flow generation, also investors are expected to invest with a long term view. Furthermore, investors who expect regular distributions out of cash flows (e.g. dividends, interests) should consider an investment in the Issuer. Any investor, who has had no or very little experience in investing in real estate funds or directly in commercial real estate property, should consult their professional adviser in order to learn about the characteristics and risks associated with such investments.

History and developments

On 30 June 2016, the Management Company completed the merger of the Issuer with BOF. BOF was a closed-ended contractual investment fund under the management of the Management Company. As a result of the Merger, the Issuer received all assets of BOF and BOF unit-holders became Unit-holders of the Issuer. Therefore, history of BOF is also history of the Issuer.

In December 2010, BOF closed its first capital raising that amounted to EUR 5.5m. The investment preposition of BOF was to take advantage of a potential post-crisis recovery in Baltic property markets.

BOF made its first investment in July 2011 when Lincona office complex in Tallinn was acquired for EUR 15.4m. As Lincona was generating strong cash flows, in July 2012 BOF distributed its first dividend to unitholders which represented 3.0% yield on invested equity. At the beginning of 2013, BOF significantly expanded its property portfolio by acquiring SKY Supermarket, a neighborhood shopping center in Riga, for EUR 4.5m in January 2013 and Coca Cola Plaza, a cinema complex in Tallinn, for EUR 11.9m in March 2013. Thanks to these acquisitions the value of property portfolio increased from EUR 15.3m at the end of 2012 to EUR 33.1m at the end of 2013 while NLA expanded from 11,356 sqm to 23,270 sqm. A larger size of the portfolio enabled the fund to achieve greater cost efficiencies. Dividend implying 7.0% yield on invested equity were declared for year 2013.

In July 2013, BOF signed a share purchase agreement starting the acquisition process of Domus Pro. It was a 7,500 sqm NLA neighborhood shopping center development project with an optional 3,700 sqm expansion in the second stage. Forward financing of EUR 2.0m was provided to the project's developer after which the construction of the first stage started. Domus Pro opened its doors in the beginning of 2014. The acquisition was finalized in May 2014 for EUR 12.1m adding the first Lithuanian holding to BOF's property portfolio. At the end of 2014, the portfolio reached a fair value of EUR 46.2m and total rentable space of 30,833 sqm. For year 2014, the fund announced dividend representing 5.0% yield on invested equity.

Construction of the second stage (3,700 sqm) of Domus Pro was initiated in March 2015. All of the new space was fully pre-let to two tenants, a home improvement shop and a fitness club. The first part of the expansion was commissioned in December 2015 and the second in May 2016.

In March 2015, BOF acquired the 5th property in its portfolio – Europa shopping mall in Vilnius CBD for EUR 35.8m. With 16,856 sqm of NLA it is markedly larger than previously acquired buildings. Also in March 2015, BOF completed the disposal of Babycenter, a standalone building of 674 sqm acquired together with Lincona office complex in 2011. It was sold for EUR 1.0m. On 31 December 2015 the value for BOF's portfolio amounted to EUR 86.8m and NLA reached 48,651 sqm. For year 2015, a dividend constituting a 7.0% yield on invested equity was declared.

In June 2016, the Issuer successfully completed an initial public offering raising EUR 21.0m of new equity. On 6 July 2016, its Units started trading on Nasdaq Tallinn. Using the proceeds raised in the initial public offering, the Issuer acquired G4S Headquarters in

Tallinn in July 2016 for EUR 15.5m at a 7.5% yield and Upmalas Biroji in Riga in August 2016 for EUR 23.6m at a 7% yield. In November 2016 the Issuer carried out a secondary public offering attracting EUR 19.6m of new equity. On 23 December 2016 the Fund Units were dually listed on Nasdaq Stockholm. In December 2016, a portion of the proceeds from the secondary public offering were used to acquire Piirita in Tallinn for EUR 12.2m at a 7.4% yield. Before the end of 2016, construction of Domus Pro's 3rd stage, a 6-story expansion with 4,380 sqm of NLA, began. The Issuer ended year 2016 with a property portfolio of 8 buildings worth EUR 141.7m in fair value and amounting to 75.1 thousand sqm of rentable area.

In March 2017, proceeds from November 2016 public offering were invested in the second property – Duetto I in Vilnius was purchased for EUR 14.6m at a 7.2% yield. In June 2017, a new secondary public offering of the Fund Units was performed raising EUR 9.4m of additional equity. The construction of 4,380 sqm 3rd stage at Domus Pro was completed in October 2017. In November 2017, further EUR 16.3m of fresh equity was attracted in another secondary public offering. That was shortly followed by a closing of the acquisition of Vainodes I office in Riga for EUR 21.3m at a 7% yield. At the end of 2017, the Issuer's property portfolio, consisting of 10 assets, had a fair value of EUR 189.3m and rentable area of 96.5 thousand sqm. 4 quarterly dividends, declared for 2017 profits, totaled to EUR 0.084 per unit implying a 6.4% annual dividend yield on the Unit market price on Nasdaq Tallinn at the end of 2017 (EUR 1.31).

In February 2018, Postimaja shopping centre in Tallinn was purchased for EUR 34.4m at a 5.4% yield. The property is located next to Coca Cola Plaza which the Issuer has held since March 2013. The Issuer began implementing a development plan to connect Postimaja with Coca Cola Plaza which includes a new exterior design, expansion in existing leasable area and improved functionality between the two buildings. In April 2018, the Issuer further diversified its funding sources by issuing EUR 30m of 5-year unsecured notes with a fixed coupon of 4.25%. These notes were listed on Nasdaq Tallinn. As part of a preparation for placing credit securities, MM3 mid-market evaluation rating from S&P Global Ratings was obtained which corresponds to BB+/BB credit rating. In December 2018 bond issue was increased to EUR 40m by additionally tapping EUR 10m on the same terms. In August 2018, the 12th property in the portfolio was acquired – LNK Centre office in Riga – for EUR 17.3m at a 6.5% yield. At the end of December 2018, the property portfolio had EUR 245.2m in fair value and 113.9 thousand sqm of leasable area. As at the date of this Listing Prospectus, 3 quarterly dividends were declared for 2018 profits with the 4th one for Q4 2018 announced in 13th February 2019. The last 4 quarterly dividends (for 2018) sum up to EUR 0.102 per unit representing an annual dividend yield of 7.8% on the Unit market price on Nasdaq Tallinn on the last day of the fourth quarter of 2018 (EUR 1.307).On 18 December the Issuer signed an agreement to acquire the 13th property in the portfolio – newly built office building Duetto II in Vilnius, Lithuania, situated next to a property already owned by the Issuer – Duetto I. The closing of the transaction took place on 27 February 2019. For more information about the property to be acquired please see section 7.9 – Asset Portfolio.

7.3. INVESTMENT OBJECTIVE AND POLICY

The objective of the Issuer is to combine attractive income yields with medium to long-term value appreciation by identifying and investing primarily in real estate, portfolios of real estate, and/or real estate companies and successfully exiting from these investments. The objective of the Issuer is to provide its unit-holders with consistent and above average risk-adjusted returns by acquiring high quality cash flow generating commercial properties with the potential for adding value through active management, thereby creating a stable income stream of high yielding current income combined with capital gains.

The focus of the Issuer is to invest, directly or indirectly, in real estate located in Estonia, Latvia, and Lithuania, with a particular focus on the capitals - Tallinn, Riga, and Vilnius - and a preference for city centres within or near the central business districts. The Issuer seeks to become the largest commercial property owner in the Baltics. In the longer term it targets to reach a property portfolio size of EUR 1,000m and NAV of EUR 500m in order to maximize unitholder returns through cost efficiencies, increase negotiation power with tenants and sellers of properties and ensure high liquidity of its Units.

The investment strategy of the Issuer aims to take advantage of higher property yields in the Baltics. According to Colliers, prime yields for office and retail properties in the Baltic capitals stood at 6.25-6.5% at the end of 2017 (for more information see section 9.2 "Property Markets") exceeding yields in Western Europe, the Nordics and certain countries in Central Eastern Europe. For instance, prime office and retail (SCs) yields were 3.2-4.2% in Berlin, 3.3-5.0% in Vienna, 4.5-5.25% in Amsterdam, 4.0-5.25% in Copenhagen, 3.8-4.0% in Oslo, 3.5-4.5% in Stockholm, 5.15-5.25% in Warsaw, 4.85-5.0% in Prague and 6.0% in Budapest. Higher property yields enable the Issuer to generate greater cash returns, which are paid out to unitholders as dividends, and also offer a potential for capital appreciation due to possible compression in the Baltic yields. Dividends are targeted to yield 7-9% of invested equity per annum, payable quarterly (see section 7.13 "Dividends and Dividend Policy").

The focus on the Baltic commercial real estate is also based on positive leasing trends: low vacancy (approximately 5% for offices and 2% for retail at the end of 2017, Colliers), gradually growing rent rates and a significant and still increasing presence of large international tenants. In addition, rising activity in Baltic property transaction market leads to greater availability of potential acquisition targets which is important for the implementation of the Issuer's investment strategy. The turnover of property transactions, aggregated for all three Baltic countries, reached an all-time record of EUR 1.4bn in 2015 and remained high at EUR 0.9bn in 2017.

The Issuer's geographical focus on the Baltics is supported by the stable macroeconomic situation in the region. All three Baltic countries are members of the EU and have euro as a national currency. Their economies have been growing at a higher pace than the EU average.

Over the period from 2000 to 2017, annual real GDP growth averaged 4.0% in Lithuania (the 2nd fastest in the EU), 3.6% in Latvia (the 5th fastest) and 3.4% in Estonia (the 8th fastest). In contrast, the overall EU's GDP expanded by only 1.4% real per annum over the same period. The EC forecasts economic growth in the Baltics to continue outperforming the EU average (see section 9.1 "Macroeconomic Overview"). Furthermore, government debt and private debt levels of the Baltic countries are among the lowest in the EU. Whereas the overall EU had a gross government debt to GDP ratio of 82% at the end of 2017, Estonia's government debt amounted to only 9% of GDP (the lowest in the EU) and Lithuania's and Latvia's to 40% of GDP (the 7th and the 8th lowest respectively).

Up to 100% of the assets of the Issuer may be invested in real estate and securities related to real estate. The Issuer may invest in all types of real estate properties, including retail, office and logistics properties. Up to 20% of the Issuer's gross asset value may be invested in other types of properties, such as forward funding development projects and undeveloped land plots. Properties may also include real estate properties experiencing financial or economic distress.

The investments in real estate property are made either directly by acquiring title to the property or indirectly through holding shares in investment vehicles (e.g. special purpose vehicles, joint ventures) that hold title to the property. The Management Company holds investments through a separate investment vehicle for each investment that is made indirectly and aims to hold 100% shares in respective SPV.

The Management Company has, on account of the Issuer, the right to guarantee an issue of securities, provide surety, take a loan, issue debt securities, enter into repurchase or reverse repurchase agreements, and conclude other securities borrowing transactions. Subject to the discretion of the Management Company, the Issuer aims to leverage its assets and targets a debt level of 50% of the value of its assets. At no point in time may the Issuer's leverage exceed 65% of the value of its assets. Loans may be taken for periods of up to 30 years.

In investing in cash-flow-generating properties, the focus of the Management Company is on properties which hold long-term tenants and have opportunities for active asset management. The Management Company seeks to build and maintain a diversified portfolio of properties across cities, segments and tenants.

Investment objective and policy of the Issuer may only be amended by amending the Fund Rules under the resolution of the General Meeting. See section 7.6 "Governance Structure of the Issuer – General Meeting".

Although the objective of the Issuer is to generate positive returns to the Unit-holders, the profitability of the Issuer and positive returns for the Unit-holders are not guaranteed.

7.4. INVESTMENT RESTRICTIONS

General

The Issuer is a real estate investment fund and the Management Company aims to have adequate flexibility to pursue the investment opportunities available in the market. In addition to the limitations deriving from the investment objectives and policy of the Issuer, the IFA and the Fund Rules stipulate restrictions for investing the Issuer's assets.

In general, the weighting of each asset class, type of issuer, region and sector in the assets of the Issuer shall be determined in the course of the everyday management of the Issuer in line with the investment objectives, policy and restrictions. As the purpose of the Issuer is to invest in real estate property the acquisition process of which may be time-consuming, and provided further that new capital is raised to the Issuer via public or targeted offers of the Units, the Management Company aims to invest any new capital raised to the Issuer within a reasonable time period after the new capital is paid in. During that period of time the Issuer may not be in line with the investment restrictions. For example, the requirement to invest at least 80% of the assets in real estate property may not be met immediately after new capital has been raised by the Issuer until the property investment is made. The Management Company aims to raise new capital only when it has identified specific target investments and has achieved reasonable certainty in acquiring the property or properties.

Risk diversification requirements provided for in the Fund Rules may be temporarily exceeded for reasons outside the control of the Management Company. Exercising a right of pre-emption to acquire securities, a bonus issue, a change in the market value of securities and other such reasons are deemed to be reasons outside the control of the Management Company if the objective of the transactions performed on account of the Issuer is to observe the aforementioned requirements, taking into account the interests of the Unit-holders.

In general, in the event of breach of the investment restrictions stipulated in the IFA or in the Fund Rules that have occurred due to reasons outside the control of the Management Company, the Management Company will immediately take action to cure the situation in line with the Fund Rules. The Management Company shall inform investors of any material breach of the investment restrictions and of any actions taken to cure the breach via stock exchange release or by respective notice disclosed on the Website if the Units are not listed on a stock exchange.

Restrictions on Property Investments

In accordance with the IFA and the Fund Rules, at least 80% of the Issuer's assets shall be invested in real estate and securities relating to real estate in accordance with the investment objectives and policy of the Issuer. The following are securities relating to real estate:

- the units or shares of a fund which is deemed to be a real estate fund according to the legislation of Estonia or other states;
- the shares of special purpose vehicles whose main activity is direct or indirect (through subsidiaries) investment in real estate or management of real estate;
- derivative instruments the underlying assets of which are securities specified in above.

Securities of investment vehicles (including but not limited to joint ventures, SPVs, other real estate funds) in which the Issuer may invest may be registered in any jurisdiction provided that the investment strategy of those investment vehicles is not in conflict with the investment policy and restrictions of the Issuer. Shares of SPVs may be registered in other countries than Estonia, Latvia or Lithuania only with prior approval by the Depositary.

The Issuer shall meet the following risk diversification requirements:

- up to 50% of the gross asset value of the Issuer may be invested in any single real estate property, or in any single real estate fund;
- the annual rental income from one single tenant shall not form more than 30% of the total annual net rental income of the Issuer.

For more detailed information on the property investments of the Issuer, the valuation of the assets and the costs relating to the acquisition and holding of such property see the following sections of this Listing Prospectus – 7.7 "Fees and Expenses", 7.9 "Asset Portfolio", 10.7 "Appraiser".

Restrictions on Other Types of Assets

Up to 20% of the Issuer's assets may be invested in the following types of assets:

- deposits with credit institutions;
- shares and other similar tradable rights;
- bonds, convertible bonds and other tradable debt obligations issued;
- subscription rights and other tradable rights granting the right to acquire shares or bonds or similar tradable rights;
- money market instruments;
- tradable depositary receipts;
- derivative instruments.

Transactions with Derivative Instruments

Transactions with derivative instruments may be performed on account of the Issuer provided that the requirements set forth in legislation, the internal rules of the Management Company for transactions with derivative instruments, and the Fund Rules are met. The assets of the Issuer may be invested in derivative instruments only for the purpose of hedging the property loan risks. An agreement, which includes a right or an obligation of the Issuer to acquire, swap, or sell real estate, such as forward financing or commitment arrangements, shall not be considered to be a derivative instrument.

Other Restrictions

The Issuer may not invest in assets that to a significant degree are used for gambling, pornographic or tobacco producing activities. The Issuer shall be considered as having invested into assets that to a significant degree are used for the above activities if the net rental income for the space (square meters) used for the above activities would exceed 10% of the total net rental income of that asset. The Issuer shall not solicit new tenants proposing to use the assets for the above activities.

7.5. UNITS AND RIGHTS OF THE UNITHOLDERS

General Information on the Units

The Management Company has the right to issue Units on behalf of the Issuer in order to raise capital for investments. Units are issued and held in the registered and book-entry form and no certificates are issued. The Units are registered with the Estonian Register of Securities, with ISIN EE3500110244. Units traded on Nasdaq Stockholm are also held by Euroclear Sweden.

As at the date of this Listing Prospectus, the Issuer has 97,336,070 Units. The Units have no nominal value.

Units are issued, and the net asset value per Unit is expressed, in euros.

The Issuer has one class of Units and all Units rank *pari passu* without preference or priority among themselves. A Unit represents the unit-holder's share in the assets of the Issuer. A Unit-holder cannot request that the common ownership of the Issuer be terminated or that the Unit-holder's share be separated from the Issuer's assets.

A Unit is divisible. The fractions of Units that emerge from dividing Units are rounded to three decimal points. The following rules are applied for rounding: numbers NNN.NNN0 until NNN.NNN4 are rounded down to NNN.NNN and numbers NNN.NNN5 to NNN.NNN9 are rounded up to NNN.NN(N+1). However, trading in Units on any trading venue where the Units are admitted to trading may occur only in whole number of Units, unless fractions of Units can be traded under the rules of the trading venue. The Management Company aims to issue new Units in a way that an investor can subscribe only for a whole number of Units without fractions, unless otherwise specified in the terms and conditions of the specific issue of Units.

Units are freely transferable and can be freely pledged or otherwise encumbered by a Unit-holder subject to the rules of respective marketplace where the Units are admitted to trading, and also subject to the rules of the Registrar and respective securities account provider of a Unit-holder.

The exchange of Units with fund units of other funds managed by the Management Company is not allowed.

Unit-holders

According to the Register as maintained by the Registrar, as at 9 May 2019 there are approximately 1000 unit-holders. However, the number of ultimate unit-holders (including nominee registered Units) are considered to be more than 4500. The largest Unit-holder of the Issuer is Nordea Bank Abp/ Euroclear Sweden Non-Treaty Clients holding 47.5506% of the total number of Units. As the Issuer has one class of Units, there are no differences in voting rights attached to units.

According to the Estonian law, Unit-holders are not subject to notification requirements of their holdings or of the voting rights arising from the Units.

Issue, Redemption and Purchase of Units

Units are not available for subscription at all times. In order to raise new capital to the Issuer, the Management Company may issue new Units through a public offering or a private placement. Units are issued and offered only during specific times determined by the Management Company. Investors and unit-holders may acquire Units through trading on the securities market where the Units have been admitted to trading, or otherwise from other unit-holders.

The issue of new Units may be determined by:

- the General Meeting, or
- the Management Company, if it has received approval from the Supervisory Board and if new Units will be issued at the most recent NAV.

New Units shall be issued in accordance with the Fund Rules and applicable laws and regulations and the terms and conditions of the specific issue. The terms and conditions of the offering are determined by the Management Company. In order to acquire Units, an investor must subscribe for the Units and pay the full subscription price. By submitting the subscription order an investor agrees to the Fund Rules and to the terms and conditions of the specific issue of Units, and undertakes to adhere thereto.

The Units are not redeemable at the request of the Unit-holder. The Units are redeemed upon liquidation of the Issuer. In accordance with regulations or precepts or orders by competent authorities or courts, the Management Company may be obliged to redeem Units. For example, if a Unit-holder is acting in violation of applicable laws and regulations.

In accordance with the Fund Rules, the Management Company is entitled to purchase Units on account of the Issuer, provided that:

- such transactions are, or the purchase plan is, approved by the General Meeting. After the Units have been admitted to trading, the Management Company has the right to decide the purchase of the Units on account of the Issuer within 1 month for the purposes of stabilisation in accordance with European Commission Delegated Regulation (EC) No 2016/1052 of 8 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programmes and stabilisation measures;
- the aggregate number of Units bought back and held by the Issuer shall not exceed 10% of the total number of Units at any time;
- Units held by the Issuer shall not grant any unit-holder rights to the Issuer or to the Management Company;
- any purchase shall be executed in accordance with applicable legislation and with the rules of the trading venue; and
- the Management Company shall either cancel or sell the Units within 3 months after the purchase.

On 19th May 2018 annual general meeting of Issuer´s unitholders approved the establishment of the buy-back program. In that regard, the Issuer has concluded an agreement with SEB Pank AS (Broker) according to which the Broker will to carry out the buy-back program on behalf of the Issuer. The Broker will carry out the buy-back according to the regulations and within the framework of the buy-back program, and will make its trading decisions independently of, and without influence of the Issuer with regard to the timing, size or price of the particular purchases. The duration of the buy-back program will be until 19th June 2019 and the Issuer may acquire up to 5 million units for up to EUR 5 million in the course of the program. The purpose of the buy-back program is to acquire Issuer´s units from the open market as long as the Issuer's units trade at a discount to its most recent NAV. Management Company shall cancel the units acquired during the program within 3 months. The buy-back is carried out via Nasdaq Tallinn stock exchange.

On 19th February 2019 extraordinary general meeting of Issuer´s unitholders approved the issuance of new units by way of private placement. The new units are to be issued at a price corresponding to the weighted average price of Baltic Horizon Fund units on the Nasdaq Tallinn Stock Exchange during the 90 days preceding (as applicable):

- the date of concluding a subscription agreement with an investor; or
- the first day of the subscription period; or
- the date of the subscription order.

The new units will be issued on one or on several occasions in 2019, as decided by the Management Company, based on the funding needs for new acquisitions of real estate properties. The new units will be issued by way of private placement; i.e. no public offering will be made, and no prospectus registered. The new units to be issued represent, over a period of 12 months, less than 20% of the number of Baltic Horizon Fund units already admitted to trading. Under the aforementioned resolution two private placements were carried out during April 2019. New units issued were registered at ERS and admitted to trading on Nasdaq Tallinn and Nasdaq Stockholm.

Rights of the Unit-holders

The rights and obligations attached to a Unit with respect to a unit-holder shall enter into force upon acquisition of a Unit and shall terminate upon disposal or redemption of a Unit. Each unit-holder is deemed to have agreed to the Fund Rules by subscribing for new Units or upon the Units have been credited to the securities account of the Unit-holder as a result of a trade with a third person.

In accordance with the Fund Rules, a Unit-holder has the following rights deriving from the Units:

- to purchase, sell, pledge or otherwise dispose of the Units;
- to own the share of the Issuer's assets corresponding to the number of Units owned by the Unit-holder;
- to receive, when payments are made, pursuant to the Fund Rules, the share of the cash flows of the Issuer proportional to the number of Units owned by the Unit-holder;
- to receive, pursuant to the Fund Rules, the share of the assets remaining upon liquidation of the Issuer proportional to the number of Units owned by the Unit-holder;
- to convene a General Meeting of Unit-holders in accordance with the Fund Rules and the law;
- to participate and vote in the General Meeting pursuant to the number of votes;
- to propose Supervisory Board member candidates for election in the General Meeting;
- to request that the Registrar issue a certificate or an extract from the Register concerning the Units owned by the Unit-holder;
- to demand that the Management Company compensate for any damage caused by a breach of its obligations;
- to access, at the registered address of the Management Company, the documents and information specified in the Fund Rules and receive, upon respective request, copies of any of the documents specified in the Fund Rules without charge;
- to exercise other rights and take other action as prescribed by law or the Fund Rules.

A Unit-holder must exercise the rights attached to the Units in good faith and in accordance with legislation and the Fund Rules. The objective of exercising the rights of a Unit-holder may not be causing damage to other Unit-holders, the Issuer, the Management Company, the Depositary or third persons.

A Unit-holder is not personally liable for the obligations of the Issuer, assumed by the Management Company on account of the Issuer, or for obligations the performance of which the Management Company has the right to demand from the Issuer pursuant to the Fund Rules. The liability of the Unit-holder for performance of such obligations is limited to the Unit-holder's share in the assets of the Issuer.

Register of the Units

Units shall be issued and registered in the Unit-holder's securities account at the Register on the payment date specified in the terms and conditions of respective issue. Units traded on Nasdaq Stockholm are also held by Euroclear Sweden. Such Units will be registered in the Unit-holder's securities account or a custodian account.

A Unit is deemed issued upon registration thereof with the Register and a Unit is deemed redeemed upon cancellation thereof with the Register. Units acquired by an investor shall be registered in the investor's or in a nominee holder's, acting on the account of the investor, registry account in the Register.

The register of the Units is maintained by the Registrar. See section 10.5 "The Registrar".

7.6. GOVERNANCE STRUCTURE OF THE ISSUER

In accordance with the Fund Rules and the IFA, the governance of the Issuer is divided among the Management Company, the General Meeting of Unit-holders and the Supervisory Board. The governance of the Issuer is based on the Fund Rules and the IFA and its' governance structure is different from a regular company. As the Issuer is not a legal person, it is not subject to the corporate governance regime applicable to companies.

The Management Company and the Fund Manager

The Management Company is responsible for the everyday management of the Issuer, including investment activities.

For more detailed description of the Management Company, its responsibilities and the Fund Manager, see section 10.2 "The Management Company".

The General Meeting of Unit-holders

Responsibility

In accordance with the Fund Rules, the General Meeting is entitled to resolve the following matters:

- issue new Units;
- amend the procedure for the making of distributions to Unit-holders;
- approve and recall the members of the Supervisory Board and determine the remuneration of the members;
- change the Management Company at the initiative of the Unit-holders;
- liquidate the Issuer;
- amend the procedure for the redemption of Units;
- increase the Management fee and Depositary fee and other fees and charges payable on account of the Issuer;
- decide on the merger and transformation of the Issuer unless otherwise provided by the IFA;
- amend the fundamental principles of the investment policy of the Issuer;
- establish a term for the Issuer and amending the term, if established;
- amend the Fund Rules;
- purchase of Units on account of the Issuer.

In accordance with IFA, new Units of the Issuer may be issued with a price different than latest NAV only upon conditions approved by the General Meeting of Unit-holders.

Convening the meeting

The Management Company shall convene the General Meeting at least once a year, after the Management Company has approved the annual report of the Issuer. In addition to the annual meeting, the Management Company shall convene the General Meeting as often as there is a need. The Management Company shall convene the General Meeting within 6 months after the Units have been de-listed and the Management Company has not succeeded in having the Units re-admitted to trading.

The EFSA or Unit-holders whose Units represent at least 1/10 of the votes are entitled to request the Management Company to convene the General Meeting and to propose issues to be included in the agenda of the General Meeting. If the Management Company does not convene the General Meeting within one month after receipt of a request, the EFSA or Unit-holders have the right to convene the General Meeting themselves.

Notice of the General Meeting shall be published at least three weeks in advance. A notice convening a General Meeting is published on the Website and via a stock exchange release. At the same time as the publication of a notice, if the IFA so stipulates, it also shall be published in at least one of the daily national (Estonian) newspapers.

Participation and voting in the meeting

Only a Unit-holder, who is a registered unit-holder in the Register, or a representative of the Unit-holder, who has been granted an authorisation document in writing, may participate in a General Meeting. The participation of a representative shall not deprive the Unit-holder of the right to participate in the General Meeting. To participate in a General Meeting, a Unit-holder is required to have Units registered in its name in the Register as at ten days before the date of the General Meeting.

A list of the Unit-holders participating in a General Meeting including the names of the Unit-holders, the number of votes attached to their Units, and the names of the representatives of the Unit-holders, is prepared at the General Meeting. The list shall be signed by the chair of the General Meeting, the secretary of the meeting, and each Unit-holder or his or her representative participating in the General Meeting. The authorisation documents of representatives shall be appended to the minutes of the General Meeting.

At the General Meeting, Unit-holders may adopt resolutions if more than 1/2 of the votes represented by the Units are present. If there are less than, or equal to, 1/2 of votes represented at the General Meeting, the Management Company may, within three weeks but not earlier than after seven days, convene another General Meeting with the same agenda. The new General Meeting is permitted to adopt resolutions regardless of the number of votes represented at the meeting, unless a higher quorum is required under the Fund Rules.

Each Unit shall carry one vote in the General Meeting.

A resolution of the General Meeting shall be adopted if more than 1/2 of the votes represented at the General Meeting are in favour, unless greater majority requirement is prescribed in the Fund Rules or IFA.

Pursuant to IFA, at least 2/3 of the votes represented by Units at the meeting shall be required to adopt a resolution regarding issue of new Units with a price different than the latest NAV.

More than 3/4 of the votes represented by the Units shall be present and more than 4/5 of the votes represented at the General Meeting shall vote in favour to adopt resolutions in matters related to:

- amending the procedure for the making of distributions to Unit-holders;
- liquidation of the Issuer;
- amending the procedure for the redemption of Units;
- deciding on the merger and transformation of the Issuer unless otherwise provided by the IFA;
- deciding to amend the fundamental principles of the investment policy of the Issuer;
- establish a term for the Issuer and amending the term, if established
- amending the Fund Rules.

More than 3/4 of the votes represented by the Units shall be present and more than 4/5 of the votes represented at the General Meeting, excluding votes represented by the Management Company and its related parties, and also excluding votes represented by any Unit-holder holding, directly or indirectly via its related persons, more than 50% of all Units, shall vote in favour to adopt a resolution regarding the change of the Management Company at the initiative of the Unit-holder(s).

In addition, a resolution on amending the procedure for the redemption of Units may only be taken together with a resolution on liquidation of the Issuer.

The Management Company and its related parties who hold Units and are participating in the General Meeting shall abstain from voting in all issues where there is a potential conflict of interest between the Issuer and the Management Company, including but not limited to voting on raising the management fee.

The Supervisory Board

Responsibility

The Supervisory Board acts solely in the advisory capacity and the Management Company shall remain responsible for making the decisions in connection with the fund management. It is the responsibility of the Supervisory Board to consult the Management Company on, and the Management Company shall address to the Supervisory Board, the following matters:

- the approval of an appraiser for the valuation of real estate in the Issuer to be appointed by the Management Company;
- the approval of an auditor of the Issuer to be appointed by the supervisory council of the Management Company;

- the approval of the depositary bank of the Issuer to be chosen by the Management Company;
- the approval of the issue of new Units under the Fund Rules;
- any issues that may involve conflicts of interest related to the Issuer;
- any other issues in accordance with the Fund Rules.

The Supervisory Board members fulfill the abovementioned consultation responsibilities collectively.

Supervisory Board members are entitled to remuneration for their service in the amount determined by the General Meeting. As of the date of this Listing Prospectus, the chairman of the Supervisory Board is entitled to an annual remuneration of EUR 16,000 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 Issuer or the Management Company upon termination of their position.

Composition and Term

In accordance with the Fund Rules, members of the Supervisory Board are appointed by the General Meeting. The Supervisory Board shall consist of three to five members. The following principles shall be followed when appointing the Supervisory Board members:

- a member shall have recognized experience in the real estate market(s) in Estonia, Latvia, or Lithuania, an impeccable business reputation, and an appropriate education;
- only one of the members may be related to the Management Company, i.e. the person is a member of the Management Board or Supervisory Council or shareholder of the Management Company or of any other company belonging to the same consolidation group with the Management Company, or is otherwise related to or appointed by the Management Company;
- at least one of the members should represent Unit-holders who are not related to the Management Company and are not related to the ten largest Unit-holders in terms of Units held as of ten days before the date of the General Meeting, or be an independent member not related to any Unit-holder.

The members of the Supervisory Board shall be appointed for a period of at least two years.

At the date of the Listing Prospectus, the members of the Supervisory Board are:

Name	Born	Affiliation	Professional experience	Date of Appointment	Expiration of term of office
Andris Kraujins	1963	*Independent*	Several years of investment and real estate management experience in the Baltics	2 June 2016	unspecified term
Per Møller	1967	*Independent*	Several years of experience in audit services, asset management and real estate investments in the Nordics and the Baltics	2 June 2016	unspecified term
Raivo Vare	1958	*Independent*	Several years of experience in financial, transit and logistics and real estate sectors in the Baltics	2 June 2016	unspecified term
David Bergendahl	1962	*Independent*	Several years of experience in company management and real estate investments in the Nordics and in Russia	11 November 2016	11 November 2018

The following table sets out current and past directorships held by the Supervisory Board members over the past five years:

Name	Former positions	Current positions
Andris Kraujins	BOF, Member of the Investment Committee Cerfs SIA, Member of Board	AKCI SIA, Member of Board, founder MAK AUTO SIA, Member of Board, founder Sievietes veselības centrs SIA, Chairman of board, founder
Per Møller	Dansk Farm Management A/S, Chairman of the Board Ernst & Young, Denmark, CEO	Altechna UAB, CEO Blue Lime Labs UAB, founder

	Ernst & Young, Baltic’s, Managing Partner	VoiceBoxer ApS, Chairman of the Supervisory Board
	Baltic Assist UAB, founder	Volt ApS, Chairman of the Supervisory Board
	Infotrust P/S, Member of the Supervisory Board	Flextown ApS, Member of the Supervisory Board
	Business Angel Copenhagen, Member of the Board	Circle Venture Capital UAB, Founder & CEO
		Opeepl ApS, Chairman of the Supervisory Board
Raivo Vare	AS Eesti Raudtee, Chairman of the Supervisory Board	Vareholding OÜ, owner and CEO
		Live Nature OÜ, Partner, Member of the Management Board
	AS SmartCap, Chairman of the Supervisory Board OÜ	AS Sthenos Grupp, Partner, Chairman of the Supervisory Board
	A/S Trigon Agri, Member of the Board of Directors	
	President’s Academic Advisory Board, Member	Trigon Dairy Farming Estonia AS, Member of the Supervisory Board
	Estonian Cooperation Assembly, Member of the Supervisory Board	AS Smart City Group, Member of the Supervisory Board
		AS Mainor Ülemiste, Member of the Supervisory Board
	Estonian Business School, Member of the Advisory Council	Öpiku Majad OÜ, Member of the Supervisory Board
	3D Technologies R&D AS, Member of the Supervisory Board	
David Bergendahl	Chairman of Hammarplast A/S	Chief Executive Officer of Hammarplast AB
	Chairman of Hammarplast a/s	Chairman of Hammarplast Medical AB
	Chairman of Sarvis OY	Torslanda Property Investment AB (publ), Member of the Board
	Chairman of Gosta Widen AB	Link Prop Investment AB (publ), Member of the Board
	Geveko AB	
	Chief Executive Officer of Pergamon International AB	

Andris Kraujins. Mr. Kraujins, born 1963, is the member of the Supervisory Board of the Issuer. During the last ten years, Mr. Kraujins has acted as a private investor investing into different projects in health care, food processing, financial and hi-tech sectors. He graduated from Riga Technical University, Faculty of Automation and Computing Technique in 1986. In 1991, Mr. Kraujins graduated from Institute of International Relations at the University of Latvia.

Per Møller. Mr. Møller, born 1967, is the member of the Supervisory Board of the Issuer. Per Møller is active in providing funding to start-up companies and also in offering his management expertise to entrepreneurs and executives. He has long-standing experience at Ernst & Young, Denmark, in transaction advisory, restructuring and reorganization as well as assurance/audit with companies in Denmark and the Baltics. Prior to joining Ernst & Young, Mr. Møller acted as the Managing Partner in Arthur Andresen & Co, Baltics. He graduated from Baltic Management Institute, International Executive MBA, in 2000 and from Copenhagen Business School, M.Sc. in Business Economics and Auditing, in 1991.

Raivo Vare. Mr. Vare, born 1958, is the member of the Supervisory Board of the Issuer. Raivo Vare is a well-recognised expert in the areas of infrastructure, logistics and corporate strategy. He has been in many managerial positions both in private and listed companies. Mr. Vare graduated from Law Faculty of University of Tartu (summa cum laude) in 1980, and from the Executive MBA programme of Estonian Business School (cum laude) in 2003.

David Bergendahl. Mr Bergendahl, born 1962, is the member of the Supervisory Board of the Issuer. David Bergendahl graduated from Göteborgs universitet in 1988 receiving a Bachelor's degree in Economics. Mr Bergendahl is a co-owner and Chief Executive Officer of Hammarplast AB and is a board member in two public real estate investment companies in Sweden.

The Management Company is not aware of any compulsory liquidations of companies in which any of the members of the Supervisory Board has acted as a member of the administrative, management or supervisory body or as a senior manager. The Management Company is not aware of any convictions in relation to fraudulent offences, bankruptcies, receiverships or any official public incrimination and/or sanctions with respect to the members of its Supervisory Board. The Management Company is not aware of any potential conflicts of interest between the duties of the members of its Supervisory Board and their private interests or other duties.

David Bergendahl directly and indirectly holds as at 9 May 2019 854 808 Units of the Issuer, which represent 0.8782% of the total amount of the units.

Meetings of the Supervisory Board

A meeting of the Supervisory Board shall be convened by the Management Company at least once in a quarter. Each member of the Supervisory Board and the Fund Manager(s) has the right to convene a meeting. The Supervisory Board has the right to pass decisions without convening a meeting in case all the Supervisory Board members agree not to convene a meeting.

The Supervisory Board is entitled to pass decisions if more than half of the members take part in the meeting. A decision of the Supervisory Board shall be adopted if more than half of the members present at the meeting vote in favour of the decision. In case the Supervisory Board adopts decisions without convening a meeting a decision shall be adopted if more than half of the members vote in favour of the decision.

Board Practices in the Management of SPVs

In order to make indirect investments in real estate property, the Management Company shall establish a special purpose entity separately for each investment. The Issuer owns SPVs that have been established in the form of private limited companies in accordance with local company law (i.e. *osaühing (OÜ)* in Estonia, *sabiedrība ar ierobežotu atbildību (SIA)* in Latvia, and *uždaroji akcinė bendrovė (UAB)* in Lithuania). For more details on the SPVs, see section 7.9 “Asset Portfolio”.

The Management Boards of the SPVs are usually composed of two to three members, appointed by the Management Company. Management Board of the SPVs can include a representative from the Issuer’s property management service provider. See further in section 10.8 “Property Management Service”. The everyday management of a SPV and the property will usually be the responsibility of one of the board members or the general director, if appointed. However, in order to ensure adequate risk management and informed decision-making, a Management Board member or the general director of a SPV may represent the SPV only together with another board member.

The Management Board members shall not be paid any remuneration, unless it is mandatory under local legislation. If the remuneration is mandatory under local legislation, a minimum salary under the law shall be paid. There are no, and is not expected to be, benefits foreseen in the service contracts with the Management Board members upon termination of employment or service.

7.7. FEES AND EXPENSES

In accordance with the Fund Rules, a Management fee, a Performance fee, a Depositary fee and certain expenses are paid on the account of the Issuer. In addition, a fee for the services of Depositary is paid on the account of the Issuer. The total amount of fees and other expenses paid out of the Issuer (including out of SPVs) shall not exceed 30% of the NAV of the Issuer per calendar year. Only the expenses specified in the Fund Rules can be paid on the account of the Issuer. The Management Company notes regarding section 15.4.1(r) of the Fund Rules that operational expenses include also accounting costs, due to which Issuer’s accounting expenses are borne on the account of the Issuer. Source: Decree No. 12 of the Minister of Finance dated 31.01.2017 “Rules regarding compiling, the content and presenting of the reports of the management company subject to submission to Estonian Financial Services Authority and reporting of the own assets of the management company” Annex 2; and Decree No. 105 of Minister of Finance dated 22.12.2017 „Establishing of the Guidlines for Generally Accepted Accounting Principles“ Annex 2 – Guidance of the Accounting Board No. 2 „Requirements for presenting information in the annual report“. The Unit-holders recognised and shared the understanding of the Management Company at the annual general meeting of the Unit-Holders held on 19 June 2018.

Management fee and Performance fee shall be calculated by the Management Company and paid in euros in accordance with respective invoice issued by the Management Company. The Depositary fee is calculated by the Depositary and paid in euros in accordance with respective invoice issued by the Depositary. Expenses are paid in currencies in which respective invoice has been issued. Fees and expenses are paid out of the Issuer or directly by the SPVs in relation to which such fees or expenses have occurred to the extent that is allowed under applicable legislation. Value added tax (if applicable) is added to the fees and expenses.

Management fee

The Management Company shall be paid a management fee on account of the Issuer for managing the Issuer (“Management fee”). The Management fee shall be calculated as follows:

- the Management fee shall be calculated quarterly based on the 3-month average market capitalisation of the Issuer. After each quarter, the Management fee shall be calculated on the first Banking Day of the following quarter (the ”Fee Calculation Date”). Quarters shall mean 3-month periods that start on 1 January, 1 April, 1 July, and 1 October.

  (Average market capitalisation shall mean the average closing prices of all days in the previous 3 month period multiplied with the respective daily number of the Units outstanding on the marketplace(s) where Units are admitted to trading (the ”Market Capitalisation”)).

- the Management fee shall be calculated 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 Fee shall be calculated after each quarter as follows:

    - the Market Capitalisation as calculated on the Fee Calculation Date, split into the tranches and each tranche of the Market Capitalisation ($MCap_t$) multiplied by
    - respective fee rate (F_n) applied to the respective tranche, then the aggregate of the fees from each tranches multiplied by
    - the quotinent of the actual number of days in the respective quarter ($Actual_q$) divided by 365 days per calendar year, as also indicated in the formula below

$$((MCap_1 \times F_1)+...+(MCap_5 \times F_5)) \times (Actual_q / 365)$$

- in case the Market Capitalisation is lower than 90% of the NAV of the Issuer, the amount equal to 90% of the NAV of the Issuer shall be used for the Management Fee calculation instead of the Market Capitalisation. In this case, the NAV of the Issuer means the average quarterly NAV of the Issuer and such Management Fee adjustments shall be calculated and paid annually after the annual report of the Issuer for the respective period(s) has been audited.

For periods during which the Units are not traded on any marketplace, the Management fee shall be calculated and paid quarterly based on the average NAVs over preceeding 3 months. Management fee adjustments, if any, shall be made annually after the annual report of the Issuer for the respective period(s) has been audited.

The Management Fee shall be paid to the Management Company quarterly within 5 Banking Days after the issue of the invoice by the Management Company.

Performance fee

For each year, if the annual adjusted funds from operations of the Issuer divided by the average paid in capital during the year (calculated on a monthly basis) exceeds 8% per annum, the Management Company is entitled to a performance fee in the amount of 20% of the amount exceeding 8% ("Performance fee"). The adjusted funds from operations shall mean 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 Issuer. New investments and acquisitions and follow-on investments into properties are not considered to be capital expenditures.

The Performance fee is calculated annually by the Management Company and is accrued to the Performance Fee reserve. Once the Performance Fee reserve becomes positive, the Performance fee can be paid to the Management Company. The Performance fee for a year can be both positive and negative. However, the Performance fee for the year shall not exceed 0.4% of the Issuer's average NAV per year (upper Performance fee limit). Negative Performance Fee shall not be less than -0.4% of the Issuer's average NAV per year (lower Performance fee limit).

A Performance fee for the first year of the Issuer (i.e. 2016) shall not be calculated. The Performance fee first becomes payable in the fifth year of the Issuer (i.e. 2020) for the period of 2017, 2018, and 2019. After that, the Performance fee shall be payable annually, depending on the accrued Performance fee reserve over the period starting from the second year of the Issuer (i.e. 2017).

The Performance fee shall be paid to the Management Company within 8 calendar days after the issue of the invoice by the Management Company.

Depositary Fee

The annual Depositary fee will be 0.03% of the GAV, but not less than EUR 10 thousand per annum. The Depositary fee shall be calculated monthly and paid to the Depositary on the basis of an invoice submitted by the Depositary. In addition to the Depositary fee, the Depositary shall be paid or reimbursed for fees and out-of-pocket expenses related to the transactions made on account of the Issuer.

Other Expenses

The following other expenses are payable on account of the Issuer:

- fees for property management services;

- fees and costs related to the administration and maintenance of real estate properties belonging, directly or indirectly, to the Issuer;
- costs (including interest costs) relating to borrowing by the Issuer or SPV;
- costs for the valuation of real estate belonging, directly or indirectly, to the Issuer (when related to the regular valuation pursuant to the Fund Rules);
- costs and expenses related to set-up, restructuring, and liquidation of the Issuer, including fees of external consultants;
- the Registrar's fees for registering Units and for other services provided by the Registrar to the Unit-holders (when not payable directly by the Unit-holders);
- remuneration payable to Supervisory Board members;
- costs related to convening and holding General Meetings;
- costs related to convening and holding Supervisory Board meetings;
- costs for translating regular Investor notifications and reports that are required under legislation or the Fund Rules;
- costs for the Issuer's and SPVs' tax planning/tax structuring and tax advice, unless related to a direct or indirect acquisition of real estate by the Issuer;
- fees for the auditing of the annual reports of the Issuer and SPVs;
- costs of accounting and preparing the quarterly, semi-annual, and annual reports of the Issuer and SPVs, including tax statements and tax returns;
- tenant brokerage fees related to real estate belonging, directly or indirectly, to the Issuer;
- insurance costs and property taxes related to real estate belonging, directly or indirectly, to the Issuer;
- fees for marketing services related to the Issuer and real estate belonging, directly or indirectly, to the Issuer, including expenses in relation to the marketing and distribution of the Issuer;
- costs and fees related to the listing of the Issuer pursuant to the Fund Rules;
- all other operational and financial expenses attributable to investments of the Issuer, including but not limited to capital expenditures;
- damages reimbursable in connection with the real estate investments of the Issuer and with the management of such property;
- other charges concerning the Issuer and the SPVs associated with the sourcing, acquisition, managing, valuation (including by independent property appraisers), structuring, holding, and disposal of the investments, including costs and expenses related to the formation, maintenance, disposal and/or liquidation of SPVs, and costs and expenses related to contemplated but unconsummated investments (including in SPVs);
- bank fees, commissions, fees associated with depositing or pledging securities, securities account management fees, state duties, advisory services, legal fees, adjudication fees, fees for address services, representation and publicity expenses, delivery of documents, translation, administration and management fees paid to persons not associated with the Management Company, provided that such costs are related to the activities of the Issuer or SPVs;
- salaries (to the extent employment is legally required) related to chief executive officers/directors of any SPV, as long as such salaries are set at the minimum required level;
- the costs of reasonable directors' and officers' liability insurance on behalf of the members of the Supervisory Board and the members of the board of directors of the Issuer's SPVs;
- the costs incurred in connection with any litigation, arbitration, or other proceedings in relation to the Issuer's assets, including any such proceedings in relation to assets held by SPVs;
- all expenses related to entering and exiting investments (i.e. expenses related to the acquisition and disposal of real estate as well as shares of SPVs and other assets of the Issuer as well as broken deal expenses), including, without limitation, state duties, notary fees, fees for real estate valuations by certified appraisers (when related to entering and exiting investments), fees for legal, tax, and other due diligence investigations directly related to the acquisition of real estate;
- taxes to be added to costs provided in above.

In addition, the Issuer covers also investment costs related to preserving the value of its real estate properties (including, without limitation, costs related to improvements and repair). Among others, such investment costs include construction costs, development costs and fees, brokerage fees, architects' fees, fees related to detail planning and other consultants' costs. Investment costs are not considered to be expenses, but rather as investments of the Issuer.

7.8. VALUATION

The net asset value of the Issuer shall be determined based on the aggregate market value of the securities (including shares of SPVs), other property and rights belonging to the assets of the Issuer from which claims against the Issuer are deducted (the "NAV"). If it is not possible to determine market value of the assets, the value of the assets shall be determined on the basis of their probable sales price which has been determined reasonably, in good faith and proceeding from the best interests of Unit-holders and for which independent and competent parties would agree to conclude the transaction (fair value). The assets of the Issuer are securities (including shares of SPVs), other things and rights belonging to the Issuer. The NAV of a Unit equals the NAV of the Issuer divided by the number of Units issued and not redeemed as at the point of valuation. The Management Company is responsible for determining NAV of the Issuer and of a Unit. The NAV of the Issuer and of a Unit shall be calculated in euros and they shall be calculated monthly as of last banking day of each calendar month. The NAV of the Unit shall also be calculated as of each day when Units are issued. The valuation is conducted in accordance with the Valuation Policy of the Management Company, Fund Rules and Internal Rules for Determination of the NAV of the Issuer.

The main valuation principles for real estate property belonging to the Issuer are the following:

(i) to determine the market value of real estate property belonging to the Issuer, the Management Company shall ensure appraisal of such property at least once a year as at the end of the financial year and prior to auditing of the Issuer's annual report;
(ii) any real estate belonging to the Issuer shall be appraised by one independent real estate appraiser appointed by the Management Company after consultation with the Supervisory Board. See section 10.7 "Appraiser";
(iii) report prepared by the real estate appraiser shall be accompanied with Management Company's internal valuation statement.

The NAV of the Issuer and of a Unit as of each last banking day of each calendar month, and issue price of a Unit shall be made available on the Website, by a stock exchange release disclosed on the website of the trading venue where the Units are admitted to trading, and at the registered office of the Management Company on the 15th day of the month following each calendar month.

In the event of inaccuracies in the NAV, which were caused by miscalculations or errors made in the determination of the NAV, the circumstances that caused the miscalculation or error shall be ascertained. The permitted error margin for the NAV of a Unit is 3% of the correct NAV of the Unit. Damage caused to Unit-holders by an error exceeding 3% in the determination of the NAV shall be compensated to Unit-holders on account of the Issuer either by issuing new Units or in money from the surplus assets of the Issuer.

The Management Company may suspend the determination of the NAV during the existence of any state of affairs which constitutes an emergency as a result of which disposals or accurate valuation of a substantial portion of the assets owned by the Issuer would be impracticable or when, for any other reason, the prices of any investments owned by the Issuer cannot be promptly or accurately ascertained provided the suspension is justified with regard to the interests of Unit-holder. The suspension of the determination of the NAV of the Issuer will be announced on the Website.

7.9. ASSET PORTFOLIO

On the date of this Listing Prospectus, the Issuer held a portfolio of 13 commercial properties (see Table 10) all of which were based in the capital cities of the Baltic States. All buildings in the portfolio were operational and generating rent revenue. In addition, the Issuer owned a 0.87 hectare land plot (Meraki) next to Domus Pro for its further expansion. The total size of the Issuer's property portfolio amounted to EUR 263.5m of fair value (including a land plot for Domus Pro's expansion and newly acquired Duetto II) and 122.4 thousand sqm of rentable area. Europa SC was the largest holding accounting for 17% of the portfolio's value. Postimaja was the second largest asset constituting approximately 13% of the total fair value followed by Upmalas Biroji and Domus Pro, each with 10% of the portfolio's value. The smallest property – Sky Supermarket – accounted for 2% of the total value.

The property portfolio was well diversified both in terms of sectors and locations. At the end of December 2018, retail and office segments constituted 43% and 51% of the total fair value of developed properties respectively. The remaining 6% were attributable to Coca Cola Plaza cinema complex representing a leisure segment. Location-wise, Tallinn with 5 properties comprised 37% of the total fair value of developed properties followed by Vilnius with 3 properties at 34% and Riga with 4 properties at 29%.

Figure 1: Value of developed properties breakdown by sector, 31 December 2018

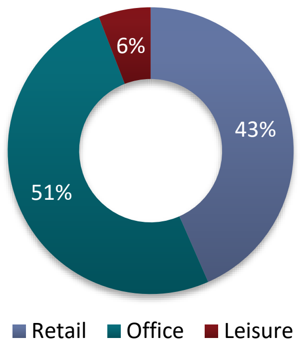
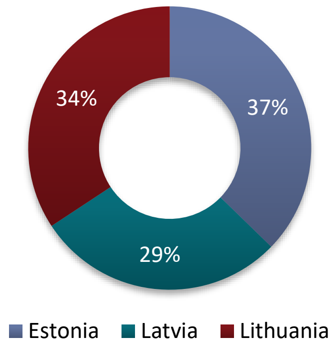


Figure 2: Value of developed properties breakdown by location, 31 December 2018



Low level of vacancy – 1.2% for the overall portfolio in December 2018 – indicated strong demand for space at the Issuer's properties. 5 buildings – Vainodes I, LNK Centre, G4S Headquarters, Coca Cola Plaza and Upmalas Biroji – had no vacant space. Effective vacancy rates at Duetto I and Piirita were equal to zero because their sellers provided 2-year (starting from acquisition dates) guarantees of full-occupancy net rental income. Vacant premises in Domus Pro, Lincona and Sky Supermarket comprised less than 2% of their rentable area. Vacancy rates of Postimaja and Europa SC were slightly higher – in the region of 4-4.5%.

Table 10: Details of existing property portfolio, 31 December 2018 (Duetto II as of 28 February 2019)

Property	Acquisition date	Sector	Fair value, EUR'000	Rentable area, sqm	Vacancy	WAULT, years	Number of tenants
Vilnius							
Europa SC	2-Mar-2015	Retail	41,100	16,856	4.4%	3.9	72
Domus Pro	1-May-2014	Retail/ office	24,920	16,078	1.6%	3.9	37
Duetto I	22-Mar-2017	Office	16,320	8,498	0.0%[1]	3.3	7
Duetto II	27-Feb-2019	Office	18,323	8,509	0.0%[2]	5.2	6
Total Vilnius			**100,663**	**49,941**	**2.0%**	**4.0**	**122**
Riga							
Upmalas Biroji	30-Aug-2016	Office	25,730	10,458	0.0%	3.0	9
Vainodes I	12-Dec-2017	Office	21,230	8,052	0.0%	14.9	3
LNK Centre	15-Aug-2018	Office	17,450	7,453	0.0%	6.6	4
Sky Supermarket	1-Jan-2013	Retail	5,390	3,254	0.6%	3.7	18
Total Riga			**69,800**	**29,217**	**0.1%**	**7.3**	**34**
Tallinn							
Postimaja	13-Feb-2018	Retail	32,450	9,145	4.0%	6.4	14
G4S Headquarters	12-Jul-2016	Office	17,240	9,179	0.0%	3.9	1
Lincona	1-Jul-2011	Office	17,170	10,870	1.5%	4.7	13
Coca Cola Plaza	8-Mar-2013	Leisure	14,470	8,664	0.0%	4.2	1
Piirita	16-Dec-2016	Retail	10,020	5,427	0.0%[3]	6.4	18
Total Tallinn			**91,350**	**43,285**	**1.2%**	**5.0**	**47**
TOTAL DEVELOPED PROPERTIES			**261,813**	**122,443**	**1.2%**	**5.1**	**203**
Meraki land	16-May-2018		1,670				
TOTAL INVESTMENT PROPERTIES			**263,483**				

[1] An effective vacancy rate of Duetto I was zero because a seller of the property provided a 2-year (starting from the acquisition date) guarantee of full-occupancy net rental income which implies a 7.2% annual yield on the acquisition price.
[2] An effective vacancy rate of Duetto II was zero because a seller of the property provided a 2-year (starting from the acquisition date) guarantee of full-occupancy net rental income which implies a 7.1% annual yield on the acquisition price.
[3] An effective vacancy rate of Piirita amounted to zero because a seller of the property provided a 2-year (starting from the acquisition date) guarantee of full-occupancy net rental income which implies a 7.4% annual yield on the acquisition price.

An average remaining lease term was in line with the Issuer's targets. As of 31 December 2018, the portfolio's WAULT stood at 5.1 years. Of all holdings, Vainodes I, which was acquired in December 2017, had by far the longest remaining lease term of 14.9 years thanks to a long lease contract with its anchor tenant – Latvia's State Forests. LNK Centre had the 2nd longest WAULT of 6.6 years followed by Postimaja and Piirita with 6.4 years. The shortest WAULT was 3.0 years of Upmalas Biroji.

The Issuer had 197 tenants in total at the end of December 2018. Of that, approximately 37% (or 72 tenants) were renting space at Europa SC – the largest property in the portfolio. In contrast, cinema complex Coca Cola Plaza and G4S Headquarters had a single tenant. On average, there were approximately 16 tenants per property at the Issuer's portfolio.

Europa SC

Europa SC is the largest asset in the Issuer's property portfolio. As of 31 December 2018, the property comprised 17% of the portfolio's total fair value. With 16,856 sqm of leasable space Europa SC is one of the largest shopping malls in Vilnius. It was built in 2004 together with a connected office tower (known as Europa Business Centre) by Hanner, a Lithuania-based construction and real estate development group, which still owns the adjacent office tower. At the completion of construction, the SC was purchased by BPT Secura AS, a private real estate fund managed by Northern Horizon Capital group, which held the property for more than 10 years. As BPT Secura AS was nearing its fund term, it launched a sale tender process for Europa SC. BOF won the process leading to the acquisition of the property in March 2015.

Compared to other large shopping malls in Vilnius, Europa SC is the most centrally located. Its location in the very heart of CBD means that its catchment area includes surrounding office towers/complexes such as Europa Business Centre, 3 Bures, Vilnius Municipality, Swedbank's Lithuanian headquarters, K29 and Quadrum Business City. In addition, there are three large hotels, Radisson Blu, Best Western and Holiday Inn, closely located enabling Europa to attract tourists.

The location of Europa SC has solid future potential too. The number of people working in its catchment area will continue growing since there is still plenty of undeveloped space around Konstitucijos avenue, the artery of Vilnius CBD. Construction of 30,000 sqm Quadrum Business City was completed in September 2016 bringing Lithuanian headquarters of DNB, the third largest bank in the country, to CBD. In 2018 construction of a 10,000 sqm expansion of Quadrum began. In 2018, Eastnine commissioned a 13,000 sqm office tower, the third one in its 3 Bures complex which is located next to Europa SC. What is more, in 2018 Lords LB began construction of a 12,700 sqm office building, majority of which was pre-leased to SEB, one of the two largest banks in Lithuania. Lords LB is also preparing to build a 19,000 sqm office tower just on the opposite side of Konstitucijos avenue to Europa SC. Development of new office projects is highly positive for the property as they increase a number of potential shoppers in the area.

Europa SC markets itself as a 'City Style Centre'. Fashion products are the key focus. Visitors are offered a wide selection of clothing, footwear, accessories and beauty shops. In recent years the SC has attracted more and more upscale brands such as Michael Kors (flagship store), Karen Millen, MaxMara, etc. The Management Company believes that, of the large shopping malls in Vilnius, Europa now has the most upscale fashion offering. As a result, its target customer group is leaning towards higher income shoppers. This market positioning is supported by Europa's location in CBD where people with generally higher wages are employed.

Europa's anchor tenant is a grocery store of Maxima – a leading Baltic retail chain. In the first quarter of 2014 the lease contract with Maxima was renewed for another 10 years. At the same time a 10-year lease contract was signed with fitness club Lemon Gym which became the third largest tenant in the property. This move reflects the strategy to expand consumer experience in the SC by offering activities alternative to shopping. Apranga, a leading fashion retailer in the Baltics, has 9 stores in Europa SC of which 6 are franchises of upscale international brands including MaxMara and Karen Millen. Confirming the primary focus on fashion offering, in October 2015 Europa saw the opening of a 347 sqm Michael Kors store – the first one in Lithuania. Among the largest tenants, there is also a number of restaurants including one from Vapiano, a global chain. Thanks to its location in CBD, Europa is an important lunch spot.

An expansion project has been drawn up for Europa SC which would add 300-500 sqm of new area by constructing a first floor extension on the south side of the SC. The new premises would be dedicated to restaurants, cafes and stores. The expansion project would also include a renewal of the SC's main entrance and installation of windows to upper facade where restaurants are located. The Management Company estimates the investment to be in the area of EUR 300 thousand.

Table 11: Details of Europa SC, 31 December 2018

Acquisition date	2 March 2015	
Acquisition price	EUR 35,787 thousand	
Construction	2004	
Type	Shopping centre	
Location	Konstitucijos av. 7A, 7B, Vilnius, Lithuania	
SPV[1]	BOF Europa UAB, registered on 6 October 2004, registry code 300059140, registered address at Gyneju st. 16, Vilnius, Lithuania. The sole shareholder of the company is the Management Company on behalf of and for the benefit of the Issuer.	
NLA	16,856 sqm	
Fair value	EUR 40,100 thousand	
Vacancy	4.4%	
WAULT	3.9 years	
No of tenants	72	
Major tenants	Maxima (grocery) Apranga (fashion): *MaxMara Karen Millen, Strellson, Marella, etc.* Vapiano (restaurant) Suit Supply (fashion)	Michael Kors (fashion) Douglas (cosmetics) Fortas (restaurant) LPP (fashion) Gerry Weber (fashion) Lemon Gym (fitness club)

Europa SC is situated on two land plots, whereas land plot 1 is in the co-ownership of Europa SPV, Hanner AB and the Republic of Lithuania and land plot 2 is in the co-ownership of Europa SPV and Hanner AB. Co-owners of land plot 1 have entered into the Agreement of Co-owners, which provides for the exact parts of the land plot 1 used by each of the parties. Europa SC occupies also 2,154 m² (comprising 23.7% of the total land area of Europa SC) of the land attributed to the Republic of Lithuania. Therefore, Europa SPV and the Republic of Lithuania are in the process of concluding a lease agreement for such land.

The Issuer also owns 50% of the 7-floor parking house connected to Europa SC which constitutes approx. 500 parking places. The parking house is in co-ownership with Hanner AB.

Postimaja

Postimaja, purchased by the Issuer in February 2018, is the 2nd largest property in the portfolio comprising 13% of its total fair value at the end of December 2018. It is a shopping centre situated in the heart of Tallinn next to Coca Cola Plaza, a cinema property owned by Issuer since March 2013.

One of the key reasons for investing in Postimaja was a development plan to connect it with Coca Cola Plaza. That includes a new exterior design, expansion in existing leasable area and improvement in functionality between the two buildings as well as the Rotermann Quarter, an old industrial part of Tallinn which has been redeveloped into a modern urban area. The expansion follows social responsibility principles closely cooperating with the city of Tallinn as it is one of the prime locations of the city. The key goal is to facilitate pedestrian traffic moving from the city center towards the central harbour area and improve the access to Rotermann Quarter. HG Arhitektuur OÜ with its work the "Rotermann Passage" was selected as the partner to work out the architectural solution for connecting Postimaja and Coca Cola Plaza. The expansion would add approximately 5,000 sqm of new space which could be rented out to tenants looking for retail and office premises in the center of Tallinn.

The property is former headquarters of Estonian Post which in 2013 was completely reconstructed converting it into a modern shopping centre. It currently offers more than 9,000 of retail space across 3 storeys which is occupied by a varied mix of tenants including a grocery, clothing stores, restaurants and a fitness club.

Fashion chains – H&M, New Yorker and NS King – are among major tenants at Postimaja. Another key tenant is Rimi grocery shop (part of ICA Gruppen, a listed Nordic retailer). The Issuer has a well-established relationship with Rimi retail chain as it also leases space at the Issuer's two other properties (Piirita in Tallinn and Domus Pro in Vilnius). Customer experience is supplemented by a fitness club run by MyFitness, the largest network of sports clubs in Estonia, which is also a tenant at Piirita.

Table 12: Details of Postimaja, 31 December 2018

Acquisition date	13 February 2018
Acquisition price	EUR 34,477 thousand
Construction	2013
Type	Shopping centre
Location	Narva road 1, Tallinn, Estonia
SPV	BOF CC Plaza OÜ, registry code 12399823, registered address at Rävala st. 5, Tallinn, Estonia. The sole shareholder of the company is the Management Company on behalf of and for the benefit of the Issuer.
NLA	9,145 sqm
Fair value	EUR 32,450 thousand
Vacancy	4.0%
WAULT	3.3 years
No of tenants	14
Major tenants	H&M (fashion) New Yorker (fashion) Rimi (grocery) MyFitness (fitness club) Estonian Post (post services)

Upmalas Biroji

Upmalas Biroji office in Riga is the second of the two properties (the other one is G4S Headquarters) acquired by investing proceeds from the Issuer’s initial public offering in June 2016. Its purchase was closed on 30 August 2016. As of 31 December 2018, Upmalas Biroji was the 3rd largest property on the Issuer’s portfolio with EUR 25.7m in fair value or 11% of the total.

Upmalas Biroji is a 5-storey office building located in Southern Riga, 10 minutes away from Riga’s center and 15 minutes away from Riga’s airport. It was built in 2008 by a German developer Bauplan Nord which continues to act as a property manager for Upmalas Biroji. The building is equipped with modern technological solutions with a clear focus on sustainability and efficiency. In 2013 it won “The Most Sustainable Building in Latvia” award.

Table 13: Details of Upmalas Biroji, 31 December 2018

Acquisition date	30 August 2016
Acquisition price	EUR 23,573 thousand
Construction	2008
Type	Office
Location	Mukusalas st. 101, Riga, Latvia
SPV	Kontor SIA, registry code 40003771618, registered address at Mukusalas st. 101, Riga. The sole shareholder of the company is the Management Company on behalf of and for the benefit of the Issuer.
NLA	10,458 sqm
Fair value	EUR 25,730 thousand
Vacancy	0.0%
WAULT	3.0 years
No of tenants	9
Major tenants	SEB (banking) Cabot (specialty chemicals) Bosch (engineering and electronics) Johnson & Johnson (pharmaceutical and consumer products) Mylan (pharmaceutical)

As of 31 December 2018, the property was leased to 9 tenants and had 100% occupancy. The tenants were mostly comprised of top-class international companies such as SEB, a Nordic bank, Cabot, a US-based specialty chemicals and performance materials company, Bosch, a Germany-headquartered global engineering and electronics group, and Johnson & Johnson, an American multinational pharmaceutical and consumer products company. The tenants use the building primarily for back-office operations. SEB is the largest leaseholder constituting approx. half of property's total annualized rental income (as of 31 December 2018) followed by Cabot comprising approx. a fifth of annualized rental income.

Domus Pro

Domus Pro is the 4th largest asset in the portfolio comprising 10% of its fair value as of 31 December 2018. The property is a neighborhood shopping center located in Perkunkiemis district in the north eastern part of Vilnius. Perkunkiemis is one of the newest and one of the fastest growing neighborhoods in Vilnius. It is primarily seen as a residential area since a large number of residential projects were developed there in recent years. On the other hand, new office buildings were also constructed as the area attracted the interest of both local and international companies (for instance, Swedbank and Affecto) requiring large office spaces.

Table 14: Details of Domus Pro, 31 December 2018

Acquisition date	SPA signed in July 2013, final closing in 1 May 2014
Acquisition price	EUR 12,087 thousand
Construction	1st stage 2014; 2nd stage 2015/2016; 3rd stage 2017
Type	Shopping centre (1st and 2nd stages) and office (3rd stage)
Location	Bieliunu st. 1, Vilnius, Lithuania
SPV	BOF Domus Pro UAB, registry code 225439110, registered address at Gyneju st. 16, Vilnius, Lithuania. The sole shareholder of the company is the Management Company on behalf of and for the benefit of the Issuer.
NLA	16,078 sqm, of which 11,247 sqm retail and 4,831 sqm office
Fair value	EUR 24,920 thousand, of which EUR 17,460 thousand retail and EUR 7,460 thousand office; In addition, EUR 1,670 thousand value of a land plot for further expansion
Vacancy	1.6%
WAULT	3.9 years
No of tenants	37
Major tenants	**Retail:** Rimi (grocery) Fitus (health and fitness club) Hansa Plyteliu Turgus (home-improvement) MyOutlet (fashion) **Office:** Narbutas (furniture) Pet City (pet store and veterinary clinic) Baltic Consol Line (transportation)

Initially, Domus Pro was a typical neighborhood-type shopping center offering everyday goods and services. However, thanks to its two expansions developed over 2015-2017 the property significantly expanded and diversified its tenants mix and substantially widened customer experience it offers to its visitors. With the completion of the 2nd stage, a large home-improvement store and a fitness club moved in while the 3rd stage added over 4,500 sqm of office space.

Domus Pro is the only asset in the portfolio in which the investment was made while the property was still in a development phase. The acquisition process was initiated in July 2013 by singing a share purchase agreement with Domus Pro project's developer TK Development. It is a Denmark-based real estate development company active in Nordics and CEE and specializing in development of SCs. After signing of SPA, forward financing of around EUR 2.0m was provided to the developer. This led to the start of construction of the first stage (7,500 sqm) of the project. Domus Pro opened its doors in early 2014 and the acquisition was closed in May 2014.

The anchor tenant at the first stage is a grocery store of Rimi retail chain (part of ICA Gruppen, a listed Nordic retailer). Other major tenant is Assorti – an upscale grocery store focusing on more premium and rarer products than a general grocer. Smaller tenants are common to neighbourhood SCs: a pharmacy, a restaurant, a pet shop, etc.

Following the positive performance of the first stage, the option to build the second stage (3,700 sqm) was exercised and construction began in March 2015. New space was fully pre-let to two tenants. The first part of the expansion with 1,500 sqm of rentable space was opened to shoppers in December 2015 and it houses Hansa Plyteliu Turgus home-improvement store. The second part of the new stage was commissioned in May 2016. Its 2,200 sqm is occupied by Fitus, a fitness club with a 25-meter swimming pool, enabling the SC to offer a wider customer experience to its visitors.

The Management Company decided to expand Domus Pro complex further by developing its 3rd stage – a 6 story building with net rentable area of 4,831 sqm. The first floor is dedicated for retail purposes while upper floors house office space. The extension has a 2-story underground parking lot with 50 spaces. The building is planned to be BREEAM-certified indicating high standards of environmental sustainability and efficiency. Development was carried out by TK Development which also worked on the development of the first two stages of Domus Pro. Construction of the 3rd stage began in December 2016 while commissioning took place in October 2017. At the end of December 2018, the new expansion had only 1.6% of vacant space. The largest tenant, occupying around a third of rentable area, is Narbutas, a leading Lithuanian producer of office furniture.

Following successful development of two expansions, in May 2018, the Issuer purchased a 0.87 hectare land plot (Meraki) next to Domus Pro for EUR 1.7m with a goal to expand the property further.

Vainodes I

In December 2017, the Issuer completed the acquisition of the 10th building in its property portfolio – Vainodes I in Riga. The asset comprised 8% of the portfolio's total fair value at the end of December 2018.

The property is a 4-storey office complex with 8,052 sqm of leasable area (9,538 sqm of gross area) and 300 onground parking spaces. The full reconstruction and expansion of the property was completed in 2014. There is also significant development potential – the property has building rights for a 17-storey extension with over 18,000 sqm of leasable office space and a 4-storey car park with over 250 places.

The building is located within 10 minute drive from the city centre, next to Karla Ulmana avenue which is one of the main roads in Riga connecting its centre with periphery districts and the airport. The building boasts easy access both by public and private transport.

The newly acquired property is fully occupied and has 3 tenants. The anchor tenant, occupying 92% of total NLA, is Latvia's State Forests – a state-owned enterprise responsible for management of state-owned forests in Latvia. In November 2014, it signed a lease agreement for a 10-year unbreakable term plus another 10-year term with a 2-year break option. The other two tenants include Abbvie, a US-based international pharmaceutical company, and Baltic Restaurants Latvia which operates a restaurant on the 1st floor of the property.

Table 15: Details of Vainodes I, 31 December 2018

Acquisition date	12 December 2017
Acquisition price	EUR 21,296 thousand
Construction	2014
Type	Office
Location	Vainodes st. 1, Riga, Latvia
SPV	Vainodes Krasti SIA, registry code 50103684291, registered address at Agenskalna st. 33, Riga. The sole shareholder of the company is the Management Company on behalf of and for the benefit of the Issuer.
NLA	8,052 sqm
Fair value	EUR 21,230 thousand
Vacancy	0.0%
WAULT	14.9 years
No of tenants	3
Major tenants	Latvia's State Forests (forestry) Abbvie (pharmaceutical) Baltic Restaurants Latvia (restaurant)

LNK Centre

LNK Centre, a Class A office building in Riga, was acquired in August 2018 and was the 12th asset in the Issuer's portfolio. The property is located in Skanste – a growing new central business district that is a few kilometres from Riga's centre and its Old Town. As of 31 December 2018, the building comprised 7% of the total fair value of the Issuer's portfolio.

LNK Centre has approx. 7,500 of NLA across its 8 storeys. It also boasts an underground parking with 64 spaces plus an onground parking with 22 spaces. The office is fully leased to 6 tenants of which two, Exigen Services and LNK Group, occupy approx. 90% of total area. Exigen Services is a leading Latvian IT development company with 280 employees. It is owned by Emergn Global, an international IT firm with offices in the US and Europe. LNK Group is one of the largest real estate and infrastructure development and construction companies in Latvia. As part of the acquisition of the building, LNK Group extended its lease agreement for 10 years. On the 1st floor of the building there is a restaurant.

Table 16: Details of LNK Centre, 31 December 2018

Acquisition date	15 August 2018
Acquisition price	EUR 17,068 thousand
Construction	2006
Type	Office
Location	Skanstes st. 27, Riga, Latvia
SPV	BH S27 SIA, registry code 40103810023, registered address at Skanstes st. 27, Riga. The sole shareholder of the company is the Management Company on behalf of and for the benefit of the Issuer.
NLA	7,453 sqm
Fair value	EUR 17,450 thousand
Vacancy	0.0%
WAULT	6.6 years
No of tenants	4
Major tenants	Exigen Services (IT) LNK Group (construction and real estate)

G4S Headquarters

G4S Headquarters office building in Tallinn was the first of the two properties that were acquired by deploying proceeds from June 2016 initial public offering of the Issuer. The Management Company had signed a sale and purchase agreement for the property before the start of the public offering. This ensured that the purchase was closed just 1 day after the listing of Fund Units on the Nasdaq Tallinn. At the end of December 2018, the property constituted 7% of the Issuer's portfolio value.

Table 17: Details of G4S Headquarters, 31 December 2018

Acquisition date	12 July 2016
Acquisition price	EUR 15,454 thousand
Construction	2013
Type	Office
Location	Paldiski Road 80, Tallinn, Estonia
SPV	BH P80 OÜ, registry code 14065606, registered address at Hobujaama st. 5, Tallinn. The sole shareholder of the company is the Management Company on behalf of and for the benefit of the Issuer.
NLA	9,179 sqm
Fair value	EUR 17,240 thousand
Vacancy	0.0%
WAULT	3.9 years
No of tenants	1
Major tenants	G4S (security services)

G4S Headquarters is a 9,179 sqm 9-story office building situated in Western Tallinn next to arterial Paldiski road and 4.5 km away from Tallinn's Old Town. It is a relatively new building, constructed only in 2013. G4S Headquarters features all modern office amenities and efficient layout. The land plot next to the building where a parking lot is now located offers additional development potential of up to 20,000 sqm.

The property is fully leased to G4S – the world's largest security company. The firm operates in 110 countries and employs 623 thousand people. It is listed on London and Copenhagen stock exchanges and has a market capitalization of over GBP 3bn. G4S uses the building as their Estonian headquarters. A lease agreement is effective until 2022. At the time of this Listing Prospectus part of the premises is subleased by G4S.

Lincona

Lincona accounted for 7% of the portfolio's total fair value on 31 December 2018. The property is a complex of three connected office buildings (total NLA of 10,870 sqm) and a parking facility for 378 vehicles. Babycenter, a standalone building of 674 sqm acquired together with the whole complex in July 2011, was disposed in March 2015 for EUR 1.0m with an annualised return of 24%. Lincona was the first asset in BOF's portfolio acquired in 2011.

The property is located in a southern part of Tallinn next to Pärnu road, one of the city's main transport arteries. It is also close to two main street intersection (Tammsaare Road and Järvevana Road) which makes the office easily accessible from all major districts of Tallinn. The first floor premises are used for retail and catering while upper floors are dedicated to offices.

At the end of December 2018, there were 13 tenants at Lincona. An anchor tenant is Swedbank which uses premises for back office operations. Swedbank comprises around a quarter of property's total annualized rental income (as of 31 December 2018). In August 2017, the Issuer successfully renewed a lease agreement with Swedbank for another 7 years until August 2024. The second largest leaseholder is Information System Authority of the Republic of Estonia constituting around a fifth of total annualized rent. It is a public institution responsible for developing Estonia's national information system. Creative Mobile – an independent mobile game developer whose games are in the top charts at Google Play and Apple's App Store – is the third largest tenant at Lincona.

Table 18: Details of Lincona, 31 December 2018

Acquisition date	1 July 2011
Acquisition price	EUR 15,396 thousand (incl. divested Babycenter part)
Construction	2002/2008 (renovation)
Type	Office
Location	Pärnu rd. 139a / Kohila st. 2a, Tallinn, Estonia
SPV	BOF Lincona OÜ, registry code 12127485, registered address at Rävala pst 5, Tallinn. The sole shareholder of the company is the Management Company on behalf of and for the benefit of the Issuer.
NLA	10,870 sqm
Fair value	EUR 17,170 thousand (excl. Babycenter which was sold for EUR 1.0m)
Vacancy	1.5%
WAULT	4.7 years
No of tenants	13
Major tenants	Swedbank (banking) Information System Authority (public institution) Creative Mobile (game developer) Rimi (grocery) Liewenthal Electronics (IT & engineering)

Duetto I

Duetto I office building in Vilnius is the second of the two properties (Piirita being the other one) acquired using proceeds from the secondary public offering completed in November 2016. It is the newest property in the Issuer's portfolio in terms of construction completion (finished in 2017). As of 31 December 2018, the asset constituted 7% of the portfolio's total fair value.

Duetto I is a newly built 10-story office center with an underground parking lot. It is located in the western part of Vilnius, next to a recently constructed Vilnius western ring road. The property has an A class in energy efficiency and will have a BREEAM certification. Duetto I was developed by a Lithuanian subsidiary of YIT, a listed Finnish real estate and construction company. The seller provided a 2-year (from the acquisition date) guarantee for starting net rental income which at an acquisition price of EUR 14.6m implies a 7.2% annual yield. On 27 February 2019 the Issuer also closed the acquisition of Duetto II, a twin office building.

NLA at the property amounts to over 8,000 sqm. Given the 2-year guarantee of full-occupancy net rental income by the seller, effective vacancy is zero. Any shortage between an actual rent and the guaranteed amount is covered by YIT Kausta on a monthly basis. Actual vacancy amounted to 1.2% in December 2018. At that time Duetto I had 7 tenants. Anchor tenant Intrum is a market leader in credit management services, headquartered in Sweden. The company is a result of a merger between Intrum Justitia and Lindorff in June 2017. It employs 7,750 specialists across 23 European countries. The second largest tenant is Vilniaus Vandenys, a water-utility company servicing the city of Vilnius and nearby counties. It has around 250 thousand of clients and is fully owned by the municipality of Vilnius. At Duetto I, Vilniaus Vandenys has both its headquarters and the main customer service center. The third largest tenant is Pernod Ricard, one of the largest producers of beverages in the world. Its annual sales amount to approx. EUR 9bn. The firm's shares are traded on Paris stock exchange and its market cap is over EUR 35bn.

Table 19: Details of Duetto I, 31 December 2018

Acquisition date	22 March 2017
Acquisition price	EUR 14,642 thousand
Construction	2017
Type	Office
Location	Spaudos st. 8, Vilnius, Lithuania
SPV	BH Duetto UAB, registry code 304443754, registered address at Jogailos st. 9, Vilnius. The sole shareholder of the company is the Management Company on behalf of and for the benefit of the Issuer.
NLA	8,498 sqm
Fair value	EUR 16,320 thousand
Vacancy	0.0%[1]
WAULT	3.3 years
No of tenants	7
Major tenants	Intrum (credit management) Vilniaus Vandenys (water-utility) Pernod Ricard (beverages)

[1] Effective vacancy rate of Duetto I was zero because YIT Kausta, a seller of the property, provided a 2-year (starting from the acquisition date) guarantee of full-occupancy net rental income which implies a 7.2% annual yield on the acquisition price. Any shortage between an actual rent and the guaranteed amount is paid by YIT Kausta to the Issuer on a monthly basis.

Coca Cola Plaza

Coca Cola Plaza constituted 6% of the value of the Issuer's property portfolio on 31 December 2018. It is the largest cinema complex in Tallinn with 11 screens and 1,967 seats. The property is situated in the heart of Tallinn, next to the eastern edge of the old town. The building is fully let to Forum Cinemas AS, the largest cinema operator in Estonia running three movie theaters in the country (the other two are located in different Estonian cities). Forum Cinemas belongs to AMC, the largest cinema operator in the U.S., Europe and globally, operating over 1,000 cinemas and 11,000 screens across the globe. AMC acquired Forum Cinemas as part of its acquisition of Nordic Cinema Group, the largest cinema operator in Nordic and Baltic regions, completed in March 2017. Movie theatres under Forum Cinemas brand operate in the Baltic States. Coca Cola Plaza is one of the two large-size (more than 1,000 seats) movie theaters in Tallinn. Its main competitor is Solaris cinema with 7 screens and 1,591 seats which opened in 2009. In total 7 cinemas operate in the city.

The property is a 6-story building with underground parking for 43 cars. Forum Cinemas rents the whole complex from the Issuer, hence vacancy is zero. A lease contract was signed in 2013 for a 10-year term. Part of the premises is subleased by Forum Cinemas. As a result, the building also houses catering and retail facilities which together occupy around 1,000 sqm of space.

In February 2018, the Issuer acquired Postimaja shopping centre, located next to Coca Cola Plaza. One of the key reasons for investing in Postimaja was a development plan to connect it with Coca Cola Plaza. That includes a new exterior design, expansion in existing leasable area and improvement in functionality between the two buildings as well as the Rotermann Quarter, an old industrial part of Tallinn which has been redeveloped into a modern urban area. HG Arhitektuur OÜ with its work the "Rotermann Passage" was selected as the partner to work out the architectural solution for connecting Postimaja and Coca Cola Plaza. The expansion would add approximately 5,000 sqm of new space which could be rented out to tenants looking for retail and office premises in the center of Tallinn.

Table 20: Details of Coca Cola Plaza, 31 December 2018

Acquisition date	8 March 2013
Acquisition price	EUR 11,944 thousand
Construction	2001
Type	Cinema
Location	Hobujaama st. 5, Tallinn, Estonia
SPV	BOF CC Plaza OÜ, registry code 12399823, registered address at Rävala pst 5, Tallinn, Estonia. The sole shareholder of the company is the Management Company on behalf of and for the benefit of the Issuer.
NLA	8,664 sqm
Fair value	EUR 14,470 thousand
Vacancy	0.0%
WAULT	4.2 years
No of tenants	1
Major tenants	Forum Cinemas (cinema operator)

Piirita

Piirita SC in Tallinn is the first of the two properties purchased using equity raised in the secondary public offering in November 2016. The acquisition was finalized on 16 December 2016 – approximately only two weeks after the completion of the offering proving the Issuer's ability to employ newly raised capital quickly. Piirita was acquired for EUR 12.2m. Its seller provided a 2-year (from the acquisition date) guarantee for full-occupancy net rental income which implies a 7.4% yield on the acquisition price. At the end of December 2018, the property accounted for 4% of the total fair value of the Issuer's portfolio.

Piirita is a neighborhood-type SC with NLA of close to 5,500 sqm. The building was completely reconstructed in 2016 for retail purposes. It is situated in Pirita district about 10 min by car away from the center of Tallinn. It is close to Pirita beach – a popular spot among Tallinn residents in summer.

Table 21: Details of Piirita, 31 December 2018

Acquisition date	16 December 2016
Acquisition price	EUR 12,200 thousand
Construction	2016 (reconstruction)
Type	Shopping center
Location	Merivälja rd. 24-2, Tallinn, Estonia
SPV	Pirita Center OÜ, registry code 12992834, registered address at Hobujaama st. 5, 10151, Tallinn. The sole shareholder of the company is the Management Company on behalf of and for the benefit of the Issuer.
NLA	5,427 sqm
Fair value	EUR 10,020 thousand
Vacancy	0.0%[1]
WAULT	6.4 years
No of tenants	18
Major tenants	Rimi (grocery) MyFitness (health and fitness club) Südameapteek (pharmacy) Buongiorno (restaurant)

[1] Effective vacancy rate was zero because a seller of the property provided a 2-year (starting from the acquisition date) guarantee of full-occupancy net rental income which implies a 7.4% annual yield on the acquisition price.

The SC is anchored by Rimi, a Baltic grocery chain owned by ICA Gruppen, a listed Nordic retailer. Rimi is also an anchor tenant at Domus Pro in Vilnius and Postimaja in Tallinn. A 10-year lease agreement was signed with Rimi. MyFitness, the second largest tenant at Piirita, is the largest network of sports clubs in Estonia. It operates 19 clubs in Estonia as well as 11 clubs in Latvia. In total Piirita has 19 tenants including a diverse mix of restaurants.

Sky Supermarket

Sky Supermarket, the smallest holding in the property portfolio, comprised approximately 2% of the portfolio's fair value. It is a neighborhood shopping centre with upmarket grocery chain Sky as an anchor tenant and a number of satellite tenants. The building was built in 2000 and renovated in 2010. In 2017, the Issuer together with the anchor tenant modernized a façade of the property.

The SC is located in the centre of Mežciems residential suburb in the north eastern part of Riga. It has good transport connections with a city centre and suburbs thanks to its location on Bikernieku street – one of the main traffic arteries in Mežciems district connecting it with the centre of Riga.

Anchor tenant Sky comprises approximately a half of the property's annualized rental income (as of 31 December 2018). Sky is an upmarket grocery chain operating 4 shops, all in Riga. It distinguishes itself from larger country-wide retail chains (for example, Maxima and Rimi) by stocking higher quality, more exclusive products. Hence, its target customer group is of higher income than average customer of national retailers. Sky chain is owned by local investors. Satellite tenants in the property are typical to a neighborhood SC including a pharmacy, a restaurant, a pet shop, etc. Only two of them, Cup & Cino (café) and A Aptieka (pharmacy), occupy larger than 100 sqm spaces.

Table 22: Details of Sky Supermarket, 31 December 2018

Acquisition date	1 January 2013
Acquisition price	EUR 4,510 thousand
Construction	2000/2010 (renovation)
Type	Shopping center
Location	Bikernieku st. 120B, Riga, Latvia
SPV	BOF Sky SIA, registry code 40103538571, registered address at Krisjana Valdemara st. 21-20, Riga, Latvia. The sole shareholder of the company is the Management Company on behalf of and for the benefit of the Issuer.
NLA	3,254 sqm
Fair value	EUR 5,390 thousand
Vacancy	0.6%
WAULT	3.7 years
No of tenants	18
Major tenants	Sky (grocery) A Aptieka (pharmacy) Cup & Cino (restaurant) ZooZone (pet store) Grenardi (jewellery)

Duetto II

Duetto II is a newly built 10-story office center with an underground parking lot. It is located in the western part of Vilnius, next to a recently constructed Vilnius western ring road. The property has an A class in energy efficiency and will have a BREEAM certification. Duetto II was developed by a Lithuanian subsidiary of YIT, a listed Finnish real estate and construction company. The seller provided a 2-year (from the acquisition date) guarantee for starting net rental income which at an acquisition price of EUR 18.3m implies a 7.1% annual yield. Duetto II constituted approximately 7% of the fair value of the Issuer´s portfolio as at 28 February 2019.

NLA at the property amounts to over 8,500 sqm. Given the 2-year guarantee of full-occupancy net rental income by the seller, effective vacancy is zero. Any shortage between an actual rent and the guaranteed amount is covered by YIT Kausta on a monthly basis. As at February 2019 Duetto II had 6 marketing leading tenants. Main tenants were Rimi Office, Vilnius Heating, Sweco, Astra Zeneca.

Table 19: Details of Duetto II, 28 February 2019

Acquisition date	27 February 2019
Acquisition price	EUR 18,323 thousand
Construction	2018
Type	Office
Location	Spaudos st. 8, Vilnius, Lithuania
SPV	BH Duetto UAB, registry code 304443754, registered address at Jogailos st. 9, Vilnius. The sole shareholder of the company is the Management Company on behalf of and for the benefit of the Issuer.
NLA	8,509 sqm
Fair value	EUR 18,323 thousand
Vacancy	0.0%[1]
WAULT	5.2 years
No of tenants	6
Major tenants	Rimi Office (grocery) Vilniaus Heating (heating-utility) Astra Zeneca (pharmacy)

[1] Effective vacancy rate of Duetto II was zero because YIT Kausta, a seller of the property, provided a 2-year (starting from the acquisition date) guarantee of full-occupancy net rental income which implies a 7.1% annual yield on the acquisition price. Any shortage between an actual rent and the guaranteed amount is paid by YIT Kausta to the Issuer on a monthly basis.

7.10. INVESTMENT PIPELINE

The Issuer aims to grow its asset base by acquiring carefully selected investment properties that best fit the Issuer´s very long-term strategy. Growing by acquiring established properties with long-term tenants allows the Issuer to become more efficient and diversify its risks further across segments, tenants and geographical locations.

Management Company has, given the historically low yields in the present market, considerably increased its focus on creating added value in the already owned investment properties. In addition to CC Plaza and Postimaja expansion, this also includes preparing for the expansion of the Upmalas Biroji complex, Vainodes I and G4S properties and further expansion of Domus PRO complex. The period of these expansions to be completed falls in 2020-2023 and depends on a sufficient level of new tenant interest, some of which is anticipated from expanding tenants in the existing portfolio. The Management Company continues to monitor closely the developments of the property markets and aims to react in case of good investment opportunities, however, this will not be the main focus in the near future.

The Issuer´s investment pipeline is comprised of potential acquisition targets which fit the investment strategy of the Issuer, offer attractive risk-return profile and are for sale. The investment pipeline also entails expansion investments into current properties owned by the Issuer. Construction of Domus Pro's 3rd stage started in December 2016 and was completed in October 2017. The Management Company also sees expansion possibilities for Coca Cola Plaza, G4S Headquarters and Europa SC properties in the near term.

The Management Company targets investments that are expected to provide a return on equity (ROE) of 12-15%, excluding capital gains from any yield compressions. ROE expectations for investing into expansions of current properties are above 15%. Considering the current low interest rate environment, the Management Company expects to obtain debt financing for new acquistions at interest rates between 1.5-2.0%.

The Management Company sees four property segments as the most attractive for the Issuer in terms of strategic fit and financial profile: premium offices in CBD, premium large-scale shopping malls, B class offices for shared service centers/back-offices of international companies and neighborhood shopping centers.

The Management Company targets to maintain the Issuer's portfolio well-diversified mainly between office and retail sectors and in terms of capital cities.

7.11. CUSTODY OF THE ISSUER'S ASSETS

The Issuer's assets are generally invested, directly or indirectly, into real estate property or held as deposits with a credit institution. According to the IFA, Issuer's assets do not belong to the bankruptcy estate of the Management Company and, if the assets are safe-kept by the Depositary, the assets do not belong to the bankruptcy estate of the Depositary. In order to clearly distinguish its activities as the fund management company of the Issuer from its own operations, the Management Company clearly identifies in making the investments and transactions with the Issuer's assets that it is acting for the benefit and on account of the Issuer.

Cash and Financial Instruments

All assets that are held either in cash on the bank account or invested into financial instruments in the book-entry form held on the securities account with an investment services provider are kept with the Depositary. Further description on the Depositary, the services provided by the Depositary, and on how the Depositary may delegate its responsibilities to third persons is in section 10.3 "The Depositary".

Current and securities accounts with the Depositary are held in the name of the Management Company and for the benefit of the Issuer. In opening the account with the Depositary, the Management Company has made reference to the Issuer in the account details. Current and securities accounts of SPVs are held in the name of respective SPVs with credit institution licensed and operating in respective country.

Direct Investments into Real Estate Property

The Issuer has not invested directly into real estate property and holds directly no title any of the real estate property in the Issuer. All investments into real estate property are made indirectly by entities specifically established for holding the title of the real estate property belonging to the Issuer (the SPVs).

Indirect Investments into Real Estate Property

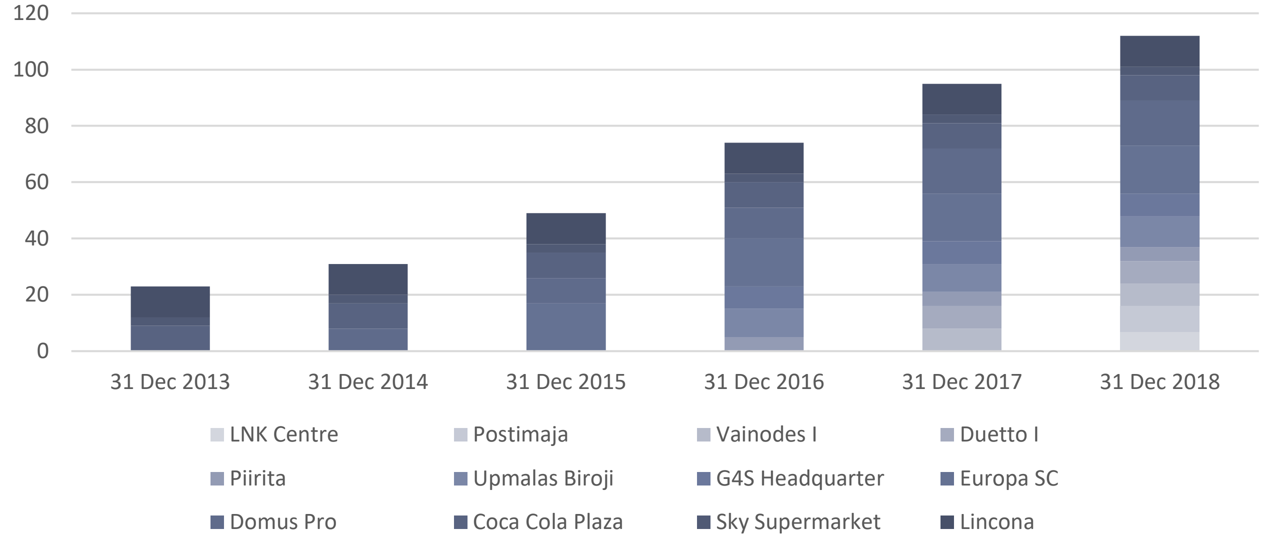
The Issuer holds shares in SPVs. The Management Company, acting in its own name but for the benefit of the Issuer, has been entered into the shareholders' list of each respective SPV.

SPVs hold either title to or lease rights regarding the real estate property belonging to the Issuer. Where a SPV holds full title to the property it is registered in the respective land registry as the owner of the property. All other rights regarding the property are established by and for the benefit of the respective SPV.

Information on the SPVs and on the real estate property each of them holds is provided in section 7.9 "Asset Portfolio".

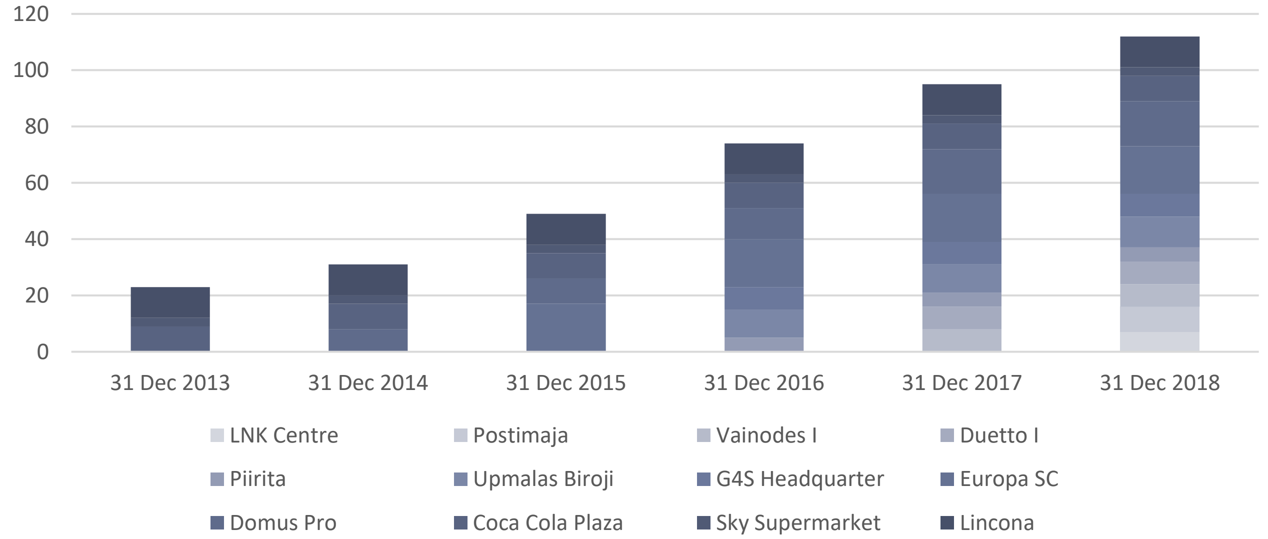
7.12. OPERATING AND FINANCIAL REVIEW

The main events the history of the Issuer and its predecessor BOF were acquisitions of new commercial properties. Figure 3**: Development of rentable area of the Issuer's property portfolio, thousand sqm**



depicts the rapid evolution of the size of the Issuer's portfolio. At the end of 2013 BOF owned only 3 properties whereas by 31 December 2018 - the most recent reporting date - 9 new real estate assets were added. Since the end of 2013 the property portfolio expanded approx. 5-fold in terms of space and approx. 7-fold in terms of value.

Figure 3: Development of rentable area of the Issuer's property portfolio, thousand sqm



BOF bought its first real estate asset - Lincona office complex in Tallinn - in July 2011. At the end of 2012 Lincona remained the only property in the portfolio and it had a fair value of EUR 15.3m and rentable area of 11.4 thousand sqm.

Acquisitions of Sky Supermarket in Riga and Coca Cola Plaza in Tallinn, completed in January 2013 and March 2013 respectively, more than doubled the size of the portfolio – at the end of 2013 the portfolio's fair value stood at EUR 33.1m and rentable area amounted to 23.3 thousand sqm.

In May 2014 acquisition of Domus Pro in Vilnius was finalized expanding the portfolio roughly by a third. At the end of 2014, 4 real estate assets constituted a fair value of EUR 46.2m and leasable space of 30.9 thousand sqm.

The last acquisition before BOF was merged into the Issuer took place in March 2015 when 16.9 thousand sqm Europa SC in Vilnius was bought. In 2015 there were also other two events affecting the size of the portfolio. Firstly, in March 2015 Babycenter – a standalone building of 674 sqm acquired together with Lincona – was sold for EUR 1.0m (BOF had not disposed any properties before that). Secondly, in December 2015 1,500 sqm portion of Domus Pro 2nd stage was commissioned. All that included, the portfolio grew further significantly in 2015 and reached EUR 86.8m of fair value and 48.7 thousand sqm of rentable space at the end of the year.

The second phase of Domus Pro 2nd stage was commissioned in May 2016 which added 2,200 sqm of new space. On 30 June 2016 the Issuer merged with BOF taking over all assets and liabilities of BOF including its property portfolio of 5 holdings. Two new buildings were purchased by utilizing proceeds from the Issuer's initial public offering carried out in June 2016: GS4 Headquarters in Tallinn in July 2016 and Upmalas Biroji in Riga in August 2016. Following the secondary public offering in November 2016, Piirita in Tallinn was acquired in December 2016. The Issuer ended 2016 with a property portfolio of 8 buildings worth EUR 141.7m in fair value and with total NLA of 75.9 thousand sqm.

In March 2017 Duetto I in Vilnius was bought while in December 2017 acquisition of Vainodes I office in Riga was finalized. The construction of 4,380 sqm 3rd stage at Domus Pro was completed in October 2017. At the end of 2017 the Issuer held a portfolio of 10 properties with EUR 189.3m fair value and 96.5 thousand NLA.

In February 2018 Postimaja shopping centre in Tallinn, located next to already owned Coca Cola Plaza, was purchased. In August 2018, the 12th property in the portfolio was acquired – LNK Centre office in Riga. On 31 December 2018, the Issuer's property portfolio reached EUR 245.2m fair value and 113.9 thousand NLA.

On 18 December 2018, the Issuer signed a sales and purchase agreement to acquire the newly constructed Duetto II office building in Vilnius, Lithuania, situated next to the already owned Duetto I. The purchase price is approximately EUR 18,3 million, which corresponds to an entry yield of approximately 7.1%. The transaction was closed on 27 February 2019.

7.12.1. Results of Operations in Years 2016 - 2018

On 30 June 2016, the Issuer merged with BOF and took over all assets and liabilities of BOF. Units of BOF were converted into units of the Issuer at a ratio of 1:100 (1 unit of BOF was exchanged into 100 units of the Issuer). At the time of the Merger, the Issuer had no assets and liabilities of its own. Thus, historical financial and operational performance of BOF prior to the Merger is directly comparable the Issuer's performance after the Merger. In the Issuer's audited consolidated financial statements for the year ended 31 December 2016, BOF's financial results prior to the Merger are presented as those of the Issuer. For these reasons, in this Listing Prospectus past results of BOF are presented as results of the Issuer.

This section provides an analysis of the Issuer's financial and operating results in years 2016-2018 based on audited consolidated financial statements. Historical consolidated financial information is derived as follows:

- For the year 2018: audited condensed consolidated financial statements for the year ended 31 December 2018 prepared according to the IFRS;
- For the year 2017: the Issuer's audited consolidated financial statements for the year ended 31 December 2017 prepared according to the IFRS;
- For the year 2016: the Issuer's audited consolidated financial statements for the year ended 31 December 2016 prepared according to the IFRS;

The following table depicts consolidated financial results of the Issuer's operations for years 2016, 2017 and 2018 while detailed discussion of each of the items is provided in the subsequent paragraphs.

Table 23: Highlights of consolidated income statement of the Issuer, EUR thousand

					Change		
	Note	2016	2017	2018	2016	2017	2018
Rental income	1	7,874	11,839	15,860	30%	50%	34%
Service charge income	2	2,594	3,692	2,760	26%	42%	44%
Cost of rental activities	3	-3,315	-4,763	-3,816	19%	44%	28%
Net rental income		**7,153**	**10,768**	**14,804**	**34%**	**51%**	**37%**
Administrative expenses	4	-2,190	-2,774	-2,813	123%	27%	1%
Other operating income	5	97	14	74	-64%	-86%	429%

Net loss on disposal of investment properties	6	-	-	-	-100%	N/A	N/A
Valuation gains/losses on investment properties	7	2,737	3,676	2,014	-5%	34%	-45%
Operating profit		**7,797**	**11,684**	**14,079**	**4%**	**50%**	**20%**
Financial income	8	14	47	8	-18%	236%	-83%
Financial expenses	8	-1,253	-1,528	-2,789	14%	22%	83%
Profit before tax		**6,558**	**10,203**	**11,298**	**2%**	**56%**	**11%**
Income tax charge	9	-798	-759	-1308	-10%	-5%	72%
Profit for the period		**5,760**	**9,444**	**9,990**	**4%**	**64%**	**6%**
Earnings per unit (basic and diluted)[1], EUR		**0.12**	**0.15**	**0.13**	**-47%**	**25%**	**-13%**

Source: audited consolidated financial statements of the Issuer for years 2016-2018
N/A – not available

[1] On 30 June 2016 the Issuer merged with BOF and took over all assets and liabilities of BOF. Units of BOF were converted into units of the Issuer at a ratio of 1:100 (1 unit of BOF was exchanged into 100 units of the Issuer). To ensure the comparability of historical *per unit* figures, numbers of units prior to the Merger were recalculated by multiplying them by 100 to reflect the effect of the conversion. The recalculated numbers or units were used to compute comparable *per unit* figures.

(1) Rental income

The Issuer leases space at its properties to customers under agreements that are classified as operating lease. Rental income represents rents charged to customers and is recognised on a straight line basis, net of any sales taxes, over the lease period to the first break option. Rental income does not include supplementary charges to tenants for operating expenses such as utilities (electricity, heating and cooling, water and sewerage, etc.), repairs and maintenance, marketing and property taxes. These charges are reported separately under S*ervice charge income.*

Table 24: Operational details of the property portfolio of the Issuer

	2016	2017	2018
Number of properties, period end	8	10	12
Rentable area, sqm			
Period end	75,107	96,512	113,934
Period average[1]	58,936	83,736	106,620
Vacancy rate			
Period end	2.4%	2.2%	1.2%
Period average[2]	3.2%	2.2%	2.0%

[1] Computed as average of monthly estimates.
[2] Computed as average of monthly estimates.

In 2018 the Issuer's rental income reached EUR 15.9m – an increase of 34% compared to the previous year attributable primarily to new property acquisitions. Thanks to full year contribution of two properties, bought in the course of 2018 (Postimaja and LNK Centre), the rental income expanded by EUR 4m. Vacancy of the Issuer's property portfolio averaged at 2.0% in 2018 improving from already low 2.2% in the year before (see Table 24).

In 2017 the Issuer's rental income reached EUR 11.8m – an increase of 50% compared to the previous year attributable primarily to new property acquisitions. Thanks to full year contribution of the three properties, bought in the course of 2016 (G4S Headquarters, Upmalas Biroji and Piirita), the rental income expanded by EUR 2.7m. EUR 0.9m was added by the two properties acquired in 2017 mainly driven by Duetto I (purchased in March 2018) while the acquisition of Vainodes I was completed only in December 2017. Vainodes I will have a sizeable contribution to the Issuer's rental income growth in 2018. Properties, owned by the Issuer at the beginning of 2016, saw a EUR 0.2m increase in their rental income mostly concentrated in Domus Pro and Europa SC. Vacancy of the Issuer's property portfolio averaged at 2.2% in 2017 improving from already low 3.2% in the year before. The decrease in vacancy was predominantly impacted by low vacancies at properties acquired in 2016 and 2017 with G4S Headquarters, Upmalas Biroji, Piirita and Duetto I all recording 100% occupancy or very close to it. What is more, vacancy also slightly improved at previously purchased properties such as Europa SC (to 5.3% from 6.3%) and Lincona (to 5.0% from 6.0%).

In 2016 the Issuer's rental income expanded by 30% to EUR 7.9m driven both by higher income at existing properties and contribution from new properties acquired in 2016. Rental income from the five properties which the Issuer owned at the beginning of 2016 grew by EUR 0.7m while the three newly acquired properties (G4S Headquarters, Upmalas Biroji and Piirita) added EUR 1.1m. Of the existing properties, the largest increases came from Europa SC and Domus Pro. Europa SC's rental income rose by EUR 0.5m as the property contributed for the whole year in 2016 in contrast to only 10 months in the previous year given that it was purchased in March 2015. Domus Pro's rental income expanded by EUR 0.2m thanks to commissioning of its 3,700 sqm 2nd stage (1,200 sqm completed in December 2015 and remaining 2,500 sqm finished in May 2016). Of the new properties, G4S Headquarters, purchased in July 2016, and Upmalas Biroji, bought in August 2016, were the main contributors as each generated approximately EUR 0.5m in rental income over the remaining course of the year. Piirita which was acquired only in December 2016 added EUR 30 thousand. Vacancy of the Issuer's property portfolio averaged at 3.2% in 2016 and was slightly above 2.8% recorded in the previous year. Whereas period-average vacancy rates rose at Europa SC (from 2.9% to 6.3%) and Lincona (from 4.5% to 6.0%), the overall vacancy was maintained at a largely comparable level thanks to newly acquired G4S Headquarters and Upmalas Biroji which were 100% occupied. In addition, Domus Pro also saw its average vacancy improved to 1.4% from 3.0% in 2015 with the completion of the 2nd stage which was fully leased.

(2) Service charge income

Service charge income represents supplementary charges to tenants to cover property operating expenses which may include utilities (electricity, heating and cooling, water and sewerage, etc.), repairs and maintenance, marketing and property taxes. Types of expenses which a tenant covers differ from one lease agreement to another and, in turn, from one property to another. The Issuer typically seeks to pass-through majority of operating expenses to tenants.

Service charge income increased by 43% to EUR 2.8m in 2018 compared to EUR 1.9m in 2017 (restated) explained by expansion in the Issuer's property portfolio. The three properties, bought in the course of 2016 (G4S Headquarters, Upmalas Biroji and Piirita), received EUR 0.9m more in service charge income thanks to their full year contribution. Duetto I and Vainodes I, both bought in 2017, added EUR 0.2m of service charge income. The Issuer's cost of rental activities coverage ratio (service charge income as % of cost of rental activities) stood at 77.5% in 2017 – barely unchanged from the previous year's level (see Table 11). As a result, net rental income margin was maintained largely stable amounting to 91.0% in 2017.

In 2016 service charge income grew approximately by a fourth to EUR 2.6m from EUR 2.1m in 2015 owing to the larger size of the portfolio which led to a higher cost of rental activities. The revenue increased by EUR 0.2m at Europa SC due to its full year contribution and by EUR 0.1m at Domus Pro on the back of the completion of its 2nd stage. The three properties acquired in 2016 earned EUR 0.2m of service charge income. The Issuer's cost of rental activities coverage ratio improved to 78.3% from 73.7% in 2015 thanks to higher ratios at the new properties. In turn, net rental income margin gained to 90.8% from 87.9% in 2015.

Table 25: Key ratios related to service charge income

	2016	2017	2018
Cost of rental activities coverage ratio[1]	78.3%	77.5%	72.3%
Uncovered cost of rental activities[2] as % rental income	9.2%	9.0%	6.7%
Net rental income margin[3]	90.8%	91.0%	93.3%

[1] Service charge income as % of cost of rental activities.
[2] Cost of rental activities less service charge income.
[3] Net rental income as % of rental income.

(3) Cost of rental activities

Cost of rental activities represent operating expenses related directly to properties. Their breakdown by type is presented in the table below.

Table 26: Breakdown of cost of rental activities of the Issuer, EUR thousand

	2016	2017[1] (restated)	2018
Utilities	1,512	294	476
Repair and maintenance	806	999	1424
Property management expenses	383	549	629
Real estate taxes	252	498	569
Sales and marketing expenses	250	434	445
Property insurance	29	56	73
Allowances for bad debts	17	45	143
Other operating expenses	66	117	57
Total cost of rental activities	**3,315**	**2,992**	**3,816**

Source: audited consolidated financial statements of the Issuer for years 2016-2018

[1]In 2018, the Group adopted IFRS 15 Revenue from Contracts with Customers, effective from 1 January 2018. As a result, the comparative figures for "service charge income" and "cost of rental activities" were adjusted. The adjustment did not have an impact on the Group's equity. The impact is related to presentation changes in accordance with IFRS 15.

In 2018 the Issuer incurred EUR 3.8m cost of rental activities – EUR 0.8m more than in the previous year. Part of the total cost of rental activities was recharged to tenants: EUR 2,760 thousand during the 12-month period ended 31 December 2018.

Total cost of rental activities grew by 44% to EUR 4.8m in 2017 as more buildings were added to the Issuer's property portfolio. Costs at the three properties, bought in 2016 (G4S Headquarters, Upmalas Biroji and Piirita), increased by EUR 1.0m due to their full year contribution whereas EUR 0.2m were incurred by the assets, acquired in 2017 (Duetto I and Vainodes I). The composition of the costs by type remained comparable to 2016 – utilities were the largest component comprising 43% of the total (46% in 2016) followed by repair and maintenance at 21% of the total (24% in 2016) and property management expenses at 12% of the total (the same as in 2016). It is important to note that, in contrast to other types of operating expenses, property management expenses (along with allowances for bad debts) are normally not reimbursed by tenants and, thus, represent a direct cost to the Issuer. Property management expenses are comprised of charges paid to a property management firm for such services as finding new tenants and managing existing ones.

In 2016 total cost of rental activities amounted to EUR 3.3m – 19% higher compared to 2015 mainly driven by a larger portfolio size. Of a EUR 0.5m increase, EUR 0.3m were attributable to Europa SC which was owned for the whole year of 2016 and EUR 0.2m were added by the three newly acquired properties. In terms of the cost breakdown by type, the three most prominent groups – utilities, repair and maintenance and property management expenses – together accounted for 81% of the total which was identical to 2015. Weights of other cost types also remained at comparable levels to the previous year.

(4) Administrative expenses

The following table provides a breakdown of administrative expenses by type.

Table 27: Breakdown of administrative expenses of the Issuer, EUR thousand

	2016	2017	2018
Public offering related expenses	938	637	-
Management fee	724	1,153	1,391
Performance fee	81	-	166
Consultancy fees[1]	139	297	215
Fund marketing expenses	-	204	222
Legal fees	156	115	323
Audit fees	73	83	88
Supervisory board fees	-	80	50
Custodian fees	20	31	47
Other administrative expenses	59	174	311
Total administrative expenses	**2,190**	**2,774**	**2,813**

Source: audited consolidated financial statements of the Issuer for years 2016-2018

[1] Before 2017 property valuation fees were reported separately. However, in the Issuer's financial statements for year 2017 property valuation fees were grouped under consultancy fees. Hence, property valuation fees in years 2015-2016 were also grouped under consultancy fees in the table above.

Table 28: Administrative expenses ratios

	2016	2017	2018
Total administrative expenses as			
% of net rental income	30.6%	25.8%	19.0%
% of period-end NAV	2.9%	2.6%	2.6%
% of period-end total assets	1.4%	1.3%	1.1%

In 2018 the Issuer incurred EUR 2.8m of administrative expenses – EUR 0.4m more than in the previous year (see Table). In 2017 the Issuer incurred EUR 2.8m of administrative expenses – EUR 0.6m more than in the previous year but a decline from 2.9% to 2.6% of its NAV (see Table**Error! Reference source not found.**). The higher expenses in absolute terms is primarily attributable to the management fee which grew by EUR 0.4m as the base for its calculation – NAV before the Merger and market capitalization after the Merger – expanded. The management fee is a charge paid to the Management Company for the management of the Issuer which includes such functions as investment management of the Issuer's property portfolio and provision of all economic and financial information that is necessary for the operation of the Issuer. A current structure of the Issuer's management fee is presented in section 5.7 "Fees and Expenses". Before the Issuer was merged with BOF on 30 June 2016, the annual management fee to the Management Company was set at 1.9% of year-end NAV. The Management Company is also entitled to a performance fee if the Issuer achieves a return above a pre-agreed hurdle rate. In 2017 zero performance fee was recorded compared to EUR 81 thousand in the year before. A current structure of the Issuer's performance fee is presented in section 5.7 "Fees and Expenses". Before the Issuer was merged with BOF, the performance fee was 20% of the annual return exceeding an 11% hurdle rate where the annual return was a ratio of profit for the year before performance fee to average paid-in capital. Consultancy fees in 2017 increased by EUR 0.2m to EUR 0.3m impacted by high acquisition activity of the Issuer. On the other hand, the said increases were partly offset by a EUR 0.3m drop in one-off public offering related expenses. In relative terms, the Issuer improved its administrative expenses – they decreased to 25.8% of net rental income from 30.6% in 2016, to 2.6% of year-end NAV from 2.9% and to 1.3% of year-end total assets from 1.4%.

In 2016 total administrative expenses grew to EUR 2.2m from EUR 1.0m in the year before. The main reason for the increase was EUR 0.9m one-off expenses related to the preparation and execution of the Issuer's initial public offering in June 2016 and its secondary public offering in November 2016. The management fee rose by EUR 0.1m to EUR 0.7m as the base for its calculation – NAV before the Merger and market capitalization after the Merger – expanded. In 2016 the performance fee stood at EUR 81 thousand and was similar to a previous year's level. Consultancy fees in 2016 increased by EUR 71 thousand to EUR 125 thousand mainly related to higher acquisition activity of the Issuer. Audit fees were higher by EUR 45 thousand due to a larger size of the Issuer and auditors' review of the Issuer's interim 6-month 2016 results. As % of net rental income, total administrative expenses rose to 30.6% in 2016.

(5) Other operating income

In 2018 other operating income amounted to EUR 74 thousand. In 2017 other operating income amounted to EUR 14 thousand – down from EUR 97 thousand in 2016 which was mainly comprised of a received payment from an insurance company for a claim relating to Europa SC.

(6) Net loss on disposal of investment properties

No properties were sold during the period of 2016-2018.

(7) Valuation gains/losses on investment properties

Properties owned by the Issuer are valued at fair value which is approved by the Board of Directors of the Management Company based on independent appraisals. Properties are appraised at market value 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. According to the Fund Rules, independent appraisals are carried out at least once a year. Resulting fair value changes are recognized in the Issuer's consolidated income statement. Appraised value of a property may change due to changes in discount rates, exit yields, new lease contracts signed, changes in market rents, etc. For more details on independent appraisers see section 6.7 "Appraiser".

The table below breaks down valuation gains and losses by each property recorded over 2016-2018.

Table 29: Breakdown of valuation gains/losses by property, EUR thousand

	2016	2017	2018
Duetto I	-	1,292	86
Europa SC	491	1,158	1,288
Domus Pro (Retail)	-34	743	146
Domus Pro (Business centre)	175	-	268
Upmalas Biroji	-61	648	1,438
Vainodes I	-	573	-641
Coca Cola Plaza	350	240	1,230
Lincona	205	226	917
G4S Headquarters	1,346	-233	635
Sky Supermarket	265	-359	-68
Piirita	-	-612	-1,621
Postimaja	-	-	-2,027
LNK	-	-	382
Valuation gains/-losses on investment properties	**2,562**	**3,676**	**2,033**
Meraki (land)	-	-	-19
Valuation gains/losses on investment properties (land)	**-**	**-**	**-19**
Total valuation gains/-losses on investment properties	**2,737**	**3,676**	**2,014**

Source: audited consolidated financial statements of the Issuer for years 2016-2018

In 2018, a EUR 2m total gain in fair value of investment properties was recognized. That translated into EUR 0.2m average gain per property. Key assumptions used by the independent appraisers for valuations of the Issuer's properties are provided in Table.

In 2017, a EUR 3.7m total gain in fair value of investment properties was recognized. That translated into EUR 0.4m average gain per property. The largest fair value gains were recorded for Duetto I and Europa SC for each exceeding EUR 1.0m. Gains for Domus Pro, Upmalas Biroji and Vainodes I were in the region of EUR 0.5-1.0m each. For three properties in the portfolio (G4S Headquarters, Sky Supermarket and Piirita) fair value losses were recognized in 2017. Key assumptions used by the independent appraisers for valuations of the Issuer's properties are provided in Table **30: Assumptions used in independent appraisals**

Property	31 Dec 2016	31 Dec 2017	31 Dec 2018
Europa SC			
Discount rate	7.5%	7.2%	8.2%
Exit yield	7.25%	7.0%	6.5%
Rental growth per annum	0.0-2.4%	0.0-2.4%	1.2-2.3%
Vacancy rate	3.0-5.0%	3.0%	2.0-5.0%
Upmalas Biroji			
Discount rate	7.3%	7.3%	7.8%
Exit yield	7.2%	7.1%	7.0%
Rental growth per annum	0.5-4.4%	2.8-3.4%	1.0-1.9%
Vacancy rate	1.50%	1.0%	2.0 - 5.0%
Domus Pro			
Discount rate	8.075%	7.900%	8.2%
Exit yield	8.0%	7.8%	7.5%
Rental growth per annum	0.0-2.5%	0.0-2.5%	1.7-2.2%
Vacancy rate	2.0-7.0%	2.5-5.0%	2.0-5.0%
Vainodes I			
Discount rate	N/A	8.20%	7.80%
Exit yield	N/A	7.00%	7.0%
Rental growth per annum	N/A	0.0-2.0%	0.0-2.5%
Vacancy rate	N/A	0.0-5.0%	1.0-5.0%
G4S Headquarters			
Discount rate	8.5%	8.2%	8.2%
Exit yield	7.25%	7.25%	7.25%

Rental growth per annum	0.2-2.7%	0.0-3.2%	2.0-3.0%
Vacancy rate	3.0%	2.0%	2.0-5.0%
Lincona			
Discount rate	8.6%	8.6%	8.2%
Exit yield	7.8%	7.8%	7.5%
Rental growth per annum	0.0-2.3%	1.0-2.7%	1.6-1.9%
Vacancy rate	5.0-10.0%	5.00%	5.00%
Duetto I			
Discount rate	N/A	7.90%	8.2%
Exit yield	N/A	7.25%	7.25%
Rental growth per annum	N/A	0.0-2.1%	1.8-2.8%
Vacancy rate	N/A	2.50%	5.0%
Coca Cola Plaza			
Discount rate	8.2%	8.2%	8.2%
Exit yield	7.8%	7.8%	7.5%
Rental growth per annum	0.8-1.5%	1.3-1.9%	1.4-3.0%
Vacancy rate	0.0%	1.5%	2.0-5.0%
Piirita			
Discount rate	9.0%	8.4%	9.0%
Exit yield	7.75%	7.4%	7.5%
Rental growth per annum	2.0-3.1%	0.1-2.0%	1.6-3.0%
Vacancy rate	5.0%	2.0%	2.0-5.0%
Sky Supermarket			
Discount rate	7.9%	7.9%	8.2%
Exit yield	7.75%	7.75%	7.5%
Rental growth per annum	1.4-1.7%	1.4-1.7%	1.7-1.9%
Vacancy rate	1.0%	1.0-3.0%	2.0-5.0%
Postimaja			
Discount rate	N/A	N/A	7.8%
Exit yield	N/A	N/A	6.0%
Rental growth per annum	N/A	N/A	0.0-2.4%
Vacancy rate	N/A	N/A	2.0%
LNK Centre			
Discount rate	N/A	N/A	7.8%
Exit yield	N/A	N/A	6.5%
Rental growth per annum	N/A	N/A	0.0-2.5%
Vacancy rate	N/A	N/A	2.0-5.0%

Source: audited consolidated financial statements of the Issuer for years 2016-2018
N/A – not available because a property was not owned at the time.

(8) Financial income and expenses

Composition of financial income and expenses are presented in the following table.

Table 31: Financial income and financial expenses of the Issuer, EUR thousand

	2016	2017	2018
Interest income	14	47	8
Total financial income	**14**	**47**	**8**
Interest on external loans and borrowings	1,163	1,425	2,685
Termination of interest rate swap	-	57	-
Foreign currency exchange losses	-	1	1
Loan refinancing expenses	75	-	-
Loan arrangement fee amortisation	15	45	103

Total financial expenses	**1,253**	**1,528**	**2,789**
Net financial expenses	**1,239**	**1,481**	**2,781**

Source: audited consolidated financial statements of the Issuer for years 2016-2018.

In 2016, a total gain of EUR 2.7m in a fair value of investment properties was recorded, of which EUR 2.6m was related to operating properties and EUR 175 thousand to properties under construction. Approximately a half of gain in value of operating assets was attributable to the increase in value of G4S Headquarters. In addition, Europa SC's value gained EUR 0.5m, Coca Cola Plaza's EUR 0.4m, Sky Supermarket's EUR 0.3m and Lincona's EUR 0.2m. A EUR 175 thousand valuation gain on investment property under construction was fully attributable to the 3rd stage at Domus Pro whose construction started in December 2016 and was completed in October 2017 (hence, the asset was reclassified to investment property on 31 December 2017).

Table 30: Assumptions used in independent appraisals

Property	31 Dec 2016	31 Dec 2017	31 Dec 2018
Europa SC			
Discount rate	7.5%	7.2%	8.2%
Exit yield	7.25%	7.0%	6.5%
Rental growth per annum	0.0-2.4%	0.0-2.4%	1.2-2.3%
Vacancy rate	3.0-5.0%	3.0%	2.0-5.0%
Upmalas Biroji			
Discount rate	7.3%	7.3%	7.8%
Exit yield	7.2%	7.1%	7.0%
Rental growth per annum	0.5-4.4%	2.8-3.4%	1.0-1.9%
Vacancy rate	1.50%	1.0%	2.0 - 5.0%
Domus Pro			
Discount rate	8.075%	7.900%	8.2%
Exit yield	8.0%	7.8%	7.5%
Rental growth per annum	0.0-2.5%	0.0-2.5%	1.7-2.2%
Vacancy rate	2.0-7.0%	2.5-5.0%	2.0-5.0%
Vainodes I			
Discount rate	N/A	8.20%	7.80%
Exit yield	N/A	7.00%	7.0%
Rental growth per annum	N/A	0.0-2.0%	0.0-2.5%
Vacancy rate	N/A	0.0-5.0%	1.0-5.0%
G4S Headquarters			
Discount rate	8.5%	8.2%	8.2%
Exit yield	7.25%	7.25%	7.25%
Rental growth per annum	0.2-2.7%	0.0-3.2%	2.0-3.0%
Vacancy rate	3.0%	2.0%	2.0-5.0%
Lincona			
Discount rate	8.6%	8.6%	8.2%
Exit yield	7.8%	7.8%	7.5%
Rental growth per annum	0.0-2.3%	1.0-2.7%	1.6-1.9%
Vacancy rate	5.0-10.0%	5.00%	5.00%
Duetto I			
Discount rate	N/A	7.90%	8.2%
Exit yield	N/A	7.25%	7.25%
Rental growth per annum	N/A	0.0-2.1%	1.8-2.8%
Vacancy rate	N/A	2.50%	5.0%
Coca Cola Plaza			
Discount rate	8.2%	8.2%	8.2%
Exit yield	7.8%	7.8%	7.5%
Rental growth per annum	0.8-1.5%	1.3-1.9%	1.4-3.0%
Vacancy rate	0.0%	1.5%	2.0-5.0%

Piirita			
Discount rate	9.0%	8.4%	9.0%
Exit yield	7.75%	7.4%	7.5%
Rental growth per annum	2.0-3.1%	0.1-2.0%	1.6-3.0%
Vacancy rate	5.0%	2.0%	2.0-5.0%
Sky Supermarket			
Discount rate	7.9%	7.9%	8.2%
Exit yield	7.75%	7.75%	7.5%
Rental growth per annum	1.4-1.7%	1.4-1.7%	1.7-1.9%
Vacancy rate	1.0%	1.0-3.0%	2.0-5.0%
Postimaja			
Discount rate	N/A	N/A	7.8%
Exit yield	N/A	N/A	6.0%
Rental growth per annum	N/A	N/A	0.0-2.4%
Vacancy rate	N/A	N/A	2.0%
LNK Centre			
Discount rate	N/A	N/A	7.8%
Exit yield	N/A	N/A	6.5%
Rental growth per annum	N/A	N/A	0.0-2.5%
Vacancy rate	N/A	N/A	2.0-5.0%

Source: audited consolidated financial statements of the Issuer for years 2016-2018
N/A – not available because a property was not owned at the time.

(8) Financial income and expenses

Composition of financial income and expenses are presented in the following table.

Table 31: Financial income and financial expenses of the Issuer, EUR thousand

	2016	2017	2018
Interest income	14	47	8
Total financial income	**14**	**47**	**8**
Interest on external loans and borrowings	1,163	1,425	2,685
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Foreign currency exchange losses	-	1	1
Loan refinancing expenses	75	-	-
Loan arrangement fee amortisation	15	45	103
Total financial expenses	**1,253**	**1,528**	**2,789**
Net financial expenses	**1,239**	**1,481**	**2,781**

Source: audited consolidated financial statements of the Issuer for years 2016-2018

Financial income was comprised solely of interest income over 2016-2018. In 2018 interest income was down to EUR 8 thousand from EUR 47 thousand in 2017 and in 2017 interest income grew to EUR 47 thousand from EUR 14 thousand. The increase in 2017 was mainly attributable to interest income earned on an advance payment to a seller of Duetto I, a property whose acquisition was completed in March 2017. Market interest rates, on the other hand, remained very low.

Total financial expenses grew to EUR 2.8m in 2018 from EUR 1.5m in 2017 and from EUR 1.3m in 2016 mainly on the back of increasing interest expenses. The Issuer incurs interest costs on bank loans as well as bonds it uses to finance acquisitions of properties. Growth in interest expenses was fully attributable to expanding bank debt levels as new properties were added to the portfolio as well as higher average interest rate due to issue of bonds. The bond proceeds in the amount of EUR 15.9 million were used for bank loan refinancing. As a result LTV of bank loans decreased from 51.8% as of 31 December 2017 to 44.3% as of 30 June 2018. In the middle of February 2018, a new loan of EUR 25.3 million was taken for the acquisition of Postimaja and refinancing the loan taken for CC Plaza. In the end of September 2018, a new loan of EUR 9.4 million was signed for the acquisition of LNK. Part of the loan (EUR 0.7 million) was disbursed in November 2018 and the remaining amount in February 2019.

(9) Income tax charge

The Issuer pays income tax at SPV level while the parent entity - the Issuer itself - is exempt from income tax. Each property is held by a separate SPV which is registered and, in turn, pays income tax in a country where a property is located. Table **32: Statutory income tax rates**

	2016	2017	2018
Lithuania	15%	15%	15%
Latvia	15%	15%	20%
Estonia1	20% / 0%	20% / 0%	20% / 0%

[1] According to corporate tax regulations in Estonia, profits are taxed only when they are distributed to shareholders. Profits that are not distributed to shareholders are tax exempt.

Table 32 below presents statutory income tax rates in the Baltic States over years 2016-2018. In Lithuania and Latvia tax rates were 15% throughout the period 2016-2017, but changed in Latvia in 2018. Estonian income tax rate was 20% on profits distributed to holders whereas non-distributed profits are tax exempt in Estonia. The Issuer's SPVs that hold Estonian properties have not recognised income tax since the inception of BOF in 2010 because they have not distributed dividends.

Table 32: Statutory income tax rates

	2016	2017	2018
Lithuania	15%	15%	15%
Latvia	15%	15%	20%
Estonia[1]	20% / 0%	20% / 0%	20% / 0%

[1] According to corporate tax regulations in Estonia, profits are taxed only when they are distributed to shareholders. Profits that are not distributed to shareholders are tax exempt.

In July 2017, the Latvian parliament approved a tax reform. According to the new tax model, which is effective starting from 1 January 2018, the following key changes to corporate income tax are introduced:

- New corporate income tax payment procedure whereby the corporate income tax payment may be deferred until the time when the profit is distributed or otherwise spent to cover expense which does not facilitate further development of a company;
- The corporate income tax rate is increased from 15% to 20% of gross distributed profits or 25% of net distributed profits.

Table 33: Breakdown of income tax charge of the Issuer, EUR thousand

	2016	2017	2018
Current income tax	135	31	573
Deferred income tax	663	728	735
Total income tax charge	**798**	**759**	**1,308**

Source: audited consolidated financial statements of the Issuer for years 2016-2018

In 2018 the Issuer's income tax increased by 72% to EUR 1,308 thousand consisting of EUR 573 thousand current income tax and EUR 735 thousand deferred income tax. Deferred income tax was attributable to fair value gains from external property valuations as well as depreciation of properties' historical cost which is deducted from taxable profits in determining current taxable income. According to corporate tax regulations, taxable profits of properties are reduced by depreciation of their historical cost. This depreciation, on the other hand, is not recognized in the income statement of the Issuer as properties are reported at fair value. The Group's consolidated effective tax rate in respect of continuing operations for the 12 months ended 31 December 2018 was 11.6% (12 months ended 31 December 2017: 7.4%).

In 2017 the Issuer's income tax declined by 5% to EUR 759 thousand consisting of EUR 31 thousand current income tax and EUR 728 thousand deferred income tax. Deferred income tax was attributable to fair value gains from external property valuations as well as depreciation of properties' historical cost which is deducted from taxable profits in determining current taxable income. According to corporate tax regulations, taxable profits of properties are reduced by depreciation of their historical cost. This depreciation, on the other hand, is not recognized in the income statement of the Issuer as properties are reported at fair value. No income tax was recognized for SPVs that held Estonian properties since they did not distribute their profits. Due to the aforementioned changes in corporate income tax rules in Latvia (which came into effect on 1 January 2018), a EUR 137 thousand gain relating to a deferred tax reversal at the Issuer's Latvian SPVs was recorded in 2017.

In 2016 income tax decreased by EUR 92 thousand to EUR 798 thousand which was comprised of EUR 135 thousand current income tax and EUR 663 thousand deferred income tax. Income taxes in 2016 were recognized only for properties located in Lithuania and Latvia. Identical to previous years, zero income tax was recorded for Estonian subsidiaries because they did not pay out dividend.

7.13. DIVIDENDS AND DIVIDEND POLICY

In accordance with the Fund Rules, the Management Company intends to distribute the Issuer's cash flows ("Dividends"). The Issuer targets dividend distributions to its Unit-holders in the range between 80% of generated net cash flow (calculation explained in Table) and net profit adjusted for unrealized P&L items[2]. The distribution is based on the Issuer's short-term and long-term performance projections. The Management Company has discretion to distribute lower dividends than 80% of generated net cash flow in case liquidity of the Issuer is endangered. The Management Company targets a 7-9% annual dividend yield on invested equity which is defined as paid-in-capital since listing the Issuer on a stock exchange on June 30, 2016. Dividends are to be paid on a quarterly basis.

Table 42: Generated net cash flow calculation formula

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

Table illustrates historical dividend payments. Since the initial public offering in June 2016, the Issuer has distributed dividends each quarter – in line with its strategy to pay dividends quarterly. Until the date of this Listing Prospectus, 9 quarterly dividends in total have been announced: 3 for distributing 2018 profits, 4 for distributing 2017 profits and 2 for distributing 2016 profits. Together they amount to EUR 13.9m or EUR 0.209 per unit returned to investors since the Issuer's initial public offering. The last 4 quarterly dividends (from Q4 2017 to Q3 2018) sum up to EUR 0.098 per unit representing an annual dividend yield of 7.5% on the Unit market price on Nasdaq Tallinn on the last day of the third quarter of 2018 (EUR 1.302).

The most recent paid dividend - EUR 0.027 per unit for Q4 2018 - was announced on 13 February 2019 and paid on 14 March 2019 representing a quarterly dividend yield of 2.1% on the Unit market price on Nasdaq Tallinn on the last day of the fourth quarter of 2018 (EUR 1.307). This dividend was subtracted from the Issuer's NAV as of the end of February 2018.
As at the date of this Listing Prospectus, 4 quarterly dividends were declared for 2018 profits with the 4th one for Q4 2018 announced in 13th February 2019. The last 4 quarterly dividends (for 2018) sum up to EUR 0.102 per unit representing an annual dividend yield of 7.8% on the Unit market price on Nasdaq Tallinn on the last day of the fourth quarter of 2018 (EUR 1.307).

Prior to the Merger, BOF had distributed dividends to its unitholders every year from 2012 to 2015. Dividend of EUR 0.072 per unit was paid in 2015 corresponding to a 6.9% annual yield on year-end paid in capital. Unitholders representing 26.2% of a total number of units elected to convert declared dividend into new units effectively reinvesting in the Issuer. As a result, cash outflow was reduced from EUR 1.8m to EUR 1.3m.

As at the date of this Listing Prospectus, the Issuer's total number of Units amounts to 97,336,070 . Historical dividends adjusted to reflect the current number of Units are presented in Table 43.

[2] Such items include valuation gains/losses on investment properties, net gains/losses on disposals of investment properties and deferred income tax.

Table 43: History of dividend distributions

	2016[1]		2017[1]				2018[1]			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Per unit										
Dividend per unit, EUR	0.026	0.024	0.023	0.018	0.020	0.023	0.024	0.025	0.026	0.027
Trailing 12-month dividend yield[2]	-	-	-	6.8%	6.5%	6.8%	7.2%	7.5%	7.8%	7.8%
Dividend per unit adjusted for number of units as a the date of this Listing Prospectus[3], EUR	0.014	0.018	0.017	0.015	0.016	0.023	0.024	0.025	0.026	0.027
Total, EUR thousand										
Dividends declared	1,091	1,374	1,317	1,164	1,293	1,781	1,900	1,977	2,044	2,119
Of which dividends reinvested[4]	-	-	-	-	-	-	-	-	-	-
Dividends paid	1,091	1,374	1,317	1,164	1,293	1,781	1,900	1,977	2,044	2,119

[1] After the public offering in June 2016, the Issuer began distributing dividends quarterly.

[2] Computed as: a sum of 4 quarterly dividends per unit over a 12-month period / Unit market price on Nasdaq Tallinn on the last day of the last quarter in a 12-month period.

[3] Calculated as total amount of dividends declared for a period divided by the number of Units as at the date of this Listing Prospectus – 78,496,831 Units.

[4] Prior to the Merger, unitholders of BOF were offered a scrip dividend option. Part of them elected to exchange their right to dividend into new units.

7.14. FINANCING

The Issuer's equity capital grew from EUR 107.0m at the end of 2017 to EUR 109.8m on 31 December 2018 mainly driven by the issuance of 1,716 thousand new Units in February 2018 which were subscribed for by a seller of Postimaja SC as part of the Issuer's payment for the property. During 2018, The Fund had bought back 660 thousand own units as part of a unit buy-back program. Net profit of EUR 10.0m earned during 2018 was offset by EUR 7.7m of dividends distributed (comprised of quarterly dividend payments for Q4 2017, Q1 2018, Q2 2018 and Q3 2018). As of 31 December 2018, the Issuer's equity consisted of EUR 93.4m paid in capital, EUR -0.3m own units, EUR 17.5m retained earnings and EUR -1.0m cash flow hedge reserve. The negative cash flow hedge reserve was related to interest rate swaps that the Issuer entered into to hedge exposure to variable interest rates.

At the end of 2017, the Issuer's equity amounted to EUR 107.0m marking a significant increase from EUR 76.8m at the end of 2016 and EUR 31.7m at the end of 2015 primarily thanks to 4 public offerings of the Fund Units carried out in 2016 and 2017. On 29 June 2016 the Issuer successfully completed an initial public offering selling 16,962 thousand of new Units and raising EUR 21.0m of new equity capital which was later invested in acquiring two new properties: G4S Headquarters in July 2016 and Upmalas Biroji in August 2016. On 30 November 2016, the Issuer completed a secondary public offering selling 15,286 thousand of new Units and attracting EUR 19.6m of new equity which was deployed to purchase Piirita in December 2016 and Duetto I in March 2017. On 20 June 2017, the Issuer completed a secondary public offering selling 7,397 thousand new Units and raising EUR 9.4m of additional equity which was used to acquire Vainodes I in December 2018. On 30 November 2017, the Issuer performed the most recent secondary public offering selling 12,785 thousand new Units and raising EUR 16.3m of fresh equity which was invested by purchasing Postimaja SC in February 2018 and LNK Centre in August 2018.

In years prior to 2016, a number of smaller private capital raisings were carried out in order to finance acquisitions of properties. In 2015, EUR 3.2m of equity was raised privately from investors while paid in capital increased by an additional EUR 0.5m which was a result of reinvested dividends by existing Unitholders.

Table 44: Highlights of capital resources and funding structure of the Issuer, EUR thousand

	31 Dec 2016	31 Dec 2017	31 Dec 2018
CAPITAL RESOURCES			
Equity			
Paid in capital	66,224	91,848	93,673
Own units	-8	-	-335
Cash flow hedge reserve	-294	-56	-1005
Retained earnings	10,887	15,184	17,472
Total equity	**76,809**	**106,976**	**109,805**
Financial debt			
Non-current interest bearing loans and borrowings	58,981	96,497	140,401
Current interest bearing loans and borrowings	10,191	1,590	106

Total financial debt	**69,172**	**98,087**	**140,507**
Cash and cash equivalents	9,883	24,557	12,225
Net financial debt	**59,289**	**73,530**	**128,282**
KEY INDICATORS			
Interest coverage ratio[1]	4.4	5.6	4.5
LTV[2]	48.8%	51.8%	57.3%
Equity ratio[3]	49.6%	49.6%	44.6%
Current ratio[4]	84.0%	425.9%	529.5%

Source: unaudited consolidated financial statements of the Issuer for the 12-month period ended 31 December 2018, audited consolidated financial statements of the Issuer for years 2016-2017 and audited consolidated financial statements of BOF for year 2015

[1] Interest coverage ratio = (operating profit - valuation gains or losses on investment properties - net gains or losses on disposals of investment properties) / interest on bank loans.

[2] Loan-to-value = total interest bearing loans and borrowings / value of investment properties.

[3] Equity ratio = total equity / total assets.

[4] Current ratio = current assets / current liabilities.

As of 31 December 2018, total financial debt of the Issuer stood at EUR 140.5m compared to EUR 98.1m at the end of 2017. Non current portion of financial debt amounted to EUR 140.4m while current portion was EUR 0.1m. Bank loans amounted to EUR 100.7m or 72% of total financial debt while unsecured bonds were equal to EUR 39.8m or 23% of total. In April 2018 the Issuer diversified its funding sources by issuing EUR 30m of 5-year unsecured notes with a fixed coupon of 4.25%. On 13 December 2018, the Fund completed subsequent subscription for its 5-year unsecured notes worth EUR 10 million. The additional bonds were issued under the same terms and conditions as the initial issue of unsecured bonds. These notes are listed on Nasdaq Tallinn.

The Issuer uses debt in a combination with equity to finance acquisitions of new properties. As the number of properties in the portfolio increased over years, so did financial debt. At the end of 2014, 4 real estate assets were held and debt stood at EUR 23.0m. By the end of 2017, 6 additional commercial properties had been purchased leading to an increase in financial debt by EUR 75.0m to EUR 98.1m. For a more detailed analysis of financial debt see the subsequent section 5.17.2 “Financial Debt Structure”.

The primary indicator used by the management of the Issuer to measure its indebtedness is a loan-to-value (LTV) ratio. The Issuer targets LTV of 50% implying equal parts of debt and equity financing. The Management Company believes this level of financial leverage both enhances Unitholder returns and ensures a sizeable safety buffer for when property markets slow down. According to the Fund Rules, at no point in time LTV of the Issuer may exceed 65%. As of 31 December 2018, LTV of the Issuer stood at 57.3% - slightly higher than 51.8% at the end of 2017 or 48.8% at the end of 2016 but below 59.0% at the end of 2015 (which was higher because a larger portion of debt was used to acquire Europa SC in March 2015). It should be noted that higher financial leverage at the end of 2018 was only due to issue of EUR 10m bonds before year-end. Received cash was used in the beginning of 2019. Since the means from the issue were not used immediately it resolved in higher level of cash. If to eliminate this bond issue financial leverage made 53%.

As of 31 December 2018, the Issuer held EUR 10.6m of non-interest-bearing liabilities comprising 7% of total liabilities. Of that amount, EUR 7.8m was non-current portion and EUR 2.8m was current portion. Main elements constituting non-interest-bearing liabilities were deferred tax liability (EUR 5.8m), trade and other payables (EUR 2.4m) and other non-current liabilities (EUR 0.9m).

The Issuer held EUR 12.2m of cash and cash equivalents on 31 December 2018. 100% of cash and cash equivalents were denominated in euro currency. Euro is the national currency of all three Baltic countries. The main contributer to high level of cash at the year-end was issue of EUR 10m bonds in December 2018 which were utilized only in the beginning of 2019. EUR 350 thousand of cash and cash equivalents were restricted following requirements set in bank loan agreements of the Issuer’s SPVs. Only cash balances in excess of restricted amounts could be distributed as dividends from SPVs to the Issuer.

Financial Debt Structure

The table below provides a detailed breakdown of the structure of the Issuer’s financial debt as of 31 Dec 2018. Total borrowings amounted to EUR 140.5m, of which 100% was denominated in euros – the national currency in all three Baltic States. Total carrying value of bank loans stood at EUR 101.0m or 72% of the total while carrying value of bonds was equal to EUR 40.0m or 28% of the total. All of the bank loans were obtained by SPVs that hold properties while properties themselves were pledged as collateral. The largest bank loan was related to Europa SC, the largest property in the portfolio, comprising EUR 20.9m or 15% of total borrowings. 5-year unsecured notes were held by the parent entity – the Issuer. In April 2018 the Issuer further diversified its funding sources by issuing EUR 30m of 5-year unsecured notes with a fixed coupon of 4.25% which were listed on Nasdaq Tallinn. On 13 December 2018, the Fund completed subsequent subscription for its 5-year unsecured notes worth EUR 10 million. The additional bonds were issued under the same terms and conditions as the initial issue of unsecured bonds. This was the first bond issue in the Issuer’s history.

Table 45: Financial debt structure of the Issuer, 31 December 2018

	Maturity	Currency	Carrying amount, EUR'000	% of total	Fixed-rate portion
Bank loans					
Sky Supermarket	1-Aug-2021	EUR	2,386	1.7%	-
G4S Headquarters	16-Aug-2021	EUR	7,750	5.5%	100%
Piirita	20-Feb-2022	EUR	4,944	3.5%	124%
Duetto I	20-Mar-2022	EUR	7,300	5.2%	99%[1]
Domus Pro	31-May-2022	EUR	11,000	7.8%	66%
Europa SC	5-Jul-2022	EUR	20,900	14.8%	88%
Lincona	31-Dec-2022	EUR	7,188	5.1%	95%
Coca Cola Plaza and Postimaja	12-Feb-2023	EUR	17,200	12.2%	100%[2]
Upmalas Biroji	31-Aug-2023	EUR	11,750	8.3%	90%
Vainodes I	13-Nov-2024	EUR	9,842	7.0%	50%
LNK	27-Sep-2023	EUR	700	0.5%	-
Total bank loans			**100,960**	**71.6%**	**86%**
Bonds					
5-year unsecured notes	8-May-2023	EUR	40,000	28.4%	100%
Total bonds			**40,000**	**28.4%**	**100%**
Less capitalised debt arrangement fees[3]			-453		
Total financial debt recognised on balance sheet			**140,507**		**90%**

[1] Duetto I bank loan had an interest rate cap of 1.0% for the variable interest rate part.
[2] Coca Cola Plaza and Postimaja bank loan had an interest rate cap of 3.5% for the variable interest rate part.
[3] Amortized each month over the term of a loan or a bond.

The nearest maturity of the existing financial debt is only in 2021.

Figure 4: Financial debt maturity schedule, carrying amounts as of 31 Dec 2018, EURm

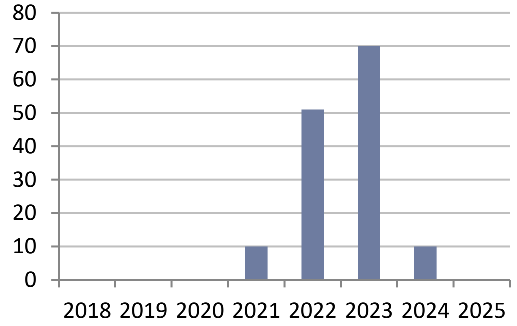


Figure 5: Fixed and floating portions of financial debt, 31 Dec 2018

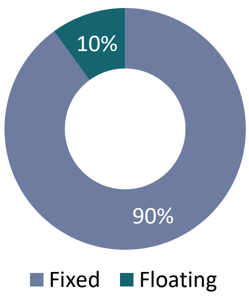
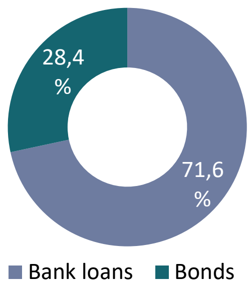


Figure 6: Composition of financial debt by type, 31 Dec 2018



4). Majority of the debt – 85% of the total – is set to mature in 2022-2023. On 31 December 2018, weighted average time to maturity of total financial debt stood at 4.0 years – marginally down from 4.6 years at the end of 2017 but markedly higher than 2.7 years at the end of 2016.

As of 31 Dec 2018, 90% of total borrowings had fixed interest rates while the remaining 10% was subject to floating interest rates. 5-year unsecured notes had a fixed coupon of 4.25%. 86% of total bank loans had interest rates either fixed by using interest rate swaps (to exchange floating rates into fixed) or their variable parts limited by interest cap instruments.

7.15. RELATED PARTY TRANSACTIONS

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 Issuer and the Issuer pays management fees for it.

The Group's transactions with related parties during the twelve-month period ended 31 December 2018, 2017 and 2016 were the following:

Euro '000	**01.01.2018-31.12.2018**	**01.01.2017-31.12.2017**	**01.01.2016-31.12.2016**
Northern Horizon Capital AS group			
Management fees	1,391	1,153	724
Performance fees	166	-	81

The Group's balances with related parties as at 31 December 2018, 2017 and 2016 were the following:

'000 Euro	**31.12.2018**	**31.12.2017**	**31.12.2016**
Northern Horizon Capital AS group			
Management fees payable	354	311	211
Accrued performance fees	166	-	-

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

The fee is based on the following rates and in the following tranches:

- 1.50% of the market capitalisation below EUR 50 million;
- 1.25% of the part of the market capitalisation that is equal to or exceeds EUR 50 million and is below EUR 100 million;
- 1.00% of the part of the market capitalisation that is equal to or exceeds EUR 100 million and is below EUR 200 million;
- 0.75% of the part of the market capitalisation that is equal to or exceeds EUR 200 and is below EUR 300 million;
- 0.50% of the part of the market capitalisation that is equal to or exceeds EUR 300 million.

The Management Company is entitled to calculate the performance fee based on the annual adjusted funds from operations (AFFO) of the Issuer. 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 Issuer (i.e. 2020).

The Management Company owns, as at 9 May 2019, 22,571 units of the Issuer which represents 0.0232% of the total number of units.

Entities having control or significant influence over the Issuer
The holders of units owning more than 5% of the units in total as of 31 December 2018, 2017 and 2016 are presented in the tables below:

As at 31 December 2018

	Number of units	**Percentage**
Nordea Bank AB clients	34,630,979	43.97%
Clearstream Banking Luxembourg S.A.A clients	16,474,489	20.92%

Skandinaviska Enskilda Banken SA clients	4,565,556	5.80%

As at 31 December 2017

	Number of units	Percentage
Nordea Bank AB clients	35,335,740	45.63%
Catella Bank SA on behalf of its clients	17,705,618	22.86%
Skandinaviska Enskilda Banken SA clients	4,766,470	6.15%

As at 31 December 2016

	Number of units	Percentage
Nordea Bank Finland Plc. clients	20,141,307	35.17%
Catella Bank SA on behalf of its clients	10,133,884	17.70%
Svenska Kyrkans Pensionskassa	8,061,604	14.08%
Skandinaviska Enskilda Banken SA clients	4,766,470	8.32%

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

7.16. INTRAGROUP LOAN AGREEMENTS

The Issuer has the following intragroup loan agreements with its SPVs:

1. Loan agreement between the Fund and BH Europa UAB, dated 19 July 2016, as the last time amended on 1 May 2018, regarding a loan facility amounting to EUR 12,000,000 granted by the Fund to BH Europa UAB for a term expiring on 1 January 2027. As of 31 December 2018, the principal balance outstanding was EUR 10,847,055. The loan shall be repaid in full at maturity. The loan shall bear interest at an annual rate of 4.5 per cent. The annual interest shall be paid once per year on 31 December of the corresponding year.

2. Loan facility agreement between the Fund and BH Lincona OÜ, dated 7 July 2011, as the last time amended on 1 May 2018, regarding a loan facility of EUR 5,000,000 granted by the Fund to BH Lincona OÜ for a term expiring on 1 January 2027. As of 31 December 2018, the principal balance outstanding was EUR 3,950,000. The loan shall be repaid in one bullet instalment at maturity and shall bear interest at an annual rate of 4.5 per cent.

3. Loan facility agreement between the Fund and BH Domus PRO UAB, dated 7 August 2013, as the last time amended on 1 May 2018, regarding a loan facility, in total amounting to EUR 18,500,000 granted by the Fund to BH Domus PRO UAB for a term expiring on 1 January 2027. As of 31 December 2018, the principal balance outstanding was EUR 10,193,989. The loan shall be repaid in full at maturity. The loan shall bear interest at an annual rate of 4.5 per cent. The annual interest shall be paid once per year at the end of the calendar year.

4. Loan agreement between the Fund and BOF Sky SIA, dated 23 November 2012, as the last time amended on 1 May 2018, regarding a loan facility amounting to EUR 4,400,000 granted by the Fund to BOF Sky SIA for a term expiring on 1 January 2027. As of 31 December 2018, the principal balance outstanding was EUR 1,575,000. The loan shall be repaid in full at maturity. The loan shall bear interest at an annual rate of 4.5 per cent. The annual interest shall be paid once per year on 31 December of the corresponding year.

5. Loan agreement between the Fund and BH CC Plaza OÜ, dated 6 March 2013, as the last time amended on 1 May 2018, regarding a loan facility amounting to EUR 28,000,000 granted by the Fund to BH CC Plaza OÜ for a term expiring on 1 January 2027. As of 31 December 2018, the principal balance outstanding was EUR 25,932,000. The loan shall be repaid in full at maturity. The loan shall bear interest at an annual rate of 4.5 per cent. The annual interest shall be paid once per year on 31 December of the corresponding year.

6. Loan agreement between the Fund and BH P80 OÜ, dated 7 July 2016, as amended on 1 May 2018, regarding a loan facility amounting to EUR 7,500,000 granted by the Fund to BH P80 OÜ for a term expiring on 1 January 2027. As of 31 December 2018, the principal balance outstanding was EUR 5,470,000. The loan shall be repaid in full at maturity. The loan shall bear interest at an annual rate of 4.5 per cent. The annual interest shall be paid once per year on 31 December of the corresponding year.

7. Loan agreement between the Fund and Kontor SIA, dated 22 August 2016, as amended on 1 May 2018, regarding a loan facility amounting to EUR 6,900,000 granted by the Fund to Kontor SIA for a term expiring on 1 January 2027. As of 31 December 2018, the principal balance outstanding was EUR 4,606,038. The loan shall be repaid in full at maturity. The loan

shall bear interest at an annual rate of 4.4 per cent. The annual interest shall be paid once per year on 31 December of the corresponding year.

8. Loan agreement between the Fund and Kontor SIA, dated 29 September 2016, as amended on 1 May 2018, regarding a loan facility amounting to EUR 3,000,000 granted by the Fund to Kontor SIA for a term expiring on 1 January 2027. As of 31 December 2018, the principal balance outstanding was EUR 2,900,000.00. The loan shall be repaid in full at maturity. The loan shall bear interest at an annual rate of 4.4 per cent. The annual interest shall be paid once per year on 31 December of the corresponding year.

9. Loan agreement between the Fund and Pirita Center OÜ, dated 15 December 2016, as amended on 1 May 2018, regarding a loan facility amounting to EUR 8,000,000 granted by the Fund to Pirita Center OÜ for a term expiring on 1 January 2027. As of 31 December 2018, the principal balance outstanding was EUR 7,062,500.00. The loan shall be repaid in full at maturity. The loan shall bear interest at an annual rate of 4.5 per cent. The annual interest shall be paid once per year on 31 December of the corresponding year.

10. Loan agreement between the Fund and BH Duetto UAB, dated 31 January 2017, as amended on 1 May 2018 and 25 February 2019, regarding a loan facility amounting to EUR 23,900,000 granted by the Fund to BH Duetto UAB for a term expiring on 1 January 2027. As of 28 February 2019, the principal balance outstanding was EUR 23,823,500.00. The loan shall be repaid in full at maturity. The loan shall bear interest at an annual rate of 4.0 per cent. The annual interest shall be paid once per year on 31 December of the corresponding year.

11. Loan agreement between Vainodes Krasti SIA and the Fund, dated 1 May 2018, regarding a loan facility amounting to EUR 10,000,000 granted by Vainodes Krasti SIA to the Fund for a term expiring on 1 January 2027. As of 31 December 2018, the principal balance outstanding was EUR 2,436,700. The loan shall be repaid in full at maturity. The loan shall bear interest at an annual rate of 4.5 per cent. The annual interest shall be paid once per year on 31 December of the corresponding year.

12. Loan agreement between BH S27 SIA and the Fund, dated 9 August 2018, as amended on 1 September 2018, regarding a loan facility amounting to EUR 10,500,000 granted by BH S27 SIA to the Fund for a term expiring on 1 January 2027. As of 31 December 2018, the principal balance outstanding was EUR 8,577,918. The loan shall be repaid in full at maturity. The loan shall bear interest at an annual rate of 4.2 per cent. The annual interest shall be paid once per year on 31 December of the corresponding year.

13. Loan agreement between BH Meraki UAB and the Fund, dated 21 August 2018, regarding a loan facility amounting to EUR 5,000,000 granted by BH Meraki UAB to the Fund for a term expiring on 1 January 2027. As of 31 December 2018, the principal balance outstanding was EUR 1,788,490. The loan shall be repaid in full at maturity. The loan shall bear interest at an annual rate of 4.6 per cent. The annual interest shall be paid once per year on 31 December of the corresponding year.

All the loans discussed above are unsecured.

7.17. LEGAL AND ARBITRATION PROCEEDINGS

During the last 12 months period there have not been any governmental, legal or arbitration proceedings which may have, or have had in the recent past significant effects on the Issuer's and/or the Management Company's, acting for the benefit of the Issuer, financial position or profitability.

8. FINANCIAL AND TREND INFORMATION

8.1. HISTORICAL FINANCIAL INFORMATION

The Issuer's consolidated audited annual reports as of and for the financial years ended 31 December 2016, 2017 and 2018 (prepared according to the IFRS) are incorporated by reference (see section 4.2).

8.2. SIGNIFICANT CHANGES IN FINANCIAL OR TRADING POSITION

Since 31 December 2018 - the last reporting date of the Issuer - the main financial and operational developments have been as follows:

- On 18 December 2018, the Issuer signed a sales and purchase agreement with UAB YIT Kausta, part of the Finnish YIT Corporation, to acquire the newly constructed Duetto II office building in Vilnius, Lithuania., situated next to the already owned Duetto I. The purchase price is approximately EUR 18,3 million, which corresponds to an entry yield of approximately 7.1%. The transaction was closed on 27 February 2019.

- As at the date of this Listing Prospectus, 4 quarterly dividends were declared for 2018 profits with the 4th one for Q4 2018 announced in 13th February 2019. The last 4 quarterly dividends (for 2018) sum up to EUR 0.102 per unit representing an annual dividend yield of 7.8% on the Unit market price on Nasdaq Tallinn on the last day of the fourth quarter of 2018 (EUR 1.307).
- The Issuer has issued new units by way of private placement twice during April 2019 in accordance with the resolution of the General Meeting of unit-holders made on 19th February 2019 (see in more detail in Section 7.5 - Issue, Redemption and Purchase of Units). Proceeds for the issues in the amount of EUR 24.6 million are intended to be used for new investments. In accordance with the resolution of unit-holders referred to above further private placements may be arranged during 2019.

8.3. TREND INFORMATION

There has been no material adverse change in the prospects of the Issuer since the date of the audited consolidated annual report of the Issuer for 2018.

As at the date of this Listing Prospectus there are no information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects and the industries in which the Issuer operates.

8.4. FUTURE OUTLOOK

The Issuer has not made any profit forecast or profit estimate in this Listing Prospectus.

9. INDUSTRY AND MARKET OVERVIEW

9.1. MACROECONOMIC OVERVIEW´

This section discusses the current macroeconomic situation and its outlook in the Baltic States. Unless stated otherwise, historical macroeconomic data presented in the section was sourced from Eurostat, the statistical office of the EU, and national statistics offices of the Baltic countries while future projections were taken from the EC's May 2018 economic forecast[3]. Figures for years through 2017 represent actual data while those for 2018 and 2019 are forecasts.

In Q4, GDP growth figures for Estonia, Latvia and Lithuania remained solid, ranging from 3.3% to 4.7%. Overall, all three Baltic economies remain well balanced, show little signs of overheating, and are well positioned to meet external shocks.

According to Swedbank, the Estonian economy has expanded above its potential for the past three years, supported by soaring foreign and domestic demand. The growth of the economy has been broad based, led by the construction sector and remains well balanced. It is expected that the current account will be in surplus for the next few years, public finances will remain strong, and households will be able to save. However, the robust economic growth in recent years has increased demand for labour and has considerably tightened the labour market. The growing number of foreign workers has somewhat alleviated the labour shortage for companies and it is expected that wage growth will remain robust and might slow only modestly in the next two years. Real GDP growth is expected to slow slightly but still remain around 3% for the coming years.

In Q4, the Latvian economy grew by a whopping 4.7% in annual terms. The growth was also broad based. There was a growth slowdown in construction, trade, and manufacturing in Q3, but this was compensated for by continuous double-digit growth in the ICT and transport sectors. It is expected that construction will grow more slowly in 2019 owing to labour shortages and cost pressures, as well as a slower pace of incoming EU funds. The transport sector is also vulnerable, but it is expected companies in manufacturing and trade will sustain recent growth rates. Labour cost pressures on companies keep rising, but profit margins remain commendable. Exporters have also managed to keep their market shares.

Despite global volatility and uncertainty, both consumer and business confidence in Latvia remains strong. Household consumption will continue to benefit from rapid wage growth and moderate inflation. An additional support factor will be increasing mortgage activity, as the household loan volume will continue rising slowly. Employment is expected to still grow marginally in 2019, before starting to slow down in 2020 due to decreasing working-age population and a historically high participation rate.

In Lithuania, after a slightly weaker Q3 which was affected by poor harvests that subdued growth in the agricultural sector, the economy regained momentum again in Q4. All numbers still point to very healthy household finances – in 2018 wage growth reached 10%, unemployment dropped to the lowest level in 10 years, and the deposit growth rate accelerated to above 12%. At the same time, the household loan portfolio continued growing at a stable rate of only 7.5%. Retail trade and household consumption sustained strong growth and are likely to maintain momentum in 2019. It is forecasted that inflation will remain at 2.7% in 2019, while wage

[3] Available publicly at: https://ec.europa.eu/info/publications/economy-finance/european-economic-forecast-spring-2018_en

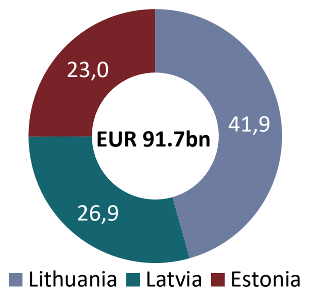
growth will ease marginally to 8%. However, workers' net income will be boosted by the tax reform, which has substantially reduced the tax wedge on labour income. It is estimated that in 2019 average real net wage growth will reach 11.3%.

Another long-awaited positive trend of 2018 that will spill over into 2019 emerged in migration. Due to an increase in immigration, most of which is attributed to Lithuanians coming back, and a decrease in emigration, net migration was at a record low. It is forecasted that in 2019 net migration will be positive for the first time in the 21st century. Despite a shrinking population, improving migration trends, rising labour participation rates, and a more efficient labour market caused employment to increase unexpectedly by 0.7% in 2018. However, in 2019 it is expected to increase by 0.4%. Due to better-than-expected trends in the labour market, the GDP forecast for 2019 has been raised to 2.7%.

All three Baltic States are members of the EU and have euro as the national currency. Lithuania has the largest economy of the Baltic countries. In 2017, Lithuania's GDP amounted to EUR 41.9bn whereas Latvia's was EUR 26.9bn and Estonia's was EUR 23.0bn. The differences are primarily explained by population size. Lithuania with 2.8m of people is the largest followed by Latvia with 1.9m and Estonia with 1.3m. In terms of productivity, Lithuania and Latvia are very similar – 2017 GDP per capita of EUR 14.8 thousand and EUR 13.9 thousand respectively – while Estonia's GDP per capita is somewhat higher at EUR 17.5 thousand.

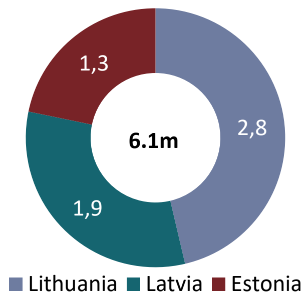
Approximately 1.6m people live in the capital cities of the Baltic States representing approximately a quarter of total population in the countries. The largest city is Riga, the capital of Latvia, with population of 638 thousand. It is located on the shore of the Baltic Sea at the southern tip of the Gulf of Riga. Riga is also Latvia's largest sea port. Vilnius, the capital of Lithuania and the second largest city in the Baltics, has a population of 537 thousand. It is based in the south east of Lithuania. Thanks to its relatively close location to Minsk, the capital of Belarus with 1.9m population, Vilnius is a popular shopping destination for Belarussians. Tallinn has the smallest population of the three Baltic capital cities – 431 thousand people live in the capital of Estonia. It is located on Estonia's north coast and is also the country's most active port. Helsinki is just on the opposite side of the Gulf of Finland or less than 2 hours by ferry away from Tallinn. Tallinn – Helsinki ferry route is one of the most active in the Baltic Sea.

Figure 7: Nominal GDP (EURbn), 2017



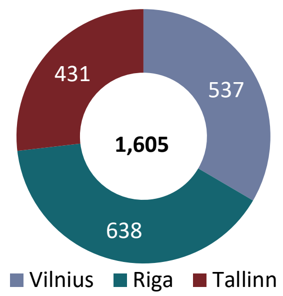
Source: Eurostat

Figure 8: Country population (m), 1 January 2018



Source: Eurostat

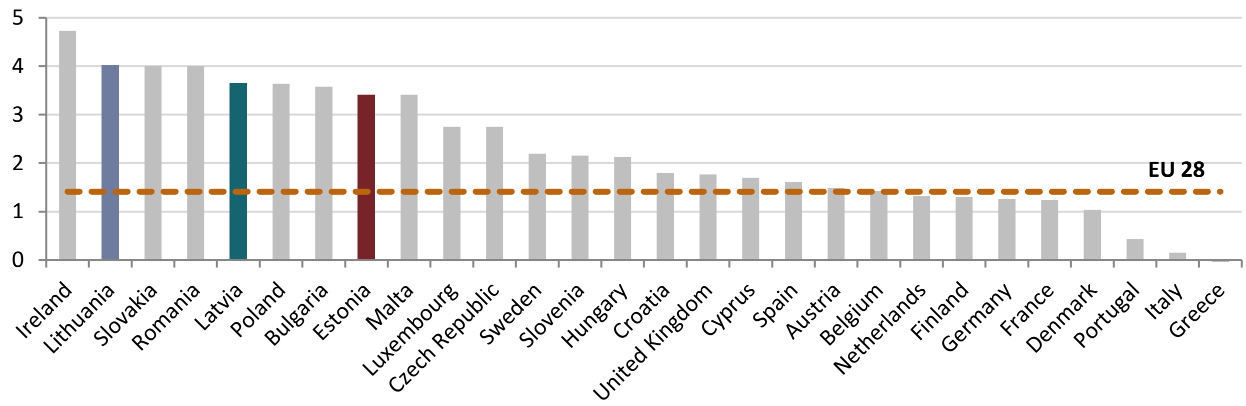
Figure 9: Capital city population (thousand), 1 January 2018



Source: National statistics offices

Baltic economies have been among the fastest growing in the EU. Their GDP growth has significantly outperformed the EU average. Over the period from 2000 to 2017, annual real GDP growth averaged 4.0% in Lithuania (the 2nd fastest in the EU), 3.6% in Latvia (the 5th fastest) and 3.4% in Estonia (the 8th fastest). In contrast, the overall EU's GDP expanded by only 1.4% real per annum over the same period.

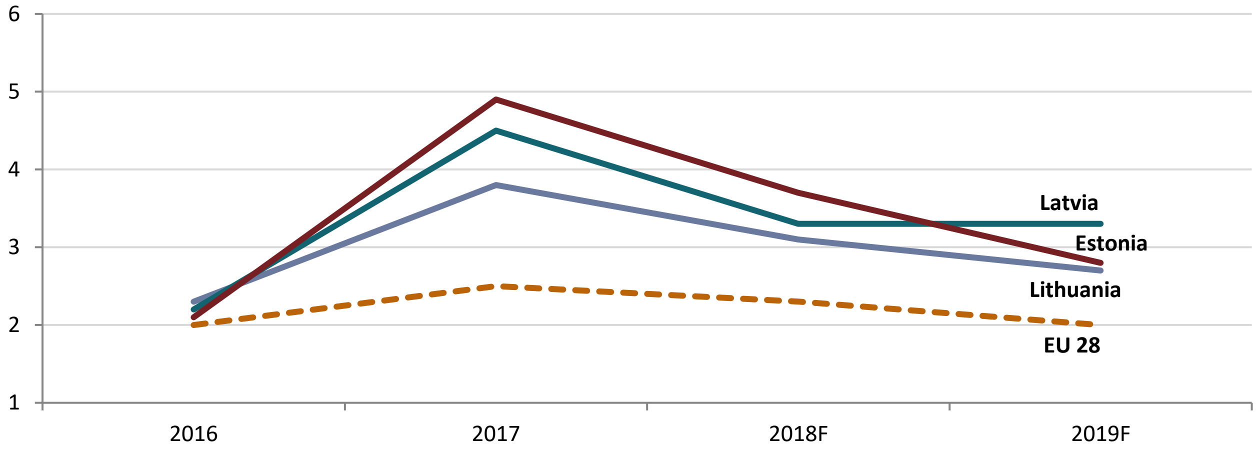
Figure 10: Average annual real GDP growth (%), 2000-2017



Source: Eurostat

The EC forecasts that the Baltic countries will continue expanding at a considerably faster pace than EU as a whole. The EU is expected to achieve real GDP growth of 2.3% in 2018 and 2.0% in 2019 whereas Lithuania is forecast to deliver growth of 3.1% in 2018 and 2.7% in 2019, Latvia to increase by 3.3% in both 2018 and 2019 and Estonia to grow by 3.7% in 2018 and 2.8% in 2019.

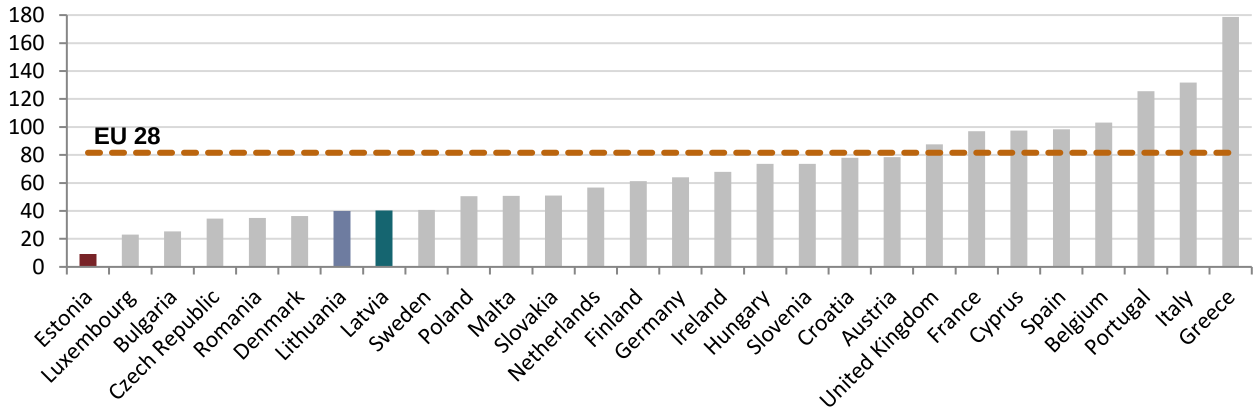
Figure 11: Real GDP growth forecast by the EC (%)



Source: EC

Confidence in the EU economy, especially its southern states, was hit by sovereign debt crisis that started in 2010. However, government finances of the Baltic States stand out in the European context as prudent, fiscally responsible and not overburden by debt. The Baltic countries have one of the lowest government debt levels in the EU. Whereas the overall EU had a gross debt to GDP ratio of 82% at the end of 2017, Estonia's government debt amounted to only 9% of GDP (the lowest in the EU) and Lithuania's and Latvia's to 40% of GDP (the 7th and the 8th lowest respectively). Healthy debt levels mean a greater potential for economic expansion as governments can concentrate on supporting growth rather than reducing debt which is normally implemented through aggressive austerity measures which depress economic growth.

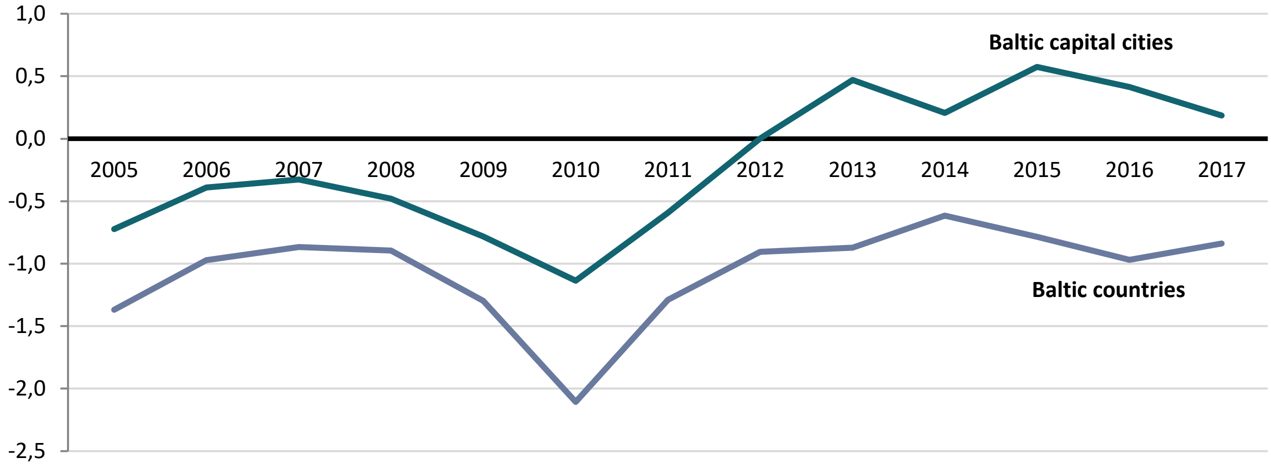
Figure 12: General government gross debt to GDP (%), 2017



Source: EC

When speaking of a demographic situation in the Baltics, a distinction has to be made between total country population and population in capital cities. Demographic trends in Baltic capital cities have been significantly more positive than in the overall region. Declines in capital cities population have been substantially smaller compared to decreases in country populations and, more importantly, since 2013 Baltic capital cities have been growing in size (see Figure 13). This is attributable to two major trends. Firstly, because of internal migration, people from smaller towns and cities have been moving to capitals - economic and cultural centers. Secondly, residents of capital cities have been less likely to emigrate abroad than those living in other regions. The Management Company expects these trends to continue. The healthier demographic situation in capital cities supports the Issuer's investment strategy to focus on properties located in capitals. On the other hand, total Baltic population dynamics have improved as well. After annual declines peaked at 2% in 2010 caused by increased emigration due to a recession in 2009, they have normalized to the territory of 0.5-1.0% per annum.

Figure 13: Population growth, % per annum



Source: Eurostat, national statistics offices

The Baltic States rank relatively high in World Bank's Ease of Doing Business index which evaluates business regulations and their enforcement. The index indicates how easy it is to set up a new business and operate it. According to May 2018 rankings, Lithuania is 14th, Estonia 16th and Latvia 19th out of 190 world countries. They outrank such developed countries as Canada (22nd), Germany (24th), Austria (26th), France (32nd) and the Netherlands (36th), as well as such emerging economies as Poland (33rd), Czech Republic (35th) and Hungary (53rd). The Baltic States also fare well in Global Competitiveness Index (GCI) rankings, conducted by World Economic Forum. This index defines competitiveness as the set of institutions, policies and factors that determine the level of productivity of a country. The level of productivity, in turn, sets the level of prosperity that can be earned by an economy. Based on GCI 2018 rankings, out of 140 countries Estonia stands at 32nd position, Lithuania at 40th and Latvia at 42nd. They outrank such states as Hungary (48th), Romania (52nd) and Turkey (61st).

The Baltic economies are closely interrelated with Nordic countries: Sweden, Finland, Denmark and Norway. Scandinavian firms are among the largest investors in the Baltics. They are especially prominent in financial and telecommunications sectors. The largest Baltic banks belong to Swedbank, SEB, Nordea (all three from Sweden) and DNB (Norway). The largest Baltic telecommunications companies, fixed-line and mobile network operators, are owned by Teliasonera, Tele2 (both from Sweden) and Elisa (Finland). Other major Nordic companies with substantial investments in Baltics include ICA Gruppen (owner of supermarket chains, headquartered in Sweden), Calsberg (a brewer based in Denmark), Ericsson (a technology firm based in Sweden), Neste (an oil refiner and petrol retailer based in Finland). Moreover, Scandinavian countries are very important trading partners. In 2015 they accounted for 42% of exports from Estonia, 13% of exports from Latvia and 11% of exports from Lithuania.

Lithuania

Lithuania's economy has been successfully recovering after the global financial crisis with average real GDP growth of 3.6% per annum over 2011-2017. The recovery was driven at first by strong exports and more recently by increasing private consumption. Exports were boosted by an internal devaluation – reductions in employee compensation in both private and public sectors – which the country underwent in 2009-2011. That raised competitiveness of Lithuania's exports in foreign markets. Households, on the other hand, were gradually increasing consumption as unemployment declined, real wage growth returned and consumer confidence improved.

In 2017 Lithuania's real GDP growth accelerated to 3.8% - the fastest pace since 2012. The high economic growth was driven by a rebound in investment, especially strong expansion in exports and continuing strength in private consumption. The EC projects real GDP growth to slightly ease to 3.1% in 2018 and 2.7% in 2019 on the back of expected moderation in exports growth. The main economic drivers will be investment and consumption. Investment is expected to be fueled by companies' need to satisfy strong domestic and foreign demand in the light of high capacity utilization. Disbursements from the EU's structural funds are also forecast to pick up driving further growth in investments. Private expenditure, the EC projects, is set to continue rising at a solid pace driven by growth in real wages, declining unemployment and moderate inflation.

Declines in energy and food prices led to the period of subdued inflation or even deflation which was recorded in 2015. Lower energy prices was good news to Lithuania (since it is a net energy importer) and its consumers who, thanks to lower fuel and heating bills, had more spare money to spend. However, due to a recovery in energy prices and food and services price increases, the inflation spiked to 3.7% in 2017. The EC forecasts inflation to moderate to 2.7% in 2018 and 2.3% in 2019 partly thanks to the fading effects of substantial hikes in excise taxes and minimum wage increases. Yet, solid wage growth is expected to support the general inflation in coming years.

Lithuanian labour market has been gradually improving with unemployment declining and wages returning to growth in real terms. Unemployment rate fell from 15.4% in 2011 to 7.1% in 2017 – slightly lower than 7.6% unemployment in the EU and substantially below 9.1% in the euro area. Average real wage growth has exceeded 4% per annum in real terms every year since 2013. The EC forecasts that the unemployment rate will keep falling, although at a slower pace, whereas the tightening labour market will fuel robust growth in employee compensation.

Government budget deficit was gradually contracting since 2012 and in 2016 and 2017 surpluses were achieved – for the first time in the modern history of Lithuania. Government budget surplus at 0.5% of the country's GDP in 2017 compares favourably against average deficits of 0.9% in the euro area and 1.0% in the EU. The EC projects Lithuanian government budget to maintain similar budget surplus in 2018 and 2019 as revenues from tax-rich economic growth and revisions of some taxes and efforts to improve the tax administration are expected to offset higher social spending. Gross government debt has been fluctuating around 40% of GDP in the recent years. It is expected to somewhat decline from 39.7% of GDP in 2017 to 38.2% in 2019.

Table 46: Macroeconomic indicators, historical data and forecasts – Lithuania

	2014	2015	2016	2017	2018F	2019F
Real GDP growth, %	3.5	2.0	2.3	3.8	3.1	2.7
Nominal GDP, EURbn	36.6	37.4	38.7	41.9	44.3	46.6
CPI growth, %	0.2	-0.7	0.7	3.7	2.7	2.3
Unemployment rate, %	10.7	9.1	7.9	7.1	6.8	6.7
Compensation of employee per head real growth, %	4.6	6.7	5.2	5.2	3.8	3.7
General government budget balance, % of GDP	-0.6	-0.2	0.3	0.5	0.5	0.3
General government gross debt, % of GDP	40.5	42.6	40.1	39.7	36.0	38.2
Retail trade (excl. cars and motorcycles) real growth, %	5.3	5.4	6.5	4.6	-	-

Source: Eurostat (historical data), EC (forecasts)

Latvia

Over the period from 2011 to 2017 Latvia's economy was growing by real 3.5% per year on average thanks to recovering domestic expenditure, expansion in exports and growth in investment. Country-wide reduction in wages over 2009-2010 led to lower production costs and, in turn, strengthened Latvia's competitiveness in global markets. On the other hand, rising employment and wage growth that returned in 2012 were fuelling consumption.

In 2017 real GDP expanded by 4.5% led by rapidly recovering investment and continuing strength in consumption. The EC forecasts Latvian economy to maintain solid growth (albeit lower than in 2017) with GDP expanding by 3.3% in 2018 and 2019. Further increases in EU-funded projects should keep overall investment growth at a high rate. Consumption is expected to continue perfoming strongly driven by increasing wages and weakening unemployment.

A drop in inflation has been observed in Latvia since 2013 thanks to a decrease in fuel prices and cheaper food. Fuel and heating costs comprise approximately 10% of household spending, hence, lower energy prices were a substantial tailwind for consumers. However, with the recovery in global commodity prices and increases in food prices inflation picked up to 2.9% in 2017. The EC expects inflation to ease to 2.7% in 2018 and 2.6% in in 2019 as the impact of the spike in food prices wanes.

Unemployment is expected to keep declining leading to continued real wage growth. Unemployment rate, the EC predicts, will decline from 8.7% in 2017 to 7.6% in 2019. Employee compensation should record real growth of 5.0% in 2018 and 3.2% in 2019 – moderation from as high as 5-8% increases in previous years. Improving economic capacity of households should retain private consumption as the key driving force behind GDP growth.

Latvia showed exemplary fiscal responsibility in recent years. Its government reached a balanced budget in 2016 – the first time in the period from 2005. Deficit of 0.5% of GDP in 2017 was better than average deficits of 0.9% in the euro area and 1.0% in the EU. The EC forecasts the fiscal deficit of 1.1% of GDP in 2018 and 1.2% in 2019 despite significant tax cuts. Latvia's government gross debt to GDP ratio is expected to fall from 40.1% in 2017 to 37.3% in 2019 due to government's net borrowing being lower than nominal GDP growth.

Table 47: Macroeconomic indicators, historical data and forecasts – Latvia

	2014	2015	2016	2017	2018F	2019F
Real GDP growth, %	1.9	3.0	2.2	4.5	3.3	3.3
Nominal GDP, EURbn	23.6	24.3	24.9	26.9	28.5	30.2
CPI growth, %	0.7	0.2	0.1	2.9	2.7	2.6
Unemployment rate, %	10.8	9.9	9.6	8.7	8.2	7.6
Compensation of employee per head real growth, %	6.8	8.9	5.7	4.8	5.0	3.2
General government budget balance, % of GDP	-1.5	-1.4	0.1	-0.5	-1.1	-1.2
General government gross debt, % of GDP	40.9	36.8	40.5	40.1	37.0	37.3
Retail trade (excl. cars and motorcycles) real growth, %	3.6	4.9	2.1	4.3	-	-

Source: Eurostat (historical data), EC (forecasts)

Estonia

Post-crisis recovery in Estonia was driven primarily by expanding household consumption which was supported by real wage growth and rising employment. The country achieved average real economic growth of 3.6% per year over 2011-2017. Estonia boasts exemplary government finances. The country has the lowest government debt to GDP level in the EU which in 2017 stood at 9.0% (the second least indebted, Luxembourg, had 23%).

In 2015-2016 Estonia recorded slower real GDP growth of below 2% mainly affected by weak investment activity while the economy was driven by strong private expenditure. Investments were hurt both by lower disbursements from the EU structural funds impacted by the transition to a new programming period as well as weaker business investment in equipment and construction. However, in 2017 Estonian economy returned to form clocking 4.9% real GDP growth on the back of a surge in investment and a recovery in external demand. The EC forecasts economic growth to ease gradually to 3.7% in 2018 and 2.8% in 2019 as investment moderates from exceptionally high levels in 2017. Strong exports (especially in services) and continuing expansion in household consumption should support solid growth in GDP.

Due to a fall in global oil prices, inflation slowed down materially in Estonia and was below 1% in 2014-2016 boosting disposable income of Estonian households. However, in 2017 inflation came back peaking at 3.7% mainly due to excise tax increases and higher global commodity prices. The EC forecasts price growth to moderate to 2.9% in 2018 and 2.5% in 2019 as planned tax increases remain limited.

Estonian labour market delivered a significant improvement with unemployment rate dropping from 12.3% in 2011 to 5.8% in 2017 – the lowest level among the Baltic States. In 2016, Estonia launched a labour market reform to encourage people with limited capacity to work (for instance, pensioneers) to join workforce. As a result, the unemployment rate is forecast by the EC to rise slightly in 2018 and 2019. Despite that, real wage growth is expected show solid growth of above 3% driving consumer expenditure.

The EC forecasts the Estonian fiscal budget to reach balanced position in 2018 and a surplus of 0.3% of GDP in 2019. Estonia's government debt to GDP, which stood at 9.0% in 2017 – the lowest in the EU, should decline to 8.4% in 2019.

Table 48: Macroeconomic indicators, historical data and forecasts – Estonia

	2014	2015	2016	2017	2018F	2019F
Real GDP growth, %	2.9	1.7	2.1	4.9	3.7	2.8
Nominal GDP, EURbn	19.8	20.3	21.1	23.0	24.7	26.1
CPI growth, %	0.5	0.1	0.8	3.7	2.9	2.5
Unemployment rate, %	7.4	6.2	6.8	5.8	6.0	6.3
Compensation of employee per head real growth, %	5.9	3.5	4.9	1.6	3.3	3.1
General government budget balance, % of GDP	0.7	0.1	-0.3	-0.3	0.0	0.3
General government gross debt, % of GDP	10.7	10.0	9.4	9.0	8.8	8.4
Retail trade (excl. cars and motorcycles) real growth, %	7.2	4.7	4.0	1.7	-	-

Source: Eurostat (historical data), EC (forecasts)

9.2. PROPERTY MARKETS

This section provides a review of Baltic commercial property markets. It focuses on a transaction market and office and retail sectors. The review have been prepared using data and research provided predominantly in annual Colliers Baltic Real Estate Market Overviews published in March 2018.

According to Colliers, take-up activity in Tallinn office market is mainly driven by ICT companies, followed by the professional, scientific and technical services sectors. The vacancy rate in A class buildings rose slightly due to the completion of the Maakri 19/21 tower but the vacancy rate of B1 class buildings stays sustainably below 6% while the upper margins of asking rents continue to climb. This is due to increasing construction costs and strong demand from the back-office sector. A class rents stood between EUR 13.5-16.5 per sq. m. per month and B1 rents between EUR 9-13.5.

In the most vibrant office market, Vilnius, four A class office buildings were delivered in 2018. The year marked an expansion of the CBD as all new business centres were located in the heart of the city. A class premises located in the CBD will continue dominating the pipeline in 2019 but in 2020 the proportion of new A and B class premises will even out. The annual office take-up has exceeded 60,000 sq. m. for years, reaching a record-high 75,000 - 80,000 sq. m. in 2017 and 2018. It is also forecasted that take-up in the upcoming years will remain at the same level. The largest tenant transactions in 2018 were by SEB, Maxima Group, Yara, Ernst & Young Baltic, and Teleperformance.

It is interesting to note that by the end of 2018, the total modern office stock (speculative and built-to-suit) in each Baltic capital city reached around 650,000 sq. m. Per capita however the figures are 1.5 sq. m. for Tallinn, 1.16 sq. m. for Vilnius and only 1 sq. m. for Riga. This explains why the take-up has been exceptionally strong in Vilnius as the office market is organically growing. Riga office market remains largely stable with no new additions to the stock in Q4. However, the market is in anxious anticipation of the wave of new supply in the coming years as the demand for quality premises exceeds supply. In Q4 vacancy in Riga market remained at approx. 3.4% in A class and 8.5% in B class buildings with rents on the upward move.

In 2018, rent rates for retail in all three countries remained relatively stable compared to last year. T1 Shopping centre with its approx. 45,000 sq. m. leasable area opened in Q4 2018 in Tallinn. It seems to have affected the large shopping centre vacancies and rents less than expected as after opening the centre still struggles with vacancies and attracting a sufficient number of regular visitors. It is apparent that Tallinn will not see any future developments in retail for several years except perhaps a few mixed-use lifestyle developments in the very heart of the city. The Latvian retail market was active in 2018 and saw the opening of the first IKEA store of 33,600 sq. m. After the opening of Akropole in Q1 2019 and the expansion of Gallerija Azur and Domina, Riga retail market is likely to experience some redistribution of footfall and tenant profitability next year. In Vilnius retail market no new developments were commissioned or started. The wellness segment seems to be in the growth phase with a new chain of health clubs going to be opened next year. Overall vacancy in major shopping centres remains below 2% while rent rates remain relatively stable.

The Baltic countries continue to attract real estate investors due to their investment returns which are higher than in the Western European or Scandinavian countries. In Q4 2018, average yields for prime retail and office assets in the Baltic capitals have stabilized due to an expected increase in the cost of bank financing and remained with a few exceptions around 6.5%. Secondary properties are producing yields of around 7.5%. Local Baltic, Nordic and Eastern European investors are still the key players. The square-meter prices of commercial buildings are still 3-4 times less than those seen in the Nordic capitals.

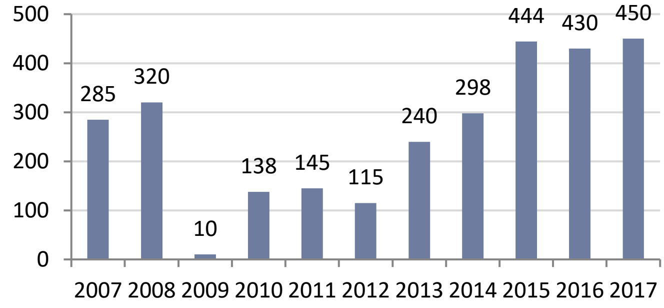
Lithuania

Transaction market

Activity in Lithuania's real estate transaction market has grown rapidly since 2013 and now exceeds pre-financial crisis levels. In 2017 property transaction volume amounted to EUR 450m – an all-time record but just a touch higher from levels achieved in 2015 and 2016. The high activity is explained by the stable macroeconomic situation in Lithuania, a greater number of newly built properties and positive dynamics in a property market with declining vacancy and growing rent rates. Investors' interest in office sector is additionally supported by an increasing number of shared service centers (SSCs), launched by international firms (see Table). The adoption of euro on 1 January 2015 is believed to have provided an additional boost to the investment activity, especially by attracting international investors. Although Lithuanian litas was already a stable currency due to its peg to euro, becoming a full-on member of the euro zone minimized currency risk and increased confidence in the Lithuanian economy.

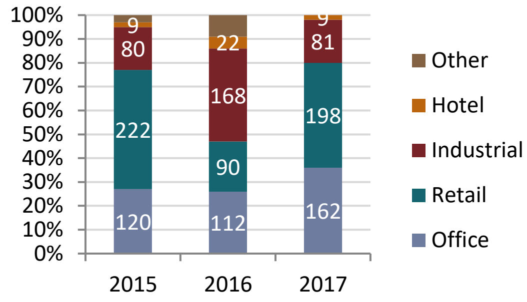
Office and retail sectors are the key focus of investors. Over a 5-year period (2013-2017), they together accounted for more than 70% of total transaction turnover. An exception was 2016 when the industrial sector took the top position accounting for 39% of the transaction volume. That was impacted by a EUR 60m acquisition of Kesko Senukai logistics center (LC) in Kaunas by CPA:17 – Global, a REIT managed by W. P. Carey, an American real estate firm. CPA:17 – Global expanded its portfolio in 2017 by purchasing 11 Kesko Senukai stores and a logistics property in Lithuania (and 7 DIY stores in Latvia and Estonia). Colliers expects that in the coming years office and retail sectors will remain the most favoured by investors. In addition, industrial properties could remain high on their radars as investors are hunting for higher yield while hotel, healthcare and wellness segments could see an increased interest as an option to diversify portfolios.

Figure 14: Property transaction volume in Lithuania, EURm



Source: Colliers

Figure 15: Transaction volume by sector, EURm

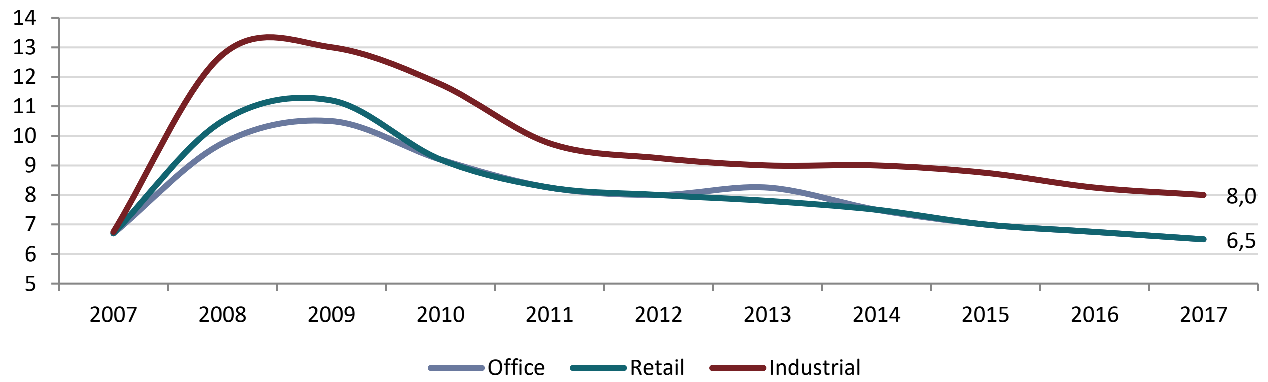


Source: Colliers

Although Lithuanian property transaction market is dominated by Baltic and Nordic players, an increasing number of high-profile international investors has been entering the market – a trend which Colliers forecasts to continue due to positive macroeconomic situation in the country and higher property yields compared to Western markets. NEPI Rockcastle, a property group focusing on Central Eastern Europe with a EUR 5bn real estate portfolio, bought Ozas, one of the largest shopping malls in Vilnius, for EUR 125m in June 2018. W. P. Carey, an American real estate firm, acquired a portfolio of retail and logistics properties of Kesko Senukai, the largest DIY store chain in Lithuania, in 2016-2017. Partners Group, a global private markets investment manager, headquartered in Switzerland, with USD 50bn in assets under management, was another international investor active in Lithuania in recent years. Laurus, a joint-venture set up by Partners Group and Northern Horizon Capital in 2015, purchased a portfolio of 42 properties (anchored by SEB, a Nordic bank) across the three Baltic countries from Geneba, a real estate investment company based in the Netherlands. In 2015 Laurus acquired a 112,000 sqm portfolio of properties from BPT Optima, a fund managed by Northern Horizon Capital, for EUR 163m. The fact that global real estate investment managers are entering the Baltic property market indicates that it offers a compelling risk-return profile in the European context.

Prime yields in Vilnius have been gradually contracting since 2010 on the back of the strengthening economy, improving real estate market fundamentals, declining borrowing costs and convergence to lower yields in other European property markets. At the end of 2017 prime yields stood at 6.5% for office and retail assets and 8.0% for industrial properties. Colliers see further pressure on yields in the near future on the back of low interest rates and a significant gap versus property yields in Scandinavia and Western Europe. Despite a downward trend, returns in Vilnius (and the Baltics overall) are still substantially higher compared to Western Europe, the Nordics and certain countries in Central Eastern Europe. Colliers estimates that at the end of 2017 prime yields for office and retail (SCs) properties were 3.2-4.2% in Berlin, 3.3-5.0% in Vienna, 4.5-5.25% in Amsterdam, 4.0-5.25% in Copenhagen, 3.8-4.0% in Oslo, 3.5-4.5% in Stockholm, 5.15-5.25% in Warsaw, 4.85-5.0% in Prague and 6.0% in Budapest.

Figure 16: Prime yields in Vilnius, %



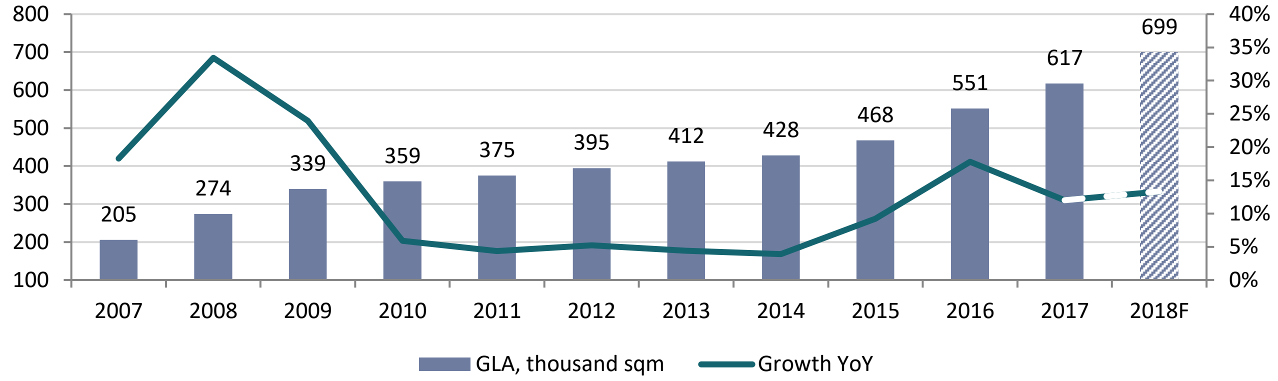
Source: Colliers

Office

Accelerated economic growth in pre-financial crisis Lithuania resulted in a phase of rapid expansion in office supply. During 2007-2009 stock of modern office space almost doubled. After that, developers took a more careful approach to investing in new office space that led to normalization in a growth rate. Stock was rising stably by 4-6% per annum over 2010-2014. However, as demand for office space grew faster (illustrated by dropping vacancy rates to almost 4% in 2015), development activity picked-up again.

Modern office stock in Vilnius expanded by more than 40% over the last three years reaching 617 thousand sqm of GLA at the end of 2017. Class A offices made up 34% of that amount – the highest share in the Baltic capital cities.

Figure 17: Office stock in Vilnius



Source: Colliers

The development activity remains elevated in Vilnius office market. Colliers estimates that over 80 thousand sqm of new office space will be constructed in 2018. The recent increase in development activity was a response to growing demand for office space indicated by vacancy rates falling close to pre-crisis levels. According to Colliers, there are two main reasons why demand has been strong in Vilnius office market. Firstly, Lithuania's economy has been successfully recovering with real GDP expanding and unemployment falling. Secondly, Lithuania and especially Vilnius has become an attractive location for SSCs of international companies. According to Invest Lithuania, a government agency responsible for attracting foreign investments, a number of SSCs in Lithuania increased from 17 in 2004 to 70 in 2017 and they now employ around 15,000 people. A majority of SSCs in Lithuania are located in Vilnius. Demand for office space from SSCs is likely to continue growing because existing ones are expanding and new ones are being established. Since 2015 new SSCs in Vilnius have been launched by Uber, a ride-sharing company, Booking.com, a travel online store, Nasdaq, a global stock exchange operator, and Outokompu, a Finnish steelmaker.

Table 49: Largest SSCs of foreign companies in Vilnius

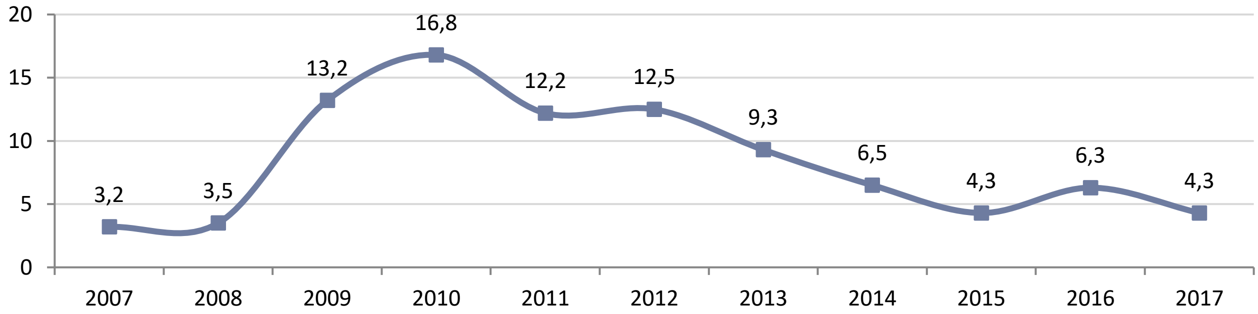
Company	Industry	Country	Functions carried out by SSC	Headcount	Established
Danske Bank	Banking	Denmark	F&A, IT	2,500	2012
Western Union	Payments	USA	IT, accounting, compliance	2,000	2010
Barclays	Banking	UK	IT	1,200	2009
SEB	Banking	Sweden	IT, F&A, HR operations	920	2008
DXC Technology	IT	USA	IT	400	2007
Citco	F&A	USA	Accounting and legal services	400	2007
Swedbank	Banking	Sweden	IT, F&A, compliance	380	2015
Nasdaq	Stock exchange	USA	IT, F&A and securities operations	310	2015

Source: Invest Lithuania, March 2018

Developments of new office properties in Vilnius are carried out not only by local and Baltic firms but also by international players. In 2015 Vastint, part of Inter IKEA group, commissioned a 7,000 sqm Uniq business center near CBD. In 2016 Schage, a Norwegian developer, commissioned the 1st part of Quadrum office complex with over 33 thousand sqm and Technopolis, a Finnish property investment firm, completed a 22 thousand sqm expansion to its Vilnius business park which now exceeds 60 thousand sqm of GLA. Presence of international real estate companies and their active engagement in development of new projects indicate the attractiveness of Vilnius office market. That also raises a bar to local players which need to deliver quality projects to remain competitive in the market.

Although the new supply in 2015-2017 exceeded annual additions over the preceding five years, a significant amount of new space was pre-leased. Vastint pre-leased 100% of its Uniq office building to a single tenant, Danske bank IT centre. At Qadrum complex by Schage, 10,000 sqm were pre-leased before the start of construction to DNB, the third largest bank in Lithuania, which relocated its Lithuanian headquarters to the property. Eastnine, a property investor listed on Nasdaq Stockholm, initiated construction of an extension to its 3 Bures business complex (completed in 2018) only after a pre-lease agreement was signed with Swedbank.

Figure 18: Vacancy rates in Vilnius office market, %

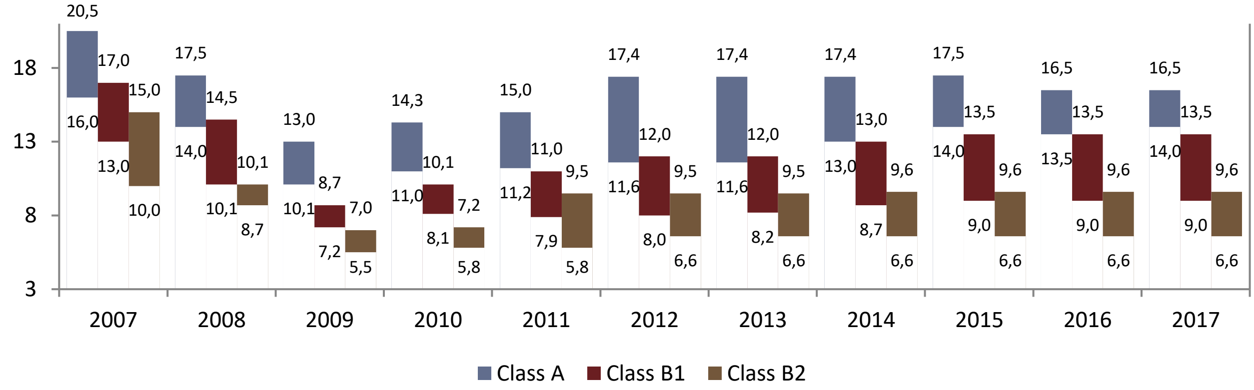


Source: Colliers

Vacancy in Vilnius office market has declined significantly since 2010 as growth in demand outpaced additions to supply. The drop in vacancy was among the main catalysts that sparked acceleration in development activity in the last several years. Despite substantial amount of new space was commissioned in 2017, the vacancy rate decreased to 4.3% from 6.3% in the previous year. There is observed a meaningful difference in vacancy rates between class A and B properties. In 2017 class A offices, of which supply is lower, achieved 1.0% vacancy level while class B properties had a higher vacancy at 5.9%. Colliers projects that the elevated development activity is likely to push the vacancy up in 2018. An ability of the market to take up the new supply will depend on whether Vilnius will continue to attract new international companies to launch their SSCs in the city.

Fueled by declining vacancy Vilnius office rent rates were gradually improving since hitting the bottom in 2009. In 2017 landlords were asking for 14.0-16.5 EUR/sqm/month for class A premises, 9.0-13.5 EUR/sqm/month for class B1 and 6.6-9.6 EUR/sqm/month for class B2. Colliers expects that due to increased additions of new supply, market rates could face downward pressure in near future.

Figure 19: Asking rent rates in Vilnius office market, EUR/sqm/month (excluding VAT and operating expenses)

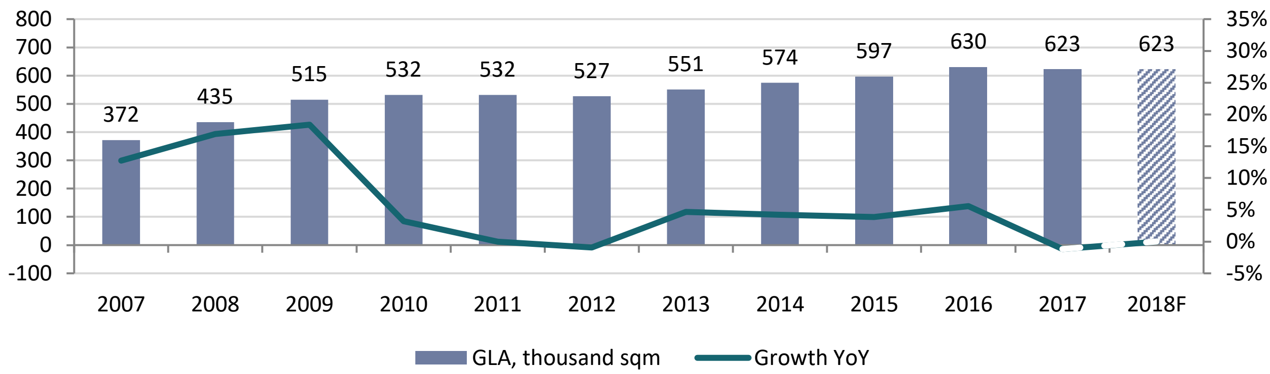


Source: Colliers

Retail

At the end of 2017 supply of retail space in Vilnius amounted to 623 thousand sqm (taking into account properties with at least 5,000 sqm GLA). The three largest shopping malls (Akropolis, Ozas and Panorama) each exceeding 45,000 sqm together represented 31% of the total supply. 10 properties with 15,000-45,000 sqm GLA constituted 36% of the market while SCs with 5,000-15,000 sqm made up the remaining 33%. Growth in Vilnius retail space returned in 2013 when IKEA store, the first in the Baltics, was opened. From 2013 to 2016 the supply of retail space has been expanding by 4-6% per annum driven mainly by new neighborhood type SCs where anchor tenants are grocery chains. Developments of this type are expected to remain one of the main forces behind further retail space expansion as the competition among grocery retailers in Lithuania is high. The focus is not only on building new grocery stores but also on refurbishing the older ones to attract more consumers. The grocery market became even more competitive in 2016 with a successful entry of Lidl to Lithuania. Lidl now operates 41 stores across the country, of which 12 are located in Vilnius. The company is also considering entering Estonia and Latvia.

Figure 20: Retail space in Vilnius

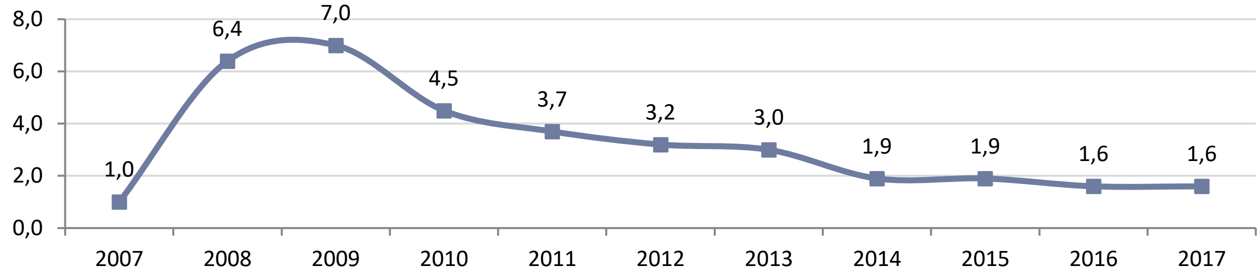


Source: Colliers

No new large-scale SCs are currently under construction in Vilnius. Attention from existing larger SCs is on quality improvements as has been the case for several years already. Facing competition from online stores, managers of SCs have been focusing on improving tenants mix and expanding entertainment and leisure activities by adding fitness clubs, restaurants, etc. The goal of SCs, Colliers says, is to offer consumers a wide-ranging experience.

Demand for retail space is strong buoyed by growing private consumption. In 2017 retail trade (excl. motor vehicles and motorcycles) in Lithuania increased by 4.6% in real terms significantly exceeding 2.4% rise in the EU. Over 2011-2017 retail trade (excl. motor vehicles and motorcycles) grew by more than 5% on average per annum in real terms. Successful SCs with high customer flows practically have no vacant space in Vilnius. Overall vacancy in Vilnius SCs stood at 1.6% in 2017. Colliers forecasts vacancy to remain low in the near future thanks to careful planning of new SCs.

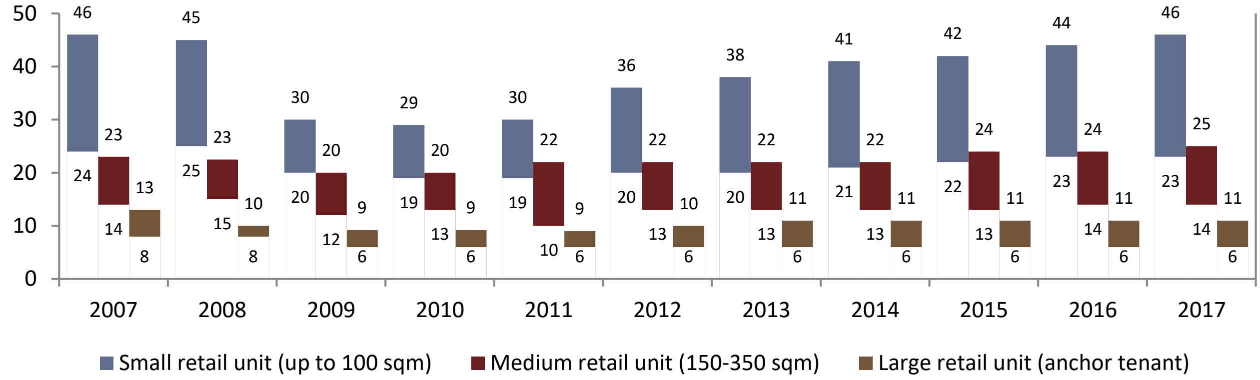
Figure 21: Vacancy rates in Vilnius shopping centres, %



Source: Colliers

Rent rates have been trending upwards since 2010, especially, for small retail units. In 2017 rents grew by around 3% on average. Rents amounted to 23-46 EUR/sqm/month for small spaces (up to 100 sqm), 14-25 EUR/sqm/month for medium-size spaces (150-350 sqm) and 6-11 EUR/sqm/month for large spaces. On the back of a low vacancy and lack of significant new development, Colliers projects rent rates for small and medium retail units to keep rising at a modest pace.

Figure 22: Asking rent rates in Vilnius shopping centres, EUR/sqm/month (excluding VAT and operating expenses)



Source: Colliers

Latvia

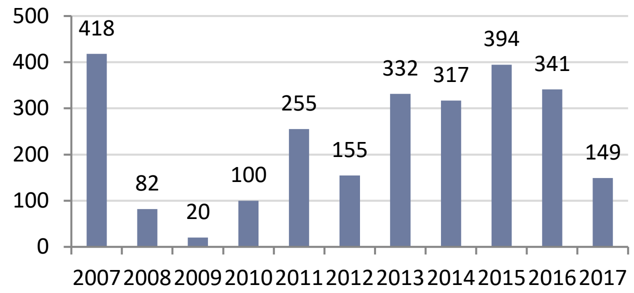
Transaction market

In 2013-2016 transaction volume in Latvia surpassed EUR 300m mark each year. High transaction activity was attributed to strengthening economy, positive dynamics in property market and high demand for cash yielding assets boosted by a low yield environment. Due to a lack of large deals in 2017, the transaction volume fell to EUR 149m. However, development schemes in Latvia were high totaling additional EUR 207m in 2017. Colliers forecasts transaction activity in coming years to return to higher levels thanks to high spread between property yield and borrowing costs and higher returns when compared to Nordic and Western real estate markets.

Retail assets dominated transaction market, especially in 2015 and 2016 comprising 77% and 57% of total volume respectively. The high share of the retail sector was explained by several large deals. In 2015 Blackstone acquired three SCs (Alfa, Mols and Dole) in Riga as a part of its purchase of 10 Nordic real estate funds managed by Obligo Investment Management. This transaction alone constituted 60% of total annual volume. In 2016 there were three large acquisitions of SCs: Riga Plaza by Lone Star Funds, a global private equity firm, Domina Shopping by EfTEN, an Estonia-based manager of private real estate funds, and Galerija Azur by Baltic RED, an investment vehicle of the owner of Lithuanian DIY chain Senukai.

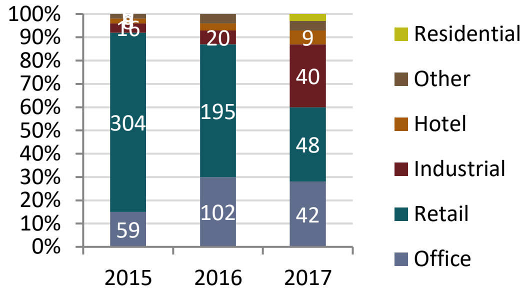
Latvian property transaction market used to be distinguished from Lithuanian and Estonian by the presence of private Russian investors. Yet, tensions between Russia and the EU, the economic downturn in Russia and a significant drop in value of Russian rouble have reduced the enthusiasm of Russian investors. On the other hand, 2015 and 2016 saw an entry of global asset managers into the Latvian property market. An acquisition by Blackstone, the largest alternative asset manager in the world with over USD 400bn in assets under management, of three shopping centres in Riga was its first investment ever in the Baltics. Partners Group bought Olimpia SC in Riga as a part of the acquisition of BPT Optima portfolio in 2015 and a Baltic portfolio of 42 properties of Geneba in 2016. Lone Star Funds purchased Riga Plaza SC for EUR 93m in 2016. W. P. Carey, an American real estate firm, bought retail and logistics properties of Kesko Senukai in Latvia in 2017 as part of its acquisition of Kesko Senukai's Baltic property portfolio. This proves that the Baltic real estate market can be interesting to global institutional investors. Colliers expects interest from international investors to remain high thanks to substantially higher property yields compared to Western European and Nordic countries.

Figure 23: Property transaction volume in Latvia, EURm



Source: Colliers

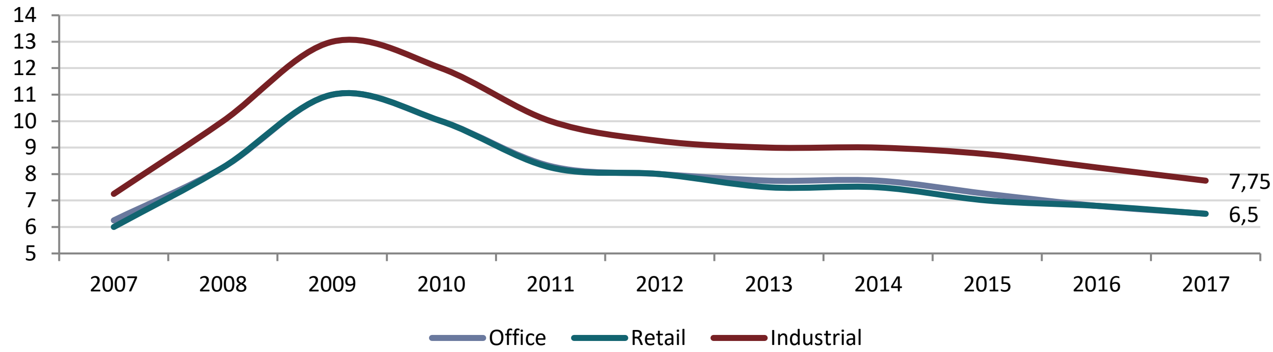
Figure 24: Transaction volume by sector, EURm



Source: Colliers

Prime yields in Riga property market have compressed from the peak in 2009 owing to the macroeconomic recovery, positive trends in commercial real estate (growing rent rates and low vacancy) and cheaper debt. Regardless of the contraction, prime properties in Riga can still be acquired at higher prospective returns compared to countries in Western Europe, Scandinavia and even Central Eastern Europe. At the end of 2017 the yield was estimated at 6.5% for retail and office premises and 7.75% for industrial properties.

Figure 25: Prime yields in Riga, %

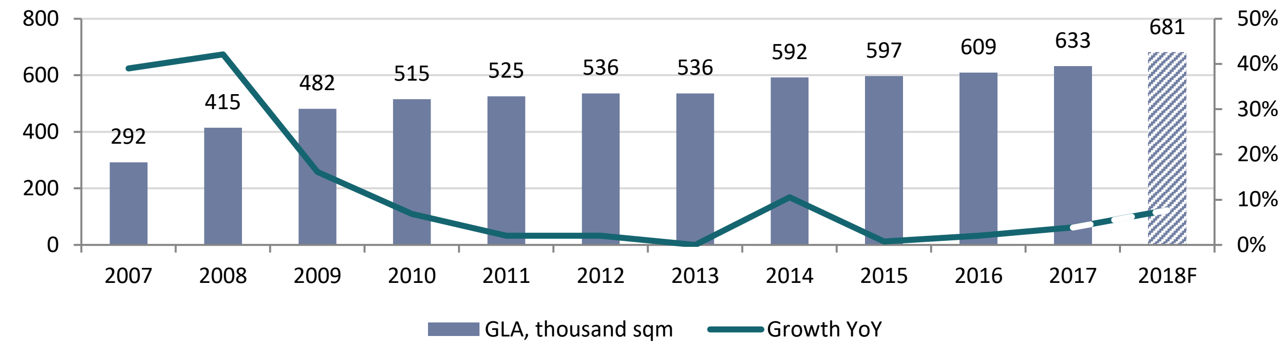


Source: Colliers

Office

A decade ending in 2010 was marked by rapid expansion in Riga's office market. Buoyed by accelerated macroeconomic growth in Latvia, modern office stock increased approximately five-fold over 2004-2010. Since then supply has been rather stable with limited number of new offices constructed. 2014 was an exception – office stock jumped by around 56 thousand sqm which was mainly attributable to a single built-to-suit property – 43,000 sqm new headquarters of State Revenue Service. Growth in office space slightly picked up in 2017 with over 20 thousand sqm commissioned. At the end of 2017 total supply stood at 633 thousand sqm. Class A premises constituted 20% of total – below 34% in Vilnius but above 13% in Tallinn. Because of limited development activity in recent years, lagging substantially behind Vilnius and Tallinn, a shortage of large office spaces now exists in Riga. As a result, an increasing number of developers started working on new office projects or relaunched previously initiated ones. Construction pipeline consists of more than 150 thousand sqm of GLA, most of which is expected to be completed in 2018 and 2019.

Figure 26: Office stock in Riga



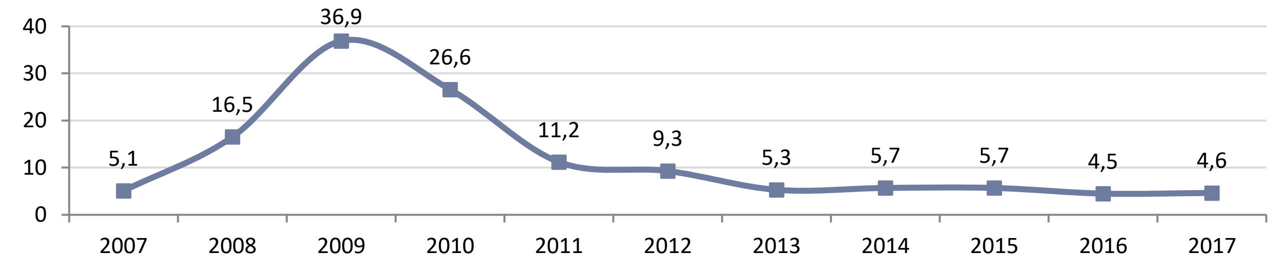
Source: Colliers

Financial, IT companies and SSCs are the most active in renting office space seeking areas above 1,000 sqm with further expansion opportunities. A new co-working office segment is also showing strong growth. Demand for co-working space is rising boosted by a trend towards more flexible working and lease terms and a boom in start-ups in the Baltics.

In recent years there has been a strong trend that new buildings are pre-leased to tenants before completion of construction. This helped to accelerate development activity because pre-lease agreements increase confidence of developers to invest in new projects and reduce their risk.

Vacancy rates returned to pre-crisis levels in 2013. Overall vacancy in Riga's office market stood at 4.6% in 2017. Empty space at class A premises amounted to 1.6% only while it was 4.9-5.5% in class B properties. Colliers projects that with completion of new office buildings vacancy might slightly increase, especially in class B and lower quality properties.

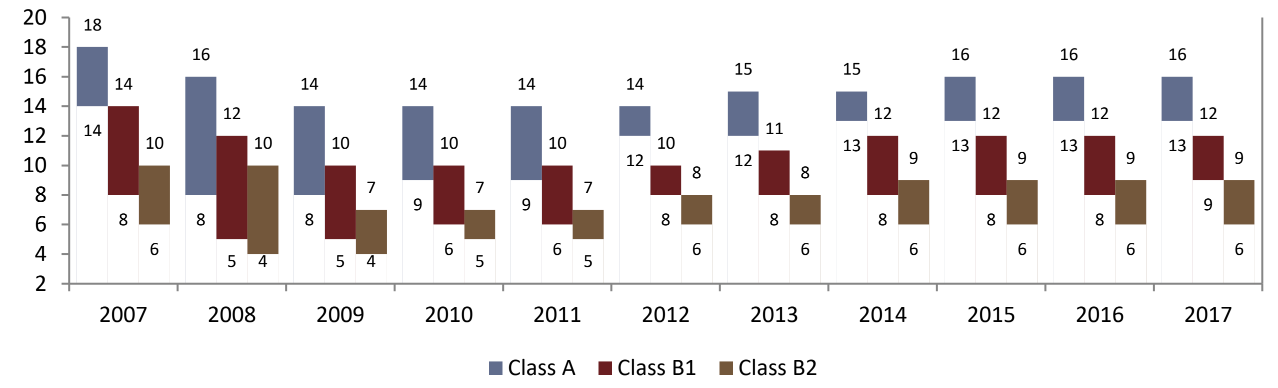
Figure 27: Vacancy rates in Riga office market, %



Source: Colliers

Rent rates have been on the upward trajectory since 2010. At the end of 2017 class A premises demanded 13-16 EUR/sqm/month, followed by 9-12 EUR/sqm/month for class B1 and 6-9 EUR/sqm/month for class B2.

Figure 28: Asking rent rates in Riga office market, EUR/sqm/month (excluding VAT and operating expenses)

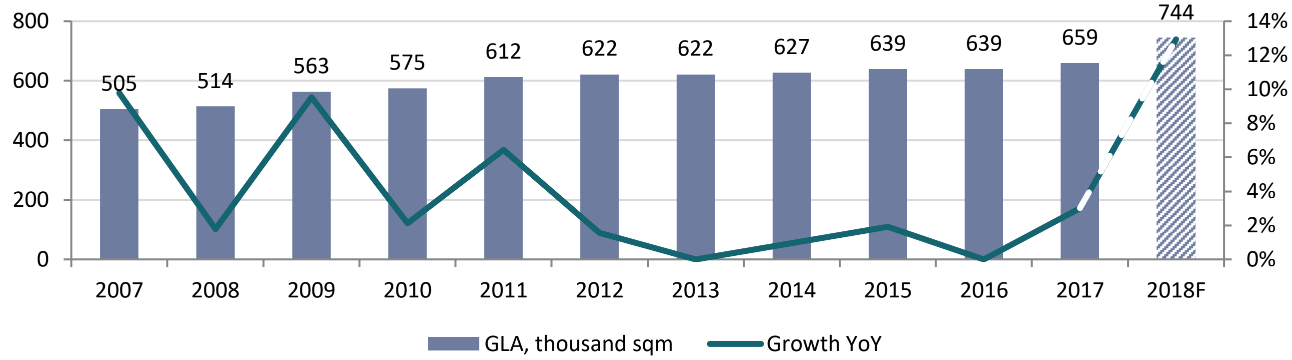


Source: Colliers

Retail

Fundamentals for retail sector have been strong in recent years. Declining unemployment and growing wages (which the EC projects to continue) have been fueling private expenditure. Lower energy costs in 2014-2016 provided an additional boost to consumers. In 2017 retail trade (excl. motor vehicles and motorcycles) in Latvia increased by 4.3% in real terms significantly exceeding 2.4% rise in the EU. Growing consumer expenditure should keep demand for retail space in Riga at elevated levels.

Figure 29: Retail space in Riga



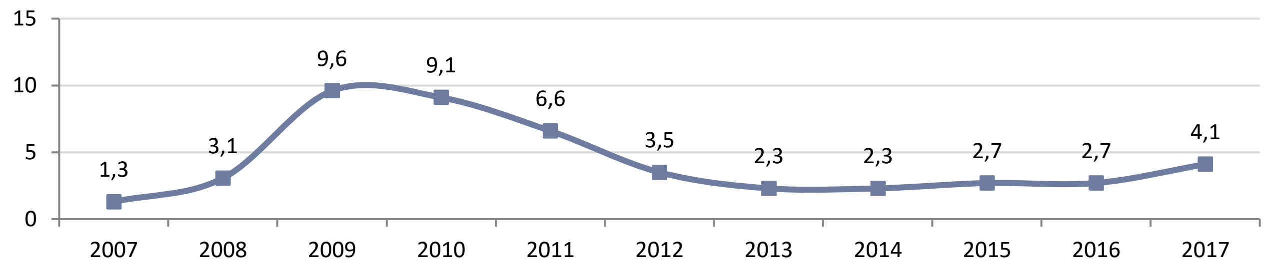
Source: Colliers

Riga's retail stock stood at 659 sqm of GLA in 2017. SCs accounted for the largest share of the total space at around 59% while big boxes constituted 36% and department stores 5%. In 2018 and 2019 over 160 thousand sqm of new retail space is expected as a number of new large-scale SCs or expansions of existing ones are completed. That would be substantially more than additions in the last couple of years. In the second half of 2018 IKEA opened its store in Riga – the second one in the Baltics (the first one was built in Vilnius in 2013). In 2019 Akropolis Group (held by owners of Maxima retail chain) should commission its 60,000 sqm Riga Akropole whose construction started in 2016. Akropolis is the strongest shopping mall brand in Lithuania with the largest SCs in top 4 (by population) cities.

As vacancy rates are low or close to zero in the most successful SCs, their managers have been concentrating on improving tenant mix. Preference has been towards international well-known brands as well as offering activities other than shopping to visitors (for instance, fitness clubs). International retailers see Baltic States as prospective development area once they fully establish their positions in developed markets. Usually, international retailers enter Baltics via a local franchiser.

Market vacancy in SCs normalised to pre-crisis levels in 2012. It increased to 4.1% in 2017 from 2.7% in the previous year driven mainly by the exit of Prisma, a Finnish grocery chain, from Latvia. On the other hand, empty space in the most successful properties (for instance, Spice SC, Spice Home SC and Alfa SC) was non-existent. Vacant space in less successful SCs comprised more than 10%. Overall vacancy rate, Colliers forecasts, may face upward pressure in 2018-2019 due to substantial amount of new space expected to come online.

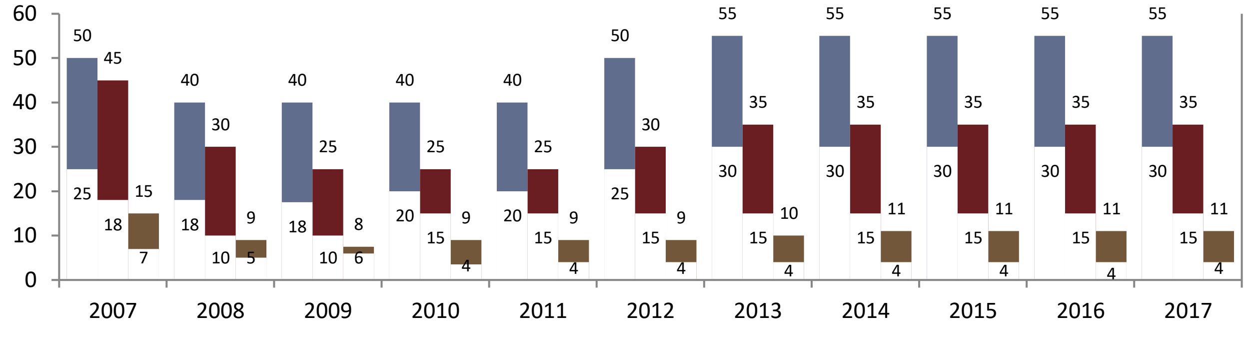
Figure 30: Vacancy rates in Riga shopping centres, %



Source: Colliers

After an accelerated growth in rent rates in 2012 and 2013, they were rather stable in recent years and at the end of 2017 amounted to 30-55 EUR/sqm/month for an up to 100 sqm space and 15-35 EUR/sqm/month for 150-350 sqm unit. Rents for anchor tenants fluctuated in the region 4-11 EUR/sqm/month. Colliers projects rent rates to remain stable in 2018.

Figure 31: Asking rent rates in Riga shopping centers, EUR/sqm/month (excluding VAT and operating expenses)



Source: Colliers

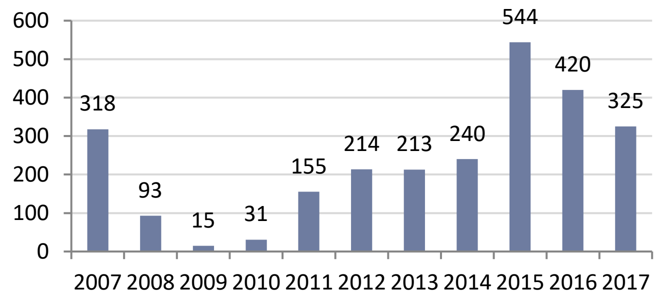
Estonia

Transaction market

Activity in Estonian transaction market returned in 2011. Since then improving economic and real estate market conditions have supported recovery in transaction turnover. In 2017 it amounted to EUR 325m which was below an all-time record of EUR 544m in reached 2015 but still translated into the third most active year in the history. Office and retail properties has been the primary focus of investors – over the period 2013-2017 the two segments together constituted approximately 60% of total transaction volume. As investors have accumulated significant amounts of capital ready to be deployed, Colliers expects the transaction market to maintain high activity with turnover of approximately EUR 400m in 2018. Retail and office properties, Colliers believes, will be the primary target of investors, yet higher yields at industrial sector might enhance its attractiveness.

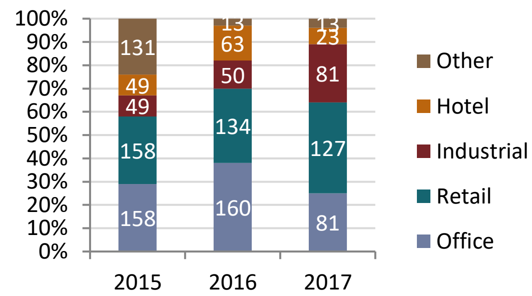
In terms of geographic locations of the main investors, the situation in Estonia is similar to Lithuania and Latvia. The market has been dominated by investors from Nordics and Baltics. In 2017 domestic spend made up around a third of total turnover – similar to previous years. Most of the deals exceeding a EUR 3m mark are made either by local investors or local managers representing foreign capital. That signifies the importance for a property investor to have local presence and local knowledge of the market.

Figure 32: Property transaction volume in Estonia, EURm



Source: Colliers

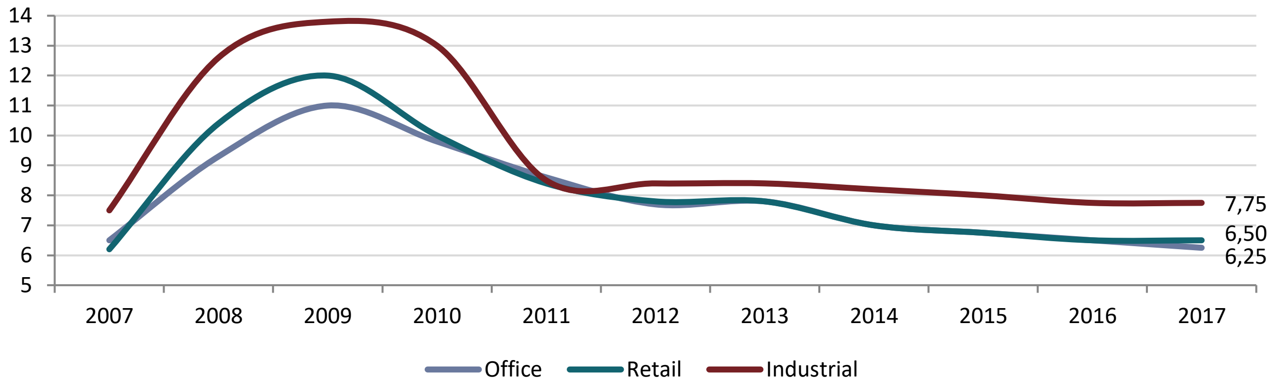
Figure 33: Transaction volume by sector, EURm



Source: Colliers

Prime yields in Tallinn have been trending downwards since 2010. At the end of 2017 prime office properties could be acquired at a 6.25% yield, retail properties at a 6.5% yield and industrial assets at a 7.75% yield. These levels are slightly below ones observed in Vilnius and Riga but substantially above returns in capitals in Western Europe, the Nordics and certain countries in Central Eastern Europe. Yield compression in recent years was attributable to a low cost of debt financing, shortage of investment grade properties, increasing demand for cash flow generating assets and growing presence of international investors that discover Baltic property markets. Colliers believes that the same factors will continue to put downward pressure on the yields in the near future.

Figure 34: Prime yields in Tallinn, %

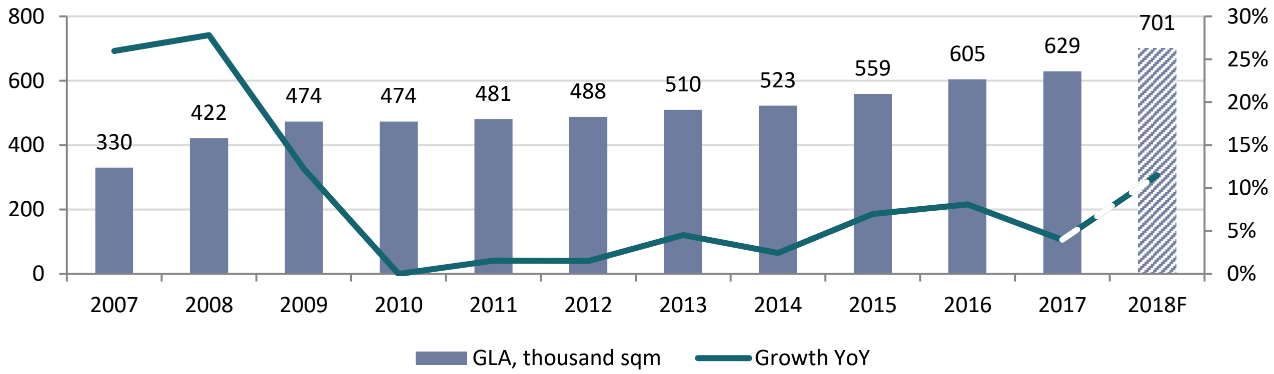


Source: Colliers

Office

Rapid expansion in Tallinn's office space supply fueled by strong pre-crisis economic growth ended in 2010. Over a three year period from 2010 to 2012 office stock barely grew. But with Estonia's economy recovering and both vacancy and rent rates on positive trajectories, the supply started increasing again in 2013. At the end of 2017 Tallinn had 629 thousand sqm GLA of modern office space. Given the current elevated activity in development of new projects, the supply in the next several years is forecast to grow at a higher pace (already observed in 2015 and 2016). Developers are expected to add close to 130 thousand sqm of new offices in 2018 - 2019.

Figure 35: Office stock in Tallinn

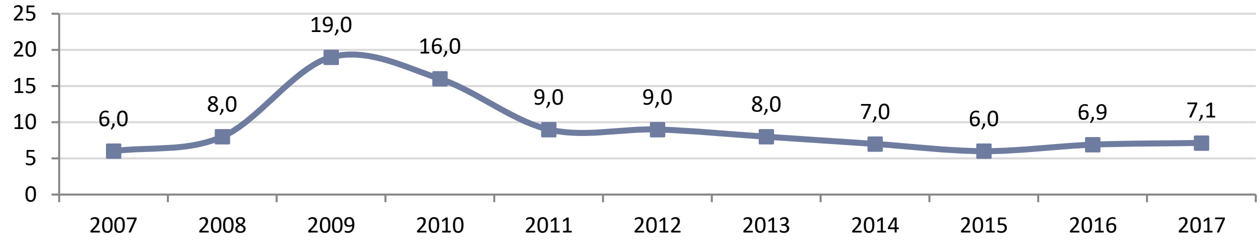


Source: Colliers

The supply of class A offices in Tallinn is relatively low. According to Colliers, at the end of 2017 class A constituted only 13% of total stock which is below both Vilnius (34%) and Riga (20%). Class A office space is particularly sought after by foreign companies and their back offices. Location-wise, supply in CBD is also currently relatively low but it should grow materially thanks to a number of developments in the area. Primary tenants of office buildings in CBD are businesses operating in finance and advising fields whereas IT and communication firms, another large group of tenants in Tallinn, normally prefer locations more distant from the city centre.

Vacancy was gradually declining from the peak of 19% in 2009 as demand for office space was growing while additions to the stock were limited (especially, pre 2013). However, due to larger increases in supply since 2016, vacancy rate rose to 7.1% in 2017. An amount of vacant space comprised 5.2% in class A offices and 6.5-9.4% in class B premises. Colliers projects that in 2018 vacancy could somewhat increase but that would mostly affect older and lower quality buildings as tenants would relocate to newer ones. Tenants find the new offices to be advantageous not only because of newer, higher quality work spaces but also due to greater efficiency, for instance, lower utility bills. Owners of older buildings will have to invest in refurbishing them in order to maintain competitiveness against new offerings.

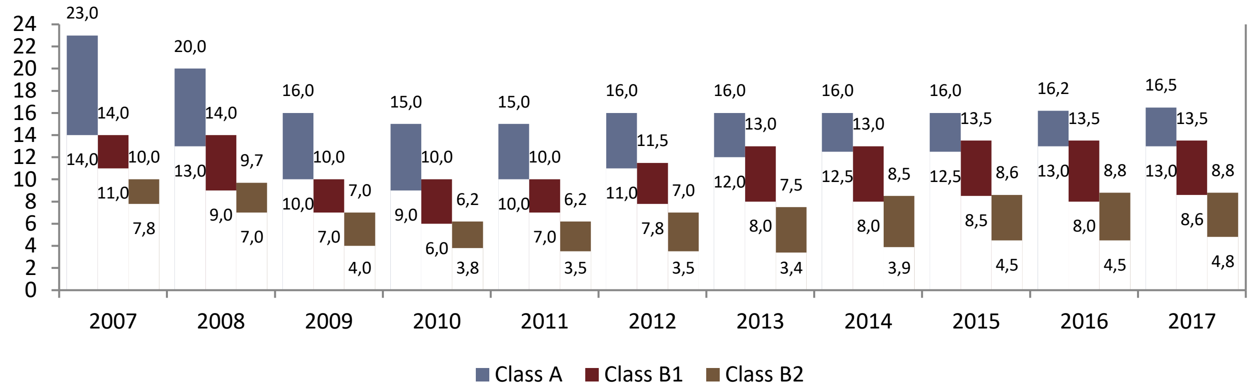
Figure 36: Vacancy rates in Tallinn office market, %



Source: Colliers

Following the trend in vacancy rates, office rents in Tallinn have been improving since 2011. They were stable in 2017, yet the gap between top and bottom rents widened. While rents for class A premises showed an upward trend, tenants of lower quality properties started to be more aggressive in price negotiations. In 2017 the rent prices amounted to 13.0-16.5 EUR/sqm/month for class A offices, 8.6-13.5 EUR/sqm/month for class B1 and 4.8-8.8 EUR/sqm/month for class B2. Colliers forecasts rents to remain stable in 2018, though the spread between top and bottom rates could expand further while buildings older than 10 years could face downward pressure on rents.

Figure 37: Asking rent rates in Tallinn office market, EUR/sqm/month (excluding VAT and operating expenses)

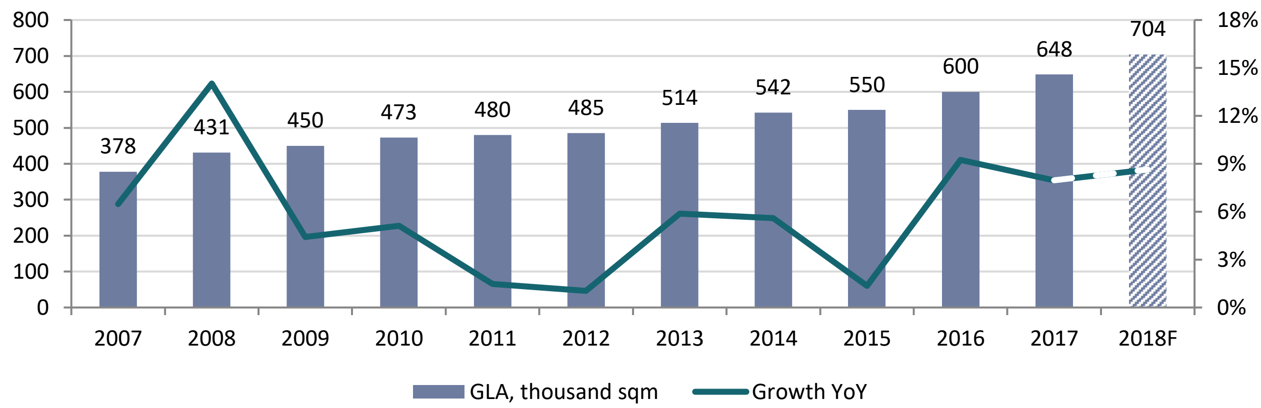


Source: Colliers

Retail

Dynamics in Tallinn's retail sector have been favourable for landlords. Demand for retail space has been growing strongly on the back of expanding consumer expenditure whereas increases in supply were limited in 2011 and 2012. Vacancy rates in SCs have not exceeded 1.0% since 2011. Larger SCs which attract higher customer flows have no available space to offer. Retail trade (excl. cars and motorcycles) growth in Estonia averaged 4.2% in real terms per annum over 2011-2017 outperforming 3.6% average growth in the nation's GDP. As private consumption is expected to remain one of the main drivers of economic growth, retail premises should continue to be in high demand.

Figure 38: Retail space in Tallinn

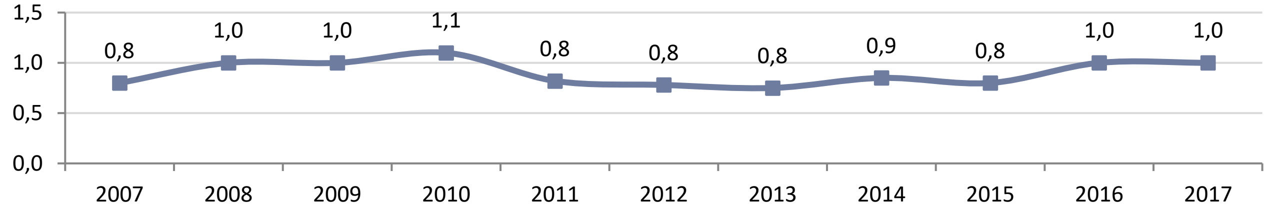


Source: Colliers

After two years (2011-2012) of limited additions to retail stock, supply growth accelerated and surpassed 5% annual pace in 4 of the last 5 years. Tallinn's retail stock stood at 648 thousand sqm at the end of 2017. Development activity in Tallinn's retail property market is currently elevated. Supply is expected to be supplemented by approximately 56 thousand sqm in 2018 and additional 45 thousand sqm in 2019 – 2020. T1 shopping mall with 52.5 thousand GLA (developed by ProKapital, an Estonian real estate group) should be commissioned in 2018. Porto Franco, another large-scale SC with 32 thousand sqm of retail space, is under construction which is expected to be completed in 2020. On the other hand, development activity in a grocery sector is starting to slow down after a very active period. In recent years grocery chains (the most active were Maxima, Rimi and Selver) invested heavily in expanding their networks to remain competitive. But now signs of saturation are starting to appear in the Tallinn's grocery sector - retail chains are now more cautious about investing in new stores. Lidl, on the other hand, announced its plans to enter Estonian market after 2020.

Vacancy in Tallinn's shopping centres has been consistently low. Even during the 2008-2009 economic crisis it was at around 1%. At the end of 2017 vacancy constituted 1.0%. Vacant space is non-existent in larger SCs. Colliers forecasts vacancy at smaller SCs could face upward pressure in 2018.

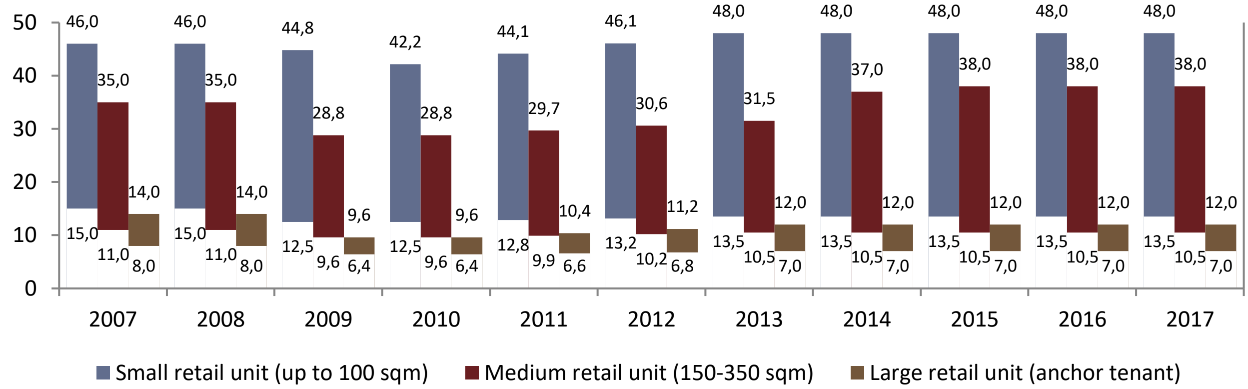
Figure 39: Vacancy rates in Tallinn shopping centres, %



Source: Colliers

Rent rates in shopping centres have been rather stable in the last decade following steady vacancy levels. A growth of 3-5% per annum in average rents was observed over 2012-2014 due to indexation and fewer discounts offered by landlords. In 2015-2017 rates were rather stable which, Colliers forecasts, should continue in 2018. Turnover rents and more flexible leasing arrangements are becoming more common in Tallinn's retail market. At the end of 2017 rent rates stood at 13.5-48.0 EUR/sqm/month for small premises and 10.5-38.0 EUR/sqm/month for larger units. Anchor tenants could pay 7.0-12.0 EUR/sqm/month.

Figure 40: Asking rent rates in Tallinn shopping centres, EUR/sqm/month (excluding VAT and operating expenses)



Source: Colliers

10. SERVICE PROVIDERS

10.1. GENERAL INFORMATION

The main service providers for the Issuer are the Management Company, the Depositary, the Registrar, the Fund Administrator, auditors and property management service providers.

The Management Company is not informed of any actual or potential conflicts of interest which any of the service providers to the Issuer may have as between their duty to the Issuer and duties owed by them to third parties and their other interests. For the purposes of efficient identification and management of actual and potential conflicts of interest situations, the Management

Company has established Conflicts of Interest Policy that applies to its activities in managing the Issuer. The Management Company shall consult with the Supervisory Board of the Issuer on any issues that may or do involve conflicts of interest in relation to the Issuer.

Swedbank AS and other financial institutions belonging to the same consolidation group with it provide different services to the Issuer (e.g. the fund depositary service, certain supporting services of fund administration). Swedbank AS maintains and operates effective organisational and administrative arrangements with a view to taking all reasonable steps to prevent potential conflicts of interest in its activities, especially those potentially affecting the independence of its activities as the Depositary.

10.2. THE MANAGEMENT COMPANY

General Information

Northern Horizon Capital AS, a public limited company (in Estonian: *aktsiaselts*) registered in the Estonian Commercial Register under the registry code 11025345 acts as the fund management company of the Issuer. The majority shareholder of the Management Company is Northern Horizon Capital A/S, a public limited company registered in the Central Business Register of Denmark with the registry code 27599397, holding 125,000 shares in the Management Company which amounts to approximately 90% of the votes. Northern Horizon Capital JIC OÜ, a limited liability company (in Estonian: *osaühing*) registered in the Estonian Commercial Register under the registry code 14341220, holds 13,899 shares in the Management Company, amounting to approximately 10% of the votes. Northern Horizon Capital JIC OÜ is established in order to enable key managers of the Management Company to acquire shares in the Management Company with majority of the shares held by Northern Horizon Capital A/S and minority by the key executives of the Management Company.

The contact details of the Management Company are the following:

Tornimäe 2 (24th floor)
Tallinn, 10145 Estonia
Phone: +372 674 3200

On 23 May 2016, the EFSA issued the Management Company a license to operate as an alternative investment fund manager, as defined in § 3 (5) of the IFA. Prior to obtaining the alternative investment fund manager license, the Management Company held the investment fund management license issued by the EFSA on 14 October 2009.

As at the date of this Listing Prospectus, the Management Company acts as the fund management company only for the Issuer. No other services are provided to any other person or fund, except for the services provided to SPVs of the Issuer. No other person provides investment advice or investment management service to the Issuer in relation to the assets of the Issuer.

The Management Company was established in 2004. After receiving investment fund management license in 2009, the Management Company managed only BOF with EUR 89.7 million under management in total as of 31 December 2015 and from 23 May 2016 also the Issuer (while from 30 June 2016 only the Issuer remained as the merger of the Issuer and BOF was completed).

The Management Company is a member of leading ESG (Environmental, Social and Governance) frameworks such as the UN Principles of Responsible Investment (PRI) and the Global Real Estate Sustainability Benchmark (GRESB). It is committed to integrating ESG factors into all of its operations. To govern the sustainability efforts, the Management Company has defined nine guiding ESG principles and operational instructions to ensure an effective implementation. The guiding principles and operational instructions form the Responsible Investment Policy which can be found on the Management Company's webpage www.nh-cap.com.

Personal Data Processing

The Management Company processes the personal data of all investors, including the Holders in accordance with the privacy policy and data protection notices published and accessible on the Website.

Key Responsibilities of the Management Company

The Management Company is responsible for the investment management, administration and marketing of the Issuer. In performing its obligations, the Management Company acts in accordance with the IFA, the Fund Rules and its internal rules.

The Management Company makes the investment and divestment decisions regarding the Issuer's assets in accordance with the investment policy and restrictions set out in Fund Rules. The Management Company is also responsible for arranging risk management in connection with the investment management. See sections 7.3 "Investment Objective and Policy" and 7.4 "Investment Restrictions".

In addition to the investment management, the Management Company is also responsible for the following tasks:

- account keeping of the Issuer's assets and arranging the accounting of the Issuer and SPVs;
- arranging the issue and redemption, if required by law, of the Units;
- calculation of the Issuer's net income and arranging the distribution of the cash flows to the unit-holders in accordance with the Fund Rules;
- arranging sales and marketing of the Units;
- determining the NAV of the Issuer;
- preparing information on the Issuer and SPVs to be reported to the authorities and disclosed to the unit-holders of the Issuer;
- monitoring compliance of the activities of the Management Company itself and the Issuer with legislation;
- any other activities directly related to the above tasks and necessary for management of the Issuer.

In accordance with the Fund Rules, the Management Company may delegate its responsibilities to third party service providers. As at the date of this Listing Prospectus, the Management Company has delegated certain of its responsibilities to third parties as is described in more detail in sections 10.5 "Registrar", 10.4 "Fund Administration" and 10.8 "Property Management Service" below. The Management Company remains liable to the Unit-holders for the services that are provided by third party service providers.

For the purposes of covering potential professional liability risks resulting from its activities as the management company, the Management Company has additional own funds which are appropriate to cover potential liability risks arising from professional negligence.

For description of the fees payable to the Management Company, and expenses to be reimbursed, on account of the Issuer, see section 7.7 "Fees and Expenses".

Supervisory Council and Management Board

Supervisory Council

As at the date of the Listing Prospectus, the Management Company's Supervisory Council is composed of three members. The table below sets forth the names, positions, appointment date, and terms of office of the current members of the Supervisory Council as at the date of the Listing Prospectus.

Name	Position/Function	Date of Appointment	Expiration of term of office
Milda Dargužaitė	Chairman of the Supervisory Council	9 July 2018	9 July 2023
Nerijus Žebrauskas	Member of the Supervisory Council	20 March 2019	20 March 2024
Daiva Liubomirskiene	Member of the Supervisory Council	5 September 2017	5 September 2022

The following table sets out current and past directorships held by the Management Company's Supervisory Council members over the past five years:

Name	Former positions	Current positions
Milda Dargužaitė	Northern Horizon Capital Oy, Member of the Board	BGO Property Management GmbH, Managing Director Northern Horizon Capital A/S, CEO Northern Horizon Capital GmbH, Managing Director Northern Horizon Capital AIFM Oy, Member of the Board and CEO Northern Horizon Capital UAB, General Director Northern Horizon Capital AB, Member of the Board
Nerijus Žebrauskas		Northern Horizon Capital UAB, Member of Board Northern Horizon Capital JIC UÜ, Member of Board Northern Horizon Capital AS, Member of the Supervisory Board

		Laurus Gene UAB, Member of the Board BH Europa UAB, Member of the Board BIG Klaipėda UAB, Member of the Board
Daiva Liubomirskiene	Northern Horizon Capital Oy, Member of the Board Northern Horizon Russia Partners I Oy, Member of the Board Northern Horizon Healthcare II Partners Oy, Member of the Board EPI Russia I Holding Oy, Member of the Board	NH-CAP A/S, Member of the Board Northern Horizon Capital Health Care Denmark K/S, Member of the Board Northern Horizon Capital UAB, Member of the Board Northern Horizon Nordic Aged Care S.a.r.l, Member of the Board Northern Horizon Capital AIFM Oy, Member of the Board Northern Horizon Capital AB, Member of the Board Laurus S.a.r.l., Member of the Board Nordic Aged Care Holding 1 S.a.r.l, Member of the Board Nordic Aged Care Holding 2 S.a.r.l. Member of the Board Northern Horizon Capital JIC OÜ, Member of the Board

Milda Dargužaitė. Ms. Dargužaitė, born 1976, is the member of the Supervisory Council of the Management Company. Ms. Dargužaitė has extensive experience in investment management and investment banking having previously worked at Donaldson, Lufkin & Jenerette and Goldman Sachs in New York. She also worked for the Government of Lithuania as the adviser to the Minister of Economy, CEO of State Investment Agency "Investuok Lietuvoje" and as the State Chancellor. Ms Dargužaitė previously served on the board of NHC A/S and has recently joined as the CEO at NHC group level. She holds bachelor's degree from Middlebury College and Master's degree from Princeton University in the U.S (2004).

Nerijus Žebrauskas. Mr. Žebrauskas, born in 1980, is the member of the Supervisory Council of the Management Company. Since joining Northern Horizon Group in 2007, Nerijus has worked in Northern Horizon Group as Fund Controller and as Head of Fund Controlling. Currently he is working as Group Finance Manager and Risk Manager. Before joining Northern Horizon Group, Nerijus worked in the audit and assurance field at EY (2001-2004) and KPMG (2005-2006) locally and abroad. Nerijus Žebrauskas. In 2001, he graduated from Stockholm School of Economics in Riga with a B.Sc. in Finance and in 2003 Vilnius University with an MBA in Economic Analysis and Planning.

Daiva Liubomirskiene. Ms. Liubomirskiene, born 1975, is the member of the Supervisory Council of the Management Company. She holds MA degree in Faculty of Law from University of Vilnius (2001). She acts as a General Legal Counsel to Northern Horizon Capital Group since 2017. Before joining Northern Horizon Capital Group she was working as an attorney at Sorainen Law Firm.

Management Board

As at the date of the Listing Prospectus, the Management Company's Management Board is composed of three members. The table below sets forth the names, positions, appointment date, and terms of office of the current members of the Management Board as at the date of the Listing Prospectus.

Name	Position/Function	Date of Appointment	Expiration of term of office
Tarmo Karotam	Chairman of the Management Board Fund Manager	17 April 2014	30 April 2022
Ausra Stankevičienė	Member of the Management Board	17 April 2014	30 April 2022
Algirdas Vaitiekunas	Member of the Management Board	29 January 2016	29 January 2020

The following table sets out past and current directorships held by the Company's Management Board members over the past five years:

Name	Former positions	Current positions
Tarmo Karotam	Baltic Opportunity Fund, Fund Manager Estonian Academy of Sciences Male Choir, Chairman of the Board Northern Horizon Capital JIC OÜ, Member of the Board	Euro-Products OÜ, Member of the Board Estonian Academy of Sciences Male Choir, Member of the Board Member of the board at the following SPV´s: BOF Sky SIA, Kontor SIA, BH Europa UAB, BH Domus Pro UAB, BH Lincona OU, BH CC Plaza OU, BH P80 OU, BH Duetto UAB, Pirita Centre OU, ZM Development SIA, BH Meraki UAB, BH S27 SIA as well CEO at BH Domus Pro UAB.
Ausra Stankevičienė	Cromary Invetsments Sp. Z o.o.	Board member of the following companies: BOF Sky SIA, Kontor SIA, BH Europa UAB, BH Domus Pro UAB, Laurus Holding UAB, Hobujaama Kinnisvara OU, Laurus Gene UAB, Northern Horizon Nordic Aged Care S.a.r.l., Nordic Aged Care Holding 1 S.à r.l., Nordic Aged Care Holding 2 S.à r.l., BH Lincona OU, BH CC Plaza OU, BH P80 OU, BH Duetto UAB, Pirita Centre OU, Real Invest SIA, ZM Development SIA. Northern Horizon Capital UAB, Fund Service Director
Algirdas Vaitiekunas	BPT Secura A/S, CEO, Fund Manager	Northern Horizon Capital UAB, Chairman of the Board, Business Development Director Koalos Investicijos UAB, General Director DMGL UAB, General Director Seimyniskiu verslo centras UAB, Board member SVC Holdingas UAB, Board member Vainodes Krasti SIA, Board member ZM Development SIA, Board member BH Duetto UAB, General director Kontor SIA, Board member BOF Sky SIA, Board member Meraki UAB, General Director

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

Ausra Stankevičienė. Mrs. Stankevičienė, born 1974, is the 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 has worked at Swedbank Lithuania. She holds a Chartered Financial Analyst (CFA) credential. She graduated from Vilnius University (MBA) in 1998. In addition to holding board member positions in Northern Horizon Nordic Aged Care S.a.r.l. and Northern Horizon Capital A/S, she also serves as a board member in the SPVs belonging to the Issuer, the Laurus Fund and Nordic Aged Care Fund.

Algirdas Vaitiekunas. Mr. Vaitiekunas, born 1963, is the member of the Management Board of the Management Company. Prior to joining Northern Horizon Capital group, he has 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.

The Management Board members and General Directors, in jurisdictions where applicable, are the only personnel of the SPVs, there are no other employees.

Other information on the Management Board and Supervisory Council

The business address of the members of the Supervisory Council and the Management Board is the Management Company's principal place of business at Tornimäe 2, 10145 Tallinn, Estonia.

Management Board Algirdas Jonas Vaitiekunas directly and indirectly holds as at 9 May 2019 25,937 Units in the Issuer, which represent 0.0266% of the total amount of units. Other Management Board and Supervisory Council members of the Management Company do not hold Units in the Issuer at the date of this Listing Prospectus.

The Management Company is not aware of any compulsory liquidations of companies in which any of the members of its Supervisory Council or Management Board has acted as a member of the administrative, management or supervisory body or as a senior manager. The Management Company is not aware of any convictions in relation to fraudulent offences, bankruptcies, receiverships or any official public incrimination and/or sanctions with respect to the members of its Supervisory Council or Management Board. The Management Company is not aware of any potential conflicts of interest between the duties of the members of its Supervisory Council or Management Board to the Management Company and the Issuer, and their private interests or other duties.

10.3. THE DEPOSITARY

Pursuant to the IFA, the Issuer shall have a depositary. Swedbank AS, a public limited company registered in the Estonian Commercial Register under the registry code 10060701, with a registered address at Liivalaia 8, 15040 Tallinn, Estonia, acts as the depositary for the Issuer. The Depositary holds a credit institution license issued by the EFSA on 26 January 1993.

In accordance with the IFA and the depositary agreement entered into between the Management Company and Swedbank AS on 3 June 2016 for an unlimited period (the "Depositary Agreement"), the Depositary provides the following services:

- safekeeping of the Issuer's assets; and
- monitoring and overseeing the Management Company's activities in managing the Issuer in the following aspects:
    - ensuring that the sale, issue, repurchase, redemption, and cancellation of Units are carried out in accordance with the IFA and the Fund Rules;
    - ensuring that the NAV of the Units is calculated in accordance with the IFA and the Fund Rules;
    - carrying out the instructions of the Management Company, and assessing their compliance with the IFA, and with the Fund Rules;
    - ensuring that in transactions involving the Issuer's assets, any consideration is remitted to the Issuer in full and within the usual time limits;
    - ensuring that the income of the Issuer is applied in accordance with the IFA and the Fund Rules;
    - ensuring that the cash flows of the Issuer are properly monitored, and, in particular, that all payments made by or on behalf of Unit-holders, upon the subscription of Units, have been received, and credited to the Issuer account.

In accordance with the Depositary Agreement, the Depositary safekeeps financial instruments that are eligible for safekeeping with the Depositary (e.g. instruments in book-entry form recorded on securities accounts). Regarding other types of assets of the Issuer the Depositary shall verify the ownership of the Issuer or the Management Company acting on behalf of the Issuer of such assets and shall maintain a record of those assets for which it is satisfied that the Issuer or the Management Company acting on behalf of the Issuer holds the ownership of such assets. A description of the custody arrangements and the Issuer's assets is provided in sections 7.11 "Custody of the Issuer's Assets".

The Depositary may delegate its tasks to third party service provider, provided however, that (i) the intention of delegation is not to avoid the requirements of IFA; (ii) there is an objective reason for the delegation; (iii) the Depositary has exercised all due skill, care and diligence in the selection and the appointment of any third party to whom it wants to delegate parts of its tasks, and keeps exercising all due skill, care and diligence in the periodic review and ongoing monitoring of any third party to whom it has delegated parts of its tasks and of the arrangements of the third party in respect of the matters delegated to it; (iv) the Depositary ensures that the third party has the structures and the expertise that are adequate and proportionate to the nature and complexity of the assets of the Issuer, or the Management Company acting on behalf of the Issuer, which have been entrusted to it, and the third party is subject to effective prudential regulation, including minimum capital requirements, and supervision in the jurisdiction concerned and; (v) the third party is subject to an external periodic audit to ensure that the financial instruments are in its possession. The third party may sub-delegate its tasks only if that other third party meets the same requirements as applicable to the Depositary.

Depositary is liable to the Issuer and the Unit-holders for any damages due to a breach of its obligations under IFA and the Depositary Agreement. The Depositary shall be liable to the Issuer or to the Unit-holders, for the loss of the Issuer's assets safe-kept by the Depositary or a third party to whom the custody of financial instruments held in custody has been delegated. In the case of such a loss of a financial instrument held in custody, the Depositary shall return a financial instrument of identical type or the corresponding amount to the Issuer or the Management Company acting on behalf of the Issuer without undue delay. The Depositary shall not be liable if it can prove that the loss has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary.

For description of the fees payable to the Depositary on the account of the Issuer, see section 7.7 “Fees and Expenses”.

10.4. FUND ADMINISTRATION

Fund administration services in relation to the Issuer are provided by the Management Company.

Certain supporting services of fund administration have been outsourced to Swedbank AS and Northern Horizon Capital UAB (registry code 300022971), Sporto Str 18, Business Centre PREMIUM, LT-09238 Vilnius, Lithuania. Swedbank AS is among other services providing the Management Company the service of calculating the net asset value and gross asset value of the assets and the unit of the Issuer. For the purpose of clarity, the Management Company has not delegated the function of determination of net asset value and gross asset value of the assets and the unit of the Issuer to Swedbank AS.

10.5. REGISTRAR

Nasdaq CSD SE Estonian branch, registered in the Estonian Commercial Register under the registry code 14306553 keeps the Register of the Units (the “Registrar”). In accordance with the Securities Register Maintenance Act of Estonia units of a fund that is registered in Estonia and the units of which are traded on a regulated securities market must be registered at the Register kept by the Registrar. The Register is kept in accordance with the Securities Register Maintenance Act of Estonia. Further information on the Registrar and the Register is available at the website of the Registrar – www.nasdaqcsd.com.

The Register and the registration of the Units is described in more detail in section 7.5 “Units and Rights of the Unit-holders”.

10.6. EUROCLEAR SWEDEN

Euroclear Sweden AB, a public limited liability company registered with the Swedish Companies Registration Office with the registration number 556112-8074, is a central securities depositary in Sweden. Units Listed on Nasdaq Stockholm (the “Swedish Registered Fund Units”) will be held by Euroclear Sweden. Euroclear Sweden is a subsidiary within the Euroclear group of companies and is authorised and regulated by the Swedish Financial Supervisory Authority (*Finansinspektionen*) as a central securities depository within the meaning of the Swedish Financial Instruments Accounts Act (1998:1497) and as a clearing organisation within the meaning of the Swedish Securities Markets Act (2007:528).

10.7. APPRAISER

In accordance with the Fund Rules, the Management Company, after consultation with the Supervisory Board, appoints a licensed and independent real estate appraiser. Only a person with high repute and sufficient experience in appraising similar property and operating in a country where any relevant real estate property is located may appraise the real estate belonging to the Issuer. The Management Company will assess different valuation service providers and carefully select the service provider for the Issuer prior to every valuation of the Issuer’s property.

The most recent external property valuations were performed in December 2018 for all the properties held by the Fund. Condensed valuation reports for each property are provided in Appendix B. All appraisals were performed by licensed appraisers at Newsec.

For the purposes of appraising Postimaja, G4S Headquarters, Lincona, Coca Cola Plaza and Piirita properties in Tallinn, the valuation reports were prepared by licensed appraisers of Newsec Valuations OÜ, a private limited company registered in the Republic of Estonia under the registry code 11930446. Newsec Valuations OÜ is established and operates under the laws of the Republic of Estonia. The registered address of Newsec Valuations OÜ is Rooseni 7, Tallinn 1011111, Estonia, and telephone number in the registered office is +372 664 5090.

For the purposes of appraising Upmalas Biroji, Vainodes I, LNK Centre and Sky Supermarket properties in Riga, the valuation reports were prepared by licensed appraisers of Newsec Valuations LV SIA, a private limited company registered in the Republic of Latvia under the registry code 40103216919. Newsec Valuations LV SIA is established and operates under the laws of the Republic of Latvia. The registered address of Newsec Valuations LV SIA is Vilandes 1-16, Riga 1010, Latvia, and telephone number in the registered office is +371 6750 8400.

For the purposes of appraising Europa SC, Domus Pro (and a land plot for Domus Pro’s further expansions),Duetto I and Duetto II properties in Lithuania, the valuation reports were prepared by licensed appraisers of Newsec Valuations UAB, a private limited company registered in the Republic of Lithuania under the registry code 126212869. Newsec Valuations UAB is established and operates under the laws of the Republic of Lithuania. The registered address of Newsec Valuations UAB is Konstitucijos av. 21C, Vilnius 08130, Lithuania, and telephone number in the registered office is +370 5 252 6444.

10.8. PROPERTY MANAGEMENT SERVICE

Successful management of properties with a property management partner is an important value driver for the Issuer as it maximises returns of owned real estate assets. Renting out vacant spaces and renegotiating expiring lease agreements result in higher rent revenue, cash flows and, in turn, property value. Therefore, the Management Company puts high emphasis on selecting a strong property management company to partner in managing day-to-day operations for its properties.

For the purposes of arranging the day-to-day management of the property investments of the Issuer, the Management Company has procured the property management service from the following persons:

- BPT Real Estate AS, a public limited company registered under the laws of the Republic of Estonia under the registry code 12203487, with a registered address at Rävala pst 5, Tallinn 10143, Estonia, and telephone number +372 6 309 420. As at the date of the Listing Prospectus, BPT Real Estate AS provides services to the following properties located in Tallinn: Lincona, Coca Cola Plaza, G4S Headquarters and Piirita.
- BPT Real Estate SIA, a private limited company registered under the laws of the Republic of Latvia under the registry code 40003674473, with a registered address at 21 K. Valdemara Street, Riga LV 1010, Latvia, and telephone number +371 6 735 7392. As at the date of the Listing Prospectus, BPT Real Estate SIA provides services to Sky Supermarket in Riga.
- BPT Real Estate UAB, a private limited company registered under the laws of the Republic of Lithuania under the registry code 302702539, with a registered address at Gediminas ave 20, LT-01103 Vilnius, Lithuania, and telephone number +370 5 268 3337. As at the date of the Listing Prospectus, BPT Real Estate UAB provides services to Domus Pro and Europa SC in Vilnius.
- Bauplan Nord SIA, a private limited company registered under the laws of the Republic of Latvia under the registry code 40003697298, with a registered address at 101 Mūkusalas street, Riga LV-1004, Latvia, and the telephone number +371 6 707 9223. As at the date of the Listing Prospectus, Bauplan Nord SIA provides services to Upmalas Biroji in Riga.
- YIT Kausta AB, a private limited company registered under the laws of the Republic of Lithuania under the registry code 133556411, with a registered address at Naglio st. 4A, 52600, Kaunas, Lithuania, and telephone number +370 374 52348. As at the date of the Listing Prospectus, YIT Kausta AB provides services to Duetto I and Duetto II in Vilnius.
- Colliers International Advisors, SIA (reg. No. 40103255403), 21 Kr.Valdemara street | LV1010, Riga, Latvia provides service to BH S27 SIA, owning LNK office building.

BPT Real Estate companies have operated in the property management and administration field in the Baltics for more than ten years. BPT Real Estate was owned by the Management Company until September 2015 when its shareholding was fully sold to Baltcap, a Baltic private equity firm.

Property management service entails mostly the following services regarding the real estate property of the Issuer:

- managing tenant and owner relationships;
- marketing and letting activities management;
- organising lease agreement negotiations;
- coordination of services provided in the building (cleaning, security, maintenance, utilities, etc.);
- coordination of repair and construction works;
- arranging of utility agreements (water, electricity, gas, etc.);
- bookkeeping of property turnover and expenditures, invoice issuing and reporting;
- budgeting on a property level;
- arranging the good standing of respective SPV;
- property business planning.

Property management service providers for newly acquired properties will be selected via tenders on a property by property basis. The Management Company prioritizes property management firms with extensive experience in Baltic property markets, strong track record of managing properties and long term relationships with major tenants.

10.9. STATUTORY AUDITORS

Pursuant to the IFA, the Issuer shall have an auditor and the annual report of the Issuer must be audited. In accordance with the IFA, the Supervisory Council of the Management Company appoints the auditor of the Issuer.

The auditor of the Issuer is the audit company KPMG Baltics OÜ, Narva mnt 5, 10117 Tallinn, Estonia. KPMG Baltics OÜ is a member of the Estonian Board of Auditors.

The financial information of the Issuer for the years ending 31 December 2018, 31 December 2017 and 31 December 2016 were audited by auditors of KPMG Baltics OÜ.

11. ESTONIAN TAXATION

The following information is of a general nature only and is based on the laws in force in the territory of Estonia at the date of this Listing Prospectus. The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in Estonia and does not address all the tax consequences applicable to all categories of investors, some of which (such as look-through entities, undertakings for collective investment in transferable securities or holders of the Bonds by reason of employment) may be subject to special rules. Prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences, under the tax laws of the country in which they are resident, of a purchase of Bonds including, without limitation, the consequences of receipt of interest and premium, if any, on and sale or redemption of the Bonds or any interest therein.

The information contained within this section is limited to certain Estonian tax issues and prospective investors in the Bonds should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Estonian tax law, to which they may be subject. Application of a specific tax treaty concluded between Estonian and investor's tax residency state may lead to different taxation as described under the headings of "Non-resident Holders".

Where in this summary English terms and expressions are used to refer to Estonian concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Estonian concepts under the Estonian law. The expressions of resident/non-resident refer to tax residency. References to double tax treaties do not determine what tax rate is applicable in other jurisdictions besides Estonia but just describes the division of taxing rights between jurisdictions.

Overview on Estonian tax system

Rules on personal income taxation (in Estonian: *füüsilise isiku tulu maksustamine*), corporate income taxation applicable to legal entities and permanent establishments of non-residents (in Estonian: *tulumaksu maksmise erijuhud*) and taxation of non-residents' income (in Estonian: *mitteresidentide tulu maksustamine*) are provided in Estonian Income Tax Act of 15 December 1999 currently in force, as amended (in Estonian: *Tulumaksuseadus*, hereinafter "EITA"). Estonian tax residents are taxed under the principle of world-wide income, while only limited taxation is applied to non-residents.

The Estonian income tax system encompasses corporate income tax ("CIT") which is levied on a deferred basis. This means that the CIT falls due only at the moment of making a profit distribution or deemed profit distribution in the form of dividend payments and other profit distributions; non-business payments or costs; hidden profit distributions in the form of loans to related entity; fringe benefits; gifts and donations; costs related to entertainment of guests. No CIT is due on received, retained and reinvested business income. An exception applies to credit institutions which pay advance payments of CIT at the rate of 14 percent on a quarterly basis.

Special regulation applies to profits earned by contractual investment funds which are treated as tax payers in a number of limited cases. In case of making payments subject to withholding tax, the tax is withheld by the fund manager.

The CIT rate is 20 percent (of the gross amount). The reduced CIT rate of 14 percent (of the gross amount) is applicable to profit distributions that qualify as "regular profit distributions". This reduced rate will partially be available for payments made from January 1, 2019 onwards and will take full effect from January 1, 2021. The amount of "regular dividends" subject to reduced rate is calculated based on the taxable profit distributions made within last three years before the profit distribution under question (specific calculation method is applied during the transition period in 2019 and 2020).

An additional 7 percent personal income tax ("PIT") is applied (withheld) to regular profit distributions taxed under a reduced rate, provided the distribution was made to a natural person (both resident and non-resident). The applicable double tax treaty may limit such withholding for tax non-residents of Estonia. No additional 7 percent tax applies if the dividend is distributed to corporate shareholders (except tax transparent legal entities, such as trust funds (in Estonian: usaldusfond)).

Estonia applies transfer pricing rules that are based on the Organization for Economic Co-operation and Development ("OECD") Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations. Under this, transactions between related entities not made under the arm's length conditions may result in income tax liabilities.

Estonian tax resident individual taxpayers are generally subject to PIT at the flat rate of 20 percent, including tax on interests and capital gains. Yearly income tax allowance of €6,000 is decreasing if the annual income exceeds €14,400 and will be calculated under the formula of 6,000 – 6,000 / 10,800 × (annual income – 14,400), while the allowance cannot be lower than zero.

A natural person is an Estonian tax resident for income tax purposes if his or her place of residence is in Estonia or if he or she stays in Estonia for at least 183 days over the course of a period of 12 consecutive calendar months. A legal person, excluding a trust fund which is tax transparent entity, is a resident if it is established pursuant to Estonian law. European public limited companies (SE) and European associations (SCE) whose registered office is registered in Estonia are also residents. A non-resident is a natural or legal person which does not meet the definitions of residency above. The provisions concerning non-residents apply also to a foreign association of persons or pool of assets (excluding contractual investment fund) without the status of a legal person, which pursuant to the law of the state of the incorporation or establishment thereof is regarded as a legal person for income tax purposes. Please note that depending on the specific facts the double residency may emerge and application of double tax treaty may lead to allocation of residency regardless of meeting the definition above.

Value-added tax is regulated under the Estonian Value-Added Tax Act of 10 December 2003 currently in force, as amended (in Estonian: *Käibemaksuseadus*, hereinafter "EVTA"). EVTA is based on the European Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax.

Withholding Tax

Non-resident Holders
According to the EITA, interest payments made by the Issuer to Estonian non-resident Holders (both corporate entities and natural persons) will not be subject to withholding tax in Estonia. The permanent establishments of non-residents in Estonia share the same tax treatment as resident corporate entities (see "—Resident Holders" below).

As an exception from the above, withholding tax is charged on interest which a non-resident Holder received in connection with holding in the Issuer, provided it qualifies as a real estate fund as is the case for the Issuer. However, no withholding tax applies on interest if the income of the fund been taxed with income tax or it is exempt from the income tax.

Resident Holders
Pursuant to the EITA, interest payments made by the Issuer to Estonian resident corporate tax payer Holders will not be subject to withholding tax in Estonia.
Withholding tax at the rate of 20 percent will be levied on the taxable interest payments made by the Issuer to Estonian resident natural person Holders. However, the Issuer will not withhold income tax if the Estonian resident natural person Holder has notified the Issuer that the income tax liability on the interest income has been postponed due to using an investment account regime by the Holder as specified in Article 172 of the EITA.
No withholding tax is applicable to capital gains received by corporate and natural person residents of Estonia from the sale of the Bonds.

Income Taxation

Non-resident Holders
According to the EITA, interest payments made by the Issuer to Estonian non-residents Holders (corporate entities and natural persons) is not subject to income tax in Estonia. The interest income and capital gains received by non-resident Holders may be subject to taxation in their country of residence. Withholding tax may apply in case the conditions of interest paid by real estate entity described under heading "2 Withholding tax. Non-resident Holders" above are met.
Income tax at the rate of 20 percent is charged on gains derived by a non-resident from a transfer of claim which is related to an immovable or a structure (building) as a movable, which is located in Estonia.
With regard to interest income received by a permanent establishment located in Estonia, see "—Resident Holders" below.

Resident Holders
Corporate residents
Interest income and capital gains received by resident legal entities and permanent establishments of non-residents is not subject to CIT in Estonia upon receiving the profit. Such income is included in their profits of the resident or a permanent establishment and taxed upon distribution of profit pursuant to the respective procedures. CIT is levied on a deferred basis upon distributing profits.
Permanent establishments of non-residents of Estonia are taxed under the same rules as resident corporate entities, with some special rules. Profit attributed to permanent establishment is subject to CIT when it has been taken out of the permanent establishment in monetary or non-monetary form.
Resident individuals
The interest income received by Estonian tax resident individuals is subject to 20 percent PIT in Estonia which is withheld by the Issuer acting through a fund manager. Interest income covers all interest accrued from loans, leases and other debt obligations, as well as securities and deposits, including such amount calculated on the debt obligations by which the initial debt obligations are increased. No income tax applies if the profit of the Issuer from which the interest is paid has been subject to tax already or it is exempt from income tax.

Capital gains earned by Estonian tax resident individuals from the sale or exchange of Bonds is taxed as profit from the transfer of property, which is subject to PIT at the rate of 20 percent. Pursuant to Section 37 (1) of the EITA, a the gains or loss derived from the sale of Bonds is the difference between the acquisition cost and the selling price of the Bonds The gain or loss derived from the transfer of Bonds is the difference between the acquisition cost and the sale price of the Bonds. The gains or loss derived from the exchange of property is the difference between the acquisition cost of the property subject to exchange and the market price of the property received as a result of the exchange. Additionally, the Holder has the right to deduct certified expenses directly related to the sale or exchange of property from the Holder's gain or to add such expenses to the Holder's loss.
Income tax is charged on the part of payment received upon the return of a unit of an common investment fund or a share of public limited fund and the liquidation of an common investment fund or public limited fund, which exceeds the acquisition cost of the unit

or share, unless the Issuer's income from which such payment is made has been subject to income tax or it was exempt from income tax.

Exclusively for natural person tax payers, EITA enables postponement of the taxation of income derived from the publicly offered securities by using an investment account regime specified in Section 172 of the EITA. This special regime applies strictly to the securities referred to in section 171 of the EITA. The moment of taxation of the financial income held on an investment account is postponed until such income is withdrawn from the investment account (i.e., the amount withdrawn from the account exceeds the amount which had been previously paid in to the account).

Other Taxes and Duties

Estonia does not apply any other taxes or state effected duties on transferring the Bonds. Estonia does not apply gift taxes, except making a gift by a corporate entity is taxable as deemed profit distribution at the rate of 20 percent (from the gross amount). Estonia does not apply inheritance tax and wealth taxes. Respective state fees are applicable in case of initiating a judicial procedures against debtor, subject to partial of full reimbursement in case of successful judicial procedure. In case of using notarized form for certain transactions, the notary fees may be applicable.

Value-added Tax

There is no Estonian value-added tax payable in respect of payments in consideration for the issue of the Bonds or in respect of the payment of a redemption amount or principal under the Bonds or the transfer of a Bond. Transactions and acts related to the issue, sales and purchase of securities are value-added tax exempt.

APPENDIX A

Fund Rules

The text of the Fund Rules included as Appendix A to the Listing Prospectus is an English translation of the original Estonian text. In the event of discrepancies between the original Estonian text and the English translation, the Estonian text shall prevail.

Baltic Horizon Fund

Fund rules
(hereinafter "the Rules")

These Rules are in force as of 23 May 2016.

1. GENERAL

1.1. Baltic Horizon Fund is a closed-ended contractual investment fund (the "Fund") registered and acting in accordance with the Estonian Investment Funds Act (the "IFA"). The Fund is a real estate fund as defined in the IFA.

1.2. The Fund is managed by Northern Horizon Capital AS, a fund management company established and registered in the Republic of Estonia, with a register code 11025345 and its seat in Tallinn, Estonia (the "Management Company").

1.3. The Fund is situated at the registered address of the Management Company.

1.4. The Fund is established for an undetermined period.

1.5. The Fund is a public fund.

1.5.1. The Management Company shall pursue for the units of the Fund (the "Units") to be admitted to trading on a regulated securities market in the European Economic Area within a reasonable time after the first capital raising of the Fund.

1.5.2. The Management Company shall retain the Units traded on a regulated securities market or multilateral trading facility in the European Economic Area. In case the Units are de-listed for any reason, the Management Company shall immediately seek new admission to trading in the same or another market.

1.5.3. The Management Company may seek simultaneous trading of Units on different trading venues.

1.6. The Rules have been registered by the Estonian Financial Supervision Authority (the "FSA"). The Rules set out the basis for the activities of the Fund and the Management Company, and relations between the unit-holders of the Fund (the "Investors") and the Management Company. The Fund is operating and managed under the laws of Estonia. In case specific provisions of the Rules conflict with mandatory provisions of legislation, the provisions of legislation will apply. In case different provisions of the Rules conflict with each other or in case the Rules include misleading provisions, such provisions will be interpreted in accordance with the best interests of the Investors.

1.7. The depositary of the Fund is Swedbank AS (the "Depositary") (as further described in section 13 below).

1.8. The register of the Units (the "Register") is kept by the AS Eesti Väärtpaberikeskus (the "Registrar") (as further described in section 14 below).

1.9. The exact contact details of the Management Company, the Depositary, and the Registrar, including relevant office addresses, e-mail addresses, and phone numbers, are disclosed on the website of the Fund, www.baltichorizon.com (the "Website").

2. THE BASIS AND OBJECTIVE OF THE FUND'S ACTIVITY

2.1. The Fund is a pool of money raised through the issue of Units, and of other assets acquired from investing this money that belongs collectively to the Investors and that is managed by the Management Company.

2.2. The objective of the Fund is to combine attractive income yields with medium to long-term value appreciation by identifying and investing primarily in real estate, portfolios of real estate, and/or real estate companies and successfully exiting from these investments. The objective of the Fund is to provide its Investors with consistent and above average risk-adjusted returns by acquiring high quality cash flow-generating commercial properties with the potential for adding value through active management, thereby creating a stable income stream of high yielding current income combined with capital gains. Although the objective of the Fund is to generate positive returns for the Investors, the profitability of the Fund is not guaranteed to the Investors.

3. THE FUND'S INVESTMENT POLICY

3.1. Subject to certain restrictions outlined in the Rules and the law, the focus of the Fund is to invest into real estate properties located in Estonia, Latvia, and Lithuania. Such investments may include real estate properties experiencing financial or economic distress.

3.2. Up to 100% of the assets of the Fund may be invested in real estate and securities related to real estate. The Fund will invest in all types of real estate properties, including retail, office, and logistics properties.

3.3. The Fund shall invest, directly or indirectly, in real estate located in Estonia, Latvia, and Lithuania, with a particular focus on the capitals - Tallinn, Riga, and Vilnius - and a preference for city centres within or near the central business districts.

4. INVESTMENT RESTRICTIONS

4.1. At least 80% of the Fund's gross asset value (as defined in section 6.1 below) shall be invested in real estate and securities relating to real estate. The following are securities relating to real estate:

4.1.1. the units or shares of a fund which is deemed to be a real estate fund according to the legislation of Estonia or other states;

4.1.2. the shares of special purpose vehicles whose main activity is direct or indirect (through subsidiaries) investment in real estate or management of real estate ("SPV");

4.1.3. derivative instruments whose underlying assets are securities specified in subsections 4.1.1 and 4.1.2 above.

4.2. Up to 20% of the Fund’s gross asset value (as defined in section 6.1 below) may be invested in the following assets not specified in section 4.1:

4.2.1. deposits with credit institutions;

4.2.2. shares and other similar tradable rights in companies investing directly or indirectly into real estate property;

4.2.3. bonds, convertible bonds, and other tradable debt obligations issued;

4.2.4. subscription rights and other tradable rights granting the right to acquire securities specified in subsections 4.2.2 and 4.2.3 above;

4.2.5. money market instruments;

4.2.6. tradable depositary receipts;

4.2.7. derivative instruments.

4.3. The weighting of each asset class, type of issuer, region, and sector of the assets of the Fund shall be determined in the course of the everyday management of the Fund in compliance with the Rules.

4.4. **Investment in real estate and securities relating to real estate**

4.4.1. The assets of the Fund may be invested in real estate either directly or indirectly through SPV(s). Therefore, every reference made to investments in real estate properties in the Rules also means investments into SPVs.

4.4.2. The real estate assets into which the Fund directly or indirectly invests are located in Estonia, Latvia, and Lithuania. Although the Fund shall invest mainly into commercial real estate properties, such as retail and office properties, up to 20% of the Fund’s gross asset value (as defined in section 6.1 below) may be invested into other types of properties.

4.4.3. Securities of investment vehicles (including, but not limited to, joint ventures, SPVs and other real estate funds) into which the Fund may invest under section 4.1 above may be registered in any jurisdiction provided that the investment strategy of those investment vehicles is not in conflict with the investment strategy of the Fund under these Rules. Shares of SPVs may only be registered in other countries than Estonia, Latvia or Lithuania with prior approval by the Depositary.

4.4.4. The Fund shall meet the following risk diversification requirements:

(a) up to 50% of the gross asset value (as defined in section 6.1 below) of the Fund may be invested in any single real estate property, or in any single real estate company or fund;

(b) the annual rental income from one single tenant shall not form more than 30% of the total annual net rental income of the Fund.

4.4.5. At least 80% of gross asset value (as defined in section 6.1 below) shall be allocated for projects which involve investment in real estate with a stabilised cash flow, and also into properties with the potential to add value through active asset management, refurbishment, and development. Up to 20% of gross asset value (as defined in section 6.1 below) may be allocated to investments of a more opportunistic nature such as participating in forward funding development projects and undeveloped land purchases.

4.4.6. The Fund may not invest in assets that to a significant degree are used for gambling, pornographic, or tobacco-producing activities. The Fund shall be considered as having invested into assets that to a significant degree are used for the above activities if the net rental income for the space (square meters) used for the above activities would exceed 10% of the total net rental income of that asset. The Fund shall not solicit new tenants proposing to use the assets for the above activities.

4.5. **Transactions with derivative instruments**

4.5.1. Transactions with derivative instruments may be performed on account of the Fund provided that the requirements set forth in legislation, the internal rules of the Management Company for transactions with derivative instruments, and the Rules are met. The assets of the Fund may be invested in derivative instruments only for the purpose of hedging the property loan risks. An agreement, which includes a right or an obligation of the Fund to acquire, swap, or sell real estate, such as forward financing or commitment arrangements, shall not be considered to be a derivative instrument.

4.6. **Miscellaneous**

4.6.1. The Management Company has, on account of the Fund, the right to guarantee an issue of securities, provide surety, take a loan, issue debt securities, enter into repurchase or reverse repurchase agreements, and conclude other securities-borrowing transactions. Subject to the discretion of the Management Company, the Fund aims to leverage its assets by borrowing an amount of up to 50% of the value of its assets. At no point in time may the Fund's leverage exceed 65% of the value of its assets. Loans may be taken for periods of up to 30 years.

4.6.2. The Fund may grant loans only to SPVs and may issue guarantees or provide surety only to secure the fulfilment of the obligations of SPVs.

4.6.3. As the purpose of the Fund is to invest in real estate property, the acquisition process of which may be time-consuming, the Management Company aims to invest any new capital raised for the Fund within a reasonable time period.

4.6.4. The investment restrictions set forth in sections 4.1 and 4.2 above do not apply for the first 12 months after the date the Rules are registered with the FSA and for the first 12 months after each additional capital raising for the Fund.

4.6.5. Risk diversification requirements provided for in these Rules may be temporarily exceeded for reasons outside the control of the Management Company. Exercising a right of pre-emption to acquire securities, a bonus issue, a change in the market value of securities, and other such reasons are deemed to be reasons outside the control of the Management Company if the objective of the transactions performed on account of the Fund is to observe the aforementioned requirements, taking into account the interests of the Investors.

5. UNITS AND THE RIGHTS AND OBLIGATIONS ATTACHED TO THE UNITS

5.1. A Unit represents the Investor's share in the assets of the Fund. The Fund has one class of Units. Units are held in the registered form and no Unit certificates will be issued.

5.2. Units are issued with no nominal value.

5.3. A Unit is divisible.

5.3.1. The fractions of Units, if any, that emerge from dividing Units are rounded to three decimal points. The following rules are applied for rounding: numbers NNN.NNN0 until NNN.NNN4 are rounded down to NNN.NNN and numbers NNN.NNN5 to NNN.NNN9 are rounded up to NNN.NN(N+1).

5.3.2. Trading in Units on any trading venue where the Units are admitted to trading may occur only in whole number of Units, unless fractions of Units can be traded under the rules of the trading venue.

5.4. Units acquired by an Investor shall be registered in the Investor's, or in a nominee holder's registry account in the Register, acting on the account of the Investor.

5.5. An Investor cannot request that the common ownership of the Fund be terminated or that the Investor's share be separated from the Fund's assets.

5.6. The Investors have the following rights deriving from the Units:

5.6.1. to purchase, sell, pledge or otherwise dispose of the Units;

5.6.2. to own the share of the Fund's assets corresponding to the number of Units owned by the Investor;

5.6.3. to receive, when payments are made, pursuant to the Rules, the share of the cash flows of the Fund proportional to the number of Units owned by the Investor;

5.6.4. to receive, pursuant to the Rules, the share of the assets remaining upon liquidation of the Fund proportional to the number of Units owned by the Investor;

5.6.5. to convene a general meeting of Investors (the "General Meeting") in accordance with the Rules and the law;

5.6.6. to participate and vote in the General Meeting pursuant to the number of votes provided for in section 10.10;

5.6.7. to propose supervisory board (as defined in section 11, the "Supervisory Board") member candidates for election in the General Meeting;

5.6.8. to request that the Registrar issue a certificate or an extract from the Register concerning the Units owned by the Investor;

5.6.9. to demand that the Management Company compensate for any damage caused by a breach of its obligations;

5.6.10. to access, at the registered address of the Management Company, the documents and information specified in section 16.1 and receive, upon respective request, copies of any of the documents specified in sections 16.1.1, 16.1.2, 16.1.4 and 16.1.12 without charge;

5.6.11. to exercise other rights and take other action as prescribed by law or the Rules.

5.7. The exchange of Units with fund units of other funds managed by the Management Company is not allowed.

5.8. The rights and obligations attached to a Unit with respect to an Investor shall enter into force upon acquisition of a Unit and shall terminate upon disposal or redemption of a Unit. Each Investor acquiring a Unit or Units is deemed to have agreed to the Rules by subscribing for new Units or upon the Units being credited to the securities account of the

Investor as a result of a trade with a third person. A Unit is deemed issued upon registration thereof with the Register and a Unit is deemed redeemed upon cancellation thereof with the Register.

5.9. An Investor must exercise the rights attached to the Units in good faith and in accordance with legislation and the Rules. The objective of exercising the rights of an Investor may not be to cause damage to other Investors, to the Fund, to the Management Company, to the Depositary, or to third persons.

5.10. An Investor is not personally liable for the obligations of the Fund, obligations assumed by the Management Company on account of the Fund, or for obligations the performance of which the Management Company has the right to demand from the Fund pursuant to the Rules. The liability of an Investor for performance of such obligations is limited to the Investor's share in the assets of the Fund.

5.11. An Investor shall pay any transaction fees and service charges which may be demanded by brokers, custodians, or other intermediaries (including the Registrar) upon purchase or sale of Units.

6. ESTABLISHING GROSS PROPERTY VALUE, FUND NET ASSET VALUE,AND GROSS ASSET VALUE OF PROPERTY

6.1. The gross property value shall be determined based on the aggregate market value of all real estate properties belonging to the Fund (the "Gross Property Value"). The gross asset value shall be determined based on the aggregate of the Gross Property Value and the market value of all other consolidated assets of the Fund and the SPVs (excluding shares of SPVs holding real estate) (the "GAV"). The Gross Property Value and GAV shall be calculated in Euros as of the last banking day of each calendar month (the "Valuation Day"). A banking day shall mean any calendar day that is not Saturday, Sunday, a national or public holiday in Estonia, or another day which is considered to be a public holiday by a relevant payment system operator (a "Banking Day").

6.2. The net asset value of the Fund shall be determined based on the aggregate market value of the securities (including shares of SPVs), other property, and rights belonging to the assets of the Fund from which claims against the Fund are deducted (the "NAV").

6.3. The NAV of a Unit equals the NAV of the Fund divided by the number of Units issued and not redeemed as at the point of valuation (the "NAV of the Unit").

6.4. The NAV of the Fund shall be established in accordance with the relevant principles set forth in the internal rules of the Management Company and in legislation and shall be calculated on each Valuation Day. The NAV of the Fund and of a Unit shall be calculated in Euros.

6.5. If, after determining the NAV of the Fund, an event or circumstance occurs or appears which in the Supervisory Board's best professional opinion materially affects the NAV of the Fund, then the Supervisory Board may order a re-evaluation of the fixed market value and re-evaluate the NAV of the Fund or of a Unit provided that failure to carry out such re-evaluation would damage the interests of the Investors.

6.6. The NAV of a Unit shall be calculated as of each Valuation Day and as of each day when Units are issued. A Unit's NAV shall be rounded up to four decimal points. The NAV of the Fund and of a Unit as of each Valuation Day and issue price of a Unit shall be made available on the Website and at the registered office of the Management Company on the

15th day of the following month at the latest. If such day is not a Banking Day, then the above information shall be made available on the first Banking Day after such day.

6.7. The Management Company may suspend the determination of the NAV of the Fund during the existence of any state of affairs which constitutes an emergency as a result of which disposals or accurate valuation of a substantial portion of the assets owned by the Fund would be impracticable or when, for any other reason, the prices of any investments owned by the Fund cannot be promptly or accurately ascertained, provided the suspension is justified with regard to the interests of Investors. The suspension of the determination of the NAV of the Fund will be announced on the Website.

7. VALUATION OF REAL ESTATE

7.1. To determine the market value of real estate property belonging to the Fund, the Management Company shall ensure appraisal of such property at least once a year at the end of the financial year and prior to the auditing of the Fund's annual report. The Supervisory Board may propose the Management Company to undertake appraisal more often, if there are exceptional circumstances which in the Supervisory Board's opinion could have a material impact on the fair market value of the properties.

7.2. Any real estate belonging to the Fund shall be appraised by an independent real estate appraiser appointed from time to time by the Management Company after consultation with the Supervisory Board. Only a licensed independent real estate appraiser of high repute and sufficient experience in appraising similar property and operating in the country where any relevant real estate property is located may evaluate real estate belonging to the Fund.

7.3. The appraiser may not be an affiliate of the Management Company. The appraiser shall value only real estate properties for which it can act as independent expert, without any conflicts of interest arising due to other connections with the respective property.

7.4. The appraiser(s) appointed by the Management Company shall be disclosed in the annual report of the Fund for each year and the Management Company shall inform the FSA of the appointed appraiser and the criteria under which the appointment was decided.

7.5. The real estate appraiser shall prepare an appraisal report outlining the results of the appraisal. The appraisal reports shall be prepared in accordance with a recognised property valuation standard. If so provided in the internal rules of the Management Company, such appraisal report shall be accompanied by the Management Company's internal valuation statement in which case the overall valuation process of Fund's assets (including real estate) shall be considered internal. Real estate shall be reflected in the Fund's Gross Property Value, GAV, and NAV on the basis of the value of the real estate recorded in the appraisal report and, if relevant, the Management Company's internal valuation statement. The Management Company shall make a condensed form of the appraisal report regarding real estate belonging to the Fund available to Investors on the Website.

8. ISSUE, REDEMPTION, AND PURCHASE OF UNITS

8.1. Units are issued by the Management Company on behalf of the Fund.

8.2. The Management Company may issue and offer Units to the public or through a private placement in accordance with applicable laws and the Rules. Units are issued and offered only during specific times determined by the Management Company; Units are not available for subscription at all times.

8.3. The issue of new Units may be determined:

8.3.1. at the General Meeting, or

8.3.2. by the Management Company, if it has received approval from the Supervisory Board and if new Units will be issued at the most recent NAV.

8.4. New Units shall be issued in accordance with the Rules, applicable laws and regulations, and the terms and conditions of the specific issue. The terms and conditions of the first issue of the Units after the registration of the Rules shall be determined by the Management Company.

8.5. In order to acquire Units, an Investor must subscribe for the Units and pay the full issue price. By submitting the subscription order, an Investor agrees to the Rules and to the terms and conditions of the specific issue of Units and undertakes to adhere thereto.

8.6. An Investor shall be required to pay in full for the Units, and on the dates, as specified in the terms and conditions of the specific issue of Units. The Management Company shall not charge nor deduct any subscription fees from the paid in issue price.

8.7. The issue price of a Unit shall be determined by the Management Company. If the issue of new Units is resolved at the General Meeting in accordance with sections 8.3.1 and 10.3.1, the Management Company shall follow the terms and conditions set forth in the General Meeting resolution. If so determined at the General Meeting and provided that the IFA allows that, Units may be issued at discount or in excess of the NAV. The Management Company shall have the right to solely determine the issue price for the first issue of Units.

8.8. An investor can subscribe only for a whole number of Units without fractions, unless otherwise specified in the terms and conditions of the specific issue of Units. The allocation of Units shall be determined by the Management Company under the terms and conditions of the specific issue of Units.

8.9. Units shall be issued and registered in the Investor's securities account in the Register on the payment date specified in the terms and conditions of respective issue.

8.10. If an Investor fails to pay in the issue price in accordance with the terms and conditions of the issue, or is otherwise in violation of the terms and conditions of the issue or the Rules, no Units shall be issued to the Investor.

8.11. The Units are not redeemable at the request of the Investor. The Units shall be redeemed upon liquidation of the Fund.

8.12. The Management Company is entitled to purchase Units on account of the Fund, provided that:

8.12.1. such transactions are, or the purchase plan is, approved by the General Meeting. After the Units have been admitted to trading, the Management Company has the right to decide the purchase of the Units on account of the Fund within 1 month for the purposes of stabilisation in accordance with European Commission Regulation (EC) No 2273/2003 of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buy-back programmes and stabilisation of financial instruments;

8.12.2. the aggregate number of Units bought back and held by the Fund shall not exceed 10% of the total number of Units at any time;

8.12.3. Units held by the Fund shall not grant any unit-holder rights to the Fund or to the Management Company;

8.12.4. any purchase shall be executed in accordance with applicable legislation and with the rules of the trading venue; and

8.12.5. the Management Company shall either cancel or sell the Units within 3 months after the purchase.

9. DISTRIBUTIONS TO INVESTORS

9.1. The Management Company intends to make distributions from the cash flow of the Fund at least annually in cash to the Investors on a pro rata basis.

9.2. A distribution shall be paid to Investors if all of the following conditions are met:

9.2.1. the Fund has retained such reserves as required for the proper running of the Fund;

9.2.2. the distribution does not endanger liquidity of the Fund;

9.2.3. the Fund has made necessary follow-on investments in existing properties, i.e. investments into the development of existing properties of the Fund, and making 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.

9.3. The Management Company shall disclose the Record Date (as defined in section 9.5) and the payment date of each distribution event on the Website and by a stock exchange release disclosed on the website of the trading venue where the Units are admitted to trading (the “Stock Exchange Release”), at least ten Banking Days prior to the Record Date.

9.4. Net disposal proceeds received, if any, shall either be reinvested or distributed to the Investors depending on whether the Management Company sees suitable investment opportunities in the market.

9.5. The Investors entitled to the distribution payments under this section 9 shall be determined two Banking Days prior to the payment date (the “Record Date”).

9.6. Distributions will be made in cash to the current account of the Investor connected to the securities account in the Register.

10. GENERAL MEETING

10.1. Investors participate in the governance of the Fund through the General Meeting.

10.2. General Meetings shall be held at the seat of the Management Company unless otherwise prescribed in the notice convening the meeting.

10.3. The Investors at the General Meeting are entitled to resolve the following matters:

10.3.1. issue new Units;

10.3.2. amend the procedure for the making of distributions to Investors;

10.3.3. approve and recall the members of the Supervisory Board and determine the remuneration of the members;

10.3.4. change the Management Company at the initiative of the Investors;

10.3.5. liquidate the Fund;

10.3.6. amend the procedure for the redemption of Units;

10.3.7. increase the Management Fee and Depositary Fee and other fees and charges payable on account of the Fund;

10.3.8. decide on the merger and transformation of the Fund unless otherwise provided by the IFA;

10.3.9. amend the fundamental principles of the investment policy of the Fund;

10.3.10. establish a term for the Fund and amending the term, if established;

10.3.11. amend the Rules;

10.3.12. purchase of Units on account of the Fund.

10.4. The Management Company shall convene the General Meeting at least once a year, after the Management Company has approved the annual report of the Fund. In addition to the annual meeting, the Management Company shall convene the General Meeting as often as there is a need to resolve issues specified in section 10.3. The Management Company shall convene the General Meeting within 6 months after the Units have been de-listed and the Management Company has not succeeded in having the Units re-admitted to trading.

10.5. The FSA or Investors whose Units represent at least 1/10 of the votes are entitled to request the Management Company convene the General Meeting and propose issues to be included in the agenda of the General Meeting. If the Management Company does not convene the General Meeting within one month after receipt of a request, the FSA or Investors have the right to convene the General Meeting themselves.

10.6. Notice of the General Meeting shall be published at least three weeks in advance. A notice convening a General Meeting is published on the Website and via the Stock Exchange Release. At the same time as the publication of a notice, if the IFA so stipulates, it also shall be published in at least one of the daily national (Estonian) newspapers.

10.7. The notice shall be accompanied with information related to the items in the agenda. Investor(s) requesting a change of the Management Company under section 10.3.4. shall submit to the Investors the consent of the new management company to undertake the duties of the management company.

10.8. The Investor, who is a registered unit-holder in the Register, or a representative of the Investor, who has been granted an authorisation document in writing, may participate in a General Meeting. The participation of a representative shall not deprive the Investor of the right to participate in the General Meeting.

10.9. A list of the Investors participating in a General Meeting including the names of the Investors, the number of votes attached to their Units, and the names of the representatives of the Investors, is prepared at the General Meeting. The list shall be signed by the chair of the General Meeting, the secretary of the meeting, and each Investor or his or her representative participating in the General Meeting. The authorisation documents of representatives shall be appended to the minutes of the General Meeting.

10.10. In order to adopt resolutions at the General Meeting, the proportion of votes belonging to the Investor is determined pursuant to the ratio of the number of votes arising from Units belonging to the Investor and the number of votes arising from all Units which have been issued as of ten days before the General Meeting is held. To participate in any General Meeting, an Investor is required to have Units registered in its name in the Register as of ten days before the date of the General Meeting.

10.11. At the General Meeting, Investors may adopt resolutions if more than 1/2 of the votes represented by the Units are present. If there are less than, or equal to, 1/2 of votes represented at the General Meeting, the Management Company may, within three weeks but not earlier than after seven days, convene another General Meeting with the same agenda. The new General Meeting is permitted to adopt resolutions regardless of the number of votes represented at the meeting. Except for resolutions to be adopted under sections 10.14 and 10.15 below.

10.12. An issue which is initially not on the agenda of the General Meeting may be added to the agenda during the General Meeting with the consent of at least 9/10 of the Investors who participate in the General Meeting if their Units represent at least 2/3 of the votes.

10.13. A resolution of the General Meeting shall be adopted if more than 1/2 of the votes represented at the General Meeting are in favour, unless a greater majority requirement is prescribed under sections 10.14 or 10.15 below.

10.14. In order to adopt resolutions in matters specified in sections 10.3.2, 10.3.5, 10.3.6, 10.3.8, 10.3.9, 10.3.10, and 10.3.11 above, more than 3/4 of the votes represented by the Units shall be present and more than 4/5 of the votes represented at the General Meeting shall vote in favour to adopt those resolutions.

10.15. In order to adopt a resolution as specified in section 10.3.4, more than 3/4 of the votes represented by the Units shall be present and more than 4/5 of the votes represented at the General Meeting, excluding votes represented by the Management Company and its related parties (as defined in section 10.17 below), and also excluding votes represented by any Investor holding, directly or indirectly via its related persons (as defined in section 10.17 below for the Management Company), more than 50% of all units, shall vote in favour to adopt the resolution.

10.16. The General Meeting may adopt a resolution to amend the procedure for the redemption of Units (section 10.3.6) only together with a resolution on liquidation of the Fund (section 10.3.5).

10.17. The Management Company and its related parties who hold Units and are participating in the General Meeting shall abstain from voting in all issues where there is a potential conflict of interest between the Fund and the Management Company, including but not limited to voting on raising the Management Fee. Related parties shall mean companies belonging to the same consolidation group as the Management Company, shareholders of the Management Company and of the companies belonging to the same consolidation group as the Management Company and members of management bodies of the Management Company and of the companies belonging to the same consolidation group as the Management Company.

11. SUPERVISORY BOARD

11.1. The Fund shall have a supervisory board consisting of three to five members (the “Supervisory Board”). The Supervisory Board acts solely in an advisory capacity and the Management Company shall remain responsible for making decisions related to the fund management.

11.2. The members of the Supervisory Board shall be appointed at the General Meeting for a period of at least two years. The Management Board shall appoint the first members of the Supervisory Board and determine their remuneration immediately after the registration of the Fund. The following principles shall be followed when appointing the Supervisory Board members:

11.2.1. a member shall have recognized experience in the real estate market(s) in Estonia, Latvia, or Lithuania, an impeccable business reputation, and an appropriate education;

11.2.2. only one of the members may be related to the Management Company, i.e. the person is a member of the management board or supervisory council or shareholder of the Management Company or of any other company belonging to the same consolidation group with the Management Company, or is otherwise related to or appointed by the Management Company;

11.2.3. at least one of the members should represent Investors who are not related to the Management Company and are not related to the ten largest Investors in terms of Units held as of ten days before the date of the General Meeting, or be an independent member not related to any Investor.

11.3. The Supervisory Board and its members are not allowed to delegate their rights to other persons.

11.4. Supervisory Board members shall elect a chairman from among themselves in the first meeting after election of any new member(s).

11.5. The Management Company shall consult with the Supervisory Board on the following matters:

11.5.1. the approval of an appraiser for the valuation of real estate in the Fund to be appointed by the Management Company;

11.5.2. the approval of an auditor of the Fund to be appointed by the supervisory council of the Management Company;

11.5.3. the approval of the depositary bank of the Fund to be chosen by the Management Company;

11.5.4. the approval of the issue of new units under section 8.3.2;

11.5.5. any issues that may involve conflicts of interest related to the Fund;

11.5.6. any other issues in accordance with the Rules.

11.6. A meeting of the Supervisory Board shall be convened by the Management Company at least once per quarter. Each member of the Supervisory Board and the Fund Manager(s) (as defined in section 12.3 below) has the right to convene a meeting. The Supervisory Board has the right to pass decisions without convening a meeting in case all the Supervisory Board members agree not to convene a meeting. The meetings of the Supervisory Board shall be arranged by the chairman of the Supervisory Board.

11.7. The Supervisory Board is entitled to pass decisions if more than half of the members take part in the meeting.

11.8. A decision of the Supervisory Board shall be adopted if more than half of the members present at the meeting vote in favour of the decision. In case the Supervisory Board adopts decisions without convening a meeting a decision shall be adopted if more than half of the members vote in favour of the decision.

11.9. The minutes of the Supervisory Board meetings shall be recorded and sent to all Supervisory Board members. The minutes of the meeting shall be signed by all Supervisory Board members who participated in the meeting and the person who took the minutes. In case the Supervisory Board member does not agree with the passed decisions, the member's different opinions will be added to the minutes and that member of the Supervisory Board will confirm the opinion with a signature.

11.10. In order to pass decisions, the Supervisory Board may request reports and clarifications from the Management Company and the Fund Manager(s) (as defined in section 12.3 below) and give them reasonable time to prepare such reports.

11.11. Supervisory Board members are entitled to remuneration for their service. The amount of remuneration payable to the chairman and members of the Supervisory Board shall be decided at the General Meeting.

12. RIGHTS AND OBLIGATIONS OF THE MANAGEMENT COMPANY

12.1. The basis of the activities of the Management Company is set forth in the articles of association of the Management Company, the Rules, and legislation.

12.2. The Management Company has the right to dispose of and possess the assets of the Fund and other rights arising therefrom. The Management Company shall conclude transactions with the Fund's assets (including investing the Fund's assets) in its own name and on account of the Fund.

12.3. To manage the assets of the Fund, the management board of the Management Company shall appoint one or more fund managers whose duty it is to coordinate the investment of the Fund's assets and other activities related to management of the Fund and to monitor that the Fund is managed pursuant to the provisions of legislation and the Rules (the "Fund Manager"). The Management Company is responsible for making and implementing investment and divestment decisions in its own name and exclusively in the interests of and on joint account of the Investors.

12.4. The Management Company shall determine the Fund's investment policy and perform the duties specified in subsection 12.11, unless such duties have been delegated to third parties. The Management Company shall invest the Fund's assets in compliance with the investment policy specified in the Rules and observe the investment restrictions specified in the Rules and legislation. The Management Company shall obtain sufficient information about the assets it plans to acquire or has acquired on account of the Fund, monitor the financial and economic situation of the issuer whose securities it plans to acquire or has acquired on account of the Fund, and obtain sufficient information about the solvency of counterparties with whom transactions are made on account of the Fund.

12.5. The Management Company shall manage the assets of the Fund separately from its own assets, assets of other funds, and pools of assets managed by the Management Company. The assets of the Fund do not form part of the bankruptcy estate of the Management Company and any claims of creditors of the Management Company shall not be satisfied out of the Fund's assets.

12.6. The Management Company shall arrange the maintenance and preservation of immovables directly or indirectly owned by the Fund. In arranging the maintenance and preservation of immovables, the Management Company shall observe the following principles: (i) immovables must be kept and maintained prudently, (ii) immovables must be insured, if possible, and (iii) in case of extraordinary 'wear and tear' of an immovable (including a building constituting an essential part of an immovable) or extraordinary deterioration in its condition, the immovable (including a building constituting an essential part of the immovable) must, if possible, be restored to its former condition, repaired, or improved.

12.7. The Management Company may (but is not obliged to) acquire and own Units. The Units owned by the Management Company may not exceed 5% of all Units. In cases addressed by legislation, the Management Company shall notify FSA of its acquisition of Units. Information on the size of the holding of the Management Company in the Fund shall be made available according to section 16.1.10.

12.8. The Management Company has the right and the duty to submit a claim in its own name on behalf of the Investors or the Fund against the Depositary or third parties if not submitting such a claim would or could result in significant damage to the Fund or the Investors. The Management Company is not required to submit such a claim if the Fund or the Investors have already submitted a claim.

12.9. The Management Company shall be liable for any damage caused to the Fund or the Investors due to a violation of its duties under the Rules and applicable laws.

12.10. The Management Company shall arrange the accounting of the Fund. The Management Company shall keep the accounting of the Fund separate from the accounting of the Management Company and the accounting of its other funds.

12.10.1. The financial information of the Fund shall be prepared in accordance with the International Financial Reporting Standards (IFRS).

12.10.2. The financial year of the Fund lasts from 1 January to 31 December.

12.11. The Management Company may delegate the following duties to third parties to the extent provided in the IFA and pursuant to the procedure set forth in the IFA:

12.11.1. investing the Fund's assets, which means making of investment decisions upon investment of the Fund's assets;

12.11.2. organising the issue and redemption of Units;

12.11.3. issuing of documentation proving the registration of Units in the Register belonging to the Investor;

12.11.4. arranging the sales and marketing of the Units;

12.11.5. providing necessary information and other customer services to the Investors;

12.11.6. keeping account of the Fund's assets and organising the accounting of the Fund;

12.11.7. determining the Fund's NAV;

12.11.8. organising of maintenance of the register of Units;

12.11.9. calculating of the Fund's net income and arranging the distribution from the cash flows to the Investors;

12.11.10. monitoring compliance of the activities of the Management Company and the Fund with legislation, including applying a relevant internal audit system;

12.11.11. maintening and preserving of immovables and any related activities;

12.11.12. any of the activities directly related to the activities listed above.

12.12. In delegating the services related to the maintenance and preservation of immovables (section 12.11.11), respective service agreements may be entered into directly between a third party service provider and the SPV.

12.13. Any delegation of duties does not exempt the Management Company from liability related to the management of the Fund.

12.14. The duties of the Management Company in full may be transferred to a third party fund management company in accordance with the IFA. The change of the Management Company may be initiated by the Management Company in accordance with a resolution of the supervisory council of the Management Company, or by the Investor(s) in accordance with section 10.15 of the Rules.

12.15. The transfer of the fund management to another management company shall be arranged based on the approval by the FSA.

12.15.1. The Management Company shall act in good faith in negotiating and signing the transfer agreement, obtaining FSA approval, and performing other tasks under the decision of the supervisory council of the Management Company or the resolution of the General Meeting to transfer the fund management to another management company. The costs of the transfer shall be borne by the new service provider, unless otherwise agreed in the transfer agreement.

12.15.2. The duties of the Management Company shall be transferred to the new management company under the transfer agreement not earlier than one year from the approval by the FSA, unless shorter term is agreed in the transfer agreement.

13. ACTIVITIES OF THE DEPOSITARY

13.1. The Management Company shall enter into a depositary contract with the Depositary for the safekeeping of the Fund's money and assets, including financial instruments and other assets, with the Depositary, and for overseeing and monitoring of the Fund's activities.

13.2. The Depositary shall hold in custody all financial instruments of the Fund that can be registered in a financial instruments account opened in the Depositary's books (the "Safekept Instruments"). Assets that can be held in custody by the Depositary shall be determined in a depositary contract.

13.3. All other assets of the Fund that are not condsidered financial instruments, including cash, immovable and movable property, rights, and shares of SPVs not registered with central securities depositaries in Estonia, Latvia or Lithuania, shall be subject to verification of ownership and record keeping duties by the Depositary. The Management Company may execute transactions with the Fund's assets only through the Depositary or after prior notification of the Depositary.

13.4. In performing the monitoring and oversight of the Fund's activities, the Depositary shall be responsible for:

13.4.1. ensuring that the sale, issue, repurchase, redemption, and cancellation of Units are carried out in accordance with the IFA and the Rules;

13.4.2. ensuring that the NAV of the Units is calculated in accordance with the IFA and the Rules;

13.4.3. carrying out the instructions of the Management Company, and assessing their compliance with the IFA, and with the Rules;

13.4.4. ensuring that in transactions involving the Fund's assets, any consideration is remitted to the Fund in full and within the usual time limits;

13.4.5. ensuring that the distributions from the Fund cash flow are made in accordance with the IFA and the Rules;

13.4.6. ensuring that the cash flows of the Fund are properly monitored, and, in particular, that all payments made by or on behalf of Investors, upon the subscription of Units, have been received, and credited to the Fund account.

13.5. The functions, rights, obligations and liability of the Depositary with regard to the Fund and the Management Company derive from the Rules and the depositary contract between the Management Company and the Depositary, IFA and other applicable regulations. The Depositary shall be liable to the Fund or to the Investors, for the loss of the Safekept Instruments held in custody by the Depositary or a third party to whom the custody of financial instruments held in custody has been delegated. In the case of such a loss of the Safekept Instruments, the Depositary shall return a financial instrument of identical type or the corresponding amount to the Fund or the Management Company acting on behalf of the Fund without undue delay. The Depositary shall not be liable if it can prove that the loss has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts by the Depositary to the contrary.

13.6. The Depositary has the right to enter into contracts with third parties for the delegation of its duties (including the duty to safekeep the Fund’s assets) pursuant to the IFA and other applicable regulations and the depositary contract, provided that the following conditions are met:

13.6.1 the intention of delegation is not to avoid the requirements of the IFA;

13.6.2 there is an objective reason for the delegation;

13.6.3 the Depositary has exercised all due skill, care, and diligence in the selection and the appointment of any third party to which it delegates duties, and continues to exercise all due skill, care and diligence in the periodic review and ongoing monitoring of any third party to whom it has delegated duties and of the third party’s performance of those duties;

13.6.4 the Depositary ensures that the third party has structures and expertise adequate and proportionate to the nature and complexity of the assets of the Fund, or the Management Company acting on behalf of the Fund, which have been entrusted to it, and the third party is subject to effective prudential regulation, including minimum capital requirements, and supervision in the relevant jurisdiction; and

13.6.5 the third party is subject to an annual external periodic audit to ensure that the financial instruments are in its possession.

14. REGISTER OF UNITS

14.1. The Register is kept by the Registrar. The Registrar operates under the laws of Estonia applicable to the registration of securities and the settlement of securities trades.

14.2. The Units are deemed to belong to the person in whose name the securities account is held in the Register, except for the Units held in a nominee account, in which case the Units are deemed to belong to the client of the nominee holder. Despite the foregoing, only persons in whose name a securities account is held are entitled to exercise rights arising out of the Units under the Rules. A unit-holder has the right to rely on the entry in the Register when performing his/her rights and duties in relation to third parties. The Registrar shall issue a statement of Units owned by the unit-holder upon the unit-holder's request.

14.3. By subscribing for or purchasing Units, the Investor consents to the processing of their information (including personal data) by the Registrar and the Management Company to the extent necessary for keeping the Register and performing other duties under the Rules or applicable law.

14.4. The Registrar shall make entries in the Register on the basis of the transaction information related to the Units. Entries may also be based on court judgments or other grounds approved by the Registrar.

14.5. Information and documents submitted to the Registrar for an entry to be made shall be preserved by the Registrar for at least ten years from the date of the corresponding entry. Information shall be preserved in the form of documents or in a format which can be reproduced in writing.

14.6. The Registrar shall be liable for breach of its obligations arising from the law and agreement on keeping the Register, and it shall reimburse any damages caused, except when the breach did not occur because of the activities of Registrar.

15. FEES AND EXPENSES PAID OUT OF THE FUND

15.1. Management fee

15.1.1. The Management Company shall be paid a management fee on account of the Fund for managing the Fund (the duties of the Management Company are set forth in section 12 and in the IFA) (the "Management Fee"). The value added tax (if applicable) shall be added to the Management Fee and paid on account of the Fund.

15.1.2. The Management Fee shall be calculated as follows:

(a) The Management Fee shall be calculated quarterly based on the 3-month average market capitalisation of the Fund. After each quarter, the Management Fee shall be calculated on the first Banking Day of the following quarter (the "Fee Calculation Date"). Quarters shall mean 3-month periods that start on 1 January, 1 April, 1 July, and 1 October;

(b) Average market capitalisation shall mean the average closing prices of all days in the previous 3 month period multiplied with the respective daily number of the Units outstanding on the marketplace(s) where Units are admitted to trading (the "Market Capitalisation");

(c) The Management Fee shall be calculated based on the following rates and in the following tranches:

(i) 1.50% of the Market Capitalisation below EUR 50 million;

(ii) 1.25% of the part of the Market Capitalisation that is equal to or exceeds EUR 50 million and is below EUR 100 million;

(iii) 1.00% of the part of the Market Capitalisation that is equal to or exceeds EUR 100 million and is below EUR 200 million;

(iv) 0.75% of the part of the Market Capitalisation that is equal to or exceeds EUR 200 and is below EUR 300 million;

(v) 0.50% of the part of the Market Capitalisation that is equal to or exceeds EUR 300 million.

(d) The Management Fee shall be calculated after each quarter as follows:

(i) the Market Capitalisation as calculated on the Fee Calculation Date, split into the tranches and each tranche of the Market Capitalisation ($MCap_t$) multiplied by

(ii) respective fee rate (F_n) applied to the respective tranche, then the aggregate of the fees from each tranches multiplied by

(iii) the quotinent of the actual number of days in the respective quarter ($Actual_q$) divided by 365 days per calendar year, as also indicated in the formula below

$$((MCap_1 \text{ x } F_1)+...+(MCap_5 \text{ x } F_5)) \text{ x } (Actual_q / 365)$$

(e) 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. In this case, the NAV of the Fund means the average quarterly NAV of the Fund and such Management Fee adjustments shall be calculated and paid annually after the annual report of the Fund for the respective period(s) has been audited.

(f) For periods during which the Units are not traded on any marketplace, the Management Fee shall be calculated and paid quarterly based on the average NAVs over preceeding 3 months. Management Fee adjustments, if any, shall be made annually after the annual report of the Fund for the respective period(s) has been audited.

15.1.3. The Management Company shall be responsible for the calculation of the Management Fee.

15.1.4. The Management Fee calculated and accrued in accordance with section 15.1.2 above shall be paid to the Management Company quarterly within 5 Banking Days after the issue of the invoice by the Management Company.

15.1.5. The Management Fee shall be calculated and paid in Euros unless calculation or payment must be made in another currency under applicable mandatory law.

15.2. **Performance fee**

15.2.1. For each year, if the annual adjusted funds from operations of the Fund divided by the average paid in capital during the year (calculated on a monthly basis) 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”). The adjusted funds from operations shall mean 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.

15.2.2. The Performance Fee is calculated annually by the Management Company and is accrued to the Performance Fee reserve. Once the Performance Fee reserve becomes positive, the Performance Fee can be paid to the Management Company.

15.2.3. The Performance Fee for a year can be both positive and negative. However, the Performance Fee for the year shall not exceed 0.4% of the Fund’s average NAV per year (upper Performance Fee limit). Negative Performance Fee shall not be less than -0.4% of the Fund’s average NAV per year (lower Performance Fee limit).

15.2.4. A Performance Fee for the first year of the Fund (i.e. 2016) shall not be calculated.

15.2.5. The Performance Fee first becomes payable in the fifth year of the Fund (i.e. 2020) for the period of 2017, 2018, and 2019. After that, the Performance Fee shall be payable annually, depending on the accrued Performance Fee reserve over the period starting from the second year of the Fund (i.e. 2017).

15.2.6. The Performance Fee shall be paid to the Management Company within 8 calendar days after the issue of the invoice by the Management Company.

15.2.7. If the Performance Fee reserve becomes negative, the Management Company is not obliged to return any paid Performance Fee. However, the next Performance Fee becomes payable only after the Performance Fee reserve becomes positive.

15.2.8. The value added tax (if applicable) shall be added to the Performance Fee and paid on account of the Fund.

15.3. **Depositary Fee**

15.3.1. The Depositary shall be paid a depositary fee for the provision of depositary services (the “Depositary Fee”). The annual Depositary Fee is 0.03% of the GAV, but the Depositary Fee shall not be less than EUR 10,000.00 per annum. The value added tax specified by law shall be added to the Depositary Fee. The Depositary Fee plus value added tax shall be paid on account of the Fund. An Investor can access the effective rate of the Depositary Fee at the registered address of the Management Company.

15.3.2. In addition to the Depositary Fee, the Depositary shall be paid or reimbursed for fees and out-of-pocket expenses related to the transactions made on account of the Fund.

15.3.3. The Depositary Fee shall be calculated monthly from the GAV and paid to the Depositary on the basis of an invoice submitted by the Depositary.

15.4. **Other Expenses**

15.4.1. The following other expenses are payable on account of the Fund for the functioning of the Fund:

(a) fees for property management services;

(b) fees and costs related to the administration and maintenance of real estate properties belonging, directly or indirectly, to the Fund;

(c) costs (including interest costs) relating to borrowing by the Fund or SPV;

(d) costs for the valuation of real estate belonging, directly or indirectly, to the Fund (when related to the regular valuation pursuant to section 7);

(e) costs and expenses related to set-up, restructuring, and liquidation of the Fund, including fees of external consultants;

(f) the Registrar's fees for registering Units and for other services provided by the Registrar to the Investors (when not payable directly by the Investors);

(g) remuneration payable to Supervisory Board members;

(h) costs related to convening and holding General Meetings;

(i) costs related to convening and holding Supervisory Board meetings;

(j) costs for translating regular Investor notifications and reports that are required under legislation or the Rules;

(k) costs for the Fund's and SPVs' tax planning/tax structuring and tax advice, unless related to a direct or indirect acquisition of real estate by the Fund;

(l) fees for the auditing of the annual reports of the Fund and SPVs;

(m) costs of accounting and preparing the quarterly, semi-annual, and annual reports of the Fund and SPVs, including tax statements and tax returns;

(n) tenant brokerage fees related to real estate belonging, directly or indirectly, to the Fund;

(o) insurance costs and property taxes related to real estate belonging, directly or indirectly, to the Fund;

(p) fees for marketing services related to the Fund and real estate belonging, directly or indirectly, to the Fund, including expenses in relation to the marketing and distribution of the Fund;

(q) costs and fees related to the listing of the Fund pursuant to section 1.5;

(r) all other operational and financial expenses attributable to investments of the Fund, including but not limited to capital expenditures;

(s) damages reimbursable in connection with the real estate investments of the Fund and with the management of such property;

(t) other charges concerning the Fund and the SPVs associated with the sourcing, acquisition, managing, valuation (including by independent property appraisers), structuring, holding, and disposal of the investments, including costs and expenses related to the formation, maintenance, disposal and/or liquidation of SPVs, and costs and expenses related to contemplated but unconsummated investments (including in SPVs);

(u) bank fees, commissions, fees associated with depositing or pledging securities, securities account management fees, state duties, advisory services, legal fees, adjudication fees, fees for address services, representation and publicity expenses, delivery of documents, translation, administration and management fees paid to persons not associated with the Management Company, provided that such costs are related to the activities of the Fund or SPVs;

(v) salaries (to the extent employment is legally required) related to chief executive officers/directors of any SPV, as long as such salaries are set at the minimum required level;

(w) the costs of reasonable directors' and officers' liability insurance on behalf of the members of the Supervisory Board and the members of the board of directors of the Fund's SPVs;

(x) the costs incurred in connection with any litigation, arbitration, or other proceedings in relation to the Fund's assets, including any such proceedings in relation to assets held by SPVs;

(y) all expenses related to entering and exiting investments (i.e. expenses related to the acquisition and disposal of real estate as well as shares of SPVs and other assets of the Fund as well as broken deal expenses), including, without limitation, state duties, notary fees, fees for real estate valuations by certified appraisers (when related to entering and exiting investments), fees for legal, tax, and other due diligence investigations directly related to the acquisition of real estate;

(z) taxes to be added to costs provided in subsections 15.4.1(a) - 15.4.1(y) above.

15.4.2. For the purpose of clarity, the Fund covers also investment costs related to preserving the value of its real estate properties (including, without limitation, costs related to improvements and repair). Among others, such investment costs include construction costs, development costs and fees, brokerage fees, architects' fees, fees related to detail planning and other consultants' costs. Investment costs are not considered to be expenses, but rather as investments of the Fund.

15.5. For the purpose of clarification, fees and expenses that according to this section 15 are paid out of the Fund may also be directly paid out of the SPVs relative to which such fees or expenses have been incurred to the extent that is allowed under applicable legislation.

15.6. The fees (i.e. Management Fee, Performance Fee, and Depositary Fee) and other expenses paid out of the Fund (including out of SPVs) shall not exceed 30% of the NAV of the Fund per calendar year.

16. PUBLISHING INFORMATION

16.1. The Management Company shall make available at the registered address of the Management Company and on the Website at least the following information and documents:

16.1.1. the Rules;

16.1.2. the three most recent annual reports of the Fund;

16.1.3. details of the Management Company, the Fund Manager, the Depositary, the Registrar, the auditor of the Fund, and any other third party to whom the fund management or safekeeping functions have been delegated;

16.1.4. the most recent prospectus of the public offer of Units;

16.1.5. the NAV of the Fund and of a Unit;

16.1.6. internal rules and procedures of the Management Company for the determination of the NAV;

16.1.7. the rules for the valuation of real estate;

16.1.8. the rules for handling conflicts of interest;

16.1.9. a description of the Fund's liquidity risk management;

16.1.10. information on the size of the holding by the Management Company in the Fund;

16.1.11. marketplaces where Units are admitted to trading, and the latest closing price of a Unit on each marketplace;

16.1.12. the most recent semi-annual report of the Fund if this was approved after the most recent annual report;

16.1.13. the three most recent annual reports of the Management Company;

16.1.14. other information required under the laws, regulations, or guidelines by any competent authority.

16.2. The Management Company shall publish information about the circumstances and events that materially affect the operation or financial status of the Fund, the assets of the Fund or the Management Company, or the formation of the NAV, or which are otherwise likely to have a significant effect on the Unit price via the Stock Exchange Release. Any such information shall be published immediately after the circumstances have come into existence or are expected to come into existence or the event has occurred or is expected to occur.

16.3. The annual report of the Fund and the annual report of the Management Company shall be made available within 4 months after the end of the financial year of the Fund or the Management Company, respectively, and the semi-annual and quarterly financial reports of the Fund shall be made available within 2 months from the end of the corresponding period on the Website and via the Stock Exchange Release.

17. LIQUIDATION OF THE FUND

17.1. If Investors at the General Meeting decide to liquidate the Fund, the Management Company shall act as the liquidator.

17.2. To liquidate the Fund, the Management Company shall obtain the relevant approval from the FSA.

17.3. Upon obtaining approval for the liquidation of the Fund from the FSA, the Management Company shall without delay publish a notice regarding the liquidation of the Fund in at least one daily national (Estonian) newspaper, on the Website, and via the Stock Exchange Release, specifying in the notice the information required by law. From the day following the publication of the liquidation notice, no Units shall be issued or redeemed, trading in the Units shall be halted, and distributions to the Investors shall be suspended. Liquidation must be completed within a period of six months starting from the publication of the liquidation notice. The liquidation period may be extended with approval by the FSA if requested by the Management Company; however, as a result of the extension, the period of liquidation may not exceed 18 months.

17.4. Upon liquidation of the Fund, the Management Company shall transfer the assets of the Fund, collect the debts of the Fund, and satisfy the claims of the creditors of the Fund. Up to 2% of the NAV of the Fund, as of the day of adopting the liquidation decision, may be used to cover the expenses of liquidation of the Fund on account of the Fund. If the actual liquidation expenses exceed this amount, the Management Company or a third party operating as a liquidator shall be liable for the expenses exceeding that amount.

17.5. The Management Company shall distribute the assets remaining upon liquidation among the Investors in proportion to the number of Units owned by each Investor. Assets will be divided among Investors in cash unless otherwise authorised by the FSA.

17.6. The FSA may decide to liquidate of the Fund if within two months of the termination of the Management Company’s right to manage the Fund (subject to provisions of the IFA), the General Meeting has not amended the Rules to appoint a new management company or decided to liquidate of the Fund. If the FSA decides to liquidate the Fund, the FSA shall appoint the liquidator and the limit on liquidation expenses set forth in section 17.4 shall not apply.

18. AMENDMENT OF THE RULES

18.1. The Rules may be amended by a resolution at the General Meeting.

18.2. After the amended Rules have been registered with the FSA, the Management Company shall publish the amended text of the Rules on the Website, and publish respective notice in at least one of the daily national (Estonian) newspapers and via the Stock Exchange Release, and shall immediately thereafter inform the FSA of the date of publication of the amendments.

18.3. Amendments enter into force one month after the publication of the notice under section 18.2 above in at least one of the daily national (Estonian) newspapers, unless the notice prescribes a later date for entry into force. The amendments to the Rules may enter into force earlier than the one month period if so decided at the General Meeting and allowed by the law.

APPENDIX B

Condensed Valuation Reports

In the following pages there are provided the latest condensed valuation reports for the properties owned by the Issuer. Most appraisals of all the properties, except for Duetto II, were carried out in December 2018. A separate valuation of Duetto II which the Fund acquired in February 2019 was performed in December 2018. All the valuations were performed by licensed independent appraisers at Newsec. For more information regarding the appraisers see section 10.7 “Appraiser”.

Summary

The purpose of this Valuation report is to present and appraise the property – Shopping Centre EUROPA, situated at the address Konstitucijos av. 7A – 1 and 7B, Vilnius, Lithuania, currently owned by UAB "BH Europa".

The Baltic region is fully integrated into the Eurozone after the euro adoption in Lithuania in 2015, following Estonia in 2011 and Latvia in 2014. The Baltic countries benefit from this due to the removal of the local currency risk opening opportunities for new investors and increasing the attractiveness of the region as a whole. Year of 2016 is described as a record year for office and retail investment transactions market, when nearly 75 % of total volume was investments into these segments. 2017 was a year of retail transactions, when nearly half of the total volume in Baltic states (including Lithuania) was made in this segment (46 % of total investment volume and more than 300 mEUR). There were attracted new international investors, who bought large scale projects in the Baltic market. Main principles applied for valuation:

- Due to the absence of the comparable market data direct Capitalization method is assumed not to reflect the true Market Value of the property;
- Sales Comparison approach was not applied due to absence of comparable transactions, as well as supply, during last 3 years (considering property physical, juridical and lease structure).
- The 10-year Discounted Cash Flow approach is considered to be the most reflective method given the forecasted income / expenses fluctuations.
- Replacement value (cost) approach was not applied as property under valuation is not of specific purpose or especially improved.

Estimated Market Value of the property on the date of valuation (27 December, 2018) is EUR 41,100,000 (EUR Forty-one million one hundred thousand).

Notes:

- Market value is exclusive of VAT.

The Lithuanian economy grew rapidly after the crisis and was among the fastest growing economies in the European Union. The GDP of Lithuania in 2015 and 2016 rose by 1.6 % and 2.3 % respectively. Lithuania's GDP in 2017 year, compared to the corresponding period of 2016, increased by 3.8 % and at current prices amounted to 41.857 billion euro. GDP growth was strongly influenced by the growth of the service sector and industry's added value, as well as the sharp increase in exports and the very rapid growth of the economy as a whole in the first half of last year. The GDP is projected to increase by 3.2 % and 2.8 % in 2018 and 2019 respectively.

Property under valuation – Shopping Centre EUROPA, located in central part of Vilnius, on intense Konstitucijos avenue, close to Vilnius Oldtown. Discounted Cash Flow approach was used for estimation of Market Value of the property, detailed calculations of the market value by this method are set in the appendixes of the report; Sales Comparison approach was not applied due to absence of comparable transactions, as well as supply, during last 3 years; Replacement Value (Cost) approach was not applied as property under valuation is not of specific purpose or especially improved.

Property under valuation / Interest to be valued

In accordance with instructions received from UAB "BH Europa" (further called "Client"), Valuer has been instructed to do a valuation of the property known as Shopping Centre EUROPA (GBA approx. 22,600 sq. m), located at the address Konstitucijos av. 7A – 1 and 7B, Vilnius, Lithuania.

Interest to be valued – freehold (premises, building, land plot) interest in Real Estate property as listed below. The property is registered in the Real Estate Registry of Lithuania under following property numbers.

Land

1. 8,235 sq. m (8235/10006 part of 10,006 sq. m) land plot. Unique No. 0101-0032-0383. Property rights – freehold (owner – UAB "BH Europa").

Buildings / premises

1. 22,596.63 sq. m Shopping centre premises. Unique No. 4400-0206-3136:3213. Property rights – freehold (owner – UAB "BH Europa").
2. 12,316.89 sq. m (1/2 part of 24,633.78 sq. m) Parking. Unique No. 4400-0058-0682. Property rights – freehold (owner – UAB "BH Europa").

Owner

Property under valuation is owned by UAB "BH Europa" (status – Joint Stock Company; address – Konstitucijos pr. 7A – 1, Vilnius, Lithuania; company code – 300059140; data collected in Register of Legal Entities of Lithuania).

The property is owned freehold (premises, buildings, land plot). There are encumbrances registered on the properties (listed further in Valuation Report), but any effect on our valuation of the Property.

Client

Client – UAB "BH Europa" (status – Joint Stock Company; address – Konstitucijos pr. 7A – 1, Vilnius, Lithuania; company code – 300059140; data collected in Register of Legal Entities of Lithuania).

Valuer

Valuation is prepared by valuer Kristina Pilipavičiūtė; approved by The Authority of Audit, Accounting, Property Valuation and Insolvency Management under the Ministry of Finance of the Republic of Lithuania as Real Estate Valuer (No. 000169).

Valuation is approved by valuer Linas Daukus; approved by Royal Institution of Chartered Surveyors (RICS) as Chartered Surveyor (Membership No. 6510302).

Valuer confirms that is in a position to provide an objective and unbiased valuation and is competent to undertake the subject valuation assignment; Valuer confirms that has sufficient current local, national and international (as appropriate) knowledge of the particular market and the skills and understanding to undertake subject valuation competently.

Valuer is acting as External valuer.

Valuer hereby declares that subject valuation is carried out in line with the ethical standards of the Royal Institution of Chartered Surveyors (RICS) and Valuer has no direct interest in the property or the company owning it.

UAB "Newsec valuations"

Status – Joint Stock Company; address – Konstitucijos av. 21C, Vilnius, Lithuania; company code – 126212869; data collected in Register of Legal Entities of Lithuania.

UAB "Newsec valuations" Certificate issued by Lithuania Property Valuation Oversight Agency No. 000170.

/signed electronically/ */signed electronically/*

Purpose of the valuation, date of valuation

The scope of this valuation is based on the client's valuation instructions as follows:

- Date of valuation is 27 December, 2018.
- The valuation is required for internal use (case and purpose of valuation – other, for financial statements, on Client's request). The valuation is required for financial statements under IFRS in accordance with IAS 40 fair value disclosure requirement.
- Secondary purpose for secured lending (bank financing purpose).

Pursuant to the recommendations laid down in the IAS, IVS and the EVS, investment property must be valued at Market Value, this market value being the Fair value.

The valuation is undertaken on basis of Market value in accordance with the standards of IAS, standards and guidance notes of IAS, IVS and the EVS or an equivalent basis as used in local market.

Valuer has prepared a full valuation of the property in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards 2017 – including the International Valuation Standards and Lithuanian Law on the Bases of Assessment of Property and Business No. XI-1497 dated 22.06.2011, Order of Minister of Finance of the Republic of Lithuania No. 1K-159 „On the Methods of Property Valuation" dated 27.04.2012, including inspection of the property and a detailed market survey.

Basis of value

Valuer as assessing the Market Value of the property in accordance with the Practice Statements and Relevant Guidance Notes of the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards 2017 – including the International Valuation Standards and approved by both the International Valuation Standards Committee (IVSC) and The European Group of Valuers' Association (TEGoVA) as follows:

> "***Market Value*** – *The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*" (*RICS 2017; IVS 2017*)

The Market Rent is also defined according to the manuals of the before-mentioned associations as follows:

> "***Market Rent*** – *The estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*" (*RICS 2017; IVS 2017*).

Extent of investigation, inspections

This valuation report contains market overview and detail analysis with estimation of Market Value of the subject Property.

Conclusion on Market Value

The Baltic region is fully integrated into the Eurozone after the euro adoption in Lithuania in 2015, following Estonia in 2011 and Latvia in 2014. The Baltic countries benefit from this due to the removal of the local currency risk opening opportunities for new investors and increasing the attractiveness of the region as a whole. Year of 2016 is described as a record year for office and retail investment transactions market, when nearly 75 % of total volume was investments into these segments. 2017 was a year of retail transactions, when nearly half of the total volume in Baltic states (including Lithuania) was made in this segment (46 % of total investment volume and more than 300 mEUR). There were attracted new international investors, who bought large scale projects in the Baltic market. Main principles applied for valuation:

- Due to the absence of the comparable market data direct Capitalization method is assumed not to reflect the true market value of the Property;
- Sales Comparison approach was not applied due to absence of comparable transactions, as well as supply, during last 3 years (considering property physical, juridical and lease structure).
- The 10-year Discounted Cash Flow approach is considered to be the most reflective method given the forecasted income / expenses fluctuations.
- Replacement value (cost) approach was not applied as property under valuation is not of specific purpose or especially improved.

Based on the above calculations Valuer therefore estimate the **Market Value of the property** on the date of valuation (**27 December, 2018**) calculated using **Discounted Cash Flow approach**:

EUR 41,100,000.00

In letters: EUR Forty-one million one hundred thousand 00/100

Notes:

- Market value is exclusive of VAT.

Property under valuation constitutes complete whole.

This valuation report prepared not because of dispute between Client and Valuation Company (UAB "Newsec valuations") and / or other persons regarding value estimation.

Signature(s)

7 January, 2019 (date of Valuation Report)

Linas Daukus, MRICS
Head of Valuations, Baltics
UAB "Newsec valuations"
/signed electronically/

Director / Authorized person
UAB "Newsec valuations"

Kristina Pilipavičiūtė
Valuer
UAB "Newsec valuations"
/signed electronically/

S.P.

1. Property under valuation, purpose of valuation, basis and assumptions

1.1 Property under valuation

In accordance with instructions received from BH CC Plaza OÜ we have been instructed to do a valuation of the property known as "Postimaja" shopping centre (GBA 11,831 sq. m), located at Narva rd 1, Tallinn, Estonia (hereinafter referred to as **property / subject property**), currently owned by BH CC Plaza OÜ.

Interest to be valued – freehold interest in Real Estate property as listed below.

The property is registered in the Land Registry of Estonia under following property data:

- Land plot – 5,164 sq. m
- Land purpose – commerial land 90%, residential land 10%
- Registered Immovable No. – 177001
- Cadastral code – 78401:114:0035
- Property rights – freehold
- Property encumbrance – There are encumbrances registered on the property, which do not have any effect on our valuation of the Property.
- Mortgages - There are mortgages registered on the property, which do not have any effect on our valuation of the Property
- Ownership – BH CC Plaza OÜ (registry code 12399823)

1.2 Purpose of the valuation

The scope of this valuation is based on the client's valuation instructions as follows:

- Date of the value is 28th December, 2018.
- The valuation is required for internal use (case and purpose of valuation – other, for financial statements, on Client's request). The valuation is required for financial statements under IFRS in accordance with IAS 40 fair value disclosure requirement.
- Secondary purpose of valuation for secured lending (bank financing purposes).

Pursuant to the recommendations laid down in the IAS, IVS and the EVS, investment property must be valued at Market Value, this market value being the Fair value.

The valuation is undertaken on basis of Market value in accordance with the standards of IAS, standards and guidance notes of IAS, IVS and the EVS or an equivalent basis as used in local market.

Valuer has prepared a full valuation of the property in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards 2017 and Estonian Valuation Standards (EVS-875) as an equivalent basis considering the specific principles effective on the local market that not conflicts to RICS Standards or International Valuation Standards (IVS).

1.3 Basis of the valuation

We are assessing the Market Value of the property in accordance with the Practice Statements and Relevant Guidance Notes of the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards and approved by both the International Valuation Standards Committee (IVSC) and The European Group of Valuers' Association (TEGoVA) as follows:

> "**Market Value** – *The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing*

2.4 Valuer

Valuer Linas Daukus is approved by Royal Institution of Chartered Surveyors (RICS) as Chartered Surveyor (Membership No. 6510302).

Valuer Rain Pints is approved by Estonian Association of Appraisers as Certified Valuer (certificate no 127179) and has Republic of Estonia Land Board land valuation licence no 097 MA-mh.

Valuer confirms that he is in a position to provide an objective and unbiased valuation and is competent to undertake the subject valuation assignment; Valuer confirms that he has sufficient current local, national and international (as appropriate) knowledge of the particular market and the skills and understanding to undertake subject valuation competently.

Valuer is acting as External valuer.

The Valuer hereby declares that this valuation is carried out in line with the ethical standards of the Royal Institution of Chartered Surveyors (RICS) and the valuators have no direct interest in the property or the company owning it.

OÜ "NEWSEC VALUATIONS EE"

Address: Roseni 7, 101111 Tallinn, Estonia
Tel.: +372 6645090
Fax.: + 372 6645091

Bank account: EE192200221049294915
Bank: Swedbank
Bank code: HABAEE2X
Company code: 11930446
VAT payer code: EE101366122

2.5 Source data

For the purpose of this report we have been provided by Client with the following documents / information:

- Latest detailed profit and loss statement for the building
- Historical and future forecasted profit and loss statements for the building
- Tenancy schedule
- General presentation about the building

Valuer has also used various publicly available information[1] as well as OU "NEWSEC VALUATIONS EE" database.

Valuer has in general relied on this information to be accurate and has generally not found any reason to believe otherwise, using this information as basis for our valuation. Our report is therefore using this information as basis for our valuation.

[1] Estonian public resources: (www.ehr.ee; www.maaamet.ee; https://kinnistusraamat.rik.ee; http://www.fin.ee)

Condensed valuation report of Postimaja for the valuation date of 28 December 2018 (page 3 of 3)

5.5 Valuation conclusion

Based on the above calculations we therefore estimate the **Market Value of the property on the date of the value (28th December, 2018)** calculated using Discounted Cash Flow method to

EUR 32,450,000

In letters: thirty two million four hundred fifty thousand euros

The contents of this Report is intended to be confidential to the addressees and for the specific purpose stated. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of its contents. Before the Report or any part of its contents are reproduced or referred to in any document, circular or statement or disclosed orally to a third party, our written approval as to the form and content of such publication or disclosure must first be obtained. For avoidance of doubt, such approval is required whether or not this firm is referred to by name and whether or not our Report is combined with others.

Signature(s)

7th January, 2019 (date of Valuation Report)

Report approved by:
Linas Daukus, MRICS
Head of International Valuations, Baltics

/signed electronically/

Report written by:
Rain Pints
Valuer (Estonia)
Certificate no 127179
Land valuation licence no 097 MA-mh

/signed electronically/

Summary

The purpose of this valuation report is to present and appraise the property – BUSINESS CENTRE, located at the address Mūkusalas str. 101, Riga, Latvia, currently owned by "KONTOR" SIA.

The Baltic region is fully integrated into the Eurozone after the euro adoption in Lithuania in 2015, following Estonia in 2011 and Latvia in 2014. The Baltic countries benefit from this due to the removal of the local currency risk opening opportunities for new investors and increasing the attractiveness of the region as a whole. Year of 2016 is described as a record year for office and retail investment transactions market, when nearly 75% of total volume was investments into these segments. 2017 was a year of retail transactions, when nearly half of the total volume in Baltic states and in Lithuania as well was made in this segment (46% of total investment volume and more than 300 mEUR). There were attracted new international investors, who bought large scale projects in the Baltics market. 2017 was a year of retail transactions, when nearly half of the total volume is made in this segment. Main principles applied for valuation:

- Due to the absence of the comparable market data direct capitalization method is assumed not to reflect the true market value of the Property;
- The 10-year Discounted Cash Flow approach is considered to be the most reflective method given the conditions as outlined above.
- Sales Comparison Approach was not applied for valuation of Business Centre due to absence of comparable transactions, as well as supply, during last 3 years (considering size, purpose and tenancy state (as subject property under valuation are under long term leases)).
- Replacement Value (Cost) Approach was not applied as property under valuation is not of specific purpose or especially improved.

Estimated Market Value of the property on the date of valuation (28th December, 2018) is EUR 25,730,000 (EUR Twenty five million seven hundred and thirty thousand).

As of the end of 2010, the recession stopped in Latvia, and growth has resumed. From 2011 to 2013, the GDP grew by 4.4% per year on average. In 2014, GDP grew by 1.9%, while in 2015 – by 3.0%. The slowdown of growth in the last two years was determined by the trends in the external environment – slower growth in the EU than expected, as well as weakening of the economic situation in Russia. Latvia's economic growth in 2016 (2.0%) suffered from a drop in investment but reached an impressive 4.5% in 2017 due to the upturn in the EU financing cycle and an increase in household purchasing power.

Property being valued – Business Centre (total area approx. 15,500 sqm), located on Mukusalas str. - one of main city transportation arteries, approx. 10 minute drive from Riga city centre. Property valuation refers on owner's income and expenses on the property, also with valuators' conclusions and presumptions. Discounted Cash – Flow method was used for estimation of Market Value of the Business Centre, detailed calculations of the market value by this method are set in the Appendixes to Valuation Report.

RICS

NEWSEC

Property under valuation / Interest to be valued

In accordance with instructions received from "KONTOR" SIA (Client), we have been instructed to do a desktop valuation of the property – BUSINESS CENTRE UPMALAS BIROJI (Administrative centre and land plot; building gross area approx. 10,500 sqm), located at the address Mūkusalas str. 101, Riga, Latvia.

Interest to be valued – freehold (buildings / premises, land) interest in Real Estate property as listed below. The property is registered under following property numbers.

Land

1. Mūkusalas str. 101, Riga, LV-1004, Latvia. Land plot area 7,663.00 sqm, Cadastral No. 01000520192, Land Registry Section No. 1805.
Property rights – freehold (owner – "KONTOR" SIA, c.c. 40003771618).

Buildings / premises

2. Mūkusalas str. 101, Riga, LV-1004. Office building gross area 15,461.80 sqm, Cadastral No. 01000520041013, Land Registry Section No. 1805.
Property rights – freehold (owner – "KONTOR" SIA, c.c. 40003771618).

Owner

Property under valuation is owned "KONTOR" SIA, c.c. 40003771618, address Mūkusalas str. 101, Riga, LV-1004, Latvia.

The property is owned freehold. There are encumbrances registered on the properties (listed further in Valuation Report), but any effect on our valuation of the Property.

Client

Client – "KONTOR" SIA, c.c. 40003771618, address Mūkusalas str. 101, Riga, LV-1004, Latvia.

Valuer

Valuer Andris Pūtelis is approved by Latvian Association of Property Valuators as Certified Valuator (Certificate No.130 in real estate valuation, issued by Latvian Association of Property Valuers).

Valuer Linas Daukus is approved by Royal Institution of Chartered Surveyors (RICS) as Chartered Surveyor (Membership No. 6510302).

Valuer confirms that is in a position to provide an objective and unbiased valuation and is competent to undertake the subject valuation assignment; Valuer confirms that has sufficient current local, national and international (as appropriate) knowledge of the particular market and the skills and understanding to undertake subject valuation competently.

Valuer is acting as External valuer.

Valuer hereby declare that this valuation is carried out in line with the ethical standards of the Royal Institution of Chartered Surveyors (RICS) and TEGoVA and the valuators have no direct interest in the property or the company owning it.

SIA "NEWSEC VALUATIONS LV"

Address: 1-16 Vīlandes Street, Riga, LV-1010
Latvia
Tel.: +371 6750 8400
Fax.: +371 6750 8401

Bank account: LV22HABA0551024551291
Bank: "Swedbank", AS
SWIFT code: HABALV22
Reg. code: 40103216919
VAT payer code: LV40103216919

Purpose of the valuation, valuation date

The scope of this valuation is based on the client's valuation instructions as follows:

- Date of valuation is 28th December, 2018.
- The valuation is required for internal use (case and purpose of valuation – other, for financial statements, on Client's request). The valuation is required for financial statements under IFRS in accordance with IAS 40 fair value disclosure requirement.
- Secondary purpose of valuation for secured lending (bank financing purposes).

Valuer has prepared a full valuation of the property in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards 2017 – including the International Valuation Standards and Latvian Valuation Standards 401:2013, including inspection of the property and a market survey.

Basis of value

We as assessing the Market Value of the property in accordance with the Practice Statements and Relevant Guidance Notes of the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards and approved by both the International Valuation Standards Committee (IVSC) and The European Group of Valuers' Association (TEGoVA) as follows:

> "***Market Value*** *– The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion" (RICS 2017; IVS 2017)*

The Market Rent is also defined according to the manuals of the above mentioned associations as follows:

> "***Market Rent*** *– The estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion" (RICS 2017; IVS 2017).*

Extent of investigation, inspections

This valuation report contains market overview and detail analysis with estimation of Market Value of the subject Property.

Conclusion on Value

Based on the above calculations we therefore estimate the **Market Value** of the property on the date of valuation **(28th December, 2018)** calculated using Discounted Cash Flow method to

EUR 25,730,000.00

In letters: EUR Twenty five million seven hundred and thirty thousand 00/100

Signature(s)

Date of Report: 31st December, 2018

Andris Pūtelis
Valuer, Report Compiler
SIA „ NEWSEC VALUATIONS LV"

/signed electronically/

Linas Daukus, MRICS
Valuer, Report Inspector /
Head of Valuations, Baltics
SIA „ NEWSEC VALUATIONS LV"

/signed electronically/

Summary

The purpose of this Valuation report is to present and appraise the property – Shopping-Business Centre DOMUS PRO, situated at the address Ukmergės str. 308 – 1, 308 – 2 and 308, Vilnius, Lithuania, currently owned by UAB "BH Domus PRO".

The Baltic region is fully integrated into the Eurozone after the euro adoption in Lithuania in 2015, following Estonia in 2011 and Latvia in 2014. The Baltic countries benefit from this due to the removal of the local currency risk opening opportunities for new investors and increasing the attractiveness of the region as a whole. Year of 2016 is described as a record year for office and retail investment transactions market, when nearly 75 % of total volume was investments into these segments. 2017 was a year of retail transactions, when nearly half of the total volume in Baltic states (including Lithuania) was made in this segment (46 % of total investment volume and more than 300 mEUR). There were attracted new international investors, who bought large scale projects in the Baltic market. Main principles applied for valuation:

- Due to the absence of the comparable market data direct Capitalization method is assumed not to reflect the true Market Value of the property;
- Sales Comparison approach was not applied due to absence of comparable transactions, as well as supply, during last 3 years (considering property physical, juridical and lease structure).
- The 10-year Discounted Cash Flow approach is considered to be the most reflective method given the forecasted income / expenses fluctuations.
- Replacement value (cost) approach was not applied as property under valuation is not of specific purpose or especially improved.

Estimated Market Value of the property on the date of valuation (27 December, 2018) is EUR 24,920,000 (EUR Twenty-four million nine hundred and twenty thousand).

Market Value distribution:

- **Business centre *Market Value* – EUR 7,460,000 (EUR Seven million four hundred and sixty thousand);**
- **Shopping centre *Market Value* – EUR 17,460,000 (EUR Seventeen million four hundred and sixty thousand).**

Notes:

- Market value is exclusive of VAT.

The Lithuanian economy grew rapidly after the crisis and was among the fastest growing economies in the European Union. The GDP of Lithuania in 2015 and 2016 rose by 1.6 % and 2.3 % respectively. Lithuania's GDP in 2017 year, compared to the corresponding period of 2016, increased by 3.8 % and at current prices amounted to 41.857 billion euro. GDP growth was strongly influenced by the growth of the service sector and industry's added value, as well as the sharp increase in exports and the very rapid growth of the economy as a whole in the first half of last year. The GDP is projected to increase by 3.2 % and 2.8 % in 2018 and 2019 respectively.

Property under valuation – Shopping-Business Centre DOMUS PRO, located in residential part of Vilnius, on intense Ukmergės street, close to Vilnius Western Bypass. Discounted Cash Flow approach was used for estimation of Market Value of the property, detailed calculations of the market value by this method are set in the appendixes of the report; Sales Comparison approach was not applied due to absence of comparable transactions, as well as supply, during last 3 years; Replacement Value (Cost) approach was not applied as property under valuation is not of specific purpose or especially improved.

RICS NEWSEC

Property under valuation / Interest to be valued

In accordance with instructions received from UAB "BH Domus PRO" (further called "Client"), Valuer has been instructed to do a valuation of the property known as Shopping-Business Centre DOMUS PRO (GLA approx. 4,800 sq. m Business centre and approx. 11,300 sq. m Shopping centre), located at the address Ukmergės str. 308 – 1, 308 – 2 and 308, Vilnius, Lithuania.

Interest to be valued – freehold (premises, buildings, land plot) interest in Real Estate property as listed below. The property is registered in the Real Estate Registry of Lithuania under following property numbers.

Land

1. 23,527 sq. m land plot. Unique No. 4400-1141-0054. Property rights – freehold (owner – UAB "BH Domus PRO").

Buildings / premises

1. 7,846.09 sq. m Shopping centre. Unique No. 4400-2904-7090:7111. Property rights – freehold (owner – UAB "BH Domus PRO").
2. 112.58 sq. m Gambling machine salon. Unique No. 4400-2904-7070:7110. Property rights – freehold (owner – UAB "BH Domus PRO").
3. 6,072.44 sq. m Administrative building. Unique No. 4400-4552-0970. Property rights – freehold (owner – UAB "BH Domus PRO").
4. 1,472.37 sq. m Shopping centre. Unique No. 4400-4189-6064. Property rights – freehold (owner – UAB "BH Domus PRO").
5. 2,390.12 sq. m Sport club with swimming pool, sauna and public catering premises. Unique No. 4400-4189-6080. Property rights – freehold (owner – UAB "BH Domus PRO").
6. Courtyard. Unique No. 4400-2823-6428. Property rights – freehold (owner – UAB "BH Domus PRO").
7. 703.58 m Cold water supply pipeline. Unique No. 4400-2823-6446. Property rights – freehold (owner – UAB "BH Domus PRO").
8. 280.39 m Rainwater collector. Unique No. 4400-2823-6539. Property rights – freehold (owner – UAB "BH Domus PRO").
9. 439.84 m Wastewater collector. Unique No. 4400-2823-6528. Property rights – freehold (owner – UAB "BH Domus PRO").
10. 414.10 m Rainwater collector. Unique No. 4400-2825-2786. Property rights – freehold (owner – UAB "BH Domus PRO").

Owner

Property under valuation is owned by UAB "BH Domus PRO" (status – Joint Stock Company; address – Ukmergės g. 308 – 1, Vilnius, Lithuania; company code – 225439110; data collected in Register of Legal Entities of Lithuania).

The property is owned freehold (premises, buildings, land plot). There are encumbrances registered on the properties (listed further in Valuation Report), but any effect on our valuation of the Property.

Client

Client – UAB "BH Domus PRO" (status – Joint Stock Company; address – Ukmergės g. 308 – 1, Vilnius, Lithuania; company code – 225439110; data collected in Register of Legal Entities of Lithuania).

RICS NEWSEC

Valuer

Valuation is prepared by valuer Kristina Pilipavičiūtė; approved by The Authority of Audit, Accounting, Property Valuation and Insolvency Management under the Ministry of Finance of the Republic of Lithuania as Real Estate Valuer (No. 000169).

Valuation is approved by valuer Linas Daukus; approved by Royal Institution of Chartered Surveyors (RICS) as Chartered Surveyor (Membership No. 6510302).

Valuer confirms that is in a position to provide an objective and unbiased valuation and is competent to undertake the subject valuation assignment; Valuer confirms that has sufficient current local, national and international (as appropriate) knowledge of the particular market and the skills and understanding to undertake subject valuation competently.

Valuer is acting as External valuer.

Valuer hereby declares that subject valuation is carried out in line with the ethical standards of the Royal Institution of Chartered Surveyors (RICS) and Valuer has no direct interest in the property or the company owning it.

UAB "Newsec valuations"

Status – Joint Stock Company; address – Konstitucijos av. 21C, Vilnius, Lithuania; company code – 126212869; data collected in Register of Legal Entities of Lithuania.

UAB "Newsec valuations" Certificate issued by Lithuania Property Valuation Oversight Agency No. 000170.

Purpose of the valuation, date of valuation

The scope of this valuation is based on the client's valuation instructions as follows:

- Date of valuation is 27 December, 2018.
- The valuation is required for internal use (case and purpose of valuation – other, for financial statements, on Client's request). The valuation is required for financial statements under IFRS in accordance with IAS 40 fair value disclosure requirement.
- Secondary purpose for secured lending (bank financing purpose).

Pursuant to the recommendations laid down in the IAS, IVS and the EVS, investment property must be valued at Market Value, this market value being the Fair value.

The valuation is undertaken on basis of Market value in accordance with the standards of IAS, standards and guidance notes of IAS, IVS and the EVS or an equivalent basis as used in local market.

Valuer has prepared a full valuation of the property in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards 2017 – including the International Valuation Standards and Lithuanian Law on the Bases of Assessment of Property and Business No. XI-1497 dated 22.06.2011, Order of Minister of Finance of the Republic of Lithuania No. 1K-159 „On the Methods of Property Valuation" dated 27.04.2012, including inspection of the property and a detailed market survey.

Basis of value

Valuer as assessing the Market Value of the property in accordance with the Practice Statements and Relevant Guidance Notes of the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards 2017 – including the International Valuation Standards and approved by both the International Valuation Standards Committee (IVSC) and The European Group of Valuers' Association (TEGoVA) as follows:

Conclusion on Market Value

The Baltic region is fully integrated into the Eurozone after the euro adoption in Lithuania in 2015, following Estonia in 2011 and Latvia in 2014. The Baltic countries benefit from this due to the removal of the local currency risk opening opportunities for new investors and increasing the attractiveness of the region as a whole. Year of 2016 is described as a record year for office and retail investment transactions market, when nearly 75 % of total volume was investments into these segments. 2017 was a year of retail transactions, when nearly half of the total volume in Baltic states (including Lithuania) was made in this segment (46 % of total investment volume and more than 300 mEUR). There were attracted new international investors, who bought large scale projects in the Baltic market. Main principles applied for valuation:

- Due to the absence of the comparable market data direct Capitalization method is assumed not to reflect the true market value of the Property;
- Sales Comparison approach was not applied due to absence of comparable transactions, as well as supply, during last 3 years (considering property physical, juridical and lease structure).
- The 10-year Discounted Cash Flow approach is considered to be the most reflective method given the forecasted income / expenses fluctuations.
- Replacement value (cost) approach was not applied as property under valuation is not of specific purpose or especially improved.

Based on the above calculations Valuer therefore estimate the **Market Value of the property** on the date of valuation (**27 December, 2018**) calculated using **Discounted Cash Flow approach**:

EUR 24,920,000.00

In letters: EUR Twenty-four million nine hundred and twenty thousand 00/100

Market Value distribution:

- **Business centre *Market Value* – EUR 7,460,000 (EUR Seven million four hundred and sixty thousand);**
- **Shopping centre *Market Value* – EUR 17,460,000 (EUR Seventeen million four hundred and sixty thousand).**

Notes:

- Market value is exclusive of VAT.

Property under valuation constitutes complete whole.

This valuation report prepared not because of dispute between Client and Valuation Company (UAB "Newsec valuations") and / or other persons regarding value estimation.

Signature(s)

7 January, 2019 (date of Valuation Report)

Linas Daukus, MRICS Head of Valuations, Baltics UAB "Newsec valuations" */signed electronically/*	**Director / Authorized person** UAB "Newsec valuations"
Kristina Pilipavičiūtė Valuer UAB "Newsec valuations" */signed electronically/*	S.P.

Condensed valuation report of Meraki land plot for the valuation date of 27 December 2018 (page 1 of 3)

Summary

The purpose of this Valuation report is to present and appraise the property – Land plots for development, situated at the address Ukmergės str. 310 and 316, Vilnius, Lithuania, currently owned by UAB "BH Meraki".

The Baltic region is fully integrated into the Eurozone after the euro adoption in Lithuania in 2015, following Estonia in 2011 and Latvia in 2014. The Baltic countries benefit from this due to the removal of the local currency risk opening opportunities for new investors and increasing the attractiveness of the region as a whole. Year of 2016 is described as a record year for office and retail investment transactions market, when nearly 75 % of total volume was investments into these segments. 2017 was a year of retail transactions, when nearly half of the total volume in Baltic states (including Lithuania) was made in this segment (46 % of total investment volume and more than 300 mEUR). There were attracted new international investors, who bought large scale projects in the Baltic market. Main principles applied for valuation:

- Sales Comparison approach was applied as comparable transactions, as well as supply, during last 3 years are available;
- Discounted Cash Flow approach was not applied as comparable transactions during last 3 years are available and Sales Comparison Approach objectively reflect the market value of the property. Property development prognosis on the date of valuation are hardly predictable as Detail plan was prepared in year 2015 including land plot, which is not included into valuation, Construction project is not prepared and Construction permit is not issued on the date of valuation;
- Replacement value (cost) approach was not applied as property under valuation is not of specific purpose or especially improved.

Estimated Market Value of the property on the date of valuation (27 December, 2018) is EUR 1,670,000 (EUR One million six hundred and seventy thousand).

Notes:

- Market value is exclusive of VAT.

The Lithuanian economy grew rapidly after the crisis and was among the fastest growing economies in the European Union. The GDP of Lithuania in 2015 and 2016 rose by 1.6 % and 2.3 % respectively. Lithuania's GDP in 2017 year, compared to the corresponding period of 2016, increased by 3.8 % and at current prices amounted to 41.857 billion euro. GDP growth was strongly influenced by the growth of the service sector and industry's added value, as well as the sharp increase in exports and the very rapid growth of the economy as a whole in the first half of last year. The GDP is projected to increase by 3.2 % and 2.8 % in 2018 and 2019 respectively.

Property under valuation – Land plots for development, located in residential part of Vilnius, on intense Ukmergės street, close to Vilnius Western Bypass. Sales Comparison approach was used for estimation of Market Value of the property, detailed calculations of the market value by this method are set in the appendixes of the report; Discounted Cash Flow approach was not applied as comparable transactions during last 3 years are available and Sales Comparison Approach objectively reflect the market value of the property. Property development prognosis on the date of valuation are hardly predictable; Replacement Value (Cost) approach was not applied as property under valuation is not of specific purpose or especially improved.

UAB "Newsec valuations"

Status – Joint Stock Company; address – Konstitucijos av. 21C, Vilnius, Lithuania; company code – 126212869; data collected in Register of Legal Entities of Lithuania.

UAB "Newsec valuations" Certificate issued by Lithuania Property Valuation Oversight Agency No. 000170.

Purpose of the valuation, date of valuation

The scope of this valuation is based on the client's valuation instructions as follows:

- Date of valuation is 27 December, 2018.
- The valuation is required for internal use (case and purpose of valuation – other, for financial statements, on Client's request). The valuation is required for financial statements under IFRS in accordance with IAS 40 fair value disclosure requirement.
- Secondary purpose for secured lending (bank financing purpose).

Pursuant to the recommendations laid down in the IAS, IVS and the EVS, investment property must be valued at Market Value, this market value being the Fair value.

The valuation is undertaken on basis of Market value in accordance with the standards of IAS, standards and guidance notes of IAS, IVS and the EVS or an equivalent basis as used in local market.

Valuer has prepared a full valuation of the property in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards 2017 – including the International Valuation Standards and Lithuanian Law on the Bases of Assessment of Property and Business No. XI-1497 dated 22.06.2011, Order of Minister of Finance of the Republic of Lithuania No. 1K-159 „On the Methods of Property Valuation" dated 27.04.2012, including inspection of the property and a detailed market survey.

Basis of value

Valuer as assessing the Market Value of the property in accordance with the Practice Statements and Relevant Guidance Notes of the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards 2017 – including the International Valuation Standards and approved by both the International Valuation Standards Committee (IVSC) and The European Group of Valuers' Association (TEGoVA) as follows:

> "***Market Value*** *– The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*" (*RICS 2017; IVS 2017*)

The Market Rent is also defined according to the manuals of the before-mentioned associations as follows:

> "***Market Rent*** *– The estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*" (*RICS 2017; IVS 2017*).

Extent of investigation, inspections

This valuation report contains market overview and detail analysis with estimation of Market Value of the subject Property.

Conclusion on Market Value

The Baltic region is fully integrated into the Eurozone after the euro adoption in Lithuania in 2015, following Estonia in 2011 and Latvia in 2014. The Baltic countries benefit from this due to the removal of the local currency risk opening opportunities for new investors and increasing the attractiveness of the region as a whole. Year of 2016 is described as a record year for office and retail investment transactions market, when nearly 75 % of total volume was investments into these segments. 2017 was a year of retail transactions, when nearly half of the total volume in Baltic states (including Lithuania) was made in this segment (46 % of total investment volume and more than 300 mEUR). There were attracted new international investors, who bought large scale projects in the Baltic market. Main principles applied for valuation:

- Sales Comparison approach was applied as comparable transactions, as well as supply, during last 3 years are available;
- Discounted Cash Flow approach was not applied as comparable transactions during last 3 years are available and Sales Comparison Approach objectively reflect the market value of the property. Property development prognosis on the date of valuation are hardly predictable as Detail plan was prepared in year 2015 including land plot, which is not included into valuation, Construction project is not prepared and Construction permit is not issued on the date of valuation;
- Replacement value (cost) approach was not applied as property under valuation is not of specific purpose or especially improved.

Based on the above calculations Valuer therefore estimate the **Market Value of the property** on the date of valuation (**27 December, 2018**) calculated using **Sales Comparison approach**:

EUR 1,670,000.00

In letters: EUR One million six hundred and seventy thousand 00/100

Notes:

- Market value is exclusive of VAT.

Property under valuation constitutes complete whole.

This valuation report prepared not because of dispute between Client and Valuation Company (UAB "Newsec valuations") and / or other persons regarding value estimation.

Signature(s)

7 January, 2019 (date of Valuation Report)

Linas Daukus, MRICS
Head of Valuations, Baltics
UAB "Newsec valuations"

/signed electronically/

Kristina Pilipavičiūtė
Valuer
UAB "Newsec valuations"

/signed electronically/

Director / Authorized person
UAB "Newsec valuations"

S.P.

Summary

The purpose of this valuation report is to present and appraise the property – OFFICE BUILDING, located at the address Vaiņodes str. 1, Riga, Latvia, currently owned by VAIŅODES KRASTI SIA.

The Baltic region is fully integrated into the Eurozone after the euro adoption in Lithuania in 2015, following Estonia in 2011 and Latvia in 2014. The Baltic countries benefit from this due to the removal of the local currency risk opening opportunities for new investors and increasing the attractiveness of the region as a whole. Year of 2016 is described as a record year for office and retail investment transactions market, when nearly 75% of total volume was investments into these segments. 2017 was a year of retail transactions, when nearly half of the total volume in Baltic states and in Lithuania as well was made in this segment (46% of total investment volume and more than 300 mEUR). There were attracted new international investors, who bought large scale projects in the Baltics market. 2017 was a year of retail transactions, when nearly half of the total volume is made in this segment. Main principles applied for valuation:

- Due to the absence of the comparable market data direct capitalization method is assumed not to reflect the true market value of the Property;
- The 10-year Discounted Cash Flow approach is considered to be the most reflective method given the conditions as outlined above.
- Sales Comparison Approach was not applied for valuation of Office Building due to absence of comparable transactions, as well as supply, during last 3 years (considering size, purpose and tenancy state (as subject property under valuation are under long term leases)).
- Replacement Value (Cost) Approach was not applied as property under valuation is not of specific purpose or especially improved.

Estimated Market Value of the property on the date of valuation (28th December, 2018) is EUR 21,230,000 (EUR twenty one million two hundred and thirty thousand).

As of the end of 2010, the recession stopped in Latvia, and growth has resumed. From 2011 to 2013, the GDP grew by 4.4% per year on average. In 2014, GDP grew by 1.9%, while in 2015 – by 3.0%. The slowdown of growth in the last two years was determined by the trends in the external environment – slower growth in the EU than expected, as well as weakening of the economic situation in Russia. Latvia's economic growth in 2016 (2.0%) suffered from a drop in investment but reached an impressive 4.5% in 2017 due to the upturn in the EU financing cycle and an increase in household purchasing power.

Property being valued – OFFICE BUILDING (total area approx. 9,500 sq.m), located on Vainodes str., next to Karla Ulmana av. – one of main city transportation arteries, approx. 10 minute drive from Riga city centre. Property valuation refers on owner's income and expenses on the property, also with valuators' conclusions and presumptions. Discounted Cash – Flow method was used for estimation of Market Value of the Office building, detailed calculations of the market value by this method are set in the Appendixes to Valuation Report.

Property under valuation / Interest to be valued

In accordance with instructions received from VAIŅODES KRASTI SIA (Client), we have been instructed to do a valuation of the property known as OFFICE BUILDING (Office building, Parking shelter and land plots; office building gross area approx. 9,500 sq.m), located at the address Vaiņodes str. 1, Riga, Latvia.

Interest to be valued – freehold (buildings / premises, land) interest in Real Estate property as listed below. The property is registered under following property numbers.

Land

1. Vaiņodes iela 1, Rīga, LV1004, Latvia. Land plot area 19,020.00 sq.m, Cadastral No. 01000740490, Land Registry Section No. 29098.
   Property rights – freehold (owner – VAIŅODES KRASTI SIA, c.c. 50103684291).

Buildings / premises

1. Vaiņodes iela 1, Rīga, LV1004, Latvia. Office building gross area 9,538.20 sq.m, Cadastral No. 01000740098001, Land Registry Section No. 29098.
   Property rights – freehold (owner – VAIŅODES KRASTI SIA, c.c. 50103684291).
2. Vaiņodes iela 1, Rīga, LV1004, Latvia. Parking shelter gross area 1,596.10 sq.m, Cadastral No. 01000740303002, Land Registry Section No. 29098.
   Property rights – freehold (owner – VAIŅODES KRASTI SIA, c.c. 50103684291).

Owner

Property under valuation is owned by VAIŅODES KRASTI SIA, c.c. 50103684291, address Krišjaņa Valdemara str. 21 - 20, LV-1010, Riga.

The property is owned freehold. There are encumbrances registered on the properties (listed further in Valuation Report), but any effect on our valuation of the Property.

Client

Client – VAIŅODES KRASTI SIA, c.c. 50103684291, address Krišjaņa Valdemara str. 21 - 20, LV-1010, Riga.

Valuer

Valuer Andris Pūtelis is approved by Latvian Association of Property Valuators as Certified Valuator (Certificate No.130 in real estate valuation, issued by Latvian Association of Property Valuers).

Valuer Linas Daukus is approved by Royal Institution of Chartered Surveyors (RICS) as Chartered Surveyor (Membership No. 6510302).

Valuer confirms that is in a position to provide an objective and unbiased valuation and is competent to undertake the subject valuation assignment; Valuer confirms that has sufficient current local, national and international (as appropriate) knowledge of the particular market and the skills and understanding to undertake subject valuation competently.

Valuer is acting as External valuer.

Valuer hereby declare that this valuation is carried out in line with the ethical standards of the Royal Institution of Chartered Surveyors (RICS) and TEGoVA and the valuators have no direct interest in the property or the company owning it.

SIA "NEWSEC VALUATIONS LV"

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Latvia
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Fax.: +371 6750 8401

Bank account: LV22HABA0551024551291
Bank: "Swedbank", AS
SWIFT code: HABALV22
Reg. code: 40103216919
VAT payer code: LV40103216919

Purpose of the valuation, valuation date

The scope of this valuation is based on the client's valuation instructions as follows:

- Date of valuation is 28th December, 2018.
- The valuation is required for internal use (case and purpose of valuation – other, for financial statements, on Client's request). The valuation is required for financial statements under IFRS in accordance with IAS 40 fair value disclosure requirement.
- Secondary purpose of valuation for secured lending (bank financing purposes).

Valuer has prepared a full valuation of the property in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards 2017 – including the International Valuation Standards and Latvian Valuation Standards 401:2013, including inspection of the property and a market survey.

Basis of value

We as assessing the Market Value of the property in accordance with the Practice Statements and Relevant Guidance Notes of the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards and approved by both the International Valuation Standards Committee (IVSC) and The European Group of Valuers' Association (TEGoVA) as follows:

> "***Market Value*** *– The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion" (RICS 2017; IVS 2017)*

The Market Rent is also defined according to the manuals of the above mentioned associations as follows:

> "***Market Rent*** *– The estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion" (RICS 2017; IVS 2017).*

RICS

NEWSEC

Conclusion on Value

Based on the above calculations we therefore estimate the **Market Value** of the property on the date of valuation **(28th December, 2018)** calculated using Discounted Cash Flow method to

EUR 21,230,000.00

In letters: EUR Twenty one million two hundred and thirty thousand 00/100

Signature(s)

Date of Report: 31st December, 2018

Andris Pūtelis
Valuer, Report Compiler
SIA „ NEWSEC VALUATIONS LV"

/signed electronically/

Linas Daukus, MRICS
Valuer, Report Inspector /
Head of Valuations, Baltics
SIA „ NEWSEC VALUATIONS LV"

/signed electronically/

Summary

The purpose of this valuation report is to present and appraise the property – BUSINESS CENTRE LNK CENTRE, located at the address Skanstes str. 27, Riga, Riga, Latvia, currently owned by SIA "BH S27".

The Baltic region is fully integrated into the Eurozone after the euro adoption in Lithuania in 2015, following Estonia in 2011 and Latvia in 2014. The Baltic countries benefit from this due to the removal of the local currency risk opening opportunities for new investors and increasing the attractiveness of the region as a whole. Year of 2016 is described as a record year for office and retail investment transactions market, when nearly 75% of total volume was investments into these segments. 2017 was a year of retail transactions, when nearly half of the total volume in Baltic states and in Lithuania as well was made in this segment (46% of total investment volume and more than 300 mEUR). There were attracted new international investors, who bought large scale projects in the Baltics market. 2017 was a year of retail transactions, when nearly half of the total volume is made in this segment. Main principles applied for valuation:

- Due to the absence of the comparable market data direct capitalization method is assumed not to reflect the true market value of the Property;
- The 10-year Discounted Cash Flow approach is considered to be the most reflective method given the conditions as outlined above.
- Sales Comparison Approach was not applied for valuation of Business Centre due to absence of comparable transactions, as well as supply, during last 3 years (considering size, purpose and tenancy state (as subject property under valuation are under long term leases)).
- Replacement Value (Cost) Approach was not applied as property under valuation is not of specific purpose or especially improved.

Estimated Market Value of the property on the date of valuation (28th December, 2018) is EUR 17,450,000 (EUR Seventeen million four hundred and fifty thousand).

As of the end of 2010, the recession stopped in Latvia, and growth has resumed. From 2011 to 2013, the GDP grew by 4.4% per year on average. In 2014, GDP grew by 1.9%, while in 2015 – by 3.0%. The slowdown of growth in the last two years was determined by the trends in the external environment – slower growth in the EU than expected, as well as weakening of the economic situation in Russia. Latvia's economic growth in 2016 (2.0%) suffered from a drop in investment but reached an impressive 4.5% in 2017 due to the upturn in the EU financing cycle and an increase in household purchasing power.

Property being valued – Business Centre (total area approx. 10,500 sq.m), located on Skanstes str., rapidily developing Riga's business area SKANSTE. Property valuation refers on owner's income and expenses on the property, also with valuators' conclusions and presumptions. Discounted Cash – Flow method was used for estimation of Market Value of the Business centre, detailed calculations of the market value by this method are set in the Appendixes to Valuation Report.

Property under valuation / Interest to be valued

In accordance with instructions received from SIA "BH S27" (Client), we have been instructed to do a valuation of the property known as BUSINESS CENTRE LNK CENTRE (Office building and land plot; office building gross area approx. 10,500 sq.m), located at the address Skanstes str. 27, Riga, Latvia.

Interest to be valued – freehold (buildings / premises, land) interest in Real Estate property as listed below. The property is registered under following property numbers.

Land

1. Skanstes str. 27, Rīga, LV-1013, Latvia. Land plot area 5,680.00 sq.m, Cadastral No. 01000242139, Land Registry Section No. 100000196407.
   Property rights – freehold (owner – SIA "BH S27", c.c. 40103810023).

Buildings / premises

1. Skanstes str. 27 , Rīga, LV-1013, Latvia. Office building gross area 10,492.90 sq.m, Cadastral No. 01000240345001, Land Registry Section No. 100000196407.
   Property rights – freehold (owner – SIA "BH S27", c.c. 40103810023).

Owner

Property under valuation is owned by SIA "BH S27", c.c. 40103810023, address Skanstes str. 27, Rīga, LV-1013, Latvia.

The property is owned freehold. There are encumbrances registered on the properties (listed further in Valuation Report), but any effect on our valuation of the Property.

Client

Client – SIA "BH S27", c.c. 40103810023, address Skanstes str. 27, Rīga, LV-1013, Latvia.

Valuer

Valuer Andris Pūtelis is approved by Latvian Association of Property Valuators as Certified Valuator (Certificate No.130 in real estate valuation, issued by Latvian Association of Property Valuers).

Valuer Linas Daukus is approved by Royal Institution of Chartered Surveyors (RICS) as Chartered Surveyor (Membership No. 6510302).

Valuer confirms that is in a position to provide an objective and unbiased valuation and is competent to undertake the subject valuation assignment; Valuer confirms that has sufficient current local, national and international (as appropriate) knowledge of the particular market and the skills and understanding to undertake subject valuation competently.

Valuer is acting as External valuer.

Valuer hereby declare that this valuation is carried out in line with the ethical standards of the Royal Institution of Chartered Surveyors (RICS) and TEGoVA and the valuators have no direct interest in the property or the company owning it.

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SIA "NEWSEC VALUATIONS LV"

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Latvia
Tel.: +371 6750 8400
Fax.: +371 6750 8401

Bank account: LV22HABA0551024551291
Bank: "Swedbank", AS
SWIFT code: HABALV22
Reg. code: 40103216919
VAT payer code: LV40103216919

Purpose of the valuation, valuation date

The scope of this valuation is based on the client's valuation instructions as follows:

- Date of valuation is 28th December, 2018.
- The valuation is required for internal use (case and purpose of valuation – other, for financial statements, on Client's request). The valuation is required for financial statements under IFRS in accordance with IAS 40 fair value disclosure requirement.
- Secondary purpose of valuation for secured lending (bank financing purposes).

Valuer has prepared a full valuation of the property in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards 2017 – including the International Valuation Standards and Latvian Valuation Standards 401:2013, including inspection of the property and a market survey.

Basis of value

We as assessing the Market Value of the property in accordance with the Practice Statements and Relevant Guidance Notes of the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards and approved by both the International Valuation Standards Committee (IVSC) and The European Group of Valuers' Association (TEGoVA) as follows:

> *"**Market Value** – The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion" (RICS 2017; IVS 2017)*

The Market Rent is also defined according to the manuals of the above mentioned associations as follows:

> *"**Market Rent** – The estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion" (RICS 2017; IVS 2017).*

Extent of investigation, inspections

This valuation report contains market overview and detail analysis with estimation of Market Value of the subject Property.

Conclusion on Value

Based on the above calculations we therefore estimate the **Market Value** of the property on the date of valuation **(28th December, 2018)** calculated using Discounted Cash Flow method to

EUR 17,450,000.00

In letters: EUR Seventeen million and four hundred fifty thousand 00/100

Signature(s)

Date of Report: 31st December, 2018

Andris Pūtelis
Valuer, Report Compiler
SIA „NEWSEC VALUATIONS LV"

/signed electronically/

Linas Daukus, MRICS
Valuer, Report Inspector /
Head of Valuations, Baltics
SIA „NEWSEC VALUATIONS LV"

/signed electronically/

RICS NEWSEC

1. Property under valuation, purpose of valuation, basis and assumptions

1.1 Property under valuation

In accordance with instructions received from "BH P80 OÜ", we have been instructed to do a valuation of the property known as "G4S OFFICE BUILDING" (GBA 9,718.7 sq. m), located at Paldiski rd 80, Tallinn, Estonia (hereinafter referred to as **property / subject property**), currently owned by BH P80 OÜ.

Interest to be valued – freehold interest in Real Estate property as listed below.

The property is registered in the Land Registry of Estonia under following property data:

- Land plot – 8,200 sq. m
- Land purpose – Commerial land 100%
- Registered Immovable No. – 2269901
- Cadastral code – 78406:601:0010
- Property rights – freehold
- Property encumbrance – There are encumbrances registered on the property, which do not have any effect on our valuation of the Property.
- Mortgages - There are mortgages registered on the property, which do not have any effect on our valuation of the Property
- Ownership – BH P80 OÜ (registry code 14065606)

1.2 Purpose of the valuation

The scope of this valuation is based on the client's valuation instructions as follows:

- Date of the value is 28th December, 2018.
- The valuation is required for internal use (case and purpose of valuation – other, for financial statements, on Client's request). The valuation is required for financial statements under IFRS in accordance with IAS 40 fair value disclosure requirement.
- Secondary purpose of valuation for secured lending (bank financing purposes).

Pursuant to the recommendations laid down in the IAS, IVS and the EVS, investment property must be valued at Market Value, this market value being the Fair value.

The valuation is undertaken on basis of Market value in accordance with the standards of IAS, standards and guidance notes of IAS, IVS and the EVS or an equivalent basis as used in local market.

Valuer has prepared a full valuation of the property in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards 2017 and Estonian Valuation Standards (EVS-875) as an equivalent basis considering the specific principles effective on the local market that not conflicts to RICS Standards or International Valuation Standards (IVS).

1.3 Basis of the valuation

We are assessing the Market Value of the property in accordance with the Practice Statements and Relevant Guidance Notes of the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards and approved by both the International Valuation Standards Committee (IVSC) and The European Group of Valuers' Association (TEGoVA) as follows:

> "**Market Value** – *The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing*

The property is owned freehold, there are encumbrances registered on the property (listed further in Valuation Report).

2.2 Client and valuation contract

The client of the valuation is BH P80 OÜ (address – Hobujaama st 5, Tallinn, Harju county; registry code – 14065606)

Written contract 4th May 2018.

2.3 Inspection

This valuation report contains market overview, property description and detailed analysis with estimation of Market Value of the subject Property.

Each of the property specific factors that influence respective cash flows, comparison analysis and market value appraisal were evaluated.

Property was inspected on **28th December, 2018**. Property was inspected by the valuer Rain Pints, Estonian licensed valuer, conducted by representative of the owner Christina Eller.

2.4 Valuer

Valuer Linas Daukus is approved by Royal Institution of Chartered Surveyors (RICS) as Chartered Surveyor (Membership No. 6510302).

Valuer Rain Pints is approved by Estonian Association of Appraisers as Certified Valuer (certificate no 127179) and has Republic of Estonia Land Board land valuation licence no 097 MA-mh.

Valuer confirms that he is in a position to provide an objective and unbiased valuation and is competent to undertake the subject valuation assignment; Valuer confirms that he has sufficient current local, national and international (as appropriate) knowledge of the particular market and the skills and understanding to undertake subject valuation competently.

Valuer is acting as External valuer.

The Valuer hereby declares that this valuation is carried out in line with the ethical standards of the Royal Institution of Chartered Surveyors (RICS) and the valuators have no direct interest in the property or the company owning it.

OÜ "NEWSEC VALUATIONS EE"	
Address: Roseni 7, 101111 Tallinn, Estonia Tel.: +372 6645090 Fax.: + 372 6645091	Bank account: EE192200221049294915 Bank: Swedbank Bank code: HABAEE2X Company code: 11930446 VAT payer code: EE101366122

2.5 Source data

For the purpose of this report we have been provided by Client with the following documents / information:

- Latest detailed profit and loss statement for the building
- Historical and future forecasted profit and loss statements for the building
- Tenancy schedule

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5.5 Valuation conclusion

Based on the above calculations we therefore estimate the **Market Value of the property on the date of the value (28th December, 2018)** calculated using Discounted Cash Flow method to

EUR 16,830,000

In letters: sixteen million eight hundred thirty thousand euros

Subject to the foregoing, and based on values current as at **28th December, 2018**, we are of the opinion that the **Market Value** of the additional building rights (possible expansion) **under the special assumption** that adequate amount of parking spaces are available and provided to tenants in the close proximity to the property free of charge, as set out in Report, is the total sum of

EUR 410,000

In letters: EUR four hundred ten thousand 00/100

Special Assumptions applied:

- **170 parking places will be available in neighboring land plot (Paldiski rd. 80a, Tallinn, Estonia). Land plot to be used free of charge, parking lot construction expenses to be covered by BH P80 OÜ.**

The contents of this Report is intended to be confidential to the addressees and for the specific purpose stated. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of its contents. Before the Report or any part of its contents are reproduced or referred to in any document, circular or statement or disclosed orally to a third party, our written approval as to the form and content of such publication or disclosure must first be obtained. For avoidance of doubt, such approval is required whether or not this firm is referred to by name and whether or not our Report is combined with others.

Signature(s)

7th January, 2019 (date of Valuation Report)

Report approved by:
Linas Daukus, MRICS
Head of International Valuations, Baltics

/signed electronically/

Report written by:
Rain Pints
Valuer (Estonia)
Certificate no 127179
Land valuation licence no 097 MA-mh

/signed electronically/

1. Property under valuation, purpose of valuation, basis and assumptions

1.1 Property under valuation

In accordance with instructions received from "BH Lincona OÜ", we have been instructed to do a valuation of the property known as "LINCONA OFFICE BUILDING" (GBA 22,996.7 sq. m), located at Kohila st 2a // Pärnu rd 139a, Tallinn, Estonia (hereinafter referred to as **property / subject property**), currently owned by BH Lincona OÜ.

Interest to be valued – freehold interest in Real Estate property as listed below.

The property is registered in the Land Registry of Estonia under following property data:

- Land plot – 40,945 sq. m
- Land purpose – Commerial land 100%
- Registered Immovable No. – 198001
- Cadastral code – 78401:118:0074
- Property rights – freehold
- Property encumbrance – There are encumbrances registered on the property, which do not have any effect on our valuation of the Property.
- Mortgages - There are mortgages registered on the property, which do not have any effect on our valuation of the Property
- Ownership –
    - **BH Lincona OÜ (registry code 12127485) 7921/40945 parts of the joint ownership**
    - OÜ HNDC KINNISVARA (registry code 12155831) 5209/40945
    - OÜ KENTEX Arendus (registry code 11816153) 16220/40945
    - OÜ BEST IDEA (registry code 10955220) 4913/40945
    - Aktsionär OÜ (registry code 14300898) 6682/40945

1.2 Purpose of the valuation

The scope of this valuation is based on the client's valuation instructions as follows:

- Date of the value is 28th December, 2018.
- The valuation is required for internal use (case and purpose of valuation – other, for financial statements, on Client's request). The valuation is required for financial statements under IFRS in accordance with IAS 40 fair value disclosure requirement.
- Secondary purpose of valuation for secured lending (bank financing purposes).

Pursuant to the recommendations laid down in the IAS, IVS and the EVS, investment property must be valued at Market Value, this market value being the Fair value.

The valuation is undertaken on basis of Market value in accordance with the standards of IAS, standards and guidance notes of IAS, IVS and the EVS or an equivalent basis as used in local market.

Valuer has prepared a full valuation of the property in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards 2017 and Estonian Valuation Standards (EVS-875) as an equivalent basis considering the specific principles effective on the local market that not conflicts to RICS Standards or International Valuation Standards (IVS).

Property was inspected on **28th December, 2018**. Property was inspected by the valuer Rain Pints, Estonian licensed valuer, conducted by representative of the owner Christina Eller.

2.4 Valuer

Valuer Linas Daukus is approved by Royal Institution of Chartered Surveyors (RICS) as Chartered Surveyor (Membership No. 6510302).

Valuer Rain Pints is approved by Estonian Association of Appraisers as Certified Valuer (certificate no 127179) and has Republic of Estonia Land Board land valuation licence no 097 MA-mh.

Valuer confirms that he is in a position to provide an objective and unbiased valuation and is competent to undertake the subject valuation assignment; Valuer confirms that he has sufficient current local, national and international (as appropriate) knowledge of the particular market and the skills and understanding to undertake subject valuation competently.

Valuer is acting as External valuer.

The Valuer hereby declares that this valuation is carried out in line with the ethical standards of the Royal Institution of Chartered Surveyors (RICS) and the valuators have no direct interest in the property or the company owning it.

OÜ "NEWSEC VALUATIONS EE"

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Fax.: + 372 6645091

Bank account: EE192200221049294915
Bank: Swedbank
Bank code: HABAEE2X
Company code: 11930446
VAT payer code: EE101366122

2.5 Source data

For the purpose of this report we have been provided by Client with the following documents / information:

- Latest detailed profit and loss statement for the building
- Historical and future forecasted profit and loss statements for the building
- Tenancy schedule
- General presentation about the building

Valuer has also used various publicly available information[1] as well as OU "NEWSEC VALUATIONS EE" database.

Valuer has in general relied on this information to be accurate and has generally not found any reason to believe otherwise, using this information as basis for our valuation. Our report is therefore using this information as basis for our valuation.

[1] Estonian public resources: (www.ehr.ee; www.maaamet.ee; https://kinnistusraamat.rik.ee; http://www.fin.ee)

5.5 Valuation conclusion

Based on the above calculations we therefore estimate the **Market Value of the property on the date of the value (28th December, 2018)** calculated using Discounted Cash Flow method to

EUR 17,170,000

In letters: seventeen million one hundred seventy thousand euros

The contents of this Report is intended to be confidential to the addressees and for the specific purpose stated. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of its contents. Before the Report or any part of its contents are reproduced or referred to in any document, circular or statement or disclosed orally to a third party, our written approval as to the form and content of such publication or disclosure must first be obtained. For avoidance of doubt, such approval is required whether or not this firm is referred to by name and whether or not our Report is combined with others.

Signature(s)

31st December, 2018 (date of Valuation Report)

Report approved by:
Linas Daukus, MRICS
Head of International Valuations, Baltics

/signed electronically/

Report written by:
Rain Pints
Valuer (Estonia)
Certificate no 127179
Land valuation licence no 097 MA-mh

/signed electronically/

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Summary

The purpose of this Valuation report is to present and appraise the property – Business Centre DUETTO I, situated at the address Spaudos str. 8 – 1 and 8 – R1, Vilnius, Lithuania, currently owned by UAB "BH Duetto".

The Baltic region is fully integrated into the Eurozone after the euro adoption in Lithuania in 2015, following Estonia in 2011 and Latvia in 2014. The Baltic countries benefit from this due to the removal of the local currency risk opening opportunities for new investors and increasing the attractiveness of the region as a whole. Year of 2016 is described as a record year for office and retail investment transactions market, when nearly 75 % of total volume was investments into these segments. 2017 was a year of retail transactions, when nearly half of the total volume in Baltic states (including Lithuania) was made in this segment (46 % of total investment volume and more than 300 mEUR). There were attracted new international investors, who bought large scale projects in the Baltic market. Main principles applied for valuation:

- Due to the absence of the comparable market data direct Capitalization method is assumed not to reflect the true Market Value of the property;
- Sales Comparison approach was not applied due to absence of comparable transactions, as well as supply, during last 3 years (considering property physical, juridical and lease structure).
- The 10-year Discounted Cash Flow approach is considered to be the most reflective method given the forecasted income / expenses fluctuations.
- Replacement value (cost) approach was not applied as property under valuation is not of specific purpose or especially improved.

Estimated Market Value of the property on the date of valuation (27 December, 2018) is EUR 16,320,000 (EUR Sixteen million three hundred and twenty thousand).

Notes:

- Market value is exclusive of VAT.

The Lithuanian economy grew rapidly after the crisis and was among the fastest growing economies in the European Union. The GDP of Lithuania in 2015 and 2016 rose by 1.6 % and 2.3 % respectively. Lithuania's GDP in 2017 year, compared to the corresponding period of 2016, increased by 3.8 % and at current prices amounted to 41.857 billion euro. GDP growth was strongly influenced by the growth of the service sector and industry's added value, as well as the sharp increase in exports and the very rapid growth of the economy as a whole in the first half of last year. The GDP is projected to increase by 3.2 % and 2.8 % in 2018 and 2019 respectively.

Property under valuation – Business Centre DUETTO I, located in residential part of Vilnius, near intense Pilaitės avenue, Vilnius Western Bypass and Laisvės avenue. Discounted Cash Flow approach was used for estimation of Market Value of the property, detailed calculations of the market value by this method are set in the appendixes of the report; Sales Comparison approach was not applied due to absence of comparable transactions, as well as supply, during last 3 years; Replacement Value (Cost) approach was not applied as property under valuation is not of specific purpose or especially improved.

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Property under valuation / Interest to be valued

In accordance with instructions received from UAB "BH Duetto" (further called "Client"), Valuer has been instructed to do a valuation of the property known as Business Centre DUETTO I (premises gross area approx. 13,900 sq. m), located at the address Spaudos str. 8 – 1 and 8 – R1, Vilnius, Lithuania.

Interest to be valued – freehold (premises) interest in Real Estate property as listed below. The property is registered in the Real Estate Registry of Lithuania under following property numbers.

Buildings / premises

1. 8,621.51 sq. m administrative premises. Unique No. 4400-4451-3439:7048. Property rights – freehold (owner – UAB "BH Duetto").
2. 5,263.75 sq. m car parking premises. Unique No. 4400-4451-3428:7047. Property rights – freehold (owner – UAB "BH Duetto").

Owner

Property under valuation is owned by UAB "BH Duetto" (status – Joint Stock Company; address – Spaudos str. 8 – 1, Vilnius, Lithuania; company code – 304443754; data collected in Register of Legal Entities of Lithuania).

The property is owned freehold (premises). There are encumbrances registered on the properties (listed further in Valuation Report), but any effect on our valuation of the Property.

Client

Client – UAB "BH Duetto" (status – Joint Stock Company; address – Spaudos str. 8 – 1, Vilnius, Lithuania; company code – 304443754; data collected in Register of Legal Entities of Lithuania).

Valuer

Valuation is prepared by valuer Kristina Pilipavičiūtė; approved by The Authority of Audit, Accounting, Property Valuation and Insolvency Management under the Ministry of Finance of the Republic of Lithuania as Real Estate Valuer (No. 000169).

Valuation is approved by valuer Linas Daukus; approved by Royal Institution of Chartered Surveyors (RICS) as Chartered Surveyor (Membership No. 6510302).

Valuer confirms that is in a position to provide an objective and unbiased valuation and is competent to undertake the subject valuation assignment; Valuer confirms that has sufficient current local, national and international (as appropriate) knowledge of the particular market and the skills and understanding to undertake subject valuation competently.

Valuer is acting as External valuer.

Valuer hereby declares that subject valuation is carried out in line with the ethical standards of the Royal Institution of Chartered Surveyors (RICS) and Valuer has no direct interest in the property or the company owning it.

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UAB "Newsec valuations"

Status – Joint Stock Company; address – Konstitucijos av. 21C, Vilnius, Lithuania; company code – 126212869; data collected in Register of Legal Entities of Lithuania.

UAB "Newsec valuations" Certificate issued by Lithuania Property Valuation Oversight Agency No. 000170.

Purpose of the valuation, date of valuation

The scope of this valuation is based on the client's valuation instructions as follows:

- Date of valuation is 27 December, 2018.
- The valuation is required for internal use (case and purpose of valuation – other, for financial statements, on Client's request). The valuation is required for financial statements under IFRS in accordance with IAS 40 fair value disclosure requirement.
- Secondary purpose for secured lending (bank financing purpose).

Pursuant to the recommendations laid down in the IAS, IVS and the EVS, investment property must be valued at Market Value, this market value being the Fair value.

The valuation is undertaken on basis of Market value in accordance with the standards of IAS, standards and guidance notes of IAS, IVS and the EVS or an equivalent basis as used in local market.

Valuer has prepared a full valuation of the property in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards 2017 – including the International Valuation Standards and Lithuanian Law on the Bases of Assessment of Property and Business No. XI-1497 dated 22.06.2011, Order of Minister of Finance of the Republic of Lithuania No. 1K-159 „On the Methods of Property Valuation" dated 27.04.2012, including inspection of the property and a detailed market survey.

Basis of value

Valuer as assessing the Market Value of the property in accordance with the Practice Statements and Relevant Guidance Notes of the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards 2017 – including the International Valuation Standards and approved by both the International Valuation Standards Committee (IVSC) and The European Group of Valuers' Association (TEGoVA) as follows:

> "***Market Value*** *– The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*" (*RICS 2017; IVS 2017*)

The Market Rent is also defined according to the manuals of the before-mentioned associations as follows:

> "***Market Rent*** *– The estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*" (*RICS 2017; IVS 2017*).

Extent of investigation, inspections

This valuation report contains market overview and detail analysis with estimation of Market Value of the subject Property.

Condensed valuation report of Duetto I for the valuation date of 27 December 2018 (page 4 of 4)

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Conclusion on Market Value

The Baltic region is fully integrated into the Eurozone after the euro adoption in Lithuania in 2015, following Estonia in 2011 and Latvia in 2014. The Baltic countries benefit from this due to the removal of the local currency risk opening opportunities for new investors and increasing the attractiveness of the region as a whole. Year of 2016 is described as a record year for office and retail investment transactions market, when nearly 75 % of total volume was investments into these segments. 2017 was a year of retail transactions, when nearly half of the total volume in Baltic states (including Lithuania) was made in this segment (46 % of total investment volume and more than 300 mEUR). There were attracted new international investors, who bought large scale projects in the Baltic market. Main principles applied for valuation:

- Due to the absence of the comparable market data direct Capitalization method is assumed not to reflect the true market value of the Property;
- Sales Comparison approach was not applied due to absence of comparable transactions, as well as supply, during last 3 years (considering property physical, juridical and lease structure).
- The 10-year Discounted Cash Flow approach is considered to be the most reflective method given the forecasted income / expenses fluctuations.
- Replacement value (cost) approach was not applied as property under valuation is not of specific purpose or especially improved.

Based on the above calculations Valuer therefore estimate the **Market Value of the property** on the date of valuation (**27 December, 2018**) calculated using **Discounted Cash Flow approach**:

EUR 16,320,000.00

In letters: EUR Sixteen million three hundred and twenty thousand 00/100

Notes:

- Market value is exclusive of VAT.

Property under valuation constitutes complete whole.

This valuation report prepared not because of dispute between Client and Valuation Company (UAB "Newsec valuations") and / or other persons regarding value estimation.

Signature(s)

7 January, 2019 (date of Valuation Report)

Linas Daukus, MRICS Head of Valuations, Baltics UAB "Newsec valuations" */signed electronically/*	**Director / Authorized person** UAB "Newsec valuations"
Kristina Pilipavičiūtė Valuer UAB "Newsec valuations" */signed electronically/*	S.P.

1. Property under valuation, purpose of valuation, basis and assumptions

1.1 Property under valuation

In accordance with instructions received from "BH CC Plaza OÜ", we have been instructed to do a valuation of the property known as "CC PLAZA" cinema (GBA 11,458 sq. m), located at Hobujaama st 5, Tallinn, Estonia (hereinafter referred to as **property / subject property**), currently owned by BH CC Plaza OÜ.

Interest to be valued – freehold in Real Estate property as listed below.

The property is registered in the Land Registry of Estonia under following property data:
- Land plot – 3,934 sq. m
- Land purpose – Commerial land 100%
- Registered Immovable No. – 1131501
- Cadastral code – 78401:114:0880
- Property rights – freehold
- Property encumbrance – There are encumbrances registered on the property, which do not have any effect on our valuation of the Property.
- Mortgages - There are mortgages registered on the property, which do not have any effect on our valuation of the Property
- Ownership – BH CC Plaza OÜ (registry code 12399823)

1.2 Purpose of the valuation

The scope of this valuation is based on the client's valuation instructions as follows:

- Date of the value is 28th December, 2018.
- The valuation is required for internal use (case and purpose of valuation – other, for financial statements, on Client's request). The valuation is required for financial statements under IFRS in accordance with IAS 40 fair value disclosure requirement.
- Secondary purpose of valuation for secured lending (bank financing purposes).

Pursuant to the recommendations laid down in the IAS, IVS and the EVS, investment property must be valued at Market Value, this market value being the Fair value.

The valuation is undertaken on basis of Market value in accordance with the standards of IAS, standards and guidance notes of IAS, IVS and the EVS or an equivalent basis as used in local market.

Valuer has prepared a full valuation of the property in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards 2017 and Estonian Valuation Standards (EVS-875) as an equivalent basis considering the specific principles effective on the local market that not conflicts to RICS Standards or International Valuation Standards (IVS).

1.3 Basis of the valuation

We are assessing the Market Value of the property in accordance with the Practice Statements and Relevant Guidance Notes of the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards and approved by both the International Valuation Standards Committee (IVSC) and The European Group of Valuers' Association (TEGoVA) as follows:

> "**Market Value** – *The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing*

2.4 Valuer

Valuer Linas Daukus is approved by Royal Institution of Chartered Surveyors (RICS) as Chartered Surveyor (Membership No. 6510302).

Valuer Rain Pints is approved by Estonian Association of Appraisers as Certified Valuer (certificate no 127179) and has Republic of Estonia Land Board land valuation licence no 097 MA-mh.

Valuer confirms that he is in a position to provide an objective and unbiased valuation and is competent to undertake the subject valuation assignment; Valuer confirms that he has sufficient current local, national and international (as appropriate) knowledge of the particular market and the skills and understanding to undertake subject valuation competently.

Valuer is acting as External valuer.

The Valuer hereby declares that this valuation is carried out in line with the ethical standards of the Royal Institution of Chartered Surveyors (RICS) and the valuators have no direct interest in the property or the company owning it.

OÜ "NEWSEC VALUATIONS EE"

Address: Roseni 7, 101111 Tallinn, Estonia
Tel.: +372 6645090
Fax.: + 372 6645091

Bank account: EE192200221049294915
Bank: Swedbank
Bank code: HABAEE2X
Company code: 11930446
VAT payer code: EE101366122

2.5 Source data

For the purpose of this report we have been provided by Client with the following documents / information:

- Latest detailed profit and loss statement for the building
- Historical and future forecasted profit and loss statements for the building
- Tenancy schedule
- General presentation about the building

Valuer has also used various publicly available information[1] as well as OU "NEWSEC VALUATIONS EE" database.

Valuer has in general relied on this information to be accurate and has generally not found any reason to believe otherwise, using this information as basis for our valuation. Our report is therefore using this information as basis for our valuation.

[1] Estonian public resources: (www.ehr.ee; www.maaamet.ee; https://kinnistusraamat.rik.ee; http://www.fin.ee)

RICS

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5.5 Valuation conclusion

Based on the above calculations we therefore estimate the **Market Value of the property on the date of the value (28th December, 2018)** calculated using Discounted Cash Flow method to

EUR 14,470,000

In letters: fourteen million four hundred seventy thousand euros

The contents of this Report is intended to be confidential to the addressees and for the specific purpose stated. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of its contents. Before the Report or any part of its contents are reproduced or referred to in any document, circular or statement or disclosed orally to a third party, our written approval as to the form and content of such publication or disclosure must first be obtained. For avoidance of doubt, such approval is required whether or not this firm is referred to by name and whether or not our Report is combined with others.

Signature(s)

28th January, 2019 (date of Valuation Report)

Report approved by:
Linas Daukus, MRICS
Head of International Valuations, Baltics

/signed electronically/

Report written by:
Rain Pints
Valuer (Estonia)
Certificate no 127179
Land valuation licence no 097 MA-mh

/signed electronically/

RICS

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1. Property under valuation, purpose of valuation, basis and assumptions

1.1 Property under valuation

In accordance with instructions received from Pirita Center OÜ we have been instructed to do a valuation of the property known as "Pirita Keskus" shopping centre (GBA 6,574.2 sq. m), located at Merivälja rd 24-2, Tallinn, Estonia (hereinafter referred to as **property / subject property**), currently owned by Pirita Center OÜ.

Interest to be valued – freehold interest in Real Estate property as listed below.

The property is registered in the Land Registry of Estonia under following property data:

- Land plot – 5,516 sq. m
- Land purpose – commerial land 95%, residential land 5%
- Registered Immovable No. – 6406050
- Cadastral code – 78402:202:3080
- Property rights – freehold (apartment ownership)
- Property encumbrance – There are encumbrances registered on the property, which do not have any effect on our valuation of the Property.
- Mortgages - There are mortgages registered on the property, which do not have any effect on our valuation of the Property
- Ownership – Pirita Center OÜ (registry code 12992834)

1.2 Purpose of the valuation

The scope of this valuation is based on the client's valuation instructions as follows:

- Date of the value is 28th December, 2018.
- The valuation is required for internal use (case and purpose of valuation – other, for financial statements, on Client's request). The valuation is required for financial statements under IFRS in accordance with IAS 40 fair value disclosure requirement.
- Secondary purpose of valuation for secured lending (bank financing purposes).

Pursuant to the recommendations laid down in the IAS, IVS and the EVS, investment property must be valued at Market Value, this market value being the Fair value.

The valuation is undertaken on basis of Market value in accordance with the standards of IAS, standards and guidance notes of IAS, IVS and the EVS or an equivalent basis as used in local market.

Valuer has prepared a full valuation of the property in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards 2017 and Estonian Valuation Standards (EVS-875) as an equivalent basis considering the specific principles effective on the local market that not conflicts to RICS Standards or International Valuation Standards (IVS).

1.3 Basis of the valuation

We are assessing the Market Value of the property in accordance with the Practice Statements and Relevant Guidance Notes of the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards and approved by both the International Valuation Standards Committee (IVSC) and The European Group of Valuers' Association (TEGoVA) as follows:

Valuer Linas Daukus is approved by Royal Institution of Chartered Surveyors (RICS) as Chartered Surveyor (Membership No. 6510302).

Valuer Rain Pints is approved by Estonian Association of Appraisers as Certified Valuer (certificate no 127179) and has Republic of Estonia Land Board land valuation licence no 097 MA-mh.

Valuer confirms that he is in a position to provide an objective and unbiased valuation and is competent to undertake the subject valuation assignment; Valuer confirms that he has sufficient current local, national and international (as appropriate) knowledge of the particular market and the skills and understanding to undertake subject valuation competently.

Valuer is acting as External valuer.

The Valuer hereby declares that this valuation is carried out in line with the ethical standards of the Royal Institution of Chartered Surveyors (RICS) and the valuators have no direct interest in the property or the company owning it.

OÜ "NEWSEC VALUATIONS EE"

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Bank: Swedbank
Bank code: HABAEE2X
Company code: 11930446
VAT payer code: EE101366122

2.5 Source data

For the purpose of this report we have been provided by Client with the following documents / information:

- Latest detailed profit and loss statement for the building
- Historical and future forecasted profit and loss statements for the building
- Tenancy schedule
- General presentation about the building

Valuer has also used various publicly available information[1] as well as OU "NEWSEC VALUATIONS EE" database.

Valuer has in general relied on this information to be accurate and has generally not found any reason to believe otherwise, using this information as basis for our valuation. Our report is therefore using this information as basis for our valuation.

3. Description of the property under valuation

3.1 Legal status

Project name / Address	"PIRITA SHOPPING CENTRE " / Merivälja rd 24-2, Tallinn, Estonia
Number of separate properties	1
Land size	5,516 sq. m
Land purpose	Commercial 95%, residential 5%
Land cadastral No.	78402:202:3080

[1] Estonian public resources: (www.ehr.ee; www.maaamet.ee; https://kinnistusraamat.rik.ee; http://www.fin.ee)

RICS

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5.5 Valuation conclusion

Based on the above calculations we therefore estimate the **Market Value of the property on the date of the value (28th December, 2018)** calculated using Discounted Cash Flow method to

EUR 10,020,000

In letters: ten million twenty thousand euros

The contents of this Report is intended to be confidential to the addressees and for the specific purpose stated. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of its contents. Before the Report or any part of its contents are reproduced or referred to in any document, circular or statement or disclosed orally to a third party, our written approval as to the form and content of such publication or disclosure must first be obtained. For avoidance of doubt, such approval is required whether or not this firm is referred to by name and whether or not our Report is combined with others.

Signature(s)

7th January, 2019 (date of Valuation Report)

Report approved by:
Linas Daukus, MRICS
Head of International Valuations, Baltics

/signed electronically/

Report written by:
Rain Pints
Valuer (Estonia)
Certificate no 127179
Land valuation licence no 097 MA-mh

/signed electronically/

RICS

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Summary

The purpose of this valuation report is to present and appraise the property – SHOPPING CENTRE, located at located at the address Hipokrāta str. 28, Riga, Latvia, currently owned by SIA "BOF SKY".

The Baltic region is fully integrated into the Eurozone after the euro adoption in Lithuania in 2015, following Estonia in 2011 and Latvia in 2014. The Baltic countries benefit from this due to the removal of the local currency risk opening opportunities for new investors and increasing the attractiveness of the region as a whole. Year of 2016 is described as a record year for office and retail investment transactions market, when nearly 75% of total volume was investments into these segments. 2017 was a year of retail transactions, when nearly half of the total volume in Baltic states and in Lithuania as well was made in this segment (46% of total investment volume and more than 300 mEUR). There were attracted new international investors, who bought large scale projects in the Baltics market. 2017 was a year of retail transactions, when nearly half of the total volume is made in this segment. Main principles applied for valuation:

- Due to the absence of the comparable market data direct capitalization method is assumed not to reflect the true market value of the Property;
- The 10-year Discounted Cash Flow approach is considered to be the most reflective method given the conditions as outlined above.
- Sales Comparison Approach was not applied for valuation of Supermarket due to absence of comparable transactions, as well as supply, during last 3 years (considering size, purpose and tenancy state (as subject property under valuation are under long term leases)).
- Replacement Value (Cost) Approach was not applied as property under valuation is not of specific purpose or especially improved.

Estimated Market Value of the property on the date of valuation (28th December, 2018) is EUR 5,390,000 (EUR Five million three hundred and ninety thousand).

As of the end of 2010, the recession stopped in Latvia, and growth has resumed. From 2011 to 2013, the GDP grew by 4.4% per year on average. In 2014, GDP grew by 1.9%, while in 2015 – by 3.0%. The slowdown of growth in the last two years was determined by the trends in the external environment – slower growth in the EU than expected, as well as weakening of the economic situation in Russia. Latvia's economic growth in 2016 (2.0%) suffered from a drop in investment but reached an impressive 4.5% in 2017 due to the upturn in the EU financing cycle and an increase in household purchasing power.

Property being valued – SUPERMARKET (total area approx. 4,000 sqm), located in DREILINI district, on periphery of Riga city. Property valuation refers on owner's income and expenses on the property, also with valuators' conclusions and presumptions. Discounted Cash – Flow method was used for estimation of Market Value of the Business centre, detailed calculations of the market value by this method are set in the Appendixes to Valuation Report.

Property under valuation / Interest to be valued

In accordance with instructions received from SIA "BOF SKY" (Client), we have been instructed to do a desktop valuation of the property – SUPERMARKET SKY (Retail building, shelter and land plots; retail building gross area approx. 4,000 sqm), located at the address Hipokrāta str. 28, Riga, Latvia.

Interest to be valued – freehold (buildings / premises, land) interest in Real Estate property as listed below. The property is registered under following property numbers.

Land

1. Hipokrata str. 28, Rīga, Latvia. Land plot area 3,970.00 sqm, Cadastral No. 01001222068, Land Registry Section No. 27543.
   Property rights – freehold (owner – SIA "BOF SKY", c.c. 40103538571).
2. Hipokrata str. 28, Rīga, Latvia. Land plot area 11,224.00 sqm, Cadastral No. 01001222047, Land Registry Section No. 25714.
   Property rights – freehold (owner – SIA "BOF SKY", c.c. 40103538571).

Buildings / premises

1. Hipokrata str. 28, Rīga, Latvia. Supermarket gross area 4,032.70 sqm, Cadastral No. 01001222047001, Land Registry Section No. 30600.
   Property rights – freehold (owner – SIA "BOF SKY", c.c. 40103538571).
2. Hipokrata str. 28, Rīga, Latvia. Shelter gross area 92.40 sqm, Cadastral No. 01001222047002, Land Registry Section No. 30600.
   Property rights – freehold (owner – SIA "BOF SKY", c.c. 40103538571).

Owner

Property under valuation is owned by SIA "BOF SKY", c.c. 40103538571, address Krišjana Valdemara str. 21 - 20, Riga, LV1010 Latvia.

The property is owned freehold. There are encumbrances registered on the properties (listed further in Valuation Report), but any effect on our valuation of the Property.

Client

Client – SIA "BOF SKY", c.c. 40103538571, address Krišjana Valdemāra str. 21 - 20, Riga, LV1010 Latvia.

Valuer

Valuer Andris Pūtelis is approved by Latvian Association of Property Valuators as Certified Valuator (Certificate No.130 in real estate valuation, issued by Latvian Association of Property Valuers).

Valuer Linas Daukus is approved by Royal Institution of Chartered Surveyors (RICS) as Chartered Surveyor (Membership No. 6510302).

Valuer confirms that is in a position to provide an objective and unbiased valuation and is competent to undertake the subject valuation assignment; Valuer confirms that has sufficient current local, national and international (as appropriate) knowledge of the particular market and the skills and understanding to undertake subject valuation competently.

Valuer is acting as External valuer.

Valuer hereby declare that this valuation is carried out in line with the ethical standards of the Royal Institution of Chartered Surveyors (RICS) and TEGoVA and the valuators have no direct interest in the property or the company owning it.

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Fax.: +371 6750 8401

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Bank: "Swedbank", AS
SWIFT code: HABALV22
Reg. code: 40103216919
VAT payer code: LV40103216919

Purpose of the valuation, valuation date

The scope of this valuation is based on the client's valuation instructions as follows:

- Date of valuation is 28th December, 2018.
- The valuation is required for internal use (case and purpose of valuation – other, for financial statements, on Client's request). The valuation is required for financial statements under IFRS in accordance with IAS 40 fair value disclosure requirement.
- Secondary purpose of valuation for secured lending (bank financing purposes).

Valuer has prepared a full valuation of the property in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards 2017 – including the International Valuation Standards and Latvian Valuation Standards 401:2013, including inspection of the property and a market survey.

Basis of value

We as assessing the Market Value of the property in accordance with the Practice Statements and Relevant Guidance Notes of the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards and approved by both the International Valuation Standards Committee (IVSC) and The European Group of Valuers' Association (TEGoVA) as follows:

> "***Market Value*** *– The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion" (RICS 2017; IVS 2017)*

The Market Rent is also defined according to the manuals of the above mentioned associations as follows:

> "***Market Rent*** *– The estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion" (RICS 2017; IVS 2017).*

Conclusion on Value

Based on the above calculations we therefore estimate the **Market Value** of the property on the date of valuation **(28th December, 2018)** calculated using Discounted Cash Flow method to

EUR 5,390,000.00

In letters: EUR five million three hundred and ninety thousand 00/100

Signature(s)

Date of Report: 31st December, 2018

Andris Pūtelis
Valuer, Report Compiler
SIA „ NEWSEC VALUATIONS LV"

/signed electronically/

Linas Daukus, MRICS
Valuer, Report Inspector /
Head of Valuations, Baltics
SIA „ NEWSEC VALUATIONS LV"

/signed electronically/

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Purpose of the consultation

In accordance with instructions received from UAB BH Duetto (further called "Client"), UAB "Newsec valuations" (further called "Consultant") has been instructed to do a consultation of the property – Business Centre DUETTO II (GLA approx. 8,500 sq. m), situated at the address Spaudos str. 6, Vilnius, Lithuania.

The scope of this consultation is based on the Client's consultation instructions as follows:

- Date of estimation is 21 November, 2018.
- **Possible Value for Sale on Special Assumption (Full finish). Consultation is made with assumption, that property is Fully finish, Construction completion act is issued by State Territorial Planning and Construction Inspectorate under The Ministry of Environment and 2018-08-15 Cadastral measurements are registered in VĮ "Registrų centras" database and Lease contracts (Tenancy schedule provided by Client) are signed and valid on the date of consultation** (According to VĮ "Registrų centras" database Administrative building (unique No. 4400-4114-5980) status – forming. On the date of concultation, the building is "white finish", according to 2018-08-15 Cadastral measurements gross area of the building 14,336.94 sq. m, completion of construction – 100 %).
- The consultation is required for internal use.

Consultant is requested to undertake an estimation on the basis of restricted information – Valuation Advice. This report shall be considered as a Valuation Advice and may not be treated as a Full Valuation Report. This report is prepared for Client internal use ONLY and may not be used for any external purposes as financial reporting, secured lending etc.

Nature and source of information

For the purpose of this report Consultant has been provided with the following documents / information:

- Plan of Land plot;
- Cadastral file of the building;
- Tenancy schedule.

Property was inspected on 21 November, 2018. Property was inspected by Kristina Pilipavičiūtė.

Consultant has in general relied on this information to be accurate and has generally not found any reasons to believe otherwise. This report is therefore using this information as basis for the desktop valuation.

Consultant has also used various publicly available information as well as UAB "Newsec valuations" data base.

Scope of the consultation

Consultation Report contains general Property description with Possible Value for Sale estimation.

Interest to be analyzed – freehold (building) interest in Real Estate property as listed further.

Possible Value for Sale estimation is based on owner's income and expenses on the property (provided by Client, also considering Consultant's conclusions and presumptions). Each of the property specific factors that influence respective cash flows and Possible Value for Sale were evaluated.

Discounted Cash – Flow method was used for estimation of Possible Value for Sale of the property, detailed calculations of the Possible Value for Sale by this method are set in the appendixes of the report.

Consultant is requested to undertake an estimation on the basis of restricted information – Valuation Advice. This report shall be considered as a Valuation Advice and may not be treated as a Full Valuation

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Consultant

UAB "Newsec valuations" Status – Joint Stock Company; address – Konstitucijos av. 21C, Vilnius, Lithuania; company code – 126212869; data collected in Register of Legal Entities of Lithuania.

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Conclusion

Subject to the foregoing, and based on values current as at **21 November, 2018**, Consultant is of the opinion that the **Possible Value for Sale on Special Assumption (Full finish)** of the freehold interest in the **Property**, as set out in Report, is the total sum of

EUR 18,300,000.00

In letters: EUR Eighteen million three hundred thousand 00/100

Possible Value for Sale on Special Assumption (Full finish). Consultation is made with assumption, that property is Fully finish, Construction completion act is issued by State Territorial Planning and Construction Inspectorate under The Ministry of Environment and 2018-08-15 Cadastral measurements are registered in VĮ "Registrų centras" database and Lease contracts (Tenancy schedule provided by Client) are signed and valid on the date of consultation (According to VĮ "Registrų centras" database Administrative building (unique No. 4400-4114-5980) status – forming. On the date of concultation, the building is "white finish", according to 2018-08-15 Cadastral measurements gross area of the building 14,336.94 sq. m, completion of construction – 100 %).

Detailed calculations of the Possible Value for Sale by Discounted Cash Flow are set in Appendixes to the report.

Consultant is requested to undertake an estimation on the basis of restricted information – Valuation Advice. This report shall be considered as a Valuation Advice and may not be treated as a Full Valuation Report. This report is prepared for Client internal use ONLY and may not be used for any external purposes as financial reporting, secured lending etc.

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Signature(s)

7 December 2018 (date of Valuation Advice)

Kristina Pilipavičiūtė
UAB "Newsec valuations"

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