



## OFFERING AND LISTING PROSPECTUS

Regarding providing right to convert fund units into Swedish Depository Receipts ("SDR") and listing of SDRs on Nasdaq Stockholm

# Baltic Horizon Fund

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

This is the prospectus (the "**Prospectus**") for the offering of Swedish depository receipts (each a "**SDR**") representing units of Baltic Horizon Fund ("**Units**" and the "**Issuer**") to existing holders of Units listed for trading on Nasdaq Stockholm ("**Swedish Unit-holder**") by conversion of existing Units into SDRs (the "**Offering**") and the admission to trading of the SDRs on Nasdaq Stockholm AB ("**Nasdaq Stockholm**").

The reason for the Offering is to enable the Unit-holders of the Units trading on Nasdaq Stockholm to convert respective Units into SDRs. The aforementioned is a response to Euroclear Sweden AB's ("**Euroclear Sweden**") decision to terminate the affiliation agreement with the Issuer for keeping Units registered with its book entry system in Sweden that is taking place due to a strategic decision by Nordea Bank Abp to exit its Nordic sub-custody business.

Northern Horizon Capital AS (registry code: 11025345; address: Tornimäe 2, 10145 Tallinn, Estonia) (the "**Management Company**") has appointed Nordic Issuing AB as the issuer of the SDRs ("**Nordic Issuing**" or the "**SDR Agent**"). The SDRs are issued in the Swedish book-entry system maintained by Euroclear Sweden. One SDR entitles holder to one Unit of the Issuer. The SDRs are issued in Swedish kronas. The SDRs have been created under, and are governed by, the laws of Sweden and registered under ISIN SE0018689820. A number of Units corresponding to the number of SDRs issued are held in custody by the sub-custodian bank appointed by the SDR Agent in Estonia in the name of the SDR Agent and for the account of the person holding SDRs ("**SDR Holders**"). As of the date of this Prospectus, the sub-custodian bank of the SDR Agent is Swedbank AS.

This Prospectus will cover up to 119 635 429 SDRs to be offered and admitted for trading on Nasdaq Stockholm. No offering of SDRs or any other securities of the Issuer is made on the basis of this Prospectus in connection with the listing of the SDRs on Nasdaq Stockholm as described in this Prospectus in any jurisdiction except to existing Swedish Unit-holders by conversion of existing Units into SDRs.

This Prospectus has been prepared by the Management Company in connection with the Offering and listing and admission to trading of the SDRs on Nasdaq Stockholm in accordance with the Swedish Securities Market Act (Sw. *lagen om värdepappersmarknaden*) and Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the "**Prospectus Regulation**"). This Prospectus has been prepared in accordance with the requirements of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004 (the "**Delegated Regulation**") and in application of the Annexes 1, 3, 4, and 11 of the Delegated Regulation. This Prospectus constitutes a prospectus in the form of single document within the meaning of Prospectus Regulation and Swedish Securities Market Act (Sw. *lagen om värdepappersmarknaden*). This Prospectus has been approved by the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*) (the "**SFSA**") as competent authority under Regulation (EU) 2017/1129. The SFSA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129. The SFSA's approval should not be considered as an endorsement of the Issuer that is the subject of this Prospectus, nor should it be considered as an endorsement of the quality of the securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the SDRs. Application will be made for the SDRs to be registered with Euroclear Sweden and subsequently admitted to trading on a regulated market on the Alternative Investment Funds market on Nasdaq Stockholm and the listing is expected to take place on or about 4 November 2022.

The SDRs 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 SDRs 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 Prospectus, the Issuer is 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**”). MME rating is S&P Global Ratings' forward-looking opinion about the creditworthiness of a mid-market company relative to other mid-market companies. It assesses a mid-market company's relative capacity and willingness to meet its financial obligations as they come due. The "MM3" rating on the MME scale corresponds indicatively to the "BB + " / "BB" rating on the global rating scale. 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 SDRs involves certain risks. Prospective investors should read this entire Prospectus. In particular, prospective investors should read “Risk Factors” for a discussion of certain factors that the prospective investors should consider before investing in the SDRs. The contents of this Prospectus are not intended to be construed as legal, financial or tax advice. Each prospective investor should consult its own legal advisor, financial advisor, or tax advisor for such advice.**

The Prospectus is valid until commencement of trading with the SDRs on Nasdaq Stockholm. The Issuer via the Management Company is obligated to update the Prospectus by publishing a supplement only in case new facts, material errors or inaccuracies occur, and such an obligation does not apply after the end of the validity period of the Prospectus. The Summary of the Prospectus will be translated into Swedish. In case there should be any discrepancies between English and Swedish version of the Summary of the Prospectus, English version shall prevail.

The date of this Prospectus is 30 September 2022

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# 1. INTRODUCTORY INFORMATION

## 1.1. APPLICABLE LAW

This Prospectus has been drawn up in accordance with the Prospectus Regulation and in accordance with the Delegated Regulation. The Prospectus comprises of three mandatory elements: summary of the Prospectus, registration document and securities note. The summary of this Prospectus is drawn up in accordance with Article 7 of the Prospectus Regulation, a registration document of the Fund is drawn up in accordance with Annexes 1, 3 and 4 of the Delegated Regulation and the securities note of SDRs issued by the Fund is drawn up in accordance with Annex 11 of the Delegated Regulation.

This Prospectus shall be governed by the laws of Sweden, except to the extent the rules of private international law applied by the competent court provide for the mandatory application of the laws of any other jurisdiction. Any disputes arising in connection with the Prospectus shall be settled by Swedish courts unless the exclusive jurisdiction of any other court is provided for by the provisions of law, which cannot be derogated from by an agreement of the parties. Each purchaser and subscriber of the SDRs must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, subscribes, offers or sells the SDRs or possesses or distributes this Prospectus and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the SDRs 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 the Management Company shall have no responsibility for these obligations.

## 1.2. PERSONS RESPONSIBLE

The information contained in this Prospectus has been provided by the Management Company and received from other sources identified herein. It is prohibited to copy or distribute the Prospectus or to reveal or use the information contained herein for any other purpose than considering an investment in the SDRs. The Management Company accepts responsibility for the information contained in this 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 Prospectus is in accordance with the facts and contains no omission likely to affect its import. The resolution to carry out the Offering was resolved upon by the management board of the Management Company on 28 September 2022.

Where information used in this Prospectus has been sourced from a third party, this information has been accurately reproduced and as far as the Management Company is aware and has 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. Where information has been sourced from third parties, a reference to the respective source has been provided together with such information where presented in this Prospectus. Certain information with respect to the markets in which the Issuer operates is based on the best assessment made by the Management Company. With respect to the industry in which the Issuer is active and certain jurisdictions in which it conducts its operations, reliable market information is often not available or is incomplete. While every reasonable care was taken to provide best possible assessments of the relevant market situation and the information on the relevant industry, such information may not be relied upon as final and conclusive. Investors are encouraged to conduct their own investigation of the relevant markets or employ a professional consultant.

The contents of this 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, 30 September 2022

Northern Horizon Capital AS

*Tarmo Karotam*

*Member of the Management Board*

*Ausra Stankevičienė*

*Member of the Management Board*

*Algirdas Vaitiekūnas*

*Member of the Management Board*

### 1.3. DEFINITIONS

<b>Baltics</b>	Estonia, Latvia and Lithuania
<b>BOF</b>	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.
<b>CBD</b>	Central business district
<b>Colliers</b>	Colliers International Advisors OÜ and any of its affiliates belonging to the same consolidation group with it
<b>Conversion Order</b>	An order for converting Units into SDRs
<b>Conversion Period</b>	Period for converting Units into SDRs under this Prospectus
<b>CPI</b>	Consumer price index
<b>CSD Rules</b>	Rules governing Euroclear Sweden
<b>Delegated Regulation</b>	Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004
<b>Delivery Date</b>	Date of delivery of the SDRs to investors
<b>Depository</b>	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
<b>Dividend</b>	Cash distributions paid out of the cash flows of the Fund in accordance with the Fund Rules
<b>EC</b>	The European Commission
<b>EFSA</b>	Estonian Financial Supervision Authority, which is the capital market regulatory authority of the Republic of Estonia
<b>EMU</b>	European Economic and Monetary Union
<b>EPRA NAV</b>	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 crystallize in normal circumstances such as the fair value of financial derivatives and deferred taxes on property valuation gains. Calculation of EPRA NAV is explained in greater detail in section 9.2 "NAV".
<b>EU</b>	The European Union
<b>EUR, €, euro</b>	The lawful currency of the European Economic and Monetary Union
<b>Euroclear Sweden</b>	Euroclear Sweden AB
<b>Europa SC</b>	Europa shopping centre held by Europa SPV which is fully owned by the Fund
<b>Europa SPV</b>	BOF Europa UAB, registry code 300059140, a special purpose vehicle registered in the Republic of Lithuania and holding title to the Europa SC property
<b>Fund</b>	Baltic Horizon Fund, a public closed-ended contractual real estate investment fund
<b>Fund Manager</b>	A person appointed by the Management Board of the Management Company whose duty is to coordinate the investment of the Fund's assets and other activities related to the management of the Fund and to monitor that the Fund is managed pursuant to the provisions of legislation and the Fund Rules
<b>Fund Rules</b>	Rules of the Fund as registered with the Estonian Financial Supervisory Authority on 23 May 2016 and appended to the Prospectus as Appendix A
<b>Galerija Centrs</b>	Galerija shopping centre held by Galerija SPV which is fully owned by the Fund
<b>Galerija SPV</b>	TAMPERE INVEST SIA, registry code 40003311422, a special purpose vehicle registered on 02.10.1996 in the Republic of Latvia and holding title to the Galerija Centrs property
<b>Gross leasable area (GLA)</b>	Total floor space (measured in sqm) at a property including areas dedicated as public spaces or thoroughfares such as building service areas
<b>IAS</b>	The International Accounting Standards forming part of the IFRS
<b>IFA</b>	Investment Funds Act of Estonia
<b>IFRS</b>	The International Financial Reporting Standards as adopted by the European Union
<b>Issuer</b>	The Fund
<b>KIID</b>	Key Investor Information Document of the Fund drawn up in accordance with Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS)
<b>Listing</b>	Start of trading with the SDRs on Nasdaq Stockholm on or about 19 October 2022

<b>LTV</b>	Loan to value ratio. It is calculated as a ratio of interest-bearing debt to the value of investment property
<b>Management Company</b>	Northern Horizon Capital AS, the management company of the Fund
<b>Member State</b>	A member state of the European Economic Area
<b>Merger</b>	The merger of the Fund and BOF on 30 June 2016. The Fund took over all assets and liabilities of BOF. Units of BOF were converted into units of the Fund at a ratio of 1:100 (1 unit of BOF was exchanged into 100 Units of the Fund). At the time of the merger, the Fund had no assets and liabilities of its own.
<b>NAV</b>	Net Asset Value of the Fund or a Unit as calculated in accordance with the Fund Rules
<b>Offering</b>	Offering of SDRs to existing Swedish Unit-holders by way of conversion of existing Units into SDRs
<b>Prospectus</b>	This offering and listing prospectus, which will be approved by the SFSA on 30 September 2022
<b>Prospectus Regulation</b>	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71
<b>Register, ERS</b>	Estonian Register of Securities operated by the Registrar, the register of the Units
<b>Registrar</b>	Nasdaq CSD SE Estonian branch
<b>Related Parties</b>	As defined in the International Accounting Standard 24, <i>Related Party Disclosures</i>
<b>Rentable area, leasable area, net leasable area (NLA)</b>	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
<b>SC</b>	Shopping center
<b>SDR</b>	Swedish depository receipts representing Units
<b>SDR-Holder</b>	A person holding SDRs of the Fund and entitled to exercise rights attached to the SDRs in accordance with the SDR Terms
<b>SDR Terms</b>	Terms of SDRs as appended to the Prospectus as Appendix C
<b>SFSA</b>	Swedish Financial Supervisory Authority (Sw. <i>Finansinspektionen</i> ), which is the capital market regulatory authority of the Kingdom of Sweden
<b>SSC</b>	Shared services centre
<b>SPA</b>	Sale and Purchase Agreement
<b>SPV</b>	A special purpose vehicle established for the purposes of making and maintaining real estate investments for the benefit of the Fund
<b>sqm</b>	Square meter
<b>Summary</b>	The summary of this Prospectus presented on pages 11-16
<b>Swedish Investor</b>	Holder of Units listed for trading on Nasdaq Stockholm
<b>Unit</b>	A unit of the Fund
<b>Unit-holder</b>	A person holding Units of the Fund or the SDRs representing the Units (as may be applicable) and entitled to exercise rights attached to the Units in accordance with the Fund Rules and SDR Terms (as may be applicable)
<b>WAULT</b>	Weighted average unused lease term calculated by weighting remaining terms of each lease contract by rental income
<b>Website</b>	<a href="http://www.baltichorizon.com">www.baltichorizon.com</a> , website of the Fund

#### 1.4. INFORMATION INCORPORATED BY REFERENCE

The Issuer's financial results for the financial year ended 31 December 2021, 31 December 2020 and 31 December 2019 are incorporated in and form part of the 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/>. The information incorporated by reference is to be read as part of this Prospectus. For the avoidance of doubt, other than the documents incorporated by reference, the contents of Issuer's website or any other website do not form a part of this Prospectus and prospective investors should not rely on such information in making their decision to invest into the SDRs. The parts of the following documents that have not been incorporated by reference to this Prospectus are either not relevant for the investors or covered elsewhere in the Prospectus.

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

Document	Link to the website	Information incorporated by reference
<a href="#">Interim report Q2 2022</a>	<a href="https://www.baltichorizon.com/wp-content/uploads/2022/05/BHF-quarterly-report-Q1-2022.pdf">https://www.baltichorizon.com/wp-content/uploads/2022/05/BHF-quarterly-report-Q1-2022.pdf</a>	Issuer's unaudited interim financial statements for the 3-month period ended 30 June 2022
<a href="#">Issuer Annual Report 2021, pages 68-114</a>	<a href="https://www.baltichorizon.com/wp-content/uploads/2022/03/BHF-annual-report-2021-EN.pdf">https://www.baltichorizon.com/wp-content/uploads/2022/03/BHF-annual-report-2021-EN.pdf</a>	Issuer's IFRS financial statements for the year 2021
<a href="#">Issuer Annual Report 2021, pages 62-67</a>	<a href="https://www.baltichorizon.com/wp-content/uploads/2022/03/BHF-annual-report-2021-EN.pdf">https://www.baltichorizon.com/wp-content/uploads/2022/03/BHF-annual-report-2021-EN.pdf</a>	Auditor's report for the year 2021
<a href="#">Issuer Annual Report 2020 pages 69-116</a>	<a href="https://www.baltichorizon.com/wp-content/uploads/2021/03/BHF-annual-report-2020_EN.pdf">https://www.baltichorizon.com/wp-content/uploads/2021/03/BHF-annual-report-2020_EN.pdf</a>	Issuer's IFRS financial statements for the year 2020
<a href="#">Issuer Annual Report 2020, pages 63-68</a>	<a href="https://www.baltichorizon.com/wp-content/uploads/2021/03/BHF-annual-report-2020_EN.pdf">https://www.baltichorizon.com/wp-content/uploads/2021/03/BHF-annual-report-2020_EN.pdf</a>	Auditor's report for the year 2020
<a href="#">Issuer Annual Report 2019, pages 49-97</a>	<a href="https://www.baltichorizon.com/wp-content/uploads/2020/03/2BHF-annual-report-2019_final_EN.pdf">https://www.baltichorizon.com/wp-content/uploads/2020/03/2BHF-annual-report-2019_final_EN.pdf</a>	Issuer's IFRS financial statements for the year 2019
<a href="#">Issuer Annual Report 2019, pages 44-48</a>	<a href="https://www.baltichorizon.com/wp-content/uploads/2020/03/2BHF-annual-report-2019_final_EN.pdf">https://www.baltichorizon.com/wp-content/uploads/2020/03/2BHF-annual-report-2019_final_EN.pdf</a>	Auditor's report for the year 2019
<a href="#">Management Company Annual Report 2021, pages 3-15</a>	<a href="https://www.baltichorizon.com/wp-content/uploads/2022/04/NHC-AS-Annual-report-2021.pdf">https://www.baltichorizon.com/wp-content/uploads/2022/04/NHC-AS-Annual-report-2021.pdf</a>	Management Company's IFRS financial statements for the year 2021
<a href="#">Management Company Annual Report 2021, pages 16-17</a>	<a href="https://www.baltichorizon.com/wp-content/uploads/2022/04/NHC-AS-Annual-report-2021.pdf">https://www.baltichorizon.com/wp-content/uploads/2022/04/NHC-AS-Annual-report-2021.pdf</a>	Auditor's report for the year 2021
<a href="#">Management Company Annual Report 2020, pages 3-16</a>	<a href="https://www.baltichorizon.com/wp-content/uploads/2021/04/NHC-AS-Annual-Report-2020.pdf">https://www.baltichorizon.com/wp-content/uploads/2021/04/NHC-AS-Annual-Report-2020.pdf</a>	Management Company's IFRS financial statements for the year 2020
<a href="#">Management Company Annual Report 2020, pages 17-18</a>	<a href="https://www.baltichorizon.com/wp-content/uploads/2021/04/NHC-AS-Annual-Report-2020.pdf">https://www.baltichorizon.com/wp-content/uploads/2021/04/NHC-AS-Annual-Report-2020.pdf</a>	Auditor's report for the year 2020
<a href="#">Management Company Annual Report 2019, pages 3-15</a>	<a href="https://www.baltichorizon.com/wp-content/uploads/2020/09/NHC-Annual-Report-2019-incl-auditors-report-EN.pdf">https://www.baltichorizon.com/wp-content/uploads/2020/09/NHC-Annual-Report-2019-incl-auditors-report-EN.pdf</a>	Management Company's IFRS financial statements for the year 2019
<a href="#">Management Company Annual Report 2019, pages 16-17</a>	<a href="https://www.baltichorizon.com/wp-content/uploads/2020/09/NHC-Annual-Report-2019-incl-auditors-report-EN.pdf">https://www.baltichorizon.com/wp-content/uploads/2020/09/NHC-Annual-Report-2019-incl-auditors-report-EN.pdf</a>	Auditor's report for the year 2019

### 1.5. AVAILABLE INFORMATION

In accordance with the rules of the Issuer (the “Fund Rules”) copies of the following documents and the following information 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;
- KIID (in Estonian, English and Lithuanian)
- the three most recent annual reports of the Fund;
- 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;

- 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;
- the NAV of the Fund and of a Unit;
- information on the size of the holding by the Management Company in the Fund;
- marketplaces where Units are admitted to trading, and the latest closing price of a Unit on each marketplace;
- the most recent semi-annual report of the Fund if this was approved after the most recent annual report;
- the three most recent annual reports of the Management Company;
- other information required under the laws, regulations, or guidelines by any competent authority.

In addition to the above, the SDR Terms will be made available free of charge at the office of the Management, during the normal business hours and on the Website.

This Prospectus has been published in an electronic form on the Website and on the website of the SFSA (<https://fi.se/en>). The information available on the Website or on the website of the Management Company does not form part of the Prospectus unless otherwise stated in 1.4 “Information Incorporated by Reference”. The SFSA has not scrutinised or approved the information available on the Website.

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.

## **1.6. CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements in sections 2 “Summary”, 3 “Risk Factors”, 7.8.6 “Investment Pipeline”, 8 “Presentation of Financial Information”, 7.8.3 “Dividends and Dividend Policy” and elsewhere in this 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 Fund. When used in this document, the words “believe”, “estimate”, “target” and “expect” and similar expressions, as they relate to the Fund 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. 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 Prospectus as at the date set forth on the cover.

## **1.7. APPROVAL OF PROSPECTUS**

This Prospectus has been approved by the SFSA as competent authority under Regulation (EU) 2017/1129. The SFSA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129. The SFSA’s approval should not be considered as an endorsement of the Issuer that is the subject of this Prospectus, nor should it be considered as an endorsement of the quality of the securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the SDRs.

## **1.8. AVAILABILITY OF PROSPECTUS**

This Prospectus in English will be published in an electronic form on the Website and on the website of the SFSA ([www.fi.se/en/](http://www.fi.se/en/)).

## **1.9. PRESENTATION OF FINANCIAL INFORMATION**

### **Financial information presented in this Prospectus**

The Issuer and the Management Company prepare their 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 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, to the extent that the relevant information is reflected therein.

#### **Currencies**

In this Prospectus, financial information is presented in euro (EUR), i. e. the official currency of the EU Member States participating in the EMU. In case the information is presented in any other currency than euro respective currency is stated in the Prospectus. 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 than EUR. The exchange rates between such currencies and the euro may change from time to time.

#### **Dating of Information**

This Prospectus has been drawn up based on the financial information valid for the Issuer's most recent reporting date 30 June 2022 for which unaudited interim consolidated financial statements were prepared. The information regarding the most recent NAV of the Fund in section 8.1 "NAV" is presented as calculated as of July 2022 which is the last calculated NAV immediately prior to the date of this Prospectus.

Where not expressly indicated otherwise, all information presented in this 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 30 June 2022 and published on 15 August 2022 is identified either by specifying the relevant date through the use of such expressions as "the date of this Prospectus", "to date", "until the date of this document" and other similar expressions, which must all be construed to mean the date of this Prospectus.

## 2. SUMMARY

### Introduction and Warnings

Name and international securities identifier number (ISIN) of the securities	Swedish depository receipts ("SDRs") with ISIN code SE0018689820 representing Baltic Horizon Fund units ("Units") with ISIN code EE3500110244
Identity and contact details of the issuer, including its Legal Entity Identifier (LEI), the identity and contact details of the offeror, including its LEI	<p>The name of the Issuer is Baltic Horizon Fund. The registered address of Issuer is Tornimäe 2, 10145 Tallinn, Estonia and telephone number is +372 674 3200. The LEI code of the Issuer is 52990081KT93E4SA0G49.</p> <p>The Issuer is managed by the Management Company. The Management Company is Northern Horizon Capital AS, address Tornimäe 2, 10145 Tallinn, Estonia; telephone number: +372 674 3200; LEI code 529900GDVTNNYQBUD208.</p> <p>The SDRs are registered with Nordic Issuing AB in its depository bank Swedbank AB and held on behalf of each investor. Nordic Issuing AB ("SDR Agent") is Swedish public limited liability company incorporated under the laws of Sweden on 6 August 2021 and registered with the Swedish Companies Registration Office (in Swedish: <i>Bolagsverket</i>) on 1 October 2021. The corporate registration number of SDR Agent is 559338-2509 and LEI code is 984500GDE2B75614AC61. SDR Agent's registered address is Stortorget 3, SE-211 222, Malmö, Sweden. SDR Agent is an investment firm authorised by the SFSA to provide investment services under license number 64612.</p>
Identity and contact details of the competent authority approving the prospectus	The Prospectus has been approved by the SFSA, as competent authority, with its head office at Brunnsgatan 3, SE-111 38 Stockholm, Sweden and postal address is P.O. Box 7821, SE-103 97 Sotckholm, Sweden, phone number +46 (0)8 408 980 00, website www.fi.se.
Date of approval of the prospectus	This Prospectus was approved on 30 September 2022

This summary should be read as an introduction to the Prospectus focusing on key information about the Fund. 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 Prospectus, including the financial information presented herein. Any investment decisions should be based on consideration of the Prospectus as a whole. An investment in the Fund involves risks and the investor may lose all or part of its invested capital. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the applicable law, have to bear the costs of translating the Prospectus in the course of the legal proceedings or before such proceedings are initiated.

No person who has prepared the summary assumes civil liability for this summary or the information herein, including any translation thereof, unless the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the securities.

### Who is the issuer of the securities?

The underlying Units that are represented by SDRs are issued by and registered with the SDR Agent – Nordic Issuing AB - a Swedish public limited liability company with a corporate registration number of 559338-2509. SDR Agent is an investment firm authorised by the SFSA to provide investment services under license number 64612.

The legal name of the Issuer is Baltic Horizon Fund. The issuer is a public close-ended contractual investment fund registered in the Republic of Estonia with the EFSA on 23 May 2016. The Fund has been registered and is currently operating under the laws of the Republic of Estonia and is established for an undetermined period. The Issuer is managed by the Management Company. The Fund is a real estate fund and invests directly or indirectly into real estate located in Estonia, Latvia and Lithuania, with a particular focus on capitals – Tallinn, Riga and Vilnius. The Issuer generates returns to the Unit-holders by investing in commercial real estate assets primarily at central and strategic locations in the Baltic capital cities. The Issuer focuses on fully-developed premium office and retail properties with high-quality tenants mix, low vacancy and stable and strong cash flows. The Fund seeks to become the largest commercial property owner in the Baltics.

As at the date of this Prospectus, to the extent known to the Management Company, no Unit-holder holds the majority of the Units and controls the Issuer. As at 26 September 2022, the Unit-holders holding directly over 5% of all Units in the Issuer are the following:

Name of unitholder	Number of units	Percentage
Nordea Bank Abp/Euroclear Sweden Non-Treaty Clients	23,752,523	19,85%
SEB AB/S P WM AB - SWEDISH CL POOL	16,157,484	13,51%
SWEDBANK AB CLIENTS	14,797,162	12,37%
Raiffeisen Bank International AG	11,427,567	9,55

Nordea Bank Abp/Euroclear Sweden Non-Treaty Clients, and Swedbank AB Clients Raiffeisen Bank International AG act as a nominee account holders. Based on the information available to the Management Company, the single largest unitholder and the only Unit-

holder who holds directly over 5% of all Units in the Fund is Church of Sweden (*Svenska kyrkans pensionskassa*). As of 28 July 2022, the Church of Sweden held 16,101,284 of the Units, which constitutes approximately 13.46 per cent of the total.

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

The Management Company is responsible for the investment management, administration and marketing of the Issuer. The Management Company has a three-tier management: Management Board, Supervisory Council and General Meeting. In order to manage the assets of the Fund, the Management Board of the Management Company appoints fund manager, whose duty is to coordinate the investment of the Fund's assets and other activities related to the management of the Fund and to monitor that the Fund is managed pursuant to the provisions of legislation and the Rules (the **"Fund Manager"**).

As at the date of the Prospectus, the Management Company's Management Board is composed of three members: Tarmo Karotam (Chairman of the Management Board, Fund Manager), Ausra Stankevičienė (Member of the Management Board) and Algirdas Jonas Vaitiekunas (Member of the Management Board). As at the date of the Prospectus, the Management Company's Supervisory Council is composed of three members: Milda Dargužaitė (Chairman of the Supervisory Council), Nerijus Žebrauskas (Member of the Supervisory Council), Daiva Liubomirskiene (Member of the Supervisory Council).

The Fund additionally has a supervisory board (the **"Supervisory Board"**). The Supervisory Board acts solely in the advisory capacity and the Management Company is fully responsible for making the decisions in connection with the fund management. As at the date of the Prospectus, the Fund's Supervisory Board is composed of four members: Raivo Vare (chairman of the Supervisory Board), Andris Kraujins, Per Møller and David Bergendahl.

The auditor of the Issuer is the audit company KPMG Baltics OÜ, Narva mnt 5, 10117 Tallinn, Estonia, registry code 10096082. KPMG Baltics OÜ is a member of the Estonian Board of Auditors.

#### **What is the key financial information regarding the Issuer**

The Table 1, Table 2 and Table 3 set forth the key financial information as at the end of each of the financial years ended 31 December 2021, 31 December 2020 and 31 December 2019 and the six months ended 30 June 2022 and 30 June 2021 which have been extracted or derived from the Audited Financial Statements and Interim Financial Statements included by reference to this Prospectus, respectively. All audited financial statements provided in this Prospectus received unqualified opinions from independent auditors.

**Table 1: Additional information**

Unit Class	Total thousand*	NAV, EUR	No. of units*	NAV per unit, EUR*	Historical performance (measured in NAV per unit)
One class of Units	134,176		119,635,429	1.1215	31.12.2021: 1.11 EUR (audited) 30.06.2021: 1.01 EUR (audited) 31.12.2020: 1.14 EUR (audited) 31.06.2020 : 1.22 EUR 31.12.2019: 1.35 EUR (audited)
<b>Total</b>	134,176		119,635,429		

\* As at 30 June 2022 (unaudited)

**Table 2: Consolidated income statement, EUR thousand (unless otherwise stated)**

	2019 (audited)	2020 (audited)	2021 (audited)	6M 2021 (unaudited)	6M 2022 (unaudited)
Net rental income	19,219	19,934	17,004	8,530	8,675
Performance fee (accrued/paid)	-379	-	-	-	-
Investment management fee (accrued/paid)	-1,679	-1,715	-1,765	-902	-752
Operating profit (loss)	13,930	-8,025	7,347	-7,230	7,740
Profit (loss) before tax	9,217	-13,546	1,642	-9,981	4,781
Net profit (loss) for the period	8,791	13,541	1,413	-9,222	4,239
Earnings (loss) per unit (EUR)	0.09	-0.12	0.01	-0.08	0.04

**Table 3: Consolidated financial position, EUR thousand (unless otherwise stated)**

	<b>31.12.2019</b> <b>(audited)</b>	<b>31.12.2020</b> <b>(audited)</b>	<b>31.12.2021</b> <b>(audited)</b>	<b>30.06.2022</b> <b>(unaudited)</b>
Net asset value (NAV)	152,518	136,321	132,584	134,176
Loan-to-Value ratio (LTV) <sup>1</sup>	57.3%	60.5%	60.7%	59.1%

<sup>1</sup> Loan-to-value ratio (LTV) = interest bearing loans and bonds / (investment property in use + investment property under construction)

**Table 4: Additional key financial information**

	<b>31.12.2019</b> <b>(audited)</b>	<b>31.12.2020</b> <b>(audited)</b>	<b>31.12.2021</b> <b>(audited)</b>	<b>30.06.2022</b> <b>(unaudited)</b>
Investment property in use	356,575	334,518	315,959	320,029
Investment property under construction	2,367	5,474	11,400	15,620
Gross asset value (GAV)	371,734	355,602	346,338	347,495
Interest bearing loans and borrowings	206,132	205,892	199,147	198,918
incl. lease liabilities	305	288	576	558
Interest bearing loans and bonds <sup>2</sup>	205,827	205,604	198,571	198,360
Total liabilities	219,216	219,281	213,754	213,319
Average effective interest rate	2.6%	2.6%	2.7%	2.8%

<sup>2</sup> Interest bearing loans and bonds = interest bearing loans and borrowings – lease liabilities

### **What are the key risks that are specific to the issuer?**

**Geo-political risk related to Russian invasion of Ukraine.** Commencing in 2021, Russian President Vladimir Putin ordered the Russian military to begin massing thousands of military personnel and equipment near its border with Ukraine and in Crimea. President Putin has since initiated a military invasion of Ukraine. The invasion of Ukraine, and actions taken in response thereto, could have a material negative impact on the economy and business activity globally (including in the countries in which the Fund invests), and therefore could adversely affect the performance of the Fund's investments.

**Exposure to risks related to public health crises.** The Issuer's operations are subject to the risks of unforeseen public health crises (such as pandemics and epidemics). In particular, the outbreak of coronavirus (COVID-19) in 2020 which spread throughout the world has had its impact on the Issuer's business as well as the general economic conditions in the countries where the Issuer operates.

**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 Fund's value of properties, financial position and cash flows. Further, 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.

### **Interest rate and leverage 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 total interest costs of the Issuer during the financial year 2021 amounted to EUR 5.5 million and the average interest rate during that period was 2.7%. 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 leading to increase costs of the Issuer's debt could adversely affect the Issuer's financial position, cash flows and its ability to acquire new properties.

### **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. 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. During the financial year

2021, the total rental income of the Issuer amounted to EUR 19,495 million. Any decrease in rental income is likely to negatively affect the Issuer's value of properties, financial position and cash flows.

### **Refinancing risk**

At maturity of the Issuer's debts, the Issuer will be required to refinance such debt. As per 31 December 2021, the total outstanding interest bearing loans and borrowings of the Issuer amounted to EUR 199,1 million of which EUR 116.0 will mature during the financial years 2022 and 2023. The Issuer's ability to successfully refinance such debt is dependent on the conditions of the financial markets in general at such time.

### **What are the main features of the securities?**

One (1) SDR represents one (1) underlying Unit. Units rank *pari passu* without preference or priority among themselves and without nominal value. A Unit represents the Unit-holder's share in the assets of the Issuer. Units are registered with the Estonian Register of Securities with ISIN EE3500110244. For each existing Unit that will be validly transferred into custody with SDR Agent, one SDR will be issued by the SDR Agent. Holdings of SDRs will be registered in the securities account of respective SDR-Holder or their nominees.

The SDRs will be issued in Swedish kronas. The SDRs will be created under, and are governed by, the laws of Sweden and registered under ISIN SE0018689820. The SDRs will be freely transferrable subject to the rules of respective marketplace where the SDRs are admitted to trading, and also subject to the CSD Rules and respective securities account provider of a SDR-Holder.

The rights and obligations attached to a SDR with respect to a SDR-Holder shall enter into force upon conversion of a Unit into SDR and shall terminate upon disposal of a SDR or redemption of a Unit - that is the underlying instrument to the SDR – by the Issuer.

In accordance with the SDR Terms, the SDR Agent and the Management Company shall establish arrangements, to the extent appropriate and practically possible and in accordance with applicable laws, to ensure that the SDR-Holders have the opportunity to exercise such rights with respect to the Fund as would be exercisable by such SDR Holders if they had Units directly and not SDRs.

The SDR Agent shall upon request by a SDR-Holder without delay arrange for the SDR-Holder to become registered directly as owner of the underlying Units for the number of Units held equivalent to the SDR-Holders' holding of SDRs. For the purposes of becoming registered directly as the owner of the underlying Units, the SDR-Holder shall follow necessary requirements to be registered as the Unit-holder in Estonia under the Fund Rules and applicable law. The SDR Agent has a right to receive compensation in advance from the SDR-Holders for fees and expenses that arise in connection with withdrawal and deposit of Units in accordance with the SDR Agent's applicable price list. Units deposited with the SDR Agent cannot be transferred or pledged in any other way than by transfer and pledging of the SDRs. The SDRs can be transferred and/or pledged only in accordance with applicable Swedish legislation. The authority to transfer or pledge SDRs, as well as deciding who shall be deemed to be the rightful owner or pledgee of SDRs, shall be determined in accordance with the rules in the Swedish Central Securities Depositories and Financial Instruments Accounts Act. Any dividends received by the SDR Agent in the capacity of the holder of the SDR shall be redistributed to respective SDR-Holders. The SDR Agent shall in consultation with the Management Company and Euroclear Sweden determine a record date in accordance with Fund Rules, applicable laws, to be applied by SDR Agent for determining which SDR Holders in relation to SDR Agent are entitled to: (i) receive dividends in the form of cash, rights or other property; (ii) participate in the proceedings of and to vote at general meeting of the Unit-holders; (iii) subscribe for Fund Units or other rights or securities in connection with offerings; and; (iv) otherwise exercise the rights that holders of Fund Units normally are entitled to.

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 Fund'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 Fund 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 Fund 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.

The Issuer paid out 6.9% annual Dividend yield the closing market price of the unit as of 30 June 2022. Starting from July 2022, Baltic Horizon Fund's cash distribution frequency will be changed from quarterly to semi-annually. Cash distributions for Q3 2022 and Q4 2022 results will be announced together at the beginning of 2023.

### **Where will the securities be traded?**

The Units are being traded on Nasdaq Tallinn. The SDRs representing the Units are expected to be admitted to trading on Nasdaq Stockholm. For that purpose the Management Company is going to file an application to list the SDRs on Nasdaq Stockholm. The SDRs will trade on Nasdaq Stockholm under ticker symbol NHCBHFFSDB.

### **What are the key risks that are specific to the securities?**

**The underlying Units are governed by foreign law that may have adverse effect on the investors' ability to exercise their Unit-holders' rights attached to the SDRs.** The SDRs are dematerialized depositary interests representing entitlements to the underlying Units in the Issuer. The Issuer shall provide information on how SDR-Holders may participate and vote in the general meeting of the

Unit-holders and the SDR Agent shall provide a power of attorney to the Issuer authorizing each SDR-Holder to vote at general meeting. The Issuer or the SDR Agent are not responsible for an SDR-Holder's failure to follow the Issuer's or the SDR Agent's instructions on participation in a general meeting of Unit-holders.

**Units and SDRs may carry different rights.** Due to the SDRs being registered in the Swedish book-entry system, the SDR-Holders do not have directly certain rights attached to the underlying Units registered in Estonia. The rights related to the SDRs may be limited and the use of such rights may require specific actions to be taken and may be subject to further instructions by the Issuer and the SDR Agent.

**Risk on not participating in the conversion.** If the Swedish Investors remains passive during the Conversion Period on decides not to convert the Units into SDRs or alternatively does not transfer the Units into Nasdaq CSD (Estonia), it risks with the Units being sold by Euroclear Sweden after 4 November 2022. The termination of the services agreement between Euroclear and the Issuer will take place on 11 November 2022.

**Market liquidity risks.** No assurance can be made that following the Offering the SDRs will be actively traded on Nasdaq Stockholm. Since 6 July 2016 the underlying Units have been listed on Nasdaq Tallinn where the total turnover of trading in the Units since listing has been over EUR 40m. Since 23 December 2016 until on or about 17 October 2022, the underlying Units have also been listed on Nasdaq Stockholm where the total turnover of trading in the Units since listing has been over EUR 16m. Yet, there is no guarantee that an active trading market on Nasdaq Stockholm will be developed or sustained with respect to the SDRs.

**Market volatility risk.** Market price and trading volume of the SDRs could fluctuate substantially reacting to a number of factors including the liquidity of the SDRs on the secondary market, changes in the Fund's actual results and investors' and analysts' expectations of its future results, developments in real estate market and general economic conditions, valuations of comparable companies and general stock market trends. Since prices of publicly traded securities can increase as well as decrease, investors that acquire the SDRs may not be able to resell them in the secondary market at or above the purchase price.

**As a fund listed on Nasdaq Tallinn and Nasdaq Stockholm, the Fund will be subject to both Estonian and Swedish laws, regulations and policies.** Swedish laws, regulations and policies may differ in some respects from comparable laws, regulations and policies in Estonia. The differences in compliance requirements may expose the Fund to additional regulatory burdens. In the event of any conflict between the applicable laws, regulations and policies in Estonia and those in Sweden, the Issuer will have to comply with the more onerous rules and may incur additional costs and require additional resources.

**For any future offering of Units and/or SDRs, the Units delivered in the form of the SDRs will be delivered to investors in Sweden later than the Units are delivered to investors in Estonia and trading with the Units in the form of the SDRs may commence later than with the Units.** Taking into account the time needed for the issue and delivery of the SDRs and the differences in the Estonian and Swedish settlement systems, the Units delivered in the form of the SDRs will be delivered to the investors in Sweden later than the Units are delivered to investors in Estonia and therefore the trading with the Units in the form of the SDRs may commence later than with the Units.

#### Under which conditions and timetable can I invest in this security?

The Offering includes a maximum of 119,635,429 SDRs. The SDR's are intended to be admitted to trading on Nasdaq Stockholm. For that purpose, the Management Company is going to file an application to list the SDRs on Nasdaq Stockholm.

#### Right to participate in the Offering

The Unit-holders holding Units trading on Nasdaq Stockholm have the right to participate in the Offering.

#### Instructions on conversion

For the purposes of conversion, the Unit-holder shall transfer the Units to SDR Agent for deposition in accordance with the SDR Terms and together with the required information including name, address and account with Euroclear Sweden in which the SDRs are to be registered. For the purpose of holding the SDR, SDR-Holder needs to have a nominee registered custody account (banks, stockbrokers and online brokers offer these types of accounts) or a VPC Account which can hold the SDRs. VPC Accounts can be established with authorized VPC registrars, who can be Swedish banks, authorized securities brokers in Sweden and Swedish branches of credit institutions established within the EEA.

#### Conversion period

Investors may submit conversion orders for the conversion of Units into SDRs during the Conversion Period, which commences at 10:00 CEST on 3 October 2022 and terminates at 12:00 CEST on 17 October 2022. The Management Company has a right to prolong the offer period before the end of the offer period up until 17 October 2022. The timetable below lists key dates related to the conversion and listing of the SDRs on Nasdaq Stockholm

3 October 2022 to 17 October 2022	Conversion Period
On or about 13 October 2022	Last day of trading with Units on Nasdaq Stockholm
On or about 17 October 2022	De-listing of Units from Nasdaq Stockholm
On or about 17 October 2022	Determination and announcement of the results of the Offering
On or about 19 October 2022	Delivery of SDRs to Investors ("Delivery Date")
On or about 19 October 2022	Start of trading of SDRs on Nasdaq Stockholm

#### Cancellation of the Offering

The Management Company reserves the right to cancel the Offering or change the terms and conditions thereof as described in this Prospectus.

The Issuer's costs and expenses related to this issue of SDRs, conversion of Units into SDRs and listing of the SDRs in Nasdaq Stockholm are approximately EUR 80,000. Majority of the expenses related to the aforementioned were related to advisory costs and fees paid to service providers.

The Issuer also compensates to the SDR Agent fee concerning custody services from Swedbank in relation to Units held by SDR Agent on behalf of the SDR-Holders. The price for such custody services would be 0.08% of the value of the assets held by SDR Agent on behalf of the SDR-Holders.

#### Consequences of not converting Units into SDRs

If the Swedish Investor remains passive prior to the end of the Conversion Period and has not either:

- (i) submitted conversion order with the SDR Agent for converting the Units into SDRs; or
- (ii) instructed Units to be transferred to Nasdaq CSD (Estonia) and therefore continue to hold Units in Nasdaq CSD (Estonia) and trade on Nasdaq Tallinn stock exchange

Euroclear Sweden will appoint a sales agent to sell such holdings in the Units and pay out the proceeds (less sales costs and any applicable taxes) to the cash account connected with respective Swedish Investor securities account. Euroclear Sweden will initiate the sale after 4 November 2022. The termination of the services agreement between Euroclear and the Issuer will take place on 11 November 2022.

#### Why is this prospectus being produced?

This Prospectus has been prepared solely for the purpose of offering of the SDRs to existing Unit-holders in Sweden and have the SDRs admitted to trading on Nasdaq Stockholm. The Offering is not subject to any underwriting agreement.

The issue of the SDRs are made through conversion only. Hence, there will be no new proceeds for the Fund to utilise by way of this SDR issue.

According to the knowledge of the Management Company, there are no personal interests of the persons involved in the Offering which could be deemed material to the Offering.

### 3. RISK FACTORS

*Any investment in the SDRs is subject to a number of risks. Accordingly, prior to making any investment decision, prospective investors should carefully consider all the information contained in this Prospectus 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 SDRs 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 SDRs could decline and investors may lose all or part of their investment. Investors should consider carefully whether an investment in the SDRs is suitable for them in light of the information in this Prospectus and their personal circumstances. Investors should consult a competent independent professional advisor who specializes in advising on the acquisition of fund units and depositary receipts. The risk factors are divided into categories based on the principle that each risk factor is represented only once, in the most relevant category, despite suitability for several categories. The first risk factor of each category represents the risk most material in the opinion of the Managing Company. The rest of the risk factors are 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 this entire Prospectus. This Prospectus is not, and does not purport to be, an investment advice or an investment recommendation to acquire the SDRs.***

#### **Risk factors which are specific and material to the Issuer**

##### **Risks related to the Issuer's business activities and industry**

###### **Geo-political risk related to Russian invasion of Ukraine**

Commencing in 2021, Russian President Vladimir Putin ordered the Russian military to begin massing thousands of military personnel and equipment near its border with Ukraine and in Crimea. President Putin has since initiated a military invasion of Ukraine. In response, the United States and several European nations have announced sanctions and other measures against Russia as well as Belarus, certain state affiliates and other persons with actual or expected ties to the respective state and/or President Putin. Other governmental and non-governmental bodies and organisations, and various companies with interests in and/or related to Russia, Belarus and/or Ukraine, have also taken measures in response to Russia's invasion of Ukraine, including divesting assets and restricting trade and activities with Russia and its businesses. The invasion of Ukraine, and actions taken in response thereto, could have a material negative impact on the economy and business activity globally (including in the countries in which the Fund invests), and therefore could adversely affect the performance of the Fund's investments. The conflict is rapidly evolving and the varying involvement of the United States, the United Kingdom, the European Union and other NATO countries presents material uncertainty and risk with respect to the impact on global economic and market conditions and therefore to the Fund and the performance of its investments or operations, and the ability of the Fund to achieve its investment objectives. Additionally, to the extent that any third parties, investors, or related customer bases have material operations or assets in Russia, Belarus or Ukraine, the ongoing conflict may present actual risks and result in adverse consequences with respect to their dealings and/or obligations with respect to the Fund. The global response and repercussions arising out of Russia's invasion of Ukraine is ever-changing and the ramifications on markets, business activity and the global economy more generally are not yet capable of being fully identified or understood.

Furthermore, the imposed sanctions may have an effect on the Fund by way decrease of availability of the construction materials and increase of the price of construction materials respectively. This may negatively affect the Fund's development investments.

###### **Exposure to risks related to public health crises**

The Issuer's operations are subject to the risks of unforeseen public health crises (such as pandemics and epidemics). In particular, the outbreak of coronavirus (COVID-19) in 2020 which spread throughout the world has had its impact on the Issuer's business as well as the general economic conditions in the countries where the Issuer operates. The cautionary measures adopted by authorities around the globe has also had impact and caused financial hardship for the tenants primarily in the retail sector. Operations of the tenants in the retail sector were also most severely affected by the outbreak and the restrictive measures implemented by the Baltic governments to limit the spread of contagion. Hence, as a result of the outbreak of coronavirus and restrictive measures implemented by Baltic governments, tenants of the Issuer may face problems with paying rent and may ultimately go bankrupt. According to Eurostat, due to the COVID-19 pandemic, Estonian GDP declined by 3%, Latvian GDP declined with 3.8% and Lithuanian GDP declined



by 0.1% during 2020.<sup>1</sup> Extended periods of declining or 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. To illustrate these effects on the Issuer, during the financial year of 2020 the established rent discounts to the tenants of the Issuer made EUR 1.5 million which increased to EUR 3.4 millions by the middle of 2021. The foregoing could disrupt the Issuer operations, affect regional economies, damage Issuer's assets or adversely affect the business or financial condition of the Issuer's customers, any of which could have a material adverse effect on the Issuer's business, financial condition, results of operations or prospects. For example, as a result of payment default of a tenant, the Issuer may need to cancel a rental agreement with respective tenants and find new tenant(s) to the vacant space which ultimately may bring along reduced income for the Issuer and negatively affect the returns to investors of 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 Fund's value of properties, financial position and cash flows.

Further, 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 regard to formation of demand for commercial space.

According to Eurostat, expansion rates of Baltic economies gathered pace, after the decline caused by outbreak of coronavirus in 2020, in the course of 2021 with Estonian GDP adding 8.3%, Lithuanian 5.0% and Latvian 4.5%.<sup>2</sup> 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. According to OECD the employment level stands above 76% placing Estonia at the top in the ranking of EU countries (Q1 2022). The employment levels in Latvia and Lithuania are respectively 70.56% and 72.62% measured at the end of the same period. According to Eurostat, unemployment rate in Estonia in 2021 was 6.2%. The unemployment rates in Latvia and Lithuania in 2021 were respectively 7.6% and 7.1%.

Due to the Russian invasion of Ukraine, the near term outlook for economic activity in euro area is turning grimmer. The economic shocks caused by Russian's invasion are setting EU economy on the path of lower growth and higher inflation. According to the Economic Forecast published by the European Commission, real GDP is forecasted to grow by 2.7% in 2022 and 1.5% in 2023 in the EU, while the inflation in the EU is forecasted to increase to 8.3% in 2022 and to 4.6% in 2023. Real GDP growth in Estonia is forecasted to 1.6% in 2022 and 1.9% in 2023, in Latvia respectively to 3.9% and 2.2% and in Lithuania to 1.9% and 2.5%. The inflation in Estonia and Lithuania are forecast to increase to 17% in 2022 and to 15.5% in Latvia. In 2023, the inflation is forecast to decrease to 4.7% in Estonia, 6% in Latvia and 5.1% in Lithuania.<sup>3</sup>

The outlook remains subject to high uncertainty and the balance of risks is tilted towards adverse outcomes. The declining or 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.

### **Acquisition of properties and their performance**

Any decision by the Issuer to acquire a property is based on 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

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<sup>1</sup> Eurostat. Real GDP Growth Rate: <https://ec.europa.eu/eurostat/databrowser/view/tec00115/default/table?lang=en>

<sup>2</sup> Eurostat. Real GDP Growth Rate: <https://ec.europa.eu/eurostat/databrowser/view/tec00115/default/table?lang=en>

<sup>3</sup> European Commission. European Economic Forecast – Summer 2022: [https://economy-finance.ec.europa.eu/economic-forecast-and-surveys/economic-forecasts/summer-2022-economic-forecast-russias-war-worsens-outlook\\_en](https://economy-finance.ec.europa.eu/economic-forecast-and-surveys/economic-forecasts/summer-2022-economic-forecast-russias-war-worsens-outlook_en)

generation, rate of return and how an asset fits the Issuer's investment strategy and existing portfolio. 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.

#### **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 total market value of the Issuer's properties as per 30 June 2022 amounted to approximately EUR 320,03 million and the property with highest market value, Galerija Centrs, represented 19.3% of the total market value. 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, there is a risk that the fair value of the Issuer's properties could both appreciate and depreciate over time. For example, 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.

#### **Risks related to the use of external service providers**

The Management Company utilizes 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.

Property management companies play important role in the management of the portfolio as they take care of property operational maintenance, engagement with current and new tenants, marketing and accounting. Lack of required qualification personal in the property management company might cause worse performance of the properties (higher vacancies, lower rental income from renewals, loss of income due to wrong recharges, larger receivables, or bad debts) or even higher capex due to poor supervision of facility managers. These kind of risks increase especially in the times when there are additional challenges such as COVID, turbulences due to war in the neighbouring countries where the Issuer is carrying out its business.

Management Company of the Issuer supervises performance of the property managers and when needed they are replaced by other property managers to ensure the best performance. Tenders are arranged and potential property managers are screened for their past performance. However, transfer of services from one service provider to another causes additional cost as well as disruption in the smooth property management.

Other service providers that the Issue is dependent on are advisory services providers (tax, legal, technical) when acquisitions are made as well for daily maintenance of the properties. Failure of such advisors to provide proper advice might cause wrong assessment of the taxes levied on the activities of the Issuer, losses from the acquisitions which are mentioned under acquisition of properties and their performance risk.

#### **Competition risks**

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. Such responses to competitor's actions 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 by competitors may have an adverse effect on the Issuer's rental income and, in turn, on its value of properties, financial position and cash flows.

#### **Property development risk**

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 favorable 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.

#### **Imbalance of the EMU could have a material impact on the Fund'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 impact on the Issuer's business, results of the operations, or financial condition.

#### **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. The Issuer's weighted average unexpired lease term to expiry (WAULT) as per 31 December 2021 was approximately 3.3 years. 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 favorable or that the Issuer will be able to maximize 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 favorable, 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.

#### **Technical risks**

The Issuer's main assets are in real estate properties. Real estate properties are technically complex assets, which require maintenance and technical examination to remain functional. 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. For example, poor technical maintenance of the cooling system in Europa SC by the property manager resulted in the necessity to replace the cooling system four years earlier than the regular replacement was initially planned. The costs of such replacement amounted to EUR 0.5 million.

#### **Risks related to the Issuer's financial situation**

### **Interest rate and leverage 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 total interest costs of the Issuer during the financial year 2021 amounted to EUR 5.5 million and the average interest rate during that period was 2.7%. 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 leading to increase costs of the Issuer's debt could adversely affect the Issuer's financial position, cash flows and its ability to acquire new properties.

At the date of the Prospectus, 84% of interest rate exposure is hedged with interest rate swaps or interest rate caps that limit exposure to interest rate increase risk. However, even with such hedge, increase of 3-month EURIBOR up to 1.5% will cause the Fund additional cost of interest in the amount of EUR 3 million.

### **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. 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. During the financial year 2021, the total rental income of the Issuer amounted to EUR 19.495 million. Any decrease in rental income is likely to negatively affect the Issuer's value of properties, financial position and cash flows.

One property belonging to the Issuer - Coca Cola Plaza in Tallinn - has only two tenants, occupying 100% of the properties. If they terminate their lease agreements, there is a risk involved with finding new tenants as described above. 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 could also 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.

### **Refinancing risk**

At maturity of the Issuer's debts, the Issuer will be required to refinance such debt. As per 31 December 2021, the total outstanding interest bearing loans and borrowings of the Issuer amounted to EUR 199.1 million of which EUR 116.0 will mature during the financial years 2022 and 2023. 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 favorable terms, or at all. Debt is a significant source of financing for the Issuer, the Issuer's inability to refinance its debt obligations on favorable terms could have a material adverse effect on the Issuer's business, financial condition and results of operations.

### **Liquidity risk of investment**

Liquidity risk is the possibility of sustaining significant losses due to the inability to liquidate open positions, to realise assets by the due time at the prescribed fair price or to refinance loan obligations. As per 30 June 2022, the Issuer had cash and cash equivalents in the amount of approximately EUR 8.7 million and the rental income during the financial year 2021 amounted to approximately EUR 19.5 million while the total costs of rental activities for the same period amounted to approximately EUR 7.4 million. By their nature, real estate investments or interests in other non-public entities are subject to industry cyclicality, downturns in demand, market disruptions and the lack of available capital for potential purchasers and therefore often difficult or time consuming to liquidate. The investments of the Issuer have low liquidity and there can be no assurance that the Issuer will be able to exit the investments in a timely manner. This may have a material adverse impact on the Issuer's business, results of the operations, or financial condition.

### **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, 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.

### **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.

Moreover, the investments of the Fund may be subject to catastrophic events and other force majeure events. These events could include fires, floods, earthquakes, adverse weather conditions, assertion of eminent domain, strikes, wars, riots, terrorist acts and similar risks. These events could result in the partial or total loss of an investment or significant down time resulting in lost revenues, among other detrimental effects. Some force majeure risks are generally uninsurable and, in some cases, project agreements can be terminated if the force majeure event is so catastrophic that it cannot be remedied within a reasonable time period. While the Fund or its investments will generally seek to utilize insurance (to the extent available on commercially reasonable terms) to mitigate the potential loss resulting from catastrophic events and other risks customarily covered by insurance, this may not always be practicable or feasible. Insurance against certain risks, such as war, acts of terrorism, earthquakes, hurricanes or floods, may be unavailable, available in amounts that are less than the full market value or replacement cost of underlying properties or subject to a large deductible. In general, losses related to terrorism are becoming more difficult and expensive to insure against, as many insurers are excluding terrorism coverage from their all-risk policies. In some cases, the insurers are offering significantly limited coverage against terrorist acts for additional premiums, which can greatly increase the total costs of casualty insurance for a property. As a result, not all Investments may be insured. If a major uninsured loss occurs, the Fund could lose both invested capital in and anticipated profits from the affected investments. Also, there can be no assurances that the particular risks that are currently insurable will continue to be insurable on an economically affordable basis. As the Fund is a pooled investment fund, all assets of the Fund may be at risk in the event of an uninsured liability to third parties.

Though Management Company re-evaluates insurance needs each year, during the annual renewal of insurance policies, certain catastrophic events could result in liability to the Fund well in excess of insurance coverage limits such that investors could lose their entire investment in the Fund.

### **Legal and regulatory risks**

#### **Changes in legislation and taxes**

The Issuer's business takes place in a highly regulated environment. Its operations are regulated both 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. Violations of applicable laws or regulation could damage Issuer's reputation or result in regulatory or private actions with substantial penalties or damages.

In the view of the Management Company, the Issuer complies with all legislative requirements and other regulations as at the date of this 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 in legislation and taxes 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 endeavors 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.

### **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.

### **Risks related to recourse to the Fund's assets**

The assets of the Fund, including any investments and any cash held by the Fund, will be available to satisfy all liabilities and other obligations of the Fund. As per 30 June 2022, the total assets of the Fund amounted to EUR 347.5 million and cash and the cash equivalents held by the Fund amounted to EUR 8.7 million. If the Fund becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to the assets of the Fund generally and not be limited to any particular asset. If the Fund's cash reserves are not sufficient to satisfy such liabilities or if material assets of the Fund are required to be used to satisfy liabilities, it could adversely affect the Fund's financial position and future prospects, which in turn could have a material adverse effect on the investment in SDRs.

### **Environmental, social and governance risks**

#### **Insufficient market conditions for implementation of investment strategy**

As at the date of this Prospectus, the Issuer owns 15 commercial properties, representing a total rentable area of 144,2 thousand sqm. The Issuer uses its funds to continue to pursue its investment strategy and developing existing portfolio. 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. 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. The successful implementation of the investment strategy is therefore subject to risks such as limited availability of attractive commercial properties for sale, unfavorable 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 in line with the Issuer's investment strategy depends on the total size of the real estate market, development activity of new projects, yield dynamics and general macroeconomic conditions. In the second half of 2022 due to expectations of higher interest rates and recession the gap between expectations of the potential properties' sellers and buyers is expected to be formed. Potential sellers are still trying to sell their assets at the yields that were relevant in the beginning of the year while most of purchasers are waiting for the yields to adjust or to get better picture how interest rates will develop and whether recession will unravel.

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 with respect to the Issuer's investment strategy. Property prices may also be pushed up by intensive competition among real estate investors, where competitors could have greater financial resources and lower cost of capital than the Issuer allowing them to pay higher prices which could also hinder the Issuer's investment strategy to be fully effective.

In long term, the Issuer targets LTV ratio of 50%. Ability to borrow funds at attractive terms plays a major role in the investment strategy of the Issuer. 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 therefore also limit the Issuer's ability to pursue its investment strategy.

The above risks could, if materialised, negatively impact the conditions for the Issuer to successfully effectuate its investment strategy on the market, which could have a material adverse effect on the Issuer's business.

#### **Weather and Climate Related Risks**

The Fund may make investments in operations located in areas that are exposed to the potential for significant losses resulting from natural disasters and other catastrophic events such as hurricanes, severe weather, explosions and other accidents. The incidence and severity of incidents are inherently unpredictable, and there can be no assurance that weather and climate patterns will remain consistent or be predictable throughout the life of the Fund. If flood or windstorm damage were to occur to a project owned by the

Fund, and no flood or windstorm damage coverage was in place, the costs to repair any damage would have to be funded, if at all, from other revenues or, possibly, from debt or an equity (if not covered by insurance). Climate change could also have an effect on the severity of weather (including hurricanes and floods), sea levels and water availability and quality.

#### **Damage to the Fund's reputation risk**

The Issuer's business is dependant on attracting and retaining tenants at its properties and staff with the right knowledge and skills to the Management Company. The Issuer's ability to attract and retain tenants at its properties as well as Management Company's ability to retain relevant personnel 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.

#### **Terrorism and war**

There is a risk that one or more of the investments will be directly or indirectly affected by terrorist attack or acts of war. Such an attack could have a variety of adverse consequences for the Fund, including risks and costs related to the destruction of property, an inability to use one or more properties for their intended uses for an extended period, decline in rents achievable or property value, a downturn in the business or bankruptcy of tenants, and injury or loss of life, as well as litigation related thereto.

#### **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.

#### **Environmental liability risks**

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 environmental 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 materialized, have a material adverse effect on the Issuer's business, results of operations, and financial condition.

#### **Risk factors specific and material to the securities**

##### **Risks related to the nature of securities**

**The underlying Units are governed by foreign law that may have adverse effect on the investors' ability to exercise their Unit-holders' rights attached to the SDRs**

The SDRs are dematerialized depositary interests representing entitlements to the underlying Units in the Issuer. The Issuer shall provide information on how SDR-Holders may participate and vote in the general meeting of the Unit-holders and the SDR Agent shall provide a power of attorney to the Issuer authorizing each SDR-Holder to vote at general meeting. The Issuer or the SDR Agent are not responsible for an SDR-Holder's failure to follow the Issuer's or the SDR Agent's instructions on participation in a general meeting of Unit-holders. Further, SDR-Holders may not receive the distributions that the Issuer makes on the Units or any value for them if it is illegal or impracticable for the SDR Agent to make them available to the SDR-Holders. There may be several reasons why the SDR-Holders may not be able to exercise their rights arising from SDRs in full, such as e.g. travel restrictions imposed by relevant government (due to COVID-19 pandemic or otherwise), inability of the SDR Agent to make the distribution payments due to anti-money laundering and know your client regulations in force in the relevant jurisdiction, lack or closing security or current account, etc.

#### **Units and SDRs may carry different rights**

Due to the SDRs being registered in the Swedish book-entry system, the SDR-Holders do not have directly certain rights attached to the underlying Units registered in Estonia. The rights related to the SDRs may be limited and the use of such rights may require specific actions to be taken and may be subject to further instructions by the Issuer and the SDR Agent.

#### **Risk on not participating in the conversion**

If the Swedish Investors remains passive during the Conversion Period or decides not to convert the Units into SDRs or alternatively does not transfer the Units into Nasdaq CSD (Estonia), it risks with the Units being sold by Euroclear Sweden after 4 November 2022. The termination of the services agreement between Euroclear and the Issuer will take place on 11 November 2022. For the purposes of selling the Units, Euroclear Sweden will appoint a sales agent to sell such holdings in the Units and pay out the proceeds (less sales costs and any applicable taxes) to the cash account connected with respective Unit-holder securities account. This would therefore mean to the Swedish Investor that the Units belonging to such Swedish Investor would be sold at the price not determined by respective investor, but by the sales-agent appointed by Euroclear Sweden.

#### **No assurance on change of laws or practices**

SDRs are governed by the laws of the Kingdom of Sweden. Swedish laws (including but not limited to tax laws) and regulations governing the SDRs may change during the life of the SDRs, 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 issue of the SDRs. Hence, such change may have a material adverse effect on the rights related to the SDRs and position of the SDR-Holder in general (including, but not limited to potential tax liabilities in relation to the SDRs).

The Units are governed by the laws of the Republic of Estonia. Estonian laws (including but not limited to tax laws) and regulations governing the Units may change during the life of the Units, 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 prior to redemption of the Units. Hence, such change may have a material adverse effect on the rights related to the Units and position of the Unit-holder in general (including, but not limited to potential tax liabilities in relation to the Units).

Adverse changes in the tax regime applicable in respect of transacting with the Units and/or SDRs or receiving dividends based on the Units and/or SDRs may result in an increased tax burden of the Unit-holders and/or SDR-Holders and may therefore have adverse effect on the rate of return from the investment into the Units and/or SDRs.

#### **New issues of Units may lead to dilution**

In the future additional Units may be issued in order to finance acquisition of new properties, reduce debt or due to other reasons. This could lead to dilution of holdings of Unit-holders and SDR-Holders. In addition, new issues could reduce earnings per Unit and/or SDR and NAV per Unit. Therefore, offering of additional Units in the future may dilute the market valuation of the price per Unit, and indirectly per SDR.

Further, to the extent that an investor decides not to subscribe for further SDRs representing newly issued Units, or is restricted from doing so, for the full amount of SDRs such investor would be entitled to in any possible future Unit issues by the Issuer, the proportionate ownership and voting interest in the Fund of such investor would be diluted accordingly and the percentage of the Units of the Fund represented by such Unit-holder's Units will be proportionally reduced.



### **Future dividends may vary or not take place at all**

Neither the payment of future distributions out of the cash flows of the Issuer, nor the size of any such distributions can be guaranteed. The Management Company targets to pay out to Unit-holders at least 80% of the distributable cash flow which is defined as cash flow from operating activities less capital expenditure to maintain the quality of properties and less financing expenses. The Issuer's ability or willingness to make distributions will depend on other factors including its financial position, capital expenditure and outlook for future cash flows. These factors are affected by numerous Issuer- and industry-specific risks. Thus, distributions may vary in size or not take place at all.

### **Exchange rate fluctuations**

The Fund conducts its business in euro – the lawful currency in all three Baltic States. Properties in the Fund's portfolio generate cash flows in euro and, thus, their primary values are also in euro. Should the Fund pay dividends, such dividends will be paid in euro as well, however, Unit-holders SDRs held with Euroclear Sweden will, in general, receive dividend distributions in SEK. The conversion in relation to dividends will be made by Euroclear Sweden. Any depreciation of euro in relation to SEK could reduce the value of the investment or of any dividends paid out, and on the contrary any appreciation of euro could increase the value in any such investment or dividends paid out. This may lead to the investor not getting the corresponding value of the dividend in SEK as it would get in EUR.

### **Court proceedings in Estonia and enforcement of judgements by foreign courts**

The Issuer and the Management Company are registered in Estonia, and the Management Company has its registered office in Estonia. Any disputes regarding the rights and obligations under the Fund Rules and regarding the operations of the Management Company thereunder shall be resolved in the courts of Estonia. Therefore, for the investors in Sweden, it may be more difficult and expensive to file claims or other documents relating to the court proceedings in Estonia than in their home country. For example, investor may need to translate the prospectus or other fund documentation in foreign language into Estonian. Should a foreign court accept proceedings against the Fund or the Management Company, the judgements of the courts of the member states of the European Union (except Denmark) must be recognised and enforced in Estonia either under Council Regulation (EC) No 1215/2012 or Regulation (EC) No 805/2004 of the European Parliament and of the Council without any special procedure being required. However, the enforcement process may be more complicated and expensive than in the investor's home country.

### **Risks related to Euroclear Sweden and Nasdaq CSD SE**

The SDRs will be registered in a book-entry verification register maintained by Euroclear Sweden in accordance with the Swedish Central Securities Depositories and Financial Instruments Accounts Act (*Sw. Lag (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument*). No certificates representing the SDRs will be issued. This means that SDR-Holders are entitled to exercise SDR-Holders' rights only after the SDR-Holder has been recorded to the list of SDR-Holders maintained by Euroclear Sweden. Investors are therefore dependent on the functionality of the Euroclear Sweden's account-based system and therefore in order to exercise any right as an owner of SDRs, the SDR-Holder must rely upon the procedures of Euroclear Sweden. In case of any failure of such procedures by the hand of Euroclear Sweden, the investor may be adversely affected with respect of its ability to exercise its right.

The Units – which serve as the underlying assets for the SDRs - will be affiliated to the book-entry system of the Nasdaq CSD SE (Societas Europaea) – the regional central securities depository in the Baltics. Book-entry entry system means that no security certificates are issued and the ownership of securities are recorded digitally. This means that Unit-holders are entitled to exercise Unit-holders' rights only after the Unit-holder has been recorded to the list of Unit-holders maintained by Nasdaq CSD SE. The same is similarly applicable to the Unit-holders behind a nominee holder (such as e.g. SDR-Holders on whose behalf the Units will be held by the SDR Agent) since the right to exercise Unit-holders rights depend on whether the nominee Unit-holder has been recorded to the list of Unit-holders. Investors are therefore dependent on the functionality of the Nasdaq CSD SE's account based system and therefore in order to exercise any right as an owner of Units, the Unitholder must rely upon the procedures of Nasdaq CSD SE.

### **Risks related to the offering and admission of the securities to trading**

#### **Market liquidity risks**

No assurance can be made that following the Offering the SDRs will be actively traded on Nasdaq Stockholm. Since 6 July 2016 the underlying Units have been listed on Nasdaq Tallinn where the total turnover of trading in the Units since listing has been over EUR 40m. Since 23 December 2016 until on or about 17 October 2022, the underlying Units have also been listed on Nasdaq Stockholm where the total turnover of trading in the Units since listing has been over EUR 16m. Yet, there is no guarantee that an active trading market on Nasdaq Stockholm will be developed or sustained with respect to the SDRs. Hence, investors may not be able to sell their SDRs at a price equal to the price as it was during the time of conversion.

In addition, the underlying Units or the SDRs are not redeemable at the request of a Unit-holder or SDR-Holder, which means that the Management Company will not redeem Units or SDRs at the NAV of the Unit. The Unit-holder can only dispose its Units or SDRs via market trade on the stock exchange or over-the-counter trade with a third person at the price as agreed between the parties. Therefore, the investor may not be able to sell its SDRs at a price corresponding to the NAV of underlying Units or at all.

#### **Market volatility risk**

Market price and trading volume of the SDRs could fluctuate substantially reacting to a number of factors including the liquidity of the SDRs on the secondary market, changes in the Fund's actual results and investors' and analysts' expectations of its future results, developments in real estate market and general economic conditions, valuations of comparable companies and general stock market trends. Such factors as general macroeconomic and stock market trends fall out of control of the Issuer and the Management Company. Hence, there is a risk that Unit price performance will not reflect operating performance of the Fund, especially, during stock market downturns. Since prices of publicly traded securities can increase as well as decrease, investors that acquire the SDRs may not be able to resell them in the secondary market at or above the purchase price.

#### **As a fund listed on Nasdaq Tallinn and Nasdaq Stockholm, the Fund will be subject to both Estonian and Swedish laws, regulations and policies**

Swedish laws, regulations and policies may differ in some respects from comparable laws, regulations and policies in Estonia. The differences in compliance requirements may expose the Fund to additional regulatory burdens. In the event of any conflict between the applicable laws, regulations and policies in Estonia and those in Sweden, the Issuer will have to comply with the more onerous rules and may incur additional costs and require additional resources.

#### **The Fund is subject to regulatory and legal risks related to the securities' issues**

An issuance of Units or other securities by the Issuer in or into certain jurisdiction may be subject to specific registration, admission or qualification requirements or other restrictions imposed by local law or regulatory authorities or be prohibited altogether. The Management Company uses its best efforts to comply with restrictions, but it cannot be excluded that due to ambiguities related to the application of and practice related to such restrictions, or due to any other reason, the Issuer may become subject to regulatory or legal proceedings potentially resulting in fines or penalties or liability for damages.

#### **The Nasdaq Tallinn and the Nasdaq Stockholm have different characteristics**

The SDRs to be listed at Nasdaq Stockholm represent the underlying Units listed at Nasdaq Tallinn. The Nasdaq Tallinn and the Nasdaq Stockholm have different trading hours, trading characteristics (including trading volume and liquidity), trading and listing rules and investor bases (including different levels of retail and institutional participation). As a result of these differences, the trading price of the Units on the Nasdaq Tallinn and trading price of the SDRs on the Nasdaq Stockholm may not fully correspond. Also, the market liquidity on Nasdaq Stockholm and Nasdaq Tallinn may be different.

Furthermore, fluctuations in the Unit price on the Nasdaq Tallinn could materially and adversely affect the SDR price on the Nasdaq Stockholm (and vice versa). Moreover, fluctuations in the exchange rate between the euro and the Swedish krona could materially and adversely affect the prices of the Units listed on the Nasdaq Tallinn and the SDRs listed on Nasdaq Stockholm. These different characteristics between Nasdaq Tallinn and Nasdaq Stockholm may therefore lead to different valuations of the securities trading on different markets.

#### **For any future offering of Units and/or SDRs, the Units delivered in the form of the SDRs will be delivered to investors in Sweden later than the Units are delivered to investors in Estonia and trading with the Units in the form of the SDRs may commence later than with the Units**

Taking into account the time needed for the issue and delivery of the SDRs and the differences in the Estonian and Swedish settlement systems, the Units delivered in the form of the SDRs will be delivered to the investors in Sweden later than the Units are delivered to investors in Estonia and therefore the trading with the Units in the form of the SDRs may commence later than with the Units.

#### **Risk of an illiquid market and price volatility**

Issuer's SDRs have not previously been traded on a stock market. It is therefore difficult to predict the amount of trading or the interest that may be shown in the SDRs. If active and liquid trading does not develop or does not prove sustainable, this could make it difficult for the investors to sell their SDRs and the market price could differ considerably from the price of the SDRs as it was at the time of conversion.

## 4. OFFERING, SECURITIES AND CONVERSION

### 4.1. GENERAL INFORMATION

In the course of the Offering, up to 119,635,429 SDRs will be offered to the Swedish Investors as a result of converting Units into SDRs. The total number of outstanding Units will not change as a result of the Offering.

The Offering will be conducted on the basis of the resolution of the management board of the Management Company in relation to issuing the SDRs under the conditions set forth in the resolution. The Management Company will be authorised to carry out the Offering once the Prospectus has been published.

#### General information on the SDRs

Units are being issued and listed on Nasdaq Stockholm in the form of SDRs. Each single SDR represents one Unit and SDR could be converted into Unit according to the terms of the SDR. SDR is a dematerialised form of right that has been issued by the SDR Agent in accordance with Swedish Central Securities Depositories and Financial Instruments Accounts Act (1998:1479) (Sw. *lagen om värdepapperscentraler och kontoföring av finansiella instrument*) and registered in the Swedish book-entry system held by Euroclear Sweden. The SDRs are freely transferrable. SDRs are issued, and the value per SDR is expressed, in Swedish kronas.

A number of Units corresponding to number of outstanding SDRs will be held in custody by the sub-custodian bank appointed by the SDR Agent in the name of the SDR Agent but for the benefit of and in account of the SDR-Holders. As at the date of this Prospectus, the sub-custodian bank of the SDR Agent in Estonia is Swedbank AS.

The SDRs have been issued and are governed by the laws and regulations of Sweden. For more complete information on the SDRs the SDR-Holder shall read complete terms and conditions of the SDRs ("**SDR Terms**") that will be made available on the Issuer's website and are provided in Appendix C to this Prospectus.

The SDRs are not subject to any public takeover bid. No public takeover bid has been submitted for the SDRs during the current or previous financial year. As at the time of this Prospectus, there is no national legislation applicable on takeover the SDRs.

#### Rights of SDR-Holders

The Issuer and the SDR Agent shall establish arrangements such that the SDR-Holders may participate in the Issuer's general meetings of Unit-holders, vote for the Units represented by the SDRs and exercise any such rights with respect to the Issuer as would be exercisable by such SDR-Holders if they had owned the Units directly and not SDRs. The Management Company shall in consultation with SDR Agent send notice for general meeting of Unit-holders in accordance with the Fund Rules and Swedish, Estonian and other applicable laws and by publishing the announcement of the general meeting by way of a Nasdaq Stock Exchange release. The notice shall contain:

- (i) the information included by the Management Company in the notice for the meeting; and
- (ii) instructions as to what must be observed by each SDR-Holder in order to participate in the proceedings of general meeting of Unit-holders or otherwise exercise his or her voting right.

Well in advance of the general meeting of the Unit-holders, the SDR Agent shall make arrangements so that proxies, with full power of substitution, are issued by the SDR Agent to each SDR-Holder who has announced their intention to participate in the proceedings of the general meeting of the Unit-holders to allow each of them to represent the SDR Agent at the meeting for the number of Units represented by the SDRs held by such SDR-Holder.

The SDR Agent shall upon request by a SDR-Holder without delay arrange for the SDR-Holder to become registered directly as owner of the underlying Units for the number of Units held equivalent to the SDR-Holders' holding of SDRs. For the purposes of becoming registered directly as the owner of the underlying Units, the SDR-Holder shall follow necessary requirements to be registered as the Unit-holder in Estonia under the Fund Rules and applicable law. The SDR Agent has a right to receive compensation in advance from the SDR-Holders for fees and expenses that arise in connection with withdrawal and deposit of Units in accordance with the SDR Agent's applicable price list.

Units deposited with the SDR Agent cannot be transferred or pledged in any other way than by transfer and pledging of the SDRs. The SDRs can be transferred and/or pledged only in accordance with applicable Swedish legislation. The authority to transfer or pledge SDRs, as well as deciding who shall be deemed to be the rightful owner or pledgee of SDRs, shall be determined in accordance with the rules in the Swedish Central Securities Depositories and Financial Instruments Accounts Act.

Any dividends received by the SDR Agent in the capacity of the holder of the SDR shall be redistributed to respective SDR-Holders.

The SDR Agent shall in consultation with the Management Company and Euroclear Sweden determine a record date in accordance with Fund Rules, applicable laws, to be applied by SDR Agent for determining which SDR Holders in relation to SDR Agent are entitled to: (i) receive dividends in the form of cash, rights or other property; (ii) participate in the proceedings of and to vote at general meeting of the Unit-holders; (iii) subscribe for Fund Units or other rights or securities in connection with offerings; and; (iv) otherwise exercise the rights that holders of Fund Units normally are entitled to.

#### **General Information on the underlying Units**

The Management Company has issued Units on behalf of the Fund 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 will also be held by Euroclear Sweden. As of the date of this Prospectus, the total number of issued Units is 119 635 429.

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. The Units can be converted into SDRs.

The Units are not subject to any public takeover bid. No public takeover bid has been submitted for the Units during the current or previous financial year. As at the time of this Prospectus, there is no national legislation applicable on takeover of the Units.

#### **Unit-holders**

According to the Register as maintained by the Registrar, as at 28 July 2022 there are approximately 2,900 unit-holders. However, the number of ultimate unit-holders (including nominee registered Units) are considered to be more than 4,500. As of the date of the Prospectus, the largest Unit-holder of the Issuer is Nordea Bank Abp/ Euroclear Sweden Non-Treaty Clients holding 33,81% of the total number of Units. As the Issuer has one class of Units, there are no differences in voting rights attached to Units. As at the date of this Prospectus, the Management Board of the Management Company is not aware of any person with direct or indirect control over the Issuer or any agreement or circumstances which later might cause a change in the control of the Issuer.

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.

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 Fund, 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 Fund 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 Fund shall not exceed 10% of the total number of Units at any time;
- Units held by the Fund shall not grant any unit-holder rights to the Fund 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 Unit-holders 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 carried out the buy-back of Units between 22 October 2018 and 14 December 2018 in accordance with the regulations and within the framework of the buy-back program. The Management Company applied to Nasdaq CSD SE for the cancellation of 255,969 Units acquired during the buy-back period on 30 January 2019 after which the Units which were purchased back were cancelled.

On 21 June 2022 annual general meeting of Issuer's Unit-holders approved the establishment of new buy-back programme. The maximum number of Units that may be repurchased as a part of the buy-back programme is 10,000,000. The period for buy-back lasts for 36 months starting from 30 June 2022.

#### **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 Fund'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 Fund 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 Fund 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 Fund, 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. As of 28 October 2022 (or on a date close to 28 October 2022) the Units can no longer be traded on Nasdaq Stockholm, however the Unit-holders have a right to convert the Units into SDRs in order to continue trading on Nasdaq Stockholm (see more under 4.2 "Conversion").

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 7.9.5 "The Registrar".

## 4.2. CONVERSION

The Issuer enables conversion of the Units trading on Nasdaq Stockholm to SDRs as a response to Euroclear Sweden AB's decision to terminate the affiliation agreement for keeping Units registered with its book entry system in Sweden that is taking place due to a strategic decision by Nordea Bank Abp to exit its Nordic sub-custody business. The Management Company and the SDR Agent have entered into an agreement in relation to issuing of SDRs and listing the aforementioned securities on Nasdaq Stockholm.

Although the conversion of Units into SDRs includes issue of new security (SDR), no new Units were or will be issued as a part of the conversion. The SDR issued by the SDR Agent is an instrument proving the ownership of the Units (i.e. existing Units issued by the Issuer) belonging to the Swedish Investors. Due to the fact that conversion does not include issuing new Units, it is not required under the Fund Rules to seek for the consent of the Unit-holders at the General Meeting of Unit-holders. Furthermore, conversion of Units into SDRs and issue of SDRs by SDR Agent does not qualify as any other activity requiring the consent of the General Meeting of Unit-holders.

This Prospectus will cover up to 119,635,429 SDRs to be offered and admitted for trading on Nasdaq Stockholm. No offering of SDRs or any other securities of the Issuer is made on the basis of this Prospectus in connection with the listing of the SDRs on Nasdaq Stockholm as described in this Prospectus in any jurisdiction except to existing Swedish Unit-holders by conversion of existing Units into SDRs.

One (1) Unit gives the Swedish Investor a right to convert it into one (1) SDR.

### General information on SDR Agent

The issuer of SDRs is Nordic Issuing AB ("**SDR Agent**"). SDR Agent is Swedish public limited liability company incorporated under the laws of Sweden on 6 August 2021 and registered with the Swedish Companies Registration Office (in Swedish: Bolagsverket) on 1 October 2021. The corporate registration number of SDR Agent is 559338-2509 and LEI code is 984500GDE2B75614AC619. SDR Agent's registered address is Stortorget 3, 211 22 Malmö. SDR Agent is an investment company authorised by the SFSA to provide investment services under license number 64612. The website of the SDR Agent is <https://nordic-issuing.se/en/>.

### Conversion timetable

Swedish Investors may submit conversion orders for the SDRs during the conversion period, which commences at 10:00 CEST on 4 October 2022 and terminates at 16:00 CEST on 17 October 2022.

The timetable below lists key dates related to the conversion and listing of the SDRs on Nasdaq Stockholm:

#### Conversion period

Investors may submit conversion orders for the conversion of Units into SDRs during the Conversion Period, which commences at 10:00 CEST on 3 October 2022 and terminates at 12:00 CEST on 17 October 2022.

3 October 2022 to 17 October 2022	Conversion Period
On or about 13 October 2022	Last day of trading with Units on Nasdaq Stockholm
On or about 17 October 2022	De-listing of Units from Nasdaq Stockholm
On or about 17 October 2022	Determination and announcement of the results of the Offering
On or about 19 October 2022	Delivery of SDRs to Investors (" <b>Delivery Date</b> ")
On or about 19 October 2022	Start of trading of SDRs on Nasdaq Stockholm

The Management Company may decide to amend the above dates. Changes made to the stated dates, if any, will be made public in the form of an announcement pursuant to the Prospectus Regulation. If in the Management Company's opinion, a change of dates

for subscriptions would be a material factor affecting the evaluation of the SDRs, then such changes would be made public in the form of a supplement to this Prospectus.

The Management Company reserves a right to prolong the Conversion Period if deemed to be necessary. The Management Company has a right to prolong the Conversion Period before the end of the Conversion Period up until to 17 October 2022. The timetable below lists key dates related to the conversion and listing of the SDRs on Nasdaq Stockholm. In case the Management Company decides to use the right to prolong the Conversion Period, it will inform the public about the prolongation of the Conversion Period at least one business day before the end of the Conversion Period by respective announcement on the Website and through Nasdaq Stockholm and the indicative timetable as disclosed above will shift forward accordingly.

#### **Right of conversion**

Holders of Units listed for trading on Nasdaq Stockholm ("**Swedish Investor**") will be entitled to convert Units into SDRs. For the purposes of converting Units into SDRs, a person (both legal person and natural person) is considered to be Swedish Investor if such a person as of the Delivery Date is a holder of Units trading on Nasdaq Stockholm.

#### **Instructions on conversion**

For the purposes of conversion, the Swedish Investor shall transfer the Units to SDR Agent for deposition in accordance with the SDR Terms and together with the required information including name, address and account with Euroclear Sweden in which the SDRs are to be registered. The Conversion form is attached to this Prospectus in Appendix D.

Swedish Investor may convert the Unit(s) into SDR(s) by giving the SDR Agent an order to this effect ("**Conversion Order**"). For the purpose of holding the SDR-Holder needs to have a nominee registered custody account (banks, stockbrokers and online brokers offer these types of accounts) or a VPC Account which can hold the SDRs. VPC Accounts can be established with authorized VPC registrars, who can be Swedish banks, authorized securities brokers in Sweden and Swedish branches of credit institutions established within the EEA.

SDR Agent has a right to receive compensation in advance from the SDR-Holders for the fees and expenses that may arise in connection with deposit or withdrawal of Units in accordance with SDR Agent's applicable price list for such transactions.

#### **Consequences of not converting Units into SDRs**

If the Swedish Investor remains passive prior to the end of the Conversion Period and has not either:

- (i) submitted conversion order with the SDR Agent for converting the Units into SDRs; or
- (ii) instructed Units to be transferred to Nasdaq CSD (Estonia) and therefore continue to hold Units in Nasdaq CSD (Estonia) and trade on Nasdaq Tallinn stock exchange

Euroclear Sweden will appoint a sales agent to sell such holdings in the Units and pay out the proceeds (less sales costs and any applicable taxes) to the cash account connected with respective Swedish Investor securities account. Euroclear Sweden will initiate the sale after 4 November 2022. The termination of the services agreement between Euroclear and the Issuer will take place on 11 November 2022.

### **4.3. ADMISSION TO TRADING AND DEALING ARRANGEMENT**

#### **Listing**

At the date of this Prospectus, the Fund is admitted to trading on Nasdaq Tallinn under the symbol "NHCBHFFT" and ISIN code EE3500110244 and commenced trading on 6 July 2016. The Units are issued under Estonian law, and are traded on the Nasdaq Tallinn in EUR.

As of the date of this Prospectus the Fund is secondary listed on the Alternative Investments Funds market on Nasdaq Stockholm under the symbol NHCBHFFS and the ISIN code EE3500110244. On Nasdaq Stockholm, the Units are traded in SEK and settled in SEK. The trading with Units on Nasdaq Stockholm commenced on 23 December 2016. The Units will be de-listed from Nasdaq Stockholm on or about 17 October 2022, however the Management Company will apply for admission of the SDRs on Nasdaq Stockholm in order to maintain an opportunity to trade with the securities of the Issuer on Nasdaq Stockholm.

The purpose of the Prospectus is to carry out the offering in relation to the SDRs and list the SDRs on Nasdaq Stockholm. The ISIN code for the SDRs is SE0018689820 and the ticker symbol is "NHCBHFFSDB". For the purpose of listing the SDRs on Nasdaq Stockholm the Management Company is going to file an application with Nasdaq Stockholm. Filing an application to list the SDRs does not mean that the admission of SDRs to trading will necessarily be approved. However, it is expected that the trading with the SDRs in Nasdaq Stockholm will start on or about 19 October 2022.

### **Registration with Euroclear Sweden**

The SDRs will be registered in a book-entry verification register maintained by Euroclear Sweden in accordance with the Swedish Central Securities Depositories and Financial Instruments Accounts Act. No certificates will be issued to the SDR-Holders.

Deposited Fund Units cannot be transferred or pledged in any other way than by transfer and pledging of the SDRs. Transfer and pledging of SDRs shall take place in accordance with applicable Swedish legislation. The authority to transfer or pledge SDRs, as well as deciding who shall be deemed to be the rightful owner or pledgee of SDRs, shall be determined in accordance with the rules in the Swedish Central Securities Depositories and Financial Instruments Accounts Act.

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).

SDRs will be held in uncertificated and dematerialised book-entry form and all transactions relating to the SDRs (such as issuance, sale and transfer, pledge arrangements and other dispositions and redemptions) are executed as computerised book-entry registrations in accordance with the Swedish Financial Instruments Accounts Act and all such other Swedish laws, regulations and operating procedures applicable to and/or issued by Euroclear Sweden. Consequently, in order to affect such entries, SDR-Holders must establish a book-entry account through a Swedish bank or an investment firm acting as an account operator with Euroclear Sweden. SDRs shown in the records of Euroclear Sweden will be treated as negotiable instruments and not subject to any restrictions on free negotiability under Swedish Law.

SDRs shown in the records of Euroclear Sweden will be transferable only in accordance with the rules governing Euroclear Sweden ("**CSD Rules**"). Title to the SDRs shall pass in the record maintained by Euroclear Sweden in accordance with the CSD Rules. Subject to the CSD Rules, the Fund and Management Company, acting on behalf of the Fund, are entitled to receive the records from Euroclear Sweden and thereby entitled to receive information about the SDR-Holders and their respective holdings.

### **Dividend procedure**

Any dividend received by the SDR Agent in its capacity as holder of Units shall be redistributed by the SDR Agent to the SDR-Holders in accordance with the SDR Terms. Pursuant to Euroclear Sweden's rules, dividend payments in relation to SDRs shall be made to the SDR-Holders shown as such holder on the record date (as defined by the (then) applicable CSD Rules) before the due date for such payment. Dividends will be paid to holders of SDRs in Swedish kronas (SEK). SDR Agent shall convert dividends in any other currency into SEK in accordance with the exchange rates applied by SDR Agent from time to time, which shall be set in accordance with public market rates, prior to payment taking place.

Payment of dividends to SDR-Holders according to the SDR-Holder's register kept by Euroclear Sweden shall be made through Euroclear Sweden and in accordance with CSD Rules at any given time.

### **Trading with the SDRs**

The SDRs will be subject to trading on the Nasdaq Stockholm following the listing. A securities account or a custodian account with a Swedish bank or an investment firm is required in order for the SDRs to be held with Euroclear Sweden.

### **Lock-up**

As of the date of this Prospectus, no Units nor SDRs are under lock-up agreements.

## **4.4. EXPENSE OF THE ISSUER**

The Issuer's costs and expenses related to this issue of SDRs, conversion of Units into SDRs and listing of the SDRs in Nasdaq Stockholm are approximately EUR 80,000. Majority of the expenses related to the aforementioned were related to advisory costs and fees paid to service providers.

The Issuer also compensates to the SDR Agent fee concerning custody services from Swedbank in relation to Units held by SDR Agent on behalf of the SDR-Holders. The price for such custody services would be 0,08% of the value of the assets held by SDR Agent on behalf of the SDR-Holders.

## **4.5. DILUTION**

No offering of new Units is made on the basis of this Prospectus in connection with the offering, listing and admission of the SDRs as described in this Prospectus in any jurisdiction. The number of total outstanding Units will remain the same as a result of the Offering and the existing investors will not be diluted.



## **4.6. WITHDRAWAL OR AMENDMENT OF THE CONVERSION ORDER**

### **Withdrawal of the Conversion Order**

The investors have the right to withdraw the Conversion Orders at any time until the end of the Conversion Period. In order to cancel the Conversion Order, the investor must contact the SDR Agent and carry out the procedures required by the SDR Agent for withdrawing a Conversion Order. All fees payable in connection with withdrawal of the Conversion Order will be borne by the Swedish Investor. A withdrawal of the Conversion Order becomes effective at the moment of delivering the withdrawal notice by the Investor to the SDR Agent.

If a supplement to this Prospectus is published no later than on the Delivery Date then the Investors who have placed their Conversion Orders before publication of the supplement shall have the right to withdraw their Conversion Order within 2 business days of its publication, and the Units will not be converted into SDRs.

A supplement to this Prospectus will be published in accordance with the Prospectus Regulation applicable to public securities offerings, and to the admission of securities to trading on a regulated market, if any significant new factor, material error or inaccuracy related to the information included in this Prospectus which could affect the assessment of the Offering arises or becomes known between the date of approval of this Prospectus and the date of listing of the SDRs on Nasdaq Stockholm.

### **Amendment of the Conversion Order**

An investor may amend a Conversion Order at any time until the end of the Conversion Period. To do so the investor must contact the SDR Agent and carry out the procedures required by the SDR Agent for amending a Conversion Order. All fees payable in connection with an amendment of the Conversion Order will be borne by the investor.

An amendment of the Conversion Order becomes effective at the moment when the transaction instruction of the investor in question has been amended by the SDR Agent.

## **4.7. CANCELLATION OF THE OFFERING**

The Management Company may cancel all or part of the Offering and/or modify the terms and dates of the Offering at any time prior to the completion of the Offering, without disclosing any reason for doing so.

The Management Company may also cancel or suspend the Offering at any time after the opening of the Conversion Period up until completion of the settlement of the Offering, if it considers there are reasons to believe that proceeding with the Offering is, or has become, impracticable or inadvisable. Such reasons may include, but are not limited to: (i) the suspension of, or material limitation in, trading in securities generally on the Nasdaq Stockholm (ii) a sudden and material adverse change in the economic or political situation in the Republic of Estonia, Kingdom of Sweden or elsewhere in Europe; (iii) a material loss, or interference with the Fund's business or assets; or (iv) an unsatisfactory level of demand for the SDRs during the Conversion Period.

Any cancellation of the Offering or any part thereof will be announced on the Website and through the Nasdaq Stockholm ([www.nasdaqomxnordic.com/](http://www.nasdaqomxnordic.com/)). All rights and obligations of the parties in relation to the cancelled part of the Offering will be considered terminated at the moment when such announcement is made public.

## **4.8. NON-CONVERSION**

If the Offering or a part thereof is cancelled in accordance with the terms and conditions described in section 4.7 "Cancellation of the Offering", if the Swedish Investor's Conversion Order is rejected or if the Swedish Investor will not submit the Conversion Order in due time at all, respective Units of Swedish Investor would not be converted into SDRs.

If the Units of Swedish Investor are not converted into SDRs and the Swedish Investor has not instructed Units to be transferred to Nasdaq CSD (Estonia) and therefore continue to hold Units in Nasdaq CSD (Estonia) and trade on Nasdaq Tallinn stock exchange, Euroclear Sweden will appoint a sales agent to sell such holdings in the Units and pay out the proceeds (less sales costs and any applicable taxes) to the cash account connected with respective Swedish Investor securities account. Euroclear Sweden will initiate the sale after 4 November 2022. The termination of the services agreement between Euroclear and the Issuer will take place on 11 November 2022.

## **4.9. CONFLICT OF INTERESTS**

According to the knowledge of the Management Company, there are no personal interests of the persons involved in the Offering which could be deemed material to the Offering. The Management Company is unaware of any conflicts of interests related to the Offering.

#### 4.10. SELLING RESTRICTIONS

The Offering is being directed only to Swedish Investors, i.e. the SDRs will not be offered publicly or non-publicly to any other persons. For the avoidance of doubt, the SDRs shall not be offered to and/or subscribed for conversion by residents of the United States of America nor may the SDRs be offered to and/or subscribed for conversion by persons to whom, as a result of financial sanctions (including financial sanctions against Russia and Belarus), it would be unlawful to offer and/or by whom it would be unlawful to subscribe for conversion of the SDRs.

### 5. REASONS FOR THE OFFERING AND USE OF PROCEEDS

#### Reasons for the Offering

The reason for the Offering is to enable the Unit-holders of the Units trading on Nasdaq Stockholm to convert respective Units into SDRs. The aforementioned is a response to Euroclear Sweden's decision to terminate the affiliation agreement with the Issuer for keeping Units registered with its book entry system in Sweden that is taking place due to a strategic decision by Nordea Bank Abp to exit its Nordic sub-custody business. The agreement between Euroclear Sweden and the Issuer will be terminated on 11 November 2022.

The issue of the SDRs are made through conversion only. Hence, there will be no new proceeds for the Fund to utilise by way of this SDR issue.

### 6. TAXATION

*The following information is of a general nature only and is based on the laws in force in the territory of Estonia and Sweden, at the date of this Prospectus. The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in Estonia and Sweden 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. The laws of the member state of an investor and of the Issuer's country of registration may have an impact on the income received from the securities. Prospective purchasers of the SDRs 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 SDRs through conversion of Units into SDRs.*

*The information contained within this section is limited to certain Estonian and Sweden tax issues and prospective investors in SDRs should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Estonian or Swedish tax law, as the case may be and 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".*

#### 6.1. SWEDISH TAXATION

*Below is a summary of certain Swedish tax issues relating to the issuing of SDRs to Swedish tax resident individuals and limited liability companies holding Units in the Fund following the Units ceasing to be registered with Euroclear Sweden AB's book entry system in Sweden and being delisted from Nasdaq Stockholm.*

*The summary is based on current Swedish tax legislation and is intended only as general information. The summary does not address:*

- situations where Units are held as current assets (i.e. stock) in business operations,*
- situations where Units are owned by partnerships or limited partnerships,*
- specific rules that may apply to shares in companies that are or have been closely held companies,*
- foreign companies conducting business from a permanent establishment in Sweden, or*
- foreign companies that have been Swedish companies.*

*Specific tax rules also apply to certain categories of companies. The tax consequences will depend on the circumstances applicable to each individual unitholder. Unitholders are advised to consult with a tax adviser the specific tax consequences that may arise in each individual case as a result of the issuing of SDRs, including the applicability and effect of foreign income tax rules, provisions contained tax treaties and other rules which may be applicable, as well as the effect of exchange rate fluctuations for the currencies concerned.*

*The summary below assumes that the Units will be delivered to the depository account of the SDR Agent and that the SDR Agent will issue SDRs for the deposited Units no more than 60 days after the Units are delisted from Nasdaq Stockholm and that the SDRs will be traded on Nasdaq Stockholm within 30 days from being issued. It is assumed that the shares will be regarded as listed for Swedish*

*tax purposes. Unitholders holding Units through an investment savings account (Sw: investeringssparkonto) or endowment insurance (Sw: kapitalförsäkring), are advised to confirm it will be possible hold the SDRs through the investment savings account or endowment insurance following the exchange.*

#### **General regarding Swedish taxes relating to the Units**

The Fund is not a separate legal entity and should not be considered equivalent to a Swedish UCITS fund or a special fund. Consequently the Fund should be treated as transparent for Swedish tax purposes and that Swedish Unit-holders should be taxed as holding part of the Fund assets directly. This implies that a Unit-holder may have to pay taxes before any actual income have been distributed from the Fund. Special rules apply to Units held through an investment savings account or endowment insurance.

#### **Swedish taxes relating to the issuing of SDRs**

The tax treatment of the SDRs should follow the tax treatment of the underlying Units and that the delivery of Units to the depository account and the issue of SDRs by the SDR Agent should not be regarded as a taxable disposal for Swedish tax purposes. The deposit of Units in exchange for SDRs should therefore not trigger any capital gains taxation.

#### **Taxation of holders of SDRs after the issuing of SDRs**

##### **Natural persons**

##### **Units held directly**

Since the Fund should be considered as transparent for Swedish tax purposes SDR-holders should be taxed as holding part of the Fund assets directly. Depending on the nature of the assets held via the Fund the income could be subject to taxation levied at a tax rate between 25-60 percent. It may however be possible for the holder of a SDR to deduct their part of any capital losses assignable to the Fund investments.

The possibility to set off capital losses assignable to the Fund investments would depend on the nature of the Fund asset which has generated the loss. If the loss for instance derives from an investment in unlisted shares any loss should be deductible to 5/6 against capital gains on listed or unlisted shares. An assessment would be required in each individual case to decide the possibility to set off a loss against capital gains.

The calculation of capital gains or losses deriving from the disposal of the SDRs would be dependent on the underlying Fund assets, at the time of disposal. A holder of SDRs would be considered to dispose of their share in the Fund assets. An assessment is required in each individual case to calculate the taxable capital gain or loss.

##### **SDRs held through an investment savings account**

If the SDRs are held via an investment savings account capital gains and distributions attributable to the SDRs should not be subject to regular income taxation. Hence, even though the Fund is considered as transparent, any returns on Fund investments should not be subject to taxation with the SDR-holder. In return capital losses, attributable to the assets will not be deductible for income tax purposes.

Instead of income taxation on the returns, the account holder pays income tax on an imputed income. The imputed income is based on the fair market value of the Units held through the account.

- The capital base for imputed income purposes is calculated as 1/4th of the sum of the account's market value at the beginning of each quarter including payments made to the account. This means that any change in the fair market value of the assets (including returns) will be taken into account.
- The imputed income is calculated as the capital base multiplied by the government borrowing rate increased by 0.75 percent. The imputed income cannot be lower than 1.25 percent of the capital base. The imputed income is taxed at a 30 percent tax rate.

Even in years of negative returns tax will be levied for an investment savings account. The imputed income for an investment savings account can be set off against capital losses and other capital expenses, such as interest.

##### **SDRs held through a Swedish endowment insurance policy**

If SDRs are held through an endowment insurance policy capital gains and distributions attributable to SDRs should not be subject to income taxation. Hence, even if the Fund would be considered as transparent, the SDR-holder will not be taxed for any capital gains or distributions deriving from the SDRs. In return capital losses, assignable to the SDRs will not be deductible for tax purposes.

Instead of income tax, an annual yield tax is payable. The yield tax is based on the insurance value, as defined below:

- The insurance value is normally calculated as the sum of the fair market value of held assets at the beginning of the year, deposits made in the first six months of the year, and 50 per cent of the deposits made in the last six months of the year.
- The tax base for yield tax is calculated as the insurance value multiplied by the sum of the government borrowing rate increased with 0.75 percent.
- The tax base is subject to a 30 percent tax rate. The tax base cannot be lower than 1.25 percent of the insurance value.

Even in years of negative returns tax will be levied for an endowment insurance policy.

The yield tax is considered as a definitive withholding tax. Potential losses derived from other forms of capital assets can therefore not be offset against the deemed income of the insurance. This differs from an investment savings account, where the imputed income can be set off against other capital losses and expenses.

## **Legal persons**

### **SDRs held directly**

Since the Fund should be considered as transparent for Swedish tax purposes the SDR--holders would be taxed as holding part of the Fund assets directly. The income from the assets held via the Fund could be subject to corporate income tax levied at a tax rate of 20.6 percent depending on the source of the underlying income. It may therefore also be possible for the SDR-holder to deduct their part of any capital losses assignable to the Fund investments. The possibility to set off capital losses assignable to the Fund investments would depend on the nature of the Fund asset which has generated the loss.

The calculation of capital gains or losses deriving from the disposal of the SDRs would be dependent on the underlying Fund assets, at the time of disposal. The SDR-holder would be considered to dispose of their share in the Fund assets. For certain assets, for example shares in non-listed limited liability companies, gains may not be fully taxable or even tax free, and losses not fully deductible or deductible at all. The possibility to set off capital losses is depending on the asset which has generated the loss. An assessment is required in each individual case to calculate the taxable capital gain or loss.

### **SDRs held through a Swedish endowment insurance policy**

If held through an endowment insurance policy capital gains and distributions attributable to SDRs would not be subject to income taxation. Hence, even if the Fund would be considered as transparent, the SDR-holder will not be taxed for any capital gains or distribution deriving from the SDRs, and any Capital losses assignable to the SDRs will not be deductible for tax purposes. Instead of income tax, an annual yield tax is payable.

For further information regarding the taxation of endowment insurance policies, please see above under Natural Persons.

### **Possibility to credit Estonian withholding tax**

Distributions (dividends) made to the SDR-holders, on behalf of the Fund, will be characterized as interests for Estonian tax purposes. For further information on the Estonian taxation of dividends, see "Estonian Taxation – Taxation of non-residents" below.

Foreign withholding taxes levied at source are as a main rule creditable against Swedish taxes levied on the corresponding income. If withholding tax would be levied the possibility to credit any withheld tax against Swedish income tax would have to be investigated in each individual case.

## **6.2. ESTONIAN TAXATION**

*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 worldwide income, while only limited taxation is applied to non-residents. As per the income of contractual investment funds from Estonian

real estate, special regulation applies to real estate related profits earned by contractual investment funds which are treated as tax payers in a number of limited cases.

### ***Resident Corporate entities***

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.

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.

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.

### ***Resident individual taxpayers***

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  $6,000 - 6,000 / 10,800 \times (\text{annual income} - 14,400)$ , 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.

### ***Contractual investment funds***

Contractual investment fund is not a legal entity. Contractual investment fund is a taxpayer only in limited cases, i.e. for Estonian real estate income. In general, income tax is charged on gains derived by a contractual investment fund if it:

- transfers immovable which is located in Estonia;
- transfers a right or claim which relates to Estonian real estate;
- transfers or returns holding in a company, contractual investment fund or other pool of assets of whose property, at the time of the transfer or return or during a period within two years prior to that, more than 50 per cent was directly or indirectly made up of immovables or structures as movables located in Estonia and in which the transferor had a holding of at least 10 per cent at the time of conclusion of the specified transaction; or such company or pool of asset is liquidated;
- receives rent from Estonian real estate;

- receives interest in connection with holding in a common investment fund or other pool of assets of whose property, at the time of the payment of interest or during a period within two years prior to that, more than 50 per cent was directly or indirectly made up of immovables or construction works as movables located in Estonia and in which the recipient of interest had a holding of at least 10 per cent at the time of the payment of interest.

Taxation applies also at the level of a special purpose vehicle company (SPV), if the contractual investment fund has invested through SPV, and at the level of investor. While to SPV's are taxed under the general tax regime applicable to such type of SPV, the interest received from the contractual investment fund or capital gains from the sale of the fund unit or liquidation of the fund will be taxed at the investor level. For non-residents, such investor level taxation is generally limited to gains from Estonian real estate contractual investment funds.

## **Withholding Tax**

### ***Non-resident Holders***

According to the EITA, interest payments made by the Issuer to Estonian non-resident Unit-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 Unit-holder received in connection with holding in the Issuer, provided it qualifies as a real estate fund. However, no withholding tax applies on interest if the income of the fund has already 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 taxpayer Unit-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 Unit-holders. However, the Issuer will not withhold income tax if the Estonian resident natural person Unit-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 17<sup>2</sup> 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 Units.

## **Income Taxation**

### ***Non-resident Holders***

According to the EITA, interest payments made by the Issuer to Estonian non-residents Unit-holders (corporate entities and natural persons) are subject to income tax in Estonia, provided the Issuer qualifies as a contractual investment fund for real estate (i.e. of whose property, at the time of the payment of interest or during a period within two years prior to that, more than 50 per cent was directly or indirectly made up of immovables or structures as movables located in Estonia) and the non-resident has at least 10 per cent holding in the fund at the time of receipt of interest. Such tax is subject to withholding as described under “Withholding Tax. Non-resident Holders”. No income tax applies if the profit from which the interest is paid has been taxed at the fund level or which is exempt from the income tax under the law.

The capital gains from the sale of the fund units is subject to income tax in Estonia under the same conditions as interest. Exemption applies to payments for returning the fund unit or liquidation proceeds which have been subject to tax at the fund level or which is exempt from income tax under the law.

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 the Management Company. 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 fund units 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, the gains or loss derived from the sale of fund units is the difference between the acquisition cost and the selling price of the fund units. 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 Unit-holder has the right to deduct certified expenses directly related to the sale or exchange of property from the Unit-holder's gain or to add such expenses to the Unit-holder's loss.

Income tax is charged on the part of payment received upon the return of a unit of a contractual investment fund and the liquidation of a contractual investment fund, which exceeds the acquisition cost of the unit or share, unless the fund'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 taxpayers, EITA enables postponement of the taxation of income derived from the publicly offered securities by using an investment account regime specified in Section 17<sup>2</sup> of the EITA. This special regime applies strictly to the securities referred to in section 17<sup>1</sup> 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 into the account).

#### Other Taxes and Duties

Estonia does not apply any other taxes or state effected duties on transferring the fund units. 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.

There is no Estonian value-added tax payable in respect of payments in consideration for the issue of the fund units or in respect of the payment of a redemption amount or principal under the fund units or the transfer of a fund units. Transactions and acts related to the issue, sales and purchase of securities are value-added tax exempt.

## 7. THE FUND

### 7.1. GENERAL INFORMATION OF THE FUND

The Issuer is a real estate fund investing primarily in real estate, portfolios of real estate, and/or real estate companies. The legal address of the Issuer is Tornimäe 2, 10145 Tallinn, Estonia, telephone number of the Issuer is +372 674 3200 and the e-mail address is estonia@nh-cap.com. The LEI-code of the Issuer is 5299008IKT93E4SA0G49.

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 7.9.2 "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 the EFSA. 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 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 prior to delisting of the Units from Nasdaq Stockholm (which shall happen on or

about 28 October 2022) secondary listed on Nasdaq Stockholm. The Management Company will apply for the SDRs to be listed on Nasdaq Stockholm on or about 4 November 2022.

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.

## 7.2. ORGANISATIONAL STRUCTURE OF THE FUND

The Issuer is a contractual fund and not legal entity. Thus the Issuer does not belong to a group.

## 7.3. REGULATORY STATUS OF THE FUND

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.

### Regulatory Disclosures

The regulatory disclosures carried out by the Issuer are categorised into four categories: (i) disclosures regarding financial results of the Issuer; and (ii) disclosures regarding cash distributions made to the investors of the Issuer; (iii) disclosure regarding other various matters. The Issuer has disclosed the following information under Regulation (EU) 596/2014 over the last 12-month period:

Date	Disclosure
<b><i>Disclosures regarding financial results of the Issuer</i></b>	
8 August 2022	Baltic Horizon Fund consolidated unaudited results for H1 2022
9 May 2022	Baltic Horizon Fund consolidated unaudited results for Q1 2022
18 March 2022	Baltic Horizon Fund consolidated audited results for 2021
15 February 2022	Baltic Horizon Fund Consolidated Unaudited Interim Results for Q4 2021
4 November 2021	Baltic Horizon Fund consolidated unaudited interim results for Q3 2021
<b><i>Disclosures regarding cash distributions made to the investors of the Issuer</i></b>	
28 July 2022	Information disclosed regarding a cash distribution of approximately EUR 1.56 million to Fund investors and information regarding total pay-outs to investors from Fund's operating results over the twelve-month period prior to the latest distribution.
28 April 2022	Information disclosed regarding a cash distribution of approximately EUR 1.56 million to Fund investors and information regarding total pay-outs to investors from Fund's operating results over the twelve-month period prior to the latest distribution.
3 February 2022	Information disclosed regarding a cash distribution of approximately EUR 2.27 million to Fund investors and information regarding total pay-outs to investors from Fund's operating results over the twelve-month period prior to the latest distribution.
28 October 2021	Information disclosed regarding a cash distribution of approximately EUR 2.08million to Fund investors and information regarding total pay-outs to investors from Fund's operating results over the twelve-month period prior to the latest distribution.
<b><i>Disclosures regarding various matters</i></b>	
18 October 2021	Baltic Horizon has signed a framework agreement with EBRD and plans private placement of new units
29 September 2021	Baltic Horizon Fund: Euroclear agreement will end in 12 months

## 7.4. MANAGEMENT

### 7.4.1. MANAGEMENT STRUCTURE



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

The Management Company is responsible for the everyday management of the Fund, including investment activities. For more detailed description of the Management Company, its responsibilities and the Fund Manager, see Section 7.9.2 "Management Company".

#### **7.4.2. THE GENERAL MEETING OF UNIT-HOLDERS**

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 Fund 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 Fund 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 Fund;
- amending the procedure for the redemption of Units;
- deciding on the merger and transformation of the Fund unless otherwise provided by the IFA;
- deciding to amend the fundamental principles of the investment policy of the Fund;
- establish a term for the Fund 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.

### **7.4.3. 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 Fund to be appointed by the Management Company;
- the approval of an auditor of the Fund to be appointed by the supervisory council of the Management Company;
- the approval of the depositary bank of the Fund 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 Fund;
- 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 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. The members of Supervisory Board are also not entitled to any other benefits in kind by the Issuer for services in all capacities to the Issuer.

#### **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 Prospectus, the members of the Supervisory Board are:

<b>Name</b>	<b>Born</b>	<b>Affiliation</b>	<b>Professional experience</b>	<b>Date of Appointment</b>	<b>Expiration of term of office</b>
Andris Kraujins	1963	<i>Independent</i>	Investment and real estate management experience in the Baltics since 2001	2 June 2016	unspecified term
Per Møller	1967	<i>Independent</i>	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	<i>Independent</i>	Several years of experience in financial, transit and logistics and real estate sectors in the Baltics	2 June 2016	unspecified term
David Bergendahl	1962	<i>Independent</i>	Several years of experience in company management and real estate investments in the Nordics and in Russia	11 November 2016	unspecified term

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

<b>Name</b>	<b>Former positions</b>	<b>Current positions</b>
Andris Kraujins	<ul style="list-style-type: none"> <li>- BOF, Member of the Investment Committee</li> <li>- MAK AUTO SIA, Member of Board</li> <li>- Cerfs SIA, Member of Board</li> <li>- MAK AUTO SIA, Founder</li> </ul>	<ul style="list-style-type: none"> <li>- AKCI SIA, Member of Board, Founder</li> <li>- Sievietes veselības centrs SIA, Chairman of Board, Founder</li> <li>-</li> </ul>
Per Møller	<ul style="list-style-type: none"> <li>- Altechna UAB, CEO</li> <li>- Dansk Farm Management A/S, Chairman of the Supervisory Board</li> <li>- Ernst &amp; Young, Denmark, CEO</li> <li>- Ernst &amp; Young, Baltic's, Managing Partner</li> <li>- Infotrust P/S, Member of the Supervisory Board</li> <li>- Flextown ApS, Member of the Supervisory Board</li> <li>- VoiceBoxer ApS, Chairman of the Supervisory Board</li> <li>- Volt ApS, Chairman of the Supervisory Board</li> <li>- FinPro ApS, Member of the Supervisory Board</li> <li>- UAB Efektyvus procesai, Chairman of the Supervisory Board</li> <li>- Paysolut UAB, Member of the Supervisory Board</li> </ul>	<ul style="list-style-type: none"> <li>- 70Ventures UAB, Managing Partner</li> <li>- Circle Venture Capital UAB, Founder &amp; CEO</li> <li>- Opeep! ApS, Chairman of the Supervisory Board</li> <li>- Royalty Range Europe UAB, Member of the Supervisory Board</li> <li>- Untu UAB, Member of Board</li> <li>- Robolabs UAB, Member of Board</li> <li>- Vertikali Medija UAB, Member of Board</li> <li>- Jiglo LTD, CEO</li> <li>- Sena It UAB, CEO</li> </ul>

Raivo Vare	<ul style="list-style-type: none"> <li>- AS Eesti Raudtee, Chairman of the Supervisory Board</li> <li>- AS SmartCap, Chairman of the Supervisory Board OÜ</li> <li>- RVVE Group, Member of the Supervisory Board</li> <li>- A/S Trigon Agri, Member of the Board of Directors</li> <li>- President's Academic Advisory Board, Member</li> <li>- Estonian Cooperation Assembly, Member of the Supervisory Board</li> <li>- 3D Technologies R&amp;D AS, Member of the Supervisory Board</li> <li>- Estonian Business School, Member of the Advisory Council</li> </ul>	<ul style="list-style-type: none"> <li>- OÜ Laenuhooldus, Co-owner, Member of the Management Board</li> <li>- Ülemiste City Residences OÜ, Member of the Supervisory Board</li> <li>- Vareholding OÜ, Owner and CEO</li> <li>- Live Nature OÜ, Partner, Member of the Management Board</li> <li>- AS Sthenos Grupp, Partner, Chairman of the Supervisory Board</li> <li>- Trigon Carbon Negative Agriculture OÜ (former Trigon Dairy Farming Estonia AS), Member of the Supervisory Board</li> <li>- AS Smart City Group, Member of the Supervisory Board</li> <li>- AS Mainor Ülemiste, Member of the Supervisory Board</li> </ul>
		Öpiku Majad OÜ, Member of the Supervisory Board
David Bergendahl	<ul style="list-style-type: none"> <li>- Torslanda Property Investment AB (publ), Member of the Board</li> </ul>	<ul style="list-style-type: none"> <li>- Hammarplast AB, CEO</li> <li>- Hammarplast Medical AB, Chairman of the Board</li> <li>- Transcutan AB, Chairman of the Board</li> <li>- Link Prop Investment AB (publ), Member of the Board</li> </ul>

**Andris Kraujins.** Mr. Kraujins, born 1963, is the member of the Supervisory Board of the Fund. During the last fifteen 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 Fund. 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, Baltic's. 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 Chairman of the Supervisory Board of the Fund. Raivo Vare is a well-recognised expert in the areas of infrastructure, logistics and corporate strategy. He has 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 Fund. David Bergendahl graduated from Göteborgs universitet in 1988 receiving a MSc 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 which would disqualify any of the Supervisory Board members from acting as a member of the Supervisory Board of the issuer 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 holds at the date of this Prospectus 854,808 Units of the Fund, which constitutes 0,72% of total Units. Other members of the Supervisory Board do not hold any Units of the Fund as of the date of this Prospectus.

#### 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 Fund 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 7.8.5 “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 Fund’s property management service provider. See further in section 7.9.8 “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.

### **7.5. 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 Fund. 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 Fund per calendar year. Only the expenses specified in the Fund Rules can be paid on the account of the Issuer.

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 Fund 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.

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 Guidelines 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.

The amounts of fees paid are discussed in section 7.7 – Related party transactions.

#### **Management fee**

The Management Company shall be paid a management fee on account of the Fund for managing the Fund (“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 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.

(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<sub>t</sub>) multiplied by
  - respective fee rate (F<sub>n</sub>) applied to the respective tranche, then the aggregate of the fees from each tranches multiplied by
  - the quotient of the actual number of days in the respective quarter (Actual<sub>q</sub>) divided by 365 days per calendar year, as also indicated in the formula below

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

- 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.

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.

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 became 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 the member of the Supervisory Board of the Issuer;
- 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 Fund 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 Fund 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 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;
- 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.

#### Contractual obligations towards investment properties

On 6 February 2020, the Fund signed a construction contract for the Meraki development project in Vilnius, Lithuania. The total capital commitment in respect to construction costs contracted amounts to EUR 2.8 million for the current construction phase. Meraki development costs reached EUR 17.8 million as of 30 June 2022 and the expected total development costs amount to EUR 32.7 million. The Fund has no other material commitments relating to the purchase, construction and development of investment properties.

## 7.6. CONFLICT OF INTERESTS

According to the knowledge of the Management Board of the Management Company, there are no known actual or potential conflicts of interests between the duties of any of the members of the Management Board and the Supervisory Council of the Management Company or the Supervisory Board of the Issuer, and their private interests and duties as at the date of this Prospectus.

## 7.7. RELATED PARTY TRANSACTIONS

During the reporting period, the Issuer 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 Issuer's transactions with related parties during the twelve-month periods ended on 31 December of 2021, 2020 and 2019 respectively and during the 6 months period ended on 30 June 2022 were the following:

<i>Euro '000</i>	<b>01.01.2022- 31.06.2022</b>	<b>01.01.2021- 31.12.2021</b>	<b>01.01.2020- 31.12.2020</b>	<b>01.01.2019- 31.12.2019</b>
<b>Northern Horizon Capital AS group</b>				
Management fees	752	1,765	1,715	1,679
Performance fees	-	-	-	379

The Issuer's balances with related parties as at 30 June 2022, 31 December 2021, 2020 and 2019 were the following:

<b>'000 Euro</b>	<b>31.06.2022</b>	<b>31.12.2021</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
<b>Northern Horizon Capital AS group</b>				
Management fees payable	364	420	434	474
Accrued performance fees	-	-	-	545

The Management Company is entitled to receive an annual management fee and performance fee as discussed in section 7.5 – Fees and expenses. The performance fee first became payable in the fifth year of the Issuer (i.e. 2020).

The Management Company, as at 30 June 2022, did not own any Units.

#### Entities having control or significant influence over the Issuer

The Unit-holders owning more than 5% of the Units in total as of 26 September 2022, 31 December 2021, 2020 and 2019 are presented in the tables below:

#### **As at 26 September 2022**

	<b>Number of units</b>	<b>Percentage</b>
Nordea Bank Abp/Euroclear Sweden Non-Treaty Clients	23,752,523	19,85%
SEB AB/S P WM AB - SWEDISH CL POOL	16,157,484	13,51%
SWEDBANK AB CLIENTS	14,797,162	12,37%
Raiffeisen Bank International AG	11,427,567	9,55%



Nordea Bank Abp/Euroclear Sweden Non-Treaty Clients, Swedbank AB Clients, SEB AB/S WM AB – Swedish CL Pool and Raiffeisen Bank International AG act as a nominee account holders. Based on the information available to the Management Company, the single largest Unit-holder and the only Unit-holder who holds directly over 5% of all Units in the Fund is Church of Sweden (*Svenska kyrkans pensionskassa*). As of 28 July 2022, the Church of Sweden held 16,101,284 of the Units, which constitutes approximately 13.46 per cent of the total Units.

**As at 31 December 2021**

	<b>Number of units</b>	<b>Percentage</b>
Nordea Bank AB clients	47,661,240	39,84%%
Raiffeisen Bank International AG clients	13,632,289	11,39%

**As at 31 December 2020**

	<b>Number of units</b>	<b>Percentage</b>
Nordea Bank AB clients	53,451,511	44,68%
Raiffeisen Bank International AG clients	16,959,368	14,18%

**As at 31 December 2019**

	<b>Number of units</b>	<b>Percentage</b>
Nordea Bank AB clients	54,428,197	48,0%
Raiffeisen Bank International AG clients	17,561,032	15.49%

Except for Dividends paid, there were no transactions with the Unit-holders disclosed in the tables above.

## 7.8. BUSINESS OVERVIEW

The diversified property portfolio of Baltic Horizon Fund consists of 14 cash flow generating properties, and one property under development in the search of an anchor tenant, in the Baltic capitals. The Issuer believes it has established a portfolio of strong retail and office assets with well-known and long-term tenants including local commercial leaders, governmental tenants, nearshoring shared service centres and the Baltic headquarters of leading international companies.

During H1 2022, shopping centres' sales and footfall nearly doubled compared to H1 2021 figures, reflecting an average monthly increase of 5-25% in 2022. Growth in sales and footfall figures signals the gradual recovery of the Fund's centrally located shopping centres. There is a clear trend seen in Fund properties: customers are spending more during their visits, but the visits are less frequent. The trend shows a slower recovery in footfall, but a faster recovery in sales figures. Turnover per sq. m is already reaching pre-COVID levels in Europa and Postimaja, while Galerija Centrs is approx. 15% behind its pre-COVID level. Footfall is still below pre-COVID levels in all 3 properties. It is expected, however, that sales and footfall figures will continue to increase in 2022 as there are no more COVID-19 restrictions on shopping centres. Fund retail teams continue to work on attracting tenants with new concepts and revitalizing retail areas in Galerija Centrs, Postimaja and Europa SC to prepare for the next retail cycle.

After more than a year of hard work in an uncertain environment, which has been affecting tenants and construction companies, Europa SC has entered the final stages of reconstruction. The opening of the food hall Dialogai and other renovated areas has created a great value proposition for office workers in Vilnius CBD. Leases for more than 1,421 sq. m have been signed lately for Europa SC, which will bring the occupancy rate from approx. 82% to above 90% once all tenants occupy their new premises.

In 2018, the Fund completed the acquisition of 0.87 hectares of land next to the Domus Pro complex. The plots were acquired with the goal to further expand the Domus Pro complex in Vilnius, Lithuania. The building permit allows building approx. 15,800 sq. m of leasable office space along with a parking house. The first tower is expected to be fully completed in Q3 2022 and the second one in 2023. Meraki development costs reached EUR 17.8 million as of 30 June 2022 and the expected total development costs amount to EUR 32.7 million. At the end of Q2 2022, 18.4% of the net leasable area of one tower was let to 5 tenants. First tenant fit-out works were completed at the end of Q2 2022 with expected premises handover dates in August/September.

The Fund approved the refreshed concept of the food hall on the 4th floor of the Galerija Centrs at the beginning of 2022. The design stage has already been completed and the necessary permits and permissions for the project were received in Q2 2022. The current stage includes the selection of the general contractor for the construction work and the development of a brand refresh. The full amount of the expected capital investment will be made public after the conclusion of negotiations with the general contractor.

In recent years, the Fund has been in active negotiations, mainly with retail tenants, regarding rent reductions, which have had a negative impact on the Fund's performance in 2020-2022. The amount of rent relief has been greatly reduced lately since the direct

impact of the pandemic has diminished. Increases in the NOI of Galerija Centrs and Postimaja clearly show that the results of retail assets can quickly recover in a stable and free environment without major rent reliefs.

In the response to COVID-19 outbreak, the Management Company has taken assertive action to manage the risks arising from the pandemic and to protect the health and safety of the public, the Fund's tenants, employees and partners.

The following measures are also in place to further mitigate the risks and protect the long-term interests of the Fund and its investors:

- active communication channels with the Fund's tenants and property managers who on a regular basis inform Fund management on the measures they are taking to ensure their business continuity. Management has agreed on regular updates on tenants' performance and any issues;
- a liquidity buffer in a form of cash balance to meet financial obligations in case of any temporary shortages in liquidity;
- dialogue with the developers and construction companies to inform Fund management promptly of any potential delays in development projects;
- continuous stress testing of debt covenants to be able to take any necessary measures in due time;
- additional measures to protect the key staff of the Fund and ensure business continuity were taken during pandemic time all employees worked remotely, all business travels were suspended, and succession plan has been reviewed and updated;
- after end of pandemic employees shifted to flexible working regime which allows for employees to work remotely if they feel any symptoms or had close contact with infected person.

The Fund implemented a number of relief initiatives during 2020-2022 focused on alleviating the financial hardship of the most vulnerable group of SME tenants, primarily in the retail sector, whose operations were most severely affected by the outbreak and the restrictive measures implemented by the Baltic governments to limit the spread of contagion.

The following relief measures were put in place:

- initial rent payment deferral for the period of 90 days (3 months) which were possible to be extended depending on the development of the pandemic and governmental restrictions. Services charges and utilities to be paid as usual unless instructed otherwise by the service providers or the government.
- discuss and agree on an individual support package with each tenant and details around future cooperation.
- waiver of all penalties and interest arising from current rent deferral.

Discounts granted to Galerija Centrs tenants have been partially covered by grants received from the Latvian government in 2021 and 2022. In April 2022, the Fund received another grant of EUR 0.3 million from the Latvian government, which brought the total amount of COVID-19 grants received to EUR 0.7 million.

During the pandemic, many tenants in the office segment across the Baltics adopted remote working practices where the nature of the job allowed it. At the same time, it is also apparent from interviews that employees are eager to return to the offices as social interaction and collaboration in physical meetings are still highly valued. The future of office work will very likely include an additional level of flexibility and tenants will be continuously evaluating their future needs.

Considering the new office reality, Baltic Horizon has been revitalizing larger vacant office areas to create flexible working spaces for smaller tenants. The Fund successfully converted vacant areas in North Star into an office hotel during H1 2022. Most areas have been already leased out to tenants, significantly boosting North Star occupancy levels in the process. A similar concept is being completed on one Meraki office floor and evaluated for other properties. The office portfolio continues to generate strong results due to fixed lease agreements but also as many employees are coming back to the offices. Rental indexations are playing a vital part in the growth of office portfolio results and will likely continue to positively impact results in 2022/2023.

Despite the impact of COVID-19, the Fund is looking forward to the recovery of Baltic economies and is monitoring the different acquisition opportunities during this crisis. With a long-term view, the Fund is also continuing with the preparations for its expansion projects aiming to be a solid long-term landlord partner for the top tenants in the region.

### **7.8.1. 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 Unit-holder 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 in the Baltic capitals stood at 5.3-5.5% for office properties and 6.7-7.0% for retail properties at the end of Q2 2022 exceeding yields in Western Europe, the Nordics and certain countries in Central Eastern Europe. Higher property yields enable the Issuer to generate greater cash returns, which are paid out to Unit-holders as dividends, and also offer a potential for capital appreciation due to possible compression in the Baltic yields. Dividends are payable semi-annually (see section 7.8.3 “Dividends and Dividend Policy”).

The focus on the Baltic commercial real estate is also based on positive leasing trends: low vacancy (according to the Colliers, approximately 5% for offices and 4% for retail at the end of Q2 2022), 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 1.9bn in 2021

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 2010 to 2021, annual real GDP growth averaged 3.4% in Lithuania (the 4th fastest in the EU), 2.2% in Latvia (the 7th fastest) and 3.5% in Estonia (the 3rd fastest). In contrast, the overall EU’s GDP expanded by only 1.3% real per annum over the same period. 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 88.1% at the end of 2021, Estonia’s government debt amounted to only 18.1% of GDP (the lowest in the EU), Lithuania’s 44.3% and Latvia’s 44.8% of GDP.

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 7.4.2 “Management – the General Meeting of the Unit holders”.

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.

## **7.8.2. 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.

Additionally all investments of the Issuer are guided by the following principles set by the Management Company:

- the Fund only invests in properties where the investors can expect a steady income stream and have a good chance of a medium-term capital gain.
- the Fund actively focuses on minimizing and managing any potential downside risks while protecting the full upside potential of the investments.
- investment opportunities which challenge the integrity of the Management Company or is in conflict with the mission statement and core values is refused.
- each individual property is assessed upon acquisition as well as on an annual basis by independent valuers in compliance with the International Financial Reporting Standards (IFRS) and local valuation methods.
- the investment portfolio of the Fund shall consist of at least 4 separate real estate objects.
- the Fund may directly or indirectly (through SPV) invest into single real estate object and (or) SPV no more than 30% of the Fund's net asset value.
- the total sum of investments directly or indirectly (through SPV) into single real estate object and the movable property needed for its maintenance and (or) equipment cannot exceed 40% of the Fund's net asset value.
- the Fund may invest into derivative instruments (including derivative instruments relating to real estate whose underlying are units or shares of real estate fund or shares of SPV-s investing into or managing real estate) no more than 20% of the Fund's net asset value.

For more detailed information on the property investments of the Fund, the valuation of the assets and the costs relating to the acquisition and holding of such property see the following sections of this Prospectus— 7.8.5 "Asset Portfolio", 7.5 "Fees and Expenses", 7.9.6 "Appraiser".

### **Restrictions on Other Types of Assets**

Up to 20% of the Fund'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 Derivate Instruments

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 Fund 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.

#### Other Restrictions

The Issuer 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.

### 7.8.3. 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 5 ) and net profit adjusted for unrealized P&L items<sup>4</sup>. 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 has approved changes to cash distribution frequency. Starting from July 2022, Fund's cash distribution frequency will be changed from quarterly to semi-annually.

**Table 5 : 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
(+) Extraordinary income related to investment properties	
(+) Added back listing related expenses	
(+) Added back acquisition related expenses	Include the expenses for acquisitions that did not occur
<b>Generated net cash flow</b>	

Table 6 illustrates historical dividend payments. Since the initial public offering in June 2016, the Issuer has distributed dividends each quarter – in line with its previous strategy to pay dividends quarterly. In 2022, the Issuer decided to change the frequency of dividend payments to semi-annual. Until the date of this Prospectus, 24 quarterly dividend payments in total have been announced: 2 for distributing profits in 2022, 4 for distributing 2021 profits, 4 for distributing 2020 profits, 4 for distributing 2019 profits, 4 for distributing 2018 profits, 4 for distributing 2017 profits and 2 for distributing 2016 profits. The last 4 quarterly dividends (from Q3

<sup>4</sup> Such items include valuation gains/losses on investment properties, net gains/losses on disposals of investment properties and deferred income tax.

2021 to Q2 2022) sum up to EUR 0.062 per unit representing an annual dividend yield of 6.9% on the Unit market price on Nasdaq Tallinn on the last day of the second quarter of 2022 (EUR 0.8966).

In total, the Fund has paid out EUR 7.42 million from the operating results of the last twelve months (EUR 2.03 million from Q3 2021, EUR 2.27 million from Q4 2021, EUR 1.56 million from Q1 2022 and EUR 1.56 million from Q2 2022).

In Q2 2022, Baltic Horizon Fund generated an unaudited Generated Net Cash Flow (GNCF) from operations of approx. EUR 2.3 million. GNCF increased by EUR 0.4 million compared to Q1 2022. Baltic Horizon Fund aims to maintain an annual distribution rate from GNCF at 80% and reinvest the remaining 20% into projects to boost future cash flow. Baltic Horizon Fund aims to strengthen its cash balance position due to expected volatility in the market by not distributing the full generated cash flow.

In Q1 2022, the Fund generated an unaudited Generated Net Cash Flow (GNCF) from operations of approx. EUR 1.9 million.

As at the date of this Prospectus, the Issuer's total number of Units amounts to 119,635,429. Historical dividends adjusted to reflect the current number of Units are presented in Table 6. Past performance is not a guarantee of future performance. Investing in securities involves risks and uncertainties which are difficult to predict.

**Table 6: History of dividend distributions (2019-2022 Q2)**

	2019				2020				2021				2022	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>Per unit</b>														
Dividend per unit, EUR	0.025	0.026	0.027	0.028	0.015	0.015	0.026	0.011	0.011	0.011	0.017	0.019	0.013	0.013
Trailing 12-month dividend yield <sup>1</sup>	7.7%	7.5%	7.8%	8.0%	9.6%	7.2%	7.5%	5.8%	5.4%	5.0%	4.5%	5.4%	6.3%	6.9%
Dividend per unit adjusted for number of units as at the date of this Prospectus <sup>2</sup> , EUR	0.020	0.022	0.026	0.028	0.015	0.015	0.026	0.011	0.011	0.011	0.017	0.019	0.013	0.013
<b>Total, EUR thousand</b>														
Dividends declared	2,449	2,624	3,061	3,175	1,701	1,701	3,111	1,316	1,316	1,316	2,034	2,273	1,555	1,555
Dividends paid	2,449	2,624	3,061	3,175	1,701	1,701	3,111	1,316	1,316	1,316	2,034	2,273	1,555	1,555

<sup>1</sup> 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.

<sup>2</sup> Calculated as total amount of dividends declared for a period divided by the number of Units as at the date of this Prospectus – 119,635,429 Units.

#### 7.8.4. 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 Fund shall be appraised by one independent real estate appraiser appointed by the Management Company after consultation with the Supervisory Board. See section 7.9.7 “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.

#### 7.8.5. ASSET PORTFOLIO

On the date of this Prospectus, the Issuer held a portfolio of 15 commercial properties (see Table 7, Domus PRO is considered one as property) all of which were based in the capital cities of the Baltic States. All buildings in the portfolio excl. Meraki were operational and generating rent revenue. In addition, the Issuer owned an office development project (Meraki) next to Domus Pro. The total size of the Issuer’s property portfolio amounted to EUR 327.4m of fair value (including Meraki development project) and 144.1 thousand sqm of rentable area as at 31 December 2021. As per annual valuation of the assets (incl. IFRS16 right-of-use assets) carried out by the Issuer at the end of 2021, Galerija Centrs SC was the largest holding accounting for 20.0% of the portfolio’s value. Europa SC was the second largest asset constituting approximately 11.2% of the total fair value followed by Postimaja and Upmalas Biroji which accounted for 9.1% and 6.7%, respectively.

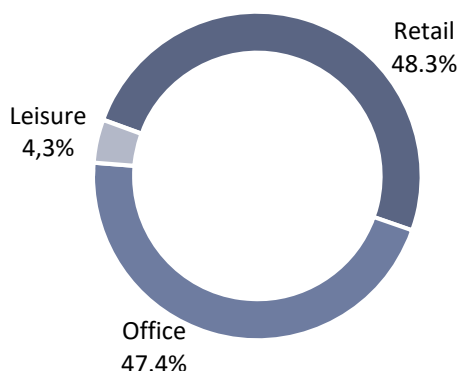
The Issuer carried out a mid-year valuation of the assets in the portfolio dated 30 June 2022. The appraised value of the Issuer’s asset (incl. IFRS16 right-of-use assets) as at 30 June 2022 constituted EUR 335.6 million (including Meraki development project). The total net leasable was 114.2 thousand sqm of rentable area. Galerija Centrs SC was still the largest holding accounting for 19.3% of the portfolio’s value. Europa SC was the second largest asset in the portfolio and constituted 11.5% of the total fair value. The mid-year valuations carried out by the Issuer as of 30 June 2022 are prepared as desktop valuations instead of full valuation reports. Desktop valuations do not have all parts required to classify it as full scope valuation report. Annual valuation carried out by the Issuer shall be classified as full scope valuation reports.

The property portfolio was well diversified in terms of both sectors and locations. In December 2021, retail and office segments constituted 50% and 46% of the total fair value of developed properties respectively. The remaining 4% were attributable to Coca

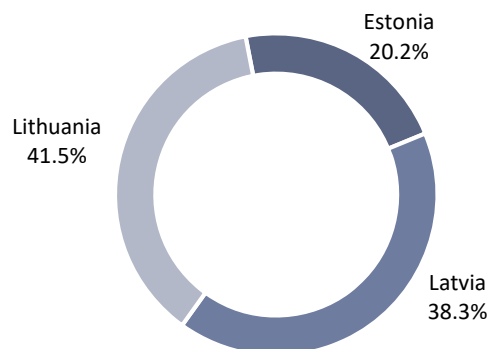
Cola Plaza cinema complex representing a leisure segment. In 30 June 2022, retail segment constituted 48% of the total fair value of the portfolio, while office segment constituted 48%. Leisure segment is represented in the Issuer's asset portfolio as at 30 June 2022 by 4% of the total fair value of developed properties.

Location-wise, as at 31 December 2021, Riga with 5 properties comprised 39% (38% as at 30 June 2022) of the total fair value of developed properties followed by Vilnius with 6 properties at 39% (42% as at 30 June 2022) and Tallinn with 4 properties at 22% (20% as at 30 June 2022).

**Figure 1: Value of investment properties breakdown by sector, 30 June 2022**



**Figure 2: Value of investment properties breakdown by location, 30 June 2022**



Low level of vacancy – 7.9% for the overall portfolio in December 2021 – indicated strong demand for office space at the Issuer's properties with less demand for retail assets. 6 buildings – Duetto I, Duetto II, Upmalas Biroij, Vainodes I, LNK Centre, Coca Cola Plaza – had no vacant space. Vacant premises in Domus Pro and Sky Supermarket comprised less than 3% of their rentable area. Overall vacancy in Riga is 8.6%, in Vilnius 7.8% and in Tallinn 6.8%. At the end of Q2 2022, the portfolio vacancy decreased to 6.7%.



**Table 7: Details of existing property portfolio, 31 December 2021 (and on 30 June 2022, if expressly stated)**

Property	Acquisition date	Sector	Fair value, EUR'000 <sup>1</sup>	Fair value EUR '000 (as at 30 June 2022) <sup>2</sup>	Rentable area, sqm	Vacancy	Vacancy (as at 30 June 2022)
<b>Vilnius</b>							
Europa SC	2-Mar-2015	Retail	36,737	38,757	16,844	21.2%	15.5%
Domus Pro Office	1-Oct-2017	Office	7,820	8,010	4,831	0.0%	2.7%
Domus Pro Retail Park	1-May-2014	Retail	16,255	16,535	11,226	0.6%	1.5%
Duetto I	22-Mar-2017	Office	17,345	18,525	8,587	0.0%	0.0%
Duetto II	27-Feb-2019	Office	19,683	20,253	8,674	0.0%	0.0%
North Star	11-Oct-2019	Office	19,869	21,538	10,550	10.3%	1.8%
<b>Total Vilnius</b>			<b>117,709</b>	<b>123,618</b>	<b>60,712</b>	<b>7.8%</b>	<b>5.1%</b>
<b>Riga</b>							
Galerija Centrs	13-June 2019	Retail	65,544	64,910	20,075	20.8%	22.8%
Upmalas Biroji	30-Aug-2016	Office	21,944	21,978	10,459	0.0%	0.0%
Vainodes I	12-Dec-2017	Office	18,150	18,470	8,052	0.0%	0.0%
LNK Centre	15-Aug-2018	Office	16,840	17,660	7,452	0.0%	0.0%
Sky Supermarket	1-Jan-2013	Retail	5,096	5,693	3,244	2.4%	2.4%
<b>Total Riga</b>			<b>127,574</b>	<b>128,711</b>	<b>49,282</b>	<b>8.6%</b>	<b>9.4%</b>
<b>Tallinn</b>							
Postimaja	13-Feb-2018	Retail	29,772	26,975	9,242	6.1%	4.4%
Lincona	1-Jul-2011	Office	16,990	16,900	10,871	10.9%	9.2%
Coca Cola Plaza	8-Mar-2013	Leisure	14,442	14,525	8,664	0.0%	0.0%
Pirita	16-Dec-2016	Retail	9,472	9,300	5,444	10.8%	9.6%
<b>Total Tallinn</b>			<b>70,676</b>	<b>67,700</b>	<b>34,221</b>	<b>6.8%</b>	<b>5.6%</b>
<b>TOTAL DEVELOPED PROPERTIES</b>			<b>315,959</b>	<b>320,029</b>	<b>144,215</b>	<b>7.9%</b>	<b>6.7%</b>
Meraki Development	16-May-2018		11,400	15,620			
<b>TOTAL INVESTMENT PROPERTIES</b>			<b>327,359</b>	<b>335,649</b>			

<sup>1</sup> Based on the latest valuation as at 31 December 2021 and recognised right-of-use assets.

<sup>2</sup> Based on the latest mid-year valuation as at 30 June 2022 and recognised right-of-use assets.

### Realisability of the portfolio

The Fund has no restrictions on the realisability of its investment properties. The Fund complies with all special conditions and covenants set under the bank loan agreements and bond issue terms and conditions. As of 30 June 2022, the Fund was in compliance with all special conditions and covenants set under the bank loan agreements except for the Galerija Centrs property. The Loan-to-Value Ratio (LTV) of the Galerija Centrs property (carrying loan amount – EUR 30 million) was above the required maximum level of 45% at the end of Q1 and Q2 2022, but this did not result in any consequences because the Fund received a formal waiver from the lender for the mentioned covenant breach. Management is monitoring the situation proactively with the banks to ensure timely measures.

## Galerija Centrs

Galerija Centrs was acquired on 13 June 2019 with a purchase price of EUR 75 million, which corresponds to an estimated entry yield of 6.7%. It is the largest asset in portfolio, as of 31 December 2021, the property comprised 20.0% of the portfolio's total fair value and as of 30 June 2022 it comprised 19.3% of the portfolio's total fair value.

Galerija Centrs is held by Galerija SPV - BH GALERIJA CENTRS SIA, a special purpose vehicle registered in the Republic of Latvia with a registration number 40003311422 and holding title to the Galerija Centrs property with a registered share capital of 10,877,190 euros and with a nominal value of 2 euros per share. The LEI code of Galerija SPV is 549300EK0SDVHMS24I95. Galerija SPV was established in 02.10.1996 as a private limited liability company and without specific term. Galerija SPV operates under the laws of Republic of Latvia. Galerija SPV has no subsidiaries or affiliates. Galerija SPV is one hundred per cent subsidiary of Northern Horizon Capital AS.

The only investment and significant asset of Galerija SPV is Galerija Centrs. Galerija Centrs is located in Riga, Latvia and Galerija SPV has no other business activity than owning, developing and managing the investment by managing the lease agreements of the tenants of the property. Galerija SPV only operates in Riga. It has no employees, the property management service was outsourced to a related company of previous owner of Galerija SPV, as of the date of this Prospectus property management is outsourced to property management company CPB Real Estate Services SIA, also managing other properties in Fund's portfolio. For more details about the property management service, please see Section 7.9.8 – "Property Management Service".

The Galerija Centrs property is located on Audeju Street 16, 1050 in Riga Old Town, next to the National Opera. As a block of Old Town, the 5-floor property complex consists of two buildings connected with a passage of glass roofed arcade. Originally opened as Army Department Store in 1938, the high street retail centre was last refurbished in 2006 with an added extension. The net leasable area of the property is 20,075 sqm. The anchor tenants include H&M, RIMI, Sportland, Lindex, Drogas, Massimo Dutti, Douglas and others. The fifth floor houses a healthcare centre, a beauty salon and a fitness club.

**Table 8: Details of Galerija Shopping Centre, 30 June 2022**



<b>Acquisition date</b>	13 June 2019
<b>Acquisition price</b>	EUR 75,000 thousand
<b>Construction</b>	1938/2006 (renovation)
<b>Type</b>	Shopping center
<b>Location</b>	Audeju Street 16, 1050 Riga, Latvia
<b>SPV</b>	BH GALERIJA CENTRS SIA, registry code 40003311422, date of incorporation 02.10.1996, registered address Audēju iela 16, Riga LV-1050, Latvia. The sole shareholder of the company is the Management Company on behalf of and for the benefit of the Fund.
<b>NLA</b>	20,075 sqm
<b>Fair value</b>	EUR 764,910 thousand
<b>Vacancy</b>	22.8
<b>WAULT (as of 30 June 2022)</b>	1.5 years
<b>No of tenants (as of 30 June 2022)</b>	112
<b>Major tenants</b>	H&M (apparel) Rimi (grocery) Sporta Klubs (fitness club) Lindex (apparel) Massimo Dutti (apparel)

## Europa SC

Europa SC is the second largest asset in the Issuer's property portfolio. As of 31 December 2021, the property comprised 11.2% of the portfolio's total fair value and 11.5% as at 30 June 2022. With 16,844 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, 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, Lords LB is developing 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 4 stores in Europa SC of which 3 are franchises of upscale international brands including MaxMara and Karen Millen. Thanks to its location in CBD, Europa is an important lunch spot.

At the end of 2020, the Fund's management initiated the Europa SC refurbishment project with the aim of introducing a new concept that would meet growing central business district (CBD) and clients' post-COVID-19 needs (free working zones, dining, etc.).

Reconstruction works started in September 2021 with the aim to finish reconstruction in two stages. The first stage was completed with the opening of the fully leased out food hall Dialogai (900 sq. m) on 24 January 2022. The second stage works were partially completed in 2021 and the rest will be completed in Q3 2022. The interior of the ground floor passage, the lounge zones, an amphitheatre, the bakery zone and new escalators from the ground to the 3rd floor were completed in Q1 and Q2, while the shop fronts, the elevator change and final fit-out works on the 2nd and 3rd floors will be completed in Q3 2022.

The total investment in the project has increased to approx. EUR 6.0 million after the expansion of the initial scope of work. Out of the total investment amount, EUR 2.1 million is the food hall investment. Despite rapidly rising construction costs the project has mostly remained within budget and it has not been necessary to sacrifice the scope of planned work.

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 m<sup>2</sup> (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.



**Table 9: Details of Europa SC, 30 June 2022**

<b>Acquisition date</b>	2 March 2015	
<b>Acquisition price</b>	EUR 35,787 thousand	
<b>Construction</b>	2004	
<b>Type</b>	Shopping centre	
<b>Location</b>	Konstitucijos av. 7A, 7B, Vilnius, Lithuania	
<b>SPV</b>	BH 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 Fund.	
<b>NLA</b>	16,844 sqm	
<b>Fair value</b>	EUR 38,757 thousand	
<b>Vacancy</b>	15.5%	
<b>WAULT (as of 30 June 2022)</b>	2.2 years	
<b>No of tenants (as of 30 June 2022)</b>	69	
<b>Major tenants</b>	Maxima (grocery) Apranga (fashion): <i>MaxMara</i> <i>Marella</i> , etc. Dialogai (food hall)Suit Supply (fashion)	Michael Kors (fashion) Benu (pharmacy) Fortas (restaurant) LPP (fashion) Lemon Gym (fitness club)

## Postimaja

Postimaja, purchased by the Issuer in February 2018, is the 3rd largest property in the portfolio comprising 9.1% of its total fair value at the end of December 2021 and 8.0% at the end of June 2022. 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 that 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. At the date of the Prospectus, the development process is ongoing.

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 three other properties (Pirita in Tallinn, Galerija Centrs in Riga 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 Pirita.



**Table 10: Details of Postimaja, 30 June 2022**

<b>Acquisition date</b>	13 February 2018
<b>Acquisition price</b>	EUR 34,477 thousand
<b>Construction</b>	2013
<b>Type</b>	Shopping centre
<b>Location</b>	Narva road 1, Tallinn, Estonia
<b>SPV</b>	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.
<b>NLA</b>	9,242 sqm
<b>Fair value</b>	EUR 26,975 thousand
<b>Vacancy</b>	4.4%
<b>WAULT (as of 30 June 2022)</b>	1.7 years
<b>No of tenants (as of 30 June 2022)</b>	14
<b>Major tenants</b>	H&M (fashion) New Yorker (fashion) Rimi (grocery) MyFitness (fitness club)

### Domus Pro

Domus Pro is the 4th largest asset in the portfolio comprising 7.4% of its fair value as of 31 December 2021 and 7.3% as at 30 June 2022. 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.

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 4,800 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 signing 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). 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 Plytelio 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. 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. The building has BREAAAM certification indicating high standards of environmental sustainability and efficiency.

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. At the date of the Prospectus, the development process is ongoing.

**Table 11: Details of Domus Pro, 30 June 2022**

<b>Acquisition date</b>	SPA signed in July 2013, final closing in 1 May 2014	
<b>Acquisition price</b>	EUR 12,087 thousand	
<b>Construction</b>	1 <sup>st</sup> stage 2014; 2 <sup>nd</sup> stage 2015/2016; 3 <sup>rd</sup> stage 2017	
<b>Type</b>	Shopping centre (1 <sup>st</sup> and 2 <sup>nd</sup> stages) and office (3 <sup>rd</sup> stage)	
<b>Location</b>	Bieliuo st. 1, Vilnius, Lithuania	
<b>SPV</b>	BH 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.	
<b>NLA</b>	16,057 sqm, of which 11,226 sqm retail and 4,831 sqm office	
<b>Fair value</b>	EUR 23,760 thousand, of which EUR 16,170 thousand retail and EUR 7,590 thousand office; In addition, EUR 3,274 thousand value of a land plot for further expansion	
<b>Vacancy</b>	Office 2.7%; retail park 1.5%	
<b>WAULT (as of 30 June 2022)</b>	Office 2.4 years; retail park 2.2 years	
<b>No of tenants (as of 30 June 2022)</b>	37	
<b>Major tenants</b>	<b>Retail:</b> Rimi (grocery) Fitus (health and fitness club) Hansa Plytelio Turgus (home-improvement)	<b>Office:</b> Narbutas (furniture) Pet City (pet store and veterinary clinic)



## 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 30 June 2022 Upmalas Biroji represents approximately 7.5% of the total portfolio making it the 5th largest asset in Issuer's portfolio.

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.

As of 31 December 2021, the property had 100% occupancy, which has remained the same as of 30 June 2022. The tenants were mostly comprised of top-class international companies such as SEB, a Nordic bank, 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. more than half of property's total annualized rental income (as of 31 December 2021) followed by Cabot comprising approx. a fifth of annualized rental income.



**Table 12: Details of Upmalas Biroji, 30 June 2022**

<b>Acquisition date</b>	30 August 2016
<b>Acquisition price</b>	EUR 23,573 thousand
<b>Construction</b>	2008
<b>Type</b>	Office
<b>Location</b>	Mukusalas st. 101, Riga, Latvia
<b>SPV</b>	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 Fund.
<b>NLA</b>	10,459sqm
<b>Fair value</b>	EUR 21,978 thousand
<b>Vacancy</b>	0.0%
<b>WAULT (as of 30 June 2022)</b>	0.8 years
<b>No of tenants (as of 30 June 2022)</b>	9
<b>Major tenants</b>	SEB (banking) Bosch (engineering and electronics) Johnson & Johnson (pharmaceutical and consumer products) Mylan (pharmaceutical)

#### **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 5.5% of the portfolio's total fair value at the end of December 2021 and 5.5% at the end of June 2022.

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 13: Details of Vainodes I, 30 June 2022**

<b>Acquisition date</b>	12 December 2017
<b>Acquisition price</b>	EUR 21,296 thousand
<b>Construction</b>	2014
<b>Type</b>	Office
<b>Location</b>	Vainodes st. 1, Riga, Latvia
<b>SPV</b>	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.
<b>NLA</b>	8,052 sqm
<b>Fair value</b>	EUR 18,470 thousand
<b>Vacancy</b>	0.0%
<b>WAULT (as of 30 June 2022)</b>	11.6 years
<b>No of tenants (as of 30 June 2022)</b>	3
<b>Major tenants</b>	Latvia's State Forests (forestry) Abbvie (pharmaceutical) Baltic Restaurants Latvia (restaurant)

## North Star

On 11 October 2019, the Fund completed the acquisition of the North Star Business Centre located in Vilnius, Lithuania. North Star is a B-class office building comprising of a net leasable area of 10,550 sqm over 7 floors with 310 underground parking spaces situated over two underground floors plus additional 60 parking spaces on the ground level. The asset is located in Zirmunai district, in close vicinity to Ogmios City, boasting good connectivity to Vilnius CBD, Vilnius downtown and the majority of the residential districts in Vilnius. As of 30 June 2022, North Star the 6<sup>th</sup> largest property on the Issuer's portfolio with approximately 6.4% of the total.

**Table 14: Details of North Star Business Centre, 30 June 2022**



<b>Acquisition date</b>	11 October 2019
<b>Acquisition price</b>	EUR 20,792 thousand
<b>Construction</b>	2009
<b>Type</b>	Business center
<b>Location</b>	Ulonų Street 2, 08245 Vilnius, Lithuania
<b>SPV</b>	BH NORTHSTAR UAB, registry code 305175896, date of incorporation 29.05.2019, registered address Ulonų g. 2, LT-08245 Vilnius, Lithuania. The sole shareholder of the company is the Management Company on behalf of and for the benefit of the Fund.
<b>NLA</b>	10,550 sqm
<b>Fair value</b>	EUR 21,538 thousand
<b>Vacancy</b>	1.8%
<b>WAULT (as of 30 June 2022)</b>	1.8 years
<b>No of tenants (as of 30 June 2022)</b>	24
<b>Major tenants</b>	Lithuanian State Tax Inspectorate

## Duetto II

Duetto II is a newly built 10-storey 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 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 6,0% of the value of the Issuer's property portfolio on 31 December 2021 and 6.0% at the end of June 2022. It is the newest property in the Issuer's portfolio in terms of construction completion (finished in 2018).



**Table 15: Details of Duetto II, 30 June 2022**

<b>Acquisition date</b>	27 February 2019
<b>Acquisition price</b>	EUR 18,323 thousand
<b>Construction</b>	2018
<b>Type</b>	Office
<b>Location</b>	Spaudos st. 8, Vilnius, Lithuania
<b>SPV</b>	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.
<b>NLA</b>	8,674 sqm
<b>Fair value</b>	EUR 20,253 thousand
<b>Vacancy</b>	0.0%
<b>WAULT (as of 30 June 2022)</b>	1.5 years
<b>No of tenants (as of 30 June 2022)</b>	11
<b>Major tenants</b>	Rimi Office (grocery) Vilniaus Heating (heating-utility) Astra Zeneca (pharmacy)



## Lincona

Lincona accounted for 5.2% of the portfolio's total fair value on 31 December 2021 and 5.0% at the end of June 2022. The property is a complex of three connected office buildings (total NLA of 10,871 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.



**Table 16: Details of Lincona, 30 June 2022**

<b>Acquisition date</b>	1 July 2011
<b>Acquisition price</b>	EUR 15,396 thousand (incl. divested Babycenter part)
<b>Construction</b>	2002/2008 (renovation)
<b>Type</b>	Office
<b>Location</b>	Pärnu rd. 139a / Kohila st. 2a, Tallinn, Estonia
<b>SPV</b>	BH 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 Fund.
<b>NLA</b>	10,871 sqm
<b>Fair value</b>	EUR 16,900 thousand (excl. Babycenter which was sold for EUR 1.0m)
<b>Vacancy</b>	9.2%



<b>WAULT (as of 30 June 2022)</b>	2.3 years
<b>No of tenants (as of 30 June 2022)</b>	14
<b>Major tenants</b>	Swedbank (banking) Information System Authority (public institution) Liewenthal Electronics (IT & engineering)

An anchor tenant is Swedbank which uses premises for back office operations. 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.

### 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 2021, the building comprised 5.1% of the total fair value of the Issuer's portfolio and 5.3% as at 30 June 2022.

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 non-terminable lease agreement for 5 years. On the 1st floor of the building there is a restaurant.



**Table 18: Details of LNK Centre, 30 June 2022**

<b>Acquisition date</b>	15 August 2018
<b>Acquisition price</b>	EUR 17,068 thousand
<b>Construction</b>	2006
<b>Type</b>	Office
<b>Location</b>	Skanstes st. 27, Riga, Latvia
<b>SPV</b>	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.
<b>NLA</b>	7,452 sqm
<b>Fair value</b>	EUR 16,660 thousand
<b>Vacancy</b>	0.0%
<b>WAULT (as of 30 June 2022)</b>	3.9 years
<b>No of tenants (as of 30 June 2022)</b>	5
<b>Major tenants</b>	EMERGN (IT) LNK Group (construction and real estate)



### Duetto I

Duetto I office building in Vilnius is the second of the two properties (Pirita being the other one) acquired using proceeds from the secondary public offering completed in November 2016. It is the second newest property in the Issuer's portfolio after Duetto II in terms of construction completion (finished in 2017). As of 31 December 2021, the asset constituted 5.3% of the portfolio's total fair value and 5.5% as of 30 June 2022.

Duetto I is a newly built 10-storey 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. 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, 30 June 2022**

<b>Acquisition date</b>	22 March 2017
<b>Acquisition price</b>	EUR 14,642 thousand
<b>Construction</b>	2017
<b>Type</b>	Office
<b>Location</b>	Spaudos st. 8, Vilnius, Lithuania
<b>SPV</b>	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 Fund.
<b>NLA</b>	8,587 sqm
<b>Fair value</b>	EUR 18,525 thousand
<b>Vacancy</b>	0.0%
<b>WAULT (as of 30 June 2022)</b>	2.2 years
<b>No of tenants (as of 30 June 2022)</b>	13
<b>Major tenants</b>	Intrum (credit management) Vilniaus Vandenys (water-utility) Pernod Ricard (beverages)

## Coca Cola Plaza

Coca Cola Plaza constituted 4.4% of the value of the Issuer's property portfolio on 31 December 2021 and 4.3% at the end of June 2022. 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. Most of the building's area (96%) is let to Forum Cinemas AS, a cinema operator in Estonia running three movie theaters in the country (the other two are located in different Estonian cities). It was announced on 31 August 2020 that Forum Cinemas, which has for approximately last three years (acquisition completed in March 2017) been owned by AMC, will be acquired by UP Invest AS, who is owner of Apollo Group which is the largest cinematographer in Estonia with 10 cinema centers and 39 screens. The transaction was completed in 2022 and as a result of that in August 2022 Kinoplaza OÜ that belongs to Apollo group took over rental agreement for another 6 years.

The property is a 6-storey building with underground parking for 43 cars. Part of the premises is subleased by Kinoplaza OÜ. 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. As of the date of the Prospectus, the development process is ongoing.



**Table 20: Details of Coca Cola Plaza, 30 June 2022**

<b>Acquisition date</b>	8 March 2013
<b>Acquisition price</b>	EUR 11,944 thousand
<b>Construction</b>	2001
<b>Type</b>	Cinema
<b>Location</b>	Hobujaama st. 5, Tallinn, Estonia
<b>SPV</b>	BH 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 Fund.
<b>NLA</b>	8,664 sqm
<b>Fair value</b>	EUR 14,525 thousand
<b>Vacancy</b>	0.0%
<b>WAULT (as of 30 June 2022)</b>	5.5 years
<b>No of tenants (as of 30 June 2022)</b>	2
<b>Major tenants</b>	Kinoplaza OÜ (cinema operator)

## Pirita

Pirita 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. Pirita 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. Pirita SC constituted 2.9% of the value of the Issuer's property portfolio on 31 December 2021 and 3.0% on 30 June 2022.

Pirita 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.

The SC is anchored by Rimi, a Baltic grocery chain owned by ICA Gruppen, a listed Nordic retailer. A 10-year lease agreement was signed with Rimi. MyFitness, the second largest tenant at Pirita, is the largest network of sports clubs in Estonia. It operates 15 clubs in Estonia as well as 7 clubs in Latvia.



**Table 21: Details of Pirita, 30 June 2022**

<b>Acquisition date</b>	16 December 2016
<b>Acquisition price</b>	EUR 12,200 thousand
<b>Construction</b>	2016 (reconstruction)
<b>Type</b>	Shopping center
<b>Location</b>	Merivälja rd. 24-2, Tallinn, Estonia
<b>SPV</b>	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 Fund.
<b>NLA</b>	5,444 sqm
<b>Fair value</b>	EUR 9,300 thousand
<b>Vacancy</b>	9.6%
<b>WAULT (as of 30 June 2022)</b>	4.9 years
<b>No of tenants (as of 30 June 2022)</b>	17
<b>Major tenants</b>	Rimi (grocery) MyFitness (health and fitness club)

## Sky Supermarket

Sky Supermarket, the smallest holding in the property portfolio, comprises approximately 1.6% of the portfolio's fair value as of 31 December 2021 and 1.7 on 30 June 2022. 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 2021). 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, 30 June 2022**

<b>Acquisition date</b>	1 January 2013
<b>Acquisition price</b>	EUR 4,510 thousand
<b>Construction</b>	2000/2010 (renovation)
<b>Type</b>	Shopping center
<b>Location</b>	Bikernieku st. 120B, Riga, Latvia
<b>SPV</b>	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 Fund.
<b>NLA</b>	3,244 sqm
<b>Fair value</b>	EUR 5,693 thousand
<b>Vacancy</b>	2.4%
<b>WAULT (as of 30 June 2022)</b>	1.1 years
<b>No of tenants (as of 30 June 2022)</b>	12
<b>Major tenants</b>	Sky (grocery) A Aptieka (pharmacy) Cup & Cino (restaurant)

## Tenants, Lease Contracts and Property Management

The Fund outsources daily property management services from a specialized property management services provider. Outsourced property management functions include letting out vacant premises, organising lease contract negotiations with tenants, day-to-day relationship with tenants, marketing of properties (for instance, developing marketing strategies), invoicing tenants and paying property operating expenses. Successful property management is an important value driver for the Fund as it maximizes returns of owned real estate assets. The Management Company closely oversees property managers and reviews their performance on a continuous basis. Representatives of the Management Company in boards of SPVs must sign off all newly negotiated lease contracts with a size of 100 sqm or more. Furthermore, their approval is required for investing in redesigning/adopting premises to tenants' needs. Property management service providers for newly acquired properties are selected via tenders on a property by property basis. For more details on the property managers that are now contracted by the Fund see section 7.9.8 "Property Management Service".

Under majority of the Fund's existing lease contracts, rent rates are indexed once a year to Euro area CPI or local CPI (Lithuanian, Latvian or Estonian). When lease agreements are negotiated, the Fund generally seeks lease term to be as long as possible. With anchor tenants the Fund aims to sign 5-year or longer contracts. Regarding smaller tenants, contract lengths of 3-5 years are in line with market practice. The Fund targets WAULT of 5 years for multi-tenant properties. Lease contracts have been concluded on market terms. The Management Company has tried to minimise the tenant risk (failure to pay) and therefore most of the lease contracts include the obligation of the lessee to provide a bank guarantee and/or a deposit. Also, in most of the lease contracts the lessor has restricted its liability to damages caused by gross negligence or intent.

**Table 23: Rental concentration of 10 largest tenants, 30 June 2022**

No	Tenant	% of total annualized rental income
1	Rimi Baltic	10.2%
2	SEB	6.4%
3	Latvian State Forestry	5.7%
4	Kinoplaza OÜ	5.1%
5	Intrum	3.6%
6	EMERGN AS	3.6%
7	Lithuanian Tax Inspectorate	2.2%
8	Vilnius Heating Network	2.1%
9	New Yorker	2.0%
10	Swedbank	1.7%
<b>Total of 10 largest tenants</b>		<b>42.6%</b>

The tenant base of the Fund is well diversified. The rental concentration of the 10 largest tenants of the Fund's subsidiaries is shown in table 23 with the largest tenant Rimi Baltic accounting for 10.2% of the annualized rental income and all 10 largest tenants account for 42.6%.

### 7.8.6. 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 considerably increased its focus on creating added value in the already owned investment properties. In addition to Meraki development project and Europa reconstruction project, this also includes preparing for the reconstruction of Galerija Centrs and expansion of the CC Plaza and Postimaja complex. The period of these expansions to be completed falls in 2022-2024 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 economic recovery process and 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 (incl. logistics and office segment), 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. As of the date of the Prospectus, all the developments and expansion projects referred to in this Prospectus are continuing.

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, B class offices for shared service centers/back-offices of international companies, logistics and neighborhood shopping centers.

The Management Company mainly targets to increase Issuer's portfolio allocation to office segments in capital cities with strong international tenants.

#### **7.8.7. CUSTODY OF THE FUND'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 7.9.3 "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 7.8.5 "Asset Portfolio".

#### **7.8.8. MATERIAL AGREEMENTS**

This section provides a general description of the most relevant agreements where the Issuer or the Management Company. The level of detail of the information provided is limited due to the confidentiality provisions included in such agreements. However, the Management Board of the Management Company believes that the provided data is sufficient for comprehending the overall contents of the agreements. The following agreements have been entered into by the Issuer or the Management Company within the two years immediately preceding the date of this Prospectus.

#### **Material agreements of the Issuer**

Issuer considers the following agreements to be material for the purposes of the Prospectus: loan agreements, property management agreements, financial advisory agreements, audit agreements.

The Issuer considers financing arrangements to be material in the context of the Prospectus. The Issuer has obtained external financing by way of bank loans as well as carrying out bond issuance.

#### **Corporate bonds**

The Issuer's SPV (BH Meraki UAB) has completed the issuance of bonds within a bond programme:

- On 12 May 2021, BH Meraki UAB completed an oversubscribed private placement of 18 months secured bonds of EUR 4.0 million (out of EUR 8.0 million bond program). The bonds bear a fixed-rate coupon of 5.0% payable semi-annually. The net proceeds from the issuance of the bonds were used for financing the construction of the Meraki office building. On 15 November 2021, the bonds issued were admitted to the Nasdaq Baltic First North Market.

The ISIN code of the bonds is LT0000405243. The maturity date of the bonds is 19 November 2022, at which date the bonds will be repaid in full at their nominal principal amount

The Issuer has completed the issuance of bonds within a bond programme in three stages:

- On May 8, 2018, the Issuer completed the 5-year unsecured in the amount of EUR 30 million for the subscription of bonds. The transaction took place as a private placement and the bonds were subscribed by the Baltic institutional investors, mainly pension funds, asset managers, insurance companies and banks. The bonds were listed on the Nasdaq Tallinn Stock Exchange on August 28, 2018 .
- On 13 December 2018, the Issuer completed a subsequent issue of bonds by way of private placement in the amount of 10 million. The additional bonds were issued under the same conditions as the first issue on 8 May 2018. On December 20, 2018, additional bonds were listed on Nasdaq Tallinn Stock Exchange.
- On May 8, 2019, the Issuer completed the second additional private placement of bonds in the amount of EUR 10 million. It was the third and final tranche, concluding the bond issue in the total amount of 50 million euros. The transaction took place under the same conditions as the initial issue of the bonds

The ISIN code of the bonds is EE3300111467. The issued bonds constitute direct, unsecured and unsubordinated obligation of the issuer which rank 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 bonds bear interest at the fixed rate of 4.25 per cent per annum. The interests are payable quarterly. The maturity date of the bonds is 8 May 2023, at which date the bonds will be repaid in full at their nominal principal amount. The proceeds from the issue of the Bonds were used mainly for new acquisitions, for investing into expansion of existing properties and for refinancing loan agreements with banks.

#### **Bank loans**

The ability to borrow on attractive terms plays a major role in the investment strategy and cash distributions to Unit-holders. The Issuer has entered into several loan agreements in order to finance new acquisitions or to invest into expansion of current properties- As of 30 June 2022 provided external debt financing made 59% of total portfolio value, out of which 16% is financed with corporate bonds.

The following bank loan extensions were arranged in 2022

- During Q1 2022, the bank loans of Europa SC and Domus Pro were successfully extended until March 2024, Pirita SC bank loan until February 2026 and SKY SC bank loan until January 2023 with the same banks. The interest rates of the extended bank loans were slightly increased and cross-collateralization for properties financed by the bank in Lithuania applied.
- During Q2 2022, the the bank loan of Galerija Centrs was successfully extended until 2024 January at slightly higher interest rate but with a waiver for soft LTV covenant which requires prepayment of the loan.

#### **Material agreements of the Management Company**

Management Company considers the following agreements to be material for the purposes of the Prospectus: risk and compliance service agreement, other services agreements that include financial management services and intercompany loan agreements with the shareholder. More information about the agreements, except compliance service agreement, can be found in Section 7.9 – Service Providers.

Risk and compliance service agreement has been concluded between Northern Horizon Capital AIFM Oy and the Management Company on 9 August 2017. Northern Horizon Capital AIFM Oy shall provide the following risk and compliance services to the Management Company in accordance with the applicable compliance policy:

- Maintaining and developing applicable internal rules;
- Organising compliance training if needed;
- Advising on compliance matters;
- Acting as a point of contact for compliance queries from employees;



- Drafting a yearly compliance plan;
- Identifying and evaluating compliance risks and propose possible corrective measures;
- Reporting on compliance risk to the board of the Management Company;
- Analysing the impact of newly established regulations to the Fund's activities and making proposals to amend internal rules, if needed;
- Handling the customer complaints in co-operations with the Management Company;
- Supervising the internal rules for checking conformity in respect of compliance function;
- Handling all relations of the Management Company with regulators in terms of compliance matters, including provision of non-financial reports required by regulators;
- Monitoring the measures taken to remedy the defiances in the adequacy and effectiveness in respect of compliance obligations;
- Supervising that the activities of the Management Company is in compliance with the relevant legislation including, but not limited AIFMD (Directive 2011/61/EU); and
- Maintaining the relevant procedures to combat money laundering required under the EU Money Laundering Directive, as applicable to the listed entity.

Other services agreement was concluded with Northern Horizon Capital UAB, a sister company of the Management Company on 1 December 2016. It covers such services as financial management, human resources, IT and services related to existing customers and investors.

Inter-company loan agreement has been concluded between parent company Northern Horizon Capital A/S and the Management Company on 7 July 2010 and later amended. According to this loan agreement Management Company makes available for lending up to 5 million euros, repayable by 31 December 2025. Current outstanding balance of the loan is 3.8 million euros.

## **7.8.9. 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's, financial position or profitability.

## **7.9. SERVICE PROVIDERS**

### **7.9.1. 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.

### **7.9.2. THE MANAGEMENT COMPANY**

#### **General Information**

Northern Horizon Capital AS is 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) and operates under the laws of the Republic of Estonia. The LEI-code of the Management Company is 529900GDVTNNYQBDU208.

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: osäühing) 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 Management Company does not have an audit committee or remuneration committee.

The contact details of the Management Company are the following:

- Address: Tornimäe 2 (24th floor), Tallinn, 10145 Estonia
- Telephone number: +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 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 registered with the Estonian commercial register on 7 April 2004 for an indefinite period. 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 Good Corporate Governance Code (the “GCC”) as approved by the EFSA is not applicable to the Management Company because the Management Company is not publicly listed company to whom the GCC is directed. 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](http://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 7.8.1 “Investment Objective and Policy” and 7.8.2 “Investment Restrictions”.

In addition to the investment management, the Management Company is also responsible for the following tasks:

- fund administration services
- 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 Prospectus the Management Company has delegated certain of its responsibilities to third parties as is described in more detail in section 7.9.5 “Registrar”, 7.9.4 “Fund Administration” and 7.9.8 “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 7.5 “Fees and Expenses”.

## Supervisory Council and Management Board

### Supervisory Council

As at the date of the 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 Prospectus.

<b>Name</b>	<b>Position/Function</b>	<b>Date of Appointment</b>	<b>Expiration of term of office</b>
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 Liubomirskienė	Member of the Supervisory Council	5 September 2017	10 August 2027

The following table sets out current and past directorships held by the Management Company’s Supervisory Council members over the past five years:

<b>Name</b>	<b>Former positions</b>	<b>Current positions</b>
Milda Dargužaitė	<ul style="list-style-type: none"> <li>- Northern Horizon Capital Oy, Member of the Board</li> <li>- BGO Property Management GmbH, Managing Director</li> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>- Northern Horizon Capital A/S, CEO</li> <li>- Northern Horizon Capital GmbH, Managing Director</li> <li>- Northern Horizon Capital AIFM Oy, Member of the Board and CEO</li> <li>- Northern Horizon Capital UAB, General Director</li> <li>- Northern Horizon Capital AB, Member of the Board</li> <li>- Northern Horizon Capital AS Member of Supervisory Board</li> </ul>
Nerijus Žebrauskas	<ul style="list-style-type: none"> <li>- BIG Klapipeda UAB, Member of the Board</li> <li>- Laurus Gene UAB, Member of the Board</li> <li>- BH Europa UAB, Member of the Board</li> </ul>	<ul style="list-style-type: none"> <li>- Northern Horizon Capital UAB, Member of Board</li> <li>- Northern Horizon Capital JIC OÜ, Member of Board</li> <li>- Northern Horizon Capital AS, Member of the Supervisory Board</li> <li>- NH-CAP A7S, Member of Board</li> </ul>

		<ul style="list-style-type: none"> <li>- Northern Horizon Capital UAB, Member of the Board</li> <li>- NH-Cap A/S – Member of the Board</li> <li>- Northern Horizon Capital JIC OÜ – Member of the Board.</li> </ul>
Daiva Liubomirskiene	<ul style="list-style-type: none"> <li>- Northern Horizon Capital Oy, Member of the Board</li> <li>- Northern Horizon Russia Partners I Oy, Member of the Board</li> <li>- Northern Horizon Healthcare II Partners Oy, Member of the Board</li> <li>- Northern Horizon Capital Health Care Denmark K/S, Member of the Board</li> <li>- Laurus S.a.r.l., Member of the Board</li> <li>- EPI Russia I Holding Oy, Member of the Board</li> </ul>	<ul style="list-style-type: none"> <li>- NH-CAP A/S, Member of the Board</li> <li>- Northern Horizon Capital UAB, Member of the Board</li> <li>- Northern Horizon Nordic Aged Care GP S.a.r.l., Member of the Board</li> <li>- Northern Horizon Capital AIFM Oy, Chairman of the Board</li> <li>- Northern Horizon Capital AB, Member of the Board</li> <li>- Nordic Aged Care Holding 1 S.a.r.l., Member of the Board</li> <li>- Nordic Aged Care Holding 2 S.a.r.l. Member of the Board</li> <li>- Northern Horizon Capital JIC OÜ, Member of the Board</li> <li>- Nordic Aged Care Investments S.a.r.l., Member of the Board</li> <li>- Aged Care Investments SCS., Member of the Board</li> <li>- Northern Horizon Aged Care IV GP S.a.r.l., Member of the Board</li> <li>- Nordic Aged Care IV S.a.r.l., Member of the Board</li> </ul>

**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 Chief Financial Officer and Risk Manager. Before joining Northern Horizon Group, Mr. Žebrauskas worked in the audit and assurance field at EY (2001-2004) and KPMG (2005-2006) locally and abroad. In 2001, he graduated from Stockholm School of Economics in Riga with a B.Sc. in Economics and Business Administration 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 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 Prospectus.

<b>Name</b>	<b>Position/Function</b>	<b>Date of Appointment</b>	<b>Expiration of term of office</b>
Tarmo Karotam	Chairman of the Management Board Fund Manager	17 April 2014	30 April 2026
Ausra Stankevičienė	Member of the Management Board	17 April 2014	30 April 2026
Algirdas Vaitiekunas	Member of the Management Board	29 January 2016	29 July 2024

The following table sets out past and current directorships held by the Company's Management Board members over the past five years:

<b>Name</b>	<b>Former positions</b>	<b>Current positions</b>
Tarmo Karotam	<ul style="list-style-type: none"> <li>- Baltic Opportunity Fund, Fund Manager</li> <li>- Estonian Academy of Sciences Male Choir, Chairman of the Board</li> <li>- Northern Horizon Capital JIC OÜ, Member of the Board</li> <li>- BH Health OÜ, Member of Board</li> <li>- ZM Development SIA, Member of Board</li> <li>- CEO at BH Domus Pro UAB</li> </ul>	<ul style="list-style-type: none"> <li>- Euro-Products OÜ, Member of the Board</li> <li>- BOF Sky SIA, Member of Board</li> <li>- Kontor SIA, Member of Board</li> <li>- BH Europa UAB, Member of Board</li> <li>- BH Domus Pro UAB, Member of Board</li> <li>- BH Lincona OU, Member of Board</li> <li>- BH CC Plaza OU, Member of Board</li> <li>-</li> <li>- BH P80 OU, Member of Board</li> <li>- BH Duetto UAB, Member of Board</li> <li>- Pirita Centre OÜ, Member of Board</li> <li>- BH Meraki UAB, Member of Board</li> <li>- BH S27 SIA, Member of Board</li> <li>- SIA Tampere Invest, Member of Board</li> <li>- Magnetic Capital OÜ, Member of Board.</li> </ul>
Ausra Stankevičienė	<ul style="list-style-type: none"> <li>- Cromary Investments Sp. Z o.o.</li> <li>- ZM Development SIA</li> <li>- Laurus Holding UAB, Member of Board</li> <li>- Hobujaama Kinnisvara OU, Member of Board</li> <li>- Laurus Gene UAB, Member of Board</li> <li>- Real Invest SIA, Member of Board</li> <li>- BH Europa UAB, Member of Board</li> </ul>	<ul style="list-style-type: none"> <li>- BOF Sky SIA, Member of Board</li> <li>- Kontor SIA, Member of Board</li> <li>- BH Domus Pro UAB, Member of Board</li> <li>- Nordic Aged Care Holding 1 S.à.r.l., Member of Board</li> <li>- Nordic Aged Care Holding 2 S.à r.l., Member of Board</li> <li>- BH Lincona OU, Member of Board</li> <li>- BH CC Plaza OU, Member of Board</li> <li>- BH P80 OU, Member of Board</li> <li>- BH Duetto UAB, Member of Board</li> <li>- BH Northstar UAB</li> <li>- Pirita Centre OU, Member of Board</li> </ul>

		<ul style="list-style-type: none"> <li>- BH Galerija Centrs SIA (former SIA Tampere Invest), Member of Board</li> <li>- Vainodes Krasti SIA, Member of Board</li> <li>- BH Meraki UAB, Member of Board</li> <li>- BH S27 SIA, Member of Board</li> <li>- Nordic Age Care IV Sarl, Member of Board</li> <li>- Northern Horizon Capital AIFM Oy, Member of Board</li> <li>- Northern Horizon Nordic Aged Care GP Sarl, Member of Board</li> <li>- Northern Horizon Aged Care IV GP Sarl, Member of Board</li> <li>- Northern Horizon Capital UAB, Fund Service Director</li> </ul>
Algirdas Vaitiekunas	<ul style="list-style-type: none"> <li>- Seimyniskiū verslo centras UAB, Member of Board</li> <li>- SVC Holdingas UAB, Member of Board</li> <li>- Kontor SIA, Member of Board</li> <li>- ZM Development SIA, Member of Board</li> <li>- DMGL UAB, General Director</li> <li>- Vainodes Krasti SIA, Member of Board</li> <li>- SIA Tampere Invest, Member of Board</li> <li>- BH S27 SIA (formerly SIA LNK Centre), Member of Board</li> </ul>	<ul style="list-style-type: none"> <li>- Northern Horizon Capital UAB, Chairman of the Board, Business Development Director</li> <li>- Koalos Investicijos UAB, General Director</li> <li>- BH DM Domus Pro UAB, Member of Board</li> <li>- BH Europa UAB, Member of Board</li> <li>- BH Europa UAB, Member of Board</li> <li>- BH Duetto UAB, Member of Board</li> <li>- BOF Sky SIA, Board member</li> <li>- BH Meraki UAB, Member of Board</li> <li>- BH Northstar UAB, Member of Board</li> <li>-</li> </ul>

**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 Fund, from the beginning. Mr. Karotam is a member of RICS (MRICS). He graduated from École 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 GP S.a.r.l., Northern Horizon Aged Care IV GP S.a.r.l and Northern Horizon Capital A/S, she also serves as a board member in the SPVs belonging to the Issuer, Nordic Aged Care Fund and Aged care IV 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.

#### Dividends and dividend policy

Shareholders of the Management Company decide on dividend distribution on an annual basis, taking into account regulatory capital requirements as well financial position and cash flows of the Management Company. Dividends which were declared and distributed by the Management Company during the last 3 years are presented in the table below.

	2019	2020	2021
<b>Per share, EUR</b>			
A shares	64	64	64
B shares	0	0	0
<b>Total, EUR thousand</b>			
Dividend declared*	800	800	800
Dividend paid*	800	800	800

*\*Net of 20% withholding tax*

#### Other information on the Management Board and Supervisory Council

The members of Management Board and Supervisory Council of the Management Company are employees of the Management Company or its affiliates and do not receive remuneration for taking the board positions. Total remuneration paid to the members of the Management Board as employees of the Management Company and its affiliates amounts to EUR 24,000 per annum. The members of the Management Board or the Supervisory Council are not entitled to any other benefits in kind by the Issuer and/or affiliates for services in all capacities to the Issuer and its affiliates nor are the Management Board members and Supervisory Council members entitled to any benefits from the Issuer and/or affiliates of the Issuer upon termination of their position.

Independent board members of Supervisory Board receive remuneration paid by the Issuer. In 2021 it amounted to EUR 48,000.

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 member Algirdas Jonas Vaitiekunas directly and indirectly holds as at 1 August 2022 56,215 Units in the Issuer, which represent approximately 0,05% of the total amount of units. Management Board member Tarmo Karotam directly and indirectly holds as at 1 August 2022 10,915 Units in the Issuer, which represent 0.01% 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 Prospectus.

There are currently no future changes decided in relation to corporate governance of the Management Company, including in the composition of Supervisory Council of Management Board of the Management Company.

The Management Company is not aware of any compulsory liquidations of companies in which any of the members of its Supervisory Council, Management Board or the Supervisory Board of the Issuer 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, Management Board or the Supervisory Board of the Issuer. The Management Company is not aware of any potential conflicts of interest between the duties of the members of its Supervisory Council, Management Board or the Supervisory Board of the Issuer to the Management Company and the Issuer, and their private interests or other duties. The Management Company is not aware of any conflicts of interests between the duties of the members of the management board of affiliates or subsidiaries of the Management Company to the Management Company and the Issuer, and their private interests or other duties.

### 7.9.3. 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 7.8.7 "Custody of the Fund'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 4.4 "Fees and Expenses".

#### **7.9.4. 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. Swedbank AS additionally provides the following services to the Issuer: settlement of the transactions with the assets of the Fund, maintenance of accounting of the Fund, regulatory and financial reporting on behalf of the Fund, communication with the auditor of the Fund and delivery of necessary information to the auditor of the Fund. Northern Horizon Capital UAB is providing the Management Company various financial management services, support services in relation to existing customers and investors and human resource services (including various IT services).



### **7.9.5. 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](http://www.nasdaqcsd.com).

The Register and the registration of the Units is described in more detail in section 4.1 “General Information”.

### **7.9.6. 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 depository in Sweden. The SDRs to be listed on Nasdaq Stockholm (the will be held with 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).

### **7.9.7. 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 2021 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, Lincona, Coca Cola Plaza and Piritä 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 10111, Estonia, and telephone number in the registered office is +372 664 5090.

For the purposes of appraising Galerija Cents, 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 North Star, 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.

### **7.9.8. 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:

- CPB Real Estate Services OÜ, a private limited company registered under the laws of the Republic of Estonia under the registry code 14760200, with a registered address at Maakri tn 19/1-43, Tallinn, EE-10145, Estonia. As at the date of the

Prospectus, CPB Real Estate Services OÜ provides services to the following properties located in Tallinn: Lincona, Coca Cola Plaza, Piritä and Postimaja.

- CPB Real Estate Services SIA, a private limited company registered under the laws of the Republic of Latvia under the registry code 40003945157, with a registered address at Zaļā street 1, Riga, LV-1010. As at the date of the Prospectus, CPB Real Estate Services SIA provides services to Upmāls Biroji, Sky Supermarket, Vainodes I, LNK and Galerija Centrs in Riga.
- CPB Real Estate Services UAB, a private limited company registered under the laws of the Republic of Lithuania under the registry code 302461401, with a registered address at Upes Street 23, Vilnius, LT-08128, Lithuania. As at the date of the Prospectus, CPB Real Estate Services UAB provides services to Europa SC in Vilnius.
- Censeo MB, a small partnership registered under the laws of the Republic of Lithuania under the registry code 304183908, with a registered address at Juodvarnių g. 61, Vilnius, Lithuania. As at the date of the Prospectus, Censeo MB provides services to Duetto I, Duetto II, Domus Pro and North Star in Vilnius.

As of 1 September 2021 the property management services are being procured from CPB Real Estate Services OÜ/SIA/UAB. CPB Real Estate companies have operated in the property management and administration field in the Baltics for 12 years. Prior to CPB Real Estate Services, the property management services were being procured from BPT Real Estate companies.

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.

#### 7.9.9. SDR AGENT

The Units are listed in Nasdaq Stockholm in the form of depositary receipts. For the purposes of safekeeping of the Units that are being represented by the SDRs and issuance of the SDRs in Euroclear Sweden, the Management Company has entered into service agreement with Nordic Issuing AB ("**SDR Agent**"). The SDR Agent is Swedish public limited liability company incorporated under the laws of Sweden on 6 August 2021 and registered with the Swedish Companies Registration Office (in Swedish: *Bolagsverket*) on 1 October 2021. The corporate registration number of SDR Agent is 559338-2509 and LEI code is 984500GDE2B75614AC61. SDR Agent's registered address is Stortorget 3, SE-211 222, Malmö, Sweden. SDR Agent is an investment firm authorised by the SFSA to provide investment services under license number 64612.

The services provided by the SDR Agent include:

- Registering SDRs with Euroclear Sweden;
- Issue new SDRs and deliver SDRs to nominees in Euroclear Sweden system;
- Safekeeping underlying Units in Estonia that are being represented by SDRs on Nasdaq Stockholm;
- Handling corporate actions in relation to the SDR-Holders.

#### 7.9.10. 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 with an authorisation number 17. The financial information of the Issuer for the years ending 31 December 2021, 31 December 2020 and 31 December 2019 were audited by auditors of KPMG Baltics OÜ.

The auditor of the Management Company is Ernst & Young Baltic AS, Rävala pst 4, 10145 Tallinn, Estonia. Ernst & Young Baltic AS is a member of the Estonian Board of Auditors with an authorisation number 58. The financial information of the Management Company for the years ending 31 December 2021, 31 December 2020 and 31 December 2019 were audited by auditors of Ernst & Young Baltic AS.

## 8. PRESENTATION OF FINANCIAL INFORMATION

### 8.1. NAV

The table below depicts the Fund's NAV per financial statements and EPRA NRV, a measure of long-term NAV, which is presented in order to provide additional information to potential investors. The Fund adopted the best practices recommendation (BPR) published by the European Public Real Estate (EPRA), which replaced the old EPRA net asset value metrics, including EPRA NAV, and introduced three new features of the Net Asset Valuation metrics, namely EPRA Net Reinstatement Value (NRV), EPRA Net Tangible Assets (NTA) and EPRA Net Disposal Value (NDV). Apart from disclosing NAV figures in interim and annual financial statements, the Fund also reports monthly NAV figures, the most recent of which is for June 2022 (EUR 1.1215 per Unit).

**Table 24: NAV metrics, EUR thousand (unless stated otherwise)**

	31 Dec 2019 audited	31 Dec 2020 audited	31 Dec 2021 audited	H1 2021 unaudited	H1 2022 unaudited
<b>NAV (per financial statements)</b>	<b>152,518</b>	<b>136,321</b>	<b>132,584</b>	<b>124,887</b>	<b>134,176</b>
<b>IFRS NAV per unit, EUR</b>	<b>1.35</b>	<b>1.14</b>	<b>1.11</b>	<b>1.04</b>	<b>1.12</b>
Reversals:					
Derivative financial instruments	1,655	1,763	865	1,312	(424)
Deferred tax asset related to derivative financial instruments	(99)	(102)	(36)	(71)	72
Deferred tax liability related to investment property fair and tax value differences	8,440	8,198	8,763	7,582	9,928
<b>EPRA NAV</b>	<b>162,514</b>	<b>146,180</b>	<b>142,176</b>	<b>133,710</b>	<b>143,752</b>
<b>EPRA NRV per unit, EUR</b>	<b>1.43</b>	<b>1.22</b>	<b>1.19</b>	<b>1.12</b>	<b>1.20</b>
Number of units	113,387,525	119,635,429	119,635,429	119,635,429	119,635,429

Source: H1 2022 is based on unaudited interim consolidated financial statements of the Fund for the 6-month period ended 30 June 2022. H1 2021 is based on unaudited interim consolidated financial statements of the Fund for the 6-month period ended 30 June 2021, audited consolidated financial statements of the Issuer for the year 2019-2021.

The Fund's most recent NAV per financial statements, dated 31 July 2022, stood at EUR 133.2m corresponding to EUR 1.1130 per unit compared to EUR 132.6m or EUR 1.1082 per unit at the end of 2021. Since the Fund targets to pay out majority of generated cash flows in dividends to Unit-holders, changes in NAV per Unit predominantly reflect gains or losses in fair values of owned properties. The Fund's IFRS NAV as at the end of July 2022 was EUR 1.1130 per Unit and EPRA NAV EUR 1.1955 per Unit.

At the end of H1 2022, the Fund's NAV slightly increased to EUR 134.2 million (31 December 2021: EUR 132.6 million). Compared to the year-end 2021 NAV, the Fund's NAV increased by 1.2%. The increase in operational performance, portfolio valuations and positive cash flow hedge reserve movement of EUR 1.2 million over the period was partially offset by a EUR 3.8 million dividend distribution to the Unit-holders. As of 30 June 2022, IFRS NAV per unit rose to EUR 1.1215 (31 December 2021: EUR 1.1082), while EPRA net tangible assets and EPRA net reinstatement value grew to EUR 1.2016 per unit (31 December 2021: EUR 1.1884). EPRA net disposal value was EUR 1.1177 per unit (31 December 2021: EUR 1.1086).

EPRA NRV, and indicator of long-term NAV, was computed following the definition and calculation guidelines provided by European Public Real Estate Association (EPRA) in its Best Practices Recommendations (February 2022<sup>5</sup>). According to EPRA, EPRA NRV measure was designed to reflect the fair value of net assets of an entity that invests in real estate with a long-term investment strategy. 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 are therefore excluded. NAV per financial statements is adjusted to exclude:

<sup>5</sup> Available publicly at [www.epra.com/finance/financial-reporting/guidelines](http://www.epra.com/finance/financial-reporting/guidelines)

1. Derivative financial instruments assets (EUR 0.4m on 30 June 2022) which reflects the fair value of interest rate swap contracts. This asset would materialize only if the contracts were terminated. The Fund, however, intends to keep the contracts until their expiry which will lead to cancellation of the asset.
2. Deferred tax liability related to derivative financial instruments (EUR 72 thousand on 30 June 2022). This liability would crystallise only if the interest rate swap contracts (discussed above) were terminated. Maintaining the contracts until expiry will cancel the related tax liability.
3. Deferred tax liability related to investment property fair and tax value differences (EUR 9.9m on 30 June 2022). The tax would have to be paid only if properties were sold. However, the term of the Fund is indefinite and it invests in properties for the long term.

No adjustments are needed regarding the value of investment properties since they are recorded at fair value on the balance sheet of the Fund – in line with the definition of EPRA NRV. The Fund's most recent EPRA NRV, dated 30 June 2022, amounted to EUR 143.8m or EUR 1.2016 per Unit.

In October 2019, EPRA published new Best Practices Recommendations (BPR)<sup>2</sup> that became effective for accounting periods starting on 1 January 2020 and have been adopted by the Fund to present the financial figures for the 6-month period ended 30 June 2022. New EPRA BPR introduced three new measures of net asset value: EPRA net tangible assets (NTA), EPRA net reinvestment value (NRV) and EPRA net disposal value (NDV). EPRA NRV aims to highlight the value of net assets on a long-term basis. Assets and liabilities that are not expected to crystallise in normal circumstances such as the fair value movements on financial derivatives and deferred taxes on property valuation surpluses are therefore excluded. The EPRA NTA is focused on reflecting a company's tangible assets and assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax liability. EPRA NDV aims to represent the shareholders' value under an orderly sale of business, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.

All three NAV metrics share the same starting point, namely NAV per financial statements. For the computation of EPRA NRV and EPRA NTA, NAV per financial statements are adjusted to exclude the same items as described above by the computation of EPRA NAV. For the computation of EPRA NDV, NAV per financial statements is adjusted to include revaluation at fair value of fixed-rate loans (EUR 464 thousand on 30 June 2022). No adjustments are needed regarding the value of investment properties since they are recorded at fair value on the balance sheet of the Fund – in line with the EPRA BPR.

**Table 25: EPRA NAV metrics, EUR thousand (unless stated otherwise)**

	EPRA NRV unaudited	30 June 2022 EPRA NTA unaudited	EPRA NDV unaudited
<b>NAV (per financial statements)</b>	<b>134,176</b>	<b>134,176</b>	<b>134,176</b>
<b>IFRS NAV per unit, EUR</b>	<b>1.12</b>	<b>1.12</b>	<b>1.12</b>
Exclude:			
Derivative financial instruments	(424)	(424)	-
Deferred tax asset related to derivative financial instruments	72	72	-
Deferred tax liability related to investment property fair and tax value differences	9,928	9,928	-
Include:			
Revaluation at fair value of fixed-rate loans	-	-	(464)
<b>NAV</b>	<b>143,752</b>	<b>143,752</b>	<b>133,711</b>
<b>NAV per unit, EUR</b>	<b>1.20</b>	<b>1.20</b>	<b>1.12</b>
Number of units	119,635,429	119,635,429	119,635,429

## 8.2. WORKING CAPITAL STATEMENT

The Issuer is of an opinion that its working capital is, as at the date of this Prospectus, sufficient for the Fund's financing requirements for the period covering at least twelve months following the date of this Prospectus. Working capital refers to the Fund's ability to access cash and cash equivalents to fulfil its payment obligations as they become due.

### 8.3. CAPITALISATION AND INDEBTEDNESS

The following table presents the capitalisation and indebtedness of the Issuer as at 30 June 2022. The table should be read together with the Issuer's interim financial statements for the six month period ended 30 June 2022 (incorporated by way of reference and available on Issuer's website at <https://www.baltichorizon.com/reports-and-financialcalendar/>).

**Table 27: Capitalisation and indebtedness of the Company as at 30 June 2022**

Capitalisation and indebtedness	As at 30 June 2022
<b>Capitalisation</b>	
<b>Current debt</b>	
Guaranteed	0
Secured <sup>1</sup>	46,177
Unsecured / unguaranteed	49,942
<b>Total current debt</b>	<b>96,119</b>
<b>Non-current debt</b>	
Guaranteed	0
Secured <sup>1</sup>	102,241
Unsecured / unguaranteed	0
<b>Total non-current debt</b>	<b>102,241</b>
<b>Shareholder's equity</b>	
Share capital	145,200
Cash flow hedge reserve	352
Retained earnings	-11,376
<b>Total equity</b>	<b>134,176</b>
<b>Total capitalisation</b>	<b>332,536</b>

<sup>1</sup>The Fund's properties have been pledged as loan collateral

Net indebtedness	As at 30 June 2022
<b>Net indebtedness</b>	
(A) Cash at bank and on hand	8,738
(B) Cash equivalents	0
(C) Other current financial assets	0
<b>(D) Liquidity (A) + (B) + (C) (1)</b>	<b>8,738</b>
(E) Current financial indebtedness	95,673
(F) Current portion of non-current financial indebtedness	446
<b>(G) Current Financial Indebtedness (E) + (F) (2)</b>	<b>96,119</b>
<b>(H) Net Current Financial Indebtedness (G) – (D) (3)</b>	<b>87,381</b>
(I) Non-current financial indebtedness	102,241
(J) Debt instruments	0
(K) Other non-current loans	0
<b>(L) Non-current financial indebtedness (I) + (J) + (K) (4)</b>	<b>102,241</b>
<b>(M) Total Net Financial Indebtedness (H) + (L) (5)</b>	<b>189,622</b>
(1) Aggregate of cash, cash equivalents and trading securities	
(2) Aggregate of current bank debt, current portion of non-current debt and other current financial debt	
(3) Current financial debt deducted by liquidity and current financial receivables	
(4) Aggregate of non-current bank loans, bonds issued and other non-current loans (excluding current portion of long-term debt)	
(5) Aggregate of net current financial indebtedness and non-current financial indebtedness	

**Disclosure of indirect and contingent indebtedness**

The Issuer did not have any indirect and contingent liabilities as at 30 June 2022.

**Profit forecasts or estimates**

The Issuer does not compile and publish a profit forecast or a profit estimate nor does the Issuer compile and publish financial forecasts or estimates in this Prospectus.

**8.4. SIGNIFICANT CHANGE IN THE FINANCIAL OR TRADING POSITION**

Since 30 June 2021 - the last reporting date of the Issuer – the Issuer acquired interest rate caps to increase hedging of interest rate risk. As a result interest rate hedging increased from 61% to 84% and term of the hedging was improved from 1.1 years to 2.4 years. The total cost of additional hedge was EUR 0.7 m. There has been no other significant events nor change in the financial or trading position of the Issuer.

Since 31 December 2021– the last reporting date of Management Company – there has been no significant changes in the financial or trading position of Management Company.

The Issuer

# **BALTIC HORIZON FUND**

Tornimäe 2, 10145 Tallinn, Estonia  
[www.baltichorizon.com](http://www.baltichorizon.com)

Management Company

## **NORTHERN HORIZON CAPITAL AS**

Tornimäe 2, 10145 Tallinn, Estonia  
[www.nh-cap.com](http://www.nh-cap.com)

Legal Advisor to the Management Company

## **ADVOKAADIBÜROO SORAINEN AS**

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Swedish Legal Advisor to the Management Company

## **GERNANDT & DANIELSSON ADVOKATBYRÅ KB**

Stockholm, Hamngatan 2 111 47  
[www.gda.se](http://www.gda.se)

Swedish Depository Receipts Agent

## **NORDIC ISSUING AB**

Norra Vallgatan 64, 211 22 Malmö  
[www.nordic-issuing.se](http://www.nordic-issuing.se)

## **APPENDIX A**

### **Fund Rules**

*The text of the Fund Rules included as Appendix A to the 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](http://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;
- 4.2.6. 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 reevaluation 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  $\frac{1}{2}$  of the votes represented by the Units are present. If there are less than, or equal to,  $\frac{1}{2}$  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  $\frac{9}{10}$  of the Investors who participate in the General Meeting if their Units represent at least  $\frac{2}{3}$  of the votes.
- 10.13. A resolution of the General Meeting shall be adopted if more than  $\frac{1}{2}$  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. maintaining 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 considered 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<sub>i</sub>) multiplied by
- (ii) respective fee rate (F<sub>n</sub>) applied to the respective tranche, then the aggregate of the fees from each tranches multiplied by
- (iii) the quotient of the actual number of days in the respective quarter (Actual<sub>q</sub>) divided by 365 days per calendar year, as also indicated in the formula below

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

(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
- 15.1.5. above shall be paid to the Management Company quarterly within 5 Banking Days after the issue of the invoice by the Management Company.
- 15.1.6. 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 **Depository Fee**

- 15.3.1. The Depository shall be paid a depository fee for the provision of depository services (the “Depository Fee”). The annual Depository Fee is 0.03% of the GAV, but the Depository Fee shall not be less than EUR 10,000.00 per annum. The value added tax specified by law shall be added to the Depository Fee. The Depository Fee plus value added tax shall be paid on account of the Fund. An Investor can access the effective rate of the Depository Fee at the registered address of the Management Company.
- 15.3.2. In addition to the Depository Fee, the Depository 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 Depository Fee shall be calculated monthly from the GAV and paid to the Depository on the basis of an invoice submitted by the Depository.

### 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;

\*PLEASE SEE MANAGEMENT COMPANY  
NOTE BELOW

\*Management Company note Management Company notes regarding section 15.4.1(r) of the Fund rules that operational expenses include also accounting costs, due to which Fund's accounting expenses are borne on the account of the Fund. 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 Guidelines for Generally Accepted Accounting Principles“ Annex 2 – Guidance of the Accounting Board No. 2 „Requirements for presenting information in the annual report“.

- (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**



# Baltic Horizon Fund

## Portfolio Valuation Condensed Report

**Value date: June 30, 2022**

Prepared by: Colliers International

## Summary

# Valuation results

- Valuation date: June 30, 2022
- Document released: July 15, 2022
- Geography: Estonia, Latvia and Lithuania
- Sectors: retail, office, leisure, development
- Currency: EUR
- VAT: valuation inputs and results are net-VAT
- Changes vs previous valuation: +8.308 mEUR / +2.5% (mid-2022 vs end-2021; Total like-for-like assets)

	Count	Reported Market Value, €	Market Value, €/sqm	WA Initial Yield
<b>Estonia</b>	3	67,700,000	1,601	6.22%
<b>Latvia</b>	5	128,651,000	1,891	5.35%
<b>Lithuania</b>	7	138,740,000	1,632	5.81%
<b>Total/ Average</b>	<b>15</b>	<b>335,091,000</b>	<b>1,715</b>	<b>5.72%</b>

# Individual objects (1)

## Valuation summary

No	Property	Type	NLA: Net Leasable Area	Long-term vacancy	NOI: Net Operating Income (Y1)	Effective Rental Income (Y1)	Effective Rental Income: EUR/sqm
1	Coca-Cola Plaza + Postimaja SC	Leisure / Retail	20 681	3.0%	2 457 979	3 329 663	13.42
2	Lincona Office Complex	Office	10 871	8.0%	1 136 997	1 659 729	12.72
4	Pirita SC	Retail	5 450	6.0%	615 532	1 122 247	17.16
<b>Estonia</b>			<b>37 002</b>		<b>4 210 508</b>	<b>6 111 639</b>	<b>13.76</b>
6	LNK Centre	Office	6 848	5.0%	1 082 728	1 587 667	19.32
7	Upmalas Biroji	Office	9 863	5.0%	1 503 963	1 931 837	16.32
8	Vainodes I	Office	6 950	5.0%	1 401 875	1 770 232	21.23
9	Galerija Centrs	Retail	19 774	3.5%	2 426 994	4 826 978	20.34
10	SKY Supermarket	Retail	3 285	5.0%	436 418	960 063	24.36
<b>Latvia</b>			<b>46 720</b>		<b>6 851 978</b>	<b>11 076 777</b>	<b>19.76</b>



## Individual objects (2)

# Valuation summary

No	Property	Type	NLA: Net Leasable Area	Long-term vacancy	NOI: Net Operating Income (Y1)	Effective Rental Income (Y1)	Effective Rental Income: EUR/sqm
1	Meraki (development)	Development	15 801	5.0%	526 542	568 866	3.00
2	Duetto A	Office	8 498	2.5%	1 193 364	1 235 823	12.12
3	Duetto B	Office	8 642	2.5%	1 340 309	1 390 210	13.40
4	North Star BC	Office	10 602	5.0%	1 360 797	1 518 631	11.94
5	Europa SC	Retail	17 314	5.0%	1 933 148	2 481 568	11.94
6	Domus PRO Complex (1)	Retail	11 226	5.0%	1 172 670	1 293 131	9.60
7	Domus PRO Complex (2)	Office	4 831	5.0%	529 148	567 831	9.79
<b>Lithuania</b>			<b>76 917</b>		<b>8 055 978</b>	<b>9 056 060</b>	<b>9.81</b>
<b>Total</b>			<b>160 638</b>		<b>19 118 464</b>	<b>26 244 476</b>	<b>13.61</b>

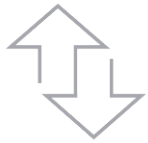
# Individual objects (3)

## Valuation summary

No	Property	Discount rate	Exit yield	Reported value: EUR	Reported Value: EUR/sqm (NLA)
1	Coca-Cola Plaza + Postimaja SC	7.50%	6.30%	41 500 000	2 007
2	Lincona Office Complex	8.20%	7.20%	16 900 000	1 555
3	Pirita SC	8.50%	7.50%	9 300 000	1 706
<b>Estonia</b>				<b>67 700 000</b>	<b>1 830</b>
1	LNK Centre	7.40%	5.95%	17 660 000	2 579
2	Upmalas Biroji	8.25%	6.45%	21 920 000	2 222
3	Vainodes I	7.65%	6.35%	18 470 000	2 518
4	Galerija Centrs	9.00%	6.75%	64 908 000	3 282
5	SKY Supermarket	8.55%	7.25%	5 693 000	1 733
<b>Latvia</b>				<b>128 651 000</b>	<b>2 733</b>
1	Meraki (development)	8.60%	7.00%	15 620 000	988
2	Duetto A	8.20%	6.75%	18 470 000	2 173
3	Duetto B	8.20%	6.75%	20 200 000	2 337
4	North Star BC	8.20%	6.75%	21 410 000	2 019
5	Europa SC	8.20%	7.00%	38 680 000	2 234
6	Domus PRO Complex (1)	8.60%	7.75%	16 350 000	1 456
7	Domus PRO Complex (2)	8.20%	7.00%	8 010 000	1 658
<b>Lithuania</b>				<b>138 740 000</b>	<b>1 804</b>
<b>Total</b>				<b>335 091 000</b>	<b>2 080</b>

# On market and portfolio

## General Comments



- At mid-2022 the sentiment in the commercial real estate market is somewhat dual. While generally occupier and investment markets largely remain active, the concerns related to the short- and mid-term perspective are beginning to surface. Unprecedented inflation, energy and construction materials cost hikes, rising interest rates and the effects of the Russian-Ukrainian military conflict, yet to a lesser extent as before the Covid-19 pandemic, are the central topics currently. In the light of this, most likely yields are going to start growing (rather than compressing further, as has been the case before), while rental income is likely to be boosted by aggressive indexations over the next few years. The subsequent effect on the capital values is unclear yet, the market evidence is not sufficient enough to draw consistent conclusions.



- At current stage the uncertainties and challenges arising from the ongoing military conflict in Ukraine and the Covid-19 pandemic are regarded to have a short- to mid-term effect on the property market. Subsequently within this valuation assignment alterations (compared to pre- or during-crisis) have been made only to those considerations and inputs that can be supported by up-to-date market evidence.



- Valuation accuracy in the context of whole portfolio shall be considered around +/- 5%. For a fraction of the properties from the portfolio still affected by the consequences of the Covid-19 pandemic (in particular – those having leisure component) and those properties with development component, less certainty and a higher degree of caution should be attached to the valuation result. Hence accuracy bracket there should be considered wider at +/- 15%. Taking into account the increased challenges and uncertainties currently faced by the local and global economies, it is recommended for the terminal user of this document to keep the valuations of this property portfolio under frequent review.



- The positive change in total aggregated value of the portfolio, when compared to the end-2021 valuation, is to a large extent explained by (1) incurred CAPEX and (2) substantially higher inflation forecasts.

# Individual objects (1)

## Comments

ID	Country	Property	Market Value, €	Comments
EE01	Estonia	Coca-Cola Plaza + Postimaja SC	41,500,000	(+) indexation (+) cinema contract renewal (-) increase in the construction costs and lack of the clear plan for the building expansion has a negative influence on the value of the potential building rights
EE02	Estonia	Lincona Office Complex	16,900,000	(-) increase in operating expenses
EE04	Estonia	Pirita SC	9,300,000	(-) increased vacancy
LV01	Latvia	LNK Centre	17,660,000	(+) indexation; (+) lower cap rate
LV02	Latvia	Upmalas Biroji	21,920,000	(+) indexation; (+) lower cap rate (-) SEB relocates in the end of April 2023
LV03	Latvia	Vainodes I	18,470,000	(+) lower cap rate; (+) new rent agreement for additional premises with LVM
LV04	Latvia	Galerija Centrs	64,908,000	(+) improved outlook on turnover-based rental income growth; (-) increased CAPEX budget related to 4th floor adjustment to food-court; (-) increased vacancy; (-) military conflict (Russia-Ukraine) will slow down return of tourism
LV05	Latvia	SKY Supermarket	5,693,000	(+) indexation; (+) new satellite tenant with higher rent rate as of 10/2022

## Individual objects (2)

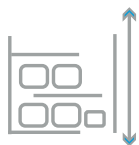
# Comments

ID	Country	Property	Market Value, €	Comments
LT01	Lithuania	Meraki (development)	15,620,000	(+) construction of Tower 1 is 95% finished; (+) lower discount rate; (+) higher indexation; (+) new lease agreements signed
LT02	Lithuania	Duetto A	18,470,000	(+) indexation
LT03	Lithuania	Duetto B	20,200,000	(+) indexation
LT04	Lithuania	North Star BC	21,410,000	(+) indexation; (+) decreased vacancy, new lease agreements signed
LT05	Lithuania	Europa SC	38,680,000	(+) reconstruction continuing (ca 0.75 mEUR remaining CAPEX); (-) temporarily higher vacancy, mainly due to reconstruction
LT06	Lithuania	Domus PRO Complex*	16,350,000	(+) indexation; (-) slightly increased vacancy
LT06	Lithuania	Domus PRO Complex*	8,010,000	(+) indexation; (-) slightly increased vacancy

# Valuation instruction

## General Scope (1)

The following is a summary on the scope of work, deliverable and other heads of terms of the performed instruction.



### Assets valued

15 real property objects (Estonia, Latvia, Lithuania)



### Valuer's status

Independent external valuer



### Valuation purpose

Financial reporting, internal management decision making, secured lending, investor relations



### Previous involvement

End-2021



### Intended users

Client and related entities, auditors, banks, fund investors



### Applicable valuation standard

Definitions and procedures are compliant with the relevant national and international standards (RICS RedBook, IVS), IFRS (International Financial Reporting Standards) in accordance with IAS 40 (Investment Property) fair value disclosure requirements.

# Valuation instruction

## General Scope (2)



### Basis of Value

Market Value AS IS



### Unit of account

Individual objects



### Value date

Mid-year: June 30, 2022

**Market Value** is the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion.

Source: International Valuation Standards (IVS 2022):  
[IVS 104; 30.1.]

# Valuation instruction

## Detailed Scope

### Repeated: mid-2022

#### Nature and extent of the Valuer's work

review and critical analysis of provided information, upon request Valuer may provide comprehensive explanation of calculations, opinions and conclusions

Inspection

desktop

Depth of enquiry and investigation

Publicly available information

[+] Valuer has performed reasonable research and used that information

Non-public information to be requested from the Client by the Valuer

[+] The Valuer has provided the Client a detailed list of information that is relevant and is required for proper execution of the assignment

Depth of analysis

Standard

#### Deliverable

Format

Electronic

Language

English

Content

[+] calculation export files in XLSX format  
[+] ARGUS calculation files (upon request, if relevant)  
[+] portfolio summary report



# Parties related to the instruction



**Client:** Baltic Horizon Fund (REIF) and related entities

**Valuer:** Colliers International (Colliers)  
offices in Latvia, Lithuania and Estonia have acted as co-contractors, completing valuation work related to the Objects located in the respective countries

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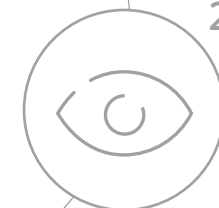


The valuation process was carried out by the valuation experts (incl. experts with local and international certification) of Colliers' Estonia, Latvia and Lithuania

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## **APPENDIX C**

### **Terms and conditions of SDRs**

**NORDIC ISSUING AB's**  
**GENERAL TERMS AND CONDITIONS FOR SWEDISH DEPOSITORY RECEIPTS**  
**regarding fund units in**  
**BALTIC HORIZON FUND**

28 September 2022

Northern Horizon Capital AS (the "**Management Company**"), as the fund manager of Baltic Horizon Fund (the "**Fund**") has entered into a custodian agreement with Nordic Issuing AB ("**Nordic Issuing**") whereby Nordic Issuing, on behalf of owners of fund units, will hold fund units issued from time to time by the Management Company on behalf of the Fund (the "**Fund Units**", ISIN: EE3500110244) in a depository account and issue one Swedish depository receipt (the "**SDRs**", Swedish ISIN: SE0018689820 for each Fund Unit deposited in accordance with these general terms and conditions (the "**Terms and Conditions**"). The SDRs are registered with Euroclear Sweden AB ("**Euroclear**") and listed on Nasdaq Stockholm AB ("**Nasdaq Stockholm**").

**1. DEPOSIT OF FUND UNITS**

- 1.1. Owners of the Fund Units may convert the Fund Units into SDRs by giving Nordic Issuing an order to this effect. In such case, Fund Units will be deposited on account of the depository receipt holder with Nordic Issuing or with a custodian appointed by Nordic Issuing on account of Nordic Issuing, in which case Nordic Issuing or the custodian appointed by Nordic Issuing shall be registered as the nominee holder of the Fund Units in Nasdaq CSD (the "**Fund Register**"). Depository receipt holder means an owner of a depository receipt or such owner's nominee ("**SDR Holder**").
- 1.2. The SDRs shall be registered in book-entry in a CSD-Register maintained by Euroclear (the "**Euroclear Register**") in accordance with the Swedish Central Securities Depositories and Financial Instruments Accounts Act (*Sw. Lag (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument*). No certificates representing the SDRs will be issued. Nordic Issuing will not accept deposit of fractions of Fund Units.

**2. DEPOSIT AND WITHDRAWAL OF FUND UNITS**

- 2.1. On the condition that no impediment exists according to the applicable laws or regulatory decrees of Sweden, Estonia or any other country, Nordic Issuing shall, upon request by the SDR Holder, without delay ensure that the SDR Holder is registered as owner in the Fund Register as set out in section 1.1 above for the number of Fund Units equivalent to the SDR Holders' holding of SDRs. Such registration shall occur as soon as the relevant SDRs have been deregistered from the Euroclear Register.
- 2.2. On the condition that no impediment exists according to the applicable laws or regulatory decrees of Sweden, Estonia or any other country, and provided that payment has been made of any taxes and fees which may occur in connection with deposit of Fund Units, Fund Units may be transferred to Nordic Issuing for deposition in accordance with these Terms and Conditions together with the required information to Nordic Issuing with respect to name, address and account with Euroclear in which the SDRs are to be registered (the

“**VPC Account**”) together with other information and documentation required under the laws of Sweden, Estonia or any other applicable legislation.

- 2.3. An SDR Holder may convert the SDRs into Fund Units by giving Nordic Issuing an order to this effect. Nordic Issuing shall always provide the Management Company with information and instructions concerning such conversion. Conversion pursuant to this section is conditional upon the fact that all obligations of the SDR Holder in respect of the SDRs to be converted have been fulfilled and no settlement is pending. Conversion of the SDRs is conditional upon the fact that the SDRs are free of encumbrances, pledges, collateral stand other legal obstacles.
- 2.4. Nordic Issuing has the right to receive compensation in advance from the SDR Holders for fees and expenses that arise in connection with withdrawal and deposit of Fund Units and conversion of SDRs according to sections 2.1, 2.2 and 2.3 above in accordance with Nordic Issuing’s applicable price list for such transactions.
- 2.5. Deposit and withdrawal of Fund Units pursuant to this section 2 is not allowed during the period decided by Nordic Issuing in consultation with the Management Company as informed to the SDR Holders. Such periods may include, but are not limited to, corporate events such as general meetings of holders of Fund Units and distribution of proceeds from Fund to the Investors.

### 3. **TRANSFER AND PLEDGING OF FUND UNITS, ETC.**

Deposited Fund Units cannot be transferred or pledged in any other way than by transfer and pledging of the SDRs. Transfer and pledging of SDRs shall take place in accordance with applicable Swedish legislation. The authority to transfer or pledge SDRs, as well as deciding who shall be deemed to be the rightful owner or pledgee of SDRs, shall be determined in accordance with the rules in the Swedish Central Securities Depositories and Financial Instruments Accounts Act.

### 4. **RIGHTS OF SDR HOLDERS**

Nordic Issuing and the Management Company shall establish arrangements, to the extent appropriate and practically possible and in accordance with applicable laws, to ensure that the SDR Holders have the opportunity to exercise such rights with respect to the Fund as would be exercisable by such SDR Holders if they had owned the Fund Units directly and not SDRs.

### 5. **RECORD DATE**

Nordic Issuing shall in consultation with the Management Company and Euroclear determine a date (the “**Record Date**”), in accordance with the rules of the Fund (the “**Fund Rules**”), applicable laws, to be applied by Nordic Issuing for determining which SDR Holders in relation to Nordic Issuing are entitled to:

- (i) receive dividends in the form of cash, rights or other property;
- (ii) participate in the proceedings of and to vote at general meetings of holders of Fund Units (“**General Meetings**”);

- (iii) subscribe for Fund Units or other rights or securities in connection with offerings; and
- (iv) otherwise exercise the rights that holders of Fund Units normally are entitled to.

It is the Management Company's and Nordic Issuing's intention that the Record Date, insofar as it is appropriate, practical possible and in accordance with the Fund Rules and applicable law, shall correspond to the record date that is applied in relation to holders of Fund Units.

## **6. DIVIDENDS**

- 6.1. Any dividend received by Nordic Issuing in its capacity as holder of Fund Units shall be redistributed by Nordic Issuing in accordance with the provisions of this section 6.
- 6.2. Dividends will be paid to SDR Holders who, on the Record Date, are registered in the Euroclear Register as a holder of SDR or a right holder. Dividends will be paid in Swedish kronor (SEK).
- 6.3. Nordic Issuing shall, in consultation with the Management Company, set a date for payment of dividends to SDR Holders ("**Payment Date**"). If Nordic Issuing has received dividends in its capacity as holder of Fund Units in a currency other than SEK, Nordic Issuing shall, before payment to SDR Holders, arrange for exchange of the dividends received from the Company to SEK. Such exchange shall be made at the exchange rates applied by Nordic Issuing from time to time which shall be set in accordance with public market rates three (3) business days prior to Payment Date, by entering into futures contracts with delivery on such Payment Date. The final conversion will be an average of the rates achieved in each such futures contract.
- 6.4. Payment of dividends to SDR Holders and other right holders according to the Euroclear Register shall be made on the Payment Date through Euroclear's care and in accordance with rules and regulations applied by Euroclear at any given time.
- 6.5. If dividends are paid to a recipient who is not authorized to receive such dividend, Nordic Issuing shall nevertheless be considered to have fulfilled its obligations, except if Nordic Issuing was aware that the dividend was paid to someone who was not authorized to such dividend or if Nordic Issuing has not acted with the diligence which, under the circumstances, should be maintained, or if the payment cannot be invoked due to the recipient being a minor or because a trustee was appointed for the recipient and such trustee assignment includes receipt of dividends.
- 6.6. To the extent required by applicable rules and legislation, the Management Company, Nordic Issuing or Euroclear shall withhold and pay to the tax authorities of Estonia and Sweden tax payable on the dividends to the SDR Holders (including any preliminary tax on dividends for e.g. private individuals resident in Sweden or estates of such persons). In the event that the Management Company, Nordic Issuing or Euroclear, or a proxy or agent of any of them, decides that dividends in cash, Fund Units, rights or other property are subject to taxation or other public fees and shall therefore be withheld in accordance with applicable rules and legislation, the Management Company, Nordic Issuing or Euroclear, or a proxy or agent of any of them, has the right to withhold cash or dispose of all or part of such property as is economically and practically necessary to dispose in order to pay such taxes and fees. The remaining balance, after deduction of such taxes and fees, shall

be paid by Nordic Issuing to the SDR Holders who are entitled to it. SDR Holders shall be responsible for such deficiencies that may arise in connection with sales as described above.

- 6.7. Payment of dividends to SDR Holders shall be made without deduction of fees or equivalent that are attributable to the Fund, the Management Company, Nordic Issuing or Euroclear, but with deduction of preliminary tax or other tax that is withheld according to Swedish law and for any tax that may be imposed in accordance with applicable Swedish, Estonian or any other country's legal system.
- 6.8. If Nordic Issuing receives dividends in a form other than cash, Nordic Issuing shall, after consultation with the Management Company, decide on how this dividend is to be distributed to eligible SDR Holders. This can mean that the property is sold and that the sales proceeds, after deduction of sales costs and any fees and taxes, are paid to the SDR Holders.
- 6.9. If holders of Fund Units have the right to choose whether the dividend is to be paid in cash or in some other form and it is not practically possible to give SDR Holders such choice, Nordic Issuing may, on behalf of the SDR Holders, decide that the dividend shall be paid in cash.

## **7. DIVIDENDS IN THE FORM OF NEW FUND UNITS ETC.**

- 7.1. Any person who on the Record Date is registered in the Euroclear Register as an SDR Holder or rights holder in relation to the current measure, shall be considered authorized to receive any SDRs representing new Fund Units added as a result of dividends in the form of Fund Units. If the recipient of the SDR was not authorized to receive the new SDR, the provisions in section 6.5 shall apply where applicable.
- 7.2. If the General Meeting or the Management Company resolves to issue new Fund Units, subordinated debentures, convertible debentures, warrants or other rights to holders of Fund Units, Nordic Issuing shall inform the SDR Holders of the material conditions. Such information shall be attached to the application form through which SDR Holders can instruct Nordic Issuing to subscribe for Fund Units, subordinated debentures, convertible debentures, warrants or otherwise exercise its rights. When Nordic Issuing, in accordance with an SDR Holders instructions, subscribes for and is assigned such Fund Units, subordinated debentures, convertible debentures, warrants or other rights, Nordic Issuing shall, to the extent practicable possible, ensure that corresponding registrations are carried out on respective SDR Holders VPC Account. If such registrations cannot be performed, Nordic Issuing shall ensure that the SDR Holders otherwise are ensured ownership of the relevant instruments or rights or is compensated in cash.
- 7.3. If the SDR Holder has the right to or receives a number of fractional rights or other rights that do not entitle the SDR Holder to receive an even number of Fund Units, participation in new issue of Fund Units, subscription for convertible debentures, warrants or other rights, Nordic Issuing has the right to sell such residual fractional rights, preferential rights, etc. and pay the proceeds to the SDR Holder after deduction of selling costs and any fees and taxes incurred.
- 7.4. For the avoidance of doubt, the fractions of Fund Units, if any, that emerge from dividing Fund 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).



## **8. PARTICIPATION IN GENERAL MEETINGS**

- 8.1. Nordic Issuing and the Management Company shall establish arrangements such that the SDR Holders may participate in the Fund's General Meetings and vote for the Fund Units represented by the SDRs. The Management Company shall in consultation with Nordic Issuing send notice for such General Meetings in accordance with the Fund Rules and Swedish, Estonian and other applicable laws and by publishing the announcement of the General Meeting by way of a Nasdaq Stock Exchange release. The notice shall contain:

- (i) the information included by the Management Company in the notice for the meeting; and
- (ii) instructions as to what must be observed by each SDR Holder in order to participate in the proceedings of the General Meeting or otherwise exercise his or her voting right.

Well in advance of the General Meeting, Nordic Issuing shall make arrangements so that proxies, with full power of substitution, are issued by Nordic Issuing to each SDR Holder who has announced their intention to participate in the proceedings of the General Meeting to allow each of them to represent Nordic Issuing at the General Meeting for the number of Fund Units represented by the SDRs held by such SDR Holder. Furthermore, Nordic Issuing and the Management Company shall make arrangement so that proxy forms are available to each SDR Holder who has announced their intention to participate in the proceedings of the General Meeting to allow each of them to designate a third party as attorney to represent them at the General Meeting. Proxies received by Nordic Issuing shall be submitted to the Management Company together with a list of SDR Holders to whom proxies have been issued.

- 8.2. Nordic Issuing undertakes to not represent Fund Units for which SDR Holders have not notified their intention to participate or vote at such General Meeting either personally or by proxy.

## **9. INFORMATION TO THE SDR HOLDER**

- 9.1. Nordic Issuing shall upon instructions of the Management Company and in the manner set forth in section 13 below provide the SDR Holders with all the information that Nordic Issuing receives from the Management Company in Nordic Issuing's capacity of holder of the Fund Units. If so requested, Nordic Issuing shall provide such information by mail to the address set forth in the Euroclear Register. The Management Company's intention is to present all information in English.

- 9.2. The Management Company shall, upon request from an SDR Holder, send the Fund's annual report to such SDR Holder. The Management Company shall also publish applicable stock market information in accordance with the requirements for listing on Nasdaq Stockholm.

## **10. LISTING OF SDRS**

The Management Company will apply for the SDRs to be listed on Nasdaq Stockholm. If a decision is made to delist the SDRs, Nordic Issuing shall, upon instructions from the Management Company, inform the SDR Holders of the decision as soon as possible.

## **11. NORDIC ISSUING'S EXPENSES**

Nordic Issuing's expenses and fees for its assignments and for Euroclear's services shall be borne by the Management Company unless otherwise expressly provided in these Terms and Conditions.

## **12. CHANGE OF DEPOSITORY**

- 12.1. In the event the Management Company decides to appoint another securities institution as custodian in lieu of Nordic Issuing, Nordic Issuing shall transfer all its rights and obligations towards the SDR Holders according to these Terms and Conditions and deliver the Fund Units to the new depository. Change of depository shall be submitted for approval by Euroclear and may be implemented not earlier than three months after notice (regarding change of depository) has been sent by mail to the SDR Holders or an announcement to that effect was published in a Swedish daily newspaper with nationwide coverage according to section 13 below. When a change of depository is made in accordance with this section 12, SDR Holders shall be deemed to have agreed to a transfer of the rights and obligations between the SDR Holders and Nordic Issuing to the SDR Holders and the new depository.
- 12.2. Should Nordic Issuing have applied for or otherwise entered into restructuring, bankruptcy, liquidation or other similar procedure, the Management Company may in consultation with Nordic Issuing accelerate the process of changing the depository provided that this is in the best interest of all SDR Holders.

## **13. NOTICES**

Nordic Issuing shall ensure that notices to the SDR Holders pursuant to these Terms and Conditions, either directly or indirectly, are delivered to the SDR Holders and other holders or rights who are listed in the Euroclear Register and in accordance with the routines applied by Euroclear from time to time. As an alternative to sending notices by mail, Nordic Issuing has the right to publish notices in the form of announcements in a Swedish daily newspaper with nationwide coverage, provided that the Management Company has provided its prior written consent thereto. Information shall also be provided to Nasdaq Stockholm.

## **14. AMENDMENTS TO THESE TERMS AND CONDITIONS**

Nordic Issuing reserves the right to amend these Terms and Conditions to the extent required to make them conform to the Fund Rules, applicable Swedish or other legislation, regulatory decree or Euroclear's and Nasdaq Stockholm's respective rules and regulations. Nordic Issuing, in consultation with the Management Company, reserves the right to amend these Terms and Conditions if such amendment is appropriate or necessary for other reasons, in all cases on the condition that the rights of the SDR Holders are not adversely affected in a material manner. Nordic Issuing shall inform the SDR Holders of any amendments to these Terms and Conditions in the manner set forth in section 13.

## **15. INFORMATION ABOUT SDR HOLDERS (CONFIDENTIALITY)**

- 15.1. Nordic Issuing reserves the right to request information from Euroclear about SDR Holders from the Euroclear Register and to provide information about the SDR Holders and their holdings of the SDR to the Management Company.
- 15.2. Nordic Issuing also reserves the right to provide information about SDR Holders to those who work with registration of the Fund Units as well as to government authorities, provided that such obligation is prescribed by applicable Swedish or foreign law, statute or regulatory decrees. SDR Holders are obliged to provide such information to Nordic Issuing upon request.
- 15.3. Nordic Issuing and the Management Company are entitled to submit to authorities any information regarding the SDR Holders and their holdings, in connection with restitution or repayment of paid taxes, to the extent this is necessary.
- 15.4. Nordic Issuing and the Management Company are entitled to submit and publish information regarding the SDR Holders to the extent required by Nasdaq Stockholm or to the extent required under applicable laws and regulations in Sweden or any other country.

## **16. LIMITATION OF LIABILITY**

- 16.1. Unless otherwise stated in section 16.2 below, Nordic Issuing is liable for damages suffered by the SDR Holder due to negligence on the part of Nordic Issuing when performing its assignment according to these Terms and Conditions. However, Nordic Issuing shall not be liable for any indirect or consequential damage.
- 16.2. Nordic Issuing shall not be liable for any loss or damage resulting from Swedish or foreign legislation, Swedish or foreign regulatory decree, act of war, strike, boycott, lockout, blockade, acts of terrorism or other similar circumstances. The reservations regarding strike, blockade, boycott or lockout shall apply even if Nordic Issuing itself takes such action or is the object of such action.
- 16.3. If Nordic Issuing, the Fund or the Management Company is prevented from effecting payment or taking other action due to circumstances outside their control, Nordic Issuing, the Fund or the Management Company may postpone the execution of such action until the obstacle has been removed.
- 16.4. Neither Nordic Issuing, the Fund, the Management Company nor Euroclear shall be liable for losses or damages which the SDR Holders suffer due to the fact that certain dividends, rights, notices or other entitlements which accrues to holders of Fund Units cannot, due to technical, legal or other reasons beyond the control of the parties mentioned above, be distributed or otherwise transferred or provided to the SDR Holders registered in the Euroclear Register on a timely basis or at all.
- 16.5. Provided the Fund and the Management Company has acted with normal care, the Fund and the Management Company shall not be liable for any damages which may arise out of acts performed or omitted by Nordic Issuing due to negligence of Nordic Issuing.

## 17. TERMINATION

- 17.1. Nordic Issuing reserves the right to terminate the deposit of Fund Units according to these Terms and Conditions, by giving notice of termination to the SDR Holders pursuant to section 13 above, if:
- (i) a decision is made to cease listing SDRs on Nasdaq Stockholm or other equivalent marketplace;
  - (ii) the Fund or the Management Company decides that the Fund Units no longer are to be represented by SDRs in accordance with these Terms and Conditions;
  - (iii) Euroclear has terminated the agreement concerning registration of the SDRs;
  - (iv) the General Meeting or the Estonian Financial Supervision and Resolution Authority decides to liquidate the Fund;
  - (v) the Management Company has failed to fulfil payment of expenses and fees according to section 11 above for more than 30 days;
  - (vi) the Fund or the Management Company has materially breached its obligations vis-à-vis Nordic Issuing;
  - (vii) any of Nordic Issuing's authorisations or permits to perform any of its duties under these Terms and Conditions or the Custodian Agreement are withdrawn or limited in any way or if it otherwise becomes unlawful for Nordic Issuing to perform any of its obligations under these Terms and Conditions or the Custodian Agreement; or
  - (viii) the custodian agreement between the Management Company and Nordic Issuing is terminated and a new depository has not been retained as provided in section 12 within six months after termination.
- 17.2. If termination notice pursuant to section 17.1 is given, these Terms and Conditions continue to remain in force for a period of notice of six months from the date of the notice or from the date when the announcement was published in a Swedish daily newspaper with nationwide coverage in accordance with section 13 above, if the SDRs have not previously been delisted following a decision by Nasdaq Stockholm. The notice or announcement must include the record date when Nordic Issuing will de-register all SDRs from the Euroclear Register. Nordic Issuing shall transfer the Fund Units in accordance with instructions provided by the SDR Holder or as otherwise agreed with the SDR Holder. In the event (i) the SDR Holder has not provided a transfer instruction, (ii) it is not practically possible to transfer the Fund Units in accordance with the transfer instruction from the SDR Holder or (iii) an agreement has otherwise not been reached, Nordic Issuing is entitled to sell the underlying Fund Units. The SDR Holder shall be entitled to the sale proceeds following deduction for reasonable costs, fees and taxes. The amount shall be paid to the cash account linked to the VPC Account of each SDR Holder concerned or, in the absence of such cash account, in the form of a payment notice. No interest shall accrue on the amount.

## **18. GOVERNING LAW**

These Terms and Conditions and the SDRs issued by Nordic Issuing shall be governed by Swedish law.

## **19. DISPUTES**

- 19.1. Any dispute, controversy or claim arising out of or in connection with these Terms and Conditions, or the breach, termination or invalidity thereof, shall be finally settled by arbitration in accordance with the Arbitration Rules of the Arbitration Institute of the Stockholm Chamber of Commerce.
- 19.2. The seat of arbitration shall be Malmö, Sweden.
- 19.3. Arbitration proceedings conducted in accordance with these Terms and Conditions, including any decision or award, shall be kept confidential.

## **APPENDIX D**

### **Conversion Form**

## Conversion of Baltic Horizon Fund ("Fund") fund units, ISIN EE3500110244 ("Fund Units") into Swedish Depositary Receipts ("SDRs")

Since the affiliation agreement between the Fund and Euroclear Sweden AB will be terminated on 11 November 2022, the Fund will provide to all holders of Fund Units listed on Nasdaq Stockholm the possibility to convert the Fund Units into SDRs. The SDRs are scheduled to be listed on Nasdaq Stockholm on 19 October 2022.

**Terms:** One (1) Fund Unit gives the holder a right to convert it into one (1) SDR.

**Acceptance period:** 3 October - 17 October 2022. **Submit the conversion order by email to [info@nordic-issuing.se](mailto:info@nordic-issuing.se).**

**This form shall only be used if you have a VP-account (directly registered owner in Euroclear). Please contact your bank if you do not have a VP-account and they will guide you on how to carry out the conversion.**

### 1. The undersigned hereby applies for conversion of the following number of Fund Units into SDRs in the Fund:

Number of Fund Units to be converted\*

Please note that you can only convert into the SDRs up to the total amount of Funds Units that you own. It is not possible to convert more Fund Units into SDRs than you have in your possession at the date of the conversion.

**VP-account (the number of the account where the SDRs shall be delivered)**

0 0 0

### 2. Fill in the information below:

Company name (if applicable)	Full name*	Social security number of the Fund Unit holder*
Corporate ID number (if applicable)	Country (if other than Sweden)	E-mail*
Phone number daytime*	Place and date*	Signature (authorized company signature, or guardian, if applicable)*

\* Mandatory information

### 3. By signing this conversion form I confirm the following:

- That I have assessed the Fund's future development and operations and considered all relevant risks. Each investor must make their own assessment of the impact of these risks by reading and understanding all available information published concerning this offer. The prospectus is available for download at [www.nordic-issuing.se](http://www.nordic-issuing.se);
- That I have read the prospectus and understood the risks associated with investing in this particular financial instrument;
- That I have read and understood the information stated in the section "Terms for the SDRs" in the prospectus;
- That I have read and accepted the information stated on the conversion form;
- That no modifications or amendments may be made to the printed text in this conversion form;
- That an incomplete or incorrect conversion form may be disregarded;
- That I understand that the company I represent (if applicable) must have an active LEI-code to participate in this offer;
- That I am aware that no customer relationship exists between Nordic Issuing and the Fund Unit holder with respect to this conversion;
- That I am aware that Nordic Issuing will not make any assessment of whether the conversion into the instrument in question is suitable for me or the person on whose behalf I am submitting the conversion form;
- I have observed that the offer is not addressed to persons resident in the USA, Australia, Japan, Canada, New Zealand, South Africa, Hong Kong, Switzerland, Singapore, South Korea, Russia and Belarus or other countries where participation requires additional prospectus, registration or other measures other than those required by Swedish law;
- That I am aware that the application is not covered by the right of return that follows from the Swedish Distant and Doorstep Sales Act;
- That the submission of this conversion form is binding;
- That by signing this conversion form, I authorize Nordic Issuing, at the undersigned's expense, to implement the conversion of securities pursuant to the terms and conditions stated in the investment document;
- That personal data will be stored and processed by Nordic Issuing, the Fund and the Fund's financial/legal adviser in accordance with the General Data Protection Regulation (GDPR);
- That I am aware that I am only allowed to submit one conversion form per signatory. In case several conversion forms are submitted, only the last received will be considered.