Baltic Horizon

INTERIM REPORT

Q1 2023

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2023

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Baltic Horizon Fund

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.

KEY FIGURES

Key earnings figures	Unit	Q1 2023	Q1 2022	Change (%)
Rental income	EUR '000	5,274	4,959	6.4%
Net rental income	EUR '000	4,202	4,193	0.2%
Net rental income margin[1]	%	79.7	84.6	-
Valuation losses on investment properties	EUR '000	(4)	(6)	(33.3%)
EBIT	EUR '000	1,939	3,535	(45.1%)
EBIT margin[2]	%	36.8	71.3	-
Net profit	EUR '000	22	1,996	(98.9%)
Net profit margin	%	0.4	40.3	-
Earnings per unit	EUR	0.00	0.02	(100.0%)
Generated net cash flow[3]	EUR '000	1,477	1,897	(22.1%)
Dividends per unit[4]	EUR/unit	-	0.013	(100.0%)
Generated net cash flow per unit[5]	EUR/unit	0.012	0.016	(25.0%)
Gross rolling dividend yield[6]	%	2.3	6.3	-

Key financial position figures	Unit	31.03.2023	31.12.2022	Change (%)
Total assets	EUR '000	321,302	343,963	(6.6%)
Return on assets (TTM)	%	0.6	1.1	-
Total equity	EUR '000	133,467	133,655	(0.1%)
Equity ratio	%	41.5	38.9	-
Return on equity (TTM)	%	1.5	3.0	-
Interest-bearing loans and borrowings	EUR '000	177,500	195,111	(9.0%)
Total liabilities	EUR '000	187,835	210,308	(10.7%)
LTV	%	57.3	58.4	-
Average cost of debt	%	3.4	3.0	-
Weighted average duration of debt	years	1.6	1.8	-
Current ratio	times	0.1	0.1	-
Quick ratio	times	0.1	0.1	-
Cash ratio	times	0.1	0.1	-
IFRS NAV per unit	EUR	1.1156	1.1172	(0.1%)

Key property portfolio figures	Unit	31.03.2023	31.12.2022	Change (%)
Fair value of portfolio	EUR '000	309,047	333,123	(7.2%)
Properties[7]	number	14	15	(6.7%)
Net leasable area	sq. m	135,990	151,870	(10.5%)
Occupancy rate	%	88.8	90.5	-

Key property portfolio figures	Unit	Q1 2023	Q1 2022	Change (%)
Direct property yield	%	4.7	5.0	-
Net initial yield	%	5.0	5.3	-

Key unit figures	Unit	31.03.2023	31.12.2022	Change (%)
Number of units outstanding	units	119,635,429	119,635,429	-
Closing unit price	EUR	0.5583	0.5750	(2.9%)
Closing unit price	SEK	5.76	5.60	-
Market capitalisation[8]	EUR	66,792,460	68,790,372	(2.9%)

Key EPRA figures	Unit	Q1 2023	Q1 2022	Change (%)
EPRA Earnings	EUR '000	1,439	2,097	(31.4%)
EPRA Earnings per unit	EUR	0.01	0.02	(50.0%)

Key EPRA figures	Unit	31.03.2023	31.12.2022	Change (%)
EPRA NRV (Net Reinstatement Value)	EUR '000	139,592	141,943	(1.7%)
EPRA NRV per unit	EUR	1.1668	1.1865	(1.7%)
EPRA NTA (Net Tangible Assets)	EUR '000	139,592	141,943	(1.7%)
EPRA NTA per unit	EUR	1.1668	1.1865	(1.7%)
EPRA NDV (Net Disposal Value)	EUR '000	133,150	133,313	(0.1%)
EPRA NDV per unit	EUR	1.1130	1.1143	(0.1%)
EPRA LTV	%	55.4	57.9	-

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 Q1 2022 and Q1 2023 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 of the end of the period (Q1 2023: closing market price of the unit as of 31 March 2023).
7. Properties includes 14 established cash flow properties.
8. 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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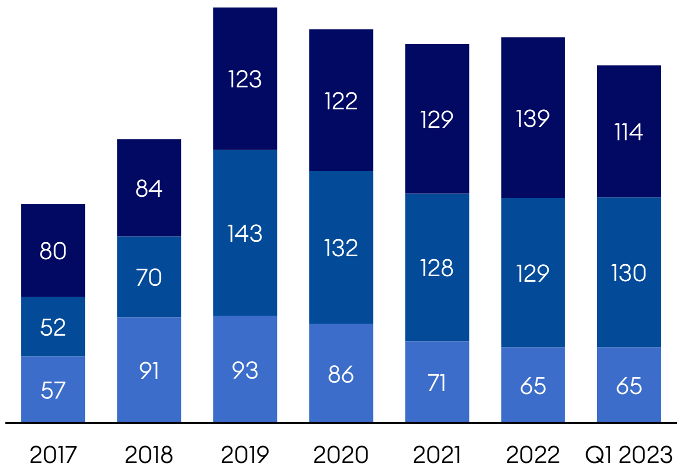
Properties

135,990
Portfolio size (sq. m)

Portfolio value (EUR million)



Ten largest properties

1. Galerija Centrs	22.0%
2. Europa SC	11.6%
3. Postimaja	8.6%
4. North Star	7.1%
5. Upmalas Biroji BC	6.8%
6. Duetto II	6.6%
7. Duetto I	6.1%
8. Vainodes	5.8%
9. Meraki	5.6%
10. LNK Centre	5.5%
11. Others	14.3%

Q1 2023 AT A GLANCE

Opening of Galerija Centrs food hall BURZMA

On 27 February 2023, the Fund opened the BURZMA food hall located on the 4th floor of Galerija Centrs in Riga. BURZMA hosts 10 modern restaurants, cafes, and bars in a unique interior design setting. With an amazing view of Riga and rooftop terraces, the food hall is destined to become the city's new destination point.

Sale of BH Domus Pro UAB shares

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 a retail park and an 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 were 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 6 March 2023.

S&P assigned credit rating

On 6 April 2023, S&P Global Ratings affirmed Baltic Horizon Fund's "MM5" mid-market evaluation rating. The indicative corresponding rating for "MM5" on the global rating scale is "B/B+". The rating was lowered from "MM3" to "MM5" due to the Fund's weakening credit metrics given the worsening economic conditions, tightening lending conditions and capital market volatility. The rating agency expects the Fund's occupancy rates and operational performance to remain relatively stable or slightly increase over the next two years. The bond refinancing solution addressed the uncertainties raised by S&P Global Ratings in its mid-market evaluation report.

Bond issue

On 8 May 2023, the Fund completed the subscription for its 5-year secured bonds of EUR 42 million. The bonds bear a fixed-rate coupon of 8.0% and a floating rate of 3-month EURIBOR payable quarterly. The transaction took place under the private placement regime. The bonds will be repaid in tranches: the first tranche of EUR 20 million will be repaid in 1 year from the issue date, the second tranche of EUR 22 million in 5 years from the issue date.

PROPERTY REPORT

Portfolio and market overview

At the end of Q1 2023, the diversified property portfolio of Baltic Horizon Fund consisted 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.

The Fund's centrally located shopping centres recovered rapidly from the negative effects of the COVID-19 pandemic throughout 2022. The total turnover of the shopping centres' tenants continued growing in Q1 2023, exceeding the Q1 2022 figures by 30-40% in all centrally located retail assets. Even though footfall is still below pre-pandemic levels, footfall figures are increasing in all 3 properties. Compared to the same quarter last year, Europa SC and Postimaja SC Q1 2023 footfall has increased by 33% and 23%, respectively. Following the opening of the BURZMA food hall, Q1 footfall in Galerija Centrs has increased by more than 45% year-over-year. 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. In the Baltics, 2023 is expected to be the first year to reach pre-pandemic levels of tourism.

Following the reconstruction of the Europa SC in 2022 and the opening of BURZMA in Galerija Centrs in 2023, the Fund now has two fully operational food halls in the Baltic city centres. These areas have created a great value proposition for office workers looking for a quick lunch or foodies looking for tasty food and a relaxing atmosphere in the evening. BURZMA has become a place to visit in Riga city centre over the past several months, driving up the footfall and turnovers of the whole Galerija Centrs. Galerija Centrs' operating results have been mostly affected by one-off costs related to the opening of BURZMA. Operating result differences between 2022 and 2023 will likely level out during the remaining part of 2023. The Fund is currently negotiating new lease agreements with tenants that would create great synergy with food hall areas.

The Fund extended several important leases with anchor tenants in retail assets throughout Q1 2023. The leases with the anchor grocery tenant Rimi were extended on the same terms in Postimaja and Galerija Centrs. The newly built Reval Café terrace in Postimaja opened in Q1 2023, allowing to secure the tenant under a long-term lease and add an attractive new entrance to Postimaja.

Europa SC and Postimaja Q1 2023 NOI have exceeded Q1 2022 results following the recovery of rental income in these properties.

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 in 2022. 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 to reputable tenants.

Given the economic uncertainty, tenants in the Baltics are unwilling to make major decisions on office spaces at the current time and mostly tend to stay on the current premises. Multiple lease agreements with office tenants were extended in Q1 2023 on the same or similar terms allowing the Fund to maintain or even strengthen the WAULT in several office properties.

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 "New Construction" certification for the completed building.

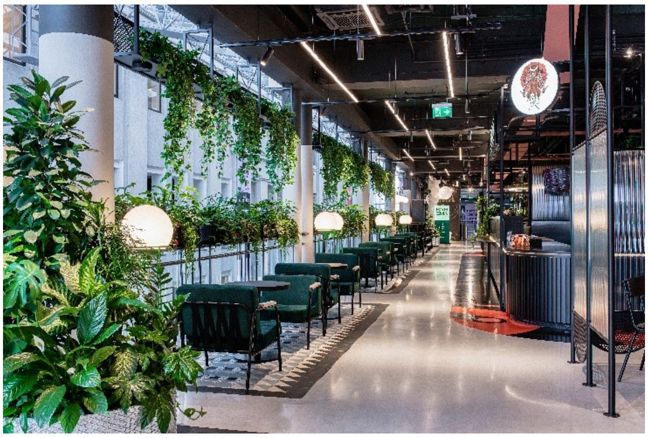
The construction of the second tower of the Meraki building is expected to start after the refinancing of the Fund's EUR 50 million bonds but not until at least 50% of its rental space is covered with preleases. Meraki development costs reached EUR 19.5 million as of 31 March 2023 and total development 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 year, 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 Q1 2023, 30.9% of the net leasable area of the first tower was let to 8 tenants incl. cafeteria, office and medical tenants. 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.

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.

Galerija Centrs



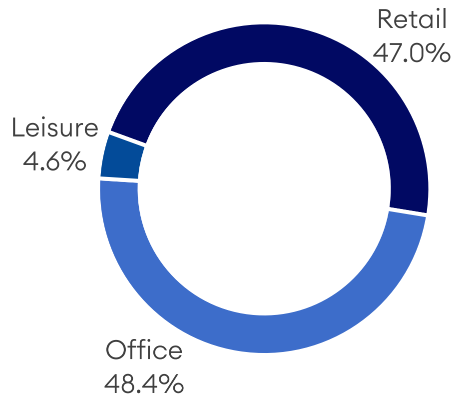
The Fund approved the refreshed concept of the food hall on the 4th floor of the Galerija Centrs at the beginning of 2022. The design stage and the necessary permits and permissions for the project was completed in Q2 2022. The construction works started on 21 September 2022. During Q2-Q3 2022 the trademark “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 the new food hall with the contemporary trade name “BURZMA” 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 Latvia and in Riga, in Galerija Centrs. The total investment could extend to EUR 1.5 million. Construction works started in Q1 2023, with an opening planned in November 2023.

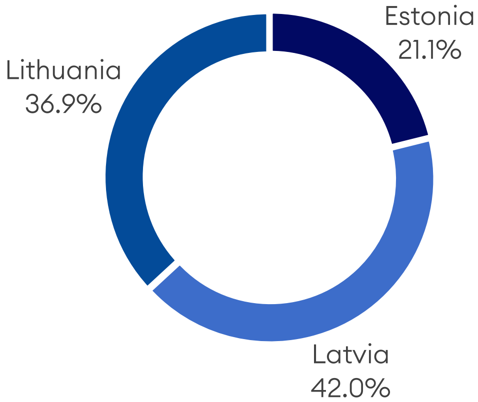
Property performance

Fund segment distribution as of 31 March 2023



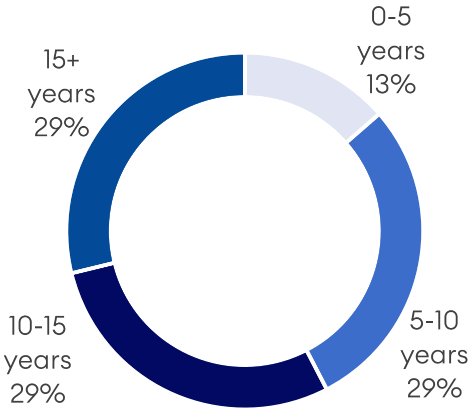
The Fund maintains a well-diversified mix of office, leisure, and retail buildings. At the end of Q1 2023, the portfolio was comprised of 47.0% retail assets, followed by 48.4% office assets and 4.6% leisure assets. Portfolio properties in the office segment contributed 61.0% of net rental income in Q1 2023 despite accounting for only 48.4% of the Fund's portfolio.

Fund country distribution as of 31 March 2023



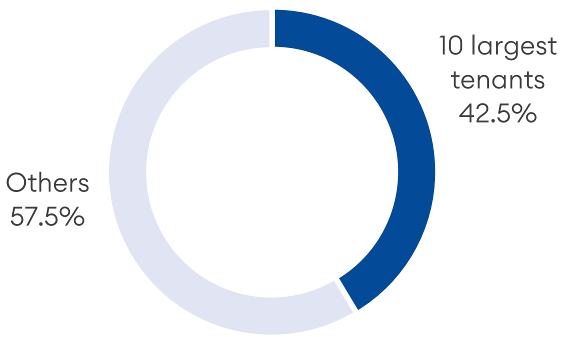
In terms of country distribution, in Q1 2023 Lithuania's share in the Fund's portfolio decreased due to the sale of BH Domus Pro UAB shares. At the end of Q1 2023, the Fund's assets were located as follows: 42.0% in Latvia, 36.9% in Lithuania and 21.1% in Estonia.

Fund portfolio by age as of 31 March 2023



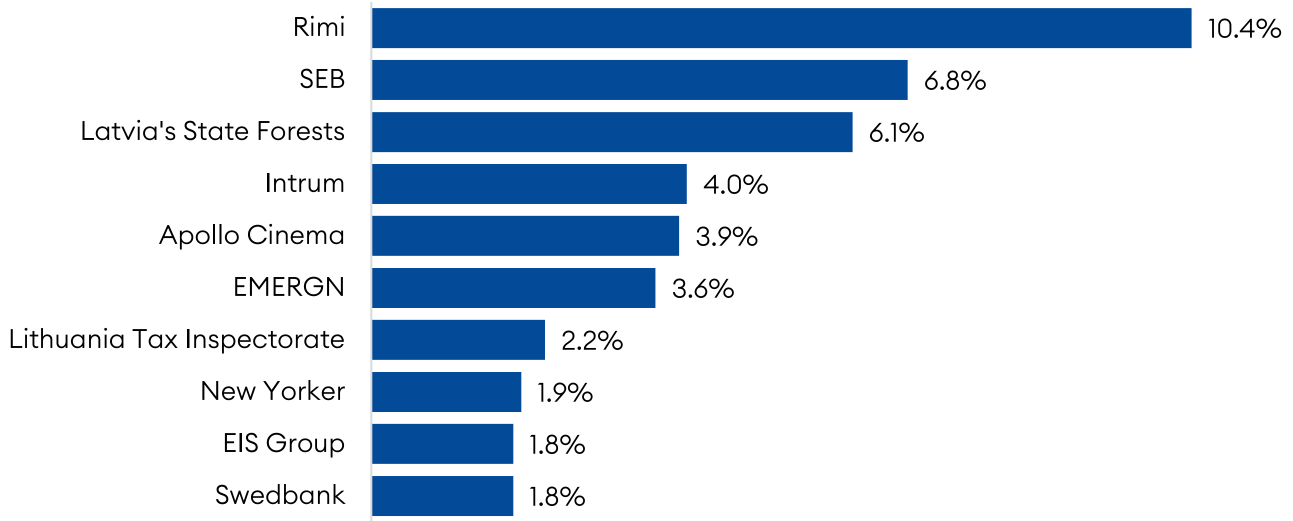
The graph above shows the age of assets in the Fund's portfolio since construction or the last major refurbishment. The management team is focused to improve the Fund's average portfolio age by acquiring newer assets and/or redeveloping assets in the current portfolio.

Rental concentration of the Fund's subsidiaries as of 31 March 2023



Baltic Horizon Fund has around 280 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 March 2023



Overview of the Fund's investment properties as of 31 March 2023

Property name	Sector	Fair value[1] (EUR '000)	NLA (sq. m)	Direct property yield Q1 2023[2]	Net initial yield Q1 2023[3]	Occupancy rate
Vilnius, Lithuania						
Duetto I	Office	18,845	8,587	8.4%	6.7%	97.6%
Duetto II	Office	20,253	8,674	7.6%	6.9%	100.0%
Europa SC	Retail	35,795	16,929	3.7%	4.1%	80.9%
North Star	Office	21,790	10,579	7.2%	7.0%	97.7%
Meraki	Office	17,422	8,113	1.3%	1.4%	30.9%
Total Vilnius		**114,105**	**52,882**	**5.3%**	**5.1%**	**82.4%**
Riga, Latvia						
Upmalas Biroji BC	Office	20,960	10,459	7.3%	8.4%	98.8%
Vainodes I	Office	18,010	8,128	6.3%	7.6%	100.0%
LNK Centre	Office	17,000	7,450	6.9%	6.9%	100.0%
Sky SC	Retail	5,773	3,259	7.8%	6.9%	98.5%
Galerija Centrs	Retail	67,885	19,270	1.3%	1.5%	81.3%
Total Riga		**129,628**	**48,566**	**3.9%**	**4.4%**	**92.2%**
Tallinn, Estonia						
Postimaja & CC Plaza complex	Retail	26,715	9,232	3.6%	4.9%	95.6%
Postimaja & CC Plaza complex	Leisure	14,396	9,094	6.6%	5.5%	100.0%
Lincona	Office	15,203	10,775	6.8%	7.2%	87.6%
Pirita SC	Retail	9,000	5,441	5.6%	7.9%	92.6%
Total Tallinn		**65,314**	**34,542**	**5.1%**	**6.0%**	**93.8%**
Total portfolio		**309,047**	**135,990**	**4.7%**	**5.0%**	**88.8%**

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.

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 Q1 2023, the average actual occupancy of the portfolio was 89.6% (Q4 2023: 90.2%). The occupancy rate as of 31 March 2023 was 88.8% (31 December 2022: 90.5%). The overall occupancy rate was impacted by the decreased occupancy in Europa, North Star and Lincona.

Occupancy rates in the office segment are strongly impacted by the Meraki office development, which was completed in September 2022. Excluding the Meraki building, the office segment remained strong at around 97.4% occupancy during Q1 2023. Duetto II, Vainodes I, LNK and CC Plaza are now fully occupied. The Fund's retail and office leasing teams were expanded in 2022 to speed up the leasing process. The agreement with the anchor tenant in Galerija Centrs was signed in December 2022. Construction works for anchor tenant fit-out started in Q1 2023, with an opening planned in November 2023.

The average direct property yield during Q1 2023 was 4.7% (Q4 2022: 5.0%). The net initial yield for the whole portfolio for Q1 2023 was 5.0% (Q4 2022: 5.3%). The decrease is mainly attributable to the short-term vacancy due to the construction works related to anchor tenant fit-out and one-off cost related to "BURZMA" opening.

Retail assets still have not fully recovered from decreased occupancy levels caused by the COVID-19 pandemic. Assuming the recovery of retail assets to pre-COVID levels and successful leasing progress in the first tower of Meraki, the portfolio yield could reach historical levels of 6.5%-7.0%.

Breakdown of NOI development

Property	Date of acquisition	2018	2019	2020	2021	2022	Q1 2022	Q1 2023
Postimaja & CC Plaza complex	8 March 2013[1]	2,447	2,495	1,932	1,805	2,044	450	522
Upmalas Biroji BC	30 August 2016	1,710	1,701	1,661	1,740	1,763	454	438
North Star	11 October 2019	-	315	1,419	1,208	1,371	321	383
Europa SC	2 March 2015	2,332	2,467	1,681	1,006	1,028	137	363
Duetto II	27 February 2019	-	1,090	1,354	1,353	1,409	352	349
Vainodes I	12 December 2017	1,463	1,462	1,464	1,449	1,383	356	343
Duetto I	22 March 2017	1,096	1,160	1,166	1,223	1,191	298	317
LNK Centre	15 August 2018	409	1,072	1,090	1,088	1,132	276	295
Lincona	1 July 2011	1,192	1,276	1,212	1,114	1,102	260	275
Galerija Centrs	13 June 2019	-	2,552	3,023	1,448	2,193	597	254
Domus Pro Retail[4]	1 May 2014	1,160	1,132	1,092	1,145	1,280	315	225
Pirita SC	16 December 2016	900	438	677	484	664	139	177
Sky SC	7 December 2013	407	370	402	395	423	105	100
Domus Pro Office[4]	1 October 2017	499	562	538	537	548	133	99
Meraki[2]	10 September 2022	-	-	-	-	(101)	-	62
G4S Headquarters[3]	12 July 2016	1,189	1,127	1,223	1,009	-	-	-
Total portfolio		**14,804**	**19,219**	**19,934**	**17,004**	**17,430**	**4,193**	**4,202**

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.
4. The Fund completed the disposal of Domus Pro Retail and Office complex on 6 March 2023.

The Fund's portfolio produced EUR 4.2 million of net operating income (NOI) during Q1 2023 (Q1 2022: EUR 4.2 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 Q1 2023 and Q1 2022. 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 31.03.2023	Net rental income Q1 2023	Net rental income Q1 2022	Change (EUR '000)	Change (%)
Like-for-like assets					
Retail	145,168	1,218	1,214	4	0.3%
Office	132,061	2,400	2,317	83	3.6%
Leisure	14,396	198	214	(16)	(7.5%)
Total like-for-like assets	**291,625**	**3,816**	**3,745**	**71**	**1.9%**
Developed assets	17,422	62	-	62	100.0%
Disposed assets	-	324	448	(124)	(27.7%)
Total portfolio assets	**309,047**	**4,202**	**4,193**	**9**	**0.2%**

Net rental income of the portfolio on a like-for-like basis increased by 1.9% or EUR 71 thousand in Q1 2023 compared to the same period last year. The increase in net rental income was mainly driven by the temporary discounts granted to the tenants in Q1 2022 with the aim of providing support to tenants in connection with the lockdown periods of the COVID-19 crisis. Recovery during Q1 2023, however, was slowed by higher energy costs, which increased unrecoverable costs.

The office segment showed a positive change with an increase in like-for-like net rental income of 3.6%. Most of the office properties saw an uplift in net rental income during Q1 2023 compared to last year. 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 Q1 2023 was mostly affected by one-off cost related to "BURZMA" opening and higher energy prices. Since the Fund covers part of the energy costs for common areas, 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 will start in Q3 2023 as the Fund signed an agreement to buy solar energy earlier this year. The net rental income of retail assets increased by 0.3% compared to Q1 2022. The positive effect was slightly undermined by a temporary drop in Galerija Centrs' NOI due to additional marketing and other expenses related to the opening of the food hall after reconstruction. Europa's NOI increased significantly following the completion of reconstruction.

Like-for-like net rental income changes in Lithuania and Estonia were positive throughout Q1 2023 compared to Q1 2022. Latvia's performance was affected by the weaker performance of Galerija Centrs.

In Q1 2023, the net rental income of Postimaja, North Star, Duetto I, LNK, Lincona, Europa SC and Pirita exceeded the previous year's result. 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.

EPRA like-for-like net rental income by country

EUR '000	Fair value 31.03.2022	Net rental income Q1 2023	Net rental income Q1 2022	Change (EUR '000)	Change (%)
Like-for-like assets					
Estonia	65,314	974	849	125	14.7%
Latvia	129,628	1,430	1,788	(358)	(20.0%)
Lithuania	96,683	1,412	1,108	304	27.4%
Total like-for-like assets	**291,625**	**3,816**	**3,745**	**71**	**1.9%**
Developed assets	17,422	62	-	62	100.0%
Disposed assets	-	324	448	(124)	(27.7%)
Total portfolio assets	**309,047**	**4,202**	**4,193**	**9**	**0.2%**

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. Economic growth stalled in 2022. Worsening households' purchasing power and foreign demand as well as a spike in interest rates should slow down high inflation. The government has increased spending to reduce the impact of the energy crisis. Labour market still remains resilient to external shocks. According to Eurostat, in Q3 2022 the GDP of Estonia shrank 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%

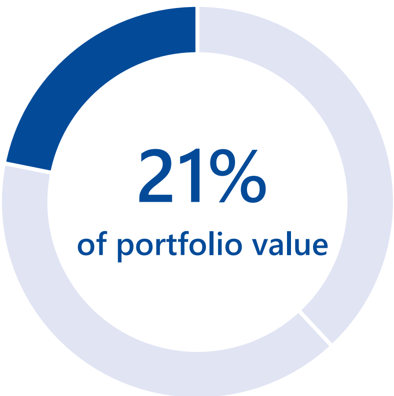
Source: European Commission Economic Forecast, Winter 2023

Portfolio

Portfolio properties based in Estonia started the year with an upward movement in the net rental income and key portfolio metrics. In the Fund's portfolio, Estonian properties recognised a high increase in like-for-like net rental income, delivering growth of 14.7% 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 during 2020-2022. 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 January 2023 additionally boosted the operating performance of Postimaja.

The operational results of Lincona were relatively stable during Q1 2023 as no major leases were signed and no major concessions were provided during this period. Occupancy in Lincona slightly decreased due to the expiration of the lease agreement with one of the tenants. 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 Q1 2022 results due to indexation applied in 2023, slightly increased occupancy and better payment discipline. 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.

Overall key performance metrics in Q1 2023 increased compared to the previous quarter. During Q1 2023, the average direct property yield increased to 5.1% (Q4 2022: 4.6%), while the average net initial yield was to 6.0% (Q4 2022: 5.2%). The average occupancy level for Q1 2023 was 94.6% (Q4 2022: 95.0%). The occupancy rate as of 31 March 2023 was 93.8% (31 December 2022: 95.0%).



4
Properties

93.8%
Occupancy rate

34,542
Total leasable area (sq. m)

5.1%
Direct property yield

1.0m
Net rental income (EUR)

65.3m
Portfolio value (EUR)

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

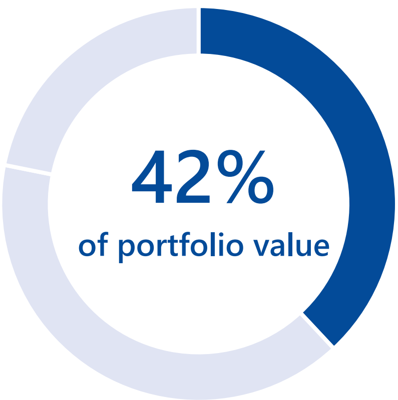
Portfolio

Latvian properties recognised a high like-for-like decrease in net rental income year over year resulting in a total decrease of 20.0% for the Latvian market. This change was mainly influenced by a sizeable NOI decrease in Galerija Centrs due to slightly higher vacancy, increased unrecoverable costs and one-off costs related to the food hall opening.

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. The opening of the store is planned for November 2023. It will be the first flagship store of the global chain in the Baltics. 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 in net rental income over the year for LNK and stable performance for SKY.

The average direct property yield was 3.9% during Q1 2023 (Q4 2022: 4.9%). The average net initial yield was 4.4% (Q4 2022: 5.5%). Growth in rental income was not enough to offset the increase in energy prices and one-off cost. The average occupancy level for Q1 2023 increased to 91.7% (Q4 2022: 91.5%). The occupancy rate as of 31 March 2023 was 92.2% (31 December 2022 92.0%). At the end of Q1 2023, 2 out of the 5 properties in Latvia were fully leased out to local and international tenants. Latvian properties have development potential, which the Fund's management team aims to realize in the coming years in order to maximise the value of the properties.



5
Properties

92.2%
Occupancy rate

48,566
Total leasable area (sq. m)

3.9%
Direct property yield

1.4m
Net rental income (EUR)

129.6m
Portfolio value (EUR)

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 inflationary 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 growth 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

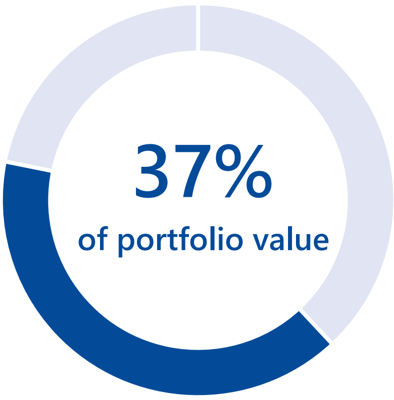
Portfolio

Across all Baltic Horizon Fund markets, the properties in Lithuania showed the best like-for-like results due to solid diversification of assets. After completing reconstruction, the Europa SC moved towards a refreshed concept and the take-up of vacant premises. Operational results for Q1 2023 reflect strong growth in NOI. Gross rental income has been on an upward trend for the last several quarters.

Energy prices are the ultimate deciders of changes in operating costs. The Fund has concluded a contract for 50% of its energy needs at good prices starting from Q3 2023.

In Q1 2023, all the properties in the Lithuanian market outperformed prior year results. Almost all properties in Lithuania had lease extensions or new leases signed. The Fund's leasing efforts are now mostly focused on Europa and Meraki following the completion of these (re)development projects.

During Q1 2023, the average direct property yield remained stable and was 5.3% (Q4 2022: 5.2%). The average net initial yield was 5.1% (Q4 2022: 5.1%). The average occupancy level for Q1 2023 was 85.2% (Q4 2022: 86.9%). The occupancy rate as of 31 March 2023 was 82.4% (31 December 2022: 87.2%) due lower occupancy at Northstar and Europa SC. Duetto II was fully leased out at the end of Q1 2023.



5
Properties

82.4%
Occupancy rate

52,882
Total leasable area (sq. m)

5.3%
Direct property yield

1.8m
Net rental income (EUR)

114.1m
Portfolio value (EUR)

FINANCIAL REPORT

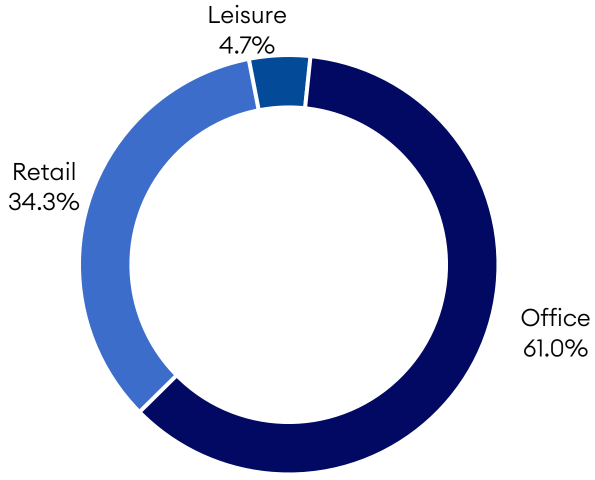
Financial position and performance of the Fund

Net result and net rental income

The Group recorded a net profit of EUR 22 thousand against EUR 1,996 thousand for Q1 2022. The net result was strongly impacted by the sale of the shares in BH Domus Pro UAB, which owns a retail park and an office building in Vilnius, Lithuania, which resulted in the loss on disposal of EUR 1.5 million. The net profit was also impacted by the increased financial expenses. The positive impact of the increase in net rental income was partly offset by non-recoverable property costs. Earnings per unit for Q1 2023 were EUR 0.00 (Q1 2022: EUR 0.02).

The Group earned net rental income of EUR 4.2 million in both Q1 2023 and Q1 2022. The results for 2023 include two months' net rental income of Domus Pro Retail and Office property (EUR 0.3 million), which was sold in February 2023. Rent indexations and the recovery of income improved the net rental income of the same portfolio mix (like-for-like portfolio).

Net rental income by segment



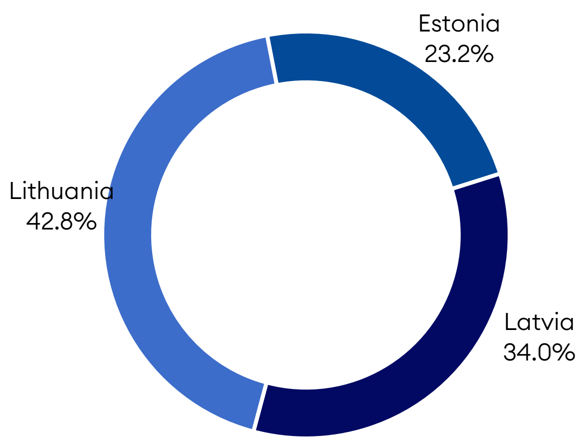
On an EPRA like-for-like basis, portfolio net rental income increased by 1.9% year on year, mainly due to higher performance in the office segment. The increase was also impacted by the relatively stable performance of the retail segment.

Portfolio properties in the office segment contributed 61.0% (Q1 2022: 58.4%) of net rental income in Q1 2023, followed by the retail segment with 34.3% (Q1 2022: 36.5%) and the leisure segment with 4.7% (Q1 2022: 5.1%).

Retail assets located in the central business districts (Postimaja, Europa and Galerija Centrs) accounted for 22.4% of total portfolio net rental income in Q1 2023. Total net rental income attributable to neighbourhood shopping centres was 11.9% in Q1 2023.

During 2023, investment properties in Lithuania and Latvia contributed 42.8% (Q1 2022: 37.1%) and 34.0% (Q1 2022: 42.6%) of net rental income, respectively, while investment properties in Estonia contributed 23.2% (Q1 2022: 20.3%).

Net rental income by country



Gross Asset Value (GAV)

At the end of Q1 2023, the Fund's GAV was EUR 321.3 million (31 December 2022: EUR 344.0 million), 6.6% lower than at the end of the previous period. The decrease is mainly related to the sale of the shares in BH Domus Pro UAB.

Investment properties

At the end of Q1 2023, the Baltic Horizon Fund portfolio consisted of 14 cash flow generating investment properties in the Baltic capitals. The fair value of the Fund's portfolio was EUR 309.0 million (31 December 2022: EUR 333.1 million) and incorporated a total net leasable area of 135,990 sq. m. During Q1 2023 the Group sold the Domus PRO buildings for approximately EUR 23.5 million, invested EUR 0.7 million in reconstruction project and EUR 0.3 million in the existing property portfolio.

Key earnings figures

EUR '000	Q1 2023	Q1 2022	Change (%)
Net rental income	**4,202**	**4,193**	**0.2%**
Administrative expenses	(736)	(659)	11.7%
Other operating income	10	7	42.9%
Losses on disposal of investment properties	(1,533)	-	-
Valuation gains (losses) on investment properties	(4)	(6)	(33.3%)
Operating profit	**1,939**	**3,535**	**(45.1%)**
Net financial expenses	(2,037)	(1,442)	41.3%
Profit before tax	**(98)**	**2,093**	**(104.7%)**
Income tax	120	(97)	23.7%
Net profit for the period	**22**	**1,996**	**(98.9%)**
Weighted average number of units outstanding (units)	119,635,429	119,635,429	-
Earnings per unit (EUR)	**0.00**	**0.02**	**-**

Key financial position figures

EUR '000	31.03.2023	31.12.2022	Change (%)
Investment properties in use	309,047	333,123	(7.2%)
Gross asset value (GAV)	**321,302**	**343,963**	**(6.6%)**
Interest-bearing loans and bonds	177,124	194,569	(9.0%)
Total liabilities	**187,835**	**210,308**	**(10.7%)**
IFRS Net asset value (IFRS NAV)	**133,467**	**133,655**	**(0.1%)**
EPRA Net Reinstatement Value (EPRA NRV)	**139,592**	**141,943**	**(1.7%)**
Number of units outstanding (units)	119,635,429	119,635,429	-
IFRS Net asset value (IFRS NAV) per unit (EUR)	**1.1156**	**1.1172**	**(0.1%)**
EPRA Net Reinstatement Value (EPRA NRV) per unit (EUR)	**1.1668**	**1.1865**	**(1.7%)**
Loan-to-Value ratio (%)	57.3%	58.4%	-
Average effective interest rate (%)	3.4%	3.0%	-

Interest-bearing loans and bonds

Interest-bearing loans and bonds (excluding lease liabilities) were EUR 177.1 million (31 December 2022: EUR 194.6 million). Outstanding bank loans decreased due to the repayment of part of the Domus Pro and Europa loans and regular bank loan amortisation. Annual loan amortisation accounted for 1.2% of total debt outstanding.

Cash flow

Cash inflow from core operating activities in 2023 amounted to EUR 2.9 million (Q1 2022: cash inflow of EUR 2.8 million). Cash inflow from investing activities was EUR 7.7 million (Q1 2022: cash outflow of EUR 4.6 million) due to the sale of the shares in BH Domus Pro UAB. Cash outflow from financing activities was EUR 8.5 million (Q1 2022: cash outflow of EUR 3.8 million). In Q1 2023, the Fund repaid the Domus Pro loan and part of the Europa loan, and paid regular interest on bank loans and bonds. In March 2023 the Fund repaid the Domus Pro loan (EUR 11.0 million) and repaid EUR 6.0 million of the Europa loan using the proceeds from the sale of the shares in BH Domus Pro UAB. At the end of Q1 2023, the Fund's consolidated cash and cash equivalents amounted to EUR 7.5 million (31 December 2022: EUR 5.3 million). Operating costs are fully covered by cash flows generated by rental activities.

Net Asset Value (NAV)

At the end of Q1 2023, the Fund's NAV was EUR 133.5 million (31 December 2022: EUR 133.7 million). Compared to the year-end 2022 NAV, the Fund's NAV decreased by 0.1%. The increase in operational performance was partially offset by a EUR 1.5 million loss from the disposal of the BH Domus Pro UAB shares. As of 31 March 2023, IFRS NAV per unit decreased to EUR 1.1156 (31 December 2022: EUR 1.1172), while EPRA net tangible assets and EPRA net reinstatement value was EUR 1.1668 per unit (31 December 2022: EUR 1.1865). EPRA net disposal value was EUR 1.1130 per unit (31 December 2022: EUR 1.1143).

FINANCING

The Fund currently aims to use a 50% 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 6 April 2023, S&P Global Ratings assigned the 'MM5' mid-market evaluation (MME) rating to Baltic Horizon Fund. The indicative corresponding rating for 'MM5' on the global rating scale is 'B / B+'. A full report of the S&P Global Ratings analysis can be found on the S&P Global Ratings website.

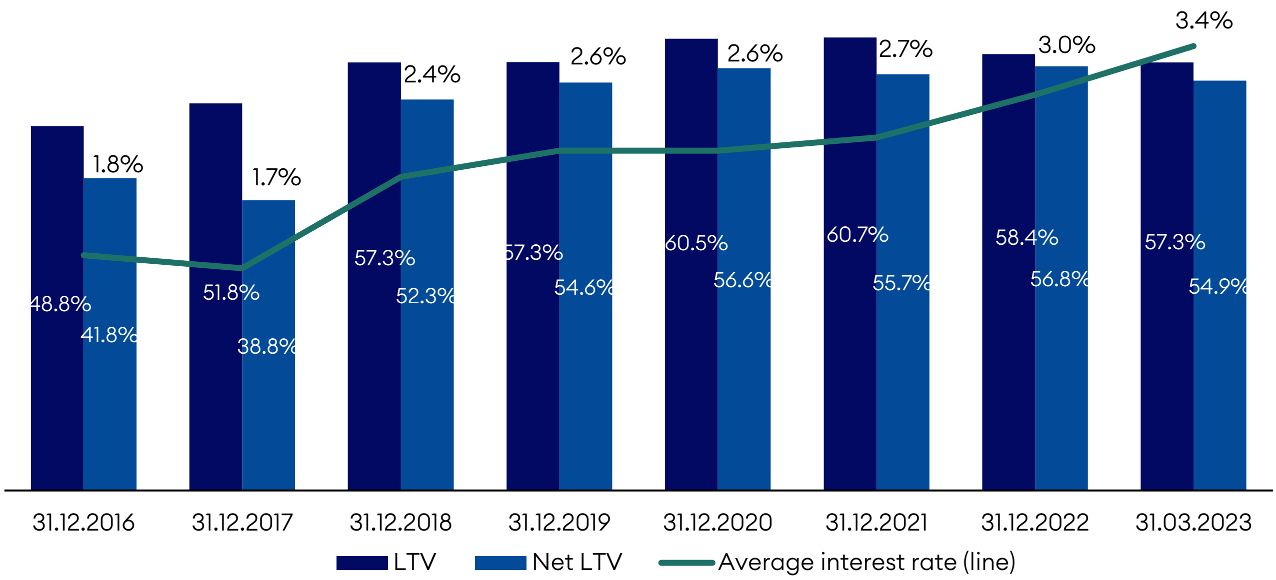
Extension of bank loans

During Q1 2023, the Group successfully extended its CC Plaza, Duetto and Sky SC loans with the same banks. The CC Plaza loan was extended until February 2026 and the Duetto loan was extended until February 2028. The Sky SC loan was increased by EUR 0.95 million and extended until January 2028.

Bank loans and bonds

During Q1 2023, regular bank loan amortisation increased to 1.2 % p.a. (EUR 1.8 million p.a.). As of the end of Q1 2023, the LTV ratio decreased and reached 57.3% (31 December 2022: 58.4%). The average interest rate as of 31 March 2023 increased to 3.4% (31 December 2022: 3.0%) following an increase in the EURIBOR. The management team is working to reduce LTV below 50% 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 March 2023. Interest-bearing debt was comprised of bank loans with a total carrying value of EUR 127.2 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 Q1 2023, the unamortised balance of loan arrangement costs for all loans and bonds was EUR 81 thousand.

Financial debt structure of the Fund as of 31 March 2023

Property	Maturity	Currency	Carrying amount (EUR '000)	% of total	Fixed rate portion (%)
Galerija Centrs	26 January 2024	EUR	30,000	16.9%	100.0%
Duetto I and II	31 March 2028	EUR	19,055	10.8%	-%
CC Plaza and Postimaja	12 February 2026	EUR	17,114	9.7%	100.5%
Europa SC	15 March 2024	EUR	8,400	4.7%	219.1%
Upmalas Biroji BC	31 August 2023	EUR	11,750	6.6%	90.0%
Vainodes I	13 November 2024	EUR	9,842	5.6%	50.0%
North Star	15 March 2024	EUR	9,000	5.1%	100.0%
LNK	27 September 2023	EUR	8,229	4.6%	70.5%
Lincona	31 December 2027	EUR	7,129	4.0%	-%
Pirita SC	20 February 2026	EUR	4,752	2.7%	-%
Sky SC	31 January 2028	EUR	1,934	1.1%	-%
Total bank loans		**EUR**	**127,205**	**71.8%**	**75.4%**
Less capitalised loan arrangement fees[1]		EUR	(74)		
Total bank loans recognised in the statement of financial position		**EUR**	**127,131**		
5-year unsecured bonds	8 May 2023	EUR	50,000	28.2%	100.0%
Total bonds		**EUR**	**50,000**	**28.2%**	**100.0%**
Less capitalised bond arrangement fees[1]		EUR	(7)		
Total bonds recognised in the statement of financial position		**EUR**	**49,993**		
Total debt recognised in the statement of financial position		**EUR**	**177,124**	**100.0%**	**88.2%**

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

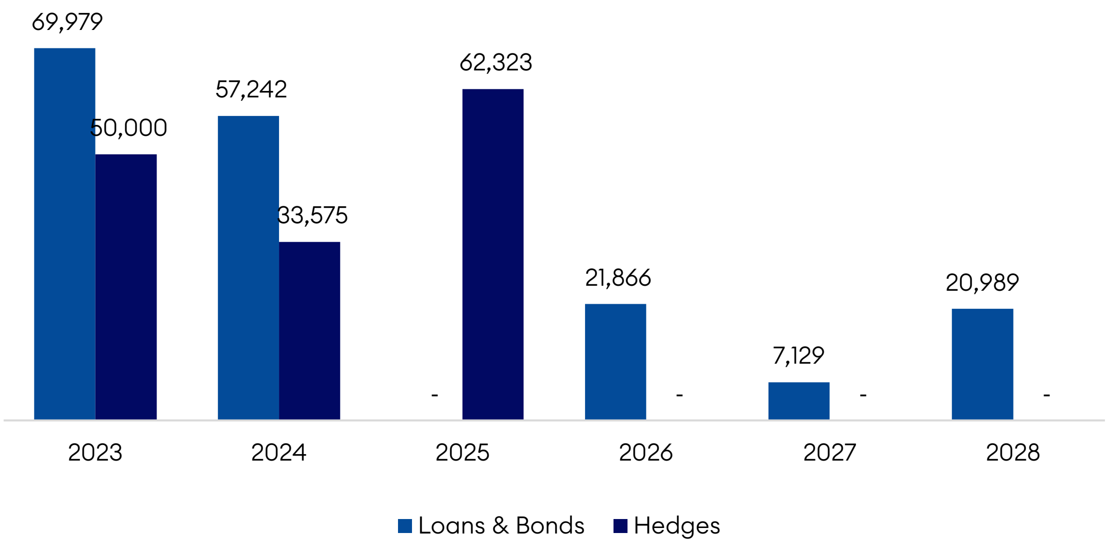
Weighted debt financing average time to maturity was 1.6 years and weighted hedge average time to maturity was 1.3 years at the end of Q1 2023.

Hedging policy and new hedges

As of 31 March 2023, 88.2% of total debt was hedged against interest rate risk while the remaining 11.8% 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 had a fixed coupon rate of 4.25%.

The graph below shows that as of 31 March 2023 around 71.8% of total debt financing matures in 2023-2024. However, during Q2 2023 the Fund refinanced the 5-year unsecured bonds.

Loans, bonds and hedges maturity terms
EUR'000



Covenant reporting

As of 31 March 2023, the Fund was in compliance with all the covenants set under the bond issue terms and conditions dated 8 May 2018.

As of 31 March 2023, 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 issued at the Fund level

Covenant	Requirement	Ratio 31.12.2021	Ratio 31.03.2022	Ratio 30.06.2022	Ratio 30.09.2022	Ratio 31.12.2022	Ratio 31.03.2023
Equity Ratio	> 35.0%	40.4%	39.7%	39.6%	39.2%	39.3%	42.3%
Debt Service Coverage Ratio	> 1.20	2.49	2.48	2.50	2.40	2.24	1.98

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.

The Group reports EPRA Earnings, EPRA NRV, NTA, NDV and EPRA LTV measures on a quarterly basis, while other EPRA measures are reported semi-annually.

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.

EPRA BPR GOLD

Key performance indicators – definition and use

EPRA Indicators	EPRA definition	EPRA purpose
EPRA Earnings	Earnings from operational activities	A key measure of a company’s underlying results and an indication of the extent to which current dividend payments are supported by earnings.
EPRA NRV	Assumes that entities never sell assets and aims to represent the value required to rebuild the entity.	Makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities of a real estate investment company, under different scenarios.
EPRA NTA	Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.	
EPRA NDV	Represents the shareholders’ value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.	
EPRA 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

	31.03.2023		
EUR '000	EPRA NRV	EPRA NTA	EPRA NDV
IFRS NAV	**133,467**	**133,467**	**133,467**
Exclude:			
V. Deferred tax liability on investment properties[1]	7,596	7,596	-
V. Deferred tax on fair value of financial instruments	97	97	-
VI. Fair value of financial instruments	(1,568)	(1,568)	-
Include:			
IX. Revaluation at fair value of fixed-rate loans	-	-	(317)
NAV	**139,592**	**139,592**	**133,150**
Fully diluted number of units	119,635,429	119,635,429	119,635,429
NAV per unit (EUR)	**1.1668**	**1.1668**	**1.1130**

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.

	31.12.2022		
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.

EPRA Earnings

EUR '000	Q1 2023	Q1 2022
Net result IFRS	**22**	**1,996**
Exclude:		
I. Changes in fair value of investment properties	4	6
II. Profits or losses on disposal of investment properties	1,533	-
VIII. Deferred tax in respect of EPRA adjustments	(120)	95
EPRA Earnings	**1,439**	**2,097**
Weighted number of units during the period	119,635,429	119,635,429
EPRA Earnings per unit	**0.01**	**0.02**

EPRA LTV

EUR '000	31.03.2023	31.12.2022
Net debt		
Include:		
Borrowings from financial institutions	127,205	144,682
Bond loans	50,000	50,000
Net payables	1,595	3,502
Exclude:		
Cash and cash equivalents	(7,495)	(5,347)
Net debt (A)	**171,305**	**192,837**
Property value		
Include:		
Investment properties at fair value	309,047	333,123
Total property value (B)	**309,047**	**333,123**
EPRA LTV (A/B)	**55.4%**	**57.9%**

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

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 March 2023, the market capitalisation for Baltic Horizon Fund was approx. EUR 66.8 million (31 December 2022: EUR 68.8 million) based on the closing unit market prices on the Nasdaq Tallinn Stock Exchange and the Nasdaq Stockholm Alternative Investment Funds market. During Q1 2023, 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 Q1 2023, the closing unit price on the Nasdaq Tallinn Stock Exchange was EUR 0.5583.

Key information

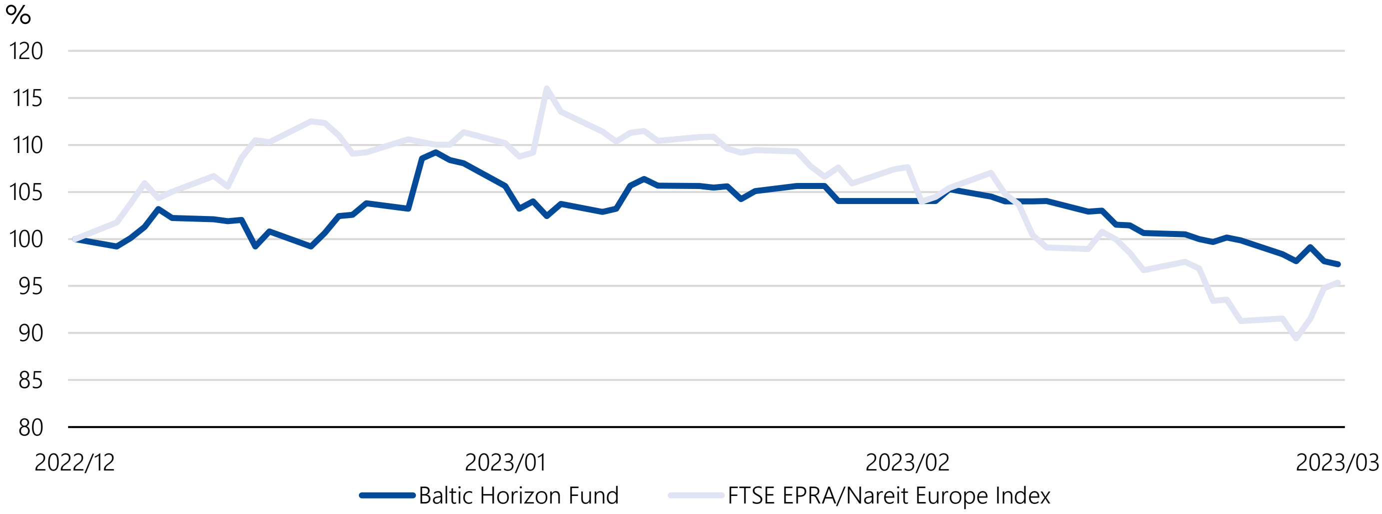
ISIN code	EE3500110244
Markets	Nasdaq Tallinn Nasdaq Stockholm
Ticker symbols:	
Nasdaq Tallinn	NHCBHFFT
Nasdaq Stockholm	NHCBHFFSDB
Bloomberg tickers:	
Nasdaq Tallinn	NHCBHFFT:ET
Nasdaq Stockholm	NHCBHFFS:SS

Key figures	31.03.2023	31.12.2022
Number of units issued (units)	119,635,429	119,635,429
Market capitalisation[1] (EUR)	66,792,460	68,790,372
IFRS NAV per unit (EUR)	1.1156	1.1172
Unit price discount from IFRS NAV per unit[2] (%)	(50.0%)	(48.5%)
EPRA NRV per unit (EUR)	1.1668	1.1865
Unit price discount from EPRA NRV per unit[3] (%)	(47.8%)	(51.5%)

Key figures	Q1 2023	Q1 2022
Nasdaq Tallinn:		
Highest unit price during the period (EUR)	0.6547	1.0689
Lowest unit price during the period (EUR)	0.501	0.9050
Closing unit price (EUR)	0.5583	0.9489
Nasdaq Stockholm:		
Highest unit price during the period (SEK)	6.4	11.42
Lowest unit price during the period (SEK)	5.4	9.50
Closing unit price (SEK)	5.76	9.80
Earnings per units during the period (EUR)	0.00	0.02
Distribution per unit for the period[4] (EUR)	-	0.013

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 Q1 2023 and Q1 2022 Fund results.

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

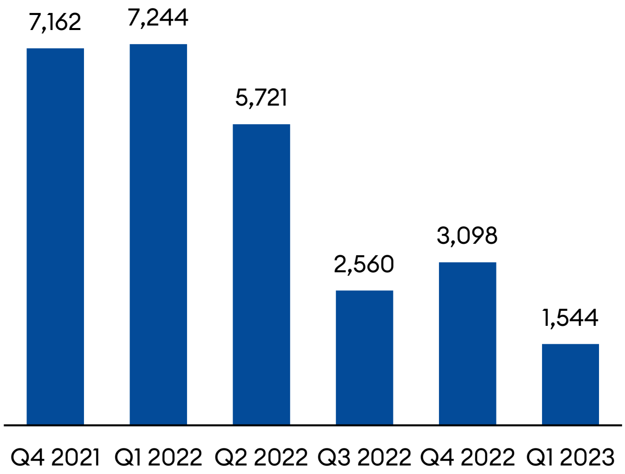


Baltic Horizon Fund's total shareholder return on unit in Q1 2023 amounted to -2.9%. Total shareholder return for a given period is equivalent to the movement in the unit price on the Nasdaq Tallinn Stock Exchange over the period plus dividends paid, divided by the opening unit price.

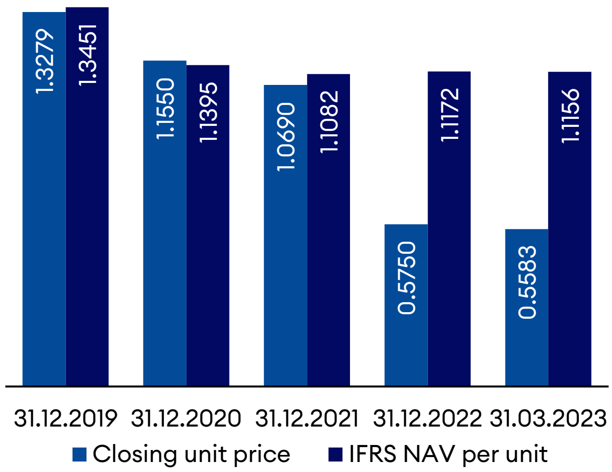
In Q1 2023, the Baltic Horizon Fund unit offered good liquidity. In total, 119,635,429 units were traded on the Nasdaq Tallinn and Nasdaq Stockholm stock exchanges, while the total 2022 fiscal year trading volume reached 1.5 million units. Market capitalisation of approx. EUR 66.8 million turns around in ca. 9.3 years on the Nasdaq Tallinn and Stockholm Stock Exchanges. Baltic Horizon Fund was the 20th most traded listed security on the Nasdaq Tallinn Stock Exchange during Q1 2023. The first graph below shows the Baltic Horizon Fund units' quarterly trading volume on the Nasdaq Tallinn and the Nasdaq Stockholm Stock Exchanges.

During Q1 2023, Baltic Horizon Fund units on the Nasdaq Tallinn Stock Exchange were mostly trading at a discount compared to the net asset value per unit. At the end of Q1 2023, units were traded at a 50.0% discount compared to the IFRS NAV per unit and 47.8% 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.

Quarterly trading volume on Nasdaq Tallinn and Stockholm Stock Exchanges
'000 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.

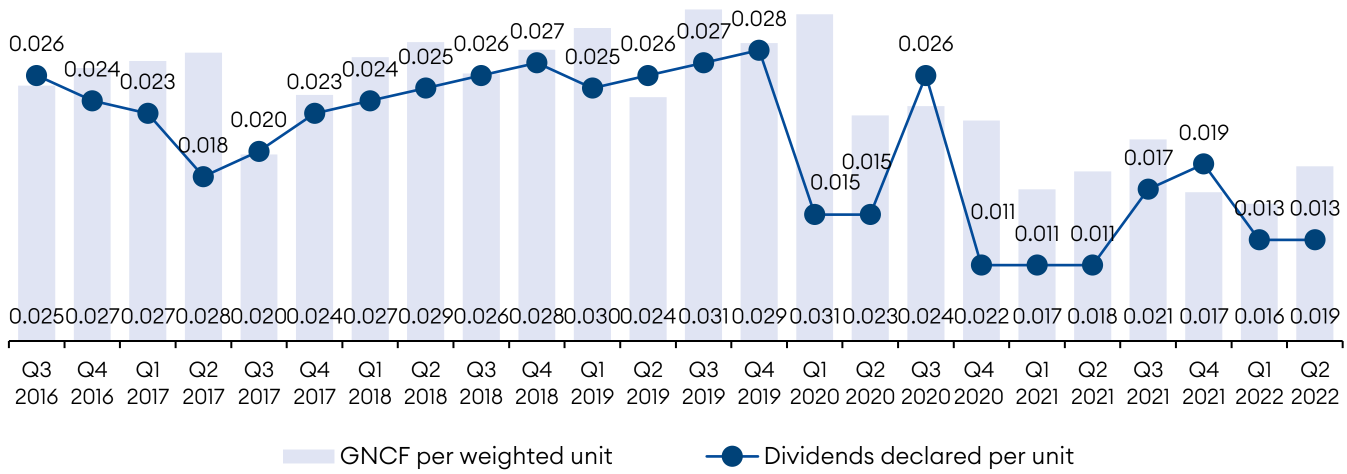
The Fund sets a target of dividend distributions to its unitholders in the range between 80% of generated net cash flow (GNCF) and net profit after unrealized P&L items are adjusted. The distribution is based on the Fund's short-term and long-term performance projections. Management has discretion to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

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. The decision for cash distributions for Q3 2022 – Q1 2023 results will be made by the Annual General Meeting on 2 June 2023.

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)	

Dividend per unit (EUR)



Dividend capacity calculation

EUR '000	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
(+) Net rental income	4,193	4,482	4,298	4,457	4,202
(-) Fund administrative expenses	(659)	(726)	(752)	(996)	(736)
(-) External interest expenses	(1,372)	(1,403)	(1,441)	(1,748)	(1,822)
(-) CAPEX expenditure[1]	(266)	(369)	(247)	(577)	(167)
(+) Extraordinary income related to investment properties[2]	-	261	-	-	-
(+) Added back listing related expenses	-	-	-	-	-
(+) Added back acquisition related expenses	1	5	-	-	-
Generated net cash flow (GNCF)	**1,897**	**2,250**	**1,858**	**1,136**	**1,477**
GNCF per weighted unit (EUR)	**0.016**	**0.019**	**0.016**	**0.009**	**0.012**
12-months rolling GNCF yield[3] (%)	**7.6%**	**8.0%**	**9.4%**	**10.4%**	**10.1%**
Dividends declared for the period	**1,555**	**1,555**	**-**	**-**	**-**
Dividends declared per unit[4] (EUR)	**0.013**	**0.013**	**-**	**-**	**-**
12-months rolling dividend yield[3] (%)	**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 (Q1 2023: closing market price of the unit as of 31 March 2023).
4. Based on the number of units entitled to dividends.

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.

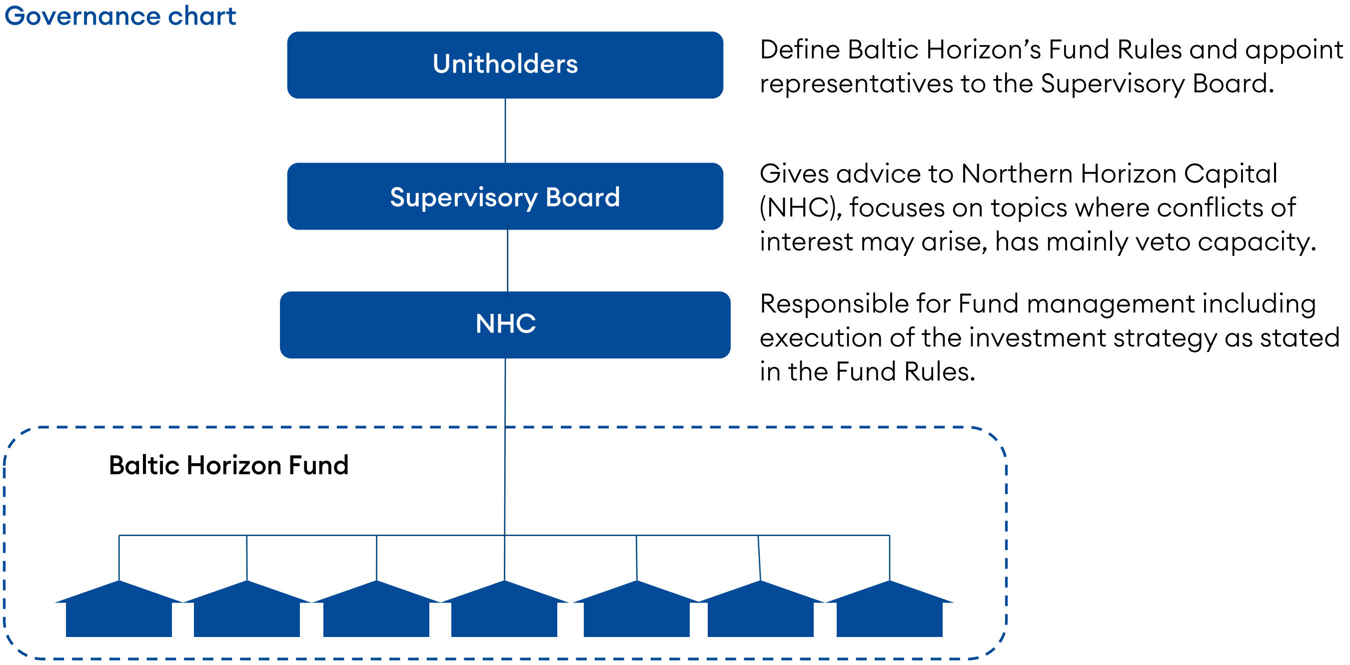
The Fund is managed by the Management Company, which is Northern Horizon Capital AS. The immediate team comprises of the Management Board, which is headed by the Fund Manager, and the Supervisory Board of the Management Company. The Fund also has its own Supervisory Board, which comprises of 4 independent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

RISK MANAGEMENT

The risk management function of the Fund is outsourced to a sister company of the Management Company: Northern Horizon Capital AIFM Oy, which is a licensed AIFM in Finland. The Risk Manager of the Fund is responsible for identifying the Fund's market risk portfolio, preparing proposals regarding market risk limits, monitoring the utilization of the limit and producing overall market risk analyses. The Risk Manager maintains a list of all risk management related instructions, monitors these compared to internationally recommended best practice, and initiates changes and improvements when needed. The Risk Manager reports to the Fund's boards on a regular basis. The Risk Manager assessed at the end of the reporting period that the Fund is currently in compliance with the intended risk management framework.

Principal risks faced by the Fund

Risk	Risk description
Market risk	The Fund is exposed to the office and retail markets in Riga, Tallinn, and Vilnius through its indirect investments in investment property (through subsidiaries). 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. 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.

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 is in conflict 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.

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

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.

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 starting Q3 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 the Galerija Centrs food hall, 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 city 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 has reached its goal to continuously reduce the leverage of the Fund and decrease the outstanding amount of bonds. In Q2 2023, the Fund refinanced its maturing EUR 50 million bond issue with a new bond issue of EUR 42 million. The Fund is considering disposing of additional assets in the portfolio to further reduce the outstanding bond amount and financial expenses. The Fund is targeting to gradually reduce the leverage to approx. 50% after all refinancing activities in the upcoming year.

Overall, sizeable rent indexations and the conclusion of new lease agreements should partially balance the growth in costs, which is attributable to rising interest rates and inflation. Multiple cost-saving strategies are being actively implemented throughout the Fund to limit the potential exposure to rising costs and maintain adequate operational profitability. 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 transactions and refinancing activities, maintaining a strong financial position 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.

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 condensed consolidated interim financial statements for the three months of 2023, 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 three months of the financial year and their effect on the condensed consolidated interim accounts.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

EUR '000	Notes	01.01.2023-31.03.2023	01.01.2022-31.03.2022
Rental income		5,274	4,959
Service charge income	5	1,442	1,304
Cost of rental activities	5	(2,514)	(2,070)
Net rental income	**4**	**4,202**	**4,193**
Administrative expenses	6	(736)	(659)
Other operating income		10	7
Losses on disposal of investment properties	10	(1,533)	-
Valuation losses on investment properties	10, 11	(4)	(6)
Operating profit		**1,939**	**3,535**
Financial expenses	7	(2,037)	(1,442)
Net financial expenses		**(2,037)**	**(1,442)**
Profit (loss) before tax		**(98)**	**2,093**
Income tax charge	4, 9	120	(97)
Profit for the period	**4**	**22**	**1,996**
Other comprehensive income that is or may be reclassified to profit or loss in subsequent periods			
Net gain (loss) on cash flow hedges	14b	(251)	721
Income tax relating to net gain (loss) on cash flow hedges	14b, 9	41	(64)
Other comprehensive income (expense), net of tax, that is or may be reclassified to profit or loss in subsequent periods		**(210)**	**657**
Total comprehensive income (expense) for the period, net of tax		**(188)**	**2,653**
Basic and diluted earnings per unit (EUR)	**8**	**0.00**	**0.02**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR '000	Notes	31.03.2023	31.12.2022
Non-current assets			
Investment properties	4, 10	309,047	333,123
Intangible assets		6	6
Property, plant and equipment		1	1
Derivative financial instruments	20	1,577	2,228
Total non-current assets		**310,631**	**335,358**
Current assets			
Trade and other receivables	12	2,247	2,693
Prepayments		292	273
Derivative financial instruments	20	637	292
Cash and cash equivalents	13	7,495	5,347
Total current assets		**10,671**	**8,605**
Total assets	**4**	**321,302**	**343,963**
Equity			
Paid in capital	14a	145,200	145,200
Cash flow hedge reserve	14b	1,471	1,681
Retained earnings		(13,204)	(13,226)
Total equity		**133,467**	**133,655**
Non-current liabilities			
Interest-bearing loans and borrowings	15	58,349	124,017
Deferred tax liabilities	9	5,203	7,490
Other non-current liabilities		998	1,240
Total non-current liabilities		**64,550**	**132,747**
Current liabilities			
Interest-bearing loans and borrowings	15	119,151	71,094
Trade and other payables	16	3,356	5,644
Income tax payable		1	10
Other current liabilities		777	813
Total current liabilities		**123,285**	**77,561**
Total liabilities	**4**	**187,835**	**210,308**
Total equity and liabilities		**321,302**	**343,963**

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 of 1 January 2022		**145,200**	**(829)**	**(11,787)**	**132,584**
Comprehensive income					
Net profit for the period		-	-	1,996	1,996
Other comprehensive income		-	657	-	657
Total comprehensive income		**-**	**657**	**1,996**	**2,653**
Transactions with unitholders					
Profit distribution to unitholders	14c	-	-	(2,273)	(2,273)
Total transactions with unitholders		**-**	**-**	**(2,273)**	**(2,273)**
As of 31 March 2022		**145,200**	**(172)**	**(12,064)**	**132,964**
As of 1 January 2023		**145,200**	**1,681**	**(13,226)**	**133,655**
Comprehensive income					
Net profit for the period		-	-	22	**22**
Other comprehensive expense	14b	-	(210)	-	**(210)**
Total comprehensive expense		**-**	**(210)**	**22**	**(188)**
As of 31 March 2023		**145,200**	**1,471**	**(13,204)**	**133,467**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR '000	Notes	01.01.2023-31.03.2023	01.01.2022-31.03.2022
Cash flows from core activities			
Profit before tax		**(98)**	**2,093**
Adjustments for non-cash items:			
Value adjustment of investment properties	10	4	6
Losses on disposal of investment properties	10	1,533	1
Change in impairment losses for trade receivables	12	(8)	109
Financial expenses	7	2,037	1,442
Working capital adjustments:			
Change in trade and other accounts receivable		185	(360)
Change in other current assets		(11)	(178)
Change in other non-current liabilities		15	82
Change in trade and other accounts payable		(662)	(5)
Change in other current liabilities		(36)	(417)
Income tax paid		(12)	-
Total cash flows from core activities		**2,947**	**2,773**
Cash flows from investing activities			
Proceeds from disposal of investment property		9,864	-
Investment property development expenditure		(810)	(2,067)
Capital expenditure on investment properties		(1,317)	(2,529)
Total cash flows from investing activities		**7,737**	**(4,596)**
Cash flows from financial activities			
Proceeds from bank loans		11,000	-
Repayment of bank loans		(17,478)	(149)
Profit distribution to unitholders	14c	-	(2,273)
Transaction costs related to loans and borrowings		(15)	(65)
Repayment of lease liabilities		(4)	(6)
Interest paid		(2,039)	(1,322)
Total cash flows from financing activities		**(8,536)**	**(3,815)**
Net change in cash and cash equivalents		**2,148**	**(5,638)**
Cash and cash equivalents at the beginning of the year		**5,347**	**16,100**
Cash and cash equivalents at the end of the period		**7,495**	**10,462**

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	31.03.2023	31.12.2022
BH Lincona OÜ	100%	100%
BOF SKY SIA	100%	100%
BH CC Plaza OÜ	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%
BH Domus Pro UAB	-	100%

2. Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Group’s latest consolidated annual financial statements as of and for the year ended 31 December 2022. These interim condensed consolidated financial statements do not include all of the information required in the complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are relevant to understanding the changes in the Group's financial position and performance since the last annual financial statements.

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

A number of new standards and amendments to standards are not effective for annual periods beginning on 1 January 2023 but their earlier application is permitted. However, the Group has not early adopted any of the new or amended standards in preparing these interim condensed consolidated financial statements.

3. Summary of significant account policies

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 reported item in the future. The assumptions and judgements applied in these interim condensed consolidated financial statements were the same as those applied in the Group's consolidated financial statements for the year ended 31 December 2022.

Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements for the year ended 31 December 2022.

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.

4. Operating segments

The Group's reportable segments are as follows:
- Retail segment – includes Europa Shopping Centre (Lithuania), Domus Pro Retail Park (Lithuania) (till 7 March 2023), 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), Upmalas Biroji (Latvia), Duetto I (Lithuania), Duetto II (Lithuania), Domus Pro stage III (Lithuania) (till 7 March 2023), 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 March 2023

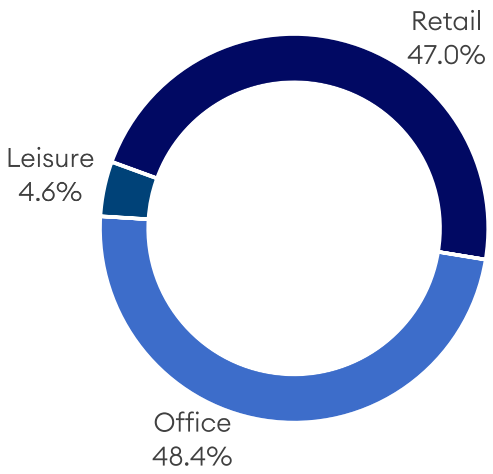
EUR '000	Retail	Office	Leisure	Total segments
01.01.2023-31.03.2023:				
External revenue[1]	3,274	3,172	270	6,716
Segment net rental income	**1,443**	**2,561**	**198**	**4,202**
Net loss from fair value adjustment	-	(4)	-	(4)
Interest expenses[2]	(695)	(537)	(53)	(1,285)
Income tax expenses	209	(89)	-	120
Segment net profit (loss)	**(629)**	**1,707**	**150**	**1,228**
As of 31.12.2023:				
Segment assets	**149,334**	**154,076**	**14,812**	**318,222**
Investment properties[3]	145,168	149,483	14,396	309,047
Segment liabilities	**61,359**	**69,314**	**6,115**	**136,788**

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 1,020 thousand). Please refer to note 10.

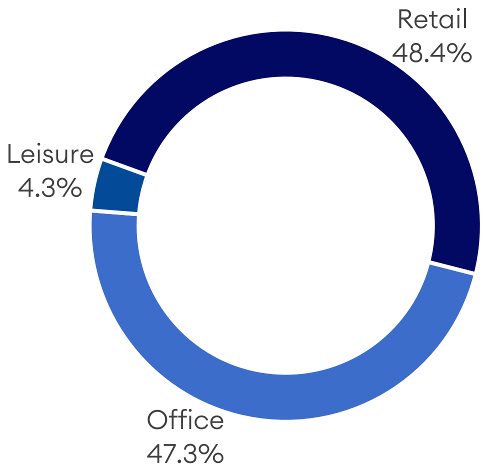
EUR ’000	Retail	Office	Leisure	Total segments
01.01.2022-31.03.2022:				
External revenue[1]	3,144	2,877	242	6,263
Segment net rental income	**1,529**	**2,450**	**214**	**4,193**
Net loss from fair value adjustment	(3)	(3)	-	(6)
Interest expenses[2]	(437)	(385)	(19)	(841)
Income tax expenses	(21)	(76)	-	(97)
Segment net profit	**1,006**	**1,898**	**192**	**3,096**
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 10 and 11 for more information.

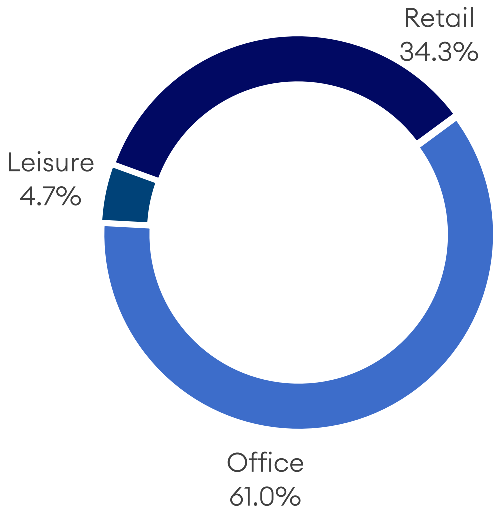
Investment properties as of 31 March 2023*



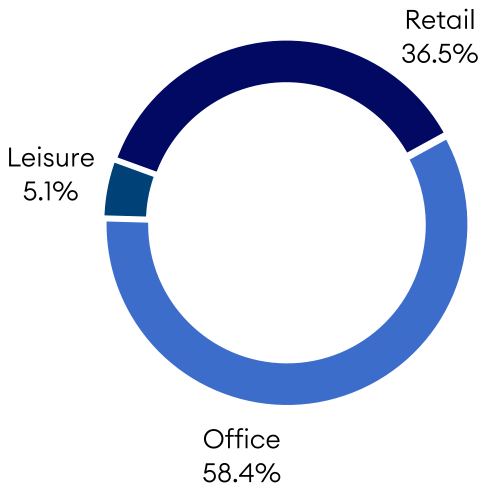
Investment properties as of 31 December 2022*



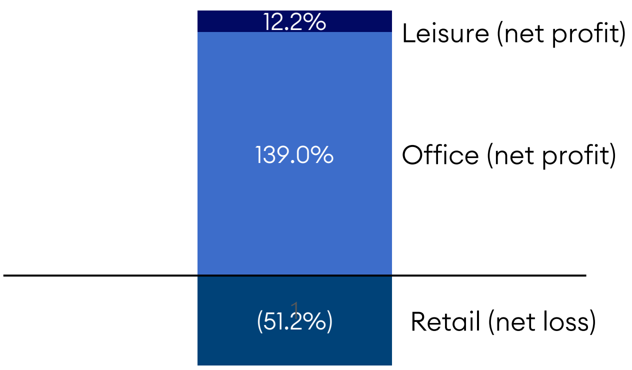
Segment net rental income for Q1 2023*



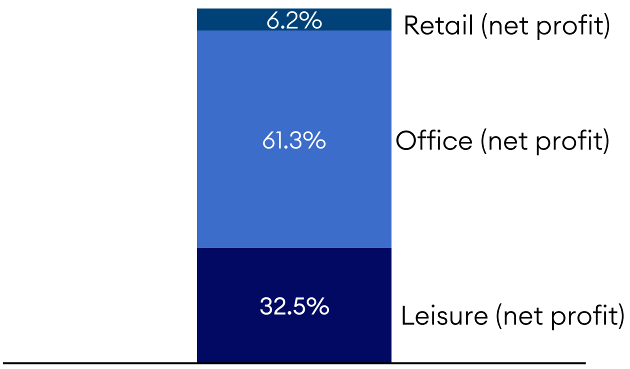
Segment net rental income for Q1 2022*



Segment net profit (loss) for Q1 2023*



Segment net profit (loss) for Q1 2022*



*As a percentage of the total for all reportable segments

Reconciliation of information on reportable segments to IFRS measures

Operating segments – 31 March 2023

EUR '000	Total reportable segments	Adjustments	Consolidated
01.01.2023 – 31.03.2023			
Net profit	**1,228**	(1,206)[1]	**22**
As of 31.03.2023:			
Segment assets	**318,222**	3,080[2]	**321,302**
Segment liabilities	**136,788**	51,047[3]	**187,835**

1. Segment net profit for Q1 2023 does not include Fund management fee (EUR 387 thousand), bond interest expenses (EUR 537 thousand), bond arrangement fee amortisation (EUR 17 thousand), Fund custodian fees (EUR 17 thousand), and other Fund-level administrative expenses (EUR 248 thousand).
2. Segment assets do not include cash, which is held at the Fund level (EUR 3,080 thousand).
3. Segment liabilities do not include liabilities related to a bond issue at the Fund level (EUR 49,993 thousand), accrued bond coupon expenses (EUR 313 thousand), management fee payable (EUR 599 thousand), and other short-term payables (EUR 142 thousand) at the Fund level.

Operating segments – 31 March 2022

EUR '000	Total reportable segments	Adjustments	Consolidated
01.01.2022 – 31.03.2022:			
Net profit	**3,096**	(1,100)[1]	**1,996**
As at 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 Q1 2022 does not include Fund management fee (EUR 388 thousand), bond interest expenses (EUR 531 thousand), bond arrangement fee amortisation (EUR 17 thousand), Fund custodian fees (EUR 17 thousand), and other Fund-level administrative expenses (EUR 147 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.

Geographic information

	External revenue		Investment property value	
EUR '000	01.01.2023-31.03.2023	01.01.2022-31.03.2022	31.03.2023	31.12.2022
Lithuania	2,698	2,472	114,105	138,961
Latvia	2,734	2,593	129,628	128,862
Estonia	1,284	1,198	65,314	65,300
Total	**6,716**	**6,263**	**309,047**	**333,123**

Major tenant

No single lease accounted for more than 10% of the Group's total revenue. Rental income from one lease concluded with a tenant in the office segment represented EUR 319 thousand for Q1 2023 (EUR 300 thousand for Q1 2022).

5. Cost of rental activities

EUR '000	01.01.2023 - 31.03.2023	01.01.2022- 31.03.2022
Repair and maintenance	893	760
Utilities	537	310
Property management expenses	341	373
Real estate taxes	297	261
Sales and marketing expenses	274	133
Property insurance	36	24
Allowance (reversal of allowance) for bad debts	(8)	109
Other	144	100
Total cost of rental activities	**2,514**	**2,070**

Part of the total cost of rental activities (mainly utilities and repair and maintenance expenses) was recharged to tenants: EUR 1,442 thousand during period ended 31 March 2023 (EUR 1,304 thousand during period ended 31 March 2022).

6. Administrative expenses

EUR '000	01.01.2023 - 31.03.2023	01.01.2022 - 31.03.2022
Management fee	387	388
Legal fees	146	25
Consultancy fees	23	28
Fund marketing expenses	31	38
Audit fee	31	39
Custodian fees	17	17
Supervisory board fees	12	12
Other administrative expenses	89	112
Total administrative expenses	**736**	**659**

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 has been calculated starting from 1 January 2017. The performance fee first become payable in the fifth year of the Fund (i.e. 2020). Transactions with related parties are disclosed in note 18.

7. Financial expenses

EUR '000	01.01.2023 - 31.03.2023	01.01.2022 - 31.03.2022
Interest on external loans and borrowings	1,818	1,367
Loan arrangement fee amortisation	48	67
Interest on lease liabilities	4	5
Other financial expenses	167	3
Total financial expenses	**2,037**	**1,442**

8. 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 attributable to the unitholders of the Fund:

EUR '000	01.01.2023 - 31.03.2023	01.01.2022- 31.03.2022
Profit for the period, attributed to the unitholders of the Fund	22	1,996
Profit for the period, attributed to the unitholders of the Fund	**22**	**1,996**

Weighted-average number of units:

	01.01.2023 - 31.03.2023	01.01.2022 - 31.03.2022
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:

	01.01.2023 - 31.03.2023	01.01.2022- 31.03.2022
Basic and diluted earnings per unit*	0.00	0.02

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

9. 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 the three-month period ended 31 March 2023 was minus 122.4% (three-month period ended 31 March 2022: 4.6%).

As of 31 March 2023, the Group had tax losses of EUR 2,521 thousand (31 December 2022: EUR 2,662 thousand) that are available indefinitely for offset against future taxable profits of the Lithuanian companies in which the losses arose. The deferred tax liability arising from the revaluation of derivative instruments to fair value amounted to EUR 97 thousand as of 31 March 2023 (31 December 2022: liability of EUR 156 thousand). As of 31 March 2023, deferred tax liabilities on the difference between investment property fair and tax value and other deferred tax liabilities amounted to EUR 7,627 thousand (31 December 2022: EUR 9,996 thousand). Deferred tax is only applicable to the Fund's subsidiaries in Lithuania.

The major components of income tax for the periods ended 31 March 2023 and 2022 were as follows:

EUR '000	01.01.2023 - 31.03.2023	01.01.2022 - 31.03.2022
Consolidated statement of profit or loss		
Current income tax for the period	-	(2)
Deferred tax for the period	120	(95)
Income tax income (expense) reported in profit or loss	**120**	**(97)**
Consolidated statement of other comprehensive income		
Deferred income tax related to items charged or credited to equity:		
Revaluation of derivative instruments to fair value	41	(64)
Income tax reported in other comprehensive income	**41**	**(64)**

10. Investment property

EUR '000	31.03.2023	31.12.2022
Balance at 1 January	**333,123**	**315,959**
Development and refurbishment expenditure	853	5,894
Capital expenditure	167	1,459
Reclassification from investment property under construction	-	17,194
Disposals	(24,930)	(4,393)
Net revaluation loss on investment property	-	(2,956)
Additions to right-of-use assets (new leases)	15	-
Derecognition of right-of-use assets	(177)	-
Net revaluation loss on right-of-use assets	(4)	(34)
Closing balance	**309,047**	**333,123**
Closing balance excluding right-of-use assets	**308,671**	**332,581**

Disposals

On 6 March 2023, the Group disposed of the Domus Pro Complex located in Vilnius, Lithuania, in a share deal. The share price was calculated based on an asset price of EUR 23.5 million. The book value of the asset was EUR 24.9 million. The transaction resulted in a net loss of EUR 1.5 million.

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.

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.

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 as at 31 December 2022, increased by right-of-use assets and subsequent capital expenditure.

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
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

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

The table below sets out information about significant unobservable inputs used at 31 March 2023 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%	An increase in exit yield in isolation would result in a lower value of Investment property.
		Discount rate	2022: 7.7% - 9.3%	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%	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%	An increase in long-term vacancy rate in isolation would result in a lower value of Investment property.

The book values of investment properties as of 31 March 2023 were as follows:

EUR '000	Total fair value Level 3
Latvia - Galerija Centrs (retail)	67,885
Lithuania – Europa (retail)	35,795
Estonia – Postimaja (retail)	26,715
Lithuania – North Star (office)	21,790
Latvia – Upmalas Biroji (office)	20,960
Lithuania – Duetto II (office)	20,253
Lithuania – Duetto I (office)	18,845
Latvia – Vainodes I (office)	18,010
Lithuania – Meraki (office)	17,422
Latvia – LNK Centre (office)	17,000
Estonia – Lincona (office)	15,203
Estonia – Coca-Cola Plaza (leisure)	14,396
Estonia – Pirita (retail)	9,000
Latvia – SKY (retail)	5,773
Total	**309,047**

11. Investment property under construction

EUR '000	31.03.2023	31.12.2022
Balance at 1 January	-	**11,400**
Additions	-	5,718
Reclassification to investment properties	-	(17,194)
Net revaluation gain	-	76
Closing balance	-	-

On 16 May 2018, the Fund completed the acquisition of land next to the Domus Pro retail park. In December 2019, the Group started construction and development works to build an office on the acquired land plot. On 6 February 2020, the Group signed a construction contract for the Meraki development project in Vilnius,

Lithuania. The land plot was initially recognised as an investment property but was reclassified to investment property under construction at the beginning of construction. As of 30 September 2022, the property including the land plot was reclassified to investment property.

12. Trade and other receivables

EUR '000	31.03.2023	31.12.2022
Trade receivables, gross	2,507	2,898
Less impairment allowance for doubtful receivables	(422)	(513)
Accrued income	73	257
Other accounts receivable	89	51
Total	**2,247**	**2,693**

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

As of 31 March 2023, trade receivables at a nominal value of EUR 417 thousand were fully impaired (EUR 513 thousand as of 31 December 2022).

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

EUR '000	31.03.2023	31.12.2022
Balance as of 1 January	(513)	(508)
Charge for the period	11	(139)
Amounts written off	80	105
Reversal of allowances recognised in previous periods	-	29
Balance at end of period	**(422)**	**(513)**

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

		Neither past due	Past due but not impaired				
EUR '000	Total	nor impaired	<30 days	30-60 days	60-90 days	90-120 days	>120 days
31.03.2023	**2,085**	1,198	266	161	139	176	145
31.12.2022	**2,385**	1,505	391	173	98	-	218

13. Cash and cash equivalents

EUR '000	31.03.2023	31.12.2022
Cash at banks and on hand	7,495	5,347
Total cash	**7,495**	**5,347**

As of 31 March 2023, the Group had to keep at least EUR 450 thousand (31 December 2022: EUR 350 thousand) of cash in its bank accounts due to certain restrictions in bank loan agreements.

14. Equity
14a. Paid in capital

The units are currently 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. As of 31 March 2023, the total number of the Fund's units was 119,635,429 (31 December 2022: 119,635,429). Units issued are presented in the table below:

EUR '000	Number of units	Amount
As of 1 January 2023 and 31 March 2023	**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 of ten days before the general meeting is held.

Subsidiaries did not hold any units of the Fund as of 31 March 2023 and 31 December 2022.

The Fund did not hold its own units as of 31 March 2023 and 31 December 2022.

14b. 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 March 2023 and 31 December 2022. Please refer to note 20 for more information.

EUR '000	31.03.2023	31.12.2022
Balance at the beginning of the year	**1,681**	**(829)**
Movement in fair value of existing hedges	(251)	2,746
Movement in deferred income tax (note 9)	41	(236)
Net variation during the period	**(210)**	**2,510**
Balance at the end of the period	**1,471**	**1,681**

14c. Dividends (distributions)

EUR '000	01.01.2023-31.03.2023	01.01.2022-31.03.2022
Declared during the period	-	(2,273)
Total distributions made	**-**	**(2,273)**

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

15. Interest-bearing loans and borrowings

EUR '000	Maturity	Effective interest rate	31.03.2023	31.12.2022
Non-current borrowings				
Bank 1[1]	Jan 2028	3M EURIBOR + 2.10%	1,928	1,962
Bank 1	Mar 2024	3M EURIBOR + 1.90%	-	14,380
Bank 1	Mar 2024	3M EURIBOR + 1.90%	-	10,987
Bank 1	Mar 2024	6M EURIBOR + 2.65%	-	8,991
Bank 1	Nov 2024	3M EURIBOR + 1.55%	9,828	9,826
Bank 1	Feb 2026	6M EURIBOR + 1.90%	4,748	4,789
Bank 2	Jan 2024	6M EURIBOR + 3.10%	-	29,988
Bank 4[2]	Feb 2026	6M EURIBOR + 1.38%	17,106	17,199
Bank 4[3]	Mar 2028	6M EURIBOR + 2.15%	19,055	19,244
Bank 1	Dec 2027	6M EURIBOR + 1.40%	7,128	7,188
Lease liabilities			376	542
Less current portion of bank loans and bonds			(1,803)	(1,046)
Less current portion of lease liabilities			(17)	(33)
Total non-current debt			**58,349**	**124,017**
Current borrowings				
Unsecured bonds	May 2023	4.25%	49,993	49,976
Bank 1	Mar 2024	6M EURIBOR + 2.65%	8,993	-
Bank 1	Mar 2024	3M EURIBOR + 3.90%	8,381	-
Bank 2	Jan 2024	6M EURIBOR + 3.10%	29,991	-
Bank 3	Aug 2023	1M EURIBOR + 1.55%	11,749	11,747
Bank 1	Sep 2023	3M EURIBOR + 1.75%	8,224	8,292
Current portion of non-current bank loans and bonds			1,803	1,046
Current portion of lease liabilities			17	33
Total current debt			**119,151**	**71,094**
Total			**177,500**	**195,111**

1. The loan was refinanced on 30 January 2023 with the same bank.
2. The loan was refinanced on 9 February 2023 with the same bank.
3. The loan was refinanced on 17 February 2023 with the same bank.

Financial covenants for bank loans

As of 31 March 2023, 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.

Loan and bond securities

Borrowings received were secured with the following pledges and securities as of 31 March 2023:

	Mortgages of the property*	Second rank mortgages for derivatives	Cross-mortgage	Commercial pledge of the entire assets
Bank 1	Lincona, SKY, Europa, LNK, Vainodes I, North Star and Pirita	Europa, 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 10 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	North Star and Baltic Horizon Fund for Europa bank loan; Domus Pro and Europa for North Star bank loan; Vainodes I for LNK bank loan, LNK for Vainodes I bank loan	Lincona, SKY and Europa	BH Northstar UAB	Europa, 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

16. Trade and other payables

EUR '000	31.03.2023	31.12.2022
Trade payables	968	2,326
Payables related to Meraki development	778	1,588
Management fee payable	599	491
Accrued financial expenses	395	472
Tax payables	195	363
Accrued expenses	171	217
Other payables	250	187
Total trade and other payables	**3,356**	**5,644**

As of 31 March 2023, the Fund had a payable in the amount of EUR 778 thousand for the construction costs of the Meraki development project as per the construction contract signed on 6 February 2020. There are no other payables related to the Meraki construction works.

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.

17. Commitments and contingencies

17a. Litigation

As of 31 March 2023, there was no ongoing litigation, which could materially affect the consolidated financial position of the Group.

17b. Contingent assets

The Group did not have any contingent assets as of 31 March 2023.

17c. Contingent liabilities

According to BH Domus Pro UAB Share Sale and Purchase agreement, the Group issued an NOI guarantee to the buyer for 2023 and 2024 and a guarantee on prolongation of the anchor tenant lease agreement. The maximum potential liability arising from these guarantees is capped at EUR 500 thousand each. At the date of this report, no guarantee amounts were paid under the guarantee regime.

The Group did not have any other contingent liabilities as of 31 March 2023.

18. 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 6).

The Group's transactions with related parties during Q1 2023 and Q1 2022 were the following:

EUR '000	01.01.2023-31.03.2023	01.01.2022-31.03.2022
Northern Horizon Capital AS group		
Management fees	387	388

The Group's balances with related parties as of 31 March 2023 and 31 December 2022 were the following:

EUR '000	31.03.2023	31.12.2022
Northern Horizon Capital AS group		
Management fees payable	599	491

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 became 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 March 2023.

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. The remuneration of the Supervisory Board of the Fund amounted to EUR 12 thousand during Q1 2023 (EUR 12 thousand during Q1 2022). Please refer to note 6 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 March 2023 and 31 December 2022 are presented in the tables below:

As of 31 March 2023

	Number of units	Percentage
Swedbank AB / Nordic Issuing AB clients	24,358,626	25.57%
Swedbank AB clients	15,022,880	15.77%
SEB Bank AB clients	14,909,517	15.65%
Raiffeisen Bank International AG clients	11,130,172	11.68%

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%

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

19. 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	31.03.2023	31.12.2022	31.03.2023	31.12.2022
Financial assets				
Trade and other receivables	2,247	2,693	2,247	2,693
Cash and cash equivalents	7,495	5,347	7,495	5,347
Derivative financial instruments	2,214	2,520	2,214	2,520
Financial liabilities				
Interest-bearing loans and borrowings				
Bank loans	(127,131)	(144,593)	(127,131)	(144,593)
Bonds	(49,993)	(49,976)	(50,310)	(50,318)
Trade and other payables	(3,356)	(5,644)	(3,356)	(5,644)
Derivative financial instruments	-	-	-	-

Fair value hierarchy

Quantitative disclosures of the Group's financial instruments in the fair value measurement hierarchy as of 31 March 2023 and 31 December 2022:

As of 31 March 2023

EUR '000	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Trade and other receivables	-	-	2,247	2,247
Cash and cash equivalents	-	7,495	-	7,495
Derivative financial instruments	-	2,214	-	2,214
Financial liabilities				
Interest-bearing loans and borrowings				
Bank loans	-	-	(127,131)	(127,131)
Bonds	-	-	(50,310)	(50,310)
Trade and other payables	-	-	(3,356)	(3,356)

As of 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)

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 March 2023, 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 rate +4.25%.
- Cash and cash equivalents are attributed to Level 2 in the fair value hierarchy.

20. 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 14b for more information.

Derivative type EUR '000	Starting date	Maturity date	Notional amount	Variable rate (received)	Fixed rate (paid)	Fair value	
						31.03.2023	31.12.2022
IRS	Nov 2016	Aug 2023	10,575	1M EURIBOR	0.26%	130	180
IRS	Jan 2019	Sep 2023	5,800	3M EURIBOR	0.32%	82	112
IRS	May 2018	Apr 2024	4,920	3M EURIBOR	0.63%	143	166
IRS	Mar 2018	Aug 2024	18,402	3M EURIBOR	0.73%	640	727
CAP	Aug 2024	Aug 2025	17,900	3M EURIBOR	3.0%	110	124
CAP	Aug 2023	Aug 2024	10,575	1M EURIBOR	3.0%	74	76
CAP	Feb 2023	Feb 2024	17,200	6M EURIBOR	3.0%	69	81
CAP	Apr 2024	Apr 2025	4,921	3M EURIBOR	3.0%	32	35
CAP	Sep 2023	Sep 2024	5,800	3M EURIBOR	3.0%	43	44
CAP	Aug 2022	Mar 2024	3,500	3M EURIBOR	2.0%	46	51
CAP	Aug 2022	Mar 2024	7,000	3M EURIBOR	2.0%	92	102
CAP	Mar 2024	Mar 2025	11,000	6M EURIBOR	3.0%	71	77
CAP	Oct 2022	May 2025	30,000	6M EURIBOR	3.0%	406	437
CAP	Sep 2022	Mar 2024	9,000	6M EURIBOR	1.0%	218	244
CAP	Mar 2024	Mar 2025	9,000	6M EURIBOR	3.0%	58	64
Derivative financial instruments, assets						**2,214**	**2,520**
Net value of financial derivatives						**2,214**	**2,520**

Derivative financial instruments were accounted for at fair value as of 31 March 2023 and 31 December 2022. The maturity of the derivative financial instruments of the Group is as follows:

Classification according to maturity EUR '000	Liabilities		Assets	
	31.03.2023	31.12.2022	31.03.2023	31.12.2022
Non-current	-	-	1,577	2,228
Current	-	-	637	292
Total	**-**	**-**	**2,214**	**2,520**

21. Subsequent events

On 8 May 2023, the Fund completed the subscription for its 5-year secured bonds of EUR 42 million. The bonds bear a fixed-rate coupon of 8.0% and a floating rate of 3-month EURIBOR payable quarterly. The transaction took place under the private placement regime. The bonds will be repaid in tranches: the first tranche of EUR 20 million will be repaid in 1 year from the issue date, the second tranche of EUR 22 million in 5 years from the issue date.

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

22. 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 (consolidated till 7 March 2023)	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 interim condensed consolidated financial statements of Baltic Horizon Fund were approved for issue by the Management Board of the Management Company on 9 May 2023.

Tarmo Karotam Chairman of the Management Board	Aušra Stankevičienė Member of the Management Board	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 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.

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.