

PROSPECTUS
For listing on Nasdaq Tallinn Bonds of EUR 34 499 997

Baltic Horizon Fund

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

This listing and admission to trading prospectus has been drawn up and published by Northern Horizon Capital AS (registry code: 11025345; address: Tornimäe 2, 10145 Tallinn, Estonia) (the “**Management Company**”) on behalf of Baltic Horizon Fund, a closed-ended contractual investment fund registered in the Republic of Estonia (the “**Issuer**” or the “**Fund**”), in connection with the intended listing and the admission to trading of the bonds issued by the Issuer (the “**Bonds**”) on the Baltic Bond List of the Nasdaq Tallinn Stock Exchange.

The Fund is a contractual fund (in Estonian: *lepinguline fond*), which means that the Fund is not a legal person and is therefore not subject to the corporate governance regime applicable to companies. In accordance with the Fund Rules and the Investment Funds Act, the Fund is managed by the Management Company. The Management Company is responsible for the day-to-day management of the Fund, including investment activities and risk management. As the Fund is not a legal person, the securities of the Fund will be registered in the Register by the Management Company on behalf of the Fund. For the purposes of this Prospectus, the Fund is treated as the Issuer in order to provide relevant information about the assets, operations and financials of the Fund. Information about the Management Company representing the Fund is provided where relevant to provide prospective investors sufficient information.

This document (this document and the documents incorporated herein by reference jointly referred to as the “**Prospectus**”) has been prepared solely for the purpose of the admission of the Bonds to trading on the Baltic Bond List of the Nasdaq Tallinn Stock Exchange (“**Nasdaq Tallinn**”) and does not constitute any offering of the Bonds. The function of this Prospectus is to give information about the Issuer, the Management Company, and the Bonds.

The Issuer has applied for the listing and the admission to trading of all the Bonds on the Baltic Bond List of the Nasdaq Tallinn Stock Exchange.

The overall purpose of the Bond issue was to use the proceeds for the redemption of then existing unsecured bonds issued by the Issuer, in accordance with the applicable bonds terms. The previous bonds of the Issuer were redeemed simultaneously with the Issue of Bonds and was completed on 8 May 2023.

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 8 and 16 of the Delegated Regulation. This Prospectus has been drawn up as a simplified prospectus in accordance with Article 14 of the Prospectus Regulation. This Prospectus has been approved by the Estonian Financial Supervision and Resolution Authority (in Estonian: *Finantsinspeksioon*) (the “**EFSA**”) as competent authority under the Prospectus Regulation. The EFSA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. The EFSA’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 Bonds.

As at the date of this Prospectus, the Issuer is rated MM5 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 indicative corresponding rating between the MME rating scale of 'MM5' to the global rating scale is 'B / B+'. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

An investment in the Bonds involves certain risks. Prospective investors should read this entire 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 Bonds. 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.

NOTICE TO ALL INVESTORS

The Bonds have not been and will not be registered under the relevant laws of any state, province or territory other than Estonia. Notwithstanding anything to the contrary contained in this Prospectus, the Bonds shall not be offered, sold, transferred or delivered, directly or indirectly, to any Russian or Belarusian national or natural person residing in Russia or Belarus, or any legal person, entity or body established in Russia or Belarus, and regardless of nationality, residence or establishment, to any person to

whom such offering, sale, transfer or delivery of the Bonds is restricted or prohibited by international sanctions, national transaction restrictions or other similar measures established by an international organisation or any country (including the European Union, the United Nations or the United States).

The Issuer and the Management Company are not acting in violation of Council Regulation (EU) No 833/2014 of 31 July 2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine, and in particular Articles 5, 5a, 5aa, 5b, 5f, 5i and Council Regulation (EC) No 765/2006 of 18 May 2006 concerning restrictive measures against President Lukashenko and certain officials of Belarus, and in particular Articles 1b, 1d, 1e, 1f, 1g, 1j, 1k, 1l, 1m, 1u, 1y, 1za thereof, 1zb.

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

Distribution of copies of the Prospectus or any related documents are not allowed in those countries where such distribution requires any extra measures or is in conflict with the laws and regulations of these countries. Persons who receive this Prospectus or any related document should inform themselves about any restrictions and limitations on distribution of the information contained in this Prospectus and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. No action has been taken by the Issuer or the Management Company in relation to the Bonds or rights thereto or possession or distribution of this Prospectus in any jurisdiction where action is required, other than in Estonia. The Issuer is not liable in cases where persons or entities take measures that are in contradiction with the restrictions mentioned in this paragraph.

The Prospectus is valid for 12 months after the date of its approval provided that the Prospectus is supplemented in case new factors, material mistakes or material inaccuracies occur, and such an obligation does not apply after the end of the validity period of the Prospectus.

The date of this Prospectus is 16 October 2023

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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 registration document of the Fund is drawn up in accordance with Annex 8 of the Delegated Regulation and the securities note in accordance with Annex 16 of the Delegated Regulation.

This Prospectus shall be governed by the laws of Estonia, 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 Harju County Court (Harju maakohus) in Estonia 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 of the Bonds must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Bonds 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 Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, 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 Bonds. 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.

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.

Northern Horizon Capital AS

Tarmo Karotam

Member of the Management Board

Ausra Stankevičienė

Member of the Management Board

Edvinas Karbauskas

Member of the Management Board

1.3. DEFINITIONS

	Any person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person.
Affiliate	For the purpose of this definition, “control” when used with respect to any person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.
Agent	An agent for the Bondholders acting in compliance with the Bond Terms from time to time; initially Triniti Collateral Agent IX OÜ, a company duly established and operating under the laws of the Republic of Estonia, with the registration code 16624814, address Maakri 19/1, Tallinn, 10145, Republic of Estonia
Baltics	Estonia, Latvia and Lithuania
BOF	Baltic Opportunity Fund, a predecessor of Baltic Horizon Fund, a non-public closed-ended contractual real estate fund, was established under the laws of the Republic of Estonia and was managed by the Management Company (with a previous name BPT Baltic Opportunity Fund). Baltic Opportunity Fund merged into Baltic Horizon Fund.
Bonds	Issuer’s bonds with ISIN code EE3300003235 offered by way of private placement and to be listed and admitted to trading in accordance with this Prospectus
Bondholders	A person who is a registered holder of a securities account where Bonds are registered or the person whose Bonds are registered on a nominee account
Bond Terms	The terms and conditions of the Bonds as attached in Annex C of this Prospectus
Business Day	A day on which commercial banks settle inter-bank payments in EUR in Tallinn, and which at the same time is a settlement day of the Register
CPI	Consumer price index
Delegated Regulation	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
Depository	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
Dividend	Cash distributions paid out of the cash flows of the Fund in accordance with the Fund Rules
EFSA	Estonian Financial Supervision and Resolution Authority, which is the capital market regulatory authority of the Republic of Estonia
EMU	European Economic and Monetary Union
EPRA NAV	A measure of long-term NAV, proposed by European Public Real Estate Association (EPRA) and widely used by listed European property companies. It is designed to exclude assets and liabilities that are not expected to 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 7.1 “NAV”.
EU	The European Union
EUR, €, euro	The lawful currency of the European Economic and Monetary Union
Euroclear Sweden	Euroclear Sweden AB
Europa SC	Europa shopping centre held by Europa SPV which is fully owned by the Fund
Europa SPV	BH Europa UAB, registry code 300059140, a special purpose vehicle registered in the Republic of Lithuania and holding title to the Europa SC property
Final Redemption Date	8 May 2028.
Fund	Baltic Horizon Fund, a public closed-ended contractual real estate investment fund
Fund Manager	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
Fund Rules	Rules of the Fund as registered with the Estonian Financial Supervisory and Resolution Authority on 23 May 2016 and appended to the Prospectus as Appendix A
Group	The Issuer together with all the Subsidiaries from time to time
IAS	The International Accounting Standards forming part of the IFRS
IFA	Investment Funds Act of Estonia

IFRS	The International Financial Reporting Standards as adopted by the European Union
Issuer	Baltic Horizon Fund (represented by Northern Horizon Capital AS)
KID	Key Information Document of the Fund drawn up in accordance with Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs)
Listing	Start of trading with the Bonds on Nasdaq Tallinn on the date as provided in this Prospectus
LTV	Loan to value ratio. It is calculated as a ratio of interest-bearing debt to the value of investment property
Management Company	Northern Horizon Capital AS, the management company of the Fund
Member State	A member state of the European Economic Area
NAV	Net Asset Value of the Fund or a Unit as calculated in accordance with the Fund Rules
Nominal Amount	Means the stated (face) value of a single Bond, as specified in the Bond Terms and registered in the Register
Offering	Offering of the Bonds to the Bondholders in a manner that falls under exemption to publish prospectus as stipulated in Article 1(4)(b) of the Prospectus Regulation
Redeemed Bonds	Unsecured Fixed Rate Bonds 2018/2023 of Baltic Horizon Fund with ISIN code EE3300111467
Prospectus	This prospectus, approved by the EFSA on 16 October 2023
Prospectus Regulation	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
Register, ERS	Estonian Register of Securities operated by the Registrar, the register of the Units and the Bonds
Registrar	Nasdaq CSD SE Estonian branch
Regulated Market	Any regulated market as defined in Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU
Rentable area, leasable area, net leasable area (NLA)	Floor space (measured in sqm) at a property that can be leased out to tenants. It excludes areas dedicated as public spaces or thoroughfares such as building service areas
SC	Shopping center
SPV	A special purpose vehicle established for the purposes of making and maintaining real estate investments for the benefit of the Fund
sqm	Square meter
Subsidiary	In relation to the Issuer, any legal entity, in respect of which the Issuer, directly or indirectly, (i) owns shares or ownership rights representing more than fifty (50.00) per cent. Of the total number of votes held by the owners, (ii) otherwise controls more than fifty (50.00) per cent. Of the total number of votes held by the owners, (iii) has the power to appoint and remove all, or the majority of, the members of the board of directors or other governing body or (iv) exercises control as determined in accordance with the Accounting Principles.
Unit	A unit of the Fund
Unit-holder	A person holding Units of the Fund or the Swedish depository receipts representing the Units (as may be applicable) and entitled to exercise rights attached to the Units in accordance with the Fund Rules and terms of Swedish depository receipts (as may be applicable)
WAULT	Weighted average unused lease term calculated by weighting remaining terms of each lease contract by rental income
Issuer Website	www.baltichorizon.com , website of the Fund

1.4. INFORMATION INCORPORATED BY REFERENCE

The Issuer's financial results for the financial year ended 31 December 2022 and the six months period ended 30 June 2023 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 Bonds. 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
Issuer's Interim report H1 2023	https://www.baltichorizon.com/wp-content/uploads/2023/08/BHF-semi-annual-report-H1-2023.pdf	Issuer's unaudited interim financial statements for the 6-month period ended 30 June 2023
Issuer Annual Report 2022, pages 73-122	https://www.baltichorizon.com/wp-content/uploads/2023/04/Baltic_Horizon_Fund_2022-12-31_EN.pdf	Issuer's IFRS financial statements for the year of 2022
Issuer Annual Report 2022, pages 67-72	https://www.baltichorizon.com/wp-content/uploads/2023/04/Baltic_Horizon_Fund_2022-12-31_EN.pdf	Auditor's report for the year 2022

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 [Issuer Website](#):

- the Fund Rules;
- KID (in Estonian and English)
- 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.

This Prospectus has been published in an electronic form on the Issuer Website and on the website of the EFSA (<https://fi.ee>). The information available on the Issuer 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 EFSA has not scrutinised or approved the information available on the Issuer 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, 3 "Risk Factors", 7 "Presentation of Financial Information", 6.8.1 "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 EFSA as competent authority under Regulation (EU) 2017/1129. The EFSA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129. The EFSA'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 Bonds.

1.8. AVAILABILITY OF PROSPECTUS

This Prospectus in English will be published in an electronic form on the Issuer Website and on the website of the EFSA (<https://www.fi.ee>).

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 2023 for which unaudited interim consolidated financial statements were prepared. The information regarding the most recent NAV of the Fund in section 7.1 "NAV" is presented as calculated as of the end of August 2023, 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 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 OF THE PROSPECTUS

Introduction and Warnings

This Summary (“**Summary**”) is a brief overview of the information disclosed in the Prospectus, dated 16 October 2023, on listing and admission to trading Bonds on the Baltic Bond List of Nasdaq Tallinn Stock Exchange (“**Prospectus**”). Information given in this Prospectus has been presented by the Issuer as at the registration of the Prospectus, unless otherwise stipulated.

This summary should be read as an introduction to the Prospectus focusing on key information about the Issuer. 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 Issuer 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.

Name and international securities identifier number (ISIN) of the securities	Name: EUR 8.00+3M EURIBOR BALTIC HORIZON FUND BONDS 23-2028 ISIN: EE3300003235.
Identity and contact details of the issuer, including its Legal Entity Identifier (LEI), the identity and contact details of the offeror, including its LEI	Name of the Issuer: Baltic Horizon Fund. Registered address of the Issuer: Tornimäe 2, 10145 Tallinn, Estonia Telephone number of the Issuer: +372 674 3200. LEI code of the Issuer: 5299008IKT93E4SA0G49. The Issuer is managed by the management company Northern Horizon Capital AS, address Tornimäe 2, 10145 Tallinn, Estonia; telephone number: +372 674 3200; LEI code 529900GDVTNNYQBUDU208 (“ Management Company ”).
Identity and contact details of the competent authority approving the prospectus	This Prospectus has been approved by the Estonian Financial Supervision and Resolution Authority (“ EFSA ”) under registration number 4.3-4.9/5020 on 16 October 2023. The contact details of the EFSA are the following: address Sakala 4, Tallinn 15030, Estonia, phone +372 668 0500, e-mail info@fi.ee .

Who is the issuer of the securities?

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 Issuer 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 focuses on fully-developed premium office and retail properties with high-quality tenants mix, low vacancy and stable and strong cash flows. The Issuer seeks to become the largest commercial property owner in the Baltics.

As at the date of this Summary, to the extent known to the Management Company, no Unit-holder holds the majority of the Units and controls the Issuer. As at 6 October 2023, the Unit-holders holding directly over 5% of all Units in the Issuer are the following:

	Number of units	Percentage
Swedbank AB / Nordic Issuing AB	24,077,945	20.13%
Swedbank AB Clients	15,368,614	12.85%
SEB AB/S WM AB – Swedish CL Pool	14,238,391	11.90%
Raiffeisen Bank International AG	9,468,676	7.92%
SEB banka AS	6,839,760	5.72%

Swedbank AB Clients and SEB AB/S WM AB – Swedish CL Pool act as a nominee account holders. Swedbank AB / Nordic Issuing AB hold Units on behalf of SDR-holders in Sweden.

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

The Management Company is responsible for the investment management, administration and marketing of the Fund. 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 this Prospectus, the Management Company's Management Board is composed of three members:

- Tarmo Karotam (Chairman of the Management Board, Fund Manager);
- Austra Stankevičienė (Member of the Management Board); and
- Edvinas Karbauskas (Member of the Management Board).

As at the date of the Prospectus, the Management Company's Supervisory Council is composed of three members:

- Lars Ohnemus (Chairman of the Supervisory Council);
- Nerijus Žebrauskas (Member of the Supervisory Council); and
- Daiva Liubomirskienė (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 (Member of the Supervisory Board);
- Per Møller (Member of the Supervisory Board); and
- David Bergendahl (Member of the Supervisory Board).

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 Tables 1-5 below set forth the key financial information which have been respectively extracted or derived from the Audited Financial Statements (for the financial years as stipulated in respective Table) and Interim Financial Statements (not audited) (for the period as stipulated in the respective Table) included by reference to this Prospectus, respectively. All audited financial statements provided in this Prospectus received unqualified opinions from independent auditors. Below information has been presented in accordance with Annexes II and VI of European Commission Delegated Regulation (EU) 2019/979 as deemed most appropriate in relation to the Bonds by the Issuer.

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	118,504		119,635,429	0.9905	30.06.2023: 0.9905 31.12.2022: 1.1172 30.06.2022: 1,1215
Total	118,504		119,635,429		

* As at 30 June 2023 (unaudited)

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

	2022 (audited)	2021 (audited)	2020 (audited)	2023 H1 (unaudited)	2022 H1 (unaudited)
Net rental income	17,430	17,004	19,934	8,495	8,675
Performance fee (accrued/paid)	-	-	-	-	-
Investment management fee (accrued/paid)	1,584	1,765	1,715	778	752
Operating profit (loss)	11,238	7,347	(8,025)	(11,278)	7,740
Profit (loss) before tax	4,927	1,642	(13,546)	(15,702)	4,780
Net profit (loss) for the period	3,944	1,413	(13,541)	(15,005)	4,239
Earnings (loss) per unit (EUR)	0.03	0.01	(0.12)	(0.13)	0.04

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

	31.12.2022 (audited)	31.12.2021 (audited)	31.12.2020 (audited)	30.06.2023 (unaudited)
Net asset value (NAV)	133,655	132,584	136,321	118,504
Loan-to-Value ratio (LTV) ¹	58.4%	60.7%	60.5%	59.9%

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

Table 4: Consolidated balance sheet for non-equity securities

	2022 (audited)	2021 (audited)	2023 H1 (unaudited)
Net financial debt (long term debt plus short term debt minus cash)	192,837	186,247	136,354
Current ratio (currents assets/current liabilities)	0,1x	0.4x	0,2x
Debt to equity ratio (total liabilities/total shareholder equity)	38.9%	38.3%	42.5%

Table 5: Consolidated cash flow statement for non-equity securities

	2022 (audited)	2021 (audited)	2023 H1 (unaudited)	2022 H1 (unaudited)
Net Cash flows from operating activities	15,281	14,650	6,219	7,295
Net Cash flows from financing activities	(9,654)	6,854	22,302	(7,607)
Net Cash flow from investing activities	(16,380)	(18,737)	(15,650)	(7,050)

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. Although there is no direct impact of the war outbreak in Ukraine as the Fund does not have investments or business in Russia, Belarus and Ukraine, neither sanctioned businesses were identified among tenants or other business partners of the Fund, the Fund faces major indirect consequences of the war.

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 first half of the year 2023 amounted to EUR 4.1 million and the average interest rate during that period was 4.2%. 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 first half of the year 2023, the total rental income of the Issuer amounted to EUR 10.1 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 30 June 2023, the total outstanding interest-bearing loans and borrowings of the Issuer amounted to EUR 153.4 million of which EUR 90.2 will mature during the financial years 2023 and 2024. 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?

The Bonds are unsubordinated bonds with the initial nominal value on the Issue Date being EUR 100,000. On the Issue Date, total of 420 Bonds were issued. On 1 August 2023, the Issuer redeemed early part of the Bonds in the amount of EUR 7,500,003. The total nominal amount of the bonds before the redemption was EUR 42,000,000 and after the redemption is EUR 34,499,997. The partial redemption of the bonds entailed a change in the nominal value, the new nominal value being EUR 82,142.85 per Bond.

The Bonds represent debt obligation of the Issuer before the Bondholders. The Bonds are dematerialised book-entry form and are not numbered. The Bonds are registered in Nasdaq CSD under ISIN code EE3300003235.

The rights attached to the Bonds have been established by the Bond Terms. The main rights of bondholders arising from the Bonds under the Bond Terms are the right to the redemption of the Bonds and the right to receive payment of interest. In addition to the right to the redemption of the Bonds and the right to receive payment of interest, upon a delay in making any payments due under the Terms of the Bonds, the bondholders are entitled to a delay interest.

Interest and Yield

The Bonds bear a coupon of 8% + EURIBOR 3-months per annum and the coupon on the bonds will be paid quarterly. Interest shall be determined on the basis of actual number of days in a time period, over the 365-days calendar year, i.e. a day count convention of ACT/365 shall be used.

The estimated yield-to-maturity of the Bonds on the Issue Date was 11.281%. The yield to maturity is calculated at the Issue Date on the basis of the Issue Price, if the Issuer were to pay interest on each Interest Payment Date until the Final Redemption Date (i.e. 8 May 2028), assuming that the interest paid over the life of the Bond is reinvested at the same rate and that the Bond is not subject to (i) mandatory early redemption until the Business Day immediately preceding the first anniversary of the Issue Date; and (ii) voluntary early redemption before a date falling 12 (twelve) months before the Final Redemption Date. This is not an indication of future yield and the actual yield may differ depending on various aspects, including the price paid for a specific Bond, early redemption of the Bonds and fluctuation of EURIBOR.

Maturity of the Bonds

The Bonds are issued with the term of 5 years and the final redemption date of the Bonds is 8 May 2028 (the “**Final Redemption Date**”)

The Issuer shall redeem the Bonds with a total aggregate nominal amount of EUR 20,000,000 (out of which an aggregate amount of EUR 7,500,003 was redeemed on 1 August 2023) within the first year as of the Issue Date on the terms and at the price as stipulated in the Bond Terms. The remaining part (i.e., the Bond with a nominal amount of EUR 22,000,000) may be redeemed prematurely by the Issuer at earliest on the Business Day falling after the date falling 30 (thirty) months before the Final Redemption Date on the terms and at the price as stipulated in the Bond Terms.

In order to redeem the Bonds prior to the final redemption date, the Issuer shall give no less than fifteen (15) Business Days’ notice to the bondholders.

The bondholders are not entitled to claim early redemption of the Bonds, except if otherwise provided in the Bond Terms.

Ranking and Subordination

The Bonds constitute direct, general, unconditional, unsubordinated and obligations of the Issuer and shall at all times rank *pari passu* with all direct, general, unconditional, unsubordinated and unsecured obligations of the Issuer and without any preference among them.

The satisfaction of the Issuer’s subsidiaries claims under any credit agreement are expressly subordinated to the prior payment to the bondholders in full and unconditionally of all bondholders claims relating to the Bonds. All claims arising from any credit agreements with Group Companies are subordinated to the claims of the bondholders deriving from these Bond Terms.

The Bonds are secured by the first ranking mortgage over the immovable property owned by BH Meraki UAB, a company incorporated under the laws of Lithuania, registered in the Lithuanian commercial register with registry code 304875582, and located at Eitminų str. 3, Vilnius, Lithuania. The collateral may be released in accordance with the procedure as stipulated in the Bond Terms after the full completion of mandatory partial early redemption of the Bonds, provided that: (i) the debt service coverage ratio (to be calculated as stipulated in the Bond Terms) of the Group is one point twenty (1.20) or greater; and (ii) the equity ratio (to be calculated as stipulated in the Bond Terms) of the Group is thirty seven point five (37,5) per cent or greater.

Transferability

The Bonds are freely transferrable; however, any bondholder wishing to transfer the Bonds must ensure that any offering related to such a transfer would not be qualified as requiring the publication of a prospectus in accordance with applicable law. According to the Bond Terms, ensuring that any offering of the Bonds does not require the publication of a prospectus in accordance with the applicable law is the obligation and liability of the bondholder

Where will the securities be traded?

The Issuer has applied for the listing and admission to trading of the Bonds on the Baltic Bond List of the Nasdaq Tallinn Stock Exchange. The expected date of listing and the admission to trading of the Bonds is on or about 25 October 2023. While every effort will be made and due care will be taken in order to ensure the listing and the admission to trading of the Bonds by the Issuer, the Issuer cannot ensure that the Bonds are listed and admitted to trading on the Baltic Bond List of the Nasdaq Tallinn Stock Exchange.

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

Credit risk. An investment into the Bonds is subject to credit risk, which means that the Issuer may fail to meet its obligations arising from the Bonds in a duly and timely manner.

Risk related to interest rate and inflation. The Bonds have been issued with a floating interest rate. Therefore, there is no guarantee that the interest rate of the Bond will rise with the same intensity as the market rates in a rising environment. As a result, the Bondholder may experience an interest rate risk, where the Bond may be underperforming as compared to the market interest rate. On the other hand, the interest rate may also float upward and increase Issuer’s coupon payments which may bring along a risk that the Issuer will be unable to meet its payment obligations and therefore the Issuer may default on its interest payments.

Risk in relation to security. The Bonds will not constitute an obligation of anyone other than the Issuer, however the Bonds will be initially secured at least until the mandatory early redemption of the Bonds that shall be carried out prior to the first anniversary of the issue date of the Bonds. After such early redemption, the Issuer may ask the collateral to be released in accordance with the

procedure as foreseen in the Bond Terms and the Bonds that remain outstanding shall be considered as unsecured debt instruments and the Bondholders would be unsecured creditors in the event of Issuer's insolvency.

Early redemption and refinancing risk. According to the Bond Terms, the Bonds may be redeemed prematurely on the initiative of the Issuer. Furthermore, the Issuer shall redeem the Bonds with a total aggregate Nominal Amount of EUR 20,000,000 prematurely within the first year as of the Issue Date. If the right of early redemption is exercised by the Issuer, the rate of return from an investment into the Bonds may be lower than initially anticipated. Also, the investors might not have an option to invest in financial instruments offering similar risk/return characteristics at the time of the early redemption or could face additional costs in selecting a new investment.

Risk in relation to issuing additional debt. Under the Bond Terms, the Issuer is allowed to incur additional indebtedness provided that such indebtedness is incurred in compliance with the Bond Terms. In accordance with the Fund Rules, at no point in time may the Fund's leverage exceed 65% of the value of its assets. If the Issuer incurs significant additional debt of an equivalent seniority with the Bonds, it will increase the number of claims that would be equally entitled to receive the proceeds, including those related to the Issuer's possible insolvency.

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

The Bonds are only available for purchase via secondary market and the offering of the Bonds were carried out by way of private placement in May 2023. The Bonds are planned to be admitted to trading on the Baltic Bond List of the Nasdaq Tallinn Stock Exchange on or about 25 October 2023.

Why is this prospectus being produced?

This Prospectus is not an offer for sale or a solicitation of an offer to purchase the Bonds in any jurisdiction. The Prospectus has been prepared solely for the purpose of listing and admitting the Bonds to trading on the Baltic Bond List of the Nasdaq Tallinn Stock Exchange.

The total amount of costs and expenses related to the listing are estimated to amount to up to EUR 25,000.

3. RISK FACTORS

Any investment in the Bonds is subject to a number of risks. Accordingly, prior to making any investment decision, prospective investors should carefully consider all the information contained in 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 Bonds and should be used as guidance only. Additional risks and uncertainties not currently known to the Management Company, or that the Management Company currently deems immaterial, may also have an adverse effect on the Issuer's financial condition, business, prospects and/or results of operations. In such case, the market price of the Bonds could decline and investors may lose all or part of their investment. Investors should consider carefully whether an investment in the Bonds is suitable for them in light of the information in this Prospectus and their personal circumstances. Investors should consult a competent independent professional advisor who specializes in advising on the acquisition debt instruments. 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 Bonds.

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.

Although there is no direct impact of the war outbreak in Ukraine as the Fund does not have investments or business in Russia, Belarus and Ukraine, neither sanctioned businesses were identified among tenants or other business partners of the Fund, the

Fund faces major indirect consequences of the war. Energy crisis caused increase in operational cost as well financial difficulties to tenants. Surge of inflation pushed interest rate to very high level. Although the Fund is hedged from interest rate risk some hedges are expiring. War also reduced investors interest in Baltic countries which became more exposed to war risk in this way limiting access to equity capital to the Fund.

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 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%.¹ 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 76.3% placing Estonia at the top in the ranking of EU countries (Q3 2022). The employment levels in Latvia and Lithuania are respectively 71.8% and 75.1% 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 has turned grimmer. The economic shocks caused by Russian's invasion has set EU economy on the path of lower growth and higher inflation. According to the European Commission Economic Forecast Spring 2023 report, real GDP change in 2022 was -1.3% in Estonia, 2.8% in Latvia and 1.9% in Lithuania. Inflation in all three Baltic countries has reached around 17-20% in 2022. According to the Economic Forecast published by the European Commission, real GDP is forecasted to grow by 1.0% in 2023 and 1.7% in 2024 in the EU, while the inflation in the EU is forecasted to fall from 6.7% in 2023 to 3.1% in 2024. Real GDP growth in Estonia is forecasted to -0.4% in 2023 and 3.1% in 2024, in Latvia respectively to 1.4% and 2.8% and in Lithuania to 0.5% and 2.7%. The inflation in Estonia is forecast to 9.2% in 2023, 9.2% in Lithuania and 9.3% in Latvia.

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 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-

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

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 2023 amounted to approximately EUR 255.7 million and the property with highest market value, Galerija Centrs, represented 26.1 % 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 procure 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 kinds 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 2022 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.

Risks related to the Issuer's financial situation

Interest rate and leverage risk

Debt is a significant source of financing for the Issuer. As of 30 June 2023 LTV of the Issuer amounted to 59,9% and net LTV 52.8%. It targets 50% LTV ratio in the long run implying that half of the capital requires interest payments. The net LTV ratio is calculated as the amount of the external bank loan debt less outstanding cash and cash equivalents divided by the carrying amount of investment property. The total interest costs of the Issuer during the financial year 2022 amounted to EUR 6.0 million and the average interest rate as of 31 December 2022 was 3.0%. The total interest costs of the Issuer during H1 2023 amounted to EUR 4.1 million and the average interest rate as of 30 June 2023 was 4.2%. 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.

As of 30 June 2023, 69.3% of interest rate exposure was hedged with interest rate swaps or interest rate caps that limit exposure to interest rate increase risk. Weighed hedge average time to maturity was 1.5 years on 30 June 2023. While interest rate swap fix interest rate its value is exposed to fluctuations. Interest rate cap options provide protection from interest rate increase above cap level while leaving interest expenses exposed to interest rate increase up to the level hedged with cap option. Below are brought out details of existing derivative financial instruments as of 30 June 2023

Derivative type EUR '000	Starting date	Maturity date	Notional amount	Variable (received)	rate	Fixed rate (paid)
IRS	Nov 2016	Aug 2023	10,575	1M EURIBOR		0.26%
IRS	Jan 2019	Sep 2023	5,800	3M EURIBOR		0.32%
IRS	May 2018	Apr 2024	4,920	3M EURIBOR		0.63%
IRS	Mar 2018	Aug 2024	18,402	3M EURIBOR		0.73%
CAP	Aug 2024	Aug 2025	17,900	3M EURIBOR		3.0%
CAP	Aug 2023	Aug 2024	10,575	1M EURIBOR		3.0%
CAP	Feb 2023	Feb 2024	17,200	6M EURIBOR		3.0%
CAP	Apr 2024	Apr 2025	4,921	3M EURIBOR		3.0%
CAP	Sep 2023	Sep 2024	5,800	3M EURIBOR		3.0%
CAP	Aug 2022	Mar 2024	3,500	3M EURIBOR		2.0%
CAP	Aug 2022	Mar 2024	7,000	3M EURIBOR		2.0%
CAP	Mar 2024	Mar 2025	11,000	6M EURIBOR		3.0%
CAP	Oct 2022	May 2025	30,000	6M EURIBOR		3.0%
CAP	Sep 2022	Mar 2024	9,000	6M EURIBOR		1.0%
CAP	Mar 2024	Mar 2025	9,000	6M EURIBOR		3.0%

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 2022, the total rental income of the Issuer amounted to EUR 20.482 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 four 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 30 June 2023, the total outstanding interest-bearing loans and borrowings of the Issuer amounted to EUR 153.4 million of which EUR 90.2 will mature during the financial years 2023 and 2024. All the bank loans maturing in the first half of 2023 were successfully extended by the banks. The Redeemed Bonds of the Issuer were redeemed in 8 May 2023 and the new Bonds (to refinance the redemption of the Redeemed Bonds) were issued on the same date. The Issuer started working on the extension of remaining bank loans in April 2023. The Issuer's ability to successfully refinance such debt is dependent on the occupancy level of respective properties as well as 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 2023, the Issuer had cash and cash equivalents in the amount of approximately EUR 18.2 million and the rental income during H1 2023 amounted to approximately EUR 10.1 million while the total costs of rental activities for the same period amounted to approximately EUR 4.8 million out of which EUR 3.2 million was recovered from tenants. By their nature, real estate investments or interests in other non-public entities are subject to industry cyclicity, 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 to 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 2023, the total assets of the Fund amounted to EUR 278.8 million and cash and the cash equivalents held by the Fund amounted to EUR 18.2 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 Bonds.

Risks associated with the EU Taxonomy

In order to meet the EU's climate and energy targets for 2030 and reach the objectives of the European Green Deal, the EU taxonomy – a classification system, establishing a list of environmentally sustainable economic activities – was created. The EU taxonomy provides companies, investors and policymakers with appropriate definitions for which economic activities can be considered environmentally sustainable. In this way, it is designed to create security for investors, protect private investors from greenwashing, help companies to become more climate-friendly, mitigate market fragmentation and help shift investments where they are most needed. According to the new rules, large financial and non-financial companies, falling under the scope of the Non-Financial Reporting Directive will have to disclose to what extent the activities which they carry out meet the criteria set out in the EU Taxonomy. Likewise, financial market participants will have to also disclose to what extent the activities that their financial products fund meet the EU Taxonomy criteria. There are also other voluntary uses of the EU Taxonomy for investors, e.g., for their strategic planning.

Taking into account the Issuer being a financial market participant and listed issuer, the EU Taxonomy rules and the implementing legislation are likely to impact the activities of the Issuer by further increasing the transparency and reporting requirements. The Issuer may be required to make additional investments in the future which may have a material adverse effect

on the Issuer's business, financial condition, results of operations and ability to attract new funding or refinance existing indebtedness. As EU Taxonomy regulation has been integrated into the Issuer's investment decision making it is likely that some otherwise profitable investments might be rejected due to taxonomy considerations and this in turn could slow the growth of the fund. As the implementing legislation related to EU Taxonomy changes and evolves constantly, the Issuer might be required to continuously re-evaluate the alignment with the EU Taxonomy due to legislative reasons or as a result of market and investor expectations in order not to lose competitiveness in the market.

Environmental, social and governance risks

Insufficient market conditions for implementation of investment strategy

As at the date of this Prospectus, the Issuer owns 12 commercial properties, representing a total rentable area of 119.1 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 was 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

The Issuer's business is dependent 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

General risks related to the nature of securities

Credit risk

An investment into the Bonds is subject to credit risk, which means that the Issuer may fail to meet its obligations arising from the Bonds in a duly and timely manner. The Issuer's ability to meet its obligations arising from the Bonds and the ability of the Bondholders to receive payments arising from the Bonds depend on the financial position and the results of operations of the Issuer, which are subject to other risks described within this Prospectus.

Risk in relation to security

The Bonds will not constitute an obligation of anyone other than the Issuer, however the Bonds will be initially secured at least until the mandatory early redemption of the Bonds that shall be carried out prior to the first anniversary of the issue date of the Bonds. After such early redemption, the Issuer may ask the collateral to be released in accordance with the procedure as foreseen in the Bond Terms and the Bonds that remain outstanding shall be considered as unsecured debt instruments and the Bondholders would be unsecured creditors in the event of Issuer's insolvency. Therefore, in the event of insolvency, the Issuer's assets will be used for settling the Bondholders' claims only after the claims of mentioned preferential creditors are satisfied. No one other than the Issuer will accept any liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Bonds. As of 30 June 2023 the secured creditors of the Issuer are the banks with the total amount of EUR 111.6 million secured credit.

Risk in relation to possibility to forfeit interest and principle amount invested

The Management Company manages 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. In case of insolvency of the Issuer, the insolvency proceedings will be carried out in accordance with the procedure as foreseen in the law. The claims of the creditors will be satisfied out of the assets of the Issuer and not out of the assets of the Management Company. In accordance with the applicable law and the Fund Rules, the Management Company would be liable for the damage caused to the Fund if the Management Company has violated the obligations arising for the Management Company from the legislation, the articles of association of the Management Company, the Fund Rules, the management contract or documents established on the basis thereof.

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

Early redemption and refinancing risk

In accordance with the Bond Terms, on certain occasions the Bonds may be redeemed prematurely on the initiative of the Issuer. Furthermore, the Issuer shall redeem the Bonds with a total aggregate Nominal Amount of EUR 20,000,000 prematurely within the first year as of the Issue Date. If the right of early redemption is exercised by the Issuer, the rate of return from an investment into the Bonds may be lower than initially anticipated. Also, the investors might not have an option to invest in financial instruments offering similar risk/return characteristics at the time of the early redemption or could face additional costs in selecting a new investment.

Additionally, the Issuer may be required to refinance certain or all of its outstanding debt, including the Bonds. The Issuer's ability to successfully refinance its debt depends on the conditions of debt capital markets and its own financial condition at the time such refinancing is required or desirable, including at the time of an amortisation or an exercise of a voluntary redemption or mandatory redemption of the Bonds. The Issuer's ability to refinance the Bonds or other debt is also restricted by financing agreements of the Issuer and/or the Group containing financial covenants, imposing restrictions in relation to the Issuer's/Group's debt financing arrangements. In the event the Issuer is unable to refinance the Bonds or other outstanding indebtedness, or if such financing can only be obtained on unfavourable terms, this could have significant adverse effect on the Issuer's operations, financial condition and on the Issuer's ability to fulfil its obligations, including to redeem or refinance the Bonds.

Risk in relation to issuing additional debt

Under the Bond Terms, the Issuer is allowed to incur additional indebtedness provided that such indebtedness is incurred in compliance with the Bond Terms which foresee certain restrictions on incurring additional indebtedness (incl. provision that stipulates what shall be considered as permitted debt, obligation to subordinate certain indebtedness to the claims arising from Bonds etc.). Additionally, at no point in time may the Fund's leverage exceed 65% of the value of its assets. If the Issuer incurs significant additional debt of an equivalent seniority with the Bonds, it will increase the number of claims that would be equally entitled to receive the proceeds, including those related to the Issuer's possible insolvency. Further, any provision which confers, purports to confer, or waives a right to create security interest in favour of third parties, such as a negative pledge, is ineffective against third parties since: (i) it is an issue of a contractual arrangement only being binding upon the parties to such contractual arrangement; (ii) there is no specific legislation in Estonia providing beneficiaries of negative pledge undertakings or covenants with a preferred position vis-a-vis the claims of third parties; and (iii) no registry or public record exists in Estonia through which negative pledge undertakings or covenants could be filed to obtain a preferred position. Should the Issuer breach its obligations under such undertakings and covenants and create a security interest in favour of a third party, such third party would obtain a valid and enforceable security interest over the pledged asset.

Additionally, the Issuer may be required to refinance certain or all of its outstanding indebtedness or incur additional indebtedness' however the Issuer's ability to successfully refinance its indebtedness or to incur additional indebtedness is restricted by the covenants as stipulated in the Bond Terms.

Risk related to interest rate and inflation

The Bonds have been issued with a floating interest rate. Therefore, there is no guarantee that the interest rate of the Bond will rise with the same intensity as the market rates in a rising environment. As a result, the Bondholder may experience an interest rate risk, where the Bond may be underperforming as compared to the market interest rate.

On the other hand, the interest rate may also float upward and increase Issuer's coupon payments which may bring along a risk that the Issuer will be unable to meet its payment obligations and therefore the Issuer may default on its interest payments.

No ownership rights

An investment into the Bonds is an investment into debt instruments, which does not confer any legal or beneficial interest in the equity or the Issuer or any voting rights or rights to receive dividends or other rights which may arise from equity instruments. Consequently, the Bondholders cannot influence any decisions by the Issuer's management concerning, for instance, the capital structure of the Issuer. The Bonds represent an unsecured debt obligation of the Issuer, granting to the Bondholders only such rights as set forth in the Bond Terms. The value of the Bonds might be affected by the actions of the unitholders of the Issuer over which the Bondholders do not have a control.

Unitholders' rights and obligations in relation to the Bonds

In accordance with the Fund Rules, the Management Company has, on account of the Fund, the right to issue debt securities and Unitholders' consent is not required to issue and/or to decide listing on stock exchange debt securities such as Bonds. The decision by the Issuer to incur additional indebtedness by way of issue of debt securities or the Issuer's inability to refinance its indebtedness (including the Bonds) on favourable terms, could have negative impact on the Issuer's financial condition and therefore also on profitability of the investment of the Unit-holder.

Risks related to the Bondholders' meeting

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

Amendments to the Bonds bind all Bondholders

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

Bondholders' representation

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

Under the Bond Terms, an Agent, who is Bondholders' interest protector, has the right in some cases to make decisions and take measures that bind all Bondholders. Consequently, the actions of the Agent in such matters could impact a Bondholder's rights under the Bond Terms in a manner that would be undesirable for some of the Bondholders.

No assurance on change of laws or practices

The Bonds are governed by the laws of the Republic of Estonia. Estonian laws (including but not limited to tax laws) and regulations governing the Bonds may change during the life of the Bonds, and new judicial decisions can be issued and/or new administrative practices be adopted. No assurance can be given as to the impact of any of such possible changes of laws or regulations, or new judicial decision or administrative practice taking place prior to redemption of the Bonds. Hence, such change may have a material adverse effect on the rights related to the Bonds and position of the Bondholders in general (including, but not limited to potential tax liabilities in relation to the Bonds).

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

Risks related to the admission of the securities to trading

Listing and market liquidity risks

The Issuer will apply for the Listing of the Bonds on the Baltic Bond List of the Nasdaq Tallinn Stock Exchange. However and although every effort will be made by the Issuer and the Management Company in order to successfully carry out the Listing of the Bonds, no assurance can be provided that the Bonds will be listed and admitted to trading.

Moreover, no assurance can be made that the Bonds will be actively traded on Nasdaq Tallinn and there is no guarantee that an active trading market on Nasdaq Tallinn will be developed or sustained with respect to the Bonds. Hence, investors may not be able to sell their Bonds at a price equal to the price as it was during the time of conversion.

In addition, the Bonds are generally not redeemable at the request of a Bondholder (except on certain conditions as have been brought out in the Bond Terms), which means that the Management Company will not redeem the Bonds at the request of Bondholder prior to the final redemption date of the Bonds. The Bondholder can only dispose its Bonds via market trade on the stock exchange or over-the-counter trade with a third person at the price as agreed between the parties.

Market volatility risk

Market price and trading volume of the Bonds could fluctuate substantially reacting to a number of factors including the liquidity of the Bonds on the secondary market, changes in the Issuer'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. Since prices of publicly traded securities can increase as well as decrease, investors that acquire the Bonds may not be able to resell them in the secondary market at or above the purchase price.

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

An issuance of Bonds 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.

4. A GENERAL DESCRIPTION OF THE BONDS

4.1. INTRODUCTION

This section contains a general and broad description of the Bonds. It does not claim to be a comprehensive summary or cover all details of the Bonds.

In accordance with the Fund Rules, the Management Company has, on account of the Fund, the right to issue debt securities and Unitholders' consent is not required to issue and/or to decide listing on stock exchange debt securities such as Bonds. The Management Company disclosed information to the Unitholders in relation to the planned issue of the Bonds throughout the preparatory stage through stock exchange announcements (11 November 2022, 3 March 2023, 3 May 2023).

The Management Company (on behalf of the Issuer) has approved the Bond Terms and the issue of the Bonds, as well as decided to apply for listing of the Bonds on Nasdaq Tallinn, on 3 May 2023. The Bonds were issued on 8 May 2023.

The Bonds are solely the obligations of the Fund.

4.2. TYPE AND CLASS OF BONDS

The Bonds are unsubordinated bonds with an initial nominal value of EUR 100,000. The ISIN code of the Bonds is EE3300003235. The Issuer has issued in total 420 Bonds each with a nominal value of EUR 100,000. The Issuer has applied all the Bonds issued to be listed and admitted on trading on Nasdaq Tallinn.

On 1 August 2023, the Issuer redeemed early part of the Bonds in the amount of EUR 7,500,003. The total nominal amount of the bonds before the redemption was EUR 42,000,000 and after the redemption is EUR 34,499,997. The partial redemption of the bonds entailed a change in the nominal value, the new nominal value being EUR 82,142.85 per bond.

The Bonds constitute direct, general, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank pari passu with all direct, general, unconditional, unsubordinated obligations of the Issuer and without any preference among them unless otherwise stipulated in the Bond Terms.

4.3. FORM AND REGISTRATION

The Bonds are in dematerialised book-entry form and are not numbered. The Bonds are registered in the Register.

4.4. RANKING AND SUBORDINATION

The Bonds have not been rated by any credit rating agencies.

The Bonds constitute direct, general, unconditional, unsubordinated and unsecured (see more information below under Section 4.8 – “Collateral”) obligations of the Issuer and shall at all times rank pari passu with all direct, general, unconditional, unsubordinated and unsecured obligations of the Issuer and without any preference among them.

The satisfaction of the Subsidiaries’, Affiliates’ and/or Affiliates of Subsidiaries’ claims under any credit agreement are expressly subordinated to the prior payment to the Bondholders in full and unconditionally of all Bondholders claims relating to the Bonds. All claims arising from any credit agreements with Subsidiaries’, Affiliates’ and/or Affiliates of Subsidiaries’ are subordinated to the claims of the Bondholders deriving from these Bond Terms.

4.5. CURRENCY

The Bonds are denominated in euros.

4.6. INTEREST AND YIELD OF THE BONDS

The Bonds bear a coupon of 8% + EURIBOR 3-months per annum and the coupon on the bonds will be paid quarterly. The Bonds bear interest at the interest rate applied to the Nominal Amount (as defined in the Bond Terms) from, but excluding, the issue date of the Bonds up to and including the relevant redemption date of the Bonds. Interest shall be determined on the basis of actual number of days in a time period, over the 365-days calendar year, i.e. a day count convention of ACT/365 shall be used.

Any payment or repayment under the Bond Terms, or any amount due in respect of a repurchase of any Bonds, shall be made to such person who is registered as a holder of the Bonds on the record date prior to the relevant payment date. For the avoidance of doubt, the record date shall be the fifth Business Day prior to any such payment date.

The estimated yield-to-maturity of the Bonds on the Issue Date was 11,281%. The yield to maturity is calculated at the Issue Date on the basis of the Issue Price, if the Issuer were to pay interest on each Interest Payment Date until the Final Redemption Date (i.e. 8 May 2028), assuming that the interest paid over the life of the Bond is reinvested at the same rate and that the Bond is not subject to (i) mandatory early redemption until the Business Day immediately preceding the first anniversary of the Issue Date; and (ii) voluntary early redemption before a date falling 12 (twelve) months before the Final Redemption Date. This is not an indication of future yield and the actual yield may differ depending on various aspects, including the price paid for a specific Bond, early redemption of the Bonds and fluctuation of EURIBOR.

4.7. MATURITY AND REDEMPTION OF THE BONDS

The Bonds are issued with a maturity of 5 years and shall be fully redeemed on the Final Redemption Date.

Mandatory call

The Issuer shall redeem the Bonds with a total aggregate Nominal Amount of EUR 20,000,000 within the first year as of the Issue Date. The redemption may take place on any Business Days falling after the Issue Date until the Business Day immediately preceding the first anniversary of the Issue Date. The Bonds shall be redeemed at a price per Bond equal to one hundred (100.00) per cent. Of the Nominal Amount together with accrued but unpaid Interest and other amounts payable by the Issuer in relation to the Bonds plus early redemption premium which shall be zero point five (0.5) per cent for each full month (whereby partial months will be considered as full months) from the date when the Issuer actually exercises the mandatory call until the first anniversary of the Issue Date.

The redemption shall be carried out by way of decreasing the Nominal Amount of the Bonds.

Voluntary call option

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

- (a) on any Business Day falling after the date falling 30 (thirty) months before the Final Redemption Date, at a price equal to one hundred and four (104.00) per cent. Of the Nominal Amount together with accrued but unpaid Interest and other amounts payable by the Issuer in relation to the Bonds;
- (b) on any Business Day falling after the date falling 27 (twenty seven) months before the Final Redemption Date, at a price equal to one hundred and three point five (103.50) per cent. Of the Nominal Amount together with accrued but unpaid Interest and other amounts payable by the Issuer in relation to the Bonds;

- (c) on any Business Day falling after the date falling 24 (twenty four) months before the Final Redemption Date, at a price equal to one hundred and three (103.00) per cent. Of the Nominal Amount together with accrued but unpaid Interest and other amounts payable by the Issuer in relation to the Bonds;
- (d) on any Business Day falling after the date falling 21 (twenty one) months before the Final Redemption Date, at a price equal to one hundred and two point five (102.50) per cent. Of the Nominal Amount together with accrued but unpaid Interest;
- (e) on any Business Day falling after the date falling 18 (eighteen) months before the Final Redemption Date, at a price equal to one hundred and two (102.00) per cent. Of the Nominal Amount together with accrued but unpaid Interest and other amounts payable by the Issuer in relation to the Bonds;
- (f) on any Business Day falling after the date falling 15 (fifteen) months before the Final Redemption Date, at a price equal to one hundred and one point five (101.50) per cent. Of the Nominal Amount together with accrued but unpaid Interest and other amounts payable by the Issuer in relation to the Bonds;
- (g) on any Business Day falling after the date falling 12 (twelve) months before the Final Redemption Date, at a price equal to one hundred (100.00) per cent. Of the Nominal Amount together with accrued but unpaid Interest and other amounts payable by the Issuer in relation to the Bonds.

Put option

The Bondholders have a right to request that all or only some of its Bonds are repurchased upon a de-listing event or a listing failure (as described more precisely in the Bond Terms).

In accordance with the Bond Terms, de-listing event means the situation where:

- (a) the Issuer's fund units are no longer listed and admitted to trading on Nasdaq Tallinn Stock Exchange or any other Regulated Market; or
- (b) trading of the Issuer's listed Units on the aforementioned stock exchanges is suspended for a period of fifteen (15) consecutive Business Days (when Nasdaq Tallinn Stock Exchange or the relevant Regulated Market (as applicable) is at the same time open for trading); or
- (c) trading in the Bonds of the Issuer on the relevant Regulated Market is suspended for a period of fifteen (15) consecutive Business Days (when Nasdaq Tallinn Stock Exchange or the relevant Regulated Market (as applicable) is at the same time open for trading).

In case investor purchases Bonds from the secondary market after the Bonds have been listed on Nasdaq Tallinn Stock Exchange and the de-listing event as described above occurs, each investor shall have a right to request partial or full redemption of the Bonds belonging to that respective investor in accordance with the procedure and at the price as stipulated in Clause 12.5 of the Bond Terms.

4.8. COLLATERAL

The Bonds are secured by the first ranking mortgage over the immovable property owned by BH Meraki UAB, a company incorporated under the laws of Lithuania, registered in the Lithuanian commercial register with registry code 304875582, and located at Eitminų str. 3, Vilnius, Lithuania. The collateral may be released in accordance with the procedure as stipulated in the Bond Terms after the full completion of mandatory partial early redemption of the Bonds (as described under heading "Mandatory call" in Section 4.7 above), provided that:

- (a) the debt service coverage ratio (to be calculated as stipulated in the Bond Terms) of the Group is one point twenty (1.20) or greater; and
- (b) the equity ratio (to be calculated as stipulated in the Bond Terms) of the Group is thirty seven point five (37,5) per cent or greater.

If the collateral is released in accordance with the procedure as foreseen in the Bond Terms, the Bonds that remain outstanding shall be considered as unsecured debt instruments and the Bondholders would be unsecured creditors in the event of Issuer's insolvency.

4.9. RIGHTS ATTACHED TO THE BONDS

The rights attached to the Bonds have been established by the Bond Terms which are included in this Prospectus as Annex C. The main rights of Bondholders arising from the Bonds and the Bond Terms are the right to the redemption of the Bonds and the right to receive payment of interest. The Bonds are freely transferrable and all transfers with Bonds are subject to the Bond Terms.

The rights arising from the Bonds can be exercised by the Bondholders in accordance with the Bond Terms and the applicable law. According to the Bond Terms any dispute between the Issuer and a Bondholder shall be solved by amicable negotiations and if the amicable negotiations have no outcome during a reasonable period of time, the dispute shall be settled by Estonian courts, whereas Harju County Court shall be the court of first instance. Claims arising from the Bonds shall expire in accordance with the statutory terms arising from applicable law.

After the contemplated Listing of the Bonds on the Baltic Bond List of the Nasdaq Tallinn Stock Exchange, information will be disclosed via the information system of the Nasdaq Tallinn Stock Exchange.

4.10. AGENT

According to the Bond Terms an Agent is appointed to act as the agent for each Bondholder in all matters relating to the Bonds under the Bond Terms and acts on each Bondholder's behalf in any legal or arbitration proceedings relating to the Bonds held by each Bondholder, including the winding-up, dissolution, liquidation or insolvency of the Issuer. The Agent shall bear no liability before the Bondholders for damage or loss caused by any action taken or omitted by it under or in connection with the Bond Terms, unless directly caused by its negligence or willful misconduct. The Agent shall bear no responsibility for indirect loss caused to the Bondholders. An Agent may be a law firm, consulting company or another service provider acting as a bond-holders agent or security agent including a special purpose vehicle established by such persons.

4.11. APPLICABLE LAW

The Bond Terms, and any non-contractual obligations arising out of or in connection therewith, are governed by and construed in accordance with the laws of Estonia.

4.12. LISTING AND ADMISSION TO TRADING

The Issuer has applied for the Listing and admission to trading of the Bonds on the Baltic Bond List of the Nasdaq Tallinn Stock Exchange. The expected date of Listing and the admission to trading of the Bonds is 25 October 2023. While every effort will be made and due care will be taken in order to ensure the Listing and the admission to trading of the Bonds by the Issuer, the Issuer nor the Management Company cannot ensure that the Bonds are listed and admitted to trading on the Baltic Bond List of the Nasdaq Tallinn Stock Exchange. Should the Bonds not be listed and admitted to trading on the Nasdaq Tallinn Stock Exchange, it is likely that a secondary market for the Bonds will not develop, there will not be a public and independent market price for the Bonds, and an investor may not be able to follow their investment thesis as envisaged, including in particular in respect of sale of the Bonds.

The estimated total expenses related to the admission of the Bonds to trading are EUR 25,000.

5. REASON FOR THE OFFERING AND LISTING, USE OF PROCEEDS

The proceeds from the Offering were fully used to finance the redemption of the Redeemed Bonds. The Issuer considered various refinancing structures for the refinancing of the Redeemed Bonds for almost a year and concluded that the issue of the Bonds on the terms as was ultimately carried out was the most optimal taking into consideration the market situation at the time of the issue. Additionally, in discussions and negotiations with the initial investors, it emerged that the investors - while taking into consideration key terms of the Bonds – prefer to invest through bonds instead of granting a loan. The Issuer aims to use a 50% long-term leverage strategy. In accordance with the Fund Rules, at no point in time may the Issuer's leverage exceed 65%. At the same time the ability to borrow on attractive terms plays a major role in the investment strategy and cash distributions to Unit-holders.

The Bonds were partially issued by the Issuer to the Bondholders in a way that the Bondholders paid for the Bonds with the Redeemed Bonds (i.e., roll-over of the Redeemed Bonds to the Bonds). Therefore, the Issuer did not receive cash proceeds in relation to the Offering to the actual full amount of the Offering.

The Issuer plans to redeem the Bonds from proceeds arising from disposal of assets. However, the issuer does not exclude possibility that the redemption could be carried out (at least partially) by way of refinancing the bonds with less expensive bank loan or raise funds through equity issue either by way of private placement or public offering.

In accordance with the Bond Terms, the Issuer has an obligation to apply for Listing of the Bonds. In order to fulfil the obligation deriving from the Bond Terms, the Issuer has submitted relevant application for Listing the Bonds. The Bonds will be listed solely to enable current Bondholders to consider selling the Bonds and potential investors to consider purchasing the Bonds. The Issuer is not aware whether any of the current Bondholders will actually use the opportunity to trade with Bonds after completion of the Listing and no offering of the Bonds by financial intermediaries is intended in the course of the Listing. The Issuer will not receive any funds from the Listing of the Bonds.

6. GENERAL CORPORATE INFORMATION

6.1. 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 6.9.2 "The Management Company".

Fund Rules were registered with Estonian Financial Supervision and Resolution 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 the Swedish depository receipts representing the Units are listed on Nasdaq Stockholm.

6.2. UNITS AND OWNERSHIP STRUCTURE

General Information on the Units and SDRs

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. The Swedish depository receipts representing the Units are registered with Euroclear Sweden, with ISIN SE0018689820 ("SDR"). As of the date of this Prospectus, the total number of issued Units is 119 635 429, which includes total number of 24,077,945 Units held by Nordic Issuing AB, the issuer of SDRs representing 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 SDRs are issued in Swedish krona. The SDRs are created under, and are governed by, the laws of Sweden. The SDRs are 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 holder of SDR.

Unit-holders

According to the Register as maintained by the Registrar, as at 6 October 2023 there are approximately 3,200 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 SWEDBANK AB/ NORDIC ISSUING AB holding 20.13% 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.

The Unit-holders owning more than 5% of the Units in total as at 6 October 2023 are presented in the table below:

As at 31 December 2022

	Number of units	Percentage
SWEDBANK AB / NORDIC ISSUING AB	24,077,945	20.13%
SEB Bank AB Clients	15,368,614	12.85%
SEB AB/S WM AB – Swedish CL Pool	14,238,391	11.90%
Raiffeisen Bank International AG	9,468,676	7.92%
SEB banka AS	6,839,760	5.72%

Swedbank AB Clients and SEB AB/S WM AB – Swedish CL Pool act as a nominee account holders. Swedbank AB / Nordic Issuing AB hold Units on behalf of SDR-holders in Sweden.

6.3. ORGANISATIONAL STRUCTURE OF THE FUND

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

6.4. 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 three 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
<i>Disclosures regarding financial results of the Issuer</i>	
8 August 2023	Baltic Horizon Fund consolidated unaudited results for H1 2023
9 May 2023	Baltic Horizon Fund consolidated unaudited results for Q1 2023
31 March 2023	Baltic Horizon Fund audited results for 2022
2 February 2023	Baltic Horizon Fund consolidated unaudited results for Q4 2022
7 November 2022	Baltic Horizon Fund consolidated unaudited results for Q3 2022
8 August 2022	Baltic Horizon Fund consolidated unaudited results for H1 2022
<i>Disclosures regarding cash distributions made to the investors of the Issuer</i>	
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.

Disclosures regarding various matters

17 May 2023	Information concerning sale of Duetto I and II office buildings in Vilnius, Lithuania
30 March 2023	Update concerning the planned bond programme and publishing of the sustainability-linked bond framework
21 November 2022	Baltic Horizon Fund plans a sustainability-linked bond programme

6.5. MANAGEMENT

6.5.1. MANAGEMENT STRUCTURE OF THE FUND

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 of the Fund. 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 6.9.2 "Management Company".

6.5.2. 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.

6.5.3. SUPERVISORY BOARD OF THE FUND

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:

Name	Born	Affiliation	Professional experience	Date of Appointment	Expiration of term of office
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

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 as at 31 December 2022 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).

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 6.9.8 "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.

6.6. 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 Supervision and Resolution 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.

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 (MCapt) multiplied by
 - respective fee rate (Fn) applied to the respective tranche, then the aggregate of the fees from each tranche multiplied by
 - the quotient of the actual number of days in the respective quarter (Actualq) divided by 365 days per calendar year, as also indicated in the formula below

$$((MCap1 \times F1) + \dots + (MCap5 \times F5)) \times (Actualq / 365)$$

- 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 preceding 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 also covers 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 to be built in two stages. After the completion of the first stage of the Meraki building, there is no capital commitment in relation to Meraki development. Meraki development costs reached EUR 19.5 million as of 31 December 2022 for the first stage. Development costs for the second stage will be reassessed prior to the start of construction. The Fund has no other material commitments relating to the purchase, construction and development of investment properties.

6.7. 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.

6.8. BUSINESS OVERVIEW

Investment objective

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 Issuer takes sustainability risk and environmental, social and governance ("ESG") characteristics into its investment decision process and uses an investment proposal template as a separate ESG assessment part. The Issuer assesses every new investment based on the answers to ESG questions in the investment proposal template that the Issuer provides to the partners and also fill in themselves before making an investment decision. The topics covered in the document include, but are not limited to energy performance data, carbon emissions, environmental and social risk assessment, climate related risks, compliance to net zero target by 2030, EU Taxonomy alignment (including DNSH risk examination and minimum safeguards). The Management Company identifies and analyses sustainability risks as part of its risk management process. The Management Company also integrates sustainability risks in the investment decision-making process. As part of the due diligences performed prior to each target investment, an analysis is made of the sustainability risks of such investments in light of information and data collected before taking an investment decision. The scope of such information and data may vary on a case-by-case basis depending on the profile of the target investment.

For the purposes of SFDR, the Fund has been categorised as an Article 8 financial product under SFDR. The Fund promotes, among other characteristics, environmental and/or social characteristics within the meaning of Article 8 of SFDR. The asset management

strategy emphasizes sustainability by tracking consumption metrics and improving environmental performance of Fund's assets in the long-term. The Issuer has published sustainability related disclosures (<https://www.baltichorizon.com/sustainability-related-disclosures/>) and ESG Commitment (<https://www.baltichorizon.com/esg-commitment/>) on the Issuer Website.

Asset portfolio

Following the disposal of Domus PRO complex in early 2023 and Duetto in early June 2023, the diversified property portfolio of Baltic Horizon Fund consists of 12 cash flow generating properties in the Baltic capitals. Baltic Horizon believes it has established a portfolio of strong retail and office assets with well-known and long-term tenants including local commercial leaders, governmental tenants, nearshoring shared service centres and the Baltic headquarters of leading international companies. The Fund's centrally located shopping centres have been rapidly recovering from the negative effects of the COVID-19 pandemic throughout 2022 and early 2023. The total turnover of the shopping centres' tenants grew vigorously throughout the year and reached a peak in December 2022. H1 2023, the total turnover of the shopping centres' tenants displayed remarkable growth, surpassing H1 2022 figures by an impressive 15-25% across all centrally located retail assets. While footfall remains below pre-pandemic levels, the Fund is witnessing steady growth in footfall across all retail properties. For instance, H1 2023 footfall in Postimaja SC and Europa SC increased by 7% and 13%, respectively, compared to the same period in the previous year. Moreover, the recent opening of the BURZMA food hall at Galerija Centrs has triggered 23% year-over-year surge in footfall, contributing to the overall performance of Galerija Centrs. There is a clear trend in BHF properties: customers are spending more during their visits, but the visits are less frequent and focused on certain purchases. The recovery of the tourism sector would certainly give an additional boost to footfall figures since Galerija Centrs and Postimaja have always been top spots for tourist shopping. The year 2023 is projected to witness the return to pre-pandemic levels of tourism in the Baltics, which will unlock new growth opportunities.

The reconstruction of the Europa SC was completed in Q3 2022. The revitalization of the Europa SC areas brought new attention to the shopping centre, increasing its attractiveness for tenants and clients. Europa SC demonstrated a surge in letting activity during H1 2023, with the Fund successfully securing deals for a total of 1,071 sq. m with nine tenants, including prominent names like PiPilates, Optometrijos Centras, Codekus and others. The opening of the food hall Dialogai and other renovated areas has created a great value proposition for office workers in Vilnius central business district. Fund's retail team aims to execute similar revitalization projects in Galerija Centrs and Postimaja to prepare for the next retail cycle.

The changes in the Europa SC have converted into strong growth patterns in footfall, sales and other major KPIs. The reconstruction created a temporary negative effect on the net rental income of the Europa SC in Q1-Q3 2022 due to additional one-off expenses but rental income has been continuously recovering since the completion of the reconstruction and the start of all new lease agreements. One of the leading RE companies in the Nordics, Newsec, has been assigned as the new property and leasing partner in the Europa SC starting from October with the aim to fully capitalize on the refurbishment and positive leasing sentiment.

The Fund completed the first stage in the construction of the modern B-class office building Meraki in September 2022. Two Meraki office towers with an approx. 15,800 sq. m of leasable office space will be developed in two stages. The first stage included the construction of the first Meraki office tower and a parking house for the entire asset. The first tower was already commissioned for rental activities in Q3 2022. In total, 8,113 sq. m of net leasable area can be offered to tenants in the first tower. The Funds aims to receive the BREAAAM "Excellent" certification for the completed building. The Fund is not planning to make any major investments in the Meraki project over the upcoming months, except for tenant fit-out contributions.

Together with the completion of the Meraki building, the Fund finished the construction of an office hotel to meet the demand for smaller spaces with common areas from smaller tenants. The spaces have been fully fitted-out allowing the tenants to move in immediately after signing the lease agreement. The first tenant fit-out works were completed at the end of Q3 2022 and the first tenants moved into the premises in September 2022. Meraki started to generate rental income from October 2022. Active search for new tenants continues with several positive negotiations having taken place in recent months.

The opening of the BURZMA food hall and the successful negotiation of deals with new tenants, including international fashion brand ARKET, at Galerija Centrs have created a strong basis for growth in its operating results. According to the new concept, the food hall will include a Grab&Go zone for fast food lovers, a Rest&Taste zone for enjoying slow food and a terrace with a view of Riga Old Town. The food hall, which accommodates 11 restaurants and bars, occupies approx. 1,500 sq. m. Additionally, ongoing negotiations for new lease agreements, especially those with synergistic food hall tenants like bakeries, high-end restaurants and other new anchor tenants, are expected to drive further growth.

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 new reality of office work requires a high level of flexibility and multi-functional areas for efficient office space management.

The office segment witnessed a shift in working practices during the pandemic, with many tenants adopting remote working arrangements where possible. However, there is a growing eagerness among employees to return to offices for social interaction and productive collaboration in physical settings. To address the evolving office reality, Baltic Horizon has been revitalizing larger vacant office areas, transforming them into flexible working spaces to cater to smaller tenants' needs. Initiatives like the office hotel in North Star and similar concepts in Meraki have yielded favourable results.

In response to evolving market dynamics, the Fund is actively engaged in reletting efforts for current office vacancies and forthcoming office spaces, particularly in light of EMERGN's decision to reduce their rented area in LNK and the upcoming SEB exit from Upmalas Biroji. Proactive measures are being taken to fill these vacancies, with the Fund securing a tenant tender for approximately 3,000 sq. m. in Upmalas Biroji to partially offset the upcoming vacancy. Additionally, intense negotiations are underway to ensure maximum occupancy in the Lincona building, and new small tenants are being sought to occupy vacancies in LNK. Despite external challenges, the office portfolio remains robust, thanks to fixed lease agreements and flexible solutions offered by the Fund. Rental indexations have played a vital role in driving growth in the office portfolio results.

Table 6: Details of existing property portfolio, 31 December 2022 (and on 30 June 2023, if expressly stated)

Property	Acquisition date	Sector	Fair value, EUR'000 (as at 31 December 2022) ¹	Fair value EUR '000 (as at 30 June 2023) ²	Rentable area, sqm (as at 30 June 2023)	Vacancy (as at 31 December 2022)	Vacancy (as at 30 June 2023)
Vilnius							
Europa SC	2-Mar-2015	Retail	35,658	35,747	17,051	14.5%	16.4%
North Star	11-Oct-2019	Office	21,788	20,368	10,579	0.0%	1.5%
Meraki ³	10-Sep 2022	Office	17,330	16,240	8,275	69.1%	67.8%
Divested (after 31 December 2022)							
Domus Pro Office ⁴	1-Oct-2017	Office	8,040	-	-	8.6%	-
Domus Pro Retail Park ⁴	1-May-2014	Retail	17,047	-	-	1.5%	-
Duetto I ⁴	22-Mar-2017	Office	18,845	-	-	2.4%	-
Duetto II ⁴	27-Feb-2019	Office	20,253	-	-	0.0%	-
Total Vilnius			138,961⁵	72,355	35,905	12.8%	23.9%
Riga							
Galerija Centrs	13-June 2019	Retail	67,130	66,854	19,293	19.4%	19.1%
Upmalas Biroji	30-Aug-2016	Office	20,961	20,045	10,459	1.2%	1.2%
Vainodes I	12-Dec-2017	Office	18,010	17,220	8,128	0.0%	0.0%
LNK Centre	15-Aug-2018	Office	17,000	15,260	7,450	0.0%	53.1%
Sky Supermarket	1-Jan-2013	Retail	5,761	5,480	3,259	1.5%	0.0%
Total Riga			128,862	124,859	48,589	8.0%	16.0%
Tallinn							
Postimaja	13-Feb-2018	Retail	26,715	23,088	9,232	4.4%	4.4%
Lincona	1-Jul-2011	Office	15,200	14,180	10,775	8.5%	14.2%
Coca Cola Plaza	8-Mar-2013	Leisure	14,385	12,432	9,139	0.0%	0.0%
Pirita	16-Dec-2016	Retail	9,000	8,820	5,425	7.4%	1.9%
Total Tallinn			65,300	58,520	34,571	5.0%	5.9%
TOTAL INVESTMENT PROPERTIES			333,123	255,734	119,065	9.5%	15.4%

¹ Based on the latest valuation as of 31 December 2022 and recognized right-of-use assets.

² Based on the latest mid-year valuation as at 30 June 2023 and recognized right-of-use assets.

³ The Fund completed the development of the first tower of the Meraki building in September 2022. Rental income is generated starting from October 2022.

⁴ The Fund completed the disposal of BH Domus PRO UAB which owns Domus Pro Retail park and Office buildings and BH Duetto UAB which owns Duetto I and Duetto II.

⁵ For the avoidance of doubt, fair value, EUR'000 (as at 31 December 2022) includes also assets that were divested after 31 December 2022.

All buildings in the portfolio were operational and generating rent revenue. The total size of the Issuer's property portfolio amounted to EUR 255.7 million of fair value (including Meraki development project) and 119.1 thousand sqm of rentable area as of 30 June 2023 (see Table 6). As per annual valuation of the assets (incl. IFRS16 right-of-use assets) carried out by the Issuer at the end of H1 2023, Galerija Centrs SC was the largest holding accounting for 26.1% of the portfolio's value. Europa SC was the second largest asset constituting approximately 14.0% of the total fair value followed by Postimaja and Northstar which accounted for 9.0% and 8.0%, respectively.

The Issuer carried out a year end valuation of the assets in the portfolio dated 31 December 2022. The appraised value of the Issuer's asset (incl. IFRS16 right-of-use assets) as at 31 December 2022 constituted EUR 333.1 million. The total net leasable was 151.9 thousand sqm of rentable area. Galerija Centrs SC was still the largest holding accounting for 20.2% of the portfolio's value. Europa SC was the second largest asset in the portfolio and constituted 10.7% of the total fair value. Annual valuation carried out by the Issuer are classified as full scope valuation reports.

The property portfolio was well diversified in terms of both sectors and locations. In December 2022, retail and office segments constituted 48.4% and 47.3% of the total fair value of developed properties respectively. The remaining 4.3% were attributable to Coca Cola Plaza cinema complex representing a leisure segment. On 30 June 2023, retail segment constituted 55% of the total fair value of the portfolio, while office segment constituted 40%. Leisure segment is represented in the Issuer's asset portfolio as at 30 June 2023 by 5% of the total fair value of developed properties.

Location-wise, as at 31 December 2022, Riga with 5 properties comprised 39% (49% as at 30 June 2023) of the total fair value of developed properties followed by Vilnius with 7 properties at 42% (28% as at 30 June 2023) and Tallinn with 4 properties at 20% (23% as at 30 June 2023).

Uneven level of vacancy for different assets classes – 15.4% for the overall portfolio in June 2023 – indicated strong demand for office space at the Issuer's properties with less demand for retail assets. 3 buildings – Vainodes I, Coca Cola Plaza, SKY Supermarket – had no vacant space. Vacant premises in Upmalas Biroji, North Star, Pirita comprised less than 3% of their rentable area. Overall vacancy in Riga is 16.0%, in Vilnius 23.9% and in Tallinn 5.9%.

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 31 December 2022, the Fund was in compliance with all special conditions and covenants set under the bank loan agreements. As of 30 June 2023, the Fund was in compliance with all special conditions and covenants set under the bank loan agreements except for the Galerija Centrs property. The Interest Service Coverage Ratio (ISCR) of the Galerija Centrs property (carrying loan amount – EUR 30 million) was below the required level of 1.8 at the end of Q2 2023. 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.

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 6.9.8 "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 7: Rental concentration of 10 largest tenants, 30 June 2023

No	Tenant	% of total annualized rental income
1	Latvian State Forestry	10.3%
2	SEB	8.6%
3	Rimi	8.5%
4	Apollo Cinema	3.9%
5	Lithuanian Tax Inspectorate	2.7%
6	LNK Industries	2.6%
7	New Yorker	2.5%
8	EIS Group	2.2%
9	Swedbank	2.2%
10	Estonian Information System Authority	2.0%
Total of 10 largest tenants		45.5%

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 7 with the largest tenant Latvian State Forestry accounting for 10.3% of the annualized rental income and all 10 largest tenants account for 45.5%.

6.8.1. DIVIDENDS AND DIVIDEND POLICY

In accordance with the Fund Rules, the Management Company aims to distribute the Issuer's cash flows ("Dividends"). The Issuer has a long-term target for dividend distributions to its Unit-holders in the range between 80% of generated net cash flow (calculation explained in Table 8 and a net profit adjusted for unrealized P&L items². The distribution is based on the Issuer's short-term and long-term performance projections. The Management Company has the discretion to distribute lower dividends than 80% of generated net cash flow in case the liquidity of the Issuer is endangered. The Management Company has approved changes to cash distribution frequency.

Table 8: 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
Generated net cash flow	

Table 9 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 2022 profits, 4 for distributing 2021 profits, 4 for distributing 2020 profits, 4 for distributing 2019

² Such items include valuation gains/losses on investment properties, net gains/losses on disposals of investment properties and deferred income tax.

profits, 4 for distributing 2018 profits, 4 for distributing 2017 profits and 2 for distributing 2016 profits. The last 4 quarterly dividends (from Q1 2022 to Q4 2022) sum up to EUR 0.026 per unit representing an annual dividend yield of 4.5% on the Unit market price on Nasdaq Tallinn on the last day of the second quarter of 2022 (EUR 0.8966).

On 28 July 2022 the Fund announced about the shift to semiannual dividend payment to improve cash management efficiency.

At the 2023 Annual General Meeting the decision was announced to withhold the dividends payments in 2023 to strengthen the Fund and its asset performance.

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 9. Past performance is not a guarantee of future performance. Investing in securities involves risks and uncertainties which are difficult to predict.

Table 9: History of dividend distributions (2020 – 2023 Q2). No distributions after Q2 2022.

	2020				2021				2022	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Per unit										
Dividend per unit, EUR	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 ¹	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 ² , EUR	0.015	0.015	0.026	0.011	0.011	0.011	0.017	0.019	0.013	0.013
Total, EUR thousand										
Dividends declared for the period	1,701	1,701	3,111	1,316	1,316	1,316	2,034	2,273	1,555	1,555
Dividends paid for the period	1,701	1,701	3,111	1,316	1,316	1,316	2,034	2,273	1,555	1,555

¹ 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.

² 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.

6.8.2. 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 6.9.7 "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 Issuer 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 Issuer Website.

6.8.3. 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 6.9.3 "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 directly holds 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 real estate property of the Fund is provided in section 6.8 (Business Overview – Asset Portfolio).

6.8.4. MATERIAL AGREEMENTS

This section provides a general description of the most relevant agreements in relation to the Issuer and 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.

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 2023, provided external debt financing made 60% of total portfolio value, out of which 16% is financed with corporate bonds.

The following bank loan extensions were arranged in 2022 and 2023:

- 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 bank loan of Galerija Centrs was successfully extended until January 2024 at slightly higher interest rate but with a waiver for soft LTV covenant which requires prepayment of the loan. At the end of 2022 Lincona loan was prolonged until December 2027 with the same bank at a higher interest rate, however, in line with the market conditions.
- During the first quarter of 2023 the loan of Sky was extended for 5 years, CC Plaza for 3 years and Duetto loan for 5 years with the same banks at a higher interest rate, however, in line with the market conditions.
- On 3 August 2023, an agreement to refinance Upmalas Biroji loan was reached with another bank for EUR 10.5 million and a higher interest rate, however, in line with the market conditions.

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 6.9 – 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 3.4 million euros.

6.8.5. LEGAL AND ARBITRATION PROCEEDINGS

During the last 12 months period there have not been any governmental, legal or arbitration proceedings which may have, or have had in the recent past significant effects on the Issuer's and/or the Management Company's, acting for the benefit of the Issuer, financial position or profitability.

6.9. SERVICE PROVIDERS

6.9.1. 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.

6.9.2. 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 529900GDVTNYYQBUDU208.

The majority shareholder of the Management Company is Northern Horizon Capital A/S, a public limited company registered in the Central Business Register of Denmark with the registry code 27599397, holding 125,000 shares in the Management Company which amounts to approximately 90% of the votes. Northern Horizon Capital JIC OÜ, a limited liability company (in Estonian: osaühing) registered in the Estonian Commercial Register under the registry code 14341220, holds 13,899 shares in the Management Company, amounting to approximately 10% of the votes. Northern Horizon Capital JIC OÜ is established in order to enable key managers of the Management Company to acquire shares in the Management Company with majority of the shares held by Northern Horizon Capital A/S and minority by the key executives of the Management Company. The 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.

Personal Data Processing

The Management Company processes the personal data of all investors, including the Bondholders in accordance with the privacy policy and data protection notices published and accessible on the Issuer 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.

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 6.9.5 "Registrar", 6.9.4 "Fund Administration" and 6.9.8 "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 6.6 "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.

Name	Position/Function	Date of Appointment	Expiration of term of office
Lars Ohnemus	Chairman of the Supervisory Council	24 July 2023	24 July 2028
Nerijus Žebrauskas	Member of the Supervisory Council	20 March 2019	20 March 2024

Lars Ohnemus. Mr. Ohnemus, born in 1962, is the co-founder and Chairman of the Board of Directors of the parent company of Northern Horizon Capital AS. In addition, Lars is the Director of Center for Corporate Governance at Copenhagen Business School (CBS) and also holds a PhD from CBS. Lars has more than 25 years of experience in real estate, and he has built a strong international sector network. Before founding Northern Horizon Group, Lars has worked on executive positions as well as extensive board experience from listed and non-listed firms. Lars Ohnemus holds today also different Nordic board positions.

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.

Name	Position/Function	Date of Appointment	Expiration of term of office
Tarmo Karotam	Chairman of the Management Board Fund Manager	17 April 2014	30 April 2026
Ausra Stankevičienė	Member of the Management Board	17 April 2014	30 April 2026
Edvinas Karbauskas	Member of the Management Board	3 January 2023	3 January 2027

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.

Edvinas Karbauskas. Mr. Karbauskas, born 1995, is the member of the Management Board of the Management Company and co-fund manager of Baltic Horizon Fund together with Tarmo Karotam. Prior to joining Northern Horizon Capital group as a financial controller in 2018, he worked at Ernst & Young Baltic, UAB as a consultant focusing on real estate funds and various financial management matters. Mr. Karbauskas has graduated Kaunas University of Technology with a bachelor's degree (in 2017) in accounting and finance and master's degree (in 2019) in accounting and auditing.

Dividends and divided 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.

	2020	2021	2022
Per share, EUR			
A shares	28	64	64
B shares	33	0	0
Total, EUR thousand			
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 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 Tarmo Karotam directly and indirectly holds as at 30 June 2023 26,954 Units in the Issuer, which represent 0.02% of the total amount of Units. Lars Ohnemus indirectly holds 776,694 units and SDRs in the Issuer, which represent 0,65% 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 or 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.

6.9.3. 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 6.8.3 "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 6.6 "Fees and Expenses".

6.9.4. 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, Jogailos 4, Business Centre 2000, LT-01116 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).

6.9.5. 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.

6.9.6. 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 that are listed on Nasdaq Stockholm are 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).

6.9.7. 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 30 June 2023 for all the properties held by the Fund. Portfolio valuation condensed report is provided in Appendix B. All appraisals were performed by licensed appraisers at Colliers International.

For the purposes of appraising Postimaja, Lincona, Coca Cola Plaza and Piritä properties in Tallinn, the valuation reports were prepared by licensed appraisers of Colliers International Advisors OÜ, a private limited company registered in the Republic of Estonia under the registry code 11330404. Colliers International Advisors OÜ is established and operates under the laws of the Republic of Estonia. The registered address of Colliers International Advisors OÜ is Tallinn, Lasnamäe linnaosa, Valukoja tn 8/1, 11415, and telephone number in the registered office is +372 6160 777.

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 Colliers International Advisors SIA, a private limited company registered in the Republic of Latvia under the registry code 40103255403. Colliers International Advisors SIA, is established and operates under the laws of the Republic of Latvia. The registered address of Newsec Valuations LV SIA is Satekles 2B, Riga, LV-1050, Latvia, and telephone number in the registered office is +371 67783333.

For the purposes of appraising North Star, Europa SC, Meraki properties in Lithuania, the valuation reports were prepared by licensed appraisers of UAB Colliers International Advisors, a private limited company registered in the Republic of Lithuania under the registry code 302424118. UAB Colliers International Advisors is established and operates under the laws of the Republic of Lithuania. The registered address of UAB Colliers International Advisors is J. Jasinskio St. 12, LT-01112 Vilnius, Lithuania, and telephone number in the registered office is +370 52491212.

6.9.8. 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, Pirita 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.
- 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 North Star in Vilnius.
- Newsec Property Management LT UAB, a private limited company registered under the laws of the Republic of Lithuania under the registry code 300050216, with a registered address at Konstitucijos 21B, Quadrum North, 8 aukštas, Vilnius, LT-01103 Lithuania. As at the date of the Prospectus, Newsec Property Management LT UAB provides services to Europa SC 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. As of 1 October 2022 Newsec Property Management LT took over management of Europa SC.

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.

6.9.9. 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.

6.9.10. 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 year ending 31 December 2022, was 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 year ending 31 December 2022, was audited by auditors of Ernst & Young Baltic AS.

7. PRESENTATION OF FINANCIAL INFORMATION

7.1. GENERAL STATEMENT

In view of the dynamic and challenging operating context, the Fund management team has effectively steered operations within an environment characterized by change and adversity. Over recent years, the broader real estate market, including our Fund, has confronted a series of external upheavals, notably the impact of the COVID-19 pandemic, the Ukrainian-Russian conflict, escalating energy and construction costs, and higher EURIBOR rates. These developments have fundamentally reshaped the investment environment, impacting the Fund's financial position and necessitating adjustments to our strategic approach.

The Fund has been actively implementing transformative measures across its centrally located assets, encompassing the introduction of refreshed concepts and the attraction of new anchor tenants. Fund's management team aims to complete the redevelopment of currently vacant areas, implementing new asset concepts and securing new anchor leases over the forthcoming 12-24 months. During the first half of 2023, the Fund 7.5% like-for-like growth in the net operating income of its assets compared to H1 2022, underscoring its ability to index rents for existing tenants and unlock value through new leases. We are diligently pursuing multiple cost-saving strategies to uphold operational profitability and mitigate exposure to rising costs. These strategic initiatives, coupled with the expected recovery of rental income within the portfolio, should potentially offset the challenges presented by the elevated cost of debt.

Furthermore, the Fund remains committed to the strategic divestment of non-core assets. The proceeds from these divestitures will serve a dual purpose: firstly, to retire the outstanding short-term portion of the bond issue, effectively reducing our debt exposure; and secondly, to provide essential funding for capital expenditures and tenant fit-out costs within our property portfolio and strategic initiatives. As part of the ongoing efforts to improve the financial position, the Fund is actively engaged in intensive negotiations to refinance all bank loans expiring within the next 12 months, with several assets already receiving positive financing indications from our banking partners. The Fund will continue to explore avenues for strengthening its equity base in the coming periods, with the goal of reducing its financial leverage to achieve a target loan-to-value ratio of below 50%.

7.2. 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 31 August 2023 (EUR 0.9863per Unit).

Table 10: NAV metrics, EUR thousand (unless stated otherwise)

	31 Dec 2021 audited	31 Dec 2022 audited	30 Jun 2023 unaudited
NAV (per financial statements)	132,584	133,655	118,504
IFRS NAV per unit, EUR	1.11	1.12	0.99
Reversals:			
Derivative financial instruments	865	(1,837)	(1,638)
Deferred tax asset related to derivative financial instruments	(36)	156	103
Deferred tax liability related to investment property fair and tax value differences	8,763	9,969	5,154
EPRA NRV	142,176	141,943	122,123
EPRA NRV per unit, EUR	1.19	1.19	1.02
Number of units	119,635,429	119,635,429	119,635,429

Source: 2023 is based on unaudited interim consolidated financial statements of the Fund for the 6-month period ended 30 June 2023, audited consolidated financial statements of the Issuer for the year 2021-2022.

The Fund's most recent NAV disclosed in interim financial statements, dated 30 June 2023, stood at EUR 118.5m corresponding to EUR 0.9905 per unit compared to EUR 133.7m or EUR 1.1172 per unit at the end of 2022. 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 December 2022 was EUR 1.1172 per Unit and EPRA NAV EUR 1.1865 per Unit.

At the end of 30 June 2023, the Fund's NAV decreased to EUR 118.5 million (31 December 2022: EUR 133.7 million). Compared to the year-end 2022 NAV, the Fund's NAV decreased by 11.3%. As of 31 December 2022, IFRS NAV per unit rose to EUR 1.1172 (31 December 2021: EUR 1.1082), while EPRA net tangible assets and EPRA net reinstatement value was EUR 1.1865 per unit (31 December 2021: EUR 1.1884). EPRA net disposal value was EUR 1.1143 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 2022³). 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:

1. Derivative financial instruments assets (EUR 1.8m on 31 December 2022) which reflects the fair value of interest rate swap and cap 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 156 thousand on 31 December 2022). This liability would crystallise only if the interest rate swap and cap 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 and other deferred tax liabilities (EUR 10.0m on 31 December 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 31 July 2023, amounted to EUR 122.3m or EUR 1.0220 per Unit.

In October 2019, EPRA published new Best Practices Recommendations (BPR)² 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 12-month period ended 31

³ Available publicly at <https://www.epra.com/finance/financial-reporting/guidelines>

December 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 342 thousand on 31 December 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 11: EPRA NAV metrics, EUR thousand (unless stated otherwise)

	EPRA NRV audited	30 June 2023 EPRA NTA audited	EPRA NDV audited
NAV (per financial statements)	118,504	118,504	118,504
IFRS NAV per unit, EUR	0.99	0.99	0.99
Exclude:			
Derivative financial instruments	5,154	5,154	-
Deferred tax asset related to derivative financial instruments	103	103	-
Deferred tax liability related to investment property fair and tax value differences	(1,638)	(1,638)	-
Include:			
Revaluation at fair value of fixed-rate loans	-	-	(432)
NAV	122,123	122,123	112,072
NAV per unit, EUR	1.02	1.02	0.99
Number of units	119,635,429	119,635,429	119,635,429

7.3. SIGNIFICANT CHANGE IN THE FINANCIAL OR TRADING POSITION

Since 30 June 2023 – there has been no significant changes in the financial, trading position or in the prospects of the Issuer.

Since 30 June 2023 – the last reporting date of Management Company – there has been no significant changes in the financial or trading position of the Management Company.

8. TAXATION

The following information is of a general nature only and is based on the laws in force in the territory of Estonia at the date of this Prospectus. The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in Estonia and does not address all the tax consequences applicable to all categories of investors, some of which (such as look-through entities, undertakings for collective investment in transferable securities or Bondholders by reason of employment) may be subject to special rules. Prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences, under the tax laws of the country in which they are resident, of a purchase of Bonds including, without limitation, the consequences of receipt of interest and premium, if any, on and sale or redemption of the Bonds or any interest therein.

The information contained within this section is limited to certain Estonian tax issues and prospective investors in the Bonds should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Estonian tax law, to which

they may be subject. Application of a specific tax treaty concluded between Estonian and investor's tax residency state may lead to different taxation as described under the headings of "Non-resident Bondholders".

Where in this summary English terms and expressions are used to refer to respectively Estonian concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the respective equivalent Estonian concepts under relevant 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.

Tax Residents

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.

Withholding Tax

Non-resident Bondholders

According to the Estonian Income Taxation Act ("EITA"), interest payments made by the Issuer to Estonian non-resident Bondholders (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 Bondholders" below).

As an exception from the above, withholding tax is charged on interest that a non-resident Bondholder received in connection with holding in the Issuer, provided it qualifies as a real estate fund. As the Bonds to be issued do not represent holding in the Issuer, the interest would not qualify as such and would not be taxable with Estonian income tax under that ground.

Resident Bondholders

Pursuant to the EITA, interest payments made by the Issuer to Estonian tax resident corporate taxpayer Bondholders 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 Bondholders. However, the Issuer will not withhold income tax if the Estonian resident natural person Bondholder 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 Bondholder as specified in Article 17² of the EITA.

No withholding tax is applicable to capital gains received by corporate and natural person residents of Estonia from the sale of the Bonds.

Income Taxation

Non-resident Bondholders

According to the EITA, interest payments made by the Issuer to Estonian non-residents Bondholders (corporate entities and natural persons) is not subject to income tax in Estonia. The interest income and capital gains received by non-resident Bondholders may be subject to taxation in their country of residence. Withholding tax may apply in case the conditions of interest paid by real estate entity described under heading "2 Withholding tax. Non-resident Bondholders" above are met.

Income tax at the rate of 20 percent is charged on gains derived by a non-resident from a transfer of claim which is related to an immovable or a structure (building) as a movable, which is located in Estonia. This basis for taxation is not met as it comes to the Bonds issued by the Issuer.

With regard to interest income received by a permanent establishment located in Estonia, see "—Resident Bondholders" below.

Resident Bondholders

Corporate residents interest income and capital gains received by resident legal entities and permanent establishments of non-residents is not subject to corporate income tax ("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 at the rate of 20% or 14% (from the gross amount).

Permanent establishments of non-residents of Estonia are taxed under the same rules as resident corporate entities, with some special rules. Profit attributed to a 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 personal income tax ("**PIT**") in Estonia which is withheld by the Issuer acting through a fund manager. Interest income covers all interest accrued from loans, leases and other debt obligations, as well as securities and deposits, including such amount calculated on the debt obligations by which the initial debt obligations are increased.

Capital gains earned by Estonian tax resident individuals from the sale or exchange of Bonds is taxed as profit from the transfer of property, which is subject to PIT at the rate of 20 percent. Pursuant to Section 37 (1) of the EITA, the gains or loss derived from the sale of Bonds is the difference between the acquisition cost and the selling price of the Bonds. The 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 Bondholder has the right to deduct certified expenses directly related to the sale or exchange of property from the Bondholder's gain or to add such expenses to the Bondholder's loss.

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 17² of the EITA. This special regime applies strictly to the securities referred to in section 17¹ of the EITA. The moment of taxation of the financial income held on an investment account is postponed until such income is withdrawn from the investment account (i.e., the amount withdrawn from the account exceeds the amount which had been previously paid into the account).

Other Taxes and Duties

Estonia does not apply any other taxes or state effected duties on transferring the Bonds. Estonia does not apply gift taxes, except making a gift by a corporate entity is taxable as deemed profit distribution at the rate of 20 percent (from the gross amount). Estonia does not apply inheritance tax and wealth taxes. Respective state fees are applicable in case of initiating a judicial procedures against debtor, subject to partial or full reimbursement in case of successful judicial procedure. In case of using notarized form for certain transactions, the notary fees may be applicable.

Value-added Tax

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

The Issuer

BALTIC HORIZON FUND

Tornimäe 2, 10145 Tallinn, Estonia
www.baltichorizon.com

Management Company

NORTHERN HORIZON CAPITAL AS

Tornimäe 2, 10145 Tallinn, Estonia
www.nh-cap.com

Legal Advisor to the Management Company

ADVOKAADIBÜROO SORAINEN OÜ

Tallinn, Kesklinna linnaosa, Rotermanni tn 6, 10111
www.sorainen.com

Manager of the Offering

LUMINOR BANK AS

represented within the Republic of Lithuania by Luminor Bank AS Lithuanian branch, registered at Konstitucijos
ave. 21A, 03601 Vilnius, Lithuania, reg no. 304870069

Tallinn, Kesklinna linnaosa, Liivalaia tn 45, 10145
<https://luminor.ee/>

APPENDIX A – FUND RULES

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 (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 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 (M_{Cap_i}) multiplied by
- (ii) respective fee rate (F_n) applied to the respective tranche, then the aggregate of the fees from each tranches multiplied by
- (iii) the quotient of the actual number of days in the respective quarter (Actual_q) divided by 365 days per calendar year, as also indicated in the formula below

$$((M_{Cap_1} \times F_1) + \dots + (M_{Cap_5} \times F_5)) \times (Actual_q / 365)$$

- (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;
- (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. *COMPANY NOT*

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 REPORT



Baltic Horizon Fund

Portfolio Valuation Condensed Report

Value date: June 30, 2023

Prepared by: Colliers International

Summary

Valuation Results

- Valuation date: June 30, 2023
- Document released: July 28, 2023
- Geography: Estonia, Latvia and Lithuania
- Sectors: retail, office, leisure, development
- Currency: EUR
- VAT: valuation inputs and results are net-VAT
- Changes vs previous valuation: -13.211 mEUR / -5.0% (mid-2023 vs end-2022; Total like-for-like assets)

	Count	Reported Market Value, €	Market Value, €/sqm	WA Initial Yield
Estonia	3	58 520 000	1 384	6.76%
Latvia	5	124 800 000	1 844	5.20%
Lithuania	3	72 150 000	1 409	5.35%
Total/ Average	11	255 470 000	1 590	5.60%

Individual Objects: Figures (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	18 372	3.0%	2 238 941	3 198 913	14.51
2	Lincona Office Complex	Office	10 776	8.0%	987 862	1 826 258	14.12
4	Pirita SC	Retail	5 441	6.0%	730 394	1 324 622	20.29
Estonia			34 589		3 957 197	6 349 793	15.30
6	LNK Centre	Office	6 849	5.0%	536 608	1 156 698	14.07
7	Upmalas Biroji	Office	9 876	5.0%	952 133	1 492 301	12.59
8	Vainodes I	Office	6 950	5.0%	1 324 369	1 811 776	21.72
9	Galerija Centrs	Retail	19 271	3.5%	3 214 850	6 745 928	29.17
10	SKY Supermarket	Retail	3 241	5.0%	412 693	1 052 296	27.06
Latvia			46 187		6 440 653	12 258 999	22.12

Individual Objects: Figures (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	16 782	5.0%	781 514	901 525	4.48
4	North Star BC	Office	10 458	5.0%	1 187 168	1 379 498	10.99
5	Europa SC	Retail	17 051	5.0%	1 890 589	2 540 700	12.42
Lithuania			44 291		3 859 271	4 821 723	9.07
Total			125 066		14 257 121	23 430 515	15.61

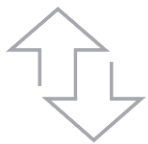
Individual Objects: Figures (3)

Valuation Summary

No	Property	Discount rate	Exit yield	Reported value: EUR	Reported Value: EUR/sqm (NLA)
1	Coca-Cola Plaza + Postimaja SC	8.30%	6.80%	35 520 000	1 933
2	Lincona Office Complex	9.10%	7.90%	14 180 000	1 316
3	Pirita SC	9.30%	7.80%	8 820 000	1 621
Estonia				58 520 000	1 692
1	LNK Centre	8.40%	6.25%	15 260 000	2 228
2	Upmalas Biroji	8.85%	6.75%	20 000 000	2 025
3	Vainodes I	8.10%	6.65%	17 220 000	2 338
4	Galerija Centrs	9.30%	7.00%	66 840 000	3 468
5	SKY Supermarket	9.20%	7.25%	5 480 000	1 691
Latvia				124 800 000	2 681
1	Meraki (development)	9.80%	7.25%	16 240 000	968
4	North Star BC	9.40%	7.00%	20 240 000	1 935
5	Europa SC	9.00%	7.00%	35 670 000	2 092
Lithuania				72 150 000	1 629
Total				255 470 000	2 043

On Market and Portfolio

General Comments



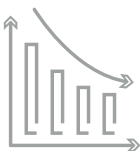
Estonia:

- Q2 2023 saw calm investment activity with a YTD volume decrease of 65% compared to the previous year.
- Notable transactions included hotel purchases and ground floor commercial premises, with yields experiencing upward pressure.



Latvia:

- Investment volume in Q2 2023 reached EUR 55 million, showing improvement from Q1 but still below typical figures.
- Key deals encompassed hotel sales, mixed-use property acquisitions, and limited greenfield/brownfield activity, while yields adjusted based on financing costs and market sentiment.



Lithuania:

- Despite uncertain forecasts, Lithuania's investment market demonstrated resilience with notable activity in office and entertainment segments.
- Significant transactions involved office acquisitions by East Capital and Grinvest, alongside other noteworthy deals, leading to yield increases across all segments due to prevailing interest rates and market sentiment.

The BHF portfolio's aggregated market value decrease is mainly attributed to: (-) weaker performance of specific assets; (-) increased discount and capitalization rates due to rising market interest rates; (-) rental income growth lagging behind inflation, coupled with higher cost base leading to an adverse impact on NOI change.

Individual Objects Focus (1)

Main Factors Behind Market Value Changes

ID	Country	Property	Market Value, €	Comments
EE01	Estonia	Coca-Cola Plaza + Postimaja SC	35 520 000	(-) decrease in NLA (-) Increase in the cap rate from 6.3% to 6.8% (-) due to the increase in lending rates, the discount rate increased
EE02	Estonia	Lincona Office Complex	14 180 000	(-) cap rate increased from 7.5% to 7.9% (-) due to the increase in lending rates, the discount rate increased (-) comparing to the year-end slight decrease in the contract rent by ca. 2% (-) vacancy increased from 9% to 14%. In addition, given that the contract with Rimi ends in October, the potential vacancy of the building could reach 16%
EE04	Estonia	Pirita SC	8 820 000	(-) cap rate increased from 7.5% to 7.8% (-) due to the increase in lending rates, the discount rate increased (-) increase in vacancy
LV01	Latvia	LNK Centre	15 260 000	(-) higher cap rate and higher discount rate; (-) two larger tenants terminating leases in 2023
LV02	Latvia	Upmalas Biroji	20 000 000	(-) higher cap rate (-) higher discount rate
LV03	Latvia	Vainodes I	17 220 000	(-) higher cap rate (-) higher discount rate

Individual Objects Focus (2)

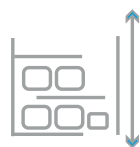
Main Factors Behind Market Value Changes

ID	Country	Property	Market Value, €	Comments
LV04	Latvia	Galerija Centrs	66 840 000	(+) food-court performance exceeding budgeted levels (+) new tenant Arket starting from Nov 2023 (-) higher cap rate (-) significant increase in vacancy rate; (-) significant planned CAPEX (-) Kolonna premises about to be vacant
LV05	Latvia	SKY Supermarket	5 480 000	(-) higher cap rate (-) higher discount rate
LT01	Lithuania	Meraki (development)	16 240 000	(-) higher cap rate (-) higher discount rate
LT04	Lithuania	North Star BC	20 240 000	(-) higher cap rate (-) higher discount rate
LT05	Lithuania	Europa SC	35 670 000	(-) slightly higher discount rate (-) higher CAPEX / OPEX (-) still high vacancy after reconstruction

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

11 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-2022



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.

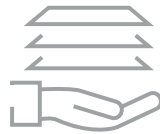
Valuation Instruction

General Scope (2)



Basis of Value

Market Value AS IS



Unit of account

Individual objects



Value date

Mid-year: June 30, 2023

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-2023

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

3

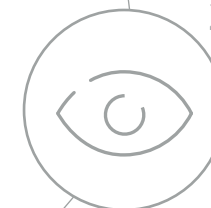


The valuation process was carried out by the **valuation experts (incl. experts with local and international certification)** of Colliers' Estonia, Latvia and Lithuania

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Compilers and Verifiers of the Valuation

Estonia:



Darja Liping
Valuer, Valuation Department
 darja.liping@colliers.com
 +372 5569 0178
 Tallinn, ESTONIA



Jana Kiik
Head of Valuation Department
 jana.kiik@colliers.com
 +372 512 8114
 Tallinn, ESTONIA

Lithuania



Aleksej Kalev
Valuation Department Director
 aleksej.kalev@colliers.com
 +370 6722 6435
 Vilnius, LITHUANIA



Jurgita Peslekaite
Valuer, Valuation Department
 jurgita.peslekaite@colliers.com
 +370 6878 4811
 Vilnius, LITHUANIA

Latvia:



Jānis Ozols
MRICS, Partner | Valuation & Advisory
 janis.ozols@colliers.com
 +371 29630044
 Riga, LATVIA



Jānis Kalniņš
Valuer, Director | Valuation Department
 janis.kalnins@colliers.com
 +371 29186656
 Riga, LATVIA



Didzis Usenieks
Senior Valuer
 didzis.usenieks@colliers.com
 +371 26258143
 Riga, LATVIA



Sandis Kurilovičs
MRICS, Senior Valuer
 sandis.kurilovics@colliers.com
 +371 26157 991
 Riga, LATVIA

Colliers International Advisors | Estonia

Valukoja 8 Tallinn | Estonia

Phone +372 6160 777

E-mail colliers.estonia@colliers.com

www.colliers.com

Colliers International Advisors | Latvia

Origo One Business Center

Satekles 2B - 512 , Riga | Latvia

Phone +371 6778 3333

E-mail colliers.latvia@colliers.com

www.colliers.com

Colliers International Advisors | Lithuania

Gynėjų Street 14, Vilnius | Lithuania

Phone +370 5 249 1212

E-mail colliers.lithuania@colliers.com

www.colliers.com



APPENDIX C -BONDS TERMS AND CONDITIONS

**TERMS AND CONDITIONS FOR
BALTIC HORIZON FUND
EUR 42,000,000
FLOATING RATE BONDS 2023/2028

ISIN: EE3300003235**

Other than the registration of the Bonds under Estonian law, no action is being taken in any jurisdiction that would or is intended to permit a public offering of the Bonds or the possession, circulation or distribution of this document or any other material relating to the Issuer or the Bonds in any jurisdiction where action for that purpose is required.

The distribution of this document and the private placement of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required to inform themselves about, and to observe, such restrictions.

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and are subject to U.S. tax law requirements. The Bonds may not be offered, sold or delivered within the United States of America or to, or for the account or benefit of, U.S. person

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**TERMS AND CONDITIONS FOR
BALTIC HORIZON FUND
EUR 42,000,000
FLOATING RATE BONDS 2023/2028**

ISIN: EE3300003235

*Pursuant to these terms and conditions (the “**Terms and Conditions**”) Northern Horizon Capital AS (registry code: 11025345; address: Tornimäe 2, 10145 Tallinn, Estonia) on the account of Baltic Horizon Fund, a public closed-ended contractual real estate investment fund registered in the Republic of Estonia (the “**Issuer**”) will issue bonds governed by the laws of Estonia and representing direct and general debt obligations of the Issuer which shall be, for a limited period of time, secured by a collateral as stipulated in these Terms (“**Bonds**”).*

1. DEFINITIONS AND CONSTRUCTION

1.1 Definitions

In these Terms and Conditions:

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

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

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

“**Agent**” means the Holders’ agent under these Terms and Conditions from time to time; initially Triniti Collateral Agent IX OÜ with registration code 16624814 and registered address at Türitn 7, 11314, Tallinn, Republic of Estonia. For the avoidance of doubt, (initially) the Agent and the Collateral Agent roles are being fulfilled by the same legal person and they are referred to as separate persons within the meaning of these Terms and Conditions solely for the clarity purposes.

“**Agent Agreement**” means Collateral Agent Agreement to the extent it regulates the rights and obligations of the Agent (and not the Collateral Agent). For the avoidance of doubt, Agent Agreement and the Collateral Agent Agreement constitute one single agreement and are referred to as separate agreements within the meaning of these Terms and Conditions solely for the clarity purposes.

“**Bond**” means a debt obligation, for the Nominal Amount and of the type set forth in Section 2 (1) 2) of the Estonian Securities Market Act (in Estonian: *Väärtpaberituru seadus*), issued by the Issuer under these Terms and Conditions on the Issue Date.

“Bond Documentation” means the following documents: (i) these Terms and Conditions; (ii) upon of listing of the Bonds, the prospectus prepared in connection with such listing; (iii) the Collateral Agreement; (iv) the Collateral Agent Agreement; (v) the Agent Agreement; the (vi) the Subscription Order; and (vii) the subordination agreement to be entered into in accordance with Clause 3.2.

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

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

“Collateral” means the security interests listed in Clause 10.2, which shall be established in favour of the Collateral Agent as the pledgee acting in the interests of the Holders in accordance with these Terms and Conditions and the Collateral Agent Agreement.

“Collateral Agent” means the collateral agent holding the Collateral for the Holders; initially Triniti Collateral Agent IX OÜ with registration code 16624814 and registered address at Türi tn 7, 11314, Tallinn, Republic of Estonia.

“Collateral Agent Agreement” means the agreement entered into on or before the Issue Date between the Issuer and the Collateral Agent that stipulates the fees and remuneration payable to the Collateral Agent for the performance of its duties under the Terms and Conditions and the Collateral Agreement.

“Collateral Agreement” means the agreement entered into on or before the Issue Date between the Collateral Agent, the Issuer and the Collateral Provider for the establishment of the Collateral, as well as any agreements for the amendment of the agreements for the establishment of the Collateral and any and all other documents made or to be made in relation such agreement.

“Collateral Provider” means of BH Meraki UAB, a company incorporated under the laws of Lithuania, registered in the Lithuanian commercial register with registry code 304875582.

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

“CSD” means the Issuer’s central securities depository and registrar in respect of the Bonds from time to time; initially Nasdaq CSD SE Estonian branch, reg. no. 14306553, address Maakri 19/1, 10145 Tallinn, Estonia.

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

“De-listing Event” means the situation where (i) the Issuer’s fund units are no longer listed and admitted to trading on Nasdaq Tallinn or any other Regulated Market; or (ii) trading of the Issuer’s listed fund units on the aforementioned stock exchanges is suspended for a period of fifteen (15) consecutive Business Days (when Nasdaq Tallinn or the relevant Regulated Market (as applicable) is at the same time open for trading); or (iii) trading in the Bonds of the Issuer on the relevant Regulated Market is suspended for a period of fifteen (15) consecutive Business Days (when Nasdaq

Tallinn or the relevant Regulated Market (as applicable) is at the same time open for trading).

“Determination Date” means a date two Business Days prior to the new Interest Period.

“EBITDA” means, in respect of Relevant Period, the operating profit of the Group determined in accordance with the Accounting Principles plus depreciation minus extraordinary incomes and valuations plus extraordinary expenses.

“Equity” means the aggregate book value of the Group’s total equity on a consolidated basis according to the latest Financial Report.

“Equity Ratio” means the ratio of the Issuer’s Equity divided by Total Assets.

“EUR” means the lawful currency of Estonia.

“EURIBOR” means:

- (a) the euro interbank offered rate administered by the European Money Markets Institute (or any other person which takes over the administration of that rate) (**“Screen Rate”**). If such page or service ceases to be available, the Agent may specify another page or service displaying the relevant rate after consultation with the Holders;
- (b) (if no Screen Rate referred to in item (a) above is available for the relevant period) the rate (rounded to the same number of decimal places as the two relevant Screen Rates) which results from interpolating on a linear basis between: (i) the applicable Screen Rate for the longest period (for which that Screen Rate is available) which is less than the relevant period; and (ii) the applicable Screen Rate for the shortest period (for which that Screen Rate is available) which exceeds the relevant period, (**“Interpolated Screen Rate”**); or
- (c) (if no Screen Rate referred to in item (a) above is available for the relevant period and it is not possible to calculate an Interpolated Screen Rate), the rate with which the Screen Rate is replaced by majority of Estonian commercial banks as the new market practice, as determined by the Agent, on the Determination Date for euro and for a period equal in length to 3 months and, if that rate is less than zero, the rate shall be deemed to be zero.

“Event of Default” means an event or circumstance specified in Clause 14.1.

“Final Redemption Date” means 8 May 2028.

“Financial Indebtedness” means any indebtedness in respect of:

- (a) monies borrowed or raised, including Market Loans;
- (b) the amount of any liability in respect of any finance leases, to the extent the arrangement is or would have been treated as a finance lease in accordance with the Accounting Principles as applicable on the Issue Date (a lease which in the accounts of the Group is treated as an asset and a corresponding liability), and for the avoidance of doubt, any leases treated as operating leases under the Accounting Principles as applicable on the Issue Date shall not, regardless of any subsequent changes or amendments of the Accounting Principles, be considered as finance or capital leases;
- (c) receivables sold or discounted (other than on a non-recourse basis, provided that the requirements for de-recognition under the Accounting Principles are met);

- (d) any amount raised under any other transaction having the commercial effect of a borrowing (including forward sale or purchase arrangements);
- (e) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the mark to market value shall be taken into account), excluding any derivative transactions that would not bring along any additional liability exposure (including, but not limited to hedge caps) ;
- (f) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (g) (without double counting) any guarantee or other assurance against financial loss in respect of a type referred to in the above items (a) to (f).

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

“Financial Report” means the annual audited consolidated financial statements of the Group, the annual audited unconsolidated financial statements of the Issuer, the quarterly interim unaudited consolidated reports of the Group or the quarterly interim unaudited unconsolidated reports of the Issuer, which shall be prepared and made available according to item (a) and (b) under Clause 13.12 (*Financial reporting*). **“Group”** means the Issuer and all the Subsidiaries from time to time (each a **“Group Company”**).

“Holder” means the Person who is a registered holder of a Securities Account where Bonds are registered or the Person whose Bonds are registered on a nominee account.

“Holders’ Meeting” means a meeting among the Holders held in accordance with Clause 17 (*Holders’ Meeting*).

“Interest” means the interest on the Bonds calculated in accordance with Clauses 9.1 to 9.4.

“Interest Payment Date” means 8 May, 8 August, 8 November and 8 February each year or, to the extent such day is not a Business Day, the Business Day following from an application of the Business Day Convention (with the first Interest Payment Date being 8 August 2023 and the last Interest Payment Date being the Final Redemption Date).

“Interest Period” means each period beginning on (but excluding) the Issue Date or any Interest Payment Date and ending on (and including) the next succeeding Interest Payment Date (or a shorter period if relevant).

“Interest Rate” means a floating rate of 8% + EURIBOR 3-months *per annum*.

“Issue Date” means 8 May 2023.

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

“Issuing Agent” means Luminor Bank AS, represented within the Republic of Lithuania by Luminor Bank AS Lithuanian branch, registered at Konstitucijos ave. 21A, 03601 Vilnius, Lithuania, reg no. 304870069 or another party replacing it, as Issuing Agent, in accordance with these Terms and Conditions.

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

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

“Material Adverse Effect” means a material adverse effect on (i) the business, property, financial condition, prospects or operations of the Issuer, any Group Company or Group taken as a whole, (ii) the Issuer’s ability or willingness to perform and comply with its payment and other obligations under these Terms and Conditions (iii) the Collateral Provider’s ability or willingness to perform and comply with its obligations under the Collateral Agreement, (iv) the validity or enforceability of these Terms and Conditions or other Bond Documentation, (v) the value, validity or enforceability of the Collateral, or (vi) rights or remedies of the Holders under the Bond Documentation.

“Nasdaq Tallinn” means the Regulated Market of Nasdaq Tallinn Aktsiaselts, reg. no. 10359206, Maakri tn 19/1, 10145 Tallinn, Estonia.

“Net Proceeds” means the proceeds from the Bonds issued on the Issue Date which, after deduction has been made for the transaction costs payable by the Issuer to the Issuing Agent and Sole Bookrunner for the services provided in relation to the placement and issuance of the Bonds, shall be transferred to the Issuer and used in accordance with Clause 4 (Use of proceeds).

“Nominal Amount” has the meaning set forth in Clause 2.1.

“Outstanding Bonds” means the Issuer’s currently outstanding bonds with an ISIN code of EE3300111467.

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

“Parallel Debt” means a payment undertaking and the obligations and liabilities resulting from it by the Issuer to the Collateral Agent set forth in Clause 11.

“Permitted Debt” means any Financial Indebtedness:

- (a) incurred under or in connection with the Bonds issued on the Issue Date (including any derivative transaction entered into in connection with protection against or benefit from fluctuation in Interest Rate of the Bonds)
- (b) incurred in order to refinance all the Bonds simultaneously or any other Financial Indebtedness of the Issuer existing on the Issue Date as disclosed separately to the Holders subscribing the Bonds before the Issue Date, whereby, for the

avoidance of doubt, excluding Financial Indebtedness to finance the partial redemption of Bonds (including, under Clause 12.4);

- (c) taken up from a Group Company;
- (d) incurred additionally by any Subsidiary (other than the Collateral Provider) provided that financial covenants set forth in Clause 13.3.1 are tested and met pro forma including such incurrence;
- (e) incurred in order to refinance any current Financial Indebtedness of any Subsidiary (other than the Collateral Provider);
- (f) for (i) which the Issuer has received a prior consent from the Holders in a format which can be reproduced in writing, and (ii) which is subordinated to the Bonds.

“Record Date” means the fifth (5th) Business Day prior to (i) an Interest Payment Date, (ii) a Redemption Date, (iii) a date on which a payment to the Holders is to be made under Clause 15 (*Distribution of proceeds*) or (iv) another relevant date, or in each case such other Business Day falling prior to a relevant date if generally applicable on the Estonian bond market.

“Redemption Date” means the date on which the relevant Bonds are to be redeemed or repurchased in accordance with Clause 12 (*Redemption and repurchase of the Bonds*).

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

“Relevant Period” means each period of twelve (12) consecutive calendar months.

“Sanctioned Person” shall mean any person who is a designated target of Sanctions or is otherwise a subject of Sanctions (including as a result of being (a) owned or controlled directly or indirectly by any person which is a designated target of Sanctions, or (b) organised under the laws of, or a resident of, any country that is subject to general or country-wide Sanctions).

“Sanctions” shall mean any economic or financial sanctions, law, regulations, trade embargoes or similar restrictive measures (including measures in relation to the financing of terrorism) enacted, administered or enforced by any of the following (or by any agency of any of the following):

- (a) the United Nations and any agency or Person which is duly appointed, empowered or authorised by the United Nations to enact, administer, implement and/or enforce such measures;
- (b) the United States of America, its government and any department, division, agency or office thereof, including OFAC, the United States Department of State and/or the United States Department of Commerce;
- (c) the European Union or any present or future member state thereof, and any agency or Person which is duly appointed, empowered or authorised by the European Union to enact, administer, implement and/or enforce such measures; or
- (d) the United Kingdom.

“Secured Obligations” means any and all present and future payment obligations and liabilities (whether actual or contingent or whether owed jointly and severally or

in any other capacity) owed by the Issuer, any member of the Group or any Collateral Provider to the Secured Parties under these Terms and Conditions, the Collateral Agreement and the Collateral Agent Agreement, including but not limited to the obligations arising from the Bonds and the Parallel Debt.

“Secured Parties” means the Holders and the Collateral Agent.

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

“Securities Markets Act” means the Estonian Securities Markets Act (in Estonian: *väärtpaberituru seadus*).

“Securities Register Maintenance Act” means the Estonian Securities Register Maintenance Act (in Estonian: *väärtpaberite registri pidamise seadus*).

“Sole Bookrunner” means Luminor Bank AS, represented within the Republic of Lithuania by Luminor Bank AS Lithuanian branch, registered at Konstitucijos ave. 21A, 03601 Vilnius, Lithuania, reg no. 304870069.

“Subscription Order” means a document, which is submitted by an investor to the Issuer substantially in the form set out in Annex 1 to these Terms and Conditions, and in which the investor expresses a wish to acquire, through primary distribution, a certain amount of the Bonds and, subject to specified conditions precedent, undertakes to pay the issue price for the number of Bonds indicated in the Subscription Order.

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

“Total Assets” means the aggregate book value of the Group’s total assets on a consolidated basis according to the latest Financial Report.

“Transaction Costs” means all fees, costs and expenses incurred by the Issuer in connection with (i) the issue of the Bonds and (ii) the listing of the Bonds on Nasdaq Tallinn.

“Website” means Issuer’s website (<https://www.baltichorizon.com/>)

“Written Procedure” means the written or electronic procedure for decision making among the Holders in accordance with Clause 18 (*Written Procedure*).

1.2 **Construction**

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

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

- (b) any agreement or instrument is a reference to that agreement or instrument as supplemented, amended, novated, extended, restated or replaced from time to time;
- (c) a “regulation” includes any regulation, rule or official directive (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency or department;
- (d) a provision of law is a reference to that provision as amended or re-enacted; and
- (e) a time of day is a reference to Estonian local time (EET and EEST respectively).

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

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

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

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

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

2.1 The total aggregate Nominal Amount of the Bonds is EUR 42,000,000 which are represented by Bonds, each initially of a nominal amount of EUR 100,000 or full multiples thereof (the “**Nominal Amount**”). The Nominal Amount will be reduced respectively in case of mandatory early redemption in accordance with Clause 12.4.

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

2.3 The ISIN for the Bonds is EE3300003235.

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

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

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

2.7 By subscribing for the Bonds, each Holder agrees to, subject to agreed conditions precedent, pay for the subscribed Bonds using the payment method as agreed between the Issuer and the Holder. For the avoidance of doubt, the Issuer and the Holder may also agree that the Outstanding Bonds held by the Holder will be replaced with the new Bonds to be issued by the Issuer on or before the maturity date of the Outstanding Bonds and therefore used as a payment method for the new Bonds (i.e., rolling over the Outstanding Bonds). If this is the case then a set-off of the claims between the Holder and the Issuer arising from (i) the payment obligation of the

principal value of the Outstanding Bonds (i.e., without accrued but unpaid interest); and (ii) the payment obligation for the new Bonds shall take place, as in more detail specified in the Subscription Order.

- 2.8 Provided that the Holder and the Issuer have additionally agreed on the replacement specified in Clause 2.7, only the nominal value of the Outstanding Bonds may be used as a payment method for the new Bonds.

3. STATUS OF THE BONDS

- 3.1 Without prejudice to the effect of Collateral, the Bonds constitute direct, general, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank pari passu with all direct, general, unconditional, unsubordinated and unsecured obligations of the Issuer and without any preference among them, except as provided in Clauses 3.2 and 3.3.

- 3.2 The Issuer undertakes to ensure all claims arising from any credit agreements with Group Companies are subordinated to the claims of the Holders deriving from these Terms and Conditions and may only be paid in case no Event of Default is continuing and the payments under the credit agreements with Group Companies do not cause an Event of Default under these Terms and Conditions. For that purpose a subordination agreement will be entered into between the Issuer, the Collateral Agent and other Group Companies on the terms satisfactory to the Holders within 10 (ten) Business Days as of the Issue Date.

- 3.3 Notwithstanding what has been stipulated in Clause 3.1, the Issuer shall establish a Collateral for the Bonds in accordance with the terms of these Terms and Conditions which may be subject to release in accordance with Clause 10.2.

4. USE OF PROCEEDS

- 4.1 The Net Proceeds from the Bonds issued on the Issue Date shall be used towards refinancing existing interest bearing debt obligations (incl. redemption of Outstanding Bonds with ISIN code EE3300111467).

5. THE BONDS AND TRANSFERABILITY

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

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

- 5.3 Upon a transfer of Bonds, any rights and obligations under these Terms and Conditions relating to such Bonds are automatically transferred to the transferee (except the right to payments to the Holders that have become due prior to the transfer).

- 5.4 No action is being taken that would or is intended to permit a public offering of the Bonds or the possession, circulation or distribution of any document or other material relating to the Issuer or the Bonds in any jurisdiction other than Estonia, where action for that purpose is required. Each Holder must ensure compliance with such restrictions at its own cost and expense.

- 5.5 For the avoidance of doubt and notwithstanding the above, a Holder which allegedly has purchased Bonds in contradiction to mandatory restrictions applicable may nevertheless utilise its voting rights under these Terms and Conditions and shall be

entitled to exercise its full rights as a Holder hereunder in each case until such allegations have been resolved.

6. BONDS IN BOOK-ENTRY FORM

- 6.1 The Bonds will be registered for the Holders on their respective Securities Accounts and no physical Bonds will be issued. Accordingly, the Bonds will be registered in accordance with the Securities Register Maintenance Act.
- 6.2 The Issuer (and the Agent when permitted under the CSD's applicable regulations) shall be entitled to obtain the list of the Holders from the Estonian register of securities kept by the CSD in respect of the Bonds. At the request of the Agent, the Issuer shall promptly obtain such information and provide it to the Agent.
- 6.3 For the purpose of or in connection with any Holders' Meeting or any Written Procedure, the Issuing Agent shall be entitled to obtain information from the Estonian register of securities kept by the CSD in respect of the Bonds. If the Agent does not otherwise obtain information from Estonian register of securities as contemplated under these Terms and Conditions, the Issuing Agent shall at the request of the Agent obtain information from the Estonian register of securities and provide it to the Agent.
- 6.4 The Issuer shall issue any necessary power of attorney to such persons employed by the Agent, as notified by the Agent, in order for such individuals to independently obtain information directly from the Estonian register of securities kept by the CSD in respect of the Bonds. The Issuer may not revoke any such power of attorney unless directed by the Agent or unless consent thereto is given by the Holders.
- 6.5 At the request of the Agent, the Issuer shall promptly instruct the Issuing Agent to obtain information from the Estonian register of securities kept by the CSD in respect of the Bonds and provide it to the Agent.
- 6.6 The Issuer (and the Agent when permitted under the CSD's applicable regulations) may use the information referred to in Clause 6.2 only for the purposes of carrying out their duties and exercising their rights in accordance with these Terms and Conditions and shall not disclose such information to any Holder or third party unless necessary for such purposes.

7. RIGHT TO ACT ON BEHALF OF A HOLDER

- 7.1 If any Person other than a Holder wishes to exercise any rights of the Holder under these Terms and Conditions, it must obtain a power of attorney (or, if applicable, a coherent chain of powers of attorney) digitally signed with qualified electronic signature by the Holder or duly notarised, a certificate from the authorised nominee or other sufficient proof of authorisation for such Person.
- 7.2 A Holder may issue one or several powers of attorney to third parties to represent it in relation to some or all of the Bonds held by it. Any such representative may act independently under these Terms and Conditions in relation to the Bonds for which such representative is entitled to represent the Holder.
- 7.3 The Agent shall only have to examine the face of a power of attorney or other proof of authorisation that has been provided to it pursuant to Clauses 7.1 and 7.2 and may assume that it has been duly authorised, is valid, has not been revoked or superseded and that it is in full force and effect, unless otherwise is apparent from its face or notified to the Agent.

8. PAYMENTS IN RESPECT OF THE BONDS

- 8.1 Any payment or repayment under these Terms and Conditions, or any amount due in respect of a repurchase of any Bonds, shall be made to such Person who is registered as a Holder on the Record Date prior to the relevant payment date. Any payment from the Issuer or Collateral Provider to the Holder, Agent or Collateral Agent under the Bond Documentation shall be considered as duly made as from the moment when the respective amount has been irrevocably received on the relevant recipient's bank account.
- 8.2 Any payments will be transferred by the CSD to the Holder (directly or through its securities account manager) registered with the CSD on the Record Date. Should the CSD, due to a delay on behalf of the Issuer or some other obstacle not related to the CSD, not be able to effectuate payments as aforesaid, the Issuer shall procure that such amounts are paid to the Persons who are registered as Holders on the relevant Record Date as soon as possible after such obstacle has been removed. For the avoidance of doubt, any such delay will be considered as late payment by the Issuer for the purposes of Clause 9.5.
- 8.3 If, due to any obstacle for the CSD, the Issuer cannot make a payment or repayment, such payment or repayment may be postponed until the obstacle has been removed. For the avoidance of doubt, any such delay will be considered as late payment by the Issuer for the purposes of Clause 9.5.
- 8.4 The Issuer shall pay any registration fee and other public fees accruing in connection with the issue of the Bonds, but not in respect of trading in the secondary market (except to the extent required by applicable law) and shall deduct at source any applicable withholding tax payable pursuant to law. If, as a result of any change in, or amendment to, the laws or regulations applicable in Estonia, which change or amendment becomes effective on or after the Issue Date or as a result of any application or official interpretation of such laws or regulations not generally known before that date, any additional cost (including, reduction of any receivable) incurred by the Holder in relation to the Bonds, the Issuer shall reimburse such additional cost by increasing payments under the Bonds to the extent necessary to ensure that the Holder receives a sum net of any cost, deduction or withholding equal to the sum which it would have received had no such additional cost been incurred by the Holder.

9. INTEREST

- 9.1 The Bonds will bear Interest at the Interest Rate applied to the Nominal Amount from, but excluding, the Issue Date up to and including the relevant Redemption Date.
- 9.2 The Interest Rate shall be increased by 250 (two hundred fifty) basis points in case of any Event of Default has occurred under these Terms and Conditions. The increased Interest Rate under this Clause shall be applied as of the calendar day when the Event of Default occurred until the end of the Interest Period during which the Event of Default ceased to continue.
- 9.3 Payment of Interest in respect of the Bonds shall be made quarterly in arrears to the Holders on each Interest Payment Date for the preceding Interest Period.
- 9.4 Interest shall be determined on the basis of actual number of days in a time period, over the 365-days calendar year, i.e. a day count convention of ACT/365 shall be used.

- 9.5 If the Issuer fails to pay any amount payable (except Interest and default interest) by it under these Terms and Conditions on its due date, default interest shall accrue on the overdue amount from, but excluding, the due date up to and including the date of actual payment at the rate of 0.1% of the delayed amount per each delayed day. Accrued default interest which remains unpaid will be capitalised on the last day of each calendar month.

10. ESTABLISHMENT, RELEASE AND REALISATION OF THE COLLATERAL

- 10.1 For the purpose of constituting security for the due and punctual payment, discharge and performance of the Secured Obligations, the Issuer shall arrange establishing of the Collateral, on or before the Issue Date in favour of the Collateral Agent acting in the interests and/or (as may be applicable) on behalf of the Holders. The Collateral Agent shall hold the Collateral in the interests of the Holders in accordance with these Terms and the Collateral Agent Agreement. For the avoidance of doubt, the Holders subscribing for the Bonds will not be obliged to pay the subscription price unless the Collateral has been duly established and (where applicable) registered.

- 10.2 The Issuer shall procure the conclusion by the Collateral Provider of the Collateral Agreement for the establishment of a first ranking mortgage over the immovable property owned by the Collateral Provider and located at Eitminų str. 3, Vilnius, Lithuania registered in the Lithuanian land register with the following registered immovable numbers: 44/2350555, 44/2804952, 44/2804953, 44/2760557, 44/2760558, 44/2760559.44/2350555. Provided that the following preconditions for the release of the Collateral are met:

- (a) the mandatory partial early redemption of the Bonds as stipulated in Clause 12.4 has been completed in full;
- (b) the Debt Service Coverage Ratio of the Group shall be one point twenty (1.20) or greater calculated for that purpose *pro forma*; and
- (c) the Equity Ratio of the Group shall be thirty seven point five (37,5) per cent. or greater,

and

- (i) the Agent has received from the Issuer, immediately after the Issuer has carried out the calculations of the Debt Service Coverage Ratio and Equity Ratio, an application for the release of the Collateral together with a Compliance Certificate confirming and evidencing in reasonable detail the fulfilment of the above preconditions; and
- (ii) any of the Holders has not, within five (5) Business Days after being informed by the Agent of the receipt of the Issuer's application, objected to the release of the Collateral on the basis that the above preconditions have actually not being duly fulfilled,

the Collateral Agent shall give consent and take immediately all actions that the Collateral Agent as the holder of the Collateral should reasonably take with the purpose to release the Collateral at the cost of the Collateral Provider.

The financial covenants as stipulated in items (b) and (c) above shall be tested in the following manner:

- (i) the Equity Ratio shall be calculated at the earliest for the end of the same month when the mandatory partial early redemption of the Bonds has been completed, or, at the discretion of the Issuer, as at the end of any subsequent month;
- (ii) the Debt Coverage Service Ratio shall be calculated for the same date as Equity Ratio, however it shall be calculated on a basis of the actual last 12 months data excluding the total principal amount for the mandatory partial early redemption of the Bonds (i.e., EUR 20,000,000) and excluding all the paid interest associated with it.

10.3 The Collateral Agent shall enforce the Collateral according to the terms and conditions and procedure provided for in the Collateral Agreement after the Agent has terminated the Bonds and declared the Bonds due for payment pursuant to Clause 14.1.

11. PARALLEL DEBT

11.1 Notwithstanding any other provision of the Terms and Conditions, for the purpose of (i) enforcing the Collateral by the Collateral Agent, (ii) ensuring and preserving the enforceability of the Collateral, and (iii) performing other duties of the Collateral Agent under the Bond Documentation, the Issuer irrevocably and unconditionally undertakes to pay to the Collateral Agent, as creditor in its own right and not as representative of the Holders, the amounts equal to and in the currency of each amount payable by the Issuer to each of the Holder (whether present or future and whether actual or contingent) under the Terms and Conditions and other provisions of the Bond Documentation, as and when the amount falls due for payment under the Terms and Conditions and other provisions of the Bond Documentation.

11.2 Without limiting and in addition to the above, the Collateral Agent shall be a solidary (joint) creditor (in Estonian: *solidaarvõlausaldaja*) (together with the Holders) of each and every obligation (whether present or future and whether actual or contingent) of the Issuer to the Holders or any of them and, accordingly, the Collateral Agent may demand the performance by the Issuer of any of those obligations. The Collateral Agent shall apply any amount received by it in the capacity of the joint creditor towards the discharge of the Secured Obligations and distributing among the Holders in accordance with the Terms and Conditions and other provisions of the Bond Documentation.

11.3 For the avoidance of doubt, the aggregate amount due by the Issuer under the Parallel Debt will be decreased to the extent the Issuer has paid any amounts to the Holders under the Terms and Conditions or in the amount the payments have been made by the Collateral Agent to the Holders in case the Collateral Agent has enforced the Collateral, except to the extent such payment shall have been subsequently avoided or reduced by virtue of provisions or enactments relating to bankruptcy, insolvency, preference, liquidation or similar laws of general application.

11.4 For the avoidance of doubt, to the extent the Issuer has paid any amounts to the Collateral Agent under the Parallel Debt the aggregate amount due by the Issuer to

the Holders under the Terms and Conditions will be decreased accordingly, except to the extent such payment shall have been subsequently avoided or reduced by virtue of provisions or enactments relating to bankruptcy, insolvency, preference, liquidation or similar laws of general application.

- 11.5 To the extent the Collateral Agent receives any amount in payment of the Parallel Debt following its respective specific written claim made to the Issuer, the Collateral Agent shall transfer such amount to the Holders in accordance with the Terms and Conditions.
- 11.6 For the purpose of clarification, the Parallel Debt will become due and payable at the same time and to the same extent as the obligations to the Holders under the Terms and Conditions become due and payable.
- 11.7 The Parallel Debt is the acknowledgement of obligation (in Estonian: *võlatunnistus*) within the meaning of § 30 of the Law of Obligations Act; For the purpose of clarification, the Parallel Debt is constitutive acknowledgement of obligation (in Estonian: *konstitutiivne võlatunnistus*) and the Issuer and Holders acknowledge that their actual mutual will is to create an obligation of the Issuer towards the Collateral Agent that is separate and independent from the obligations of the Issuer to the Holders and that, to evidence the right to enforce the Parallel Debt, the Collateral Agent shall not be obliged to produce any additional document or evidence other than these Terms and Conditions.

12. REDEMPTION AND REPURCHASE OF THE BONDS

12.1 Redemption at maturity

Subject to provisions of this Clause 12 and Clause 14, the Issuer shall redeem all, but not only some, of the Bonds in full on the Final Redemption Date (or, to the extent such day is not a Business Day and if permitted under the CSD's applicable regulations, on the Business Day following from an application of the Business Day Convention, and otherwise on the first following Business Day) with an amount per Bond equal to the Nominal Amount together with accrued but unpaid Interest and other amounts payable by the Issuer in relation to the Bonds.

12.2 The Group Companies' purchase of Bonds

Each Group Company may, subject to applicable law, at any time and at any price purchase Bonds. Bonds held by a Group Company may at such Group Company's discretion be retained, sold, or cancelled. In case the aggregate Nominal Amount of the Bonds to be held by the Group Companies after such purchase would exceed five (5) per cent of the aggregate Nominal Amount of all the Bonds, Issuer will be obliged to inform all the Holders about the purchase and repurchase on pro rata basis Bonds from all Holders who have notified the Issuer about their relevant intent within ten (10) Business Days after the date of the Issuer's notice. Without prejudice to the determination principle of the Adjusted Nominal Value as per its definition, the Group Companies and their Affiliates holding the Bonds shall have no voting and similar rights upon adopting any resolution of the Holders and the Bonds held by such persons shall not be considered upon determining the quorum for such voting and resolutions.

12.3 Early voluntary redemption by the Issuer (call option)

12.3.1 The Issuer may redeem all, but not only some (unless otherwise explicitly stipulated in these Terms and Conditions), of the Bonds in full:

- (a) on any Business Day falling after the date falling 30 (thirty) months before the Final Redemption Date, at a price equal to one hundred and four (104.00) per cent. of the Nominal Amount together with accrued but unpaid Interest and other amounts payable by the Issuer in relation to the Bonds;
- (b) on any Business Day falling after the date falling 27 (twenty seven) months before the Final Redemption Date, at a price equal to one hundred and three point five (103.50) per cent. of the Nominal Amount together with accrued but unpaid Interest and other amounts payable by the Issuer in relation to the Bonds;
- (c) on any Business Day falling after the date falling 24 (twenty four) months before the Final Redemption Date, at a price equal to one hundred and three (103.00) per cent. of the Nominal Amount together with accrued but unpaid Interest and other amounts payable by the Issuer in relation to the Bonds;
- (d) on any Business Day falling after the date falling 21 (twenty one) months before the Final Redemption Date, at a price equal to one hundred and two point five (102.50) per cent. of the Nominal Amount together with accrued but unpaid Interest;
- (e) on any Business Day falling after the date falling 18 (eighteen) months before the Final Redemption Date, at a price equal to one hundred and two (102.00) per cent. of the Nominal Amount together with accrued but unpaid Interest and other amounts payable by the Issuer in relation to the Bonds;
- (f) on any Business Day falling after the date falling 15 (fifteen) months before the Final Redemption Date, at a price equal to one hundred and one point five (101.50) per cent. of the Nominal Amount together with accrued but unpaid Interest and other amounts payable by the Issuer in relation to the Bonds;
- (g) on any Business Day falling after the date falling 12 (twelve) months before the Final Redemption Date, at a price equal to one hundred (100.00) per cent. of the Nominal Amount together with accrued but unpaid Interest and other amounts payable by the Issuer in relation to the Bonds.

12.3.2 Redemption in accordance with Clause 12.3.1 shall be made by the Issuer giving not less than fifteen (15) Business Days' notice to the Holders and the Agent. Any such notice shall state the Redemption Date and the relevant Record Date and is irrevocable but may, at the Issuer's discretion, contain one or more conditions precedent. Upon expiry of such notice and the fulfilment of the conditions precedent (if any), the Issuer is bound to redeem the Bonds in full at the applicable amounts.

12.4 Mandatory early redemption by the Issuer (mandatory call)

12.4.1 Regardless of what has been stipulated in Clause 12.3.1 the Issuer shall redeem the outstanding Bonds with a total aggregate Nominal Amount of EUR 20,000,000 within the first year as of the Issue Date as in more detail specified in Clauses 12.4.2 and 12.4.3.

12.4.2 The Issuer may redeem the Bonds with a total aggregate Nominal Amount of not exceeding EUR 20,000,000 (in full or in separate parts) on any Business Day falling

after the Issue Date until the Business Day immediately preceding the first anniversary of the Issue Date at a price per Bond equal to one hundred (100.00) per cent. of the Nominal Amount together with accrued but unpaid Interest and other amounts payable by the Issuer in relation to the Bonds plus early redemption premium which shall be zero point five (0.5) per cent for each full month (whereby partial months will be considered as full months for the purposes of this Clause) from the date when the Issuer actually exercises the mandatory call until the first anniversary of the Issue Date. For the avoidance of doubt, the early redemption premium under this Clause 12.4.2 and the accrued but unpaid Interest shall be calculated from the volume of the Bonds to be redeemed in accordance with this Clause 12.4

12.4.3 Unless already redeemed earlier under Clause 12.4, the Issuer shall redeem the Bonds with a total aggregate Nominal Amount of EUR 20,000,000 on the first anniversary of the Bonds with an amount per Bond equal to the Nominal Amount together with accrued but unpaid Interest and other amounts payable by the Issuer in relation to such Bonds.

12.4.4 The Issuer shall redeem the Bonds under this Clause 12.4 by way of decreasing the Nominal Amount of the Bonds, subject always to compliance with the rules of the stock exchange on which the Bonds have then been admitted to trading and Estonian register of securities. The Issuer shall procure that the relevant changes in the Estonian register of securities will be registered promptly after the decrease of the Nominal Amount.

12.4.5 Redemption in accordance with this Clause 12.4 shall be made in accordance with the procedure as stipulated in Clause 12.3.2.

12.5 **Mandatory repurchase due to a De-listing Event or Listing Failure (put option)**

12.5.1 Upon a De-listing Event or a Listing Failure occurring during the period from the Issue Date until the first anniversary of the Issue Date, each Holder shall have the right to request:

- (a) in relation to the Bonds that shall otherwise be redeemed in accordance with Clause 12.4, that all or only some of its Bonds are repurchased (whereby the Issuer shall have the obligation to repurchase such Bonds) at a price per Bond equal to one hundred and two (102.00) per cent. of the Nominal Amount together with accrued but unpaid Interest and other amounts payable by the Issuer in relation to such Bonds, Interest that was scheduled to accrue from the repurchase date until the first anniversary of the Issue Date (in case of Listing Failure or De-listing Event before the full early redemption in accordance with Clause 12.4 has been executed by the Issuer) and applicable call premium in accordance with Clause 12.4.2 (in case of Listing Failure or De-listing Event before the full early redemption in accordance with Clause 12.4 has been executed by the Issuer) during a period of ten (10) calendar days following receipt of a notice from the Issuer of the relevant event pursuant to Clause 13.12.1 (g). The ten (10) calendar days' period may not start earlier than upon the occurrence of the De-listing Event or Listing Failure; and
- (b) in relation to the Bonds that shall not otherwise be redeemed in accordance with Clause 12.4, that all or only some of its Bonds are repurchased (whereby the Issuer shall have the obligation to repurchase such Bonds) at a price per Bond equal to one hundred and two (102.00) per cent. of the Nominal Amount together with accrued but unpaid Interest and other amounts payable by the Issuer in

relation to such Bonds, Interest that was scheduled to accrue from the repurchase date until the occurrence of the early voluntary redemption right pursuant to Clause 12.3.1 (a) and highest call premium specified in Clause 12.3 (or, in case the De-listing Event occurred after the voluntary redemption right pursuant to Clause 12.3.1 occurred, applicable call premium under Clause 12.3) during a period of ten (10) calendar days following receipt of a notice from the Issuer of the relevant event pursuant to Clause 13.12.1 (g). The ten (10) calendar days' period may not start earlier than upon the occurrence of the De-listing Event.

- 12.5.2 Upon a De-listing Event occurring after the first anniversary of the Issue Date, each Holder shall have the right to request that all or only some of its Bonds are repurchased (whereby the Issuer shall have the obligation to repurchase such Bonds) at a price per Bond equal to one hundred and two (102.00) per cent. of the Nominal Amount together with accrued but unpaid Interest and other amounts payable by the Issuer in relation to such Bonds, Interest that was scheduled to accrue from the repurchase date until the occurrence of the early voluntary redemption right pursuant to Clause 12.3.1 (a) and highest call premium specified in Clause 12.3 (or, in case the De-listing Event occurred after the voluntary redemption right pursuant to Clause 12.3.1 occurred, applicable call premium under Clause 12.3) during a period of ten (10) calendar days following receipt of a notice from the Issuer of the relevant event pursuant to Clause 13.12.1 (g). The ten (10) calendar days' period may not start earlier than upon the occurrence of the De-listing Event.
- 12.5.3 The notice from the Issuer pursuant to Clause 13.12.1 (g) shall specify the repurchase date. If a Holder has so requested, the Issuer, or a Person designated by the Issuer (with the Issuer remaining liable for the payment of the repurchase amount in case such Person shall fail to pay that), shall repurchase the relevant Bonds and the repurchase amount shall fall due on the repurchase date specified in the notice given by the Issuer pursuant to Clause 13.12.1 (g). The repurchase date must fall no later than twenty (20) Business Days after the end of the period referred to in Clause 12.5.1.
- 12.5.4 Any Bonds repurchased by the Issuer pursuant to this Clause 12.5 may at the Issuer's discretion be disposed of in accordance with Clause 12.2 (*The Group Companies' purchase of Bonds*).
- 12.5.5 Subject to the following sentence, the Issuer shall not be required to repurchase any Bonds pursuant to this Clause 12.5, if a third party in connection with the occurrence of a De-listing Event or Listing Failure, as applicable, offers to purchase the Bonds in the manner and on the terms set out in this Clause 12.5 (or on terms more favourable to the Holders) and purchases all Bonds validly tendered in accordance with such offer. Any Holder may refuse such offer at its absolute discretion. If the Bonds tendered are not purchased within the time limits stipulated in this Clause 12.5 or the relevant Holder has refused the offer, the Issuer shall repurchase any such Bonds within five (5) Business Days after the expiry of the time limit.
- 12.5.6 The Issuer may not early redeem the Bonds otherwise than in accordance with this Clause 12 (except repurchase of Bonds by way of secondary market transaction as agreed between the Issuer and respective Holder). In case the Issuer prematurely redeems the Bonds otherwise than in accordance with Clause 12, the Issuer shall pay to the Holders for each Bond an amount payable in case of termination, as specified in Clause 14.8 and shall reimburse all other damages caused by such breach.

13. SPECIAL UNDERTAKINGS

So long as any Bond remains outstanding, the Issuer undertakes to comply with the special undertakings set forth in this Clause 13.

13.1 Listing of Bonds

The Issuer shall ensure:

- (a) that the Bonds issued on the Issue Date are listed on the Baltic Bond List of Nasdaq Tallinn or, if such admission to trading is not possible to obtain or maintain, admitted to trading on another Regulated Market within six (6) months after the Issue Date; and
- (b) that the Bonds, once admitted to trading on the relevant Regulated Market, continue being listed thereon (however, taking into account the rules and regulations of the relevant Regulated Market and the CSD (as amended from time to time) preventing trading in the Bonds in close connection to the redemption of the Bonds).

13.2 Nature of business

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

13.3 Financial covenants

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

- (a) the Equity Ratio of the Group is above thirty five (35) per cent until the Collateral has been released in accordance with Clause 10.2 and thereafter above thirty seven point five (37.5) per cent;
- (b) the Debt Service Coverage Ratio of the Group is above one point ten (1.10) until the first anniversary of the Issue Date or until the Collateral has been released in accordance with Clause 10.2 (whichever event will occur first) and thereafter above one point twenty (1.20);

13.3.2 The financial covenants set forth in Clause 13.3.1 shall be tested as at the end of each quarter and published in the quarterly Financial Reports of the Group.

13.4 Property valuations

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

13.4.2 The Issuer shall further procure that the results of such valuation report as described in Clause 13.4.1, or (if available) any subsequent comparable valuation report(s) replacing such valuation report(s), are reflected in good faith and in accordance with the Group's valuation policy in the following Financial Report(s).

13.5 Maintenance of Properties

The Issuer shall, and shall procure that each Group Company will, keep the properties held by the Group in a good state of repair and maintenance subject to normal wear and tear and in accordance with normal market practice, and in such repair and condition as will enable the Issuer and each Group Company owning properties to

comply in all material respects with the obligations under relevant rental agreements and in accordance with all applicable laws and regulations.

13.6 Insurance Obligation

The Issuer shall, and shall procure that each other Group Company will, keep the properties held by respective Group Company insured to the extent customary for similar properties and businesses on the relevant geographical market with one or more reputable insurers.

13.7 Arm's length basis

The Issuer shall, and shall procure that each other Group Company will, conduct all dealings with the direct and indirect shareholders of the Group Companies and/or any Affiliates of such direct and indirect shareholder's at arm's length terms or better for the Group.

13.8 Disposals of assets

The Issuer shall not, and shall procure that none of the Subsidiaries, sell or otherwise dispose of shares in any Group Company or of all or substantially all of its or any Group Company's assets or operations to any Person not being the Issuer or any of the wholly-owned Subsidiaries, unless the transaction (taken as a whole also taking into account any transaction ancillary or related thereto) is carried out at a price, which is negotiated as a result of the tender and cannot be more than 10% lower than the latest available fair market value based on the valuation reports prepared by independent property advisors indicated in Clause 13.4.1 and on terms and conditions customary for such transaction and provided that the Issuer complies with the financial covenants as set in Clause 13.3 also after the intended disposal. In case the transaction is carried out at least at a price corresponding to the latest available fair market value based on the valuation reports prepared by independent property advisors indicated in Clause 13.4.1 and on terms and conditions customary for such transaction and provided that the Issuer complies with the financial covenants as set in Clause 13.3 also after the intended disposal, the tender requirement indicated in the previous sentence does not apply. The Issuer shall notify the Agent of any such transaction and provide the Agent with a confirmation regarding compliance with the financial covenants and copies of the relevant valuation reports. In case a Group Company wishes to dispose any of the substantial assets at a price more than 10% below fair market value a consent in the form of a decision by the Holders is required.

13.9 No dividend payments and other distributions

The Issuer shall not, as long as the Bonds are not redeemed in full, declare or pay any dividends upon its units or make any other distributions to its unitholders, unless:

- (a) there is no Event of Default under these Terms and Conditions; and
- (b) declaring or paying any dividends or making any other distributions to its unitholders does not bring along an Event of Default under these Terms and Conditions; and
- (c) declaring or paying any dividends or making any other distributions to its unitholders does not result in breaching any of the financial covenants as stipulated in clause 13.3.1 of these Terms and Conditions.

13.10 No merger or demergers

13.10.1 The Issuer shall not merge or demerge into any other Person without the prior written consent of the Agent.

13.10.2 The Issuer shall procure that any Group Company (other than the Issuer) shall not merge or demerge into a company which is not a Group Company and no decision concerning such merger or demerger is made, unless prior written consent (which shall not be unreasonably withheld or delayed) has been obtained from the Agent.

13.11 Compliance with laws

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

- (a) comply in all material respects with all laws and regulations applicable from time to time, including but not limited to the rules and regulations of Nasdaq Tallinn or any other Regulated Market on which the Issuer's securities from time to time are listed; and
- (b) obtain, maintain, and in all material respects comply with, the terms and conditions of any authorisation, approval, licence or other permit required for the business carried out by a Group Company.

13.12 Financial reporting

13.12.1 The Issuer shall:

- (a) prepare and make available the annual audited consolidated financial statements of the Group and, including a profit and loss account, a balance sheet, a cash flow statement and management review, to the Agent and on its website not later than four (4) months after the expiry of each financial year;
- (b) prepare and make available the quarterly interim unaudited consolidated reports of the Group, including a profit and loss account, a balance sheet, a cash flow statement and management review, to the Agent and on its website not later than two (2) months after the expiry of each relevant interim period;
- (c) until the Collateral has been released in accordance with Clause 10.2, prepare and make available the annual audited financial statements of the Collateral Provider and, including a profit and loss account, a balance sheet, a cash flow statement and management review, to the Agent and on its website not later than four (4) months after the expiry of each financial year;
- (d) until the Collateral has been released in accordance with Clause 10.2, quarterly interim unaudited consolidated reports of the Collateral Provider, including a profit and loss account, a balance sheet, a cash flow statement and management review, to the Agent and on its website not later than two (2) months after the expiry of each relevant interim period;
- (e) issue a Compliance Certificate to the Agent at the Agent's reasonable request, within ten (10) calendar days from such request;
- (f) keep the latest version of these Terms and Conditions (including documents amending these Terms and Conditions) available on its website;
- (g) promptly notify the Agent (and, as regards a De-listing Event or a Listing Failure, the Holders) upon becoming aware of the occurrence of a De-listing Event, a Listing Failure or an Event of Default, and shall provide the Agent with such further information as the Agent may request (acting reasonably)

following receipt of such notice (including, for the avoidance of doubt, calculations, figures and supporting documents in respect of the financial covenants as set forth in Clause 13.3.1);

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

13.12.2 The Issuer shall notify the Agent of any transaction referred to in Clause 13.8 (*Disposals of assets*) and shall, upon request by the Agent, provide the Agent with (i) any information relating to the transaction which the Agent deems necessary (acting reasonably), and (ii) a determination from the Issuer which states whether the transaction is carried out on an arm's length basis and on terms and conditions customary for such transaction or not and whether it has a Material Adverse Effect or not. The Agent may assume that any information provided by the Issuer is correct, and the Agent shall not be responsible or liable for the adequacy, accuracy or completeness of such information. The Agent is not responsible for assessing if the transaction is carried out on an arm's length basis and on terms and conditions customary for such transaction and whether it has a Material Adverse Effect, but is not bound by the Issuer's determination under item (ii) above.

13.13 Negative Pledge

The Issuer shall not, as long as the Bonds are not redeemed in full, create or permit to subsist any security over all or part the present or future assets of the Group as security for any debt, unless the security is or was created in the course of Permitted Debt (except for the loans between the Group Companies) while the financial covenants set forth in Clause 13.3.1 are met.

Notwithstanding what has been stipulated above, provided that the financial covenants set forth in Clause 13.3.1 are met, the Issuer shall be permitted to grant guarantees to secure the financial obligations of any Group Company with a total aggregate amount not exceeding EUR 30,000,000 at any relevant moment.

13.14 Financial Indebtedness

The Issuer shall not, as long as the Bonds are not redeemed in full, incur any additional Financial Indebtedness, unless (i) it is considered Permitted Debt under these Terms and Conditions, and (ii) incurring additional Financial Indebtedness does not result in breaching any of the financial covenants as stipulated in Clause 13.3.1.

13.15 Loans out

The Issuer shall not, as long as the Bonds are not redeemed in full, make available any loans to any other Person, unless (i) such loan is granted to another Group Company, and (ii) making such loan available does not bring along an Event of Default under these Terms and Conditions.

13.16 Agent Agreement

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

- (a) pay fees to the Agent;

- (b) indemnify the Agent for costs, losses and liabilities;
- (c) furnish to the Agent all information reasonably requested by or otherwise required to be delivered to the Agent; and
- (d) not act in a way which would give the Agent a legal or contractual right to terminate the Agent Agreement.

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

13.17 CSD related undertakings

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

13.18 General warranties and undertakings

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

- (a) The Issuer is a duly registered public closed-ended contractual real estate investment fund operating in compliance with the laws of Estonia;
- (b) Each Group Company and any Collateral Provider is a duly incorporated and validly existing legal person acting pursuant to the laws of its country of incorporation;
- (c) All the Issuer's obligations assumed under the Terms and Conditions are valid and legally binding to the Issuer and performance of these obligations is not contrary to law or the fund rules of the Issuer;
- (d) The Issuer has all the rights and sufficient authorizations to and the Issuer has performed all the formalities required for issuing the Bonds;
- (e) All information that is provided by the Issuer to the Agent or the Holders is true, accurate, complete and correct as of the date of presenting the respective information and is not misleading in any respect;
- (f) The Issuer and each Collateral Provider is solvent, able to pay its debts as they fall due, there are no liquidation or insolvency proceedings pending or initiated against the Issuer;
- (g) There are no legal or arbitration proceedings pending or initiated against the Issuer, any Group Company or Collateral Provider which may have, or have had significant effects on the Issuer's or Group's financial position or profitability;
- (h) There are no criminal or misdemeanour proceedings pending or initiated against the Issuer, any Group Company or Collateral Provider;
- (i) The Bonds are freely transferable and may be encumbered by the respective Holder;
- (j) The issuing of the Bonds and establishing and granting the Collateral and entry into, delivery and performance of any other obligations under the Bond Documentation (and allowing the same by the other Collateral Providers) does not harm the financial standing of the Issuer or any Collateral Provider nor the interests of their creditors;

- (k) The payment obligations of the Issuer under the Bonds and Bond Documentation will rank senior to the obligations of the Issuer (and, where applicable, other members of the Group) and (without prejudice to the effect of the Collateral) at least *pari passu* with the unsecured claims of all of their other creditors, except for claims mandatorily preferred by laws applicable to companies generally;
- (l) No Event of Default (without considering any qualifying conditions) exists or would reasonably be expected to occur as a result of issuing the Bonds; and
- (m) Neither the Issuer or any member of the Group nor any of its directors, officers, employees or agents, is a Sanctioned Person or has engaged in, nor intends to engage in the future in, any dealings, with, involving or for the benefit of a Sanctioned Person or has directly or indirectly entered into a business relationship with, or made any funds and/or economic resources available to, or for the benefit of, any Sanctioned Person. The Issuer and each member of the Group, and to its knowledge, its directors, officers, employees and agents are in compliance with Sanctions.

14. TERMINATION OF THE BONDS

14.1 The Agent is entitled to, and shall following a demand in writing from a Holder (or Holders) representing at least twenty five (25.00) per cent. of the Adjusted Nominal Amount (such demand may only be validly made by a person who is a Holder on the second Business Day following the day on which the demand is received by the Agent and shall, if made by several Holders, be made by them jointly) or following an instruction or decision pursuant to Clause 14.6 or 14.7, on behalf of the Holders, terminate the Bonds and to declare all, but not only some, of the Bonds due for payment immediately or at such later date as the Agent determines (such later date not falling later than twenty (20) Business Days from the date on which the Agent made such declaration) (whereby such termination process may at any time suspended or cancelled by the Holders representing more than 2/3 of the Adjusted Nominal Amount, if:

- (a) **Non-payment:** The Issuer or Collateral Provider fails to pay an amount on the date it is due in accordance with these Terms and Conditions or other Bond Documentation unless its failure to pay is due to technical or administrative error and is remedied within five (5) Business Days of the due date;
- (b) **Other obligations:** The Issuer does not comply with these Terms and Conditions in any other way than as set out under item (a) above, excluding with financial covenants as set out under item (c) below, unless the non-compliance is not committed intentionally or due to gross negligence, (ii) capable of being remedied and (iii) remedied within fourteen (14) calendar days of the earlier of the Agent giving notice and the Issuer becoming aware of the non-compliance (if the failure or violation is not capable of being remedied, the Agent may declare the Bonds payable without such prior written request);
- (c) **Financial covenants:** The Issuer does not comply with the financial covenants as set forth in Clause 13.3.1 unless the non-compliance is (i) capable of being remedied and (ii) remedied within twenty (20) calendar days of the earlier of the Agent giving notice and the Issuer becoming aware of the non-compliance;

(d) **Cross- Default:**

- (i) Any Financial Indebtedness of any Group Company is not paid when due nor within any originally applicable grace period or is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default howsoever described under any document relating to Financial Indebtedness of any Group Company; or
- (ii) any security interest (incl. any guarantee or suretyship) securing Financial Indebtedness over any asset of any Group Company is enforced,

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

(e) **Insolvency:**

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

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

- (i) bankruptcy, winding-up, dissolution, administration or reorganisation (in Estonian: *saneerimine*) (by way of voluntary agreement, scheme of arrangement or otherwise) of any Group Company;
- (ii) the appointment of a liquidator, receiver, administrator, administrative receiver or other similar officer in respect of any Group Company or any of its assets; or
- (iii) any analogous procedure or step is taken in any jurisdiction in respect of any Group Company;

(g) **Mergers and demergers:**

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

(h) **Creditors' process:** Any expropriation, attachment, sequestration, distress or execution or any analogous process in any jurisdiction affects any asset or

assets of any Group Company having an aggregate value equal to or exceeding EUR 200,000 and is not discharged within thirty (30) calendar days;

- (i) **Impossibility or illegality:** It is or becomes impossible or unlawful for the Issuer to fulfil or perform any of the provisions of these Terms and Conditions or if the obligations under these Terms and Conditions are not, or cease to be, legal, valid, binding and enforceable; or
 - (j) **Continuation of the business:** The Issuer or any other Group Company ceases to carry on its business, except if due to (i) a permitted merger or demerger as stipulated in paragraph (g) (*Mergers and demergers*) above, or (ii) a permitted disposal as stipulated in Clause 13.8 (*Disposals of assets*).
 - (k) **Misrepresentation:** any representation or statement made or deemed to be made by the Issuer is or proves to have been materially incorrect or misleading when made or deemed to be made.
- 14.2 The Agent may not terminate the Bonds in accordance with Clause 14.1 by reference to a specific Event of Default if it is no longer continuing or if it has been decided, in accordance with these Terms and Conditions, to waive such Event of Default (temporarily or permanently).
- 14.3 If the right to terminate the Bonds is based upon a decision of a court of law or a government authority, it is not necessary that the decision has become enforceable under law or that the period of appeal has expired in order for cause of termination to be deemed to exist.
- 14.4 The Issuer is obliged to inform the Agent immediately if any circumstance of the type specified in Clause 14.1 should occur. Should the Agent not receive such information, the Agent is entitled to assume that no such circumstance exists or can be expected to occur, provided that the Agent does not have knowledge of such circumstance. The Agent is under no obligations to independently commence investigations relating to the circumstances specified in Clause 14.1. The Issuer shall further, at the request of the Agent, provide the Agent with details of any circumstances referred to in Clause 14.1 and provide the Agent with all documents that may be of significance for the application of this Clause 14.
- 14.5 The Issuer is only obliged to inform the Agent according to Clause 14.4 if informing the Agent would not conflict with any statute or the Issuer's registration contract with Nasdaq Tallinn (or any other Regulated Market, as applicable). If such a conflict would exist pursuant to the registration contract with Nasdaq Tallinn (or any other Regulated Market, as applicable) or otherwise, the Issuer shall however be obliged to either seek the approval from Nasdaq Tallinn (or any other Regulated Market, as applicable) or undertake other reasonable measures, including entering into a non-disclosure agreement with the Agent, in order to be able to timely inform the Agent according to Clause 14.4.
- 14.6 If the Agent has been notified by the Issuer or has otherwise determined that there is a default under these Terms and Conditions according to Clause 14.1, the Agent shall (i) notify, within five (5) Business Days of the day of notification or determination, the Holders of the default and (ii) decide, within ten (10) Business Days of the day of notification or determination, if the Bonds shall be declared terminated. If the Agent has decided not to terminate the Bonds, the Agent shall, at the earliest possible date, notify the Holders that there exists a right of termination and obtain instructions from the Holders according to the provisions in Clause 16 (*Decisions by Holders*). If the

Holders vote in favour of termination and instruct the Agent to terminate the Bonds, the Agent shall promptly declare the Bonds terminated.

- 14.7 If the Holders, without any prior initiative to decision from the Agent or the Issuer, have made a decision regarding termination in accordance with Clause 16 (*Decisions by Holders*), the Agent shall promptly declare the Bonds terminated.
- 14.8 If the Bonds are declared due and payable in accordance with the provisions in this Clause 14, the Agent shall take every reasonable measure necessary to recover the amounts outstanding under the Bonds.
- 14.9 If the Bonds are declared due and payable in accordance with this Clause 14, the Issuer shall redeem all Bonds at a price corresponding to (i) the Nominal Amount together with (ii) the accrued but unpaid interest and (iii) 1.5 times higher premium as would apply at the moment of redemption as per Clause 12.3.1 for the early redemption and (iv) if redemption takes place before the date falling 30 (thirty) months before the Final Redemption Date, the remaining scheduled payments of interest until the date falling 30 (thirty) months before the Final Redemption Date. For the avoidance of doubt, in case the Bonds are redeemed under this Clause before the date falling 30 (thirty) months before the Final Redemption Date the early redemption premium as per subsection (iii) above shall be calculated from the premium under Clause 12.3.1 (a).

15. DISTRIBUTION OF PROCEEDS

- 15.1 If the Bonds have been declared due and payable in accordance with Clause 14 (*Termination of the Bonds*), all payments by the Issuer relating to the Bonds and any proceeds received from an enforcement of the Collateral shall be distributed in the following order of priority, in accordance with the instructions of the Agent:
- (a) *first*, in or towards payment *pro rata* of (i) all unpaid fees, costs, expenses and indemnities payable by the Issuer to the Agent, (ii) all unpaid fees, costs, expenses and indemnities payable by the Issuer to the Collateral Agent, (iii) other costs, expenses and indemnities relating to the termination of the Bonds, the enforcement of the Collateral or the protection of the Holders' rights, (iii) any non-reimbursed costs incurred by the Agent for external experts, and (iv) any non-reimbursed costs and expenses incurred by the Agent in relation to a Holders' Meeting or a Written Procedure;
 - (b) *secondly*, in or towards payment *pro rata* of accrued but unpaid Interest and applied early redemption premiums under the Bonds (Interest due on an earlier Interest Payment Date to be paid before any Interest due on a later Interest Payment Date);
 - (c) *thirdly*, in or towards payment *pro rata* of any unpaid principal under the Bonds; and
 - (d) *fourthly*, in or towards payment *pro rata* of any other costs or outstanding amounts unpaid under these Terms and Conditions.

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

- 15.2 If a Holder or another party has paid any fees, costs, expenses or indemnities referred to in Clause 15.1, such Holder or other party shall be entitled to reimbursement by way of a corresponding distribution in accordance with Clause 15.1.
- 15.3 Funds that (i) the Agent receives (directly or indirectly) in connection with the termination of the Bonds and (ii) the Collateral Agent receives (directly or indirectly) in connection with the enforcement of the Collateral constitute escrow funds and must be held on a separate interest-bearing account on behalf of the Holders and the other interested parties. The Agent shall arrange for payments of such funds in accordance with this Clause 15 as soon as reasonably practicable.
- 15.4 If the Issuer or the Agent shall make any payment under this Clause 15, the Issuer or the Agent, as applicable, shall notify the Holders of any such payment at least fifteen (15) Business Days before the payment is made. Such notice shall specify the Record Date, the payment date and the amount to be paid. Notwithstanding the foregoing, for any Interest due but unpaid the Record Date specified in Clause 8.1 shall apply.

16. DECISIONS BY HOLDERS

- 16.1 A request by the Agent for a decision by the Holders on a matter relating to these Terms and Conditions shall (at the option of the Agent) be dealt with at a Holders' Meeting or by way of a Written Procedure.
- 16.2 Any request from the Issuer or a Holder (or Holders) representing at least ten (10.00) per cent. of the Adjusted Nominal Amount (such request may only be validly made by a Person who is a Holder on the Business Day immediately following the day on which the request is received by the Agent and shall, if made by several Holders, be made by them jointly) for a decision by the Holders on a matter relating to these Terms and Conditions shall be directed to the Agent and dealt with at a Holders' Meeting or by way of a Written Procedure, as determined by the Agent. The Person requesting the decision may suggest the form for decision making, but if it is in the Agent's opinion more appropriate that a matter is dealt with at a Holders' Meeting than by way of a Written Procedure, it shall be dealt with at a Holders' Meeting.
- 16.3 The Agent may refrain from convening a Holders' Meeting or instigating a Written Procedure if (i) the suggested decision must be approved by any Person in addition to the Holders and such Person has informed the Agent that an approval will not be given, or (ii) the suggested decision is not in accordance with applicable laws.
- 16.4 Only a Person who is, or who has been provided with a power of attorney or other proof of authorisation pursuant to Clause 7 (*Right to act on behalf of a Holder*) from a Person who is, registered as a Holder:
- (a) on the Record Date prior to the date of the Holders' Meeting, in respect of a Holders' Meeting, or
 - (b) on the Business Day specified in the communication pursuant to Clause 18.3, in respect of a Written Procedure,
- may exercise voting rights as a Holder at such Holders' Meeting or in such Written Procedure, provided that the relevant Bonds are included in the definition of Adjusted Nominal Amount.
- 16.5 The following matters shall require consent of Holders representing more than 2/3 of the Adjusted Nominal Amount for which Holders are voting at a Holders' Meeting or for which Holders reply in a Written Procedure in accordance with the instructions given pursuant to Clause 18.3:

- (a) waive a breach of or amend an undertaking set out in Clause 13 (*Special undertakings*);
 - (b) a mandatory exchange of Bonds for other securities;
 - (c) reduce the principal amount, Interest Rate or Interest which shall be paid by the Issuer;
 - (d) amend any payment day for principal or Interest or waive any breach of a payment undertaking;
 - (e) amendments to the Clauses related to establishing and/or releasing the Collateral (including, for the avoidance of doubt, that in case the Holders' consent is required for releasing the Collateral in accordance with the Terms and Conditions, such consent may be given by the Holders representing more than 2/3 of the Adjusted Nominal Amount);
 - (f) amendments to the Collateral Agreements, Collateral Agent Agreement and Agent Agreement;
 - (g) amendments to Clause 12; or
 - (h) amend the provisions in this Clause 16.5.
- 16.6 Any matter not covered by Clause 16.5 shall require the consent of Holders representing more than fifty five (55.00) per cent. of the Adjusted Nominal Amount for which Holders are voting at a Holders' Meeting or for which Holders reply in a Written Procedure in accordance with the instructions given pursuant to Clause 18.3. This includes, but is not limited to, any amendment to or waiver of these Terms and Conditions that does not require a higher majority (other than an amendment or waiver permitted pursuant to Clause 19.1 (a), (b) or (c)) or a termination of the Bonds.
- 16.7 Quorum at a Holders' Meeting or in respect of a Written Procedure only exists if a Holder (or Holders) representing at least twenty (20.00) per cent., or, if the matter to be resolved on includes any of the matters mentioned in Clause 16.5, fifty five (55.00) per cent., of the Adjusted Nominal Amount:
- (a) if at a Holders' Meeting, attend the meeting in person or by telephone conference (or appear through duly authorised representatives); or
 - (b) if in respect of a Written Procedure, reply to the request.
- 16.8 If a quorum does not exist at a Holders' Meeting or in respect of a Written Procedure, the Agent or the Issuer shall convene a second Holders' Meeting (in accordance with Clause 17.1) or initiate a second Written Procedure (in accordance with Clause 18.1), as the case may be, provided that the relevant proposal has not been withdrawn by the Person(s) who initiated the procedure for Holders' consent. The quorum requirement in Clause 16.7 shall not apply to such second Holders' Meeting or Written Procedure.
- 16.9 Any decision which extends or increases the obligations of the Issuer or the Agent, or limits, reduces or extinguishes the rights or benefits of the Issuer or the Agent, under these Terms and Conditions shall be subject to the Issuer's or the Agent's consent, as appropriate.
- 16.10 A Holder holding more than one Bond need not use all its votes or cast all the votes to which it is entitled in the same way and may in its discretion use or cast some of its votes only.

- 16.11 The Issuer may not, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Holder for or as inducement to any consent under these Terms and Conditions, unless such consideration is offered to all Holders that consent at the relevant Holders' Meeting or in a Written Procedure within the time period stipulated for the consideration to be payable or the time period for replies in the Written Procedure, as the case may be.
- 16.12 A matter decided at a duly convened and held Holders' Meeting or by way of Written Procedure is binding on all Holders, irrespective of them being present or represented at the Holders' Meeting or responding in the Written Procedure. The Holders that have not adopted or voted for a decision shall not be liable for any damages that this may cause other Holders.
- 16.13 All costs and expenses incurred by the Issuer or the Agent for the purpose of convening a Holders' Meeting or for the purpose of carrying out a Written Procedure, including reasonable fees to the Agent, shall be paid by the Issuer.
- 16.14 If a decision shall be taken by the Holders on a matter relating to these Terms and Conditions, the Issuer shall promptly at the request of the Agent provide the Agent with a certificate specifying the number of Bonds owned by Group Companies or (to the knowledge of the Issuer) their Affiliates, irrespective of whether such Person is directly registered as owner of such Bonds. The Agent shall not be responsible for the accuracy of such certificate or otherwise be responsible to determine whether a Bond is owned by a Group Company or an Affiliate of a Group Company.
- 16.15 Information about decisions taken at a Holders' Meeting or by way of a Written Procedure shall promptly be sent by notice to the Holders and published on the websites of the Issuer and the Agent, provided that a failure to do so shall not invalidate any decision made or voting result achieved. The minutes from the relevant Holders' Meeting or Written Procedure shall at the request of a Holder be sent to it by the Issuer or the Agent, as applicable.
- 17. HOLDERS' MEETING**
- 17.1 The Agent shall convene a Holders' Meeting by sending a notice thereof to each Holder no later than five (5) Business Days after receipt of a request from the Issuer or the Holder(s) (or such later date as may be necessary for technical or administrative reasons). If the Holders' Meeting has been requested by the Holder(s), the Agent shall send a copy of the notice to the Issuer.
- 17.2 Should the Issuer want to replace the Agent, it may convene a Holders' Meeting in accordance with Clause 17.1 with a copy to the Agent. After a request from the Holders pursuant to Clause 20.4.3, the Issuer shall no later than five (5) Business Days after receipt of such request (or such later date as may be necessary for technical or administrative reasons) convene a Holders' Meeting in accordance with Clause 17.1.
- 17.3 The notice pursuant to Clause 17.1 shall include (i) time for the meeting, (ii) place for the meeting, (iii) agenda for the meeting (including each request for a decision by the Holders) and (iv) a form of power of attorney. Only matters that have been included in the notice may be resolved upon at the Holders' Meeting. Should prior notification by the Holders be required in order to attend the Holders' Meeting, such requirement shall be included in the notice.
- 17.4 The Holders' Meeting shall be held no earlier than three (3) Business Days and no later than twenty (20) Business Days from the notice.

- 17.5 If the Agent, in breach of these Terms and Conditions, has not convened a Holders' Meeting within five (5) Business Days after having received such notice, the requesting Person may convene the Holders' Meeting itself. If the requesting Person is a Holder, the Issuer shall upon request from such Holder provide the Holder with necessary information from the register kept by the CSD and, if no Person to open the Holders' Meeting has been appointed by the Agent, the meeting shall be opened by a Person appointed by the requesting Person.
- 17.6 At a Holders' Meeting, the Issuer, the Holders (or the Holders' representatives/proxies) and the Agent may attend along with each of their representatives, counsels and assistants. Further, the representative of the Issuer and the Issuer's auditors may attend the Holders' Meeting. The Holders' Meeting may decide that further individuals may attend. If a representative/proxy shall attend the Holders' Meeting instead of the Holder, the representative/proxy shall present a duly executed proxy or other document establishing its authority to represent the Holder.
- 17.7 Without amending or varying these Terms and Conditions, the Agent may prescribe such further regulations regarding the convening and holding of a Holders' Meeting as the Agent may deem appropriate. Such regulations may include e.g. a possibility for Holders to vote without attending the meeting in person, holding the Holders' Meeting in the form of a video conference etc.
- 18. WRITTEN PROCEDURE**
- 18.1 The Agent shall instigate a Written Procedure no later than five (5) Business Days after receipt of a request from the Issuer or the Holder(s) (or such later date as may be necessary for technical or administrative reasons) by sending a communication to each such Person who is registered as a Holder on the Business Day prior to the date on which the communication is sent. If the Written Procedure has been requested by the Holder(s), the Agent shall send a copy of the communication to the Issuer.
- 18.2 Should the Issuer want to replace the Agent, it may send a communication in accordance with Clause 18.1 to each Holder with a copy to the Agent.
- 18.3 A communication pursuant to Clause 18.1 shall include (i) each request for a decision by the Holders, (ii) a description of the reasons for each request, (iii) a specification of the Business Day on which a Person must be registered as a Holder in order to be entitled to exercise voting rights (such Business Day not to fall earlier than the effective date of the communication pursuant to Clause 18.1), (iv) instructions and directions on where to receive a form for replying to the request (such form to include an option to vote yes or no for each request) as well as a form of power of attorney, and (v) the stipulated time period within which the Holder must reply to the request (such time period to last at least three (3) Business Days but not more than twenty (20) Business Days from the communication pursuant to Clause 18.1). If the voting shall be made electronically, instructions for such voting shall be included in the communication.
- 18.4 If the Agent, in breach of these Terms and Conditions, has not instigated a Written Procedure within five (5) Business Days after having received such notice, the requesting Person may instigate a Written Procedure itself. If the requesting Person is a Holder, the Issuer shall upon request from such Holder provide the Holder with necessary information from the register kept by the CSD.
- 18.5 When the requisite majority consents of the total Adjusted Nominal Amount pursuant to Clauses 16.5 and 16.6 have been received in a Written Procedure, the relevant decision shall be deemed to be adopted pursuant to Clause 16.5 or 16.6, as the case

may be, even if the time period for replies in the Written Procedure has not yet expired.

19. AMENDMENTS AND WAIVERS

- 19.1 The Issuer and the Agent (acting on behalf of the Holders) may agree to amend these Terms and Conditions or waive any provision in these Terms and Conditions, provided that:
- (a) such amendment or waiver is not detrimental to the interest of the Holders, or is made solely for the purpose of rectifying obvious errors and mistakes;
 - (b) such amendment or waiver is required by applicable law, a court ruling or a decision by a relevant authority;
 - (c) such amendment or waiver is necessary for the purpose of listing the Bonds on the Baltic bond list of Nasdaq Tallinn (or any other Regulated Market, as applicable) provided such amendment or waiver does not materially adversely affect the rights of the Holders; or
 - (d) such amendment or waiver has been duly approved by the Holders in accordance with Clause 16 (*Decisions by Holders*).
- 19.2 The consent of the Holders is not necessary to approve the particular form of any amendment or waiver to these Terms and Conditions. It is sufficient if such consent approves the substance of the amendment or waiver.
- 19.3 The Agent shall promptly notify the Holders of any amendments or waivers made in accordance with Clause 19.1, setting out the date from which the amendment or waiver will be effective, and ensure that any amendments to these Terms and Conditions are available on the websites of the Issuer and the Agent. The Issuer shall ensure that any amendments to these Terms and Conditions are duly registered with the CSD and each other relevant organisation or authority.
- 19.4 An amendment or waiver to these Terms and Conditions shall take effect on the date determined by the Holders' Meeting, in the Written Procedure or by the Agent, as the case may be.

20. APPOINTMENT AND REPLACEMENT OF THE AGENT

20.1 Appointment of Agent

- 20.1.1 By subscribing for Bonds, each initial Holder appoints the Agent to act as its agent in all matters relating to the Bonds and these Terms and Conditions, and authorises the Agent to act on its behalf (without first having to obtain its consent, unless such consent is specifically required by these Terms and Conditions) in any legal or arbitration proceedings relating to the Bonds held by such Holder, including the winding-up, dissolution, liquidation or insolvency (or its equivalent in any other jurisdiction) of the Issuer. By acquiring Bonds, each subsequent Holder confirms such appointment and authorisation for the Agent to act on its behalf.
- 20.1.2 Each Holder shall immediately upon request by the Agent provide the Agent with any such documents, including a written power of attorney (in form and substance satisfactory to the Agent), as the Agent deems necessary for the purpose of exercising its rights and/or carrying out its duties under these Terms and Conditions. The Agent is under no obligation to represent a Holder which does not comply with such request.

- 20.1.3 The Issuer shall promptly upon request provide the Agent with any documents and other assistance (in form and substance satisfactory to the Agent), that the Agent deems necessary for the purpose of exercising its rights and/or carrying out its duties under these Terms and Conditions.
- 20.1.4 The Agent is entitled to fees for its work and to be indemnified for costs, losses and liabilities on the terms set out in these Terms and Conditions and the Agent Agreement, and the Agent's obligations as agent under these Terms and Conditions are conditioned upon the due payment of such fees and indemnifications.
- 20.1.5 The Agent may act as agent for several issues of securities issued by or relating to the Issuer and other Group Companies notwithstanding potential conflicts of interest.
- 20.2 Duties of the Agent**
- 20.2.1 The Agent shall represent the Holders in accordance with these Terms and Conditions. However, the Agent is not responsible for the execution or enforceability of these Terms and Conditions. The Agent shall keep the latest version of these Terms and Conditions (including any document amending these Terms and Conditions) available on the website of the Agent.
- 20.2.2 Upon request by a Holder, the Agent shall promptly distribute to the Holders any information from such Holder which relates to the Bonds (at the discretion of the Agent). The Agent may require that the requesting Holder reimburses any costs or expenses incurred, or to be incurred, by the Agent in doing so (including a reasonable fee for the work of the Agent) before any such information is distributed. The Agent shall upon request by a Holder disclose the identity of any other Holder who has consented to the Agent in doing so.
- 20.2.3 When acting in accordance with these Terms and Conditions, the Agent is always acting with binding effect on behalf of the Holders. The Agent shall carry out its duties under these Terms and Conditions and Agent Agreement in a reasonable, proficient and professional manner, with due care and skill and always in the best interests of the Holders. The Agent's duty of care under these Terms and Conditions shall mean that the Agent shall act in good faith and with that degree of care that an ordinarily prudent person in a like position would use under similar circumstances.
- 20.2.4 The Agent is entitled to delegate its duties to other professional parties, but the Agent shall remain liable for the actions of such parties under these Terms and Conditions.
- 20.2.5 The Agent shall treat all Holders equally and, when acting pursuant to these Terms and Conditions, act with regard only to the interests of the Holders and shall not be required to have regard to the interests or to act upon or comply with any direction or request of any other Person, other than as explicitly stated in these Terms and Conditions and the Agent Agreement.
- 20.2.6 The Agent shall be entitled to disclose to the Holders any event or circumstance directly or indirectly relating to the Issuer or the Bonds. Notwithstanding the foregoing, the Agent may if it considers it to be beneficial to the interests of the Holders delay disclosure or refrain from disclosing certain information other than in respect of an Event of Default that has occurred and is continuing.
- 20.2.7 The Agent is entitled to engage external experts when carrying out its duties under these Terms and Conditions. The Issuer shall on demand by the Agent pay all reasonable costs for external experts engaged (i) after the occurrence of an Event of Default, (ii) for the purpose of investigating or considering an event which the Agent reasonably believes is or may lead to an Event of Default or a matter relating to the

Issuer which the Agent reasonably believes may be detrimental to the interests of the Holders under these Terms and Conditions or (iii) when the Agent is to make a determination under these Terms and Conditions. Any compensation for damages or other recoveries received by the Agent from external experts engaged by it for the purpose of carrying out its duties under these Terms and Conditions shall be distributed in accordance with Clause 15 (*Distribution of proceeds*).

- 20.2.8 The Agent shall enter into agreements with the CSD, and comply with such agreement and the CSD regulations applicable to the Agent, as may be necessary in order for the Agent to carry out its duties under these Terms and Conditions.
- 20.2.9 Notwithstanding any other provision of these Terms and Conditions to the contrary, the Agent is not obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation.
- 20.2.10 If in the Agent's reasonable opinion the cost, loss or liability which it may incur (including reasonable fees to the Agent) in complying with instructions of the Holders, or taking any action at its own initiative, will not be covered by the Issuer, the Agent may refrain from acting in accordance with such instructions, or taking such action, until it has received such funding or indemnities (or adequate security has been provided therefore) as it may reasonably require.
- 20.2.11 The Agent shall give a notice to the Holders (i) before it ceases to perform its obligations under these Terms and Conditions by reason of the non-payment by the Issuer of any fee or indemnity due to the Agent under these Terms and Conditions or the Agent Agreement, or (ii) if it refrains from acting for any reason described in Clause 20.2.10.

20.3 Limited liability for the Agent

- 20.3.1 The Agent will not be liable to the Holders for damage or loss caused by any action taken or omitted by it under or in connection with these Terms and Conditions, unless directly caused by its negligence or wilful misconduct. The Agent shall never be responsible for indirect loss.
- 20.3.2 The Agent shall not be considered to have acted negligently if it has acted in accordance with advice from or opinions of reputable external experts engaged by the Agent or if the Agent has acted with reasonable care in a situation when the Agent considers that it is detrimental to the interests of the Holders to delay the action in order to first obtain instructions from the Holders.
- 20.3.3 The Agent shall not be liable for any delay (or any related consequences) in crediting an account with an amount required pursuant to these Terms and Conditions to be paid by the Agent to the Holders, provided that the Agent has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by the Agent for that purpose.
- 20.3.4 The Agent shall have no liability to the Holders for damage caused by the Agent acting in accordance with instructions of the Holders given in accordance with Clause 16 (*Decisions by Holders*).
- 20.3.5 Any liability towards the Issuer which is incurred by the Agent in acting under, or in relation to, these Terms and Conditions shall not be subject to set-off against the obligations of the Issuer to the Holders under these Terms and Conditions.

20.4 Replacement of the Agent

- 20.4.1 Subject to Clause 20.4.6, the Agent may resign by giving notice to the Issuer and the Holders, in which case the Holders shall appoint a successor Agent at a Holders' Meeting convened by the retiring Agent or by way of Written Procedure initiated by the retiring Agent.
- 20.4.2 Subject to Clause 20.4.6, if the Agent is insolvent or becomes subject to bankruptcy proceedings, the Agent shall be deemed to resign as Agent and the Issuer shall within ten (10) Business Days appoint a successor Agent which shall be an independent financial institution or other reputable company which regularly acts as agent under debt issuances.
- 20.4.3 A Holder (or Holders) representing at least ten (10.00) per cent. of the Adjusted Nominal Amount may, by notice to the Issuer (such notice may only be validly given by a Person who is a Holder on the Business Day immediately following the day on which the notice is received by the Issuer and shall, if given by several Holders, be given by them jointly), require that a Holders' Meeting is held for the purpose of dismissing the Agent and appointing a new Agent. The Issuer may, at a Holders' Meeting convened by it or by way of Written Procedure initiated by it, propose to the Holders that the Agent be dismissed and a new Agent appointed.
- 20.4.4 If the Holders have not appointed a successor Agent within ninety (90) calendar days after (i) the earlier of the notice of resignation was given or the resignation otherwise took place or (ii) the Agent was dismissed through a decision by the Holders, the Issuer shall appoint a successor Agent which shall be an independent financial institution or other reputable company which regularly acts as agent under debt issuances.
- 20.4.5 The retiring Agent shall, at its own cost, make available to the successor Agent such documents and records and provide such assistance as the successor Agent may reasonably request for the purposes of performing its functions as Agent under these Terms and Conditions.
- 20.4.6 The Agent's resignation or dismissal shall only take effect upon the appointment of a successor Agent and acceptance by such successor Agent of such appointment and the execution of all necessary documentation to effectively substitute the retiring Agent.
- 20.4.7 Upon the appointment of a successor, the retiring Agent shall be discharged from any further obligation in respect of these Terms and Conditions but shall remain entitled to the benefit of these Terms and Conditions and remain liable under these Terms and Conditions in respect of any action which it took or failed to take whilst acting as Agent. Its successor, the Issuer and each of the Holders shall have the same rights and obligations amongst themselves under these Terms and Conditions as they would have had if such successor had been the original Agent.
- 20.4.8 In the event that there is a change of the Agent in accordance with this Clause 20.4, the Issuer shall execute such documents and take such actions as the new Agent may reasonably require for the purpose of vesting in such new Agent the rights, powers and obligation of the Agent and releasing the retiring Agent from its further obligations under these Terms and Conditions and the Agent Agreement. Unless the Issuer and the new Agent agrees otherwise, the new Agent shall be entitled to the same fees and the same indemnities as the retiring Agent.

21. APPOINTMENT AND REPLACEMENT OF THE COLLATERAL AGENT

21.1 Appointment of the Collateral Agent

- 21.1.1 By submitting the subscription undertaking or acquiring the Bonds on a secondary market, each Holder:
- (a) appoints the Collateral Agent to act as its agent in connection with the Collateral and the Collateral Agreement and the Collateral Agent Agreement and authorises the Collateral Agent to exercise the rights, powers, authorities and discretions specifically given to the Collateral Agent under or in connection with the Terms and Conditions, the Collateral Agreement and the Collateral Agent Agreement;
 - (b) confirms that the fact that the Collateral Agent enters into the Collateral Agent Agreement with the Issuer and performs its rights and obligations as the Collateral Agent does not constitute any conflict of interests vis-à-vis the Holder;
 - (c) confirms that the fact that the Collateral secures, inter alia, the full sum of the Issuer's obligations towards the Collateral Agent under the Collateral Agent Agreement does not constitute any conflict of interests vis-à-vis the Holder;
 - (d) agrees that the Collateral Agent shall have only such obligations and liability as expressly set forth in the Terms and Conditions, the Collateral Agreement and the Collateral Agent Agreement, and that upon the performance of its obligations and exercising of its rights in connection with the Collateral, the Collateral Agent shall be entitled to act at its sole discretion, considering the interests of the Holders holding Bonds collectively and generally (and not of any particular Holder), and, unless expressly set forth otherwise, the Holders shall not have any right to give any instructions to the Collateral Agent in respect thereof and the Collateral Agent is under no obligation to request or follow such instructions; and
 - (e) consents that, except as otherwise is required by the laws applicable to the Collateral, only the Collateral Agent shall be indicated as the pledgor and holder of the Collateral under the Collateral Agreement in the registers where such Collateral shall be registered (where relevant) and only the Collateral Agent shall be entitled to enforce the Collateral or to exercise any rights or powers arising under the Collateral Agreement;
 - (f) authorises the Collateral Agent to enter into the Collateral Agreement with the Collateral Provider in accordance with these Terms and Conditions, to make amendments to the Collateral Agreement in accordance with these Terms and Conditions and to represent the Holders in communication with any debtor(s) of the Issuer or any public authority (including but not limited to submitting notifications or inquiries in relation to the Collateral, submitting applications, complaints, or claims in relation with the Collateral or the activities of the Issuer) to fulfil its obligations under the Bond Documentation.

21.2 Obligations of the Collateral Agent

- 21.2.1 The Collateral Agent shall hold the Collateral in the interests of the Holders and fulfil other obligations stipulated in the Bond Documentation. The Collateral Agent will provide its services in the interests of the Holders, for the benefit of the Holders and

the Holders shall be entitled to claim the performance thereof in accordance with and to the extent specified in the Bond Documentation.

- 21.2.2 The duties of the Collateral Agent shall be deemed ministerial and administrative in nature, and the Collateral Agent shall not have, by reason of the Bond Documentation, a fiduciary relationship with any Holder or the Issuer. For the avoidance of doubt, nothing in this Clause may be referred to in the context of the scope of the Collateral Agent's duties and assignment under the Bond Documentation otherwise than for purposes of interpreting the nature of Collateral Agent's obligations.
- 21.2.3 Subject to Clause 21.2.2, and notwithstanding Clause 21.2.10, the Collateral Agent shall perform its assignment as if a prudent creditor and pledgee would reasonably be expected to take as the holder of or beneficiary under the Collateral in similar circumstances and with the purpose to enforce the Collateral in accordance with the terms and conditions of the Bond Documentation.
- 21.2.4 The Collateral Agent is required to perform its obligations in relation to the Collateral only if the Collateral Provider has entered into the Collateral Agreements relating to Collateral listed in Clause 10.2, in accordance with these Terms and Conditions. The functions and obligations of the Collateral Agent are limited to those expressly specified in these Terms and Conditions, Collateral Agreement, Collateral Agent Agreement and, notwithstanding any other provisions of these Terms and Conditions, such functions are limited to the exercise of those rights which belong to the Collateral Agent in its capacity as the holder of the Collateral. The Collateral Agent does not have any obligation to:
- (a) take any action (including, without limitation, to commence legal proceedings, compulsory enforcement proceedings, bankruptcy proceedings or any other proceedings) with the purpose to satisfy any claims arising under these Terms and Conditions on the account of any assets of the Issuer, except for enforcing the Collateral in accordance with these Terms and Conditions, Collateral Agreement and Collateral Agent Agreement, whereby the enforcement of the Collateral includes, if relevant or necessary, commencing and participating in the compulsory enforcement, bankruptcy, judicial reorganisation and other similar relevant proceeding in relation to the Issuer and any Collateral Provider in relation to the enforcement of the Collateral and related pursuit of Holders' claims under or in relation to the Bonds and Bond Documentation;
 - (b) ensure the existence or validity of the objects of the Collateral or the value of the Collateral;
 - (c) preserve the Collateral or to assess any rights arising from or relating to the Collateral, provided however, that the Collateral Agent shall take all reasonably necessary action in order to ensure the preservation, validity and enforceability of the Collateral and, if related to the foregoing, Holders' claims under or in relation to the Bonds and Bond Documentation;
 - (d) inform the Holders or the Issuer about any circumstances except to the extent such obligation to provide information is explicitly set forth in these Terms and Conditions, Collateral Agreement and Collateral Agent Agreement;
 - (e) provide any advice to any of the Holders in legal, accounting, tax or other matters

- (f) verify the correctness of the representations and warranties or the adherence of the covenants set out in the Bond Documentation or monitor the fulfilment of the obligations of the Issuer provided for in the Bond Documentation; and
 - (g) notify the Holders of any breach of these Terms and Conditions or other Bond Documentation by the Issuer or Collateral Provider unless such breach is (i) reported to the Collateral Agent in writing by the Issuer, any Collateral Provider or any Holder, or (ii) delivered in writing by any third party or authority to the Collateral Agent as a party to the Collateral Agreement or holder of the Collateral.
- 21.2.5 The Holders shall not have any independent power to enforce the Collateral or to exercise any rights or powers arising under the Collateral Agreements. Noteholders can exercise their rights in relation to the Collateral only through the Collateral Agent pursuant to these Terms and Conditions.
- 21.2.6 Upon the performance of its obligations and exercising its rights the Collateral Agent shall act at its own discretion in the interests and on the account of the Holders holding Bonds collectively and generally (and not of any particular Holder) without having any independent interests of its own, other than deriving from the Collateral Agent Agreement, and without any obligation to consider any interests or rights of the Issuer and without any right of the Issuer to give any instructions to the Collateral Agent. The Collateral Agent is not a party to the legal relationship between the Issuer and the Holders and is under no circumstances liable for the performance of the obligations of the Issuer.
- 21.2.7 Upon the performance of its obligations and exercising of its rights hereunder the Collateral Agent shall have the right to use the services of third parties and to appoint third party representatives (including in the course of performance of its tasks and acts as stipulated in these Terms and Conditions and Collateral Agreement), at its own cost.
- 21.2.8 Upon the full and final redemption of all outstanding Bonds to all Holders (which includes the payment of accrued Interest and other amounts due and payable under the Bond Documentation), the Collateral Agent shall immediately, after having received from the Issuer an application for the release of the Collateral confirming and evidencing in reasonable detail the redemption of Bonds inform the Holders of receipt of such application and, provided that any of the Holders has not, within five (5) Business Days after being informed by the Agent of the receipt of the Issuer's application, objected to the release of the Collateral on the basis that the redemption (as specified above) has actually not been duly carried out, take all necessary steps to release and deregister the Collateral, or if so instructed by the Issuer, transfer the Collateral to any person(s) determined by the Issuer.
- 21.2.9 The Collateral Agent shall not be obliged to inform the Holders about any default or other information that could reasonably be considered material in relation to the interest of the Holders under the Bond Documentation unless such default or material information is reported to the Collateral Agent in writing by the Issuer or delivered to the Collateral as party to the Collateral Agreement or registered pledgee of the Collateral in the relevant registry. The Collateral Agent shall be entitled and fully authorized to rely and act, and when acting based on such reliance, be considered as to have acted in full compliance to the Bond Documentation, upon any information or document which the Collateral Agent believes to be genuine and correct and to

have been signed or sent by or on behalf of the proper person or persons. The Collateral Agent shall not have any duty to verify or confirm the content of any such information or document. The relevant information or document shall be considered as received by the Collateral Agent only if such information or document is addressed to and received by the management board member(s) of the Collateral Agent and as sent to the contact address indicated in the Bond Documentation.

- 21.2.10 Upon the enforcement of the Collateral, the Holders shall transfer their Bonds to the Collateral Agent (by transfer as a FOP transfer to the Collateral Agent's securities account opened with the Estonian register of securities, which has been notified to the Holders) for the purposes of the enforcement if the Collateral Agent so requests and if such transfer is necessary to enforce the Collateral and distribute the proceeds pursuant to the Collateral Agreement. In such case the Collateral Agent shall be obliged to accept the Bonds and enforce the Collateral as a direct creditor under the Bonds. The Collateral Agent shall not be liable for the (successful) outcome of the enforcement of the Collateral in case and to the extent that an Holder who has not transferred its Bonds to the Collateral Agent for the purposes of enforcing the Collateral pursuant to this Clause, has independently submitted any claim under or in relation to the Bonds held by it in the bankruptcy proceedings of the Collateral Provider or debtor and the competent authority has refused to recognise the Collateral Agent's claims in relation to such Bonds on the basis of the Parallel Debt.
- 21.2.11 The Collateral Agent may suspend the enforcement of the Collateral and performance of its other obligations under the Agreement without the consent of the Holders by a notice to the Issuer and the Holders (whereas the notice shall set out the grounds for the suspension) in case:
- (a) In the reasonable opinion of the Collateral Agent, (i) there are grounds for claiming any amounts received by the Collateral Agent hereunder back either in the recovery proceedings, compulsory enforcement proceedings or any other way and/or (ii) the actions of the Collateral Agent hereunder may result in any other claim against the Collateral Agent and, in each case, the Collateral Agent has failed to receive such indemnification or security as it may require for all costs, claims, losses, expenses (including legal fees) and liabilities which it will or may expend or incur in connection with the above within the term specified by the Collateral Agent; or
 - (b) In the reasonable opinion of the Collateral Agent, (i) (further) enforcement of the Collateral on reasonable terms is not possible or feasible due to the commencement of the bankruptcy or reorganisation proceedings of the Subsidiary or for any other reason or (ii) the estimated proceeds of the enforcement of the Collateral will not be sufficient to cover the fees, costs and expenses and damages incurred by the Collateral Agent in the course of performing its duties hereunder;
 - (c) In the professional opinion of the Collateral Agent, the Collateral ceases to exist for any reason or such conclusion has been presented by a third-party service provider using its best professional expertise;
 - (d) It is clearly evident that such enforcement of the Collateral or taking other action hereunder would be contrary to the interests of the Holders (e.g. the Collateral Provider has no assets that could be further pursued);

- (e) The Collateral Agent terminates the Collateral Agreement on grounds specified in the Collateral Agreement and such ground have not been remedied as provided therein;
- (f) The Issuer has not paid the Collateral Agent its fees due and/or reimbursed costs reimbursement of which the Collateral Agent has the right under the Collateral Documents (where such fees and costs are to be paid and reimbursed by the Issuer and not to be withhold from the proceeds of the enforcement of the Collateral) and such breach has not been remedied within 30 Business Days from respective notice of the Collateral Agent to the Issuer and to the Holders; or
- (g) Notwithstanding anything else set forth in the Collateral Documents, the Collateral Agent shall not release any Collateral at the time when it has suspended the performance of its obligations.

21.3 Replacement of the Collateral Agent

- 21.3.1 Collateral Agent may be replaced according to the same procedure as described in Clause 20.4 for replacement of the Agent.

21.4 Liability of the Collateral Agent

- 21.4.1 The Collateral Agent is not liable for any circumstances relating to or affecting the validity of the Collateral that are outside the control of the Collateral Agent unless caused by negligence or acts of wilful intent of the Collateral Agent.
- 21.4.2 The Collateral Agent is only liable for the breach of any of its obligations under the Terms and Conditions (including the Collateral Agent Agreement) or the Collateral Agreement in the event of gross negligence or intentional breach by the Collateral Agent.
- 21.4.3 The Collateral Agent shall not be liable towards the Holders for the outcome of the enforcement of the Collateral unless the negative or insufficient outcome was caused by gross negligence or acts of wilful breach of the Collateral Agent of its duties under the Bond Documentation.

21.5 Remuneration of the Collateral Agent

- 21.5.1 The Collateral Agent shall have the right to receive fees from the Issuer and to be compensated by the Issuer for the costs relating to the performance of its obligations under the Terms and Conditions and the Collateral Agreement in accordance with the Collateral Agent Agreement.
- 21.5.2 The Collateral Agent shall have the right to withhold the performance of its duties and obligations in case of delay in payment of the relevant fees and costs as specified in Section 21.5.1. The Collateral Agent shall promptly notify the Issuer and the Holders thereof. The Collateral Agent does not have a right to withhold the performance of its duties and obligations in case in case the Holders have compensated such fees and costs to the Collateral Agent or the Collateral is required to be enforced in accordance with these Terms and the relevant fees can be compensated from the proceeds of enforcement. If the Holders compensate the relevant fees and costs to the Collateral Agent, the Issuer undertakes to compensate such amounts to the relevant Holders.

21.6 Information on Holders to the Collateral Agent

- 21.6.1 Upon relevant request from the Collateral Agent, the Issuer shall provide the Collateral Agent with an updated list of Holders available to the Issuer stating the outstanding Nominal Amount of the Bonds each of them is holding.
- 21.6.2 At the request of the Collateral Agent, the Holders shall provide the Collateral Agent with any information required by the latter for the purposes of identification of the Holder and/or for the performance of other obligations arising from applicable laws and regulations.

22. APPOINTMENT AND REPLACEMENT OF THE ISSUING AGENT

- 22.1 The Issuer appoints the Issuing Agent to manage certain specified tasks under these Terms and Conditions and in accordance with the legislation, rules and regulations applicable to and/or issued by the CSD and relating to the Bonds.
- 22.2 The Issuing Agent may retire from its assignment or be dismissed by the Issuer, provided that the Issuer has approved that a credit institution or investment firm approved by the CSD accedes as new Issuing Agent at the same time as the old Issuing Agent retires or is dismissed. If the Issuing Agent is insolvent or becomes subject to bankruptcy proceedings, the Issuer shall immediately appoint a new Issuing Agent, which shall replace the old Issuing Agent as issuing agent in accordance with these Terms and Conditions.

23. APPOINTMENT AND REPLACEMENT OF THE CSD

- 23.1 The Issuer has appointed the CSD to manage certain tasks under these Terms and Conditions and in accordance with the legislation, rules and regulations applicable to the CSD.
- 23.2 The CSD may retire from its assignment or be dismissed by the Issuer, provided that the Issuer has effectively appointed a replacement CSD that accedes as CSD at the same time as the old CSD retires or is dismissed and provided also that the replacement does not have a negative effect on any Holder or the listing of the Bonds listed on the corporate bond list of Nasdaq Tallinn (or any other Regulated Market). The replacing CSD must be authorised to professionally conduct clearing operations pursuant to the Securities Register Maintenance Act.

24. NO DIRECT ACTIONS BY HOLDERS

- 24.1 A Holder may not take any action or take any legal steps whatsoever against the Issuer or a Subsidiary to enforce or recover any amount due or owing to it pursuant to these Terms and Conditions, or to initiate, support or procure the winding-up, dissolution, liquidation, declaring of insolvency or bankruptcy (or its equivalent in any other jurisdiction) of the Issuer or a Subsidiary in relation to any of the liabilities of the Issuer under these Terms and Conditions. Such steps may only be taken by the Agent.
- 24.2 Clause 24.1 shall not apply if the Agent has been instructed by the Holders in accordance with these Terms and Conditions to take certain actions but fails for any reason to take, or is unable to take (for any reason other than a failure by a Holder to provide documents in accordance with Clause 20.1.2), such actions within a reasonable period of time and such failure or inability is continuing. However, if the failure to take certain actions is caused by the non-payment by the Issuer of any fee or indemnity due to the Agent under these Terms and Conditions or the Agent

Agreement or by any reason described in Clause 20.2.10, such failure must continue for at least ten (10) Business Days after notice pursuant to Clause 20.2.11 before a Holder may take any action referred to in Clause 24.1.

- 24.3 The provisions of Clause 24.1 shall not in any way limit an individual Holder's right to claim and enforce payments which are due to it under Clause 12.5 (*Mandatory repurchase due to a De-listing Event or Listing Failure (put option)*) or other payments which are due by the Issuer to some but not all Holders.

25. NOTICES AND PRESS RELEASES

25.1 Notices

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

- (a) if to the Agent, shall be given at the registered address or, to such address as notified by the Agent to the Issuer from time to time, and if sent by email, to the email address as specified by the Agent from time to time;
- (b) if to the Issuer, shall be given at the registered address or, to such address as notified by the Issuer to the Agent from time to time, and if sent by email, to the email address as specified by the Issuer from time to time; and
- (c) if to the Holders, shall be published by the Issuer by way of a stock exchange announcement. A notice to the Holders shall also be published on the websites of the Issuer and the Agent. In addition, any notice may be, at the discretion of the Issuer or the Agent, given to the Holders at their addresses as registered with the CSD, on the Business Day prior to dispatch, and by either courier delivery or letter for all Holders. The Agent and the Issuer are also entitled to send any notice or other communication to the Holders by email if so requested by any Holder and provided the Holder has specified email recipient and address authorized to receive notices and communication related to the Bonds.

- 25.1.2 Any notice or other communication made by one Person to another under or in connection with these Terms and Conditions shall be sent by way of courier, personal delivery, letter or by email and will only be effective, in case of courier or personal delivery, when it has been left at the address specified in Clause 25.1.1 or, in case of letter, three (3) Business Days after being deposited postage prepaid in an envelope addressed to the address specified in Clause 25.1.1 or, in case of email to the Agent or the Issuer, when received in legible form by the email address specified in Clause 25.1.1.

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

25.2 Press releases

- 25.2.1 Any notice that the Issuer or the Agent shall send to the Holders pursuant to Clauses 12.3, 12.5, 13.12.1 (g), 14.6, 15.4, 16.15, 17.1, 18.1, 19.3, 20.2.11 and 20.4.1 shall also be published by way of a stock exchange release or a press release by the Issuer or the Agent, as applicable. For the avoidance of doubt, in case of the notices by the Issuer, the stock exchange release shall suffice. The obligations in this Clause 25.2 shall be applicable as of submitting the application for listing the Bonds on Nasdaq Tallinn.

- 25.2.2 In addition to Clause 25.2.1, if any information relating to the Bonds, the Issuer or the Group contained in a notice that the Agent may send to the Holders under these Terms and Conditions has not already been made public by way of a press or stock exchange release, the Agent shall before it sends such information to the Holders give the Issuer the opportunity to issue a press or stock exchange release containing such information. If the Issuer does not promptly issue a press or stock exchange release and the Agent considers it necessary to issue a press release containing such information before it can lawfully send a notice containing such information to the Holders, the Agent shall be entitled to issue such press release.

26. LISTING

The Issuer intends to list the Bonds issued on the Issue Date within ninety (90) calendar days, and has undertaken to list the Bonds issued on the Issue Date within six (6) months, after the Issue Date on the corporate bond list of Nasdaq Tallinn (or any other Regulated Market) in accordance with Clause 13.1 (*Listing of the Bonds*). Further, if the Bonds issued on the Issue Date have not been listed on the corporate bond list of Nasdaq Tallinn within six (6) calendar months after the Issue Date, each Holder has a right of repayment (put option) of its Bonds in accordance with Clause 12.5 (*Mandatory repurchase due to a De-listing Event or Listing Failure (put option)*).

27. GOVERNING LAW AND JURISDICTION

- 27.1 These Terms and Conditions, and any non-contractual obligations arising out of or in connection therewith, shall be governed by and construed in accordance with the laws of Estonia.
- 27.2 Any dispute or claim arising in relation to these Terms and Conditions shall be determined by Estonian courts and the Harju Country Court shall be the court of first instance.

28. FINAL PROVISIONS

- 28.1 All payments under these Terms and Conditions shall be made in euro, in immediately available funds and, unless required otherwise under mandatory laws, without any set-off or withholdings.
- 28.2 Unless specifically provided otherwise in the Terms and Conditions, in case a Holder receives any payment under or in relation to the Bonds otherwise than in accordance with these Terms and Conditions resulting in the Bonds being treated unequally in relation to such payment, such Holder, unless agreed otherwise by the other Holders, shall be obliged promptly and in coordination with the Issuer and the Agent, make such payments and redistributions to the other Holders to cause the effect of such disproportional payment received fully mitigated and all Holders being treated proportionally and equally in the terms of such payment.
- 28.3 Should any provision of these Terms and Conditions be or become invalid in whole or in part, the other provisions of these Terms and Conditions shall remain in force. Invalid provisions shall, according to the intent and purpose of the Terms and Conditions, be replaced by such valid provisions which in their economic effect come as close as legally possible to that of the invalid provisions.
- 28.4 If the Holder does not use the right or remedy arising from the Bonds, this shall not be deemed waiver of such right or remedy, and the separate or partial use of any of the rights or remedies shall not prevent further or repeated use of the respective right or remedy or the use of any other right or remedy. The rights and remedies applicable

- to the Bonds are accruing and do not exclude any other rights or remedies established by law.
- 28.5 All costs and expenses related to the performance of and amendments or waivers to, the Bond Documentation and establishing, registering or releasing any Collateral pursuant thereto shall be borne by the Issuer.
- 28.6 The Issuer shall reimburse to the Holders all costs and expenses (including legal fees) incurred by the Holder in connection with the enforcement of, or the preservation of any rights under, any Bond Documentation or the Collateral established pursuant thereto.
- 28.7 The Issuer shall be liable for its obligations under the Bond Documentation as provided by the relevant document and applicable law. The Issuer shall reimburse to the Holders all damages caused by the Issuer breaching its obligations under the Bond Documentation or by the effect of the occurrence of the Event of Default.