Baltic Horizon

ANNUAL REPORT 2022

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

The Fund is a public fund with no particular lifetime (evergreen). Units of the Fund are made available to the public in accordance with the Fund Rules and applicable laws. The Fund is listed on the Fund List of the Nasdaq Tallinn Stock Exchange. The Fund‘s Swedish depository receipts (the SDRs) are listed on the Nasdaq Stockholm Stock Exchange.

Baltic Horizon Fund was merged with Baltic Opportunity Fund (“BOF”) on 30 June 2016. Baltic Horizon was the remaining entity which took over 5 assets of BOF and its investor base.

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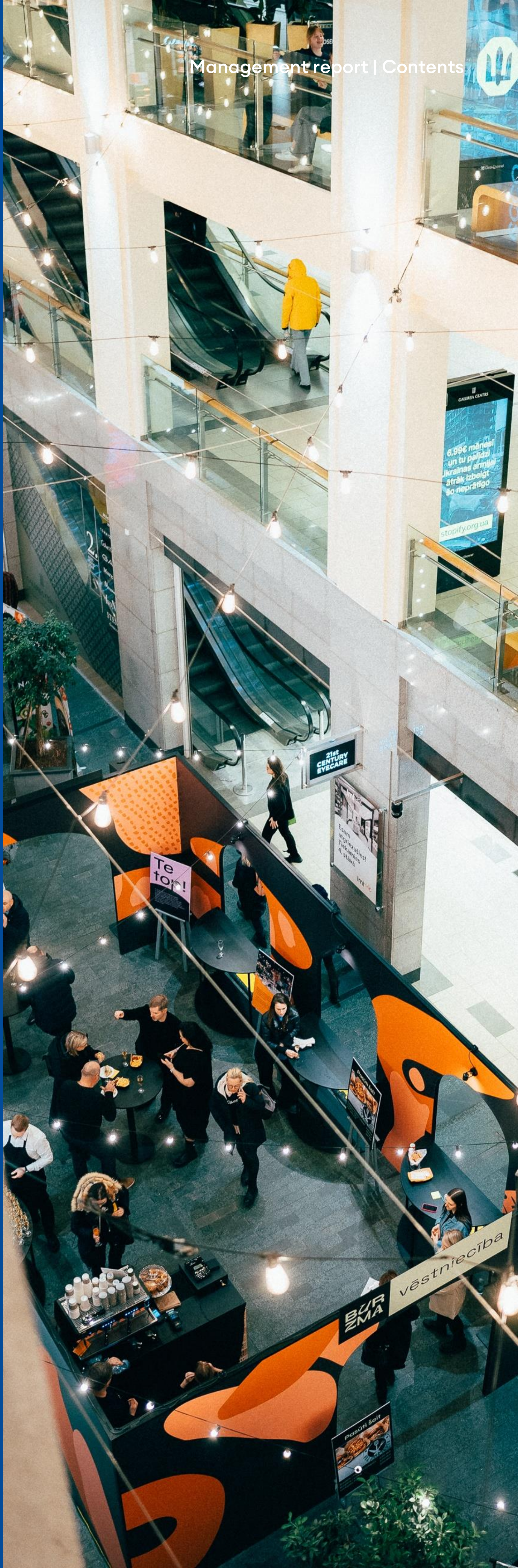


KEY FIGURES

Portfolio highlights

Offices

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

Central retail

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

Regional retail

Neighbourhood shopping centres with strong grocery chains as anchor tenants.

Leisure

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

Portfolio value
EUR 333.1m
2021: EUR 327.4m

Occupancy rate
90.5%
2021: 92.1%

WAULT
3.3 yr
2021: 3.3 yr

Net rental income
EUR 17.4m
2021: EUR 17.0m

Financial highlights

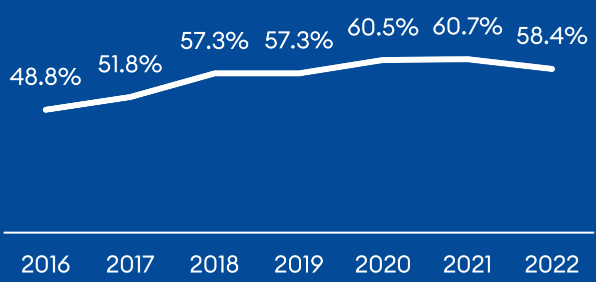
IFRS NAV
EUR 133.7m
2021: EUR 132.6m

EPRA NRV
EUR 141.9m
2021: EUR 142.2m

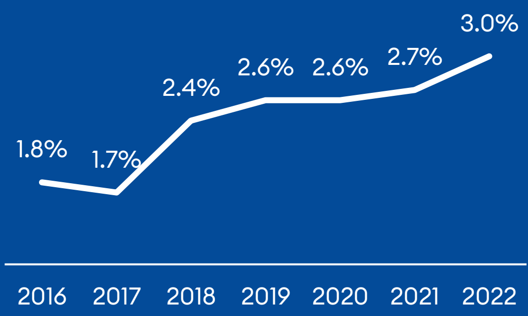
Dividends per unit
EUR 0.026
2021: EUR 0.058

GNCF per unit
EUR 0.060
2021: EUR 0.073

Loan to value



Average cost of debt



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

Key earnings figures	Unit	2022	2021	Change (%)
Rental income	EUR '000	20,482	19,495	5.1%
Net rental income	EUR '000	17,430	17,004	2.5%
Net rental income margin[1]	%	85.1	87.2	-
Valuation losses on investment properties	EUR '000	(2,914)	(7,161)	59.3%
EBIT	EUR '000	11,238	7,347	53.0%
EBIT margin[2]	%	54.9	37.7	-
Net profit	EUR '000	3,944	1,413	179.1%
Net profit margin	%	19.3	7.2	-
Earnings per unit	EUR	0.03	0.01	200.0%
Generated net cash flow[3]	EUR '000	7,141	8,749	(18.4%)
Dividends per unit[4]	EUR/unit	0.026	0.058	(55.2%)
Generated net cash flow per unit[5]	EUR/unit	0.060	0.073	(17.8%)
Gross rolling dividend yield[6]	%	4.5	5.4	-

Key financial position figures	Unit	31.12.2022	31.12.2021	Change (%)
Total assets	EUR '000	343,963	346,338	(0.7%)
Return on assets	%	1.1	0.4	-
Total equity	EUR '000	133,655	132,584	0.8%
Equity ratio	%	38.9	38.3	-
Return on equity	%	3.0	1.1	-
Interest-bearing loans and borrowings	EUR '000	195,111	199,147	(2.0%)
Total liabilities	EUR '000	210,308	213,754	(1.6%)
LTV	%	58.4	60.7	-
Average cost of debt	%	3.0	2.7	-
Weighted average duration of debt	years	1.8	1.5	-
Current ratio	times	0.1	0.4	-
Quick ratio	times	0.1	0.4	-
Cash ratio	times	0.1	0.3	-
IFRS NAV per unit	EUR	1.1172	1.1082	0.8%

Key property portfolio figures	Unit	31.12.2022	31.12.2021	Change (%)
Fair value of portfolio	EUR '000	333,123	327,359	1.8%
Properties[7]	number	15	15	-
Net leasable area	sq. m	151,870	144,081	5.4%
Occupancy rate	%	90.5	92.1	-
Weighted average unexpired lease term to expiry[8]	years	3.3	3.3	(0.0%)
Weighted average unexpired lease term to first break[9]	years	2.3	2.2	4.5%

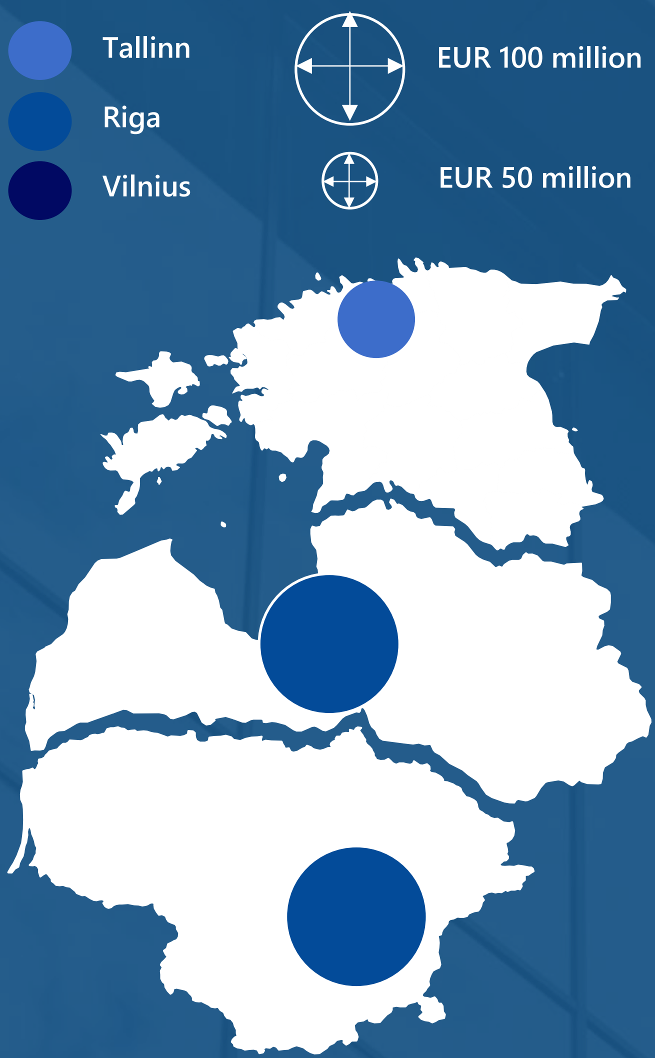
Key property portfolio figures	Unit	2022	2021	Change (%)
Direct property yield	%	5.1	5.0	-
Net initial yield	%	5.4	5.2	-
Average rent during the period	EUR/sq. m	12.8	11.3	13.3%

Key unit figures	Unit	31.12.2022	31.12.2021	Change (%)
Number of units outstanding	units	119,635,429	119,635,429	-
Closing unit price	EUR	0.5750	1.0690	(46.2%)
Closing unit price	SEK	5.60	10.87	(48.5%)
Market capitalisation[10]	EUR	68,790,372	127,519,749	(46.1%)

Key EPRA figures	Unit	2022	2021	Change (%)
EPRA Earnings	EUR ‘000	8,260	8,867	(6.8%)
EPRA Earnings per unit	EUR	0.07	0.07	0.0%
EPRA Cost ratio (including direct vacancy costs)	%	30.2	27.5	-
EPRA Cost ratio (excluding direct vacancy costs)	%	27.1	24.0	-

Key EPRA figures	Unit	31.12.2022	31.12.2021	Change (%)
EPRA NRV (Net Reinstatement Value)	EUR ‘000	141,943	142,176	(0.2%)
EPRA NRV per unit	EUR	1.1865	1.1884	(0.2%)
EPRA NTA (Net Tangible Assets)	EUR ‘000	141,943	142,176	(0.2%)
EPRA NTA per unit	EUR	1.1865	1.1884	(0.2%)
EPRA NDV (Net Disposal Value)	EUR ‘000	133,313	132,622	0.5%
EPRA NDV per unit	EUR	1.1143	1.1086	0.5%
EPRA LTV	%	57.9	56.9	-
EPRA Net initial yield (NIY)	%	5.9	6.1	-
EPRA Topped-up NIY	%	6.1	6.2	-
EPRA Vacancy rate	%	6.9	6.7	-

1. Net rental income as a % of rental income.
2. EBIT (earnings before interest and taxes) as a % of rental income.
3. Generated net cash flow is calculated based on net rental income less administrative expenses, less external interest expenses, less CAPEX expenditure. Listing related expenses and acquisition related expenses are added back in GNCF calculation.
4. Distributions to unitholders for 2021 and 2022 Fund results.
5. Generated net cash flow per weighted average numbers of units during the period.
6. Gross dividend yield is based on the closing market price of the unit as at the end of the period (2022: closing market price of the unit as of 31 December 2022).
7. Properties includes 15 established cash flow properties.
8. Weighted average unexpired lease term to expiry is based on the number of years of unexpired lease terms, as from the reporting date, weighted by the total annual income of each contract.
9. Weighted average unexpired lease term to first break is based on the number of years of unexpired lease terms until first break option date, as from the reporting date, weighted by the total annual income of each contract.
10. Based on the closing prices and split between units on the Nasdaq Tallinn and the Nasdaq Stockholm Stock Exchanges.



Investment strategy

The Fund's primary focus is to invest directly in commercial real estate located in Estonia, Latvia and Lithuania with a particular focus on the capitals - Tallinn, Riga and Vilnius.

The Fund's focus is on established cash flow generating properties with potential to add value through active management within the retail, office, leisure and logistics segments in strategic locations and strong tenants or a quality tenant mix and long leases. Up to 20% of the Fund's assets may be allocated to investments of a more opportunistic nature such as forward funding development projects and undeveloped land purchases.

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

The Fund aims to grow through making attractive investments for its investors while diversifying its risks geographically, across real estate segments, tenants and debt providers.

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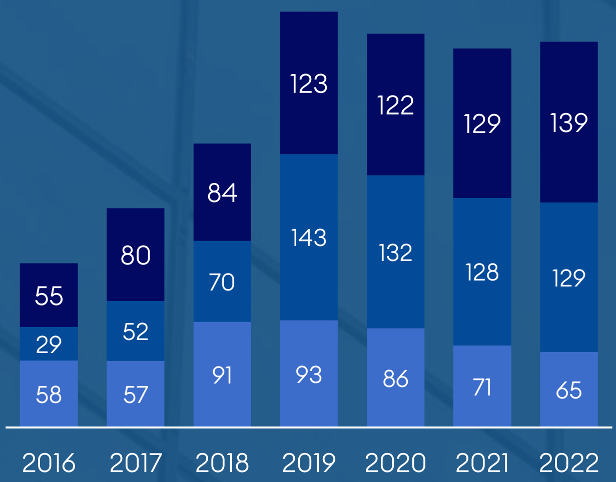
Properties

151,870
Portfolio size (sq. m)

Portfolio value (EUR million)



Ten largest properties

1. Galerija Centrs	20.2%
2. Europa SC	10.7%
3. Postimaja	8.0%
4. North Star	6.5%
5. Upmalas Biroji BC	6.3%
6. Duetto II	6.1%
7. Duetto I	5.7%
8. Vainodes	5.4%
9. Meraki	5.2%
10. Domus Pro (Retail)	5.1%
11. Others	20.8%

2022 AT A GLANCE

Q1 2022

Quarterly cash distribution
On 22 February 2022, the Fund distributed EUR 2.27 million to investors (EUR 0.019 per unit).

Opening of Europa food hall Dialogai
On 24 January 2022, the Fund opened food hall Dialogai (approx. 900 sq. m) in Europa SC signalling the end of the first stage of the Europa SC reconstruction project. The Dialogai food hall is the first sizeable food hall in the CBD area of Vilnius, filled with greenery in the sitting area and offering different types of food. Dialogai has quickly become a favourite spot for lunch for CBD office workers as it is always packed with people during lunch hours.

Extension of bank loans
During Q1 2022, Europa SC, Domus Pro, Pirita SC and Sky SC bank loans were extended. In Q1 2022, the bank's credit committee also approved the extension of the Galerija Centrs loan in the amount of EUR 30.0 million until 2024 January. In Q2 2022, the loan has been extended.

Q2 2022

Quarterly cash distribution
On 18 May, the Fund distributed 1.56 million to investors (EUR 0.013 per unit).

Extension of bank loans
During Q2 2022, the Fund extended the Galerija Centrs loan in the amount of EUR 30.0 million until 2024 January.

Annual General Meeting
The Annual General Meeting of Baltic Horizon Fund investors took place on 7 June 2022 in Tallinn, Estonia. Fund Manager Tarmo Karotam presented the FY2021 audited annual report of Baltic Horizon Fund, the status of the units traded on Nasdaq Stockholm due to the termination of the Euroclear Sweden agreement on 30 September 2022 and the resolution on the establishment of a BHF units buy-back program.

Annual ESG report
On 1 July 2022, the Fund published its ESG report 2021. The management team of the Fund raised the short-term and long-term sustainability aims. Baltic Horizon will report progress against these aims at least annually.

Q3 2022

Quarterly cash distribution
On 16 August, the Fund distributed 1.56 million to investors (EUR 0.013 per unit).

GRESB benchmarking
In Q3 2022, Baltic Horizon received the GRESB 4 star rating for the first time, exceeding its initial goal of 3 stars. In addition, for the first time Baltic Horizon received an A-rating in the 2022 GRESB Public Disclosure Report. The GRESB Real Estate Assessment is an investor-driven global ESG benchmark and reporting framework for listed property companies, private property funds, developers and investors that invest directly in real estate. The achievement of GRESB ratings confirms the Fund's continuous efforts in the ESG field.

Completion of the first Meraki office building
The Fund completed the first stage in the construction of the modern B-class office building Meraki in September 2022. 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, 8,133 sq. m of net leasable area can be offered to tenants in the first tower.

Completion of Europa SC reconstruction
The Europa SC refurbishment project was fully completed in Q3 2022. Reconstruction works started in September 2021. The first stage was completed with the opening of the fully leased out food hall Dialogai (900 sq. m) on 24 January 2022. The interior of the ground floor passage, the lounge zones, an amphitheatre, the bakery zone and new escalators from the ground to the 3rd floor were completed in Q1 and Q2 2022, while the shop fronts, the elevator change and final fit-out works on the 2nd and 3rd floors were completed in Q3 2022. Reopening of the Europa SC took place on 8 September 2022.

Galerija Centrs food hall
In September, the Fund started the refurbishment of the 4th floor of Galerija Centrs to build a food hall with a view of Riga Old Town. The food hall accommodates 10 restaurants and bars. The opening took place on 27th of February 2023.

Q4 2022

Changes on the Management Board
Edvinas Karbauskas was elected as a new member of the Management Board of Northern Horizon Capital AS effective from 3 January 2023 for a period of four years. Edvinas Karbauskas was also appointed as Co-Fund manager of Baltic Horizon Fund together with Tarmo Karotam, the current Fund manager. Algirdas Vaitiekunas, a long-term member of the Management Board of Northern Horizon Capital AS, resigned from the Management Board, effective from 2 January 2023.

Europa parking house disposal
On 30 December 2022, Baltic Horizon Fund signed a real estate sale and purchase agreement with UAB Prime Location Property Fund, closing the deal for selling its share in the parking house of the Europa Shopping Centre which was previously co-owned with the purchaser. The sales price was EUR 4 million. The proceeds of the transaction were used to optimise the structure of the statement of financial position and reduce the financial leverage of the Fund. Following the transaction, the Fund's outstanding loan balance decreased by EUR 3.5 million. The sale agreement stipulates certain guarantees to ensure a sufficient number of parking spaces for the proper operation of the shopping centre as well as a possibility to ensure free parking for the customers of the Europa Shopping Centre. Baltic Horizon Fund remains the sole owner of the Europa Shopping Centre.

New website and new look
In Q4 2022, Baltic Horizon launched a brand-new website. Compared to the previous one, the new website offers many improvements – faster navigation, improved functionality and more information about the Fund's assets and the team behind Baltic Horizon to name a few.

The launch of the new website has been an opportunity to update Baltic Horizon's brand to ensure a better match between the Fund's activities and its look. To access the investor home and to get acquainted with the new look, please go to www.baltichorizon.com.

LETTER TO UNITHOLDERS

The recent history has posed a notable challenge for investors to deal with the uncertainty in the surrounding environment. It almost seems like uncertainty is a new certainty. For several years since 2020, the COVID virus related restrictions strongly affected travel and centrally located commercial properties – hotels, retail centres and offices – as people were forced out of city centres to commute and socialize less and work, shop and entertain themselves from homes. As if this was not enough, 24 February 2023 marks the first anniversary of the reignited war in Ukraine, which has greatly influenced European economies throughout 2022 and beyond. Overall, real estate markets in the Nordic and Baltic regions have witnessed several external shocks over the past years, which have changed the investment environment for good and there are a number of outstanding challenges including increased material and renovation costs, higher cost of financing, volatile energy prices, weaker economies and lower consumer confidence.

That being said, hybrid retail and working is here to stay and in recent years, Baltic Horizon Fund has focused its investments on renewing the concepts of its properties located in the city centres. The attractive hybrid centres no longer contain only grocery, fashion and clothing stores, but also cinemas, sports clubs, beauty salons, clinics and coworking areas. In addition, a new megatrend is authentic and high-quality food areas. We are extremely pleased to have followed that megatrend and opened the Dialogai food hall in Europa in spring 2022 and just recently the BURZMA food area on the fourth floor of Galerija Centrs, with views of the Riga old town and outdoor terraces. Both concepts have turned out to be very successful both socially and financially.

While the office segment has remained stable, many companies are analysing what is the future look and feel of their office space and how to attract people back to offices. Hybrid working is definitely a new normal but in order to keep the corporate culture strong, working together in a designated work environment remains crucial for any ambitious companies. During 2022 we saw companies optimizing their space but also expanding and due to the fact that companies need space for their employee during "office peak hours", it is difficult to generally see a large drop in demand in the office segment in the coming years.

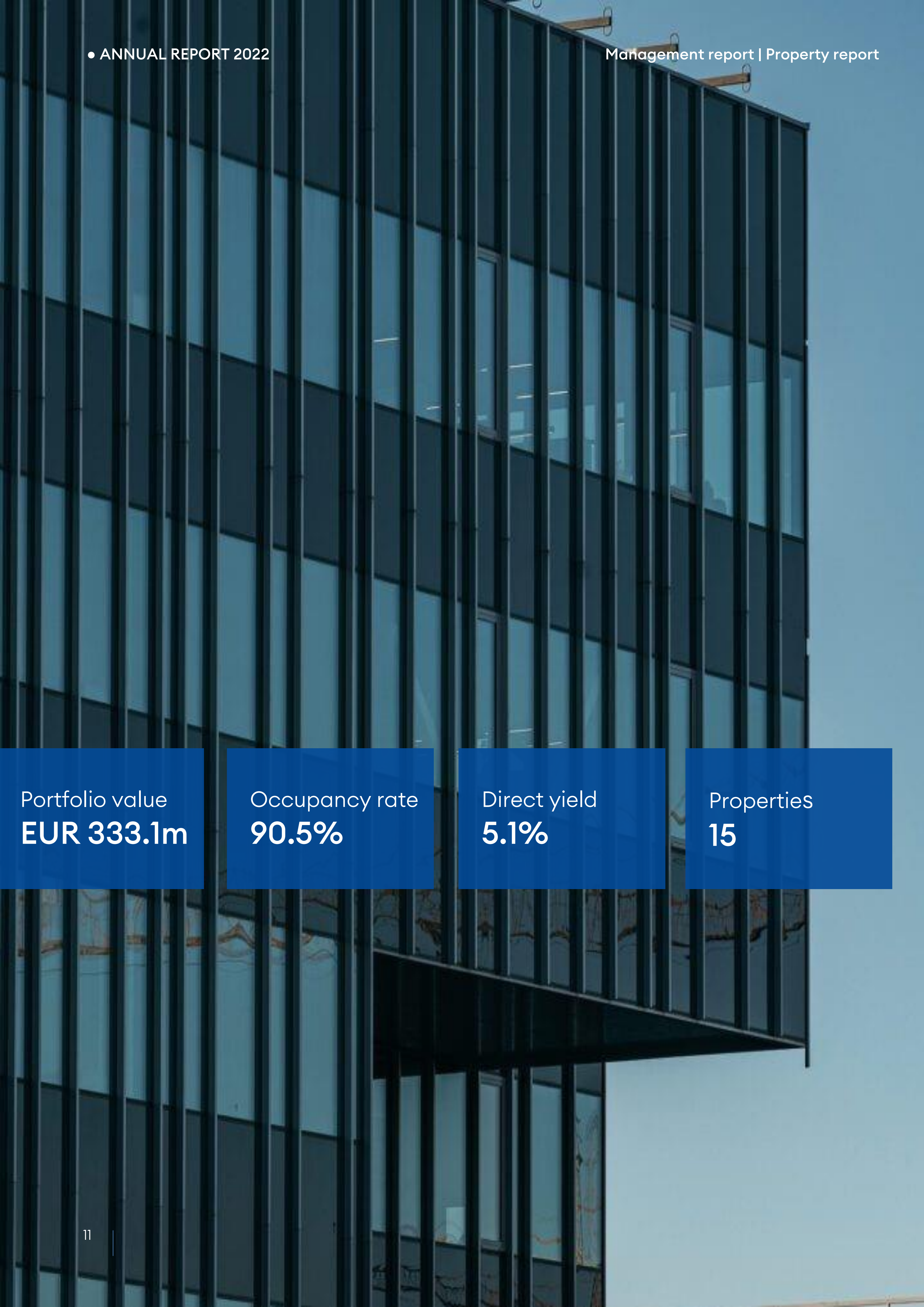
I am further content to state that the Fund in 2022 generated NOI of EUR 17.4 million which is more than in 2021 and without G4S property in the portfolio. That is evidence of recovery from COVID lockdowns and it needs to be pointed out that Galerija Centrs increased NOI by 51% compared to 2021 and Postimaja, which was less affected by the lockdowns, more than 13%. Regardless of fallen consumer confidence, the recovery continues in 2023 and what we have also noticed is that customers are visiting less, but spending more. Moreover, spending on small ticket items continues to remain strong as it is difficult to change one's habits. In 2022 several new tenants entered our centres like Avitela electronic gadget store and Odore D'amore, a high-perfume store with a bar inside. More exciting news about new international tenants is expected in 2023.

As for distributable income for the investors, the Fund generated cash flow of 6 cents per unit of which 2.6 cents was distributed for the year in quarterly installments to investors. The events taking place during the year have made the Fund more cautious in making the distributions to investors even though paying regular dividends remains one of our top long-term priorities. Throughout 2022 the Fund management team worked out several scenarios for how to refinance the bonds due in May 2023 and is confident to finalize the refinancing with the most optimal solution for the investors in April. I am further pleased to state that more than EUR 86 million of loans were prolonged in 2022 with our long-term financing partners. It is important to also mention that the Fund has been in the process of reshuffling its portfolio and has made three disposals over the past couple of years (G4S, Europa parking house and Domus PRO) and continues to shape the optimal portfolio mix in the changed environment.

In conclusion, it is difficult to forecast future inflation and how long central banks will continue their hawkish monetary policy. It is estimated nonetheless that headline inflation in most countries has peaked and with the increased interest rates and cooling economies a new base for future growth will be found in the second half of 2023.

At Baltic Horizon, we continue focused work on signing new leases in our centrally located retail properties, prolonging our office leases, indexing the rents and refinancing debt obligations. On behalf of the Management Board of Baltic Horizon and our entire team, I can confirm that we are working hard to adapt to the changed environment and regardless of the extraordinary uncertainties, strive for the best possible results in our portfolio.

Tarmo Karotam
Fund Manager, Baltic Horizon Fund
31 March 2023



Portfolio value
EUR 333.1m

Occupancy rate
90.5%

Direct yield
5.1%

Properties
15

PROPERTY REPORT

Portfolio and market overview

At the end of 2022, the diversified property portfolio of Baltic Horizon Fund consisted of 15 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. The total turnover of the shopping centres' tenants grew vigorously throughout the year and reached a peak in December 2022. Even though footfall is still below pre-pandemic levels, footfall figures are increasing in all 3 properties. 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. Currently, the Baltic region attracts 70-90% of tourists that it used to attract prior to the pandemic.

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. Several tenants have introduced unique concept stores in the Europa SC within the last several months. The latest one was Odore D'amore, a high-perfume store with a bar inside. The opening of the food hall Dialogai and other renovated areas has created a great value proposition for office workers in Vilnius CBD.

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 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.

In recent years, Baltic Horizon has been in active negotiations, mainly with retail tenants, regarding rent reductions, which have had a negative impact on the Fund's performance in 2020-2022. The amount of rent reliefs has been greatly reduced lately since the direct impact of the pandemic has diminished. Increases in the NOI of Galerija Centrs and Postimaja clearly show that the results of retail assets can quickly recover in a stable and free environment without major rent reliefs.

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.

Considering the new office reality, Baltic Horizon has been revitalizing larger vacant office areas to create flexible working spaces for smaller tenants. The Fund successfully converted vacant areas in North Star into an office hotel during Q1-Q3 2022. All areas have already been leased out to tenants, significantly boosting North Star's occupancy levels in the process. A similar concept has been completed on one Meraki office floor and is being evaluated for other properties. Excluding the recently built Meraki, almost all BHF office spaces are now leased out. The office portfolio continues to generate strong results due to fixed lease agreements and the flexible solutions offered by the Fund. Rental indexations are playing a vital part in the growth of office portfolio results and will likely continue to positively impact results in 2023.

In summary, Baltic Horizon's offices continue to demonstrate resilience to all external shocks, while centrally located retail and entertainment assets continue gradual recovery to peak performance

Developments

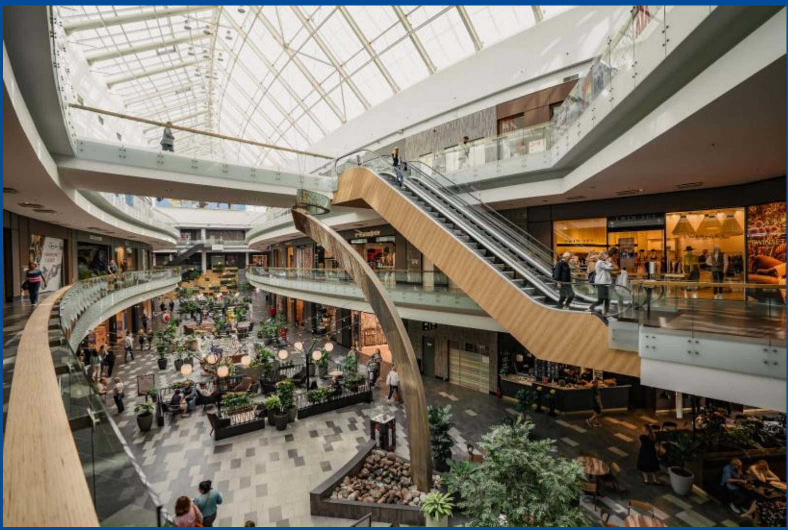
Meraki

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 BREAAM "Excellent" certification for the completed building.

The construction of the second tower of the Meraki building is expected to start after the refinancing of the Fund's EUR 50 million bonds but not until at least 50% of its rental space is covered with preleases. Meraki development costs reached EUR 19.5 million as of 31 December 2022 and total development costs are estimated to amount to EUR 32.7 million. The Fund is not planning to make any major investments in the Meraki project over the upcoming months, except for tenant fit-out contributions.

The Fund aims to offer high-quality premises for office and mixed-use tenants with an emphasis on flexible and sustainable solutions as well as a strong sense of community. As part of the project, the Fund has developed a unique green public space for tenants, visitors and the local community in a highly crowded Pašilaičiai area. Efficient engineering and other technical solutions should ensure comfortable working conditions, low carbon emissions and a sense of well-being for the employees.

At the end of 2022, 30.8% of the net leasable area of the first tower was let to 8 tenants incl. cafeteria, office and medical tenants. During Q4 2022, the Fund signed a lease with the logistics company Baltic Line for approx. 600 sq. m. Together with the completion of the 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 Fund's management is actively engaged in the leasing process, while Newsec is acting as a leading external partner for leasing activities.



Europa

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

Reconstruction works started in September 2021 with the aim to finish reconstruction in two stages. The first stage was completed with the opening of the fully leased out food hall Dialogai (900 sq. m) on 24 January 2022. The interior of the ground floor passage, the lounge zones, an amphitheatre, the bakery zone and new escalators from the ground to the 3rd floor were completed in Q1 and Q2, while the shop fronts, the elevator change and final fit-out works on the 2nd and 3rd floors were completed in Q3 2022. The reopening of the fully refurbished Europa SC areas took place on 8 September 2022.

The total investment in the project has increased to approx. EUR 6.0 million after the expansion of the initial scope of work. Out of the total investment, EUR 2.1 million is the food hall investment. Despite rapidly rising construction costs, the project has mostly remained within budget.

EUR 6.0m

Total investment

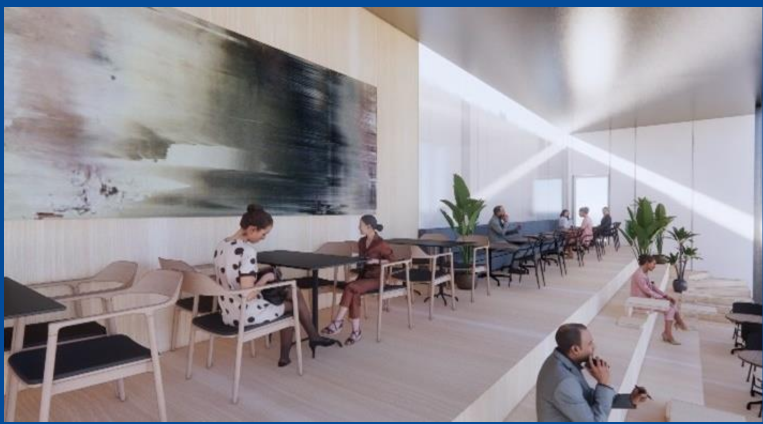
Q3 2022

Reconstruction completed

Postimaja

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

The first stage of the reconstruction project – the construction of a terrace for Reval Café, which was separated from the overall project and started earlier, was completed and transferred to the tenant in Q4 2022. The opening is planned for Q1 2023. The investment is estimated to amount to EUR 0.2 million. The newly built terrace will expand the leasable area of the shopping centre by approx. 90 sq. m. The terrace was built to provide additional area for Reval Café upon the signing of a long-term lease agreement. The second stage – full connection of the two buildings – has been scheduled for later. While preparing for the second stage, the Fund is discussing with the City of Tallinn the plans to have a tram stop in front of the Postimaja SC.



Q1 2021

Building permit was received

Q1 2023

Opening of the terrace

Galerija Centrs

The Fund approved the refreshed concept of the food hall on the 4th floor of the Galerija Centrs at the beginning of 2022. The design stage and the necessary permits and permissions for the project was completed in Q2 2022. The construction works started on 21 September 2022. During Q2-Q3 2022 the trademark "BURZMA" of the new food hall in Galerija Centrs was created and registered, the construction works were completed on February 2023. The total investment in the Galerija Centrs food hall is approx. EUR 2 million.

According to the new concept, the food hall includes 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 occupies 1,500 sq. m on the 4th floor of Galerija Centrs, accommodates 10 modern restaurants, cafes and bars. The opening of new food zone took place in February 2023.

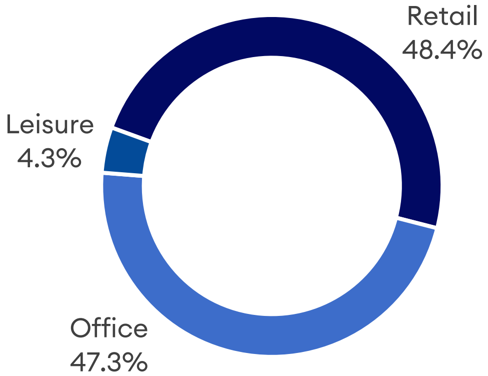
A new fashion anchor tenant was approved by the Fund in Q4 2022 and the agreement was signed in January 2023. The tenant will be located on the ground floor of the shopping centre, with a total lettable area of 782 sq. m. The new anchor tenant will open the first flagship store of a global chain in the Baltics – in Riga, in Galerija Centrs. Total investment could extend to EUR 1.5 million. Construction works started in Q1 2023, with an opening planned in November 2023.

Q1 2023
Completion of Food Hall

Q4 2023
Planned anchor tenant flagship store opening

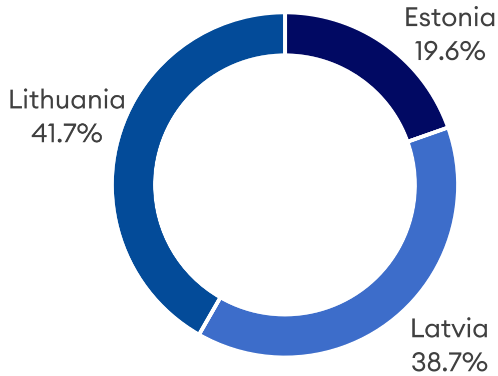
Property performance

Fund segment distribution as of 31 December 2022



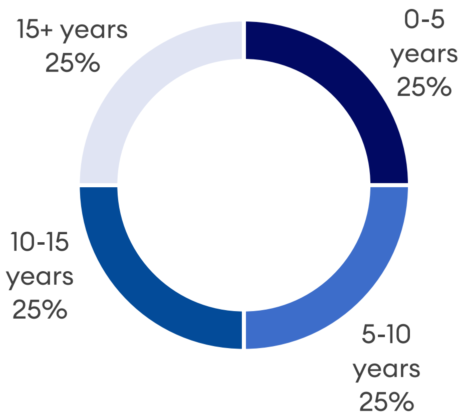
The Fund maintains a well-diversified mix of office, leisure, and retail buildings. At the end of 2022, the portfolio was comprised of 48.4% retail assets, followed by 47.3% office assets and 4.3% leisure assets. Portfolio properties in the office segment contributed 56.2% of net rental income in 2022 despite accounting for only 47.3% of the Fund's portfolio.

Fund country distribution as of 31 December 2022



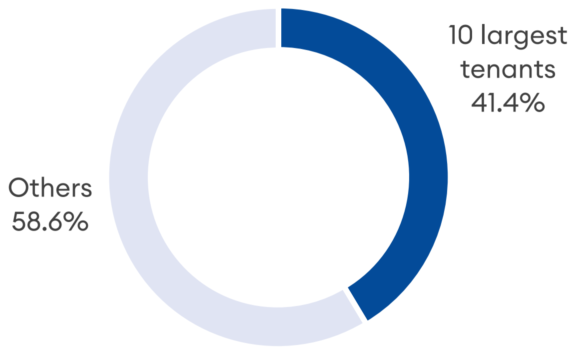
In terms of country distribution, in 2022 Lithuania's share in the Fund's portfolio increased due to the completion of the first stage of Meraki development project. At the end of 2022, the Fund's assets were located as follows: 41.7% in Lithuania, 38.7% in Latvia and 19.6% in Estonia.

Fund portfolio by age as of 31 December 2022



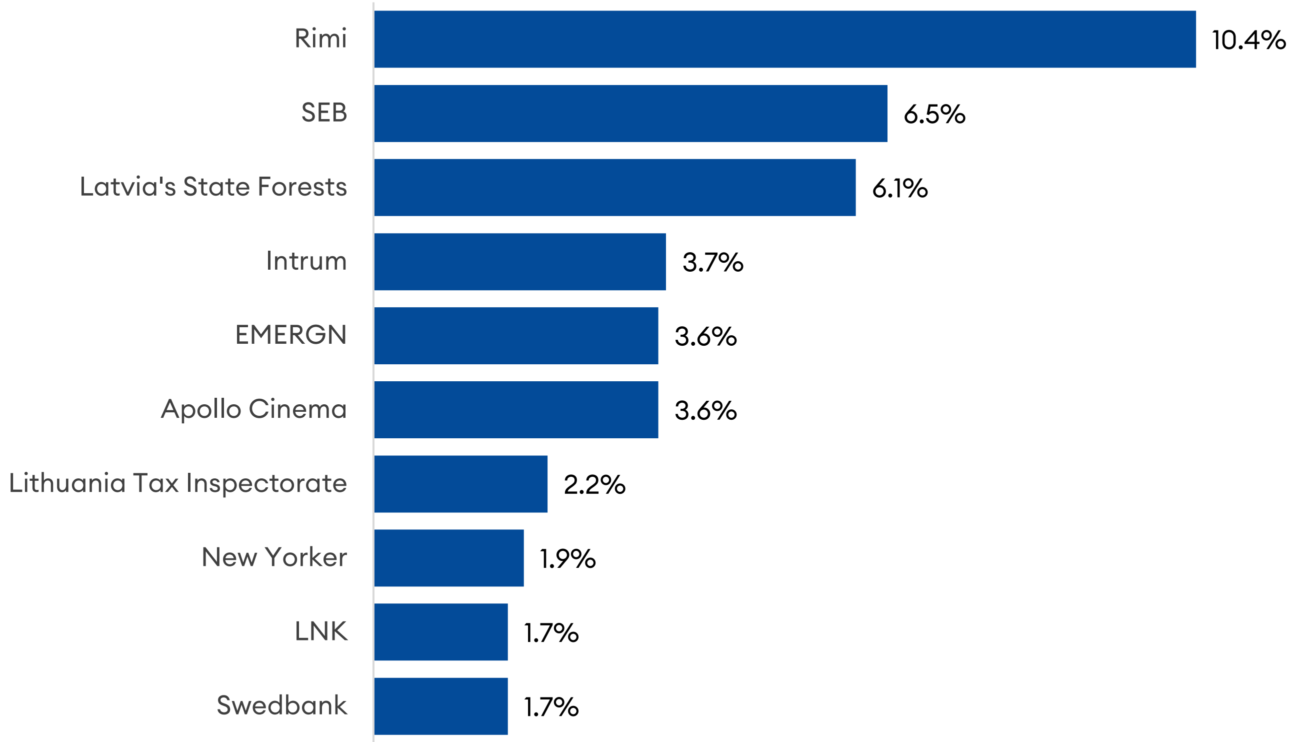
The graph above shows the age of assets in the Fund's portfolio since construction or the last major refurbishment. The management team is focused to improve the Fund's average portfolio age by acquiring newer assets and/or redeveloping assets in the current portfolio.

Rental concentration of the Fund's subsidiaries as of 31 December 2022



The tenant base of the Fund is well diversified. Baltic Horizon Fund has around 270 tenants in the portfolio. The rental concentration of the Fund's subsidiaries (rental income from the 10 largest tenants) is shown in the following chart with the largest tenant Rimi Baltic accounting for 10.4% of the annualised rental income. As further discussed in the risk management section, credit risk is mitigated by the high quality of the existing tenant base.

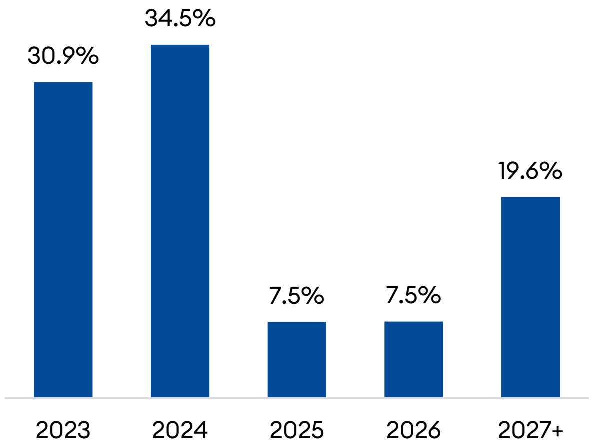
Rental concentration of the Fund's subsidiaries: 10 largest tenants as of 31 December 2022



The Fund's teams have been actively negotiating with current tenants to extend lease agreements as well as with new tenants to fill the vacancies. Over 35% of Baltic Horizon Fund tenant leases will expire after 2024, while the rest will expire during the next two years. The weighted average unexpired lease term until first break option was 2.3 years at the end of 2022 (31 December 2021: 2.2). The weighted average unexpired lease term until the end of contract term was 3.3 years at the end of 2022 (31 December 2021: 3.3). The graph below shows the expiry dates of contractual rental income.

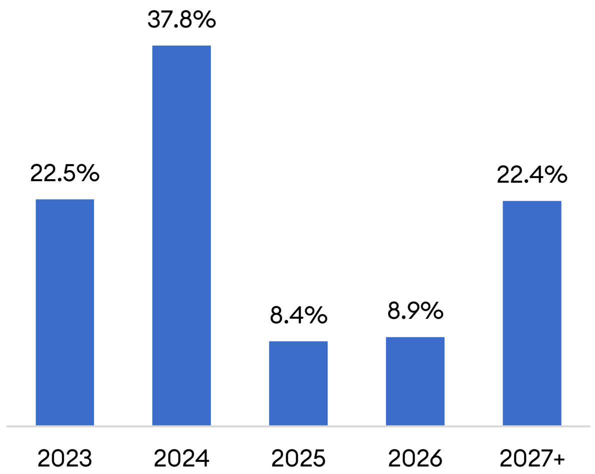
Maturity profile of lease agreements

% of contractual rent to end of contract



Maturity profile of lease agreements

% of contractual rent to first break option



Overview of the Fund's investment properties as of 31 December 2022

Property name	Sector	Fair value[1] (EUR '000)	NLA (sq. m)	Direct property yield[2]	Net initial yield[3]	Occupancy rate
Vilnius, Lithuania						
Duetto I	Office	18,845	8,587	7.9%	6.6%	97.6%
Duetto II	Office	20,253	8,674	7.6%	7.0%	100.0%
Europa SC	Retail	35,658	16,901	2.4%	2.6%	85.5%
Domus Pro Retail Park	Retail	17,047	11,226	8.1%	7.8%	98.5%
Domus Pro Office	Office	8,040	4,831	8.5%	6.9%	91.4%
North Star	Office	21,788	10,579	6.5%	6.5%	100.0%
Meraki[4]	Office	17,330	8,113	(1.6%)	(1.8%)	30.9%
Total Vilnius		**138,961**	**68,911**	**5.4%**	**5.3%**	**87.2%**
Riga, Latvia						
Upmalas Biroji BC	Office	20,961	10,459	7.3%	8.0%	98.8%
Vainodes I	Office	18,010	8,128	6.4%	7.6%	100.0%
LNK Centre	Office	17,000	7,452	6.6%	6.6%	100.0%
Sky SC	Retail	5,761	3,241	8.3%	7.8%	98.5%
Galerija Centrs	Retail	67,130	19,137	2.9%	3.3%	80.6%
Total Riga		**128,862**	**48,417**	**4.8%**	**5.4%**	**92.0%**
Tallinn, Estonia						
Postimaja & CC Plaza complex	Retail	26,715	9,232	3.3%	4.3%	95.6%
Postimaja & CC Plaza complex	Leisure	14,385	9,094	7.2%	6.0%	100.0%
Lincona	Office	15,200	10,775	6.9%	6.5%	91.5%
Pirita SC	Retail	9,000	5,441	5.3%	7.1%	92.6%
Total Tallinn		**65,300**	**34,542**	**5.0%**	**5.6%**	**95.0%**
Total portfolio		**333,123**	**151,870**	**5.1%**	**5.4%**	**90.5%**

1. Based on the latest valuation as of 31 December 2022, subsequent capital expenditure and recognised right-of-use assets,
2. Direct property yield (DPY) is calculated by dividing annualized NOI by the acquisition value and subsequent capital expenditure of the property.
3. The net initial yield (NIY) is calculated by dividing annualized NOI by the market value of the property.
4. The Fund completed the development of the first tower of the Meraki building in September 2022. Rental income is generated starting from October 2022.

The management of the Fund provides two different yield calculations in this management review section. Direct property yield (DPY) is calculated by dividing NOI by the acquisition value and subsequent capital expenditure of the property. The net initial yield (NIY) is calculated by dividing NOI by the market value of the property.

During 2022, the average actual occupancy of the portfolio was 92.1% (2021: 93.4%). The occupancy rate as of 31 December 2022 was 90.5% (31 December 2021: 92.1%). The overall occupancy rate was impacted by the completion of the development of the first tower of the Meraki building. The first tenants moved to the premises in September 2022. As of December 2022, the occupancy rate of the portfolio, excluding the impact of the Meraki building, increased to 93.3% Occupancy figures were supported by new lease agreements signed in Europa SC, North Star and Vainodes I. Additional premises of almost 500 and 200 sq. m were leased to the existing tenants in Vainodes I and North Star buildings respectively in Q4 2022.

Occupancy rates in the office segment were strongly impacted by the completed Meraki office development. The building was commissioned in September with an occupancy rate of 23.4%. Excluding the Meraki building, the office segment remained strong at around 97.6% occupancy during 2022. Most remaining vacancies were temporary as lease agreements have been signed and tenants will be moving in soon. Duetto II, North Star, LNK and Vainodes I are now fully occupied.

The Fund's retail and office leasing teams were expanded in 2022 to speed up the leasing process. Agreement with the anchor tenant was signed in Galerija Centrs in January 2023. Many leases in the portfolio were prolonged in 2022. The average direct property yield during 2022 was 5.1% (2021: 5.0%). The net initial yield for the whole portfolio for 2022 increased to 5.4% (2021: 5.2%). The average rental rate for the whole portfolio for 2022 was EUR 12.8 per sq. m (2021: EUR 11.3 per sq. m).

Breakdown of NOI development

Property	Date of acquisition	2017	2018	2019	2020	2021	2022
Galerija Centrs	13 June 2019	-	-	2,552	3,023	1,448	2,193
Postimaja & CC Plaza complex	8 March 2013[1]	985	2,447	2,495	1,932	1,805	2,044
Upmalas Biroji BC	30 August 2016	1,693	1,710	1,701	1,661	1,740	1,763
Vainodes I	12 December 2017	75	1,463	1,462	1,464	1,449	1,383
Duetto II	27 February 2019	-	-	1,090	1,354	1,353	1,409
North Star	11 October 2019	-	-	315	1,419	1,208	1,371
Domus Pro Retail	1 May 2014	1,185	1,160	1,132	1,092	1,145	1,280
Duetto I	22 March 2017	799	1,096	1,160	1,166	1,223	1,191
LNK Centre	15 August 2018	-	409	1,072	1,090	1,088	1,132
Lincona	1 July 2011	1,172	1,192	1,276	1,212	1,114	1,102
Europa SC	2 March 2015	2,365	2,332	2,467	1,681	1,006	1,028
Pirita SC	16 December 2016	900	900	438	677	484	664
Domus Pro Office	1 October 2017	35	499	562	538	537	548
Sky SC	7 December 2013	410	407	370	402	395	423
Meraki[2]	10 September 2022	-	-	-	-	-	(101)
G4S Headquarters[3]	12 July 2016	1,149	1,189	1,127	1,223	1,009	-
Total portfolio		**10,768**	**14,804**	**19,219**	**19,934**	**17,004**	**17,430**

1. The Fund completed the acquisition of the Postimaja SC on 13 February 2018.
2. The Fund completed the development of the first tower of the Meraki building in September 2022. Rental income is received starting from October 2022. Initial rental costs were recognised in September 2022.
3. The Fund completed the disposal of G4S Headquarters on 8 November 2021.

The Fund's portfolio produced EUR 17.4 million of net operating income (NOI) in 2022 (2021: EUR 17.0 million). Please refer to the table above for a breakdown of NOI development by each property, which has been generating stable rental income over the years.

Like-for-like net rental growth provides a more comparable view on the performance of the underlying assets, as these calculations exclude the impact of net rental growth or decline due to acquisitions, developments or disposals in 2022 and 2021. The change in the Fund's like-for-like net rental income compares the growth in the net rental income of the portfolio that has been consistently in operation, and not under development, during the two full periods that are presented.

EPRA like-for-like net rental income by segment

EUR '000	Fair value 31.12.2022	Net rental income 2022	Net rental income 2021	Change (EUR '000)	Change (%)
Like-for-like assets					
Retail	161,311	6,768	5,506	1,262	22.9%
Office	140,097	9,899	9,712	187	1.9%
Leisure	14,385	864	777	87	11.2%
Total like-for-like assets	**315,793**	**17,531**	**15,995**	**1,536**	**9.6%**
Developed assets	17,330	(101)	-	(101)	(100.0%)
Disposed assets	-	-[1]	1,009	(1,009)	(100.0%)
Total portfolio assets	**333,123**	**17,430**	**17,004**	**426**	**2.5%**

1. The Fund sold its share in the parking house of Europa SC. As the parking house did not generate rental income, it is not reflected in the table above.

Net rental income of the portfolio on a like-for-like basis increased by 9.6% or EUR 1,536 thousand in 2022 compared to the same period last year. The increase in net rental income from all segments was mainly driven by the recovery of operations after the removal of the COVID-19 restrictions. Recovery during Q3-Q4 2022, however, was slowed by the energy crisis in Europe which increased unrecoverable costs.

The office segment showed a positive change with an increase in like-for-like net rental income of 1.9%. Most of the properties saw an uplift in rental income during 2022 compared to 2021. Exposure to increasing costs was limited as most of the Fund's office premises have the widely accepted triple net lease agreement structure. Increasing energy costs mostly affected buildings with governmental tenants, i.e. Vainodes I and North Star were recharges to such tenants are limited to certain levels.

The performance of the retail and leisure segments in 2022 was still somewhat affected by rent reliefs granted to tenants due to COVID-19 but mostly affected by increasing energy prices. Since the Fund covers part of energy costs for common areas sudden increases in such costs create a negative effect on the NOI. However, the negative effect is limited to a certain extent as the Fund has fixed energy prices in Estonia. Partial fixing of energy prices in Lithuania starts in 2023 as the Fund signed agreement to buy solar energy in 2022. Despite persisting external challenges, the Fund is still managing to generate increasing NOI and is on the path to recovering NOI to pre-pandemic levels in the retail segment. The net rental income of retail assets increased by 22.9% compared to 2021 due to a significant decrease in discounts granted to tenants in 2022. Such a positive effect was slightly undermined by a temporary drop in Europa's NOI due to additional marketing, utility and other expenses related to the opening of the food hall and other areas after reconstruction. Europa's NOI has partially stabilised following the completion of reconstruction.

Like-for-like net rental income changes in Lithuania, Latvia and Estonia were positive throughout 2022 compared to 2021. The overall performance of countries was mostly influenced by the recovery of shopping centre results.

In 2022, the net rental income in all properties except for Vainodes I, Lincona and Duetto I exceeded the previous year's results. Despite the solid performance of most of the assets, the pressure of increased electricity costs and unrecoverable costs from common areas limited net rental income growth during the second half of 2022. Energy costs have already decreased dramatically from the peak in August 2022. The decline in energy costs is expected to positively impact the Fund's NOI in the next quarters.

EPRA like-for-like net rental income by country

EUR '000	Fair value 31.12.2022	Net rental income 2022	Net rental income 2021	Change (EUR '000)	Change (%)
Like-for-like assets					
Estonia	65,300	3,810	3,403	407	12.0%
Latvia	128,862	6,894	6,120	774	12.6%
Lithuania	121,631	6,827	6,472	355	5.5%
Total like-for-like assets	**315,793**	**17,531**	**15,995**	**1,536**	**9.6%**
Developed assets	17,330	(101)	-	(101)	(100.0%)
Disposed assets	-	-	1,009	(1,009)	(100.0%)
Total portfolio assets	**333,123**	**17,430**	**17,004**	**426**	**2.5%**

Property valuation

All real estate properties belonging to the Fund must be appraised at least once a year at the end of the financial year to determine the market value of the real estate portfolio. During 2021 and 2022, the Fund's property portfolio was appraised twice a year by an independent real estate appraiser. External property appraisals were carried out each year as of 30 June and 31 December.

The Management Company ensures that only a licensed independent real estate appraiser of high repute and sufficient experience in appraising similar property and operating in the country where the relevant real estate property is located evaluates real estate belonging to the Fund. As of 30 June 2022 and 31 December 2022, external valuations were performed by the independent property valuator Colliers.

Independent appraisals are performed in accordance with the Practice Statements and Relevant Guidance Notes of the RICS Appraisal and Valuation approved by both the International Valuation Standards Committee (IVSC) and the European Group of Valuers' Associations (TEGoVA). The appraisal methodology employed by the external appraiser is explained in more detail in note 12 to the financial statements.

As of 31 December 2022, the fair value of the Baltic Horizon Fund portfolio increased to EUR 333.1 million as compared to EUR 327.4 million as of 31 December 2021. During 2022, the Fund recognised valuation losses on investment properties of EUR 2.9 million (2021: loss of EUR 7.2 million) in the consolidated financial statements. The fair values of investment properties in the portfolio increased mainly due to finalized development of the first tower Meraki building, extended existing lease terms and new lease agreements.

Compared to the 2021 valuations, the change was mainly driven by cash flow assumptions associated with high inflation across Europe and upward adjustments of the discount rates.

The table below shows movements in the fair value of the Baltic Horizon Fund investment portfolio during 2022. The values of the properties are based on the valuation of investment properties performed by Colliers International which have been increased by the value of right-of-use assets (IFRS 16). The table below does not reflect any capital investments during the year.

Portfolio fair value movements by segment

EUR '000	Fair value 31.12.2022	Fair value 31.12.2021	Change (EUR '000)	Change (%)	Proportion of portfolio (%) 31.12.2022
Like-for-like assets					
Retail	161,311	162,876	(1,565)	(1.0%)	48.4%
Office	140,097	138,641	1,456	1.1%	42.1%
Leisure	14,385	14,442	(57)	(0.4%)	4.3%
Total like-for-like assets	**315,793**	**315,959**	**(166)**	**(0.1%)**	**94.8%**
Developed assets					
Office	17,330	11,400	5,930	52.0%	5.2%
Total portfolio assets	**333,123**	**327,359**	**5,764**	**1.8%**	**100.0%**

The like-for-like value of the property portfolio excluding developments decreased by EUR 0.2 million (0.1%) in 2022 compared to year-end 2021. The decrease was mainly driven by a downward adjustment to CBD shopping centres Europa SC and Postimaja. The retail figure includes a decrease in the fair values of the Europa SC of EUR 1.0 million and Postimaja EUR 3.1 million and upward adjustment of the value of Galerija Centrs property EUR 1.6 million.

Upward adjustments were recognised for all office properties except Lincona, Vainodes I and Upmalas Biroji The value of the Meraki office building was adjusted upwards due to the completed development of the first tower.

Compared to year-end 2021, the property valuation results increased in the Lithuanian market (like for like: EUR 3.9 million or 3.3%) and in the Latvian market (EUR 1.3 million or 1.0%) but decreased in the Estonian market (EUR 5.4 million or -7.6%). The dip of the value of Estonian properties was mainly impacted by the exclusion of the Postimaja building extension rights which were included in the 2021 year-end valuation and the Lincona property whose valuation was adjusted due to higher vacancy, cap and discount rates assumptions.

For a summary of property valuations, please visit the Fund's website.

Portfolio fair value movements by country

EUR '000	Fair value 31.12.2022	Fair value 31.12.2021	Change (EUR '000)	Change (%)	Proportion of portfolio (%) 31.12.2022
Like-for-like assets					
Estonia	65,300	70,676	(5,376)	(7.6%)	19.6%
Latvia	128,862	127,574	1,288	1.0%	38.7%
Lithuania	121,631	117,709	3,922	3.3%	36.5%
Total like-for-like assets	**315,793**	**315,959**	**(166)**	**(0.1%)**	**94.8%**
Development assets					
Lithuania	17,330	11,400	5,930	52.0%	5.2%
Total portfolio assets	**333,123**	**327,359**	**5,764**	**1.8%**	**100.0%**

Divestments

Domus PRO

On 8 February 2023, the Fund signed a share sale and purchase agreement with UAB PREF III to sell 100% shares of BH Domus PRO UAB which owns Retail park and Office building in Vilnius, Lithuania. The agreed price of the property was approximately EUR 23.5 million. The internal rate of return (IRR) for the holding period of more than 9 years was around 15.8%, while equity multiple was 2.1. The proceeds of the transaction will be used mainly to decrease the loan obligations of the Fund and partially to redeem the Fund's bonds which mature in May 2023. Closing of the transaction took place on 8 March 2023.

15.8%

IRR

2.1

Equity multiple over 9 years

Europa

On 30 December 2022, Baltic Horizon Fund signed a real estate sale and purchase agreement with UAB Prime Location Property Fund, closing the deal for selling its share in the parking house of the Europa Shopping Centre which was previously co-owned with the purchaser. The sales price was EUR 4 million. The proceeds of the transaction were used to optimise the structure of the statement of financial position and reduce the financial leverage of the Fund. Following the transaction, the Fund's outstanding loan balance decreased by EUR 3.5 million.

The sale agreement stipulates certain guarantees to ensure a sufficient number of parking spaces for the proper operation of the shopping centre as well as a possibility to ensure free parking for the customers of the Europa Shopping Centre. Baltic Horizon Fund remains the sole owner of the Europa Shopping Centre.

Estonia

Economy

The Estonian economy has adapted very quickly to the changing environment in recent years and expanded robustly in 2021. However, the war in Ukraine has had negative consequences for the Estonian economy. The government has increased spending to reduce the impact of the energy crisis. High inflation is likely to slow as household purchasing power and external demand weaken and interest rates rise. Labour market still remains resilient to external shocks. According to Eurostat, in Q3 2022 the GDP of Estonia shrunk by -1.8% compared to the previous quarter. Considering Estonia's resilience to recent unfavourable shocks and fiscal stimulus, GDP is forecast to increase to 0.1% in 2023 and to pick up to 2.8% in 2024.

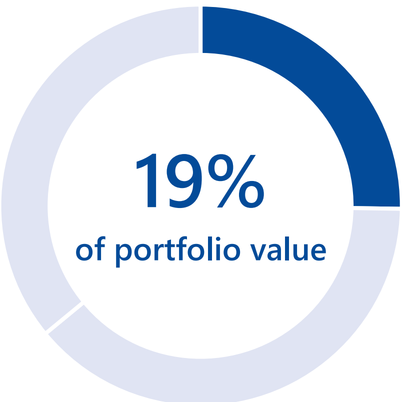
	2022	2023	2024
GDP	(0.3%)	0.1%	2.8%
Inflation	19.4%	6.2%	2.2%

Source: European Commission Economic Forecast, Winter 2023

Portfolio

In the Fund's portfolio, Estonian properties recognised the highest increase in like-for-like net rental income, delivering growth of 12.0% year over year. The change was mostly influenced by a sizeable NOI increase in Postimaja & CC Plaza after the recovery of tenant sales and subsequent reduction in rent reliefs. The Fund supported the tenant operating the cinema in CC Plaza and retail tenants in Postimaja during lockdowns which reduced rental income in 2021 and 2020. After the tenants' recovery from the effects of COVID-19, the amount of support required from the Fund has been rapidly decreasing, leading to an improvement in the Fund's performance. The opening of Reval Café in the upcoming months will additionally boost the operating performance of Postimaja. The operational results of Lincona were relatively stable during 2022 as no major leases were terminated or signed and no major concessions were provided during this period. The management team is exploring opportunities to establish an office hotel in Lincona's vacant office space and offer the premises to smaller tenants. Pirita outperformed prior year results in 2022 due to write-offs made in 2021. Net rental income increased in CC Plaza and Postimaja complex compared to the prior year results, albeit the increase in energy prices led the Fund to grant rent relief to the tenant operating a cinema in CC Plaza.

During 2022, the average direct property yield decreased to 5.0% (2021: 5.1%), while the average net initial yield was 5.6% (2021: 5.5%). The average occupancy level for 2022 was 94.3% (2021: 94.5%). The occupancy rate as of 31 December 2022 was 95.0% (31 December 2021: 93.2%). The fair value of the properties in Estonia on a like-for-like basis has decreased from EUR 70,676 thousand measured in the 2021 valuation to EUR 65,300 thousand as of 31 December 2022.



4
Properties

95.0%
Occupancy rate

34,542
Total leasable area (sq. m)

5.0%
Direct property yield

3.8m
Net rental income (EUR)

65.3m
Portfolio value (EUR)

Postimaja	
Fair value (EUR, million)	26.7
Constructed	1980
Acquired	13 February 2018
Sector	Retail
Net leasable area (sq. m)	9,232
Certification	In Progress

Lincona	
Fair value (EUR, million)	**15.2**
Constructed / Renovated	2002 / 2008
Acquired	1 July 2011
Sector	Office
Net leasable area (sq. m)	10,775
Certification	BREEAM In-Use Good

Coca Cola Plaza	
Fair value (EUR, million)	14.4
Constructed	1999
Acquired	8 March 2013
Sector	Leisure
Net leasable area (sq. m)	9,094
Certification	In Progress

Pirita	
Fair value (EUR, million)	9.0
Constructed	2016
Acquired	16 December 2016
Sector	Retail
Net leasable area (sq. m)	5,441
Certification	In Progress

Latvia

Economy

Following a temporary slowdown toward the end of 2021 due to new restrictions introduced by the government, Latvia's economy showed positive momentum at the beginning of 2022. The trend slowed in the second part of the year driven by a decrease in private consumption and exports. Economists forecast that the growth pace will decelerate throughout 2023 as private consumption will continue to contract and exports will start to recover later in 2023. GDP growth is expected to be almost flat in 2023 and gradually recover to 2.7% in 2024.

	2022	2023	2024
GDP	1.8%	0.1%	2.7%
Inflation	17.2%	7.9%	1.5%

Source: European Commission Economic Forecast, Winter 2023

Portfolio

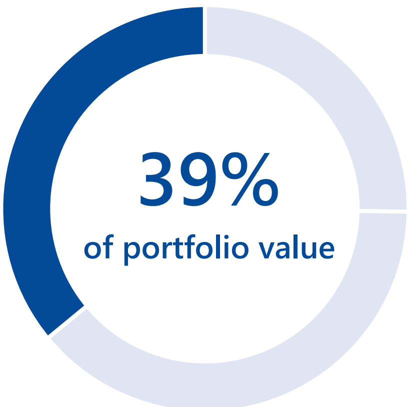
Portfolio properties based in Latvia started the year 2022 with strong momentum and growth in the net rental income and other key portfolio metrics. Positive momentum was mostly influenced by a sizeable NOI increase in Galerija Centrs following the recovery in sales and footfall after the last COVID-19 lockdown in Latvia.

Even considering the strong recovery of rents, the sudden increase in energy costs had a direct negative impact on the Latvian portfolio resulting in a fall in NOI. Most of the decrease is attributable to Galerija Centrs. The Fund is covering the electricity costs of areas under refurbishment, while they are being prepared for newly signed agreements.

The Fund has initiated a strategic upgrade of the Galerija Centrs concept in 2022/2023 by constructing a food hall and implementing changes in other areas. In January 2023 the agreement with the new fashion Anchor tenant was signed for the total lettable area of 782 sq. m. Opening of the store is planned for November 2023. These major changes will boost occupancy levels by 5-15% and gradually take the property back to 95-100% occupancy.

Exposure to cost inflation was limited in SKY and LNK Centre resulting in an increase of net rental income over the year for these two assets. The Vainodes I and LNK buildings are fully occupied. SEB is planning to leave Upmalas Biroji at the end of summer 2023 (approx. 8,000 sq. m). There are ongoing negotiations with tenants LNK and EMERGN in LNK Centre about their future office needs. The LNK lease agreement is valid until 2028, while the EMERGN lease agreement expires in 2023.

The average direct property yield increased to 4.8% during 2022 (2021: 4.3%). The average net initial yield was 5.4% (2021: 4.8%). The increase in the Latvian portfolio yields is seen in almost all properties, with the largest impact coming from Galerija Centrs due to rent reliefs granted in 2021. The average occupancy level for 2022 decreased slightly to 91.0% (2021: 92.3%), mostly due to increased vacancies in Galerija Centrs. The occupancy rate as of 31 December 2022 was 92.0% (31 December 2021: 91.4%). The fair value of the properties in Latvia has increased from EUR 127,574 thousand measured in the 2021 valuation to EUR 128,862 thousand as of 31 December 2022.



5
Properties

92.0%
Occupancy rate

48,417
Total leasable area (sq. m)

4.8%
Direct property yield

6.9m
Net rental income (EUR)

128.9m
Portfolio value (EUR)

Galerija Centrs	
Fair value (EUR, million)	67.1
Constructed / Renovated	1939 / 2006
Acquired	13 June 2019
Sector	Retail
Net leasable area (sq. m)	19,137
Certification	In Progress

Upmalas Biroji	
Fair value (EUR, million)	21.0
Constructed	2008
Acquired	30 August 2016
Sector	Office
Net leasable area (sq. m)	10,459
Certification	BREEAM In-Use Very Good

Vainodes I	
Fair value (EUR, million)	18.0
Constructed	2014
Acquired	12 December 2017
Sector	Office
Net leasable area (sq. m)	8,128
Certification	BREEAM In-Use Very Good

LNK Centre	
Fair value (EUR, million)	17.0
Constructed / Renovated	2006 / 2014
Acquired	15 August 2018
Sector	Office
Net leasable area (sq. m)	7,452
Certfication	BREEAM In-Use Very Good

Sky SC	
Fair value (EUR, million)	5.8
Constructed / Renovated	2000 / 2010
Acquired	7 December 2013
Sector	Retail
Net leasable area (sq. m)	3,241
Certification	In Progress

Lithuania

Economy

Lithuania has produced strong economic growth even during economic shocks. Consumer purchasing power and confidence took a hit from recent geopolitical events but should not dramatically limit Lithuania's economic expansion compared to other EU countries. Double-digit wage growth is not enough to cover the whole inflation, but it makes a major difference in mitigating the risks associated with high inflation. While growth is set to be moderate, the economy is projected to continue to be supported by the good financial position of businesses, accumulated household savings and fiscal support. Even though inflation pressure is falling, higher interest rates, the loss in purchasing power and slowing foreign demand impact on export will have a slowdown effect on economic growth. Overall, in 2023 GDP is forecast to slow down to 0.3% and increase to 2.5% in 2024.

	2022	2023	2024
GDP	1.9%	0.3%	2.5%
Inflation	18.9%	8.7%	2.1%

Source: European Commission Economic Forecast, Winter 2023

Portfolio

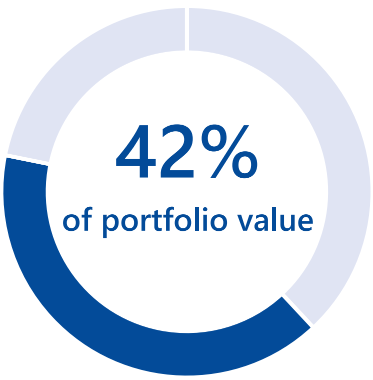
The Fund's exposure to Lithuania grew steadily in 2021 and 2022 as investments continue to flow into (re)development projects. After completing the first stage of reconstruction, the Europa SC is gradually moving towards a refreshed concept and the take-up of vacant premises. Operational results for 2022 do not yet reflect strong growth due to a temporary increase in operating costs and one-off discounts related to the reconstruction of the building.

Operating costs should normalise in upcoming quarters since the reconstruction has been completed, while gross rental income has been on an upward trend for the last several quarters.

Energy prices will likely be the ultimate deciders of changes in operating costs and net rental income for Lithuanian assets. The Fund has concluded a contract for 50% of its energy needs at good prices starting from 2023. This will reduce the cost pressure on NOI. Domus Pro Complex showed a solid 8.7% year over year growth in net rental income. The result was mostly influenced by rent indexation, successful leasing efforts and the reduction of COVID-19 discounts to minimal levels. North Star also significantly outperformed expectations and the 2021 results.

During 2022, new lease agreements in North Star were concluded with smaller tenants bringing the building back to 100% occupancy. The Fund's leasing efforts are now mostly focused on Europa and Meraki following the completion of these (re)development projects. Both projects should start to contribute additional rental income to the portfolio in the upcoming quarters.

During 2022, the average direct property yield decreased to 5.4% (2021: 5.7%). The average net initial yield was 5.3% (2021: 5.6%). The average occupancy level for 2022 decreased following the completion of the Meraki building. The occupancy rate as of 31 December 2022 was 91.9% (31 December 2021: 93.5%). North Star and Duetto II complex were fully leased out at the end of 2022. The fair value of the properties in Lithuania has increased from EUR 129,109 thousand measured in the 2021 valuation to EUR 138,961 thousand as of 31 December 2022.



6
Properties

87.2%
Occupancy rate

68,911
Total leasable area (sq. m)

5.4%
Direct property yield

6.7m
Net rental income (EUR)

139.0m
Portfolio value (EUR)

Europa SC	
Fair value (EUR, million)	35.7
Constructed	2004
Acquired	2 March 2015
Sector	Retail
Net leasable area (sq. m)	16,901
Certification	In Progress

North Star	
Fair value (EUR, million)	21.8
Constructed	2009
Acquired	11 October 2019
Sector	Office
Net leasable area (sq. m)	10,579
Certification	BREEAM In-Use Very Good

Duetto I	
Fair value (EUR, million)	18.8
Constructed	2017
Acquired	22 March 2017
Sector	Office
Net leasable area (sq. m)	8,587
Certification	BREEAM New Construction Very Good

Duetto II	
Fair value (EUR, million)	20.3
Constructed	2018
Acquired	27 February 2019
Sector	Office
Net leasable area (sq. m)	8,674
Certification	BREEAM New Construction Very Good

Domus PRO Retail

Fair value (EUR, million)	17.0
Constructed	2013
Acquired	1 May 2014
Sector	Retail
Net leasable area (sq. m)	11,226
Certification	BREEAM In-Use Very Good

Domus PRO Office

Fair value (EUR, million)	8.0
Constructed	2017
Acquired	1 October 2017
Sector	Office
Net leasable area (sq. m)	4,831
Certification	BREEAM New Construction Very Good

Meraki

Fair value (EUR, million)	17.3
Constructed	2022
Acquired	September 2022
Sector	Office
Net leasable area (sq. m)	8,113
Certification	In Progress

Net rental income
EUR 17.4m

Net profit
EUR 3.9m

IFRS NAV
EUR 133.7m

IFRS NAV per unit
EUR 1.1172

FINANCIAL REPORT

Financial position and performance of the Fund

Net result and net rental income

In 2022, the Group recorded a net profit of EUR 3.9 million against EUR 1.4 million for 2021. The net result was mainly driven by strong recovery of the Galerija Centrs operating performance as fewer COVID-19 rent reliefs were granted to tenants in 2022 and increased rent indexation. The net result in 2021 was significantly impacted by the one-off negative valuation result of EUR 7.1 million. In 2022, the valuation resulted in a net fair value loss of EUR 2.9 million (-1.8% of portfolio value). The positive impact of the increase in net rental income was partly offset by non-recovered property costs. Earnings per unit for 2022 were EUR 0.03 (2021: EUR 0.07).

In 2022, the Group earned net rental income of EUR 17.4 million in 2022 compared to 17.0 million in 2021. The results for 2021 still included EUR 1.0 million of net rental income from G4S Headquarters, which was sold in Q4 2021 and did not contribute to 2022 results. The 2022 result was impacted by negative net rental income of EUR 0.1 million generated by the Meraki property. The Fund completed the development of the first tower of the Meraki building in September 2022. Rental income has been received since October 2022. Initial rental costs were recognised in September 2022. Rent indexations and the recovery of income improved the net rental income of the same portfolio mix (like-for-like portfolio).

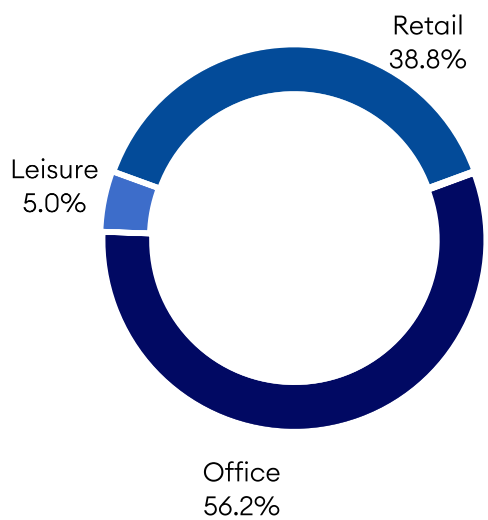
On an EPRA like-for-like basis, portfolio net rental income increased by 9.6% year on year, mainly due to higher performance in the retail segment, especially in Galerija Centrs. The increase was also impacted by the relatively stable performance of the office segment, which remained largely unaffected by the volatility in the macroeconomic and external social factors.

Portfolio properties in the office segment contributed 56.2% (2021: 63.0%) of net rental income in 2022, followed by the retail segment with 38.8% (2021: 32.4%) and the leisure segment with 5.0% (2021: 4.6%).

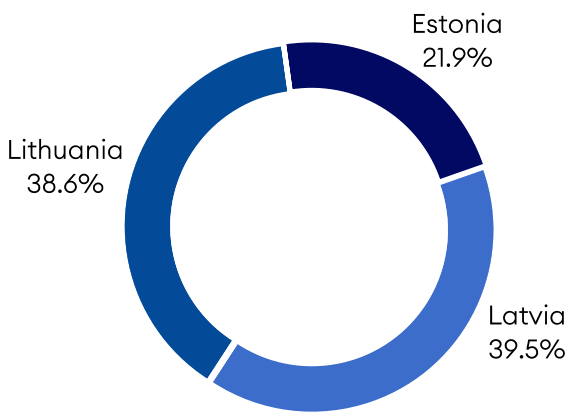
Retail assets located in the central business districts (Postimaja, Europa and Galerija Centrs) accounted for 25.2% of total portfolio net rental income in 2022. Total net rental income attributable to neighbourhood shopping centres was 13.6% in 2022.

During 2022, investment properties in Latvia and Lithuania contributed 39.5% (2021: 38.1%) and 38.6% (2021: 31.6%) of net rental income, respectively, while investment properties in Estonia contributed 21.9% (2021: 25.9%).

Net rental income by segment



Net rental income by country



Gross Asset Value (GAV)

At the end of 2022, the Fund's GAV was EUR 344.0 million (31 December 2021: EUR 346.3 million), 0.7% lower than at the end of the previous period. The decrease is mainly related to a negative property revaluation of EUR 2.9 million. The Group made capital investments (EUR 5.7 million) in the Meraki office building development project during 2022. An additional EUR 4.6 million was invested in Europa reconstruction project and EUR 1.3 million in other (re)development projects.

Investment properties

The Baltic Horizon Fund portfolio consisted of 15 cash flow generating investment properties in the Baltic capitals as of 31 December 2022. The fair value of the Fund's portfolio was EUR 333.1 million (31 December 2021: EUR 327.4 million) and incorporated a total net leasable area of 151,870 sq. m. The first tower of the Meraki office building was commissioned in September 2022, which added additional area to the Fund's portfolio.

Interest-bearing loans and bonds

During 2022, interest-bearing loans and bonds (excluding lease liabilities) were EUR 194.6 million, remaining at a level similar to year-end 2021 (31 December 2021: EUR 198.6 million). Outstanding bank loans decreased slightly due to repayment of part of the Europa loan, the Meraki bond and regular bank loan amortisation. Annual loan amortisation accounted for 0.7% of total debt outstanding.

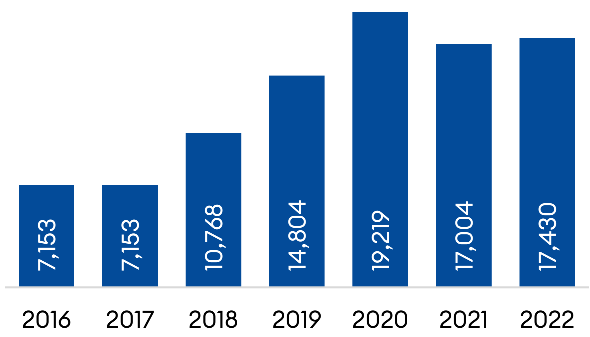
Key earnings figures

EUR '000	2022	2021	Change (%)
Net rental income	**17,430**	**17,004**	**2.5%**
Administrative expenses	(3,133)	(2,869)	(9.2%)
Other operating income	278	444	(37.4%)
Losses on disposal of investment properties	(423)	(71)	(495.8%)
Valuation losses on investment properties	(2,914)	(7,161)	59.3%
Operating profit	**11,238**	**7,347**	**53.0%**
Net financing costs	(6,311)	(5,705)	(10.6%)
Profit before tax	**4,927**	**1,642**	**200.1%**
Income tax	(983)	(229)	(329.3%)
Net profit for the period	**3,944**	**1,413**	**179.1%**
Weighted average number of units outstanding (units)	119,635,429	119,635,429	-
Earnings per unit (EUR)	**0.03**	**0.01**	**200.0%**

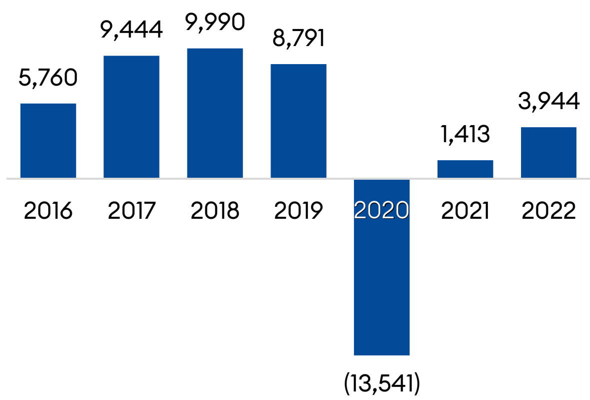
Key financial position figures

EUR '000	31.12.2022	31.12.2021	Change (%)
Investment properties in use	333,123	315,959	5.4%
Investment property under construction	-	11,400	(100.0%)
Gross asset value (GAV)	**343,963**	**346,338**	**(0.7%)**
Interest-bearing loans and bonds	194,569	198,571	(2.0%)
Total liabilities	**210,308**	**213,754**	**(1.6%)**
IFRS Net asset value (IFRS NAV)	**133,655**	**132,584**	**0.8%**
EPRA Net Reinstatement Value (EPRA NRV)	**141,943**	**142,176**	**(0.2%)**
Number of units outstanding (units)	119,635,429	119,635,429	-
IFRS Net asset value (IFRS NAV) per unit (EUR)	**1.1172**	**1.1082**	**0.8%**
EPRA Net Reinstatement Value (EPRA NRV) per unit (EUR)	**1.1865**	**1.1884**	**(0.2%)**
Loan-to-Value ratio (%)	58.4%	60.7%	-
Average effective interest rate (%)	3.0%	2.7%	-

Net rental income
EUR '000



Net profit (loss)
EUR '000



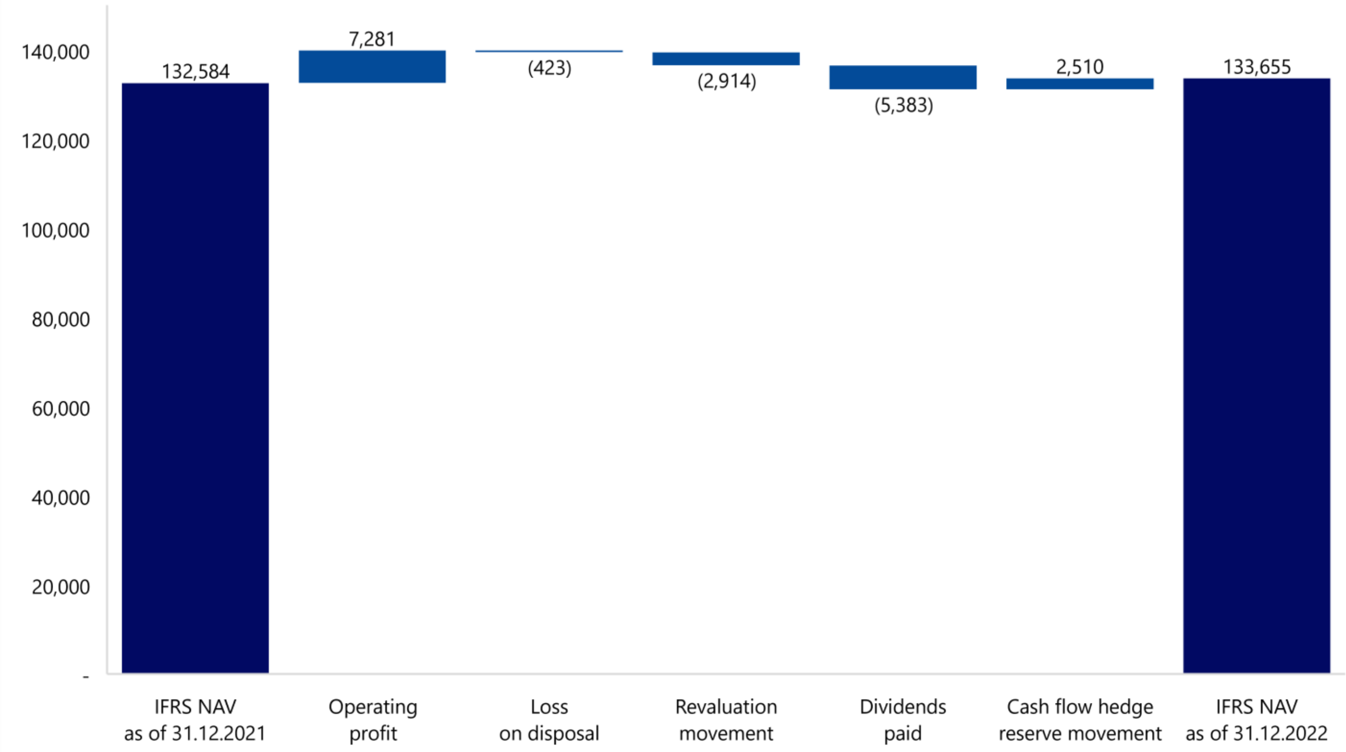
Cash flow
Cash inflow from core operating activities in 2022 amounted to EUR 15.3 million (2021: cash inflow of EUR 14.7 million). Cash outflow from investing activities was EUR 9.7 million (2021: cash outflow of EUR 6.9 million) due to subsequent capital expenditure on existing portfolio properties and investments in the Meraki, Postimaja and CC Plaza complex, Europa and Galerija Centrs development projects. Cash outflow from financing activities was EUR 16.4 million (2021: cash outflow of EUR 18.7 million). In 2022, the Fund made a cash distribution of EUR 5.4 million, paid regular interest on bank loans and bonds, paid premiums on interest rate caps. In November 2022 the Fund repaid Meraki bonds and in December 2022 the Fund also repaid EUR 3.5 million of Europa loan from the sales proceeds of Europa parking house. At the end of 2022, the Fund's consolidated cash and cash equivalents amounted to EUR 5.3 million (31 December 2021: EUR 16.1 million). Operating costs are fully covered by cash flows generated by rental activities.

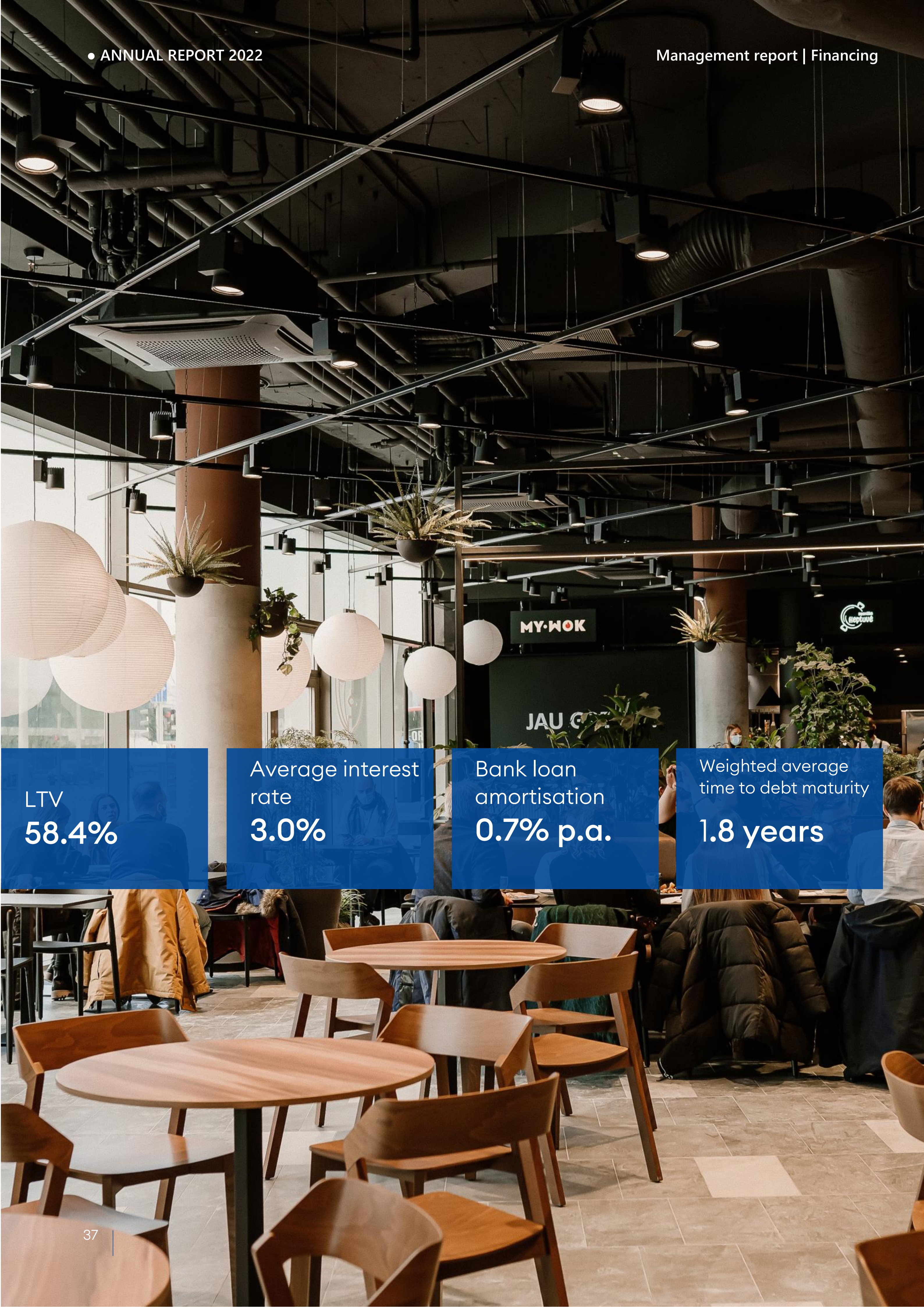
Net Asset Value (NAV)
At the end of 2022, the Fund's NAV slightly increased to EUR 133.7 million (31 December 2021: EUR 132.6 million). Compared to the year-end 2021

NAV, the Fund's NAV increased by 0.8%. The increase in operational performance, positive cash flow hedge reserve movement of EUR 2.5 million over the period was partially offset by a EUR 5.4 million dividend distribution to the unitholders. 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).

Movement in IFRS NAV

EUR'000





LTV
58.4%

Average interest rate
3.0%

Bank loan amortisation
0.7% p.a.

Weighted average time to debt maturity
1.8 years

FINANCING

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

S&P affirms credit rating

On 22 April 2022, S&P Global Ratings affirmed Baltic Horizon Fund's "MM3" mid-market rating. The indicative corresponding rating for "MM3" on the global rating scale is "BB+/ BB". A full report of the S&P Global Ratings analysis can be found on the S&P Global Ratings website.

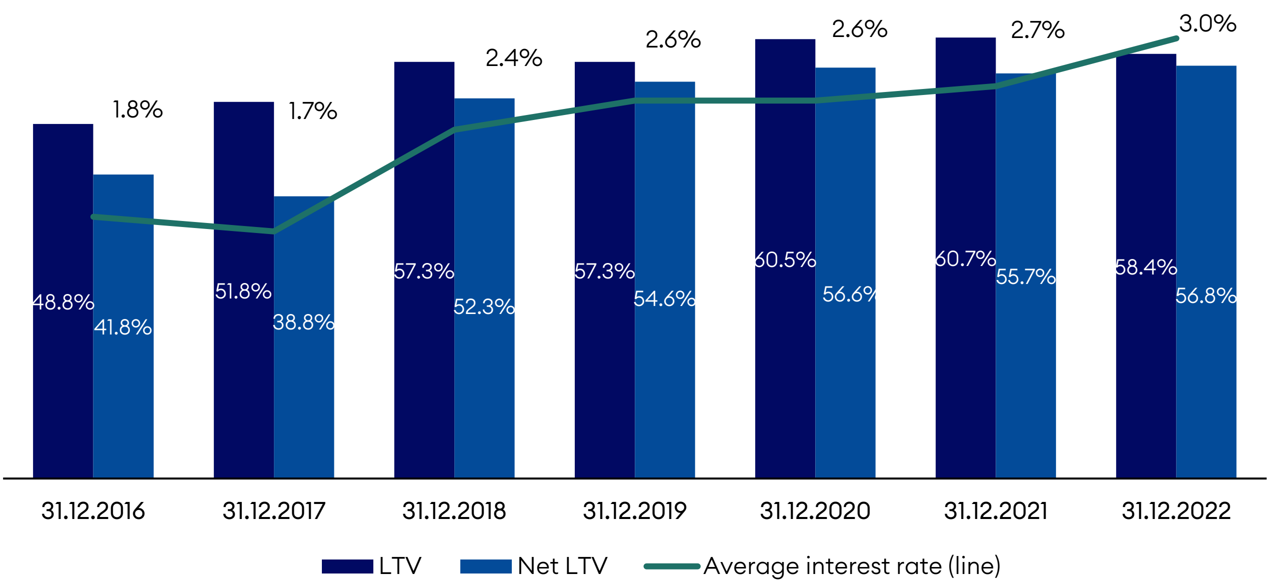
Extension of bank loans

During Q4 2022, the Group successfully extended its Lincona and Duetto bank loans with the same banks. The bank's credit committee approved the extension of the Lincona loan in the amount of EUR 7.2 million until 2027 December. The Duetto loan was increased in the amount of EUR 4.0 million. At the end of 2022, the Fund received binding offers for CC Plaza and Postimaja, Duetto and Sky SC bank loan prolongations. Therefore, these bank loans were reclassified to long-term loans. The Fund has also started the procedures for refinancing the 5-year unsecured bonds maturing in May 2023. Various refinancing options are being considered to ensure the finest financing terms for Baltic Horizon investors. It is planned that a part of the bonds will be redeemed using proceeds from asset sales and additional bank loans taken by Group companies. A new bond issue as well as a private debt are being considered for the remaining part of the bonds. Please refer to note 4c of the consolidated financial statements for more information.

Bank loans and bonds

During 2022, regular bank loan amortisation remained at 0.7% p.a. (EUR 1.3 million p.a.). As of the end of 2022, the LTV ratio decreased and reached 58.4% (31 December 2021: 60.7%) after further investments in Meraki and the Europa SC. The average interest rate as of 31 December 2022 slightly increased to 3.0% (31 December 2021: 2.7%) following an increase in EURIBOR in Q4 2022. The management team is working to gradually reduce LTV during upcoming periods.

Debt financing terms of the Fund's assets



The table below provides a detailed breakdown of the structure of the Fund's consolidated financial debt as of 31 December 2022. Interest-bearing debt was comprised of bank loans with a total carrying value of EUR 144.6 million and bonds with a carrying value of EUR 50 million. 100% of the debt instruments were denominated in euros. Bank loans have been obtained by subsidiaries that hold the

Fund's properties and the properties have been pledged as loan collateral. The parent entity holds the 5-year unsecured bonds.

Loan arrangement costs are capitalised and amortised over the terms of the respective loans. At the end of 2022, the unamortised balance of loan arrangement costs for all loans and bonds was EUR 113 thousand.

Financial debt structure of the Fund as of 31 December 2022

Property	Maturity	Currency	Carrying amount (EUR '000)	% of total	Fixed rate portion (%)
Galerija Centrs	26 January 2024	EUR	30,000	15.4%	100.0%
Duetto I and II	31 March 2028	EUR	19,247	9.9%	-%
CC Plaza and Postimaja	12 February 2026	EUR	17,200	8.8%	100.0%
Europa SC	15 March 2024	EUR	14,400	7.4%	127.8%
Upmalas Biroji BC	31 August 2023	EUR	11,750	6.0%	90.0%
Domus Pro	15 March 2024	EUR	11,000	5.7%	95.5%
Vainodes I	13 November 2024	EUR	9,842	5.1%	50.0%
North Star	15 March 2024	EUR	9,000	4.6%	100.0%
LNK	27 September 2023	EUR	8,300	4.3%	69.9%
Lincona	31 December 2027	EUR	7,188	3.6%	-%
Pirita SC	20 February 2026	EUR	4,793	2.5%	-%
Sky SC	31 January 2028	EUR	1,962	1.0%	-%
Total bank loans		**EUR**	**144,682**	**74.3%**	**73.5%**
Less capitalised loan arrangement fees[1]		EUR	(89)		
Total bank loans recognised in the statement of financial position		**EUR**	**144,593**		
5-year unsecured bonds	8 May 2023	EUR	50,000	25.7%	100.0%
Total bonds		**EUR**	**50,000**	**25.7%**	**100.0%**
Less capitalised bond arrangement fees[1]		EUR	(24)		
Total bonds recognised in the statement of financial position		**EUR**	**49,976**		
Total debt recognised in the statement of financial position		**EUR**	**194,569**	**100.0%**	**80.3%**

1. Amortised each month over the term of a loan/bond.

Weighted debt financing average time to maturity was 1.8 years and weighted hedge average time to maturity was 1.5 years at the end of 2022.

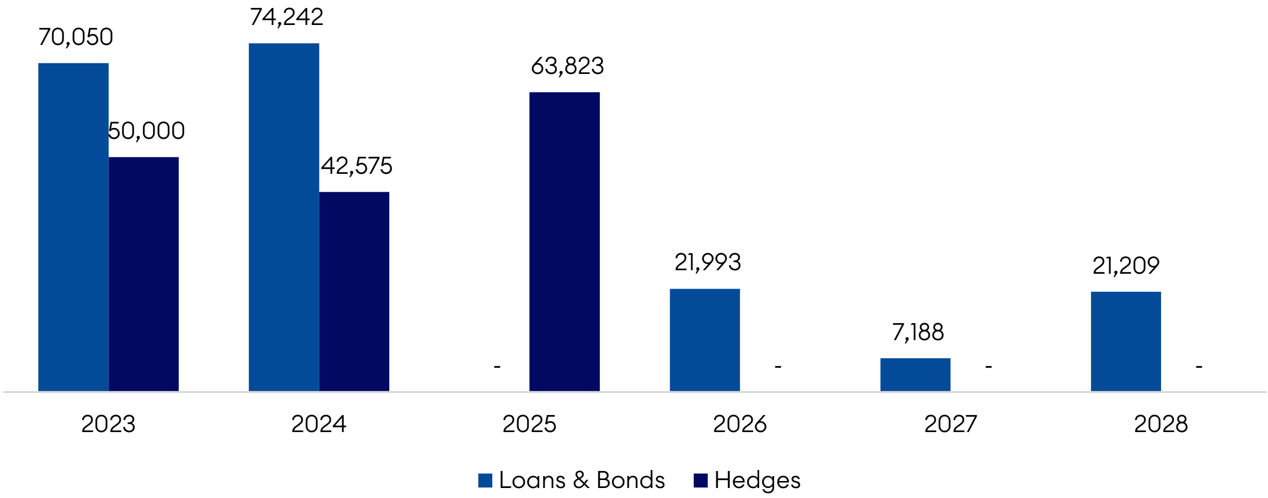
Hedging policy and new hedges

As of 31 December 2022, 80.3% of total debt was hedged against interest rate risks while the remaining 19.7% had floating interest rates. The Fund hedges interest rates on a portion of its debt by acquiring IRS-type hedging instruments or limits the impact of rising interest rates with interest rate cap instruments (CAP). The unsecured bonds have a fixed coupon rate of 4.25%. The Fund aims to maintain the hedged proportion of debt at approx. 80% at any time.

The graph below shows that as of 31 December 2022 around 74.1% of total debt financing matures in 2023-2024. At the end of 2022, the Fund received binding offers for CC Plaza and Postimaja and Sky SC bank loan prolongations.

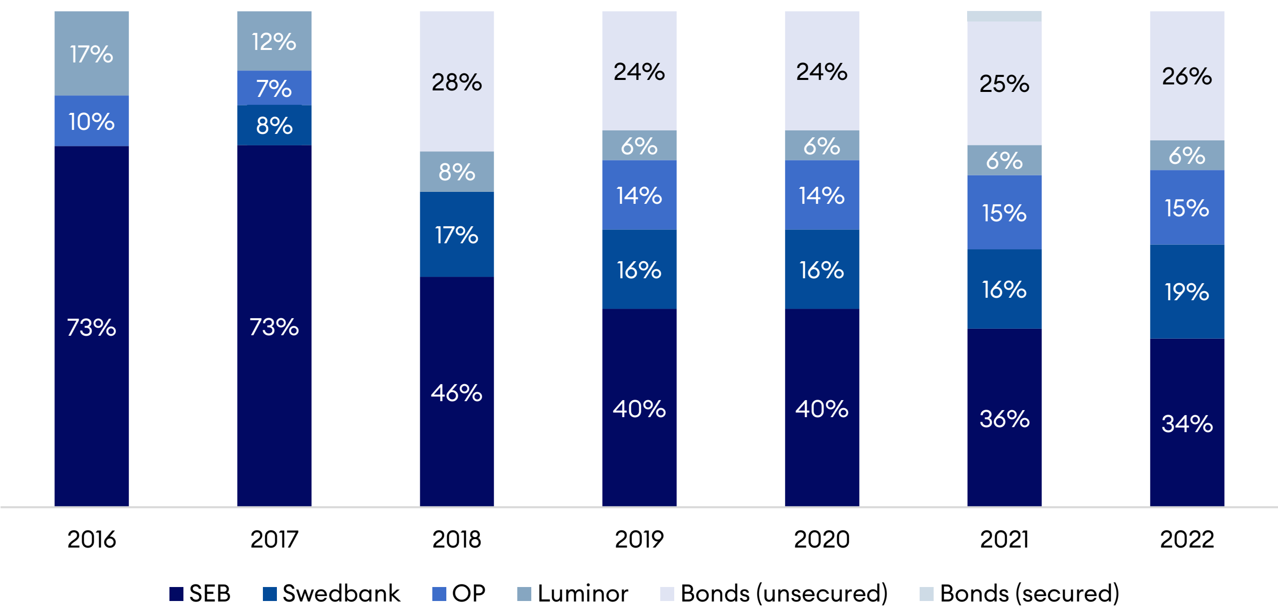
Loans, bonds and hedges maturity terms

EUR'000



The graph below shows that the Fund's debt financing is diversified between 4 most reputable domestic and international banks in the Baltics, and unsecured and secured bonds. SEB exposure decreased from 73% in 2016 to 34% in 2022. 5-year unsecured bonds accounted for 26% of total debt financing in 2022.

Financing diversification



Covenant reporting

As of 31 December 2022, the Fund was in compliance with all the covenants set under the bond issue terms and conditions dated 8 May 2018.

As of 31 December 2022, the Fund was in compliance with all special conditions and covenants set under the bank loan agreements. Management is monitoring the situation proactively with the banks to ensure timely measures.

Equity Ratio - Equity adjusted for the cash flow hedge reserve divided by total assets excluding financial assets and cash equivalents as defined in the accounting policies.

Debt Service Coverage Ratio - EBITDA divided by the principal payments and interest expenses of interest-bearing debt obligations, on a rolling 12-month basis.

Interest Service Coverage Ratio - EBITDA divided by the interest expenses of interest-bearing debt obligations, on a rolling 12-month basis.

Financial covenants of unsecured bonds

Covenant	Requirement	Ratio 31.12.2021	Ratio 31.03.2022	Ratio 30.06.2022	Ratio 30.09.2022	Ratio 31.12.2022
Equity Ratio	> 35.0%	40.4%	39.7%	39.6%	39.2%	39.3%
Debt Service Coverage Ratio	> 1.20	2.49	2.48	2.50	2.40	2.24

EPRA NRV
EUR 1.1865
per unit

EPRA Earnings
EUR 0.07
per unit

EPRA NIY
5.9%
net initial yield

EPRA Vacancy
6.9%

EPRA PERFORMANCE MEASURES

New EPRA performance metrics

The European Public Real Estate Association (EPRA) publishes recommendations for disclosing and defining the main financial performance indicators applicable to listed real estate companies. Baltic Horizon supports the standardisation of reporting designed to improve the quality and comparability of information to investors.

In February 2022, EPRA published new best practices recommendations (BPR) for financial disclosures by listed real estate companies. New EPRA BPR introduced one new measure: EPRA LTV (Loan-to-value). The EPRA LTV introduces a consistent and comparable LTV metric for the public real estate sector. The aim of this ratio is to assess the gearing of the shareholder equity within a public real estate company or fund.

New best practices recommendations became effective for accounting periods starting on 1 January 2022. The Group intends to maintain a high level of financial transparency and adopted the new BPR from Q1 2022.

Baltic Horizon wins EPRA Gold award

Baltic Horizon Fund received a prestigious award at the European Public Real Estate Association (EPRA) virtual annual conference 2022 for the third year in a row. The Fund scored a “Gold Award” for the adoption of EPRA Best Practices Recommendations (BPR) – widely accepted industry standards for the highest level of transparency, comparability and compliance in financial reporting. EPRA assessed the financial statements of 181 European listed real estate entities as part of its annual award process.

Key performance indicators – definition and use

EPRA Indicators	EPRA definition	EPRA purpose
EPRA Earnings	Earnings from operational activities	A key measure of a company’s underlying results and an indication of the extent to which current dividend payments are supported by earnings.
EPRA NRV	Assumes that entities never sell assets and aims to represent the value required to rebuild the entity.	Makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities of a real estate investment company, under different scenarios.
EPRA NTA	Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.	
EPRA NDV	Represents the shareholders’ value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.	
EPRA LTV	Debt divided by market value of the property	Determines the percentage of debt compared to the appraised value of the properties.
EPRA Net initial yield (NIY)	Annualised rental income based on the cash rents passing at the reporting date, less non-recoverable property operating expenses, divided by the market value of the property, increased by (estimated) purchasers’ costs.	A comparable measure for portfolio valuations. This measure should make it easier for investors to judge themselves, how the valuation of portfolio X compares with portfolio Y.
EPRA Topped-up NIY	This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).	

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

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

EPRA Net asset value

	31.12.2022		
EUR '000	EPRA NRV	EPRA NTA	EPRA NDV
IFRS NAV	**133,655**	**133,655**	**133,655**
Exclude:			
V. Deferred tax liability on investment properties[1]	9,969	9,969	-
V. Deferred tax on fair value of financial instruments	156	156	-
VI. Fair value of financial instruments	(1,837)	(1,837)	-
Include:			
IX. Revaluation at fair value of fixed-rate loans	-	-	(342)
NAV	**141,943**	**141,943**	**133,313**
Fully diluted number of units	119,635,429	119,635,429	119,635,429
NAV per unit (EUR)	**1.1865**	**1.1865**	**1.1143**

1. All deferred taxes attributable to investment properties have been excluded from EPRA NTA calculations as the Fund intends to hold and does not intend to sell its investment properties in Lithuania.

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

1. All deferred taxes attributable to investment properties have been excluded from EPRA NTA calculations as the Fund intends to hold and does not intend to sell its investment properties in Lithuania.

EPRA Earnings

EUR '000	2022	2021
Net result IFRS	**3,944**	**1,413**
Exclude:		
I. Changes in fair value of investment properties	2,914	7,161
II. Profits or losses on disposal of investment properties	423	71
VIII. Deferred tax in respect of EPRA adjustments	979	222
EPRA Earnings	**8,260**	**8,867**
Weighted number of units during the period	119,635,429	119,635,429
EPRA Earnings per unit	**0.07**	**0.07**

EPRA LTV

EUR '000	31.12.2022	31.12.2021
Net debt		
Include:		
Borrowings from financial institutions	144,682	144,850
Bond loans	50,000	54,000
Net payables	3,502	3,497
Exclude:		
Cash and cash equivalents	(5,347)	(16,100)
Net debt (A)	**192,837**	**186,247**
Property value		
Include:		
Investment properties at fair value	333,123	315,959
Properties under development	-	11,400
Total property value (B)	**333,123**	**327,359**
EPRA LTV (A/B)	**57.9%**	**56.9%**

Baltic Horizon Fund has no material associated companies, non-controlling interests or share of joint ventures.

EPRA Vacancy rate

EUR '000	31.12.2022	31.12.2021
Estimated rental value of vacant space	1,716	1,549
Estimated rental value of the whole portfolio	24,889	23,021
EPRA Vacancy rate	**6.9%**	**6.7%**

EPRA Cost ratios

EUR '000	2022	2021
Property expenses not recharged to tenants	3,133	2,491
Administrative expenses	3,052	2,869
EPRA costs (including direct vacancy costs) (A)	**6,185**	**5,360**
Direct vacancy costs	(634)	(674)
EPRA costs (excluding direct vacancy costs) (B)	**5,551**	**4,686**
Rental income	20,482	19,495
Gross rental income (C)	**20,482**	**19,495**
EPRA Cost ratio (including direct vacancy costs) (A/C, %)	**30.2%**	**27.5%**
EPRA Cost ratio (excluding direct vacancy costs) (B/C, %)	**27.1%**	**24.0%**

EPRA NIY and "topped-up" NIY

EUR '000	31.12.2022	31.12.2021
Investment properties	333,123	327,359
Exclude:		
Developments	-	(11,400)
Completed property portfolio GAV	**333,123**	**315,959**
Annualised cash passing rental income	22,639	20,995
Property expenses not recharged to tenants	(2,958)	(1,772)
Annualised net rental income	**19,681**	**19,223**
Include:		
Notional rent expiration of rent free periods or other lease incentives	699	323
Topped-up net annualised rental income	**20,380**	**19,546**
EPRA NIY	**5.9%**	**6.1%**
EPRA "topped-up" NIY	**6.1%**	**6.2%**

EPRA Capital expenditure

EUR '000	31.12.2022	31.12.2021
Acquisitions	-	-
Development	5,718	7,047
Investment properties:		
No incremental lettable space	7,353	2,567
Total capital expenditure	**13,071**	**9,614**
Conversion from accrual to cash basis	554	(1,147)
Total capital expenditure on cash basis	**13,625**	**8,467**

Market capitalisation of Baltic Horizon Fund turns around in ca. 6.5 years on the Nasdaq Tallinn Stock Exchange

INVESTOR RELATIONS

Baltic Horizon Fund units are currently listed on the Fund List of the Nasdaq Tallinn Stock Exchange. Trading with Baltic Horizon units on the Nasdaq Tallinn Stock Exchange began on 6 July 2016. From 23 December 2016 until 31 October 2022 Baltic Horizon Fund units were also listed on the Nasdaq Stockholm Alternative Investment Funds market. Trading with the Swedish depository receipts (the "SDRs") on the Nasdaq Stockholm Stock Exchange started on 31 October 2022.

Conversion of units to Swedish depository receipts

The Fund carried out a public offering of Swedish depository receipts (the "SDRs") directed to the holders of the units of Baltic Horizon Fund trading on Nasdaq Stockholm on 17 October 2022. The offering and consequential delisting of the Fund's units from the Nasdaq Stockholm Alternative Investments Funds market was a result of Euroclear Sweden AB's termination of the affiliation agreement for keeping the Fund's units registered with its book entry system in Sweden following a strategic decision by Nordea Bank Abp to exit its Nordic sub-custody business.

In total, 22,599,522 units of the Fund (the "Units") were converted into the SDRs (whereby each one (1) Unit was converted into one (1) SDR). Since the issue of the SDRs was made through the conversion of units only, there were no new proceeds for the Fund to utilise by way of this SDR issue. The total number of the outstanding units remained the same as prior to the SDR Offering, i.e. 119,635,429 units. 22,599,522 units, covering the total amount of the SDRs issued, were deposited at Nordic Issuing AB's – which is acting as the SDR issuing agent – account with Swedbank Estonia.

After the end of the SDR offering period, the unitholders can convert units into SDRs (and vice versa) on an ongoing basis. The unitholders that are holders of the units held with Euroclear Sweden had such a possibility until the end of October after which Euroclear Sweden will appoint a sales agent to sell such units and pay out the proceeds (less sales costs and any applicable taxes) to the cash account connected with the respective Swedish investor's securities account.

Trading information

As of 31 December 2022, the market capitalisation for Baltic Horizon Fund was approx. EUR 68.8 million (31 December 2021: EUR 127.5 million) based on the closing unit market prices on the Nasdaq Tallinn Stock Exchange and the Nasdaq Stockholm Alternative Investment Funds market. During 2022, Baltic Horizon Fund units on the Nasdaq Tallinn Stock Exchange were trading at a discount compared to the net asset value per unit. The market price of the unit entered a downward trend at the end of February 2022 after the start of the war in Ukraine. At the end of 2022, the closing unit price on the Nasdaq Tallinn Stock Exchange was EUR 0.5750.

Key information

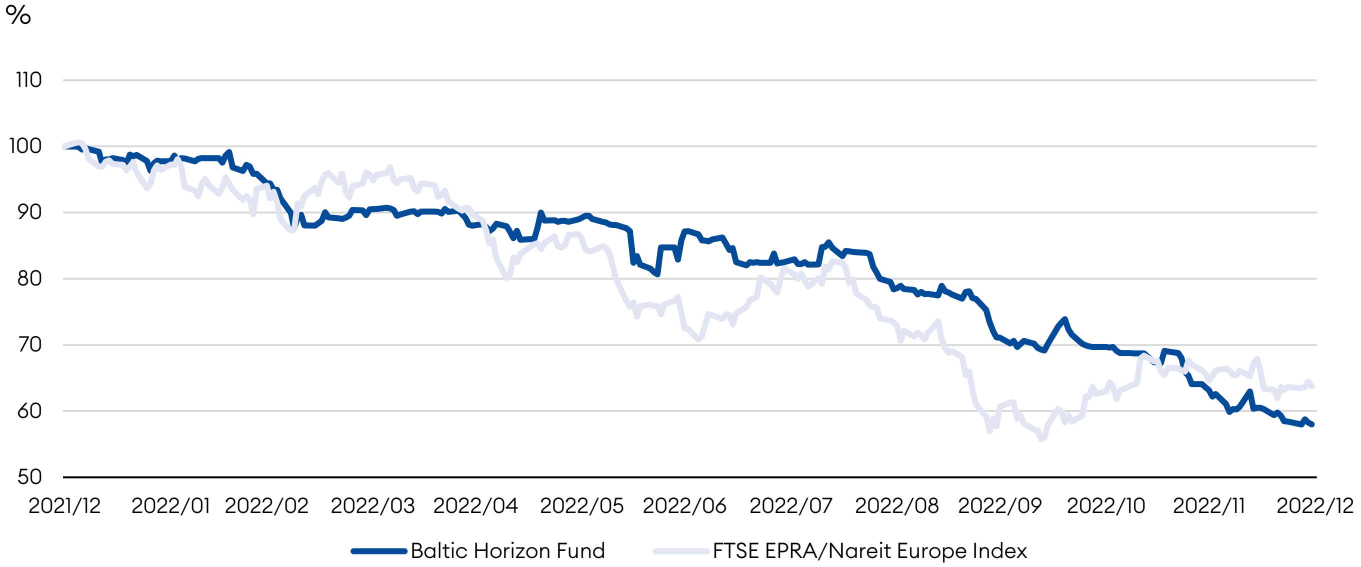
ISIN code	EE3500110244
Markets	Nasdaq Tallinn Nasdaq Stockholm
Ticker symbols:	
Nasdaq Tallinn	NHCBHFFT
Nasdaq Stockholm	NHCBHFFSDB
Bloomberg tickers:	
Nasdaq Tallinn	NHCBHFFT:ET
Nasdaq Stockholm	NHCBHFFS:SS

Key figures	31.12.2022	31.12.2021
Number of units issued (units)	119,635,429	119,635,429
Market capitalisation[1] (EUR)	68,790,372	127,519,749
IFRS NAV per unit (EUR)	1.1172	1.1082
Unit price discount from IFRS NAV per unit[2] (%)	(48.5%)	(3.5%)
EPRA NRV per unit (EUR)	1.1865	1.1884
Unit price discount from EPRA NRV per unit[3] (%)	(51.5%)	(10.0%)

Key figures	2022	2021
Nasdaq Tallinn:		
Highest unit price during the period (EUR)	1.0689	1.2800
Lowest unit price during the period (EUR)	0.5687	1.0160
Closing unit price (EUR)	0.575	1.0690
Nasdaq Stockholm:		
Highest unit price during the period (SEK)	11.42	13.05
Lowest unit price during the period (SEK)	5.26	10.27
Closing unit price (SEK)	5.60	10.87
Earnings per units during the period (EUR)	0.03	0.01
Distribution per unit for the period[4] (EUR)	0.026	0.058

1. Based on the closing prices and split between units on the Nasdaq Tallinn and the Nasdaq Stockholm Stock Exchanges.
2. Based on the closing price on the Nasdaq Tallinn Stock Exchange and the IFRS NAV per unit at the end of period.
3. Based on the closing price on the Nasdaq Tallinn Stock Exchange and the EPRA NRV per unit at the end of period.
4. Distributions to unitholders for 2022 and 2021 Fund results.

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

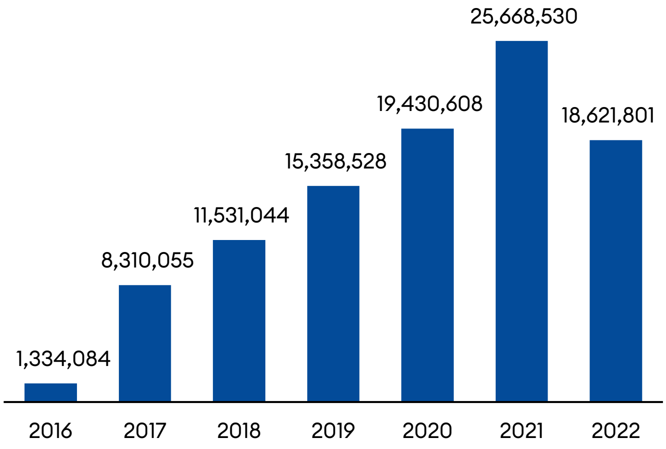


Baltic Horizon Fund's total shareholder return on unit in 2022 amounted to -42.0%. Total shareholder return for a given period is equivalent to the movement in the unit price on the Nasdaq Tallinn Stock Exchange over the period plus dividends paid, divided by the opening unit price.

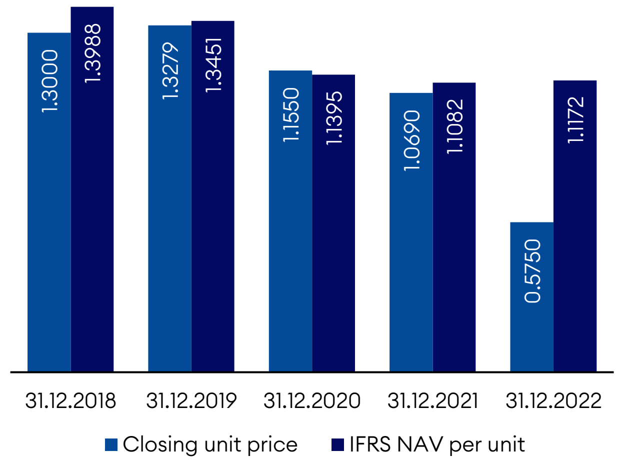
In 2022, the Baltic Horizon Fund unit offered good liquidity. In total, 119,635,429 units were traded on the Nasdaq Tallinn and Nasdaq Stockholm stock exchanges, while the total 2022 fiscal year trading volume reached 18.6 million units. Market capitalisation of approx. EUR 68.8 million turns around in ca. 6.5 years on the Nasdaq Tallinn and Stockholm Stock Exchanges. Baltic Horizon Fund was the 11th most traded listed security on the Nasdaq Tallinn Stock Exchange during 2022. The first graph below shows the Baltic Horizon Fund units' quarterly trading volume on the Nasdaq Tallinn and the Nasdaq Stockholm Stock Exchanges.

During 2022, Baltic Horizon Fund units on the Nasdaq Tallinn Stock Exchange were following market trends and mostly trading at a discount compared to the net asset value per unit. At the end of 2022, units were traded at a 48.5% discount compared to the IFRS NAV per unit and 51.5% discount compared to the EPRA NRV per unit. The second graph below shows the Baltic Horizon Fund unit price in relation to its IFRS net asset value since inception.

Yearly trading volume on Nasdaq Tallinn and Stockholm Stock Exchanges
Units



Nasdaq Tallinn unit price compared with NAV
EUR



Dividend capacity

According to the Fund Rules issued as of 23 May 2016, a distribution to investors will be made if all of the following conditions are met:

- The Fund has retained such reserves as required for the proper running of the Fund;
- The distribution does not endanger the liquidity of the Fund;
- The Fund has made the necessary follow-on investments in existing properties, i.e. investments in the development of the existing properties of the Fund, and new investments. The total of the Fund's annual net income that may be retained for making such investments is 20% of the Fund's annual net income of the previous year.

The Fund sets a target of dividend distributions to its unitholders in the range between 80% of generated net cash flow (GNCF) and net profit after unrealized P&L items are adjusted. The distribution is based on the Fund's short-term and long-term performance projections. Management has discretion to distribute lower dividends than 80% of generated net cash flow (GNCF) if the liquidity of the Fund is endangered.

Generated net cash flow (GNCF) calculation formula

Item	Comments
(+) Net rental income	
(-) Fund administrative expenses	
(-) External interest expenses	Interest expenses incurred for bank loan financing
(-) CAPEX expenditure	The expenditure incurred in order to improve investment properties; the calculation will include capital expenditure based on annual capital investment plans
(+) Extraordinary income related to investment properties	
(+) Added back listing related expenses	
(+) Added back acquisition related expenses	Include the expenses for acquisitions that did not occur
Generated net cash flow (GNCF)	

Distributions to unitholders for Fund results

On 3 February 2022, the Fund declared a cash distribution of EUR 2,273 thousand (EUR 0.019 per unit) to the Fund unitholders for Q4 2021 results. This represents a 1.79% return on the weighted average Q4 2021 net asset value to its unitholders.

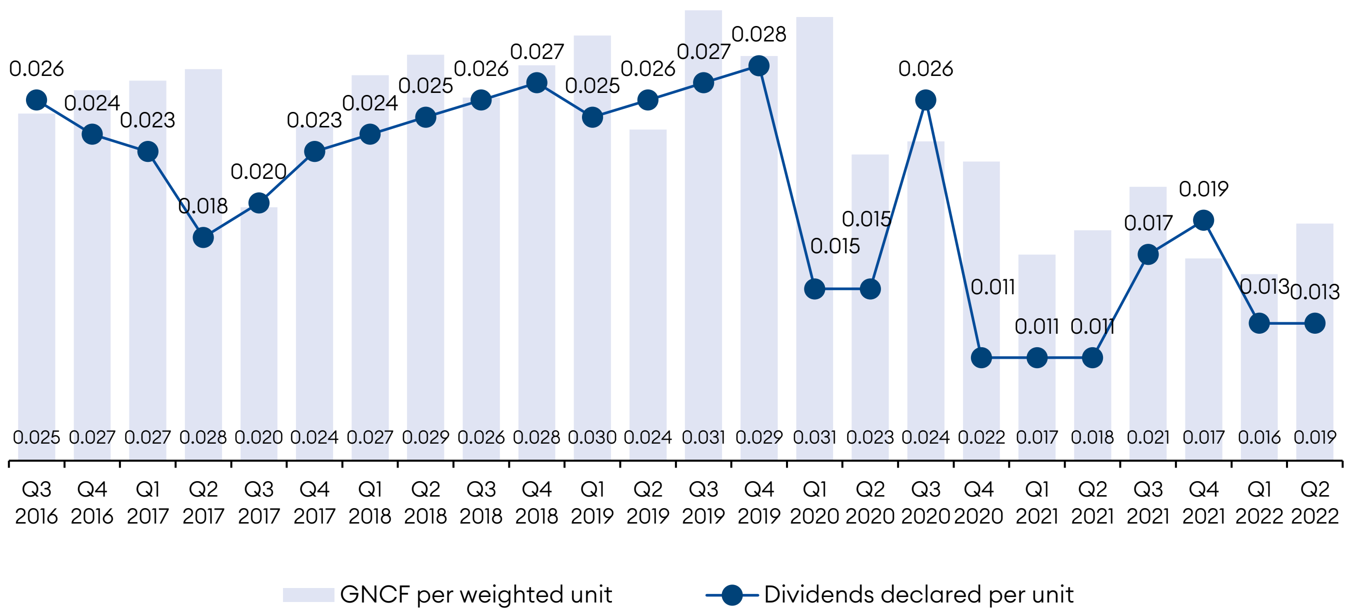
On 28 April 2022, the Fund declared a cash distribution of EUR 1,555 thousand (EUR 0.013 per unit) to the Fund unitholders for Q1 2022 results. This represents a 1.17% return on the weighted average Q1 2022 net asset value to its unitholders.

On 28 July 2022, the Fund declared a cash distribution of EUR 1,555 thousand (EUR 0.013 per unit) to the Fund unitholders for Q2 2022 results. This represents a 1.17% return on the weighted average Q2 2022 net asset value to its unitholders.

With reduced payouts over 2020 - 2022 in the light of prevailing market uncertainty, the Fund has opted to retain EUR 10.2 million of distributable cash flow. During 2022, the Fund declared for distribution EUR 3.1 million out of total generated distributable cash flow of EUR 7.1 million.

The management company of Baltic Horizon Fund has approved changes to cash distribution frequency. Starting from July 2022, Baltic Horizon Fund's cash distribution frequency was changed from quarterly to semi-annually. Cash distributions for Q3 2022 and Q4 2022 results will be announced together at the beginning of 2023.

Dividend per unit (EUR)



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

Dividend capacity calculation

EUR '000	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
(+) Net rental income	3,798	4,193	4,482	4,298	4,457
(-) Fund administrative expenses	(633)	(659)	(726)	(752)	(996)
(-) External interest expenses	(1,408)	(1,372)	(1,403)	(1,441)	(1,748)
(-) CAPEX expenditure[1]	(222)	(266)	(369)	(247)	(577)
(+) Extraordinary income related to investment properties[2]	440	-	261	-	-
(+) Added back listing related expenses	-	-	-	-	-
(+) Added back acquisition related expenses	32	1	5	-	-
Generated net cash flow (GNCF)	**2,007**	**1,897**	**2,250**	**1,858**	**1,136**
GNCF per weighted unit (EUR)	**0.017**	**0.016**	**0.019**	**0.016**	**0.009**
12-months rolling GNCF yield[3] (%)	**6.8%**	**7.6%**	**8.0%**	**9.4%**	**10.4%**
Dividends declared for the period	**2,273**	**1,555**	**1,555**	**-**	**-**
Dividends declared per unit[4] (EUR)	**0.019**	**0.013**	**0.013**	**-**	**-**
12-months rolling dividend yield[3] (%)	**5.4%**	**6.3%**	**6.9%**	**-**	**-**

1. The table provides actual capital expenditures for the quarter. Future dividend distributions to unitholders are aimed to be based on the annual budgeted capital expenditure plans equalised for each quarter. This will reduce the quarterly volatility of cash distributions to unitholders.
2. Latvian government COVID-19 grants related to the decrease of net rental income in Galerija Centrs due to discounts to tenants. The grants are used to offset property operating expenses.
3. 12-month rolling GNCF and dividend yields are based on the closing market price of the unit as of the end of the quarter (Q4 2022: closing market price of the unit as of 31 December 2022).
4. Based on the number of units entitled to dividends.

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

STRUCTURE AND GOVERNANCE

Baltic Horizon Fund is a closed-end contractual investment fund registered in Estonia on 23 May 2016. The Fund is defined as a real estate fund under the Estonian Investment Funds Act. The Fund cannot enter into agreements on its own. The unitholders own all the Fund's assets. The Fund has no employees except for the general directors of Lithuanian subsidiaries (5 in total) as required by Lithuanian law.

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

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

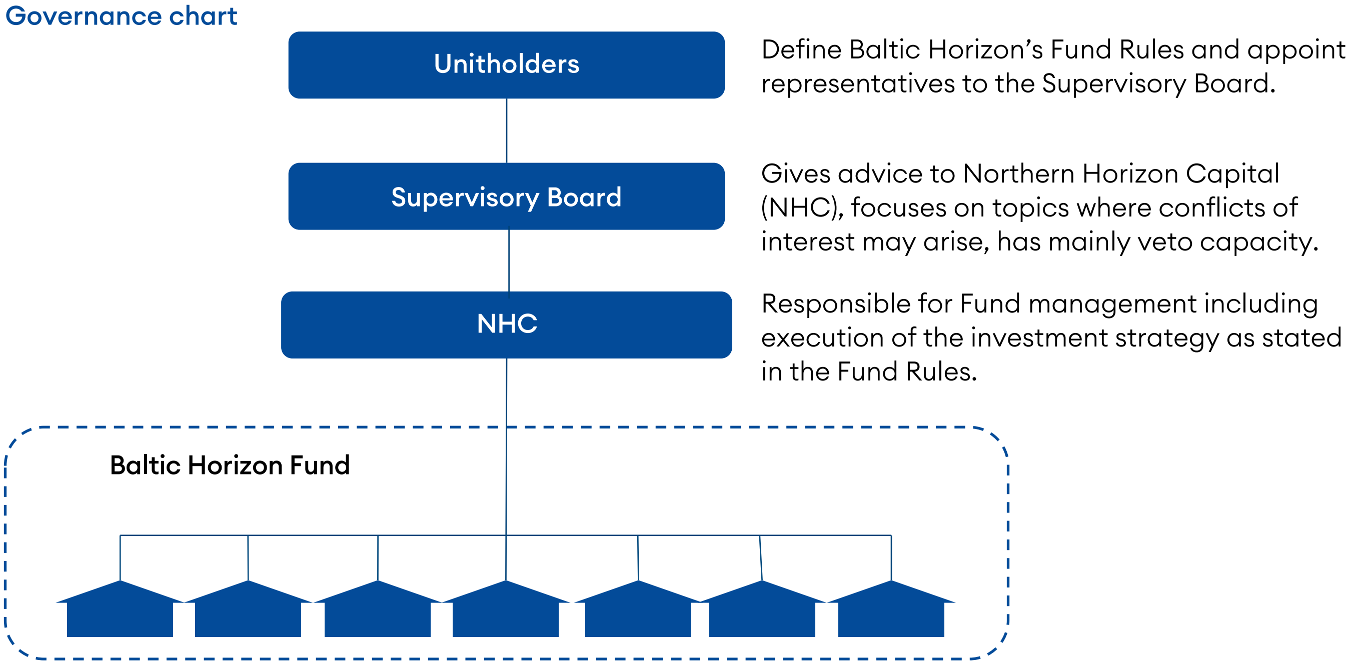
The Fund is managed by the Management Company, which is Northern Horizon Capital AS. The immediate team comprises of the Management Board, which is headed by the Fund Manager, and the Supervisory Board of the Management Company. The Fund also has its own Supervisory Board, which comprises of 4 independent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

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

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

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

Governance chart



Management Board and Supervisory Board of the Management Company

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

Supervisory Board of the Fund

The Fund has a Supervisory Board which consists of qualified members with recognised experience in the real estate markets in Estonia, Latvia, and Lithuania, impeccable reputation and appropriate education. In accordance with the Fund Rules, members of the Supervisory Board are appointed by the General Meeting for a period of at least two years. The Supervisory Board consists of three to five members. The current Supervisory Board members have been elected for an indefinite period.

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

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

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

Valuations

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

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

Audit

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

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

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

Tarmo Karotam

Chairman of the Management Board / Fund Manager

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

Edvinas Karbauskas

Member of the Management Board / Co-Fund Manager

Edvinas Karbauskas is a member of the Management Board of the Management Company. Since joining Northern Horizon Group in 2018, Edvinas has worked as an Investment Manager and Head of Fund Controlling. Prior to that, Edvinas worked as a Fund Controller in the Northern Horizon Group. Previously, Edvinas worked at EY as a consultant focusing on real estate funds and various financial management matters.

Aušra Stankevičienė

Member of the Management Board / Fund Service Director

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

RISK MANAGEMENT

The risk management function of the Fund is responsible for identifying, measuring, managing, and monitoring at any time the risks which the Fund is or might be exposed to. The risk management function is overseen by a dedicated member of the Management Board (who is not performing Portfolio Management or Investment Relations functions) and partly delegated to a sister company of the Management Company: Northern Horizon Capital AIFM Oy, which is a licensed AIFM in Finland. The risk management function maintains a list of all risk management related instructions, monitors these compared to internationally recommended best practice, and initiates changes and improvements when needed. The risk management function reports to the Fund's boards on a regular basis. The risk management function assessed at the end of the reporting period that the Fund is currently in compliance with the intended risk management framework.

Principal risks faced by the Fund

Risk	Risk description
Market risk	The Fund is exposed to the office and retail markets in Riga, Tallinn, and Vilnius through its indirect investments in investment property (through subsidiaries). Although the Fund's portfolio is well diversified across specified geographies and market segments, the whole region is affected by increasing energy costs and high inflation which increases the risk of tenant bankruptcies and their ability to pay rent. This could have a negative impact on the properties' occupancy rates and the Fund's rental income.
Liquidity risk	The Fund is exposed to liquidity risk related to the renewal of its financing as it reaches maturity. Failure to renew the financing at acceptable terms or breaches of debt covenants could cause the need to dispose of the assets owned by the Fund. Please refer to the note 12 for more information regarding asset acquisitions. Please refer to the notes 4c and 17 for more information regarding the maturity dates of the loans and borrowings and the plans for refinancing the 5-year unsecured bonds maturing in May 2023. Most financing agreements require additional loan amortisation when debt covenants deteriorate. Thus a decrease in the performance or value of the Fund's properties due to changes in real estate yields could cause the need for additional liquidity. Real estate investments have low liquidity and there can be no assurance that the Fund will be able to exit the investments in a timely manner. By their nature, real estate investments or interests in other non-public entities are subject to industry cyclicality, downturns in demand, market disruptions and the lack of available capital for potential purchasers and therefore often difficult or time consuming to liquidate.
Interest rate risk	The Fund is exposed to interest rate risk because of leverage (bank loans or bonds) used to finance its real estate investments. The Fund hedges against interest rate risk either by taking fixed rate loans or by using interest rate swaps or interest rate caps for the loans with variable interest rates. As 1) the Fund seeks to obtain financing on the best terms and conditions and 2) in the current market, fixed rate loans are often more expensive, the Fund hedges interest rate exposure by mainly using derivative instruments such as interest rate swaps, forwards and options. The Fund and its subsidiaries acquire swaps only for cash flow hedging purposes and not for trading. Given that a large part of external financing and related interest rate hedging mature in 2023 and given the rising market interest rates and hedging costs, there is a risk that new financing will be arranged at a higher cost.
General property related risks	Real estate as an asset class has some typical risks, for example those caused by construction or property maintenance errors. An unforeseen event such as a technical system failure may arise despite comprehensive control and careful maintenance. A number of assets owned by the Fund are older than 10 years and, therefore, may require unplanned repairs or maintenance CAPEX. Investments may also be needed for buildings to meet changing tenants' needs and regulatory or environmental requirements.

The Fund received a 4-star rating from the Global Real Estate Sustainability Benchmark (GRESB) in 2022. The result reflects continuous efforts to become a market leader in ESG performance

SUSTAINABILITY

Our commitment

At Baltic Horizon we acknowledge that our business activities affect the society and the environment around us and that we have an opportunity and an implicit duty to ensure this impact is positive. We also believe that efficient and sustainable operations are a necessity for long-term value creation.

Consequently, we are committed to being responsible when conducting our business by integrating environmental, social, and governance ("ESG") factors into our investment decisions and operational processes.

We strongly feel that continued commitment to high ESG standards is the best way for our investors to achieve their investment goals and at the same time to ensure that the environment and communities can benefit as well. For that we align our efforts with leading market standards: the Management Company of Baltic Horizon Fund and Northern Horizon group are members of EPRA, INREV, SIPA, and GRESB, as well as a signatories of the United Nations-supported Principles for Responsible Investment (UN PRI) since 2014. In 2020, The Fund received A+/A evaluation in UN PRI assessment. In 2022, the result for 2021 (the 2020 reporting period) was released. The Fund scored 4 stars out of 5 and 66 points in the Investment & Stewardship Policy section, and a 3 star rating out of 5 in Direct – Real estate section. The Fund also issues a separate annual ESG report based on GRI guidelines.

Stakeholder engagement

By ensuring that our investment activities have a positive environmental impact, we put a strong emphasis on the benefits that our business can have to our stakeholders. We define 4 core groups of stakeholders that are key to the success of our business:

Investors: we build relationships with our investors based on transparency and trust by engaging in dialogue and finding the best solutions for both parties to strengthen positive ESG impacts on our investments and community.
Tenants: tenant retention and commitment to our asset maintenance is a core focus of our asset management. We aim to be a considerate asset owner that reacts to the needs and suggestions of our tenants and to create a sustainability culture in the communities we have an impact on.
Partners: we continuously engage with our business partners to ensure smooth communication that is built on mutual values of trust, transparency and professionalism.
Employees: we are committed to creating sustainable value to our shareholders with integrity, and believe empowering our employees is the key to maintaining and creating excellent performance.

SFDR/EU Taxonomy

We are taking steps to integrate ESG factors into our investment process in all steps of the investment life cycle. In Baltic Horizon our responsibility to national and international ESG legislation is recognised by monitoring present compliance and actively managing the risks of future proposed ESG regulation. To support it, in 2021 we signed as Sustainable Finance Disclosure Regulation ("SFDR") article 8 Fund and we are in the process of establishing our EU Taxonomy alignment to determine the percentage of our sustainable activities.

During 2022 we analysed our EU Taxonomy alignment. It was determined that there is a 12% EU Taxonomy alignment to significant contribution to climate change mitigation objective. In addition, we conducted a climate risk assessment based on the technical criteria of the 'do no significant harm' principle.

Governance

Baltic Horizon is dedicated to good corporate governance principles. We strive to have a transparent, fair, and professional dialogue with our investors, business partners and employees. A lot of emphasis is put on identifying, monitoring, managing, and minimizing potential risks, while protecting the full upside potential of investments. We will refuse any investment opportunity, which challenges our integrity or conflicts with our mission statement and values. In Q4 2022, we integrated human rights and the OECD's Guidelines into our existing policies and business procedures for business integrity in order to comply with the minimum safeguards of EU Taxonomy.

We hold ourselves accountable to the highest standards of professionalism and ethics. Our group Code of Conduct ensures that our business activities are undertaken in an environment of integrity, transparency, and accountability. This approach allows Baltic Horizon to be a trustworthy and accountable partner to all our stakeholders.

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

BREEAM
Very Good

Lincona

BREEAM
Good

Certification

Baltic Horizon certified all operational office assets in 2021 using BREEAM In-Use environmental assessment method and thus achieved one of the ESG goals. The minimum certification target – BREEAM In-Use "Very Good" was mostly achieved. Only one asset, Lincona was evaluated "Good" while all the other assets secured "Very Good" evaluation. The Fund's team exceeded its certification coverage target and now has 55% certification coverage for the entire portfolio. The Fund has started the building certification process for the remaining retail assets that do not have BREEAM certification yet and expects to have the whole portfolio certified in 2023.

GRESB benchmarking

GRESB evaluation has become an integral self-evaluation tool and a guide for improvement and even contributes to the achievement of ESG goals for the Fund.

GRESB Real Estate Assessment consists of two separate assessment modules: Management and Performance. In 2021 Baltic Horizon scored 26 points in the Management module (out of 30) and 44 points in the Performance module (out of 70), achieving a total of 70 points (out of 100) and received 2 stars. This is an improvement compared to 2020 when Baltic Horizon scored 25 points in the Management module (out of 30) and 38 points in the Performance module (out of 70), achieving a total of 63 points out of 100.

In Q3 2022 BHF received the GRESB 4 star rating, exceeding its goal to achieve 3 stars. The Fund scored 28 points (out of 30) in the Management module and 55 points (out of 70) in the Performance module. In 2021 Baltic Horizon also enrolled in the Public Disclosure Assessment where the Fund achieved a 63-point score (out of 100), obtaining a B3 rating. In 2022, the Fund improved its rating to A (85 out of 100 points).

Baltic Horizon has a separate GRESB improvement plan and the goals for 2023 are to improve tenant and community metrics, to set more measurable targets for the Fund and to improve the performance module by increasing environmental data coverage, reducing CO2 emissions and continuing work on building improvements.

Benchmark report

In 2022 Baltic Horizon fund conducted a benchmark report based on the GRI standards and compared its reporting quality with other market participants. Although most of the funds report their data according to GRI standards, the data varies so significantly that it is very difficult to compare it.

Based on the report it was advised that sustainability reporting should start with the materiality analysis (this will also be required by the upcoming European Sustainability Reporting Standards). Only 3 funds in the study have performed the analysis. Baltic Horizon is planning to do the same. Once the materiality analysis has been carried out by Baltic Horizon, the topics covered in the report will reflect the results of the analysis, including explanations of why some of the information is not disclosed.

Governance disclosures were the most comprehensive for Baltic Horizon, followed by environmental disclosures. Social disclosures only focus on education, trainings and diversity. More focus should be put on explaining the responsibilities and structure of decision-making bodies, including describing the roles of the highest governance body. However, other funds disclose relatively little information, similar to Baltic Horizon. Compared to social and environmental data, disclosures are less quantitative.

Most of the funds included energy consumption data in their reports but only a few divided the data into renewable and non-renewable. However, a higher proportion of renewable energy results in lower GHG emissions in Scope 1 and 2. Based on that, Baltic Horizon reports significantly higher emission intensity than some other funds.

All funds admitted that out of all environmental data, waste generation data was the hardest to gather. Compared to Baltic Horizon, other funds also disclosed the amount of waste per waste type and per waste treatment.

Renewable energy

A key aspect in achieving our net-zero by 2030 target is ensuring that our portfolio assets are powered by clean and renewable energy sources. We are taking small steps to achieve this ambition. In 2021, a roof solar power plant was successfully installed in Domus Pro Retail and started producing green electricity.

Electric vehicle charging stations

ESG requirements are rapidly evolving and one area of expected rapid change is mobility. Electrification of standard modes of transportation is accelerating and the Fund's intention is to ensure that its assets can meet the increasing charging demands of electric vehicles (EV). In previous years there were 8 charging points (4 stations) in Duetto. In 2022 the following EV charging stations were installed: Duetto 6 charging points, North Star 4 charging points in collaboration with InBalance, and Domus Pro 8 charging points in collaboration with InBalance.

Green leases

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

Managing the energy crisis

In Q3-Q4 2022, energy prices reached record highs in the Baltic countries, especially Lithuania and Latvia. The Fund's team has actively launched initiatives to reduce the increased cost burden for our tenants. In retail, each building has been optimised to reduce energy usage by 9-15%. In some retail assets working hours have been shortened. The same actions have been taken to reduce energy usage in office buildings. The plan is to continuously maintain approx. 15% lower energy consumption in all assets.

In addition, information on how to save energy has been distributed to all tenants. The management team and partners are monitoring the assets and tenants to measure the effectiveness of implemented optimisations and tenant satisfaction regarding the matter. Also, our property and asset managers keep in touch with tenants to address any issues which may arise during difficult times.

Community health and wellbeing

BHF recognises its impact on social well-being and the community since retail and office assets are integral to everyday life. In 2022, the BHF team organised several community events to bring local people together in an entertaining and educational manner.

In the Europa shopping centre, a series of wellness and mental health seminars was organised to offer people an opportunity to come to the shopping mall for meaningful and informative events and to learn from experts how to maintain mental health and well-being at work and in personal life.

Furthermore, the Fund organised a Family Day, a nice and cosy family-orientated community gathering in the Domus Pro and Meraki premises, to celebrate the opening of a square and the completion of construction and to remind everyone that the Domus PRO shopping centre is easily accessible again.

ESG Goals and progress on ESG goals

Short-term aims (1-2 years)	
Office portfolio certification by end of 2021 Completed / Retail portfolio certification within 12-24 months	In 2021 the office portfolio was certified using the BREEAM In-use certification standard. In 2022 a costed retail portfolio certification plan was approved and the Fund expects to have a 100% certified portfolio by the end of 2023.
100% of new leases will include green lease clauses	Green leases are a great way to formalize sustainability aims and commitments between our tenants and the Fund. Baltic Horizon has included green lease clauses in all newly signed leases in 2021 and 2022 and currently 85% of all office portfolio agreements include green lease clauses. Green lease clauses cover such topics as sustainable operations, information sharing, use of renewable energy sources, and other relevant topics. In addition, green clauses have been included in most of the existing lease agreements.
Maintain 4-star GRESB evaluation	Baltic Horizon achieved a 2-star rating in the 2020 GRESB Real Estate Assessment with a 63-point score. In 2021 Baltic Horizon improved its score to 70 points, still receiving 2 stars. However, in the 2022 evaluation Baltic Horizon Fund scored a 4-star evaluation, which exceeded our previous goal to reach 3-star evaluations in two to three years. We believe that our ESG efforts will result in maintaining a 4-star rating over the next 1-2 years with a targeted portfolio improvement strategy that is currently in implementation.
Human rights incorporation in operations	In 2022 Baltic Horizon together with Northern Horizon Group implemented the minimum safeguards referred to in the EU Taxonomy, which were the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organization on Fundamental Principles and Rights at Work. In 2023 the minimum safeguards requirements will be incorporated into operations and processes.
EU Taxonomy	In 2021 the Fund published Sustainable Finance Disclosure Regulation (SFDR) Article 8 and SFDR Stage I disclosures on its website. Article 8 funds need to disclose the degree (if any) to which they make environmentally sustainable investments or investments with a social objective, as set out by the EU Taxonomy regulations. Thus, in 2022 Baltic Horizon determined and screened assets with relevant screening criteria for the EU Taxonomy for the first two environmental objectives. And during the upcoming 2 years the Fund aims to maintain 12% taxonomy alignment to the criteria of significant contribution to climate change mitigation.
Renewable energy	In 2022 and onwards renewable energy solutions such as on-site solar panels and distant renewable energy power plants must be implemented in order to reduce CO_2 emissions in the asset portfolio. The goal is to compare the costs of renewable energy to conventional energy sources and start using renewable energy sources if it is financially feasible.

Long-term aims (5-10 years)	
Net zero carbon in operations by 2030	In 2020 Northern Horizon Capital Group revised its Responsible Investment Policy and set the goal of net-zero carbon by 2030 from the operation of all its managed funds, including Baltic Horizon. While very ambitious, our firm belief is that this goal is achievable with active asset management, portfolio improvement, and renewable energy procurement as primary tools supporting our efforts. The goal is aligned with the World Green Building Council's Net Zero Carbon Buildings Commitment (Baltic Horizon has not expressed formal support for the commitment) and contributes to the Paris Climate Agreement objectives.
Energy performance certificate (EPC) of new acquisitions – B or better	The energy efficiency of assets in the Fund's portfolio will be one of the key aspects in achieving the net zero target. Therefore, it is crucial that all new acquisitions of the Fund would have strong energy efficiency performance. The Fund may consider assets that have a lower energy efficiency if the energy efficiency label of the asset is improved after acquisition.
Non-fossil electricity by 2030	The energy sources of the existing portfolio are as important as the energy efficiency of new acquisitions. Therefore, the Fund has set a 2030 target to cooperate only with non-fossil energy suppliers, which is crucial for achieving the net zero target.

OUTLOOK FOR 2023

Following the disposal of Domus PRO complex in early 2023, the diversified property portfolio of Baltic Horizon Fund consists of 14 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.

Both 2021 and 2022 started with growing COVID-19 cases and government restrictions in all three Baltic countries. However, the pandemic's direct negative effects on life and business operations have diminished in the Baltic countries. As a result, the operations of the Baltic Horizon portfolio improved and showed quick recovery in 2022 as governments lifted restrictions and visitors/office workers came back to shopping centres and offices. People in general have become less fearful of the virus and want to continue their life as it was before COVID-19. Apart from other external turbulences, life is almost back to normal in the Baltics.

The year 2022 saw another major event in Europe – Russia's full-fledged war against Ukraine. Even after a year, there is still a high level of uncertainty about the outcome of the war. What seems to be clear today is that Russia will be cut out from Europe for a longer period and NATO stands strong to defend its allies and every inch of their territories.

In recent years, the Baltics limited direct economic relations with Russia to minimal levels. Yet, there is an apparent immediate negative effect on energy, construction materials and other prices not only in the Baltics but also in the rest of Europe. The war has had a huge impact on energy prices across Europe, which has heavily affected the costs of most businesses. The increase in energy prices has also affected the Fund, but the overall impact has been limited due to active asset management.

As disclosed in other parts of the report, the Fund's team has reduced the Fund's energy consumption by approx. 15% and continues to look for additional solutions to further lower energy consumption. The Fund has also fixed the electricity prices of its Estonian assets at a favourable level and will have a 50% fixed electricity price for its Lithuanian assets 2023. The Fund entered into an agreement to purchase electricity from a remote solar panel park at a price fixed below the current market price of electricity. Baltic Horizon's asset managers and property management partners actively monitor the costs and continuously look for cost optimisation opportunities such as investing in renewable energy solutions or reducing electricity consumption in the buildings' common areas. The Fund is evaluating several green energy projects.

In 2022, most property maintenance contracts were retendered to ensure the best price-quality ratio. The construction prices of the Fund's development projects were fixed prior to the war and other costs have not increased significantly. The Fund continues to operate normally – signing new leases in shopping centres, extending the office leases, indexing the rents and rolling over debt.

An important aim in our Environmental, Social and Governance activities was to achieve four stars from GRESB in 2022. After achieving this goal, the Fund aims to obtain at least four stars in future GRESB assessments. Further improvements in ESG activities are in motion. The Fund is aiming to obtain the widely acknowledged BREEAM certification for all assets in its portfolio by the end of 2023. In addition, the aim to introduce green lease clauses into 100% of our lease agreements remains in place. In order to have attractive premises to rent over the long term, we are planning to reduce the energy consumption and to improve the energy efficiency of all properties by at least one energy efficiency class by 2025 and to have a clear strategy to achieve carbon neutrality in our portfolio by 2030.

Continuous letting of the Meraki premises as well as new lease agreements in the reconstructed areas of the Europa SC, Galerija Centrs and Postimaja will eventually unlock the untapped potential of the portfolio. Early in 2023, the Fund's management team already concluded one major lease agreement in Galerija Centrs with a top international fashion tenant. The opening of Galerija Centrs food hall, a new fashion anchor tenant store and other key stores will offer Galerija Centrs customers a unique experience and differentiate the shopping centre from other retail shops in Riga. This, in turn, should result in further operational performance improvements. Several stores with unique new concepts are also expected to be opened in Europa SC and Postimaja over 2023.

At the beginning of 2023, the Fund signed an agreement with UAB PREF III to sell 100% of the shares of BH Domus PRO UAB which owns Domus PRO retail park and office building in Vilnius, Lithuania. The agreed sales price of the property was approximately EUR 23.5 million. The disposal aligns with the Fund's strategy for upcoming years, which foresees disposing of non-core assets in order to reduce the leverage of the Fund and increase exposure to projects in cities centres. The proceeds of the transaction will be used mainly to decrease the loan obligations of the Fund and partially to redeem the Fund's bonds which mature in May 2023. Closing of the transaction took place on 8 March 2023.

Following the disposal of the Domus PRO complex and Europa SC parking house, the Fund is shifting focus toward the upcoming bond refinancing project. A EUR 50 million bond refinancing project has already been in motion for half a year with the intention to redeem the bonds prior to the final maturity. The Fund is planning to take additional bank loans against its properties and use the proceeds of disposals to partially redeem the current bonds. The remaining amount of current bonds is planned to be redeemed by issuing a new bond/private debt at a lower issue amount in April 2023. The Fund is targeting to reduce the leverage to approx. 55% after the refinancing activities.

Overall, the Fund is well prepared to balance potential growth in costs, which may result from rising interest costs and inflation, with growth in income, which should be achieved through upcoming rent indexations and new lease agreements. The Fund's strategy and decisions will be revised when necessary to ensure adaptability to any changes in the operating environment. As proven by recent actions with transactions and refinancing activities, maintaining a strong balance sheet remains a key priority for the Fund's management team. Regardless of the extraordinary uncertainties, the Fund's management team will strive to ensure peace of mind and the best possible outcome for our investors, tenants, partners and other stakeholders.

Financial calendar

Annual Report 2022	31 March 2023	**Interim Report** January 2023 – June 2023	8 August 2023
Interim Report January 2023 – March 2023	9 May 2023	**Interim Report** January 2023 – September 2023	7 November 2023
Distribution to unitholders Q3 2022 – Q4 2022	2 June 2023	**Interim Report** January 2023 – December 2023	15 February 2024
AGM of unitholders 2022	2 June 2023		

MANAGEMENT BOARD'S CONFIRMATION

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

Independent auditors' report

To the Unitholders of Baltic Horizon Fund

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Baltic Horizon Fund (the Fund or the Group), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

Key Audit Matters

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

Fair value of investment properties

The carrying amount of investment properties in the consolidated statement of financial position as at 31 December 2022 was EUR 333,123 thousand; revaluation loss recognised in 2022 profit or loss and other comprehensive income was EUR 2,914 thousand.

We refer to the consolidated financial statements: Note 2d (accounting policy), Note 6 (operating segments) and Note 12. Investment property.

The key audit matter	How the matter was addressed in our audit
The Fund's primary activity is investing in commercial real estate. Consequently, investment properties represent the single largest category of assets on the Fund's statement of financial position as at 31 December 2022. The investment properties are measured at fair value, estimated by the Fund with the assistance of external appraisers, using the discounted cash flow method.	In this area, we conducted, among others, the following audit procedures: — We assessed the process applied by management in selecting, reviewing and assessing the work of the external appraisers engaged by the Fund. — We assessed the competence and objectivity of the external appraisers, and also inspected the

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

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the management report and in the appendices of the annual report on the pages 122-129, but does not include the consolidated financial statements and our auditors' report thereon.

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

We have undertaken a reasonable assurance engagement on the iXBRL tagging of the consolidated financial statements included in the digital files Baltic_Horizon_Fund_2022-12-31_EN.zip prepared by Baltic Horizon Fund.

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

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

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

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

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

Auditors' Responsibilities

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

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

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

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

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

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

– reconciling the tagged data with the audited consolidated financial statements of the Group dated 31 December 2022;

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

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

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

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

In our opinion, the consolidated financial statements included in the annual report of Baltic Horizon Fund identified as Baltic_Horizon_Fund_2022-12-31_EN.zip for the year ended 31 December 2022 are tagged, in all material respects, in compliance with the ESEF RTS.

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

We were appointed by those charged with governance on 29 March 2016 to audit the consolidated financial statements of Baltic Horizon Fund for the year ended 31 December 2015. Our total uninterrupted period of engagement is 8 years, covering the periods ending 31 December 2015 to 31 December 2022.

We confirm that:

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

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

Tallinn, 31 March 2023

/digitally signed/

Helen Veetamm

Certified Public Accountant, Licence No 606

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

EUR '000	Notes	2022	2021
Rental income		20,482	19,495
Service charge income	7	5,974	4,901
Cost of rental activities	7	(9,026)	(7,392)
Net rental income	**6**	**17,430**	**17,004**
Administrative expenses	8	(3,133)	(2,869)
Other operating income		278	444
Losses on disposal of investment properties	12	(423)	(71)
Valuation losses on investment properties	12, 13	(2,914)	(7,161)
Operating profit		**11,238**	**7,347**
Financial income		1	1
Financial expenses	9	(6,312)	(5,706)
Net financing costs		**(6,311)**	**(5,705)**
Profit before tax		**4,927**	**1,642**
Income tax charge	6, 11	(983)	(229)
Profit for the period	**6**	**3,944**	**1,413**
Other comprehensive income that is or may be reclassified to profit or loss in subsequent periods			
Net gain on cash flow hedges	16b	2,746	898
Income tax relating to net gain on cash flow hedges	16b, 11	(236)	(66)
Other comprehensive income net of tax, that is or may be reclassified to profit or loss in subsequent periods		**2,510**	**832**
Total comprehensive income for the period, net of tax		**6,454**	**2,245**
Basic and diluted earnings per unit (EUR)	**10**	**0.03**	**0.01**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR '000	Notes	31.12.2022	31.12.2021
Non-current assets			
Investment properties	6, 12	333,123	315,959
Investment property under construction	6, 13	-	11,400
Intangible assets		6	9
Property, plant and equipment		1	2
Derivative financial instruments	22	2,228	-
Other non-current assets		-	23
Total non-current assets		**335,358**	**327,393**
Current assets			
Trade and other receivables	14	2,693	2,708
Prepayments		273	137
Derivative financial instruments	22	292	-
Cash and cash equivalents	15	5,347	16,100
Total current assets		**8,605**	**18,945**
Total assets	**6**	**343,963**	**346,338**
Equity			
Paid in capital	16a	145,200	145,200
Cash flow hedge reserve	16b	1,681	(829)
Retained earnings		(13,226)	(11,787)
Total equity		**133,655**	**132,584**
Non-current liabilities			
Interest-bearing loans and borrowings	17	124,017	157,471
Deferred tax liabilities	11	7,490	6,297
Derivative financial instruments	22	-	756
Other non-current liabilities		1,240	1,103
Total non-current liabilities		**132,747**	**165,627**
Current liabilities			
Interest-bearing loans and borrowings	17	71,094	41,676
Trade and other payables	18	5,644	5,223
Income tax payable		10	5
Derivative financial instruments	22	-	109
Other current liabilities		813	1,114
Total current liabilities		**77,561**	**48,127**
Total liabilities	**6**	**210,308**	**213,754**
Total equity and liabilities		**343,963**	**346,338**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR '000	Notes	Paid in capital	Cash flow hedge reserve	Retained earnings	Total equity
As at 1 January 2021		**145,200**	**(1,661)**	**(7,218)**	**136,321**
Comprehensive income					
Net profit for the period		-	-	1,413	1,413
Other comprehensive income	16b	-	832	-	832
Total comprehensive income		**-**	**832**	**1,413**	**2,245**
Transactions with unitholders					
Profit distribution to unitholders	16c	-	-	(5,982)	(5,982)
Total transactions with unitholders		**-**	**-**	**(5,982)**	**(5,982)**
As at 31 December 2021		**145,200**	**(829)**	**(11,787)**	**132,584**
As at 1 January 2022		**145,200**	**(829)**	**(11,787)**	**132,584**
Comprehensive income					
Net profit for the period		-	-	3,944	**3,944**
Other comprehensive income	16b	-	2,510	-	**2,510**
Total comprehensive income		**-**	**2,510**	**3,944**	**6,454**
Transactions with unitholders					
Profit distribution to unitholders	16c	-	-	(5,383)	**(5,383)**
Total transactions with unitholders		**-**	**-**	**(5,383)**	**(5,383)**
As at 31 December 2022		**145,200**	**1,681**	**(13,226)**	**133,655**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR '000	Notes	2022	2021
Cash flows from core activities			
Profit before tax		**4,927**	**1,642**
Adjustments for non-cash items:			
Value adjustment of investment properties		2,914	7,161
Losses on disposal of investment properties		423	71
Depreciation of property, plant and equipment		4	1
Change in impairment losses for trade receivables		117	106
Financial income		(1)	(1)
Financial expenses	9	6,312	5,706
Unrealised exchange differences		-	(1)
Working capital adjustments:			
Change in trade and other accounts receivable		(102)	(913)
Change in other current assets		(143)	215
Change in other non-current liabilities		137	77
Change in trade and other accounts payable		999	455
Change in other current liabilities		(300)	132
Income tax paid		(6)	(1)
Total cash flows from core activities		**15,281**	**14,650**
Cash flows from investing activities			
Interest received		1	1
Acquisition of property, plant and equipment and intangible assets		-	(12)
Proceeds from disposal of investment property		3,970	15,332
Investment property development expenditure		(6,516)	(5,952)
Capital expenditure on investment properties		(7,109)	(2,515)
Total cash flows from investing activities		**(9,654)**	**6,854**
Cash flows from financial activities			
Proceeds from a bond issue		-	4,000
Proceeds from bank loans		4,000	-
Repayment of bank loans		(4,168)	(11,138)
Repayment of bonds		(4,000)	-
Profit distribution to unitholders	16c	(5,383)	(5,982)
Transaction costs related to loans and borrowings		(810)	(121)
Repayment of lease liabilities		(34)	(28)
Interest paid		(5,985)	(5,468)
Total cash flows from financing activities		**(16,380)**	**(18,737)**
Net change in cash and cash equivalents		**(10,753)**	**2,767**
Cash and cash equivalents at the beginning of the year		**16,100**	**13,333**
Cash and cash equivalents at the end of the year		**5,347**	**16,100**

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

Notes to the consolidated financial statements

1. Corporate information

Baltic Horizon Fund is a regulated closed-end contractual investment fund registered in Estonia on 23 May 2016. The Fund is managed by Northern Horizon Capital AS. Both the Fund and the Management Company are supervised by the Estonian Financial Supervision and Resolution Authority. The Depositary of the Fund is Swedbank AS. The Fund is the ultimate parent and controlling entity of the group comprising the Fund and its subsidiaries (the "Group" or the "Fund").

The Fund is a public fund with no particular lifetime (evergreen). Units of the Fund are made available to the public in accordance with the Fund Rules and applicable laws. The Fund is listed on the Fund List of the Nasdaq Tallinn Stock Exchange. The Fund's Swedish depository receipts (the SDRs) are listed on the Nasdaq Stockholm Stock Exchange.

The Fund's registered office is at Tornimäe 2, Tallinn, Estonia.

The objective of the Fund is to combine attractive income yields with medium to long-term value appreciation by investing primarily in commercial real estate, portfolios of real estate, and/or real estate companies and making exits from these investments. The objective of the Fund is to provide its investors with consistent and above average risk-adjusted returns by acquiring and managing a portfolio of high-quality cash flow-generating commercial properties, thereby creating a stable stream of high yielding current income combined with capital gains at exit. Although the objective of the Fund is to generate positive returns to investors, the profitability of the Fund is not guaranteed to investors.

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

Name	31.12.2022	31.12.2021
BH Lincona OÜ	100%	100%
BOF SKY SIA	100%	100%
BH CC Plaza OÜ	100%	100%
BH Domus PRO UAB	100%	100%
BH Europa UAB	100%	100%
BH P80 OÜ	100%	100%
Kontor SIA	100%	100%
Pirita Center OÜ	100%	100%
BH Duetto UAB	100%	100%
Vainodes Krasti SIA	100%	100%
BH S27 SIA	100%	100%
BH Meraki UAB	100%	100%
BH Galerija Centrs SIA	100%	100%
BH Northstar UAB	100%	100%

Baltic Horizon Fund merger with Baltic Opportunity Fund

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

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

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

2. Summary of significant accounting policies

Basis of preparation

The Group's consolidated financial statements for the year ended 31 December 2022 have been prepared in accordance with International Financial Reporting Standards (the "IFRS") as adopted for use in the European Union.

Going concern assessment

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

New standards, amendments and interpretations adopted

The Fund applies certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. These new standards and amendments did not have a material impact on the consolidated annual financial statements of the Fund when initially applied.

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

The following new standards, interpretations and amendments are not yet effective for the annual reporting period ended 31 December 2022 and have not been applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective.

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

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

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements
(Effective for annual periods beginning on or after 1 January 2023)

The amendments to IAS 1 aim to help entities provide accounting policy disclosures that are more useful by:

- Requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

IFRS Practice Statement 2 was amended to include guidance and two additional examples on the application of materiality to accounting policy disclosures.

The amendments are consistent with the refined definition of material:

"Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements".

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

(Effective for annual periods beginning on or after 1 January 2023)

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Amendments to IAS 12 Income Taxes

(Effective for annual periods beginning on or after 1 January 2023)

The amendments clarify the accounting for deferred tax on transactions that involve recognising both an asset and a liability with a single tax treatment related to both. The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1

(Effective for annual periods beginning on or after 1 January 2023)

This amendment is not yet endorsed by the EU.

The amendments to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement the classification changes resulting from the amended guidance.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback

(Effective for annual periods beginning on or after 1 January 2024; to be applied retrospectively to the date when the entity initially applied IFRS 16)

This pronouncement is not yet endorsed by the EU.

Amendments to IFRS 16 Leases impact how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments.

The amendments confirm the following.

- On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.
- After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

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

Significant accounting policies

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

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

2a. Presentation currency

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

2b. Consolidated financial statements

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

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

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

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

2c. Foreign currency translation

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

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

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

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

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

2d. Investment properties

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

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

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

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

2e. Dividends (distributions)

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

2f. Provisions

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

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

2g. Derivative financial instruments

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

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

2h. Hedge accounting

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

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

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

2i. Interest bearing loans and borrowings

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

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

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

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

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

2j. Other liabilities

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

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

2k. Financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

2l. Accounts receivable

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

2m. Cash and cash equivalents

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

2n. Contingencies

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

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

2o. Subsequent events

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

2p. Revenue recognition

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

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

2q. Expense recognition

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

2r. Administrative expenses

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

2s. Current taxation

Taxation of the Group subsidiaries

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

Taxation of the Fund

Gains from transfer of property

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

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

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

2t. Deferred taxation

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

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

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

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

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward of unused tax credits and unused tax losses can be utilised except:

(i) where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and

(ii) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

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

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

2u. Fair value measurements

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

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

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

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

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

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

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

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

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

2v. Business combinations

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

2w. Paid in capital

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

Applying the acquisition method

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

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

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

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

Business combinations between entities under common control

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

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

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

3. Significant accounting judgments, estimates and assumptions

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

Judgments

Presentation of service charge income
Management considers the following indicator to determine that a Group entity is acting as a principal in the agreement with the tenants in regards to service charge income: the entity is primarily responsible for fulfilling the contract and has the right to terminate, freeze or amend the utilities and other services contracts, to enter into contracts with other providers or to switch to other supply types at any time.

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

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

Operating lease contracts – the Group as lessor
Leases in which substantially all risks and rewards of ownership are retained by the lessor are classified as operating leases. The Group has determined, based on an evaluation of the terms and conditions of the arrangements that it retains all the significant risks and rewards of ownership of its properties and so accounts for their leases as operating leases. One of the Fund's assets, Coca-Cola Plaza, has only one tenant with a long-term tenancy agreement. Based on the terms and conditions, the lease arrangement is treated as an operating lease due to the following reasons:

- all significant risks and rewards of the ownership of this property are retained by the Group;
- the ownership of the property will remain to the Group by the end of the lease term;
- there is no agreement with the lessee that would allow the lessee to purchase the property at a discount or
- significantly lower amount than the fair value of the property;
- the initial rent period agreed was for 10 years with a lease expiration on 18 March 2023. The tenant has the right to prolong their agreement once for a 5 year- period by giving 12 months' notice. The extension notice was exercised on 17 March 2022, the agreement was prolonged till 18 March 2028. Therefore, the lease term does not comprise the major part of the economic life of the property;
- there is no agreement with the lessee that would allow for the lessee to continue the lease for a secondary period at a rent that is substantially lower than market rent;
- at the inception of the lease the present value of the minimum lease payments does not amount to all of the fair value of the leased property.

Estimates and assumptions

Deferred tax
The Group is subject to income and capital gains taxes in numerous jurisdictions. Significant judgment is required in determining the total provision for current and deferred taxes. There are many transactions and

calculations for which the ultimate tax determination and timing of payment is uncertain during the ordinary course of business. In particular, the effective tax rate applicable on the temporary differences on investment properties depends on the way and timing the investment property will be disposed of.

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

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

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

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

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

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

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

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

4. Financial risk management

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

4a. Credit risk

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

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

There are no significant concentrations of credit risk within the Group. As at 31 December 2022, the total credit risk exposure was as follows:

EUR '000	2022	2021
Cash and cash equivalents (note 15)	5,347	16,100
Trade and other receivables (note 14)	2,693	2,708
Derivative financial instruments (note 22)	2,520	-
Total exposure to credit risk	**10,560**	**18,808**

At the end of 2022, the Group's provisions for bad debts amounted to EUR 513 thousand (2021: EUR 508 thousand).

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

4b. Interest rate risk

The Group's interest rate risk is related to interest-bearing borrowings. Fluctuations in interest rates affect interest expense (note 16b). The Group's exposure to interest rate cash flow risk is mitigated by the use of interest rate swaps and interest rate caps for the loans with variable interest rates. The Fund seeks to obtain financing on the best terms and conditions and in the current market, fixed rate loans are often more expensive, the Fund hedges interest rate exposure by mainly using derivative. The Fund and its subsidiaries acquire swaps and caps only for cash flow hedging purposes and not for trading.

At 31 December 2022, after taking into account the effect of interest rate swaps and caps, 80.3% of the Group's borrowings had a fixed rate of interest (31 December 2021: 84.3%). The Group's management is of an opinion that an 80.3% hedge ratio is fully sufficient in the current interest environment. Development of interest rates is closely monitored and additional hedges can be concluded any time if the interest environment changes.

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

EUR '000	2022 Effect on profit before tax	2022 Effect on equity	2021 Effect on profit before tax	2021 Effect on equity
Increase in basis points, +50	(372)	234	(285)	556
Decrease in basis points, -50	372	(234)	285	(556)

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

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

4c. Liquidity risk

The Fund is exposed to liquidity risk related to the renewal of its financing as it reaches maturity. Failure to renew the financing at acceptable terms or breaches of debt covenants could cause the need to dispose of the assets owned by the Fund. Most financing agreements require additional loan amortisation when debt covenants deteriorate. Thus a decrease in the performance or value of the Fund's properties due to changes in real estate yields could cause the need for additional liquidity.

Real estate investments have low liquidity and there can be no assurance that the Fund will be able to exit the investments in a timely manner. By their nature, real estate investments or interests in other non-public entities are subject to industry cyclicality, downturns in demand, market disruptions and the lack of available capital for potential purchasers and therefore often difficult or time consuming to liquidate.

The Fund's objectives are to maintain a balance between the continuity of funding and flexibility through the use of bank loans.

The Fund continues procedures for refinancing the 5-year unsecured bonds maturing in May 2023. The Management team and treasury department carefully monitor the Group's liquidity and consider various refinancing options to ensure the best possible financing terms for Baltic Horizon investors. It is planned to redeem a part of the bonds using proceeds from asset sales (EUR 4 million), please refer to note 23 for more information. Agreements have been signed or binding offers have been received for additional bank loans taken by the Group's subsidiaries (EUR 6 million). Terms are being discussed for a EUR 15–25 million bilateral long-term loan and around EUR 15 million bilateral short-term loan. Preparations for a new bond issue are in progress for the remaining part of the bonds.

Discussions have already started with banks to extend the loans maturing in July-August 2023. The refinancing process of bank loans maturing in Q1 2024 will be initiated in autumn 2023.

The table below summarises the contractual maturity profile of the Group's financial liabilities at 31 December 2022. The amounts are gross and undiscounted and include contractual interest payments.

EUR '000	Less than 3 months	3 months - 1 year	1-2 years	2-5 years	More than 5 years	Total	Carrying amount
Interest bearing loans and borrowings (note 17)	2,109	75,040	68,466	35,678	32,403	213,696	195,111
Derivative financial instruments (note 22)	-	-	(292)	(2,228)	-	(2,520)	(2,520)
Trade and other payables (note 18)	5,644	-	-	-	-	5,644	5,644
Total current and non-current	**7,753**	**75,040**	**68,174**	**33,450**	**32,403**	**216,820**	**198,235**

4d. Foreign exchange risk

The Fund's primary currency is the euro. In 2022 and 2021 the Group held no significant assets or liabilities and was not committed to undertake significant transactions in any currency other than the euro from this date.

5. Capital management

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

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

Management monitors capital using the loan-to-value ratio, which is borrowings divided by property value. The Group's target loan to value ratio is 55%. As at 31 December 2022, the Group complied with all externally imposed capital requirements.

EUR '000	2022	2021
Interest bearing loans and borrowings (excluding lease liabilities)	194,569	198,571
Investment properties	333,123	315,959
Investment property under construction	-	11,400
Gearing ratio (loan-to-value)	**58.4%**	**60.7%**

6. Operating segments

The Group's reportable segments are as follows:

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

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

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

Operating segments – 31 December 2022

EUR '000	Retail	Office	Leisure	Total segments
2022:				
External revenue[1]	13,813	11,640	1,003	26,456
Segment net rental income	**6,768**	**9,798**	**864**	**17,430**
Net profit (loss) from fair value adjustment	(3,449)	597	(62)	(2,914)
Interest expenses[2]	(2,019)	(1,724)	(102)	(3,845)
Income tax expenses	(202)	(781)	-	(983)
Segment net profit	**825**	**7,138**	**688**	**8,651**
As of 31.12.2022:				
Segment assets	**167,207**	**161,030**	**14,874**	**343,111**
Investment properties[3]	161,311	157,427	14,385	333,123
Segment liabilities	**78,009**	**75,220**	**6,115**	**159,344**

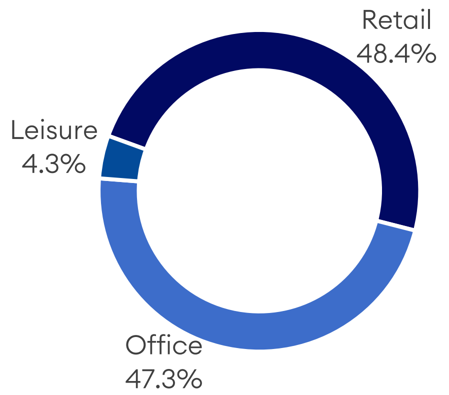
1. External revenue includes rental income and service charge income. The segments do not have inter-segment revenue.
2. Interest expenses include only external bank loan interest expenses, the Meraki bond interest expenses and interest expenses on lease liabilities.
3. Additions to non-current assets consist of subsequent expenditure on investment property (EUR 7,353 thousand) and additions to investment property under construction (EUR 5,718 thousand). Please refer to notes 12 and 13 for more information.

Operating segments – 31 December 2021

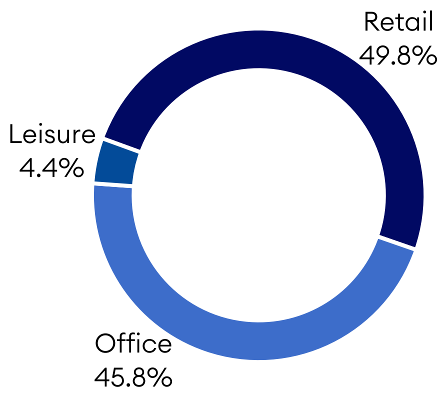
EUR '000	Retail	Office	Leisure	Total segments
2021:				
External revenue[1]	11,049	12,527	820	24,396
Segment net rental income	**5,506**	**10,721**	**777**	**17,004**
Net (loss) gain from fair value adjustment	(6,355)	(1,078)	272	(7,161)
Interest expenses[2]	(1,678)	(1,590)	(79)	(3,347)
Income tax income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

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

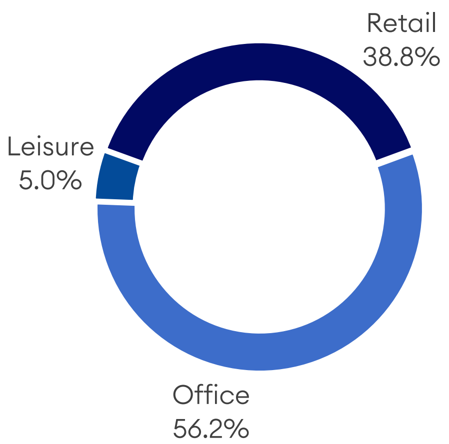
Investment properties as of 31 December 2022*



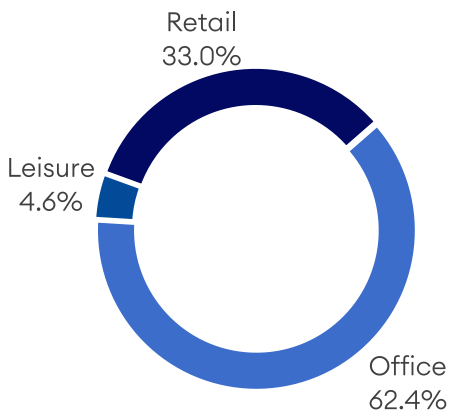
Investment properties as of 31 December 2021*



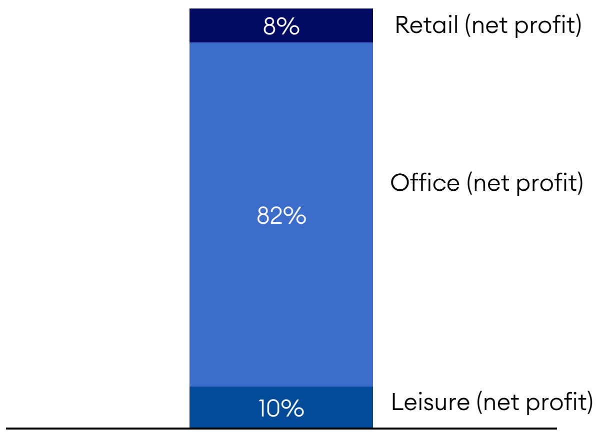
Segment net rental income for 2022*



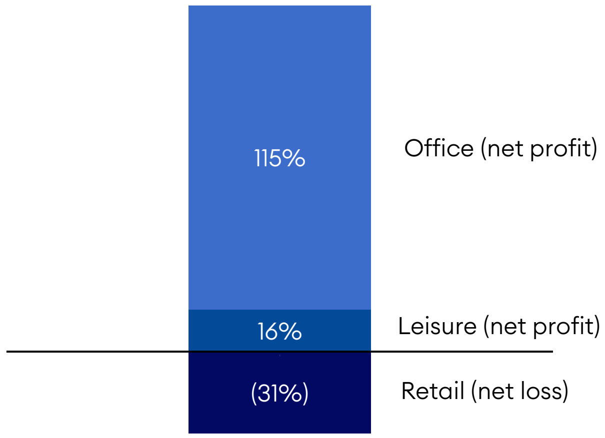
Segment net rental income for 2021*



Segment net profit for 2022*



Segment net profit (loss) for 2021*



*As a percentage of the total for all reportable segments

Reconciliation of information on reportable segments to IFRS measures

Operating segments – 31 December 2022

EUR '000	Total reportable segments	Adjustments	Consolidated
01.01.2022–31.12.2022:			
Net profit	**8,651**	(4,707)[1]	**3,944**
As of 31.12.2022:			
Segment assets	**343,111**	852[2]	**343,963**
Segment liabilities	**159,344**	50,964[3]	**210,308**

1. Segment net profit for 2022 does not include Fund management fee (EUR 1,584 thousand), bond interest expenses (EUR 2,119 thousand), bond arrangement fee amortisation (EUR 69 thousand), Fund custodian fees (EUR 68 thousand), and other Fund-level administrative expenses (EUR 867 thousand).
2. Segment assets do not include cash, which is held at the Fund level (EUR 852 thousand).
3. Segment liabilities do not include liabilities related to a bond issue at the Fund level (EUR 49,976 thousand), accrued bond coupon expenses (EUR 307 thousand), management fee payable (EUR 491 thousand), and other short-term payables (EUR 190 thousand) at the Fund level.

Operating segments – 31 December 2021

EUR '000	Total reportable segments	Adjustments	Consolidated
01.01.2021–31.12.2021:			
Net profit	**6,031**	(4,618)[1]	**1,413**
As at 31.12.2021:			
Segment assets	**342,042**	4,296[2]	**346,338**
Segment liabilities	**162,986**	50,768[3]	**213,754**

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

Geographic information

	External revenue		Investment property value[1]	
EUR '000	2022	2021	31.12.2022	31.12.2021
Lithuania	10,616	9,574	138,961	129,109
Latvia	10,795	9,403	128,862	127,574
Estonia	5,045	5,419	65,300	70,676
Total	**26,456**	**24,396**	**333,123**	**327,359**

1. Investment property fair value including investment property under construction.

Major tenant

No single tenant accounted for more than 10% of the Group's total revenue. Rental income from one tenant in the office segment represented EUR 1,216 thousand of the total rental income for 2022 (EUR 1,200 thousand for 2021).

7. Cost of rental activities

EUR '000	2022	2021
Repair and maintenance	3,124	2,270
Utilities	1,845	1,549
Property management expenses	1,435	1,251
Real estate taxes	1,039	1,144
Sales and marketing expenses	759	789
Property insurance	127	90
Allowance for bad debts	117	106
Other	580	193
Total cost of rental activities	**9,026**	**7,392**

Part of the total cost of rental activities (mainly utilities, repair and maintenance expenses) was recharged to tenants: EUR 5,974 thousand during 2022 (EUR 4,901 thousand during 2021).

8. Administrative expenses

EUR '000	2022	2021
Management fee	1,584	1,765
Consultancy fees	324	262
Legal fees	268	130
Fund marketing expenses	191	134
Audit fee	162	125
Custodian fees	68	65
Supervisory board fees	50	48
Other administrative expenses	486	340
Total administrative expenses	**3,133**	**2,869**

The Management Company is entitled to receive an annual management fee which is calculated quarterly, based on the 3-month average market capitalisation of the Fund.

The Management Company is entitled to calculate the performance fee based on the annual adjusted funds from operations (AFFO) of the Fund. If AFFO divided by paid in capital during the year exceeds 8% per annum, the Management Company is entitled to a performance fee in the amount of 20% of the amount exceeding 8%. The performance fee based on this formula is calculated starting from 1 January 2017. The performance fee first becomes payable in the fifth year of the Fund (i.e. 2020). Transactions with related parties are disclosed in note 20.

9. Financial expenses

EUR '000	2022	2021
Interest on external loans and borrowings	5,945	5,449
Loan arrangement fee amortisation	253	226
Interest on lease liabilities	19	23
Foreign exchange loss	-	1
Other financial expenses	95	7
Total financial expenses	**6,312**	**5,706**

10. Earnings per unit

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

Profit or loss attributable to the unitholders of the Fund:

EUR '000	2022	2021
Profit for the period, attributed to the unitholders of the Fund	3,944	1,413
Profit for the period, attributed to the unitholders of the Fund	**3,944**	**1,413**

Weighted-average number of units:

	2022	2021
Issued units at 1 January	119,635,429	119,635,429
Weighted-average number of units	**119,635,429**	**119,635,429**

Basic and diluted earnings per unit:

	2022	2021
Basic and diluted earnings per unit*	0.03	0.01

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

11. Income tax

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

The Group's consolidated effective tax rate in respect of continuing operations for 2022 was 20.0% (2021: 13.9%). The high effective tax rate for 2022 is related to an increase in the deferred tax liability due to a lift in the fair values of Lithuanian investment properties.

The major components of income tax for the periods ended 31 December 2022 and 2021 were as follows:

EUR '000	2022	2021
Consolidated statement of profit or loss		
Current income tax for the period	(4)	(7)
Deferred tax for the period	(979)	(222)
Income tax expense reported in profit or loss	**(983)**	**(229)**
Consolidated statement of other comprehensive income		
Deferred income tax related to items charged or credited to equity:		
Revaluation of derivative instruments to fair value	(236)	(66)
Income tax reported in other comprehensive income	**(236)**	**(66)**

Deferred tax is only applicable to Fund's subsidiaries in Lithuania. Deferred income tax as of 31 December 2022 and 2021 relates to the following:

	Consolidated statement of financial position		Recognised in profit or loss	
EUR '000	31.12.2022	31.12.2021	2022	2021
Tax losses brought forward	2,662	2,414	248	268
Revaluation of derivative instruments to fair value	-	80	-	-
Deferred income tax assets	**2,662**	**2,494**	**-**	**-**
Investment property	(9,969)	(8,763)	(1,206)	(475)
Revaluation of derivative instruments to fair value	(156)	-	-	-
Other tax liability	(27)	(28)	(1)	(15)
Other adjustments	-	-	(20)	-
Deferred income tax liabilities	**(10,152)**	**(8,791)**	**-**	**-**
Deferred income tax expenses	**-**	**-**	**(979)**	**(222)**
Deferred tax liabilities net	**(7,490)**	**(6,297)**	**-**	**-**
Reflected in the statement of financial position as follows:				
Deferred tax assets	-	-	-	-
Deferred tax liabilities	(7,490)	(6,297)	-	-
Deferred tax liabilities net	**(7,490)**	**(6,297)**	**-**	**-**

The reconciliation of the effective tax rate for the years ended 31 December 2022 and 2021 is as follows:

EUR '000	2022		2021	
Profit before income tax		**4,927**		**1,642**
At statutory tax rate	0.0%	-	0.0%	-
Effect of tax rates in foreign jurisdictions	(16.2%)	(800)	(5.1%)	(83)
Tax effect of non-deductible expenses	(4.4%)	(215)	(0.3%)	(5)
Change in unrecognised deferred tax	0.6%	32	(8.6%)	(141)
Total income tax expenses	**(20.0%)**	**(983)**	**(13.9%)**	**(229)**

As at 31 December 2022, the Group had tax losses of EUR 2,662 thousand that are available indefinitely for offset against future taxable profits of the Lithuanian companies in which the losses arose.

Summary of taxation rates by country is presented below:

	2022	2021
Lithuania	15%	15%
Latvia[1]	0%	0%
Estonia[2]	0%	0%

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

The maximum income tax liability which would arise if all of the available retained earnings in the subsidiaries in Estonia and Latvia were distributed as dividends to the Fund, is EUR 5,936 thousand.

12. Investment property

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

As at 31 December 2022, new external valuations were performed by independent property valuator Colliers International.

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

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

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

EUR '000	31.12.2022	31.12.2021
Balance at 1 January	**315,959**	**334,518**
Development and refurbishment expenditure	5,894	2,136
Capital expenditure	1,459	431
Reclassification from investment property under construction	17,194	-
Disposals	(4,393)	(15,403)
Net revaluation loss on investment property	(2,956)	(6,012)
Additions to right-of-use assets (new leases)	-	317
Net revaluation loss on right-of-use assets	(34)	(28)
Closing balance	**333,123**	**315,959**
Closing balance excluding right-of-use assets	**332,581**	**315,383**

During the fiscal year of 2022, the Group invested EUR 5,894 thousand in the development and refurbishment projects. The main investments were made in the Europa SC refurbishment project (EUR 4,604 thousand), the Galerija Centrs food hall development project (EUR 1,046 thousand) and the construction of a terrace for Reval Café in Postimaja building (EUR 239 thousand).

On 30 December 2022, the Group sold its share in the parking house of the Europa SC, in an asset deal for a price of EUR 4 million. The transaction resulted in a net loss of EUR 423 thousand.

The Group holds ground lease agreements and a solar power plant lease agreement which fall within the scope of IFRS 16. As a result, the Group has recognised right-of use assets and lease liabilities. Right-of-use assets that meet the definition of investment property are presented within investment property and lease liabilities within interest bearing loans and borrowing. As of 31 of December, the closing balance of the right-of-use assets amounts to EUR 542 thousand (2021: EUR 576 thousand).

Fair value hierarchy

The following table shows an analysis of the fair values of investment properties recognised in the statement of financial position by their level in the fair value hierarchy as of 31 December 2022:

EUR '000	Total fair value Level 3	Total gain or (loss) for 2022 recognised in profit or loss
Latvia - Galerija Centrs (retail)	67,130	357
Lithuania – Europa (retail)	35,658	(1,270)
Estonia – Postimaja (retail)	26,715	(3,334)
Lithuania – Domus Pro (retail/office)	25,087	937
Lithuania – North Star (office)	21,788	1,565
Latvia – Upmalas Biroji (office)	20,961	(1,029)
Lithuania – Duetto II (office)	20,253	500
Lithuania – Duetto I (office)	18,845	1,426
Latvia – Vainodes I (office)	18,010	(219)
Lithuania – Meraki (office)	17,330	81
Latvia – LNK Centre (office)	17,000	124
Estonia – Lincona (office)	15,200	(2,057)
Estonia – Coca-Cola Plaza (leisure)	14,385	(62)
Estonia – Pirita (retail)	9,000	(552)
Latvia – SKY (retail)	5,761	619
Total	**333,123**	**(2,914)**

There were no transfers between levels during the years. Gains and losses recorded in profit or loss for fair value measurements categorised within Level 3 of the fair value hierarchy amounted to a net loss of EUR 2,914 thousand as of 31 December 2022 (2021: a net loss of EUR 7,161 thousand) and are presented in the consolidated statement of profit or loss and other comprehensive income on the line 'Valuation losses on investment properties'.

Valuation techniques used to derive Level 3 fair values
The values of the properties are based on the valuation of investment properties performed by Colliers International as of 31 December 2022 increased by right-of-use assets.

The table below presents the following for each investment property:
- A description of the valuation techniques applied;
- The inputs used in the fair value measurement;
- Quantitative information about the significant unobservable inputs used in the fair value measurement.

As of 31 December 2022:

Property	Valuation technique	Key unobservable inputs	Range
Europa Shopping centre, Vilnius (Lithuania)	DCF	- Discount rate	8.8%
Net leasable area (NLA) – 17,006 sq. m		- Rental growth p.a.	2.0% - 8.0%
Segment – Retail		- Long-term vacancy rate	5.0% - 10.0%
Year of construction/renovation – 2004		- Exit yield	7.0%
		- Average rent (EUR/sq. m)	13.0
Domus Pro, Vilnius (Lithuania)	DCF	- Discount rate	8.8% - 9.2%
Net leasable area (NLA) – 16,057 sq. m		- Rental growth p.a.	2.0% - 8.0%
Segment – Retail/Office		- Long-term vacancy rate	5.0% - 10.0%
Year of construction/renovation – 2013		- Exit yield	7.0% - 7.8%
		- Average rent (EUR/sq. m)	10.3
Lincona Office Complex, Tallinn (Estonia)	DCF	- Discount rate	8.6%
Net leasable area (NLA) – 10,871 sq. m		- Rental growth p.a.	1.0% - 7.0%
Segment – Office		- Long-term vacancy rate	10.0%
Year of construction/renovation – 2002 / 2008		- Exit yield	7.5%
		- Average rent (EUR/sq. m)	10.2
Coca-Cola Plaza, Tallinn (Estonia)	DCF	- Discount rate	7.9%
Net leasable area (NLA) – 11,439 sq. m		- Rental growth p.a.	0.6% - 10.0%
Segment – Leisure		- Long-term vacancy rate	3.0%
Year of construction/renovation – 1999		- Exit yield	6.3%
		- Average rent (EUR/sq. m)	8.5
SKY Shopping Centre, Riga (Latvia)	DCF	- Discount rate	8.9%
Net leasable area (NLA) – 3,241 sq. m		- Rental growth p.a.	2.0% - 7.9%
Segment – Retail		- Long-term vacancy rate	1.0% - 5.0%
Year of construction/renovation – 2000 / 2010		- Exit yield	7.0%
		- Average rent (EUR/sq. m)	11.1
Upmalas Biroji, Riga (Latvia)	DCF	- Discount rate	8.9%
Net leasable area (NLA) – 9,876 sq. m		- Rental growth p.a.	2.0% - 7.9%
Segment – Office		- Long-term vacancy rate	2.0% - 5.0%
Year of construction/renovation – 2008		- Exit yield	6.5%
		- Average rent (EUR/sq. m)	13.9

Property	Valuation technique	Key unobservable inputs	Range
Pirita Shopping Centre, Tallinn (Estonia)	DCF	- Discount rate	8.9%
Net leasable area (NLA) – 5,441 sq. m		- Rental growth p.a.	1.8% - 7,0%
Segment – Retail		- Long-term vacancy rate	5.0% - 8.0%
Year of construction/renovation – 2016		- Exit yield	7.5%
		- Average rent (EUR/sq. m)	12.3
Duetto I, Vilnius (Lithuania)	DCF	- Discount rate	8.8%
Net leasable area (NLA) – 8,498 sq. m		- Rental growth p.a.	3.0% - 10.0%
Segment – Office		- Long-term vacancy rate	2.5% - 10.0%
Year of construction/renovation – 2017		- Exit yield	6.8%
		- Average rent (EUR/sq. m)	13.1
Duetto II, Vilnius (Lithuania)	DCF	- Discount rate	8.8%
Net leasable area (NLA) – 8,643 sq. m		- Rental growth p.a.	2.0% - 8.3%
Segment – Office		- Long-term vacancy rate	2.5% - 12.5%
Year of construction/renovation – 2018		- Exit yield	6.8%
		- Average rent (EUR/sq. m)	13.9
Vainodes I, Riga (Latvia)*	DCF	- Discount rate	7.7%
Net leasable area (NLA) – 6,950 sq. m		- Rental growth p.a.	2.0% - 5.8%
Segment – Office		- Long-term vacancy rate	0.0% - 5.0%
Year of construction/renovation – 2014		- Exit yield	6.4%
		- Average rent (EUR/sq. m)	15.4
Postimaja, Tallinn (Estonia)*	DCF	- Discount rate	7.9%
Net leasable area (NLA) – 9,322 sq. m		- Rental growth p.a.	0.6% - 10.0%
Segment – Retail		- Long-term vacancy rate	3.0%
Year of construction/renovation – 1980		- Exit yield	6.3%
		- Average rent (EUR/sq. m)	15.0
LNK Centre, Riga (Latvia)	DCF	- Discount rate	8.1%
Net leasable area (NLA) – 6,849 sq. m		- Rental growth p.a.	0.0% - 7.9%
Segment – Office		- Long-term vacancy rate	2.0% - 5.0%
Year of construction/renovation – 2006 /		- Exit yield	6.0%
2014		- Average rent (EUR/sq. m)	13.0
Galerija Centrs, Riga (Latvia)	DCF	- Discount rate	9.3%
Net leasable area (NLA) – 19,137 sq. m		- Rental growth p.a.	0.0% - 7.9%
Segment – Retail		- Long-term vacancy rate	1.0% - 5.0%
Year of construction/renovation – 1939 /		- Exit yield	6.8%
2006		- Average rent (EUR/sq. m)	17.1
North Star, Vilnius (Lithuania)	DCF	- Discount rate	8.8%
Net leasable area (NLA) – 10,578 sq. m		- Rental growth p.a.	0.0% - 8.0%
Segment – Office		- Long-term vacancy rate	2.5% - 25.0%
Year of construction/renovation – 2009		- Exit yield	6.8%
		- Average rent (EUR/sq. m)	12.5
Meraki, Vilnius (Lithuania)	DCF	- Discount rate	9.2%
Net leasable area (NLA) – 16,258 sq. m		- Rental growth p.a.	2.0% - 8.0%
Segment – Office		- Long-term vacancy rate	5.0%
Year of construction/renovation – 2021		- Exit yield	7.0%
		- Average rent (EUR/sq. m)	13.2

* Vainodes I property valuations also include building expansion rights. The market value of the additional building rights is EUR 1.0 million. The expansion rights which were included into valuation report of Postimaja building in December 2021, were not included in the valuation of the property as of December 2022. Valuators have not included the expansion rights due to uncertainty regarding construction costs and the timing of the potential expansion project.

As of 31 December 2021:

Property	Valuation technique	Key unobservable inputs	Range
Europa Shopping centre, Vilnius (Lithuania)	DCF	- Discount rate	8.2%
Net leasable area (NLA) – 17,189 sq. m		- Rental growth p.a.	1.5% - 3.4%
Segment – Retail		- Long-term vacancy rate	5.0% - 10.0%
Year of construction/renovation – 2004		- Exit yield	7.0%
		- Average rent (EUR/sq. m)	12.0
Domus PRO, Vilnius (Lithuania)	DCF	- Discount rate	8.2% - 8.6%
Net leasable area (NLA) – 16,117 sq. m		- Rental growth p.a.	1.5% - 3.4%
Segment – Retail/Office		- Long-term vacancy rate	5.0% - 10.0%
Year of construction/renovation – 2013		- Exit yield	7.0% - 7.8%
		- Average rent (EUR/sq. m)	9.9
Lincona Office Complex, Tallinn (Estonia)	DCF	- Discount rate	8.2%
Net leasable area (NLA) – 10,788 sq. m		- Rental growth p.a.	3.7%
Segment – Office		- Long-term vacancy rate	8.0% - 10.0%
Year of construction/renovation – 2002 / 2008		- Exit yield	7.2%
		- Average rent (EUR/sq. m)	10.1
Coca-Cola Plaza, Tallinn (Estonia)	DCF	- Discount rate	8.2%
Net leasable area (NLA) – 11,458 sq. m		- Rental growth p.a.	3.7%
Segment – Leisure		- Long-term vacancy rate	1.0% - 3.0%
Year of construction/renovation – 1999		- Exit yield	7.5%
		- Average rent (EUR/sq. m)	8.3
SKY Shopping Centre, Riga (Latvia)	DCF	- Discount rate	8.6%
Net leasable area (NLA) – 3,285 sq. m		- Rental growth p.a.	0.5% - 3.3%
Segment – Retail		- Long-term vacancy rate	1.0% - 5.0%
Year of construction/renovation – 2000 / 2010		- Exit yield	7.3%
		- Average rent (EUR/sq. m)	11.3
Upmalas Biroji, Riga (Latvia)	DCF	- Discount rate	7.9%
Net leasable area (NLA) – 9,863 sq. m		- Rental growth p.a.	0.5% - 3.3%
Segment – Office		- Long-term vacancy rate	2.0% - 5.0%
Year of construction/renovation – 2008		- Exit yield	6.6%
		- Average rent (EUR/sq. m)	14.4
Pirita Shopping Centre, Tallinn (Estonia)	DCF	- Discount rate	8.5%
Net leasable area (NLA) – 5,448 sq. m		- Rental growth p.a.	3.7%
Segment – Retail		- Long-term vacancy rate	6.0% - 10.0%
Year of construction/renovation – 2016		- Exit yield	7.5%
		- Average rent (EUR/sq. m)	12.6
Duetto I, Vilnius (Lithuania)	DCF	- Discount rate	8.2%
Net leasable area (NLA) – 8,255 sq. m		- Rental growth p.a.	1.3% - 2.8%
Segment – Office		- Long-term vacancy rate	2.5% - 10.0%
Year of construction/renovation – 2017		- Exit yield	6.8%
		- Average rent (EUR/sq. m)	12.5

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

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

The table below sets out information about significant unobservable inputs used at 31 December 2022 in measuring investment properties categorised to Level 3 in the fair value hierarchy.

Type of asset class	Valuation technique	Significant unobservable input	Range of estimates	Fair value measurement sensitivity to unobservable inputs
Investment property	Discounted cash flow	Exit yield	2022: 6.0% - 7.8% 2021: 6.1% - 7.8%	An increase in exit yield in isolation would result in a lower value of Investment property.
		Discount rate	2022: 7.7% - 9.3% 2021: 7.4% - 8.6%	An increase in discount rate in isolation would result in a lower value of Investment property.
		Rental growth p.a.	2022: 0.0% - 10.0% 2021: 0.0% - 3.7%	An increase in rental growth in isolation would result in a higher value of Investment property.
		Long-term vacancy rate	2022: 0.0% - 25.0% 2021: 0.0% - 10.0%	An increase in long-term vacancy rate in isolation would result in a lower value of Investment property.

Sensitivity analysis of investment properties portfolio as at 31 December 2022 based on possible changes in exit yield and discount rate (WACC) are provided in the table below:

EUR '000		Movement in discount rate				
		-0.50%	-0.25%	0.00%	+0.25%	+0.50%
Movement in exit yield	-0.50%	381,420	372,048	362,949	354,103	345,712
	-0.25%	364,326	355,552	346,943	338,556	330,603
	0.00%	349,670	341,325	**333,123**	325,345	317,599
	+0.25%	336,952	328,834	321,009	313,507	306,198
	+0.50%	325,622	317,831	310,452	303,095	296,042

Descriptions and definitions

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

Discounted cash flows (DCF)

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

Rental growth

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

Long-term vacancy rate

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

Discount rate

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

Exit yield

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

Highest and best use

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

13. Investment property under construction

EUR '000	31.12.2022	31.12.2021
Balance at 1 January	**11,400**	**5,474**
Additions	5,718	7,047
Reclassification to investment properties	(17,194)	-
Net revaluation gain (loss)	76	(1,121)
Closing balance	**-**	**11,400**

On 16 May 2018, the Fund completed the acquisition of land next to the Domus Pro retail park. In December 2019, the Group started construction and development works to build an office on the acquired land plot. The building permit was received and the construction preparations were started in Q4 2019. On 6 February 2020, the Group signed a construction contract for the Meraki development project in Vilnius, Lithuania. The land plot was initially recognised as an investment property but was reclassified to investment property under construction at the beginning of construction. As of 10 September 2022, the property including the land plot was reclassified to investment property.

14. Trade and other receivables

EUR '000	31.12.2022	31.12.2021
Trade receivables, gross	2,898	2,992
Less impairment allowance for doubtful receivables	(513)	(508)
Accrued income	257	174
Other accounts receivable	51	50
Total	**2,693**	**2,708**

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

As of 31 December 2022, trade receivables at a nominal value of EUR 513 thousand were fully impaired (EUR 508 thousand as of 31 December 2021).

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

EUR '000	31.12.2022	31.12.2021
Balance as of 1 January	(508)	(589)
Charge for the period	(139)	(517)
Amounts written off	105	187
Reversal of allowances recognised in previous periods	29	411
Balance at end of period	**(513)**	**(508)**

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

EUR '000	Total	Neither past due nor impaired	Past due but not impaired <30 days	30-60 days	60-90 days	90-120 days	>120 days
Trade receivables, gross as at 31.12.2022	**2,898**	1,515	404	187	114	99	579
Impairment allowance for doubtful receivables as at 31.12.2022	**(513)**	(10)	(13)	(14)	(16)	(99)	(361)
Trade receivables, net as at 31.12.2022	**2,385**	**1,505**	**391**	**173**	**98**	**-**	**218**
Trade receivables, gross as at 31.12.2021	**2,992**	1,024	293	356	376	190	753
Impairment allowance for doubtful receivables as at 31.12.2021	**(508)**	(1)	(7)	(9)	(23)	(55)	(413)
Trade receivables, net as at 31.12.2022	**2,484**	**1,023**	**286**	**347**	**353**	**135**	**340**

15. Cash and cash equivalents

EUR '000	31.12.2022	31.12.2021
Cash at banks and on hand	5,347	16,100
Total cash	**5,347**	**16,100**

As of 31 December 2022, the Group had to keep at least EUR 350 thousand (31 December 2021: EUR 350 thousand) of cash in its bank accounts due to certain restrictions in bank loan agreements.

16. Equity
16a. Paid in capital

The units are currently dual-listed on the Fund List of the Nasdaq Tallinn Stock Exchange and the Nasdaq Stockholm Alternative Investment Funds market. As at 31 December 2022, the total number of the Fund's units was 119,635,429 (as at 31 December 2021: 119,635,429). Units issued are presented in the table below:

EUR '000	Number of units	Amount
As at 1 January 2022 and 31 December 2022	**119,635,429**	**145,200**

A unit represents the investor's share in the assets of the Fund. The Fund has one class of units. The investors have the following rights deriving from their ownership of units:

- to own a share of the Fund's assets corresponding to the number of units owned by the investor;
- to receive, when payments are made a share of the net income of the Fund in proportion to the number of units owned by the investor (pursuant to the Fund Rules);
- to call a general meeting in the cases prescribed in the Fund Rules and the law;
- to participate and vote in a general meeting pursuant to the number of votes arising from units belonging to the investor and the number of votes arising from units which have been issued and not redeemed as at ten days before the general meeting is held.

Subsidiaries did not hold any units of the Fund as of 31 December 2022 and 31 December 2021.

The Fund did not hold its own units as of 31 December 2022 and 31 December 2021.

16b. Cash flow hedge reserve

This reserve represents the fair value of the effective part of the derivative financial instruments (interest rate swaps), used by the Fund to hedge the cash flows from interest rate risk in the periods ended on 31 December 2022 and 31 December 2021. Please refer to note 21 for more information.

EUR '000	31.12.2022	31.12.2021
Balance at the beginning of the year	**(829)**	**(1,661)**
Movement in fair value of existing hedges	2,746	898
Movement in deferred income tax (note 9)	(236)	(66)
Net variation during the period	**2,510**	**832**
Balance at the end of the period	**1,681**	**(829)**

16c. Dividends (distributions)

EUR '000	2022	2021
Declared during the period	(5,383)	(5,982)
Total distributions made	**(5,383)**	**(5,982)**

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

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

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

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

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

On 28 April 2022, the Fund declared a cash distribution of EUR 1,555 thousand (EUR 0.013 per unit).

On 28 July 2022, the Fund declared a cash distribution of EUR 1,555 thousand (EUR 0.013 per unit).

17. Interest-bearing loans and borrowings

EUR '000	Maturity	Effective interest rate	31.12.2022	31.12.2021
Non-current borrowings				
Unsecured bonds	May 2023	4.25%	-	49,907
Bank 1[5]	Jan 2028	3M EURIBOR + 2.10%	1,962	2,068
Bank 1	Sep 2023	3M EURIBOR + 1.75%	-	8,565
Bank 1[1]	Mar 2024	3M EURIBOR + 1.90%	14,380	17,894
Bank 1[2]	Mar 2024	3M EURIBOR + 1.90%	10,987	7,500
Bank 1	Mar 2024	6M EURIBOR + 1.90%	-	3,497
Bank 1	Mar 2024	6M EURIBOR + 2.65%	8,991	8,985
Bank 1	Nov 2024	3M EURIBOR + 1.55%	9,826	9,817
Bank 1[3]	Feb 2026	6M EURIBOR + 1.90%	4,789	4,943
Bank 2[4]	Jan 2024	6M EURIBOR + 3.10%	29,988	-
Bank 3	Aug 2023	1M EURIBOR + 1.55%	-	11,740
Bank 4[8]	Feb 2026	6M EURIBOR + 1.38%	17,199	17,189
Bank 4[6]	Mar 2028	6M EURIBOR + 2.15%	19,244	15,364
Bank 1[7]	Dec 2027	6M EURIBOR + 1.40%	7,188	-
Lease liabilities			542	576
Less current portion of bank loans and bonds			(1,046)	(539)
Less current portion of lease liabilities			(33)	(35)
Total non-current debt			**124,017**	**157,471**
Current borrowings				
Unsecured bonds	May 2023	4.25%	49,976	-
Secured bonds	Nov 2022	5.00%	-	3,929
Bank 1	Dec 2022	6M EURIBOR + 1.40%	-	7,185
Bank 2[4]	Jan 2024	6M EURIBOR + 3.10%	-	29,988
Bank 3	Aug 2023	1M EURIBOR + 1.55%	11,747	-
Bank 1	Sep 2023	3M EURIBOR + 1.75%	8,292	-
Current portion of non-current bank loans and bonds			1,046	539
Current portion of lease liabilities			33	35
Total current debt			**71,094**	**41,676**
Total			**195,111**	**199,147**

1. The loan was refinanced on 10 February 2022 with the same bank.
2. The loan was refinanced on 9 February 2022 with the same bank.
3. The loan was refinanced on 3 February 2022 with the same bank.
4. The loan was refinanced on 2 April 2022 with the same bank. A binding offer was received in December 2022 and, therefore, the loan was reclassified to the non-current debt.
5. The loan was refinanced on 11 January 2022 and 30 January 2023 with the same bank. Binding offer was received in December 2022, therefore, the loan was reclassified to the non-current debt.
6. The loan was refinanced on 17 November 2022 with the same bank.
7. The loan was refinanced on 22 December 2022 with the same bank.
8. The loan was refinanced on 9 February 2023 with the same bank. Binding offer was received in December 2022, therefore, the loan was reclassified to the non-current debt.

Financial covenants for bank loans

As of 31 December 2022, the Fund was in compliance with all special conditions and covenants set under the bank loan agreements and the terms and conditions for unsecured fixed rate bonds. Management is monitoring the situation proactively with the banks to ensure timely measures.

Reconciliation of movements of liabilities to cash flow arising from financing

EUR '000	1 January 2022	Changes from financing cash flows	Other movements	Change in fair value	31 December 2022
Liabilities					
Interest bearing loans and borrowings (excluding lease liabilities)	198,571	(4,255)	253	-	194,569
Lease liabilities	576	(34)	-	-	542
Derivative financial instruments	865	(723)	-	(142)	-[2]
Accrued financial expenses	431	(5,985)	6,026[1]	-	472
Total liabilities from financing activities	**200,443**	**(10,997)**	**6,279**	**(142)**	**195,583**
Equity					
Paid in capital	145,200	-		-	145,200
Retained earnings	(11,787)	(5,383)	3,944[3]	-	(13,226)
Total equity related changes	**133,413**	**(5,383)**	**3,944**	**-**	**131,974**
Total	**333,856**	**(16,380)**	**10,223**	**(142)**	**327,557**

1. During 2022, the Fund's interest expenses amounted to EUR 6,026 thousand. Please refer to note 9 for more information.
2. As at 31 December 2022 the fair value of derivative financial instruments was positive (EUR 2,520 thousand), please refer to the note 22 for more information.
3. In 2022, the Fund earned a net profit of EUR 3,944 thousand. Please refer to note 10 for more information.

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

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

Loan and bond security

Borrowings received had the following security as of 31 December 2022:

	Mortgages of the property*	Second rank mortgages for derivatives	Cross-mortgage	Commercial pledge of the entire assets
Bank 1	Lincona, SKY, Europa, Domus Pro, LNK, Vainodes I, North Star and Pirita	Europa, Domus Pro, Vainodes I	Pirita and Lincona for Pirita and Lincona bank loans, Vainodes I and LNK for Vainodes I and LNK bank loan	Vainodes I, LNK
Bank 2	Galerija Centrs	Galerija Centrs		Galerija Centrs
Bank 3	Upmalas Biroji			
Bank 4	Coca-Cola Plaza and Postimaja, Duetto I and II			

*Please refer to note 12 for the carrying amounts of assets pledged at period end.

	Guarantee	Pledges of receivables	Pledge of land lease rights of the land plots	Pledges of bank accounts	Share pledge
Bank 1	Domus Pro, North Star and Baltic Horizon Fund for Europa bank loan; Domus Pro and Europa for North Star bank loan; Europa and North Star for Domus Pro bank loan; Vainodes I for LNK bank loan, LNK for Vainodes I bank loan	Lincona, SKY, Europa, and Domus Pro	BH Northstar UAB	Europa, Domus Pro, North Star SKY, LNK and Vainodes I	Vainodes Krasti SIA, BH S27 SIA
Bank 2					BH Galerija Centrs SIA
Bank 3				Upmalas Biroji	
Bank 4		Duetto I and II	BH Duetto UAB	Duetto I and II	BH Duetto UAB

18. Trade and other payables

EUR '000	31.12.2022	31.12.2021
Trade payables	2,326	1,327
Payables related to Meraki development	1,588	2,386
Management fee payable	491	420
Accrued financial expenses	472	431
Tax payables	363	285
Accrued expenses	217	244
Other payables	187	130
Total trade and other payables	**5,644**	**5,223**

As of 31 December 2022, the Fund had a payable in the amount of EUR 1,588 thousand for the construction costs of the Meraki development project as per the construction contract signed on 6 February 2020.

Terms and conditions of trade and other payables:

- Trade payables are non-interest-bearing and are normally settled on 30-day terms.
- Other payables are non-interest-bearing and have an average term of 3 months.

19. Commitments and contingencies

19a. Operating leases – the Group as a lessor

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

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

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

EUR '000	2022		2021	
Year of expiry or first break option	Amount receivable	%	Amount receivable	%
Within 1 year	18,635	39%	17,722	40%
Within 2 years	10,822	22%	13,223	30%
Within 3 years	6,585	14%	6,313	14%
Within 4 years	4,876	10%	4,064	9%
Within 5 years	3,541	7%	1,609	3%
6 years and more	3,848	8%	1,771	4%
Total	**48,307**	**100%**	**44,702**	**100%**

19b. Litigation

As of 31 December 2022, there was no ongoing litigation, which could materially affect the consolidated financial position of the Group.

19c. Contingent assets

The Group did not have any contingent assets as of 31 December 2022 and 31 December 2021.

19d. Contingent liabilities

The Group did not have any contingent liabilities as of 31 December 2022 and 31 December 2021.

20. Related parties

During the reporting period, the Group entered into transactions with related parties. Those transactions and related balances are presented below. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. All transactions between related parties are priced on an arm's length basis.
Northern Horizon Capital AS
As set out in Baltic Horizon Fund Rules, Northern Horizon Capital AS (the Management Company) carries out asset manager functions on behalf of the Fund and the Fund pays management fees for it (note 8).

The Group's transactions with related parties during 2022 and 2021 were the following:

EUR '000	2022	2021
Northern Horizon Capital AS group		
Management fees	1,584	1,765

The Group's balances with related parties as at 31 December 2022 and 31 December 2021 were the following:

EUR '000	31.12.2022	31.12.2021
Northern Horizon Capital AS group		
Management fees payable	491	420

The Management Company is entitled to receive an annual management fee which is calculated quarterly, based on the 3-month average market capitalisation of the Fund. In case the market capitalisation is lower than 90% of the NAV of the Fund, the amount equal to 90% of the NAV of the Fund shall be used for the management fee calculation instead of the market capitalisation.

The fee is based on the following rates and in the following tranches:
- 1.50% of the market capitalisation below EUR 50 million;
- 1.25% of the part of the market capitalisation that is equal to or exceeds EUR 50 million and is below EUR 100 million;
- 1.00% of the part of the market capitalisation that is equal to or exceeds EUR 100 million and is below EUR 200 million;
- 0.75% of the part of the market capitalisation that is equal to or exceeds EUR 200 and is below EUR 300 million;
- 0.50% of the part of the market capitalisation that is equal to or exceeds EUR 300 million.

The Management Company is entitled to calculate the performance fee based on the annual adjusted funds from operations (AFFO) of the Fund. If AFFO divided by paid in capital during the year exceeds 8% per annum, the Management Company is entitled to a performance fee in the amount of 20% of the amount exceeding 8%. The performance fee based on this formula has been calculated starting from 1 January 2017. The performance fee first become payable in the fifth year of the Fund (i.e. 2020).

Northern Horizon Capital AS Group did not own any units of the Fund as of 31 December 2022.

Supervisory Board of the Fund
As set out in Baltic Horizon Fund Rules, Supervisory Board members are entitled to remuneration for their service in the amount determined by the General Meeting. During 2022, the annual remuneration of the Supervisory Board of the Fund amounted to EUR 48 thousand (2021: EUR 48 thousand). Please refer to note 8 for more information regarding the total expenses related to the Supervisory Board of the Fund.

Entities having control or significant influence over the Fund
The holders of units owning more than 5% of the units in total as of 31 December 2022 and 31 December 2021 are presented in the tables below:

As of 31 December 2022

	Number of units	Percentage
Swedbank AB / Nordic Issuing AB clients	24,262,695	20.28%
SEB Bank AB clients	15,576,748	13.02%
Swedbank AB clients	14,998,232	12.54%
Raiffeisen Bank International AG clients	11,506,610	9.62%

As of 31 December 2021

	Number of units	Percentage
Nordea Bank AB clients	47,661,240	39.84%
Raiffeisen Bank International AG clients	13,632,289	11.39%
Swedbank AB clients	11,794,054	9.86%

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

21. Financial instruments

Fair values

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

	Carrying amount		Fair value	
EUR '000	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Financial assets				
Trade and other receivables	2,693	2,708	2,693	2,708
Cash and cash equivalents	5,347	16,100	5,347	16,100
Derivative financial instruments	2,520	-	2,520	-
Financial liabilities				
Interest-bearing loans and borrowings				
Bank loans	(144,593)	(144,735)	(144,593)	(144,524)
Bonds	(49,976)	(53,836)	(50,318)	(54,009)
Trade and other payables	(5,644)	(5,223)	(5,644)	(5,223)
Derivative financial instruments	-	(865)	-	(865)

Fair value hierarchy

Quantitative disclosures of the Group's financial instruments in the fair value measurement hierarchy as of 31 December 2022 and 31 December 2021:

Period ended 31 December 2022

EUR '000	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Trade and other receivables	-	-	2,693	2,693
Cash and cash equivalents	-	5,347	-	5,347
Derivative financial instruments	-	2,520	-	2,520
Financial liabilities				
Interest-bearing loans and borrowings				
Bank loans	-	-	(144,593)	(144,593)
Bonds	-	-	(50,138)	(50,318)
Trade and other payables	-	-	(5,644)	(5,644)

Period ended 31 December 2021

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

Management assessed that the carrying amounts of cash and short-term deposits, rent and other receivables, trade payables and other current liabilities approximate their fair values largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions are used to estimate the fair values:

- Trade and other receivables are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer, and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses on these receivables. As of 31 December 2022, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The fair value of derivatives has been calculated by discounting the expected future cash flows at prevailing interest rates.
- The fair values of the Group's interest-bearing loans and borrowings are determined by discounting the expected future cash flows at prevailing interest rates. The estimated fair values of the Group's interest-bearing loans and borrowings were determined using discount rates in a range of +2.21% and +4.25%.
- Cash and cash equivalents are attributed to Level 2 in the fair value hierarchy.

22. Derivative financial instruments

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

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

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

Derivative type EUR '000	Starting date	Maturity date	Notional amount	Variable rate (received)	Fixed rate (paid)	Fair value 31.12.2022	Fair value 31.12.2021
IRS	Aug 2017	Feb 2022	5,766	6M EURIBOR	0.305%	-	(7)
IRS	Sep 2017	May 2022	6,825	3M EURIBOR	0.26%	-	(23)
IRS	July 2019	May 2022	30,000	6M EURIBOR	-0.37%	-	(20)
IRS	Mar 2018	Nov 2022	6,860	6M EURIBOR	0.46%	-	(59)
IRS	Nov 2016	Aug 2023	10,575	1M EURIBOR	0.26%	180	(119)
IRS	Jan 2019	Sep 2023	5,800	3M EURIBOR	0.32%	112	(70)
IRS	May 2018	Apr 2024	4,920	3M EURIBOR	0.63%	166	(104)
IRS	Mar 2018	Aug 2024	18,402	3M EURIBOR	0.73%	727	(463)
CAP	May 2018	Feb 2023	17,200	6M EURIBOR	3.5%	-	-
CAP	Aug 2024	Aug 2025	17,900	3M EURIBOR	3.0%	124	-
CAP	Aug 2023	Aug 2024	10,575	1M EURIBOR	3.0%	76	-
CAP	Feb 2023	Feb 2024	17,200	6M EURIBOR	3.0%	81	-
CAP	Apr 2024	Apr 2025	4,921	3M EURIBOR	3.0%	35	-
CAP	Sep 2023	Sep 2024	5,800	3M EURIBOR	3.0%	44	-
CAP	Aug 2022	Mar 2024	3,500	3M EURIBOR	2.0%	51	-
CAP	Aug 2022	Mar 2024	7,000	3M EURIBOR	2.0%	102	-
CAP	Mar 2024	Mar 2025	11,000	6M EURIBOR	3.0%	77	-
CAP	Oct 2022	May 2025	30,000	6M EURIBOR	3.0%	437	-
CAP	Sep 2022	Mar 2024	9,000	6M EURIBOR	1.0%	244	-
CAP	Mar 2024	Mar 2025	9,000	6M EURIBOR	3.0%	64	-
Derivative financial instruments, assets/liabilities						**2,520**	**(865)**
Net value of financial derivatives						**2,520**	**(865)**

Derivative financial instruments were accounted for at fair value as of 31 December 2022 and 31 December 2021. The maturity of the derivative financial instruments of the Group is as follows:

Classification according to maturity

EUR '000	Liabilities 31.12.2022	Liabilities 31.12.2021	Assets 31.12.2022	Assets 31.12.2021
Non-current	-	(756)	2,228	-
Current	-	(109)	292	-
Total	**-**	**(865)**	**2,520**	**-**

23. Subsequent events

On 30 January 2023, the Fund signed an amendment to BH S27 SIA EUR 8.3 million bank loan. The amendment does not change the maturity date or loan amount.

On 30 January 2023, the Fund extended a EUR 2.0 million bank loan and increased the amount by EUR 1.0 million to finance BOF SKY SIA. According to the amendment, the maturity date of the loan is 31 January 2028.

On 8 February 2023, the Fund signed a share sale and purchase agreement with UAB PREF III to sell 100% shares of BH Domus PRO UAB which owns Retail park and Office building in Vilnius, Lithuania. The agreed price of the property was approximately EUR 23.5 million. The internal rate of return (IRR) for the holding period of more than 9 years was around 15.8%, while equity multiple was 2.1. The proceeds of the transaction will be used mainly to decrease the loan obligations of the Fund and partially to redeem the Fund's bonds which mature in May 2023. Closing of the transaction took place on 8 March 2023.

On 9 February 2023, the Fund signed an amendment to BH CC Plaza OÜ EUR 17.2 million bank loan. According to the amendment, the maturity date of the loan is 12 February 2026.

On 17 February 2023, the Fund signed an amendment to BH Duetto UAB EUR 19.2 million bank loan. According to the amendment, the maturity date of the loan is 15 February 2028.

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

24. List of consolidated companies

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

MANAGEMENT APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of Baltic Horizon Fund were approved for issue by the Management Board of the Management Company on 31 March 2023.

/digitally signed/
Tarmo Karotam
Chairman of the Management Board

/digitally signed/
Aušra Stankevičienė
Member of the Management Board

/digitally signed/
Edvinas Karbauskas
Member of the Management Board

DEFINITIONS OF KEY TERMS AND ABBREVIATIONS

AIFM
Alternative Investment Fund Manager.

AFFO
Adjusted Funds From Operations means the net operating income of properties less fund administration expenses, less external interest expenses and less all capital expenditures including tenant fit-out expenses invested into existing properties by the Fund. New investments and acquisitions and follow-on investments into properties are not considered to be capital expenditures.

Cash ratio
The ratio is calculated as cash and cash equivalents divided by current liabilities.

Current ratio
The ratio is calculated as current assets divided by current liabilities.

Direct Property Yield
NOI divided by acquisition value and subsequent capital expenditure of the property.

Dividend
Cash distributions paid out of the cash flows of the Fund in accordance with the Fund Rules.

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

Equity ratio
The ratio is calculated as total equity divided by total assets.

Fund
Baltic Horizon Fund.

GAV
Gross Asset Value of the Fund.

IFRS
International Financial Reporting Standards.

IRR
Internal rate of return.

LTV
Loan to value ratio. The ratio is calculated as the amount of the external bank loan debt less lease liabilities (IFRS 16) divided by the carrying amount of investment property (including investment property under construction).

Management Company
Northern Horizon Capital AS, register code 11025345.

NAV
Net asset value for the Fund.

NAV per unit
NAV divided by the amount of units in the Fund at the moment of determination.

Net Initial Yield
NOI divided by market value of the property.

Net LTV
Net Loan to value ratio. The ratio is calculated as the amount of the external bank loan debt less lease liabilities (IFRS 16) and cash and cash equivalents divided by the carrying amount of investment property (including investment property under construction).

NOI
Net operating income.

Occupancy rate
The ratio is calculated as rented area divided by net leasable area.

Quick ratio
The ratio is calculated as current assets less inventory and prepaid expenses divided by current liabilities.

Return on assets
The ratio is calculated as profit/loss for the period divided by average assets.

Return on equity
The ratio is calculated as profit/loss for the period divided by average equity.

Triple Net Lease
A triple net lease is a lease agreement that designates the lessee, i.e. the tenant, as being solely responsible for all the costs relating to the asset being leased, in addition to the rent fee applied under the lease.

TTM
Trailing 12 months.

5-YEAR OVERVIEW OF KEY FIGURES

Key earnings figures	Unit	2022	2021	2020	2019	2018
Rental income	EUR '000	20,482	19,495	21,697	20,776	15,860
Net rental income	EUR '000	17,430	17,004	19,934	19,219	14,804
Net rental income margin	%	85.1	87.2	91.9	92.5	93.3
EBIT	EUR '000	11,238	7,347	(8,025)	13,930	14,079
EBIT margin	%	54.9	37.7	(37.0)	67.0	95.1
Net profit (loss)	EUR '000	3,944	1,413	(13,541)	8,791	9,990
Net profit (loss) margin	%	19.3	7.2	(62.4)	42.3	67.5
Earnings per unit	EUR	0.03	0.01	(0.12)	0.09	0.13
Generated net cash flow	EUR '000	7,141	8,749	11,409	10,996	8,683
Dividends per unit	EUR/unit	0.026	0.058	0.067	0.106	0.102
Generated net cash flow per unit	EUR/unit	0.060	0.073	0.100	0.114	0.110
Gross rolling dividend yield	%	4.5	5.4	5.8	8.0	7.8

Key financial position figures	Unit	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Total assets	EUR '000	343,963	346,338	355,602	371,734	260,878
Return on assets	%	1.1	0.4	(3.7)	2.8	4.2
Total equity	EUR '000	133,655	132,584	136,321	152,518	109,805
Equity ratio	%	38.9	38.3	38.3	41.0	42.1
Return on equity	%	3.0	1.1	(9.4)	6.7	9.2
Interest-bearing loans and borrowings	EUR '000	195,111	199,147	205,604	205,827	140,507
Total liabilities	EUR '000	210,308	213,754	219,281	219,216	151,073
LTV	%	58.4	60.7	60.5	57.3	57.3
Average cost of debt	%	3.0	2.7	2.6	2.6	2.4
Weighted average duration of debt	years	1.8	1.5	2.1	3.1	4.0
Current ratio	times	0.1	0.4	1.1	3.0	5.3
Quick ratio	times	0.1	0.4	1.0	2.9	5.2
Cash ratio	times	0.1	0.3	0.9	2.3	4.3
IFRS NAV per unit	EUR	1.1172	1.1082	1.1395	1.3451	1.3988

Key property portfolio figures	Unit	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Fair value of portfolio	EUR '000	333,123	327,359	339,992	358,942	245,160
Properties	number	15	15	16	16	13
Net leasable area	sq. m	151,870	144,081	153,345	153,350	113,934
Occupancy rate	%	90.5	92.1	94.3	98.3	98.8

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities.** That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Product name: Baltic Horizon Fund **Legal entity identifier:** Northern Horizon Capital AS

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?	
☐ Yes	☒ No
☐ It will make a minimum of **sustainable investments with an environmental objective:** 100%	☒ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 97% of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☒ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☐ It will make a minimum of **sustainable investments with a social objective: ___%**	☐ It promotes E/S characteristics, but **will not make any sustainable investments**

It promotes E/S characteristics, but will not make any sustainable investments – *we have no objective, but when we have taxonomy alignment it will have a percentage of substantial contribution.*

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

To what extent were the environmental and/or social characteristics promoted by this financial product met?

This financial product promotes the following environmental characteristics:
-in the following 5 years the Fund will strive to maintain its current 12% proportion of assets that substantially contributes to environmental objectives under EU Taxonomy;
-100% fossil-free electricity by 2030 across all real estate assets in the portfolio;
-100% certified (BREEAM in use or similar standard) assets by 2030;
-The aim is that 100% of tenants would sign green lease clauses to ensure tenant collaboration on the best effort basis on sustainability matters.

How did the sustainability indicators perform?

Each promoted characteristic is monitored separately based on the relevant metric: (i) percentage of the assets in the portfolio that substantially contribute to the environmental objectives, (ii) percentage of the assets in the portfolio that use fossil-free electricity, (iii) percentage of portfolio certification coverage, and (iv) percentage of the portfolio where tenants signed the green lease clauses.

	2022
Percentage of the assets in the portfolio that substantially contribute to the environmental objectives	12%
Percentage of the assets in the portfolio that use fossil-free electricity	47% (8 asset of the 17 had renewable energy)
Percentage of the portfolio certification coverage	35.3% (11 asset certified out of 17)
Percentage of the portfolio where tenants signed the green lease clauses	62.2%

and compared to previous periods?

This is the first reporting period, so there is a comparison with the previous periods.

What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?

The Fund substantially contributes to the objective of climate change mitigation. Thus, the Fund screened new investments and current investments at least annually during the due diligence procedure for substantial contributions to environmental objectives of climate change mitigation either for 7.1 Construction of new buildings or 7.7 Acquisition and Ownership of Buildings sub-objective. The Fund's activity focuses on improving energy efficiency, investing in green solutions such as solar power plants, and distant solar plants, and investing in and acquiring high-energy class buildings. Also, assets were continuously certified for BREEAM in Use certification standard. Furthermore, the Fund negotiates actively with fossil-free energy suppliers and increases its fossil-free energy percentage annually. In addition, in order to have green leases signed, the asset manages continuously negotiate contracts with tenants to motivate them to collaborate on common sustainability goals. Green lease contracts have been included in all new contracts.

How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?

Do no significant harm to climate change adaptation has been considered and climate risk assessment has been performed based on EU Taxonomy requirements.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti- bribery matters.

How have the indicators for adverse impacts on sustainability factors been taken into account?

Principal adverse impact indicators (PAI) have not been considered because the company has under 500 employees and because of changing regulatory framework. However, the PAI criteria are incorporated in the annual ESG report and cover the emissions and energy key performance indicators. Also, the social and good governance practice of the company meets the criteria. Below is our performance on the mandatory real estate adverse impacts.

	Adverse sustainability indicator	Metric	Impact 2022	Impact 2021	Explanation	Actions taken, and actions planned and targets set for the next reference period
Fossil fuels	Exposure to fossil fuels through real estate assets.	Share of investments in real estate assets involved in the extraction, storage, transport, or manufacture of fossil.			Assets are not involved in the indicated activities, so no additional action needs to be taken.	Assets are not involved in the indicated activities, so no additional action needs to be taken.
Energy efficiency	Exposure to fuels energy-inefficient real estate assets	Share of investments in energy inefficient real estate assets -	92%	92%		92% of investments are in energy inefficient real estate assets. All assets are maintained based on the regulatory requirements and the energy efficiency measures are implemented in a financially feasible manner.

Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

Yes, the financial product has OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights incorporated in the Responsible investment policy and Minimum Safeguards Policy also risk management procedures and processes.

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

How did this financial product consider principal adverse impacts on sustainability factors?

Now financial product does not consider principal adverse impact factors because the management company is less than 500 employees and because of changing regulatory environment. However, it puts its best effort to implement considerations of PAI in all operations of the fund including taking actions to reduce carbon footprint and contribute to carbon neutrality

What were the top investments of this financial product?

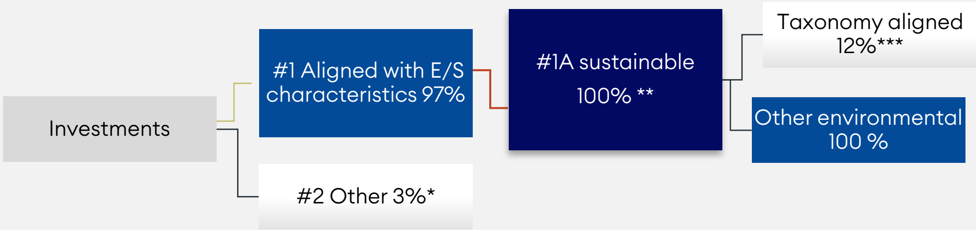
The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 31.12.2022

Largest investments	Sector	% Assets	Country
Galerija Centrs	Retail	20.2%	Latvia
Europa SC	Retail	10.7%	Lithuania
Postimaja & CC Plaza complex	Retail	8.0%	Estonia
North Star	Office	6.5%	Lithuania
Upmalas Biroji BC	Office	6.3%	Latvia
Duetto II	Office	6.1%	Lithuania
Duetto I	Office	5.7%	Lithuania
Vainodes I	Office	5.4%	Latvia
Meraki	Office	5.2%	Lithuania
Domus Pro Retail Park	Retail	5.1%	Lithuania
LNK Centre	Office	5.1%	Latvia
Lincona	Office	4.6%	Estonia
Postimaja & CC Plaza complex	Leisure	4.3%	Estonia
Pirita SC	Retail	2.7%	Estonia
Domus Pro Office	Office	2.4%	Lithuania
Sky SC	Retail	1.7%	Latvia

What was the proportion of sustainability-related investments?

What was the asset allocation?

Asset allocation describes the share of investments in specific assets.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*#2 Other – the remaining proportion of investments, amounting up to 3% of the Fund's assets could be held in form of cash or cash equivalents to maintain sufficient liquidity.

**#1A Sustainable – we plan to have 100 % of sustainable investments. The planned asset allocation above is based on SDFR 'sustainable investment' definition.

*** We do not plan to have Taxonomy alignment, however as of the date of this disclosure, 12% of the portfolio substantially contributes to the environmental objective under the EU Taxonomy.

In which economic sectors were the investments made?

Tertiary - real estate.

To what extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Market value which is taxonomy aligned: EUR 37m – which is corresponding to 8% EU Taxonomy alignment.

- ***What was the share of investments made in transitional and enabling activities?***

Not applicable as Taxonomy does not define real estate as a transitional or enabling activity.

- ***How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?***

This is the first periodic report for EU Taxonomy alignment. And the U Taxonomy alignment now is 12%.

What is the share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

No minimum share defined.

What is the share of socially sustainable investments?

Not applicable.

What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?

#2 Other up to 3% of the Fund's assets could be held in form of cash or cash equivalents to maintain sufficient liquidity. Notably, the aim of the Fund is to invest in real estate assets meeting the investment strategy of the Fund.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

What actions have been taken to meet the environmental and/or social characteristics during the reference period?

The Fund substantially contributes to the objective of climate change mitigation. Thus, the fund intends to screen new investments and current investments at least annually during the due diligence procedure for substantial contribution to environmental objectives of climate change mitigation either for 7.1 Construction of new buildings or 7.7 Acquisition and Ownership of Buildings sub-objective.

The Fund's activity focuses on improving energy efficiency, investing in green solutions such as solar power plants, and distant solar plants, investing and acquiring high energy class building.

How did this financial product perform compared to the reference benchmark?

An index has not been designated as a reference benchmark for the purpose of attaining the environmental characteristics promoted by the Fund.

- ***How does the reference benchmark differ from a broad market index?***

An index has not been designated as a reference benchmark for the purpose of attaining the environmental characteristics promoted by the Fund.

- ***How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?***

Not applicable, there is no reference benchmark in the first reporting period.

- ***How did this financial product perform compared with the reference benchmark?***

No reference benchmark in the first report.

How did this financial product perform compared with the broad market index?

N/A.

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.