INTERIM REPORT

Q1 2020

UNAUDITED CONDENSED CONSOLIDATED

INTERIM FINANCIAL STATEMENTS

FOR THE 3-MONTH PERIOD

ENDED 31 MARCH 2020

BALTIC HORIZON

CONTENTS

GENERAL INFORMATION ABOUT THE FUND

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 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 currently dual-listed on the Fund List of the Nasdaq Tallinn Stock Exchange and the Nasdaq Stockholm Alternative Investment Funds market.

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.

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 50% 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.

Key information

Fund name	Baltic Horizon Fund
Management Company	Northern Horizon Capital AS
Financial year	1 January – 31 December
Address of the Fund	Tornimäe 2 Tallinn 10145, Estonia
Type of fund	Contractual public closed-ended real estate fund
Style of fund	Core / Core plus
Market segment	Retail / Offices / Leisure
Life time / Investment stage	Evergreen
Stock exchanges	Nasdaq Tallinn Nasdaq Stockholm
Depositary	Swedbank AS
Auditor of the Fund	KPMG Baltics OÜ
Fund Manager	Tarmo Karotam
Management Board of the Management Company	Tarmo Karotam (Chairman) Aušra Stankevičienė Algirdas Vaitiekūnas

KEY FIGURES

EUR '000	Q1 2020	Q1 2019	Change (%)
Rental income	6,209	4,151	49.6%
Net rental income	5,772	3,916	47.4%
Operating profit	4,887	3,213	52.1%
Profit for the period	3,354	2,173	54.3%
Earnings per unit (EUR)	0.03	0.03	-
Generated net cash flow (GNCF)	3,496	2,336	49.7%
Dividends per unit (EUR) [1]	0.015	0.025	(40.0%)

1. The Fund reduced cash distribution for Q1 2020 due to COVID-19 outbreak. GNCF for Q1 2020 reached EUR 0.031 per unit.

EUR '000	31.03.2020	31.12.2019	Change (%)
Investment properties in use	356,666	356,575	0.0%
Investment property under construction	3,669	2,367	55.0%
Total assets	373,345	371,734	0.4%
Net asset value (Total equity)	152,532	152,518	0.0%
Interest bearing loans and borrowings	206,066	206,132	(0.0%)
Total liabilities	220,813	219,216	0.7%
IFRS NAV per unit (EUR)	1.3452	1.3451	0.0%
LTV (%)	57.1%	57.3%	-
Average cost of debt (%)	2.6%	2.6%	-

EUR '000	Q1 2020	Q1 2019	Change (%)
Properties[1]	16	14	14.3%
Net leasable area (sq. m.)	153,351	122,652	25.0%
Direct property yield (%)	6.7%	6.7%	-
Net initial yield (%)	6.5%	6.3%	-
Occupancy (%)	97.6%	97.3%	-
Average rent (EUR per sq. m.)	13.50	12.10	11.6%

1. Properties includes 15 established cash flow properties and the Meraki development project.

EUR '000	31.03.2020	31.12.2019	Change (%)
Number of units outstanding (units)	113,387,525	113,387,525	-
Closing unit price (EUR)	0.9999	1.3279	(24.7%)
Closing unit price (SEK)	10.90	14.00	(22.1%)
Market capitalisation (EUR)[1]	112,599,196	151,232,586	(25.5%)

1. Based on the closing prices and split between units on the Nasdaq Tallinn and the Nasdaq Stockholm Stock Exchanges.

EUR '000	Q1 2020	Q1 2019	Change (%)
EPRA Earnings	3,515	2,300	52.8%
EPRA Earnings per unit	0.03	0.03	-

EUR '000	31.03.2020	31.12.2019	Change (%)
EPRA NAV	162,697	162,514	0.1%
EPRA NAV per unit	1.4349	1.4333	0.1%
EPRA NNNAV	161,139	160,380	0.5%
EPRA NNNAV per unit	1.4211	1.4144	0.5%

SIGNIFICANT EVENTS IN Q1 2020

Quarterly cash distribution

On 19 February 2020, the Fund distributed EUR 3.18 million to investors (EUR 0.028 per unit). This equals approx. 2.16% of the Fund's Q4 2019 weighted average net asset value. The pay-out also represents a 8.0% rolling distribution yield for the past 12 months based on the closing unit price of the last day of Q4 2019 on the Nasdaq Tallinn Stock Exchange.

COVID-19

At the beginning of 2020 new coronavirus (COVID-19) started spreading all over the world, which has had an impact on businesses and economies, including in the Baltics. The virus outbreak has caused significant shifts in the Fund's operating environment, which will likely lead to a negative overall effect on the Fund's expected 2020 performance.

As the situation is uncertain and developing fast the Fund management team at this point is not yet able to assess the full financial consequences of the virus outbreak. The results of Q1 2020 remained largely unaffected by the pandemic and indicated a strong performance during the quarter. A significant impact on the Fund's operating performance will be visible in Q2 2020 as the first effects of the pandemic emerged at the end of March 2020.

In response to the COVID-19 outbreak, Northern Horizon Capital AS, the Management Company of the Fund, has taken assertive action to manage the risks arising from the pandemic and to protect the long-term value for the investors. The Management Company is focusing on optimizing operating costs and continuing active communication with the tenants to ensure long-term rent collection. The Fund has opted to retain approx. EUR 1.8 million of distributable cash flow for Q1 2020 results to strengthen the Fund's financial position. The Management Company will continue to actively monitor the economic impact of the pandemic and reassess future distribution levels depending on the upcoming operating results.

Risk management

On 20 March and 27 March 2020, the Fund published a press release on the stock exchange and the Fund's website stating the Fund's position, action plan and measures taken to mitigate the risks during the virus outbreak.

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

- We have active communication channels with our tenants and property managers who on a regular basis inform us of the measures they are taking to ensure their business continuity. We have agreed on regular updates on tenants' performance and any issues in relation to COVID-19;
- We have approached the developers and construction companies to inform us promptly of any interruptions in the supply chain of materials or any other potential delays in development projects. None have been reported thus far;
- There is a sufficient liquidity buffer in the form of the cash balance to meet financial obligations in case of worst case scenarios in 2020 including a second lockdown;
- We are continuously performing stress testing of debt covenants to be able to take any necessary measures in due time;
- The Management Company has initiated additional measures to protect the key staff of the Fund and ensure continuity: all employees are working remotely, all business travel is suspended, and the succession plan has been reviewed and updated.

Relief measures

The Fund is implementing a number of relief initiatives focused on alleviating the financial hardship of the most vulnerable group of tenants, whose operations were mostly severely affected by the outbreak. The Fund has agreed to grant rent payment deferral for a period of 90 days and waive all penalties and interest arising from the rent deferral for the most affected tenants.

Baltic Horizon Fund is having active negotiations with mainly retail tenants regarding rent reductions and waivers during the quarantine period, which will have a negative impact on the Fund's performance in Q2 2020. As of 15 May 2020, the Fund management has decided on various discounts for the quarantine period based on discussions with retail tenants. The Fund assessed the impact of COVID-19 on each tenant's operating performance during the lockdown and granted discounts to the most affected tenants. For those affected, the discounts from the Fund side on average are around 50% considering the government support measures and may be applicable only up until July 2020.

ECONOMIC OVERVIEW

The spread of COVID 19 is having a major impact on the global economy and many countries are heading for a recession. Swedbank economists forecast that in most EU countries GDP will fall by 3%-6%.

For the Nordics and the Baltic States, the situation remains equally challenging. A lockdown of the societies during the period from March to May has led to major consequences both in supply chains and consumer demand. Both governments and central banks have so far announced enormous support packages to combat the economic effect of the pandemic.

In the Baltics, considerable governmental economic measures have been taken to support businesses and individuals and according to Swedbank that will provide some ground for an economic rebound in H2 2020. In Estonia, the government plans to inject EUR 2 billion (7% of GDP) into the economy and take a loan of EUR 1 billion (ca 4% of GDP). The government has accumulated financial reserves of around 5% of its GDP. That accompanied by low public debt allows spending more during a recession. Similar levels of government support are expected to be made available in Latvia and Lithuania and any public sector deficits will be taken care of with the euro area government bond purchases by the ECB. In response to the coronavirus outbreak, the ECB has declared the launch of a new temporary asset purchase programme of private and public sector securities to counter the serious risks to the monetary policy transmission mechanism and the outlook for the euro area posed by the outbreak and escalating diffusion of COVID 19.

The new Pandemic Emergency Purchase Programme will have an overall envelope of EUR 750 billion. Purchases will be conducted until the end of 2020 and will include all the asset categories eligible under the existing asset purchase programme.

The ECB has declared to remain committed to playing its role in supporting all citizens of the euro area through this extremely challenging time. This applies equally to families, firms, banks, and governments.

The Governing Council of ECB is fully prepared to increase the size of its asset purchase programmes and adjust their composition, by as much as necessary and for as long as needed. It will explore all options and all contingencies to support the economy through this shock.

For the Baltic States, the GDP drop for 2020 is expected to be between 5-6% with a similar rebound estimated for 2021. Unemployment is expected to increase from historic lows of 4-6% to 8-9% and start recovering in 2021. Wage growth is expected to slow considerably as most companies cut back on bonuses, use of overtime work declines, and some companies reduce wages. CPI is expected to ease to 1% across the Baltics, mainly due to a drop in demand and the low global oil price.

PROPERTY REPORT

Portfolio and market overview

The diversified property portfolio of Baltic Horizon Fund consists of 15 cash flow generating properties, and one property under development in the search of an anchor tenant, 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 had a successful Q1 2020 before COVID-19 started impacting the Baltic economies. Net rental income of the portfolio on a like-for-like basis increased by 2.8% as compared to Q1 2019. The retail and office segments achieved healthy growth during Q1 2020 with a 2.7% and 2.6% increase in net rental income respectively. Occupancy uplift on a year-over-year basis and rent indexation also led to an outstanding like-for-like net rental income increase of 5.5% in the leisure segment. The virus outbreak at the end of Q1, however, caused significant shifts in the Fund's operating environment which will likely lead to a negative overall effect on the Fund's 2020 performance.

The Fund has implemented a number of relief initiatives focused on alleviating the financial hardship of the most vulnerable group of tenants, whose operations were most severely affected by the outbreak. The Fund has agreed to grant rent payment deferral for a period of 90 days and waive all penalties and interest arising from the rent deferral for the most affected tenants.

Furthermore, Baltic Horizon Fund is having active negotiations with mainly retail tenants regarding rent reductions and waivers during the quarantine period. The office segment of the portfolio, however, has remained strong.

During the quarantine period, in the office segment across the Baltics, many tenants assumed remote working disciplines where the nature of the job allowed it. Several tenants had employees work remotely already before the pandemic and looking ahead, especially SMEs intend to allow employees to work from home once the situation stabilizes on more flexible schedules (e.g. home Fridays). At the same time, it is also apparent from several interviews that employees are eager to return to the offices after the quarantine has ended as social interaction and collaboration in physical meetings are still highly valued.

According to a recent Colliers Baltic survey, office is currently the least suffering real estate segment and only a minority of companies are stopping their expansion plans fully. There were some office tenants who were concerned about a decrease in sales but also some who did not feel any negative impact or even experienced a positive influence in terms of new opportunities or a rising number of enquiries. In the search for higher efficiency, tenants however actively seek to lower the main cost items such as salaries which is likely to result in laying off least productive employees.

In Lithuania, all shopping centres including those owned by Baltic Horizon were ordered closed from 16 March until 23 April. The first weeks of May have started to show some recovery in footfall and turnovers but it is difficult to estimate the speed of further recovery going forward. Footfall decreases in Lithuanian Baltic Horizon shopping centres (YoY) were: March -44%; April -70%; 1-14 May -60%.

In Latvia, during the quarantine period, all stores, including shopping centres were allowed to open during weekdays but had to be closed on weekends. Grocery stores experienced an increase in sales but many smaller tenants were still forced to close entirely due to lack of customers. Footfall decreases in Baltic Horizon Latvian shopping centres (YoY) were: March -41%; April -73%; 1-14 May -69%.

Estonian government issued a decree to close all shopping centres from 27 March to 11 May. Going forward, sports clubs and swimming pools are allowed to open from 18 May. Cinemas and concerts with limited attendance numbers (500 max) are currently expected to be allowed from July onwards. Footfall decreases in Baltic Horizon Estonian shopping centres (YoY) were: March -43%; April -70%; 1-14 May -47%.

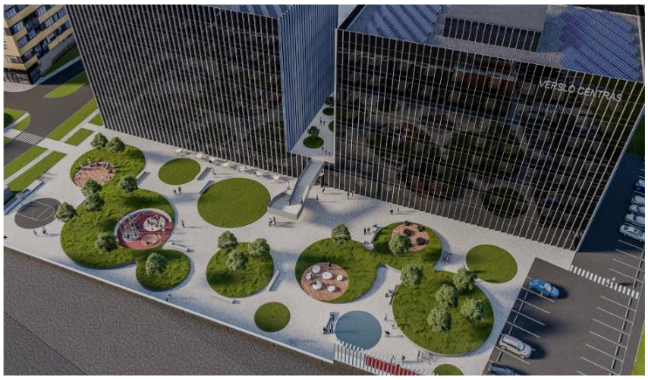
Since the shopping centres have been just recently reopened, credible information about how the footfalls and turnovers are recovering is not yet available. It is clear that economic and labour market conditions are likely to affect consumer confidence and spending throughout 2020. Sluggish levels of footfall and sales are expected during the summer in larger shopping centres. However, tenants are looking to liquidate their winter/spring stock now at discounted prices. Tenants are also actively cultivating their E-commerce solutions, but their share of total annual revenues remains below 10% for most. Stronger recovery in footfall and tenant turnovers is expected in H2 2020 when employees return from holidays back to the offices. This is likely to affect positively centrally located service and shopping centres which Baltic Horizon has in its portfolio.

Many retail tenants have been asking for rental relief measures including rent deferrals and discounts. Final solutions are to be coupled with the government support measures:

- In Estonia, government support for a single affected tenant would be capped at 25% of monthly rent provided that the landlord gives a rental discount of at least 25%, resulting in minimum savings of 50% to the tenant;
- In Lithuania, the government is considering compensation of 50% of the monthly rent if the landlord provides a rental discount of at least 30%, resulting in minimum savings to the tenant of 80%. Compensation is available for the lockdown period and 2 months after;
- No rent compensation mechanism for private businesses has yet been announced in Latvia but the real estate associations are planning to approach the government with a request for up to 40% of rental support for tenants.

Developments

Meraki



In 2018, the Fund completed the acquisition 0.87 hectares of land next to the Domus Pro complex. The plots were acquired with the goal to further expand the Domus Pro complex. The building permit received in Q4 2019 allows to build approx. 15,800 sq. m. of leasable office space along with a parking house. The construction preparations were started in Q4 2019.

On 6 February 2020, the Group signed a construction contract for the Meraki development project in Vilnius, Lithuania. The total capital commitment in respect of construction costs contracted amounts to EUR 2.5 million for the current construction phase. The total construction commitment could increase to EUR 22.9 million once the Fund approves all construction phases.

At the end of Q1 2020, 11% of net leasable area was pre-let to 3 local tenants and the management team is in negotiations to find additional anchor tenants for the property. The building is expected to be completed in Q1 2021. Meraki development costs amounted to EUR 3.7 million as of 31 March 2020, while the expected total development costs amount to EUR 26.5 million.

CC Plaza and Postimaja complex

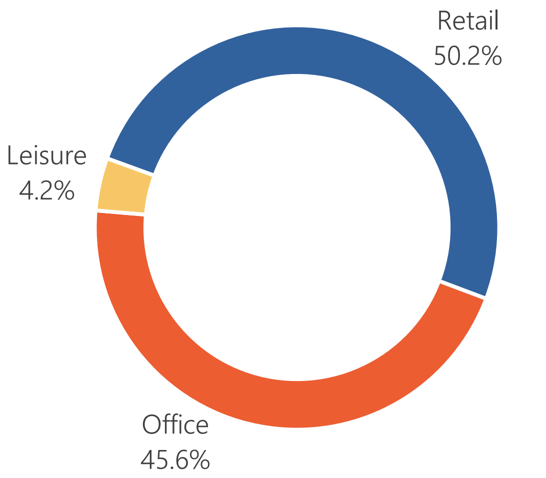
A final design and construction project was started in Q1 2020 for phase I of the CC Plaza and Postimaja expansion. A building permit to connect underground parking has been received from the City of Tallinn. Final concept details including tenant mix and a new name for the complex are being finalized. The final building permit is expected in H2 2020 and the start of construction in H1 2021.

Pirita SC

Pirita SC reconstruction project has been finalized and a building permit has been received for a small expansion. Tenant negotiations for the new premises are ongoing as the goal is to strengthen the tenant mix for Pirita SC to become an attractive local retail centre for its immediate catchment area. The expected start of works is in H2 2020.

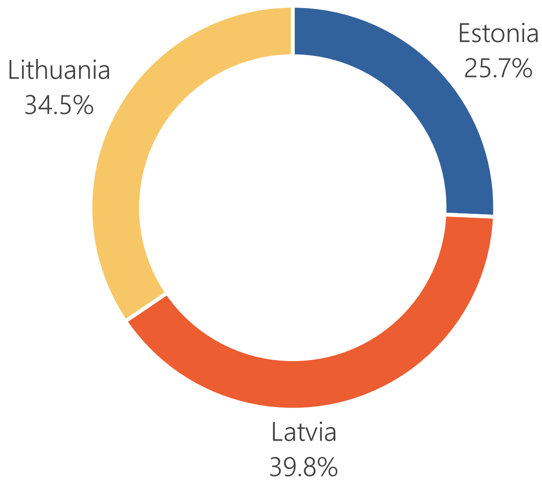
Property performance

Fund segment distribution as of 31 March 2020



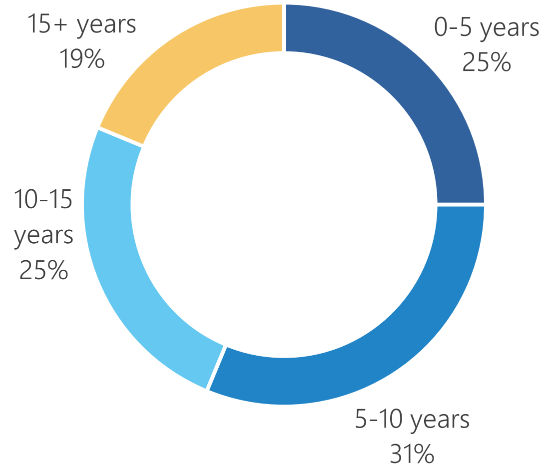
The Fund maintains a well-diversified mix of office, leisure, and retail buildings. At the end of Q1 2020, the portfolio was comprised of 50.2% retail assets, followed by 45.6% office assets and 4.2% leisure assets. Portfolio properties in the office segment contributed 49.2% of net rental income in Q1 2020 despite being attributable for only 45.6% of the Fund's asset allocation.

Fund country distribution as of 31 March 2020



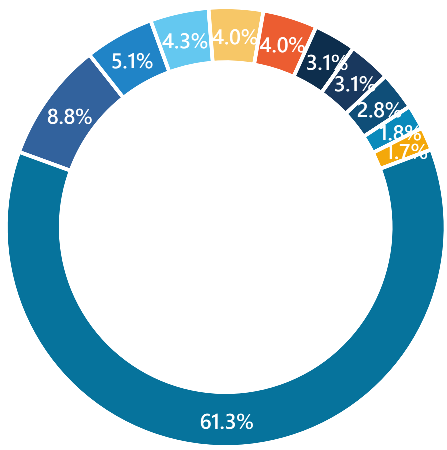
In terms of country distribution, in Q1 2020 Lithuania's share in the Fund's portfolio increased due to ongoing Meraki development works. At the end of Q1 2020, the Fund's assets were located as follows: 39.8% in Latvia, 34.5% in Lithuania and 25.7% in Estonia.

Fund portfolio by age as of 31 March 2020



The graph above shows the age of assets in the Fund's portfolio since construction or last major refurbishment. The management team is working on new development projects and expects to improve the Fund's average portfolio age in the future.

Rental concentration of the Fund's subsidiaries: 10 largest tenants as of 31 March 2020



1. Rimi Baltic	8.8%
2. Latvian State Forestry	5.1%
3. Forum Cinemas	4.3%
4. G4S	4.0%
5. SEB	4.0%
6. Intrum Group	3.1%
7. EMERGN	3.1%
8. Lithuania Tax Inspectorate	2.8%
9. Vilnius Heating Network	1.8%
10. New Yorker	1.7%
11. Others	61.3%

The tenant base of the Fund is well diversified. The rental concentration of the Fund's subsidiaries (rental income from the 10 largest tenants) is shown in the picture above with the largest tenant Rimi Baltic accounting for 8.8% 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.

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.

Overview of the Fund's investment properties as of 31 March 2020

Property name	Sector	Fair value[1] (EUR '000)	NLA (sq. m.)	Direct property yield[2]	Net initial yield[3]	Occupancy rate for Q1 2020
Vilnius, Lithuania						
Duetto I	Office	16,460	8,587	7.5%	6.8%	100.0%[4]
Duetto II	Office	18,935	8,674	7.3%	7.1%	100.0%[4]
Europa SC	Retail	40,721	16,856	6.2%	5.7%	95.1%
Domus Pro Retail Park	Retail	16,670	11,247	7.7%	7.2%	97.5%
Domus Pro Office	Office	7,740	4,831	8.7%	7.3%	100.0%
North Star	Office	20,104	10,550	7.0%	7.3%	100.0%
Meraki Development		3,669	-	-	-	-
Total Vilnius		**124,299**	**60,745**	**7.1%**	**6.6%**	**98.2%**
Riga, Latvia						
Upmalas Biroji BC	Office	24,209	10,458	7.5%	7.4%	100.0%
Vainodes I	Office	20,902	8,052	6.8%	6.9%	100.0%
LNK Centre	Office	17,007	7,453	6.4%	6.5%	100.0%
Sky SC	Retail	4,851	3,254	7.7%	8.0%	98.4%
Galerija Centrs	Retail	76,408	20,022	6.0%	5.9%	93.0%
Total Riga		**143,377**	**49,239**	**6.5%**	**6.4%**	**97.0%**
Tallinn, Estonia						
Postimaja & CC Plaza complex	Retail	32,250	9,145	4.5%	4.8%	95.6%
Postimaja & CC Plaza complex	Leisure	15,150	8,664	9.0%	7.1%	100.0%
G4S Headquarters	Office	17,550	9,179	7.8%	6.9%	100.0%
Lincona	Office	17,820	10,871	8.2%	7.3%	100.0%
Pirita SC	Retail	9,889	5,508	6.0%	7.5%	86.5%
Total Tallinn		**92,659**	**43,367**	**6.5%**	**6.3%**	**97.3%**
Total portfolio		**360,335**	**153,351**	**6.7%**	**6.5%**	**97.6%**

1. Based on the latest valuation as at 31 December 2019, subsequent capital expenditure and recognised right-of-use assets.
2. Direct property yield (DPY) is calculated by dividing NOI by the acquisition value and subsequent capital expenditure of the property.
3. The net initial yield (NIY) is calculated by dividing NOI by the market value of the property.
4. Effective occupancy rate is 100% due to a rental guarantee.

During Q1 2020, the average actual occupancy of the portfolio was 97.6% (Q4 2019: 98.0%). Taking into account all rental guarantees, the effective occupancy rate was 97.6% (Q4 2019: 98.0%). The occupancy rate as of 31 March 2020 was 97.4% (31 December 2019: 98.3%). The average direct property yield during Q1 2020 was 6.7% (Q4 2019: 6.6%). The net initial yield for the whole portfolio for Q1 2020 was 6.5% (Q4 2019: 6.4%). The increase in property yields is mainly related to the stronger like-for-like performance of the Estonian properties. The average rental rate for the whole portfolio for Q1 2020 was EUR 13.5 per sq. m.

Breakdown of NOI development

Property	Date of acquisition	2016	2017	2018	2019	Q1 2019	Q1 2020
Galerija Centrs	13 June 2019	-	-	-	2,552	-	1,123
Postimaja & CC Plaza complex	8 March 2013[1]	972	985	2,447	2,495	628	657
Europa SC	2 March 2015	2,360	2,365	2,332	2,467	643	574
Upmalas Biroji BC	30 August 2016	515	1,693	1,710	1,701	416	446
North Star	11 October 2019	-	-	-	315	-	364
Vainodes I	12 December 2017	-	75	1,463	1,462	360	363
Duetto II	27 February 2019	-	-	-	1,090	77	337
Lincona	1 July 2011	1,202	1,172	1,192	1,276	331	324
G4S Headquarters	12 July 2016	546	1,149	1,189	1,127	281	304
Domus Pro Retail	1 May 2014	1,103	1,185	1,160	1,132	287	300
Duetto I	22 March 2017	-	799	1,096	1,160	295	281
LNK Centre	15 August 2018	-	-	409	1,072	258	275
Pirita SC	16 December 2016	30	900	900	438	139	185
Domus Pro Office	1 October 2017	-	35	499	562	139	142
Sky SC	7 December 2013	425	410	407	370	62	97
Total portfolio		**7,153**	**10,768**	**14,804**	**19,219**	**3,916**	**5,772**

1. The Fund completed the acquisition of Postimaja SC on 13 February 2018.

The Fund's portfolio produced EUR 5.8 million of net operating income (NOI) during Q1 2020 (Q1 2019: EUR 3.9 million) corresponding to a strong increase of 47.4% over the year. 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 clear 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 2019 and Q1 2020. 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 31.03.2020	Net rental income Q1 2020	Net rental income Q1 2019	Change (EUR '000)	Change (%)
Like-for-like assets					
Retail	104,381	1,545	1,505	40	2.7%
Office	121,688	2,135	2,080	55	2.6%
Leisure	15,150	268	254	14	5.5%
Total like-for-like assets	**241,219**	**3,948**	**3,839**	**109**	**2.8%**
Acquired assets	115,447	1,824	77	1,747	2,268.8%
Development assets	3,669	-	-	-	-
Total portfolio assets	**360,335**	**5,772**	**3,916**	**1,856**	**47.4%**

Net rental income of the portfolio on a like-for-like basis increased by 2.8% or EUR 109 thousand in Q1 2020, as compared to Q1 2019. The retail and office segments achieved healthy growth during Q1 2020 with a 2.7% and 2.6% increase in net rental income respectively. Occupancy uplift on a year-over-year basis and rent indexation led to an outstanding like-for-like net rental income increase of 5.5% in the leisure segment. Assets in Latvia and Estonia recognised a strong increase in net rental income on a like-for-like basis, which was partially offset by the drop in the net rental income in Lithuania. Results of Lithuanian assets were significantly affected by the provisions made in relation to the lockdown, which started from 16 March 2020. Portfolio like-for-like rental income was positively affected by the rental growth in retail properties across Estonia and Latvia and operating cost reductions linked to the temporary lockdown of shopping centres in the Baltic States.

EPRA like-for-like net rental income by country

EUR '000	Fair value 31.03.2020	Net rental income Q1 2020	Net rental income Q1 2019	Change (EUR '000)	Change (%)
Like-for-like assets					
Estonia	92,659	1,470	1,379	91	6.6%
Latvia	66,969	1,181	1,096	85	7.8%
Lithuania	81,591	1,297	1,364	(67)	(4.9%)
Total like-for-like assets	**241,219**	**3,948**	**3,839**	**109**	**2.8%**
Acquired assets	115,447	1,824	77	1,747	2,268.8%
Development assets	3,669	-	-	-	-
Total portfolio assets	**360,335**	**5,772**	**3,916**	**1,856**	**47.4%**

Estonia

Portfolio properties based in Estonia started the year with a significant growth in the net rental income and improvement in the key portfolio metrics. During Q1 2020, the average direct property yield increased to 6.5% (Q4 2019: 6.1%), while the average net initial yield reached 6.3% (Q4 2019: 6.0%). The increase in yields and net rental income is mainly related to occupancy uplift in Postimaja and a significant reduction of operating expenses in Pirita SC. The average occupancy level for Q1 2020 was up to 97.3% (Q4 2019: 97.2%). At the end of Q1 2020, 3 out of the 5 properties in Estonia were fully leased to local and international tenants.

Latvia

Across all Baltic Horizon markets, the properties in Latvia achieved the highest relative net rental income growth due to the acquisition of the Fund's largest asset (Galerija Centrs) and outstanding performance of other Latvian properties. All Latvian properties recognized a like-for-like growth in the net rental income over the year resulting in a total increase of 7.8% for the Latvian market.

Galerija Centrs Shopping Centre average yields dropped slightly due to a decrease in turnover rents after end of high season (Christmas). As a result, the average direct property yield slipped to 6.5% during Q1 2020 (Q4 2019: 6.6%). The average net initial yield was 6.4% (Q4 2019: 6.5%). Latvian properties have development potential, which the Fund's management team aims to execute in the coming years in order to maximise the value of the properties.

During Q1 2020, the Fund terminated several lease agreements in Galerija Centrs to maximise long-term earning potential. The average occupancy level for Q1 2020 fell to 97.0% (Q4 2019: 98.3%) mostly due to the temporary vacancy in Galerija Centrs. At the end of March 2020, Galerija Centrs vacancy rate partially recovered as a result of newly signed lease agreements.

Lithuania

Rental income growth in Lithuanian portfolio properties slowed down in Q1 2020, which led to a significant decrease in the like-for-like operating results. The Fund recognized provisions for Europa SC in relation to the COVID-19 pandemic resulting in a further decrease in operating results. During Q1 2020, the average direct property yield increased to 7.1% (Q4 2019: 6.9%), while the average net initial yield was up to 6.6% (Q4 2019: 6.5%). The remarkable performance of the Domus Pro Complex was the key factor behind the increase in property yields.

The average occupancy level of Lithuanian properties dipped to 98.2% during Q1 2020 (Q4 2019: 98.3%). The effective vacancy rate of Duetto I and Duetto II was zero because Duetto I and Duetto II net rental is covered by a rental guarantee provided by YIT Lietuva for two years after each acquisition. Both assets were fully leased at the end of Q1 2020 as the last tenants moved into the premises in Q3 2019 and Q4 2019.

FINANCIAL REPORT

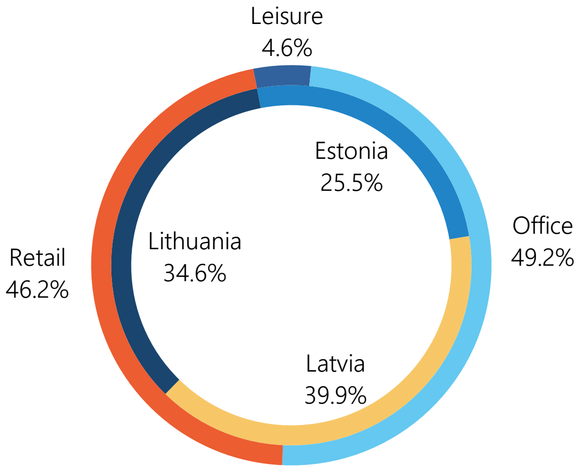
Financial position and performance of the Fund

Net profit and net rental income

In Q1 2020, the Group recorded a net profit of EUR 3.4 million, which increased by 54.3%, compared to a net profit of EUR 2.2 million for Q1 2019. Net profit was significantly impacted by the increase in net rental income due to new property acquisitions during 2019. The positive impact of an increase in net rental income was partially offset by an increase in administrative expenses and net financing costs. The increase in net financing costs arose from a higher average cost of financing. Earnings per unit for the quarter were EUR 0.03 (Q1 2019: EUR 0.03).

During the quarter, the Group recorded net rental income of EUR 5.8 million against EUR 3.9 million in Q1 2019. The increase was achieved through new acquisitions that were made following the capital raisings in 2019. The acquisition of the largest asset in the portfolio (Galerija Centrs) and North Star office building had a significant effect on the Group's net rental income growth in Q1 2020 as compared to Q1 2019. On an EPRA like-for-like basis, portfolio net rental income over the year increased by 2.8% mainly due to stronger performance in the Estonian and Latvia markets. The increase was partially offset by the weaker performance in the Lithuanian market due to provisions related to the lockdown in the Baltic States.

Net rental income by segment and country (%)



Portfolio properties in the office segment contributed 49.2% (Q1 2019: 55.1%) of net rental income in Q1 2020 followed by the retail segment with 46.2% (Q1 2019: 38.4%) and the leisure segment with 4.6% (Q1 2019: 6.5%).

Retail assets located in the central business districts (Postimaja, Europa and Galerija Centrs) accounted for 36.1% of total portfolio net rental income in Q1 2020. Total net rental income attributable to neighbourhood shopping centres accounted for 10.1% in Q1 2020.

During the quarter, investment properties in Latvia and Lithuania contributed 39.9% (Q1 2019: 28.0%) and 34.6% (Q1 2019: 36.8%) of net rental income respectively, while investment properties in Estonia contributed 25.5% (Q1 2019: 35.2%).

Gross Asset Value (GAV)

At the end of Q1 2020, the GAV increased to EUR 373.3 million (31 December 2019: EUR 371.7 million) which was a rise of 0.4% over the quarter. The increase is mainly related to the capital investments made into the Meraki office building development project. The Fund aims to continue the construction of the Meraki office building throughout 2020 once the extent of the potential impact of the COVID-19 pandemic becomes clearer. The Management Company will continue to actively monitor the economic impact of the pandemic and ensure sufficient liquidity levels during the construction period.

Investment properties

The Baltic Horizon Fund portfolio consists of 15 cash flow investment properties in the Baltic capitals and an investment property under construction on the Meraki land plot. At the end of Q1 2020, the appraised value of the Fund's portfolio was EUR 360.3 million (31 December 2019: EUR 358.9 million). During the quarter, the Group invested EUR 0.1 million in the existing property portfolio and an additional EUR 1.3 million in the Meraki development project.

Interest bearing loans and bonds

Interest bearing loans and bonds remained at a similar level as at 31 December 2019 amounting to EUR 205.8 million. Outstanding bank loans decreased slightly due to regular bank loan amortization. Annual loan amortization forms 0.2% of total debt outstanding.

Cash flow

Cash inflow from core operating activities for Q1 2020 amounted to EUR 4.3 million (Q1 2019: cash inflow of EUR 3.0 million). Cash outflow from investing activities was EUR 0.1 million (Q1 2019: cash outflow of EUR 17.9 million) due to subsequent capital expenditure on existing portfolio properties. Cash outflow from financing activities was EUR 4.6 million (Q1 2019: cash inflow of EUR 5.6 million). During the quarter, the Fund made a cash distribution of EUR 3.2 million and paid regular interest on bank loans and bonds. At the end of Q1 2020, the Fund had a sufficient amount of cash (EUR 9.4 million) to cover its liquidity needs amid the COVID-19 pandemic

Key earnings figures

EUR '000	Q1 2020	Q1 2019	Change (%)
Net rental income	**5,772**	**3,916**	**47.4%**
Administrative expenses	(889)	(709)	25.4%
Other operating income	8	6	33.3%
Valuation gains (losses) on investment properties	(4)	-	-
Operating profit	**4,887**	**3,213**	**52.1%**
Net financing costs	(1,376)	(897)	53.4%
Profit before tax	**3,511**	**2,316**	**51.6%**
Income tax	(157)	(143)	9.8%
Net profit for the period	**3,354**	**2,173**	**54.3%**
Weighted average number of units outstanding (units)	113,387,525	78,496,831[1]	44.4%
Earnings per unit (EUR)	**0.03**	**0.03**	**-**

Key financial position figures

EUR '000	31.03.2020	31.12.2019	Change (%)
Investment properties in use	356,666	356,575	0.0%
Investment property under construction	3,669	2,367	55.0%
Gross asset value (GAV)	**373,345**	**371,734**	**0.4%**
Interest bearing loans and bonds	205,765	205,827	(0.0%)
Total liabilities	**220,813**	**219,216**	**0.7%**
Net asset value (NAV)	**152,532**	**152,518**	**0.0%**
Number of units outstanding (units)	113,387,525	113,387,525	-
IFRS Net asset value (IFRS NAV) per unit (EUR)	**1.3452**	**1.3451**	**0.0%**
EPRA Net asset value (EPRA NAV) per unit (EUR)	**1.4349**	**1.4333**	**0.1%**
Loan-to-Value ratio (%)	57.1%	57.3%	-
Average effective interest rate (%)	2.6%	2.6%	-

1. The number of units excludes 255,969 units acquired by the Fund as part of the unit buy-back program.

Net Asset Value (NAV)

At the end of Q1 2020, the Fund NAV was EUR 152.5, remaining stable as compared to the end of 2019. The increase in operational performance over the quarter was offset by a EUR 3.2 million dividend distribution to the unitholders and a negative cash flow hedge reserve movement of EUR 0.2 million. At 31 March 2020, NAV per unit stood at EUR 1.3452 (31 December 2019: EUR 1.3451), while NAV per unit based on EPRA standards was EUR 1.4349 (31 December 2019: EUR 1.4333).

FINANCING

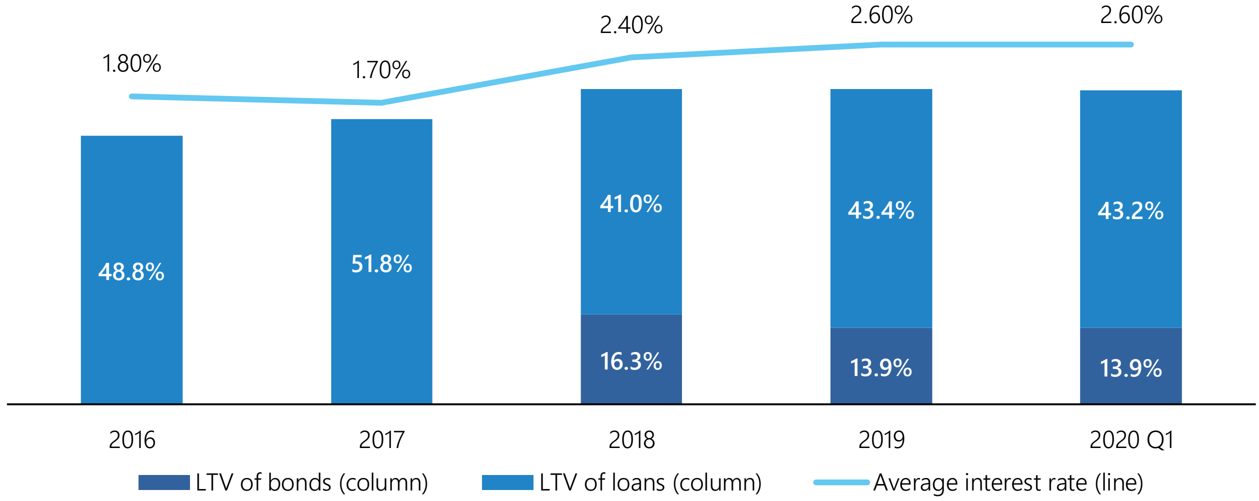
The Fund currently aims to use a 55% long-term leverage strategy. At no point in time may the Fund's leverage exceed 65%. The ability to borrow on attractive terms plays a major role in the investment strategy and cash distributions to unitholders.

On 7 May 2020, S&P Global Ratings placed Baltic Horizon Fund "MM3" mid-market evaluation (MME rating) on CreditWatch with negative implications. The CreditWatch indicates that S&P Global Ratings may lower the ratings if the COVID-19 related disruption erodes the Fund's operating performance and leads to a greater deterioration of credit ratios than currently projected. The indicative corresponding rating for "MM3" on the global rating scale is "BB+/ BB".

During Q1 2020, the bank loan amortisation remained low at 0.2% (EUR 97 thousand per quarter), the average interest rate remained stable at 2.6% (31 December 2019: 2.6%) and LTV ratio decreased to 57.1% (31 December 2019: 57.3%). The management team is working on maintaining a low average interest rate and reducing LTV in the future.

Weighted debt financing average time to maturity was 2.9 years and weighted hedge average time to maturity was 2.9 years at the end of Q1 2020.

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 2020. Interest bearing debt was comprised of bank loans with a total carrying value of EUR 156.0 million and bonds with a carrying value of EUR 49.8 million. 100% of the debt instruments were denominated in euros.

The Fund's debt financing is diversified between 4 most reputable domestic and international banks in the Baltics and unsecured bonds. 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 2020, the unamortised balance of loan arrangement costs for all loans and bonds was EUR 515 thousand.

As of 31 March 2020, 83% of total debt had fixed interest rates while the remaining 17% had floating interest rates. The Fund fixes interest rates on a portion of its debt by acquiring IRS-type hedging instruments or limits the impact of rising interest rates with interest rate cap instruments (CAP). The unsecured bonds have a fixed coupon rate of 4.25%.

Financial debt structure of the Fund as of 31 March 2020

Property	Maturity	Currency	Carrying amount (EUR '000)	% of total	Fixed rate portion (%)
Galerija Centrs	26 May 2022	EUR	30,000	14.5%	100%
Europa SC	5 July 2022	EUR	20,900	10.1%	88%
CC Plaza and Postimaja	12 February 2023	EUR	17,200	8.3%	100%[1]
Duetto I and II	31 March 2023	EUR	15,376	7.5%	47%[2]
Upmalas Biroji BC	31 August 2023	EUR	11,750	5.7%	90%
Domus Pro	31 May 2022	EUR	11,000	5.3%	65%
Vainodes I	13 November 2024	EUR	9,842	4.8%	50%
LNK	27 September 2023	EUR	9,076	4.4%	64%
North Star	15 March 2024	EUR	9,000	4.4%	-%
G4S Headquarters	16 August 2021	EUR	7,750	3.8%	100%
Lincona	31 December 2022	EUR	7,188	3.5%	95%
Pirita SC	20 February 2022	EUR	4,944	2.4%	122%
Sky SC	1 August 2021	EUR	2,254	1.1%	-%
Total bank loans		**EUR**	**156,280**	**75.8%**	**78%**
Less capitalised loan arrangement fees[3]		EUR	(302)		
Total bank loans recognised in the statement of financial position		**EUR**	**155,978**		
5 year-unsecured bonds	8 May 2023	EUR	50,000	24.2%	100%
Less capitalised bond arrangement fees[3]		EUR	(213)		
Total debt recognised in the statement of financial position		**EUR**	**205,765**	**100.0%**	**83%**

1. CC Plaza and Postimaja loan has an interest rate cap at 3.5% for the variable interest rate part.
2. Duetto loan has an interest rate cap at 1% for the variable interest rate part.
3. Amortised each month over the term of a loan/bond.

Covenant reporting

As of 31 March 2020, the Fund was in compliance with all the covenants set under the bond issue terms and conditions dated 8 May 2018.

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.

During Q1 2020, the Fund was in compliance with all special conditions and covenants set under the bank loan agreements as well.

Financial covenants for bonds

Covenant	Requirement	Ratio 30.06.2019	Ratio 30.09.2019	Ratio 31.12.2019	Ratio 31.03.2020
Equity Ratio	> 35.0%	39.2%	40.5%	42.6%	42.4%
Debt Service Coverage Ratio	> 1.20	3.54	3.39	3.32	3.35

EPRA PERFORMANCE MEASURES

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.

Key performance indicators – definition and use

EPRA Indicators		EPRA definition	EPRA purpose
1.	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.
2.	EPRA NAV	Net Asset Value adjusted to include properties and other investments at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model.	Makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate company with a long-term investment strategy.
3.	EPRA NNNAV	EPRA NAV adjusted to include the fair values of (i) financial instruments, (ii) debt and (iii) deferred taxes.	Makes adjustments to EPRA NAV to provide stakeholders with the most relevant information on the current fair value of all the assets and liabilities within a real estate company.

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

EPRA Earnings

EUR '000	Q1 2020	Q1 2019
Net result IFRS	**3,354**	**2,173**
Exclude:		
I. Changes in fair value of investment properties	4	-
VIII. Deferred tax in respect of EPRA adjustments	157	127
EPRA Earnings	**3,515**	**2,300**
Weighted number of units during the period	113,387,525	78,496,831
EPRA Earnings per unit	**0.03**	**0.03**

EPRA NAV and NNNAV

EUR '000	31.03.2020	31.12.2019
IFRS NAV	**152,532**	**152,518**
Exclude:		
IV. Fair value of financial instruments	1,833	1,655
V. a. Deferred tax liability on investment properties	8,444	8,440
V. a. Deferred tax on fair value of financial instruments	(112)	(99)
EPRA NAV	**162,697**	**162,514**
EPRA NAV per unit (in EUR)	**1.4349**	**1.4333**
Include:		
I. Fair value of financial instruments	(1,833)	(1,655)
II. Revaluation at fair value of fixed-rate loans	163	(578)
III. Deferred tax on fair value of financial instruments	112	99
EPRA NNNAV	**161,139**	**160,380**
EPRA NNNAV per unit (in EUR)	**1.4211**	**1.4144**

INVESTOR RELATIONS

Baltic Horizon Fund units are currently dual-listed on the Fund List of the Nasdaq Tallinn Stock Exchange and the Nasdaq Stockholm Alternative Investment Funds market. Trading with Baltic Horizon units on the Nasdaq Tallinn Stock Exchange began on 6 July 2016. The first trading day on Nasdaq Stockholm was on 23 December 2016.

As at 31 March 2020, the market capitalisation for Baltic Horizon Fund was approx. EUR 112.6 million (31 December 2019: EUR 151.2 million) based on the closing unit market prices on the Nasdaq Tallinn Stock Exchange and the Nasdaq Stockholm Alternative Investment Funds market. During Q1 2020, Baltic Horizon Fund units on the Nasdaq Tallinn Stock Exchange were mostly trading at a premium compared to the net asset value per unit. At the end of the Q1 2020, unit price decreased below NAV per unit due to market uncertainty amid the COVID-19 outbreak.

Key information

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

Key figures and graphs

	31.03.2020	31.12.2019
Number of units issued (units)	113,387,525	113,387,525
Nasdaq Tallinn:		
Highest unit price (EUR)	1.4000	1.4195
Lowest unit price (EUR)	0.9500	1.3000
Closing unit price (EUR)	0.9999	1.3279
Nasdaq Stockholm:		
Highest unit price (SEK)	14.70	15.60
Lowest unit price (SEK)	10.40	13.21
Closing unit price (SEK)	10.90	14.00
Market capitalisation[1] (EUR)	112,599,196	151,232,586
IFRS NAV per unit (EUR)	1.3452	1.3451
Unit price premium (discount) from IFRS NAV per unit[2] (%)	(25.7%)	(1.3%)
EPRA NAV per unit (EUR)	1.4349	1.4333
Unit price premium (discount) from EPRA NAV per unit[3] (%)	(30.3%)	(7.4%)

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 at the end of the period and the IFRS NAV per unit.
3. Based on the closing price on the Nasdaq Tallinn Stock Exchange at the end of the period and the EPRA NAV per unit.

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 a 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 a discretion to distribute lower dividends than 80% of generated net cash flow (GNCF) if the liquidity of the Fund is endangered.

Generated net cash flow (GNCF) calculation formula

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

Distributions to unitholders for Fund results

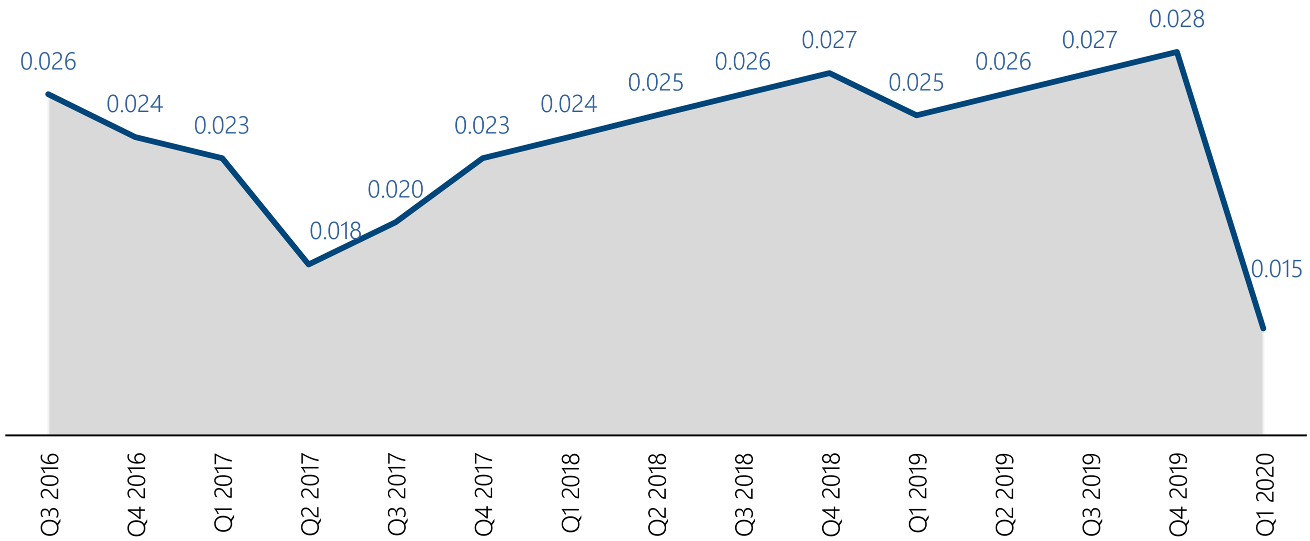
On 31 January 2020, the Fund declared a cash distribution of EUR 3,175 thousand (EUR 0.028 per unit) to the Fund unitholders for Q4 2019 results. This represents a 2.16% return on the weighted average Q4 2019 net asset value to its unitholders.

On 24 April 2020, the Fund declared a cash distribution of EUR 1,701 thousand (EUR 0.015 per unit) to the Fund unitholders for Q1 2020 results. This represents a 1.12% return on the weighted average Q1 2020 net asset value to its unitholders.

With a reduced payout of approx. EUR 1,701 thousand for Q1 2020 results in the light of prevailing market uncertainty, the Fund has opted to retain approx. EUR 1.80 million of distributable cash flow. The Management Company believes that it is in the best interest of the unitholders and the Fund to reduce its cash distribution at this time in order to strengthen the Fund's financial position until the extent of the potential impact of the COVID-19 pandemic becomes clearer.

A lower quarterly cash distribution will be accompanied by operating cost reductions which will enable the Fund to maintain positive free cash flow during these difficult market conditions and remain on a sustainable path to return to previous distribution levels in the future. The Management Company will continue to actively monitor the economic impact of the pandemic and reassess future distribution levels depending on the upcoming operating results.

Dividend per unit (EUR)



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

Dividend capacity calculation

EUR '000	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
(+) Net rental income	3,916	4,256	5,412	5,635	5,772
(-) Fund administrative expenses	(709)	(817)	(879)	(846)	(889)
(-) External interest expenses	(869)	(1,043)	(1,295)	(1,346)	(1,331)
(-) CAPEX expenditure[1]	(68)	(180)	(178)	(225)	(95)
(+) Added back listing related expenses	3	51	60	-	39
(+) Added back acquisition related expenses	63	39	16	-	-
Generated net cash flow (GNCF)	**2,336**	**2,306**	**3,136**	**3,218**	**3,496**
GNCF per weighted unit (EUR)	**0.030**	**0.024**	**0.031**	**0.029**	**0.031**
12-months rolling GNCF yield[2] (%)	**8.4%**	**7.8%**	**8.4%**	**8.6%**	**11.5%**
Dividends declared for the period	**2,449**	**2,624**	**3,061**	**3,175**	**1,701**
Dividends declared per unit[3] (EUR)	**0.025**	**0.026**	**0.027**	**0.028**	**0.015**
12-months rolling dividend yield[2] (%)	**7.7%**	**7.5%**	**7.8%**	**8.0%**	**9.6%**

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. 12-month rolling GNCF and dividend yields are based on the closing market price of the unit as at the end of the quarter (Q1 2020: closing market price of the unit as of 31 March 2020).
3. 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 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.

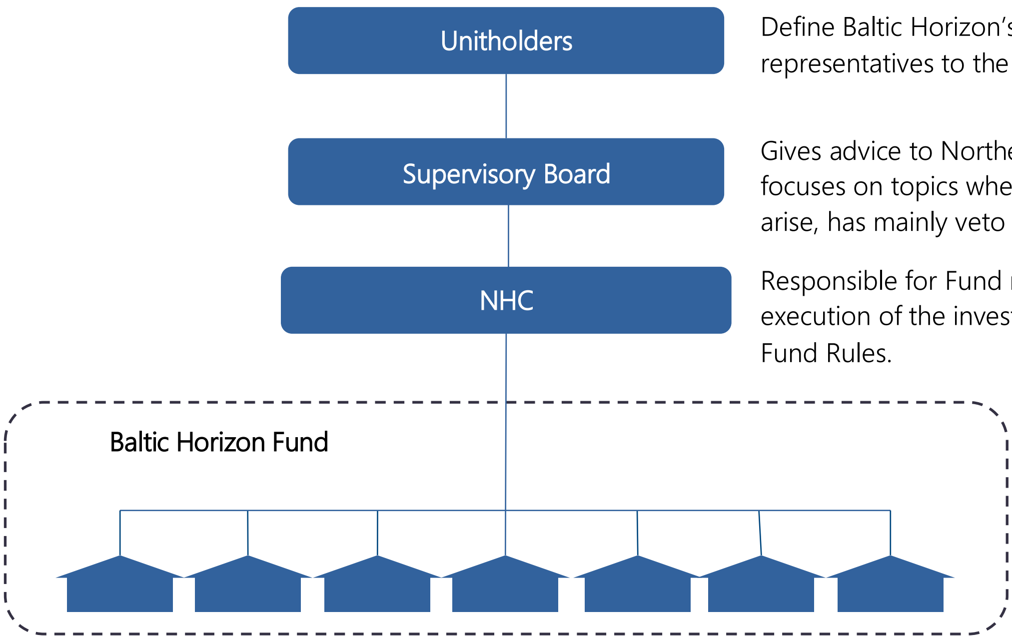
The Fund is managed by the Management Company, which is Northern Horizon Capital AS. The immediate team comprises of the Management Board, which is headed by the Fund Manager, and the Supervisory Board of the Management Company. The Fund also has its own Supervisory Board, which comprises of 4 independent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



Define Baltic Horizon's Fund Rules and appoint representatives to the Supervisory Board.

Gives advice to Northern Horizon Capital (NHC), focuses on topics where conflicts of interest may arise, has mainly veto capacity.

Responsible for Fund management including execution of the investment strategy as stated in the Fund Rules.

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. The Supervisory Board consists of three to five members.

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.

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. 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 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
Algirdas Vaitiekūnas	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

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).

Currently, the yields of prime office and retail properties in the Baltic countries are decreasing as competition between real estate investors is consistently increasing. Investment yields in the Baltic countries are on average around 6.5% and 7.5% in the office and retail segments, with prime office yields at approx. 6%.

Interest rate risk

The Group's interest rate risk is related to interest-bearing borrowings. The Fund's policy is that long-term loans should be hedged to a fixed rate for their whole life. This converts floating rate liabilities to fixed rate liabilities. In order to achieve this, the Fund either takes fixed rate loans or swaps fixed interest rates for floating ones using interest rate derivatives. As 1) the Fund seeks to obtain financing on the best terms and conditions and 2) in the current market, fixed rate loans are often more expensive, the Fund hedges interest rate exposure by using derivative instruments such as interest rate swaps, forwards and options. The Fund and its subsidiaries acquire swaps only for cash flow hedging purposes and not for trading.

Credit risk

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

Liquidity risk

Liquidity risk is the possibility of sustaining significant losses due to the inability to liquidate open positions, to realise assets by the due time at the prescribed fair price or to refinance loan obligations.

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

The Management Company makes its best efforts to ensure sufficient liquidity by efficient cash management, by maintaining a "liquidity buffer" and organizing long-term diversified financing for real estate investments.

Operational risk

Operational risk represents the potential for loss resulting from inadequate or failed internal processes or systems, human factors, or external events, including business disruptions and system failure. The Fund is exposed to many types of operational risk and attempts to mitigate them by maintaining a system of internal control procedures and processes that are designed to control risk within appropriate levels. Also, training and development of personnel competencies, and active dialogue with investors help the Fund to identify and reduce the risks related to its operation.

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 taking 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 while at the same time and 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 since 2014.

Environmental Impact

Baltic Horizon maintains that all its employees are committed to environmental responsibility at all times. We are firmly of the belief that making the right environmental decision leads to better investment outcomes and increased wellbeing of our stakeholders and society at large. As such, It is our aim to ensure that we can continuously improve the environmental impact of our business.

We are taking steps to integrate ESG factors into our investment process in all steps of the investment life cycle by assigning positive value to measures that improve ESG. In Baltic Horizon our responsibility to national and international ESG legislation is recognized by monitoring present compliance and actively managing the risks of future proposed ESG regulation.

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 on transparency by ensuring strong performance together positive ESG impacts.
Tenants: tenant retention and commitment to our assets is a core focus of our asset management efforts. We aim to be a considerate asset owner that reacts to the needs and suggestions of our tenants.
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 in maintaining and creating excellent performance.

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.

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.

OUTLOOK FOR 2020

The spread of COVID-19 is having a major impact on global economies and many countries are heading for a recession. A lockdown of the Nordic and Baltic societies during the period from March to May has led to major consequences both in supply chains and consumer demand.

For the Baltic States, the GDP drop for 2020 is expected to be between 5-6% with a similar rebound estimated for 2021 however. Unemployment is expected to increase from historic lows of 4-6% to 8-9% and start recovering in 2021. Wage growth is expected to slow considerably as most companies cut back on bonuses, use of overtime work declines, and reduce wages. CPI is expected to ease to 1% across the Baltics, mainly due to a drop in demand and the low global oil price. Both governments and central banks have so far announced enormous support packages to combat the economic effect of the pandemic. Package sizes by the Baltic governments amount to 5-6% of annual GDP and are funded either by reserves or cheap government debt.

The diversified property portfolio of Baltic Horizon Fund consists of 15 cash flow generating properties, and one property under development and in the search of an anchor tenant, 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

During the lockdown, the Fund has implemented a number of relief initiatives focused on alleviating the financial hardship of the most vulnerable group of tenants, whose operations were most severely affected by the outbreak. The Fund is having active negotiations with mainly retail tenants regarding rent reductions and waivers during the quarantine period complemented by government support measures. The office segment of the portfolio, however, has remained strong.

Since 11 May 2020, all shopping centres owned by Fund are open to the public. Going forward, sports clubs and swimming pools are allowed to open from 18 May. Cinemas and concerts with limited attendance numbers (500 max) are currently expected to be allowed from July onwards.

Since the shopping centres have been just recently reopened, credible information about how the footfalls and turnovers are recovering is not yet available. It is however clear that economic and labour market conditions are likely to affect consumer confidence and spending throughout 2020. Stronger recovery in footfall and tenant turnovers is expected in H2 2020 when employees return from holidays back to the offices. This is likely to affect positively centrally located service and shopping centres which Baltic Horizon has in its portfolio.

As the situation is uncertain and still developing then the Fund management team at this point is not yet able to assess the full financial consequences of the virus outbreak. The results of Q1 2020 remained largely unaffected by the pandemic and indicated a strong performance. A significant impact on the Fund's operating performance will be visible in Q2 2020.

In 2020 and 2021 the Fund management team continues to focus mainly on creating added value in the already owned investment properties. In addition to the CC Plaza and Postimaja expansion and the reconstruction of Pirita SC, this also includes preparing for the expansion of the Upmalas Biroji complex, Europa SC, Vainodes I, and G4S properties and further construction of Meraki.

MANAGEMENT BOARD'S CONFIRMATION

Members of the Management Board of the Management Company Tarmo Karotam, Algirdas Vaitiekūnas and Aušra Stankevičienė confirm that according to their best knowledge, the condensed consolidated interim financial statements for the first three months of 2020, 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 first three months of the financial year and their effect on the condensed consolidated accounts.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

EUR '000	Notes	01.01.2020-31.03.2020	01.01.2019-31.03.2019
Rental income		6,209	4,151
Service charge income	5	1,356	763
Cost of rental activities	5	(1,793)	(998)
Net rental income	4	**5,772**	**3,916**
Administrative expenses	6	(889)	(709)
Other operating income		8	6
Valuation losses on investment properties	10	(4)	-
Operating profit		**4,887**	**3,213**
Financial income		1	2
Financial expenses	7	(1,377)	(899)
Net financing costs		**(1,376)**	**(897)**
Profit before tax		**3,511**	**2,316**
Income tax charge	4, 9	(157)	(143)
Profit for the period	4	**3,354**	**2,173**
Other comprehensive income that is or may be reclassified to profit or loss in subsequent periods			
Net gains (losses) on cash flow hedges	15b	(178)	(556)
Income tax relating to net gains (losses) on cash flow hedges	15b, 9	13	36
Other comprehensive income (expense), net of tax, that is or may be reclassified to profit or loss in subsequent periods		**(165)**	**(520)**
Total comprehensive income for the period, net of tax		**3,189**	**1,653**
Basic and diluted earnings per unit (EUR)	8	**0.03**	**0.03**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR '000	Notes	31.03.2020	31.12.2019
Non-current assets			
Investment properties	4, 10	356,666	356,575
Investment property under construction	4, 11	3,669	2,367
Derivative financial instruments	21	29	73
Other non-current assets		55	54
Total non-current assets		**360,419**	**359,069**
Current assets			
Trade and other receivables	12	2,291	1,794
Prepayments		358	301
Other current assets	13	893	734
Cash and cash equivalents	14	9,384	9,836
Total current assets		**12,926**	**12,665**
Total assets	4	**373,345**	**371,734**
Equity			
Paid in capital	15a	138,064	138,064
Cash flow hedge reserve	15b	(1,721)	(1,556)
Retained earnings		16,189	16,010
Total equity		**152,532**	**152,518**
Non-current liabilities			
Interest bearing loans and borrowings	16	205,661	205,718
Deferred tax liabilities		6,343	6,199
Derivative financial instruments	21	1,862	1,728
Other non-current liabilities		1,327	1,298
Total non-current liabilities		**215,193**	**214,943**
Current liabilities			
Interest bearing loans and borrowings	16	405	414
Trade and other payables	17	4,546	3,171
Income tax payable		-	8
Other current liabilities		669	680
Total current liabilities		**5,620**	**4,273**
Total liabilities	4	**220,813**	**219,216**
Total equity and liabilities		**373,345**	**371,734**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR '000	Notes	Paid in capital	Own units	Cash flow hedge reserve	Retained earnings	Total equity
As at 1 January 2019		**93,673**	**(335)**	**(1,005)**	**17,472**	**109,805**
Comprehensive income						
Net profit for the period		-	-	-	2,173	**2,173**
Other comprehensive expense		-	-	(520)	-	**(520)**
Total comprehensive income		**-**	**-**	**(520)**	**2,173**	**1,653**
Transactions with unitholders						
Cancellation of own units	15a	(335)	335	-	-	**-**
Profit distribution to unitholders	15c	-	-	-	(2,119)	**(2,119)**
Total transactions with unitholders		**(335)**	**335**	**-**	**(2,119)**	**(2,119)**
As at 31 March 2019		**93,338**	**-**	**(1,525)**	**17,526**	**109,339**
As at 1 January 2020		**138,064**	**-**	**(1,556)**	**16,010**	**152,518**
Comprehensive income						
Net profit for the period		-	-	-	3,354	**3,354**
Other comprehensive expense	15b	-	-	(165)	-	**(165)**
Total comprehensive income		**-**	**-**	**(165)**	**3,354**	**3,189**
Transactions with unitholders						
Profit distribution to unitholders	15c	-	-	-	(3,175)	**(3,175)**
Total transactions with unitholders		**-**	**-**	**-**	**(3,175)**	**(3,175)**
As at 31 March 2020		**138,064**	**-**	**(1,721)**	**16,189**	**152,532**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR '000	Notes	01.01.2020-31.03.2020	01.01.2019-31.03.2019
Cash flows from core activities			
Profit before tax		**3,511**	**2,316**
Adjustments for non-cash items:			
Value adjustment of investment properties	10	4	-
Change in impairment losses for trade receivables		62	(7)
Financial income		(1)	(2)
Financial expenses	7	1,377	899
Working capital adjustments:			
(Increase)/decrease in trade and other accounts receivable		(560)	251
(Increase)/decrease in other current assets		(216)	(247)
(Decrease)/Increase in other non-current liabilities		29	16
(Decrease)/increase in trade and other accounts payable		(120)	(105)
Increase/(decrease) in other current liabilities		233	(126)
(Paid)/refunded income tax		(8)	(2)
Total cash flows from core activities		**4,311**	**2,993**
Cash flows from investing activities			
Interest received		1	1
Acquisition of investment property	10	-	(17,838)
Investment property development expenditure	11	(40)	-
Capital expenditure on investment properties	10	(95)	(68)
Total cash flows from investing activities		**(134)**	**(17,905)**
Cash flows from financial activities			
Proceeds from bank loans		-	8,705
Repayment of bank loans		(106)	(74)
Profit distribution to unitholders	15c	(3,175)	(2,119)
Transaction costs related to loans and borrowings		-	(7)
Repayment of lease liabilities		(4)	-
Interest paid		(1,344)	(871)
Total cash flows from financing activities		**(4,629)**	**5,634**
Net change in cash and cash equivalents		**(452)**	**(9,278)**
Cash and cash equivalents at the beginning of the year		**9,836**	**12,225**
Cash and cash equivalents at the end of the period		**9,384**	**2,947**

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 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 currently dual-listed on the NASDAQ Stockholm and the NASDAQ Tallinn Stock Exchanges.

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	31.03.2020	31.12.2019
BH Lincona OÜ	100%	100%
BOF SKY SIA	100%	100%
BH CC Plaza OÜ	100%	100%
BH Domus Pro UAB	100%	100%
BH Europa UAB	100%	100%
BH P80 OÜ	100%	100%
Kontor SIA	100%	100%
Pirita Center OÜ	100%	100%
BH Duetto UAB	100%	100%
Vainodes Krasti SIA	100%	100%
BH S27 SIA	100%	100%
BH Meraki UAB	100%	100%
Tampere Invest SIA	100%	100%
BH Northstar UAB	100%	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 at and for the year ended 31 December 2019. 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.

These interim condensed consolidated financial statements were authorised for issue by the Management Company's Board of Directors on 15 May 2020.

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 2020 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 accounting 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 2019.

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 2019.

Measurement of fair values

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), SKY Shopping Centre (Latvia), Pirita Shopping Centre (Estonia), Postimaja Shopping centre (Estonia), and Galerija Centrs Shopping Centre (Latvia) investment properties.
- Office segment – includes Lincona Office Complex (Estonia), G4S Headquarters (Estonia), Upmalas Biroji (Latvia), Duetto I (Lithuania), Duetto II (Lithuania), Domus Pro Business Centre (Lithuania), Vainodes I (Latvia), LNK Centre (Latvia), 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 2020

EUR '000	Retail	Office	Leisure	Total segments
01.01.2020-31.03.2020:				
External revenue[1]	4,028	3,261	276	7,565
Segment net rental income	**2,668**	**2,836**	**268**	**5,772**
Net gains (losses) from fair value adjustment	(1)	(3)	-	(4)
Interest expenses[2]	(420)	(366)	(16)	(802)
Income tax expenses	(67)	(90)	-	(157)
Segment net profit	**2,127**	**2,319**	**250**	**4,696**
As at 31.03.2020:				
Segment assets	**186,181**	**170,278**	**15,678**	**372,137**
Investment properties[3]	180,789	160,727	15,150	356,666
Investment property under construction[3]	-	3,669	-	3,669
Segment liabilities	**85,626**	**78,239**	**5,535**	**169,400**

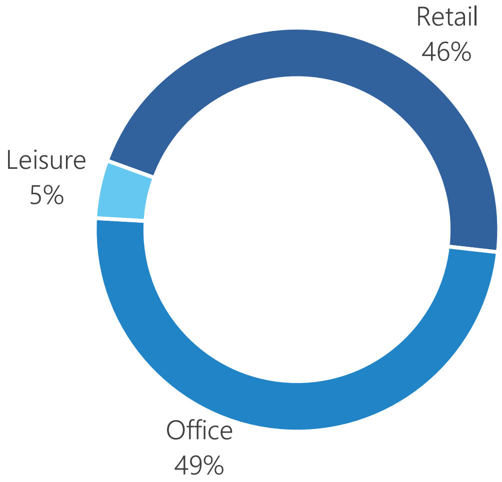
1. External revenue includes rental income and service charge income. The segments do not have inter-segment revenue.
2. Interest expenses include only external bank loan interest expenses and interest expenses on lease liabilities.
3. Additions to non-current assets consist of subsequent expenditure on investment property (EUR 95 thousand) and additions to investment property under construction (EUR 1,302 thousand). Please refer to notes 10 and 11 for more information.

Operating segments – 31 March 2019

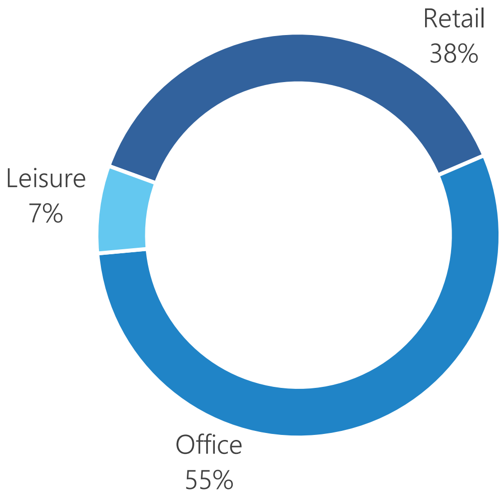
EUR '000	Retail	Office	Leisure	Total segments
01.01.2019-31.03.2019:				
External revenue[1]	2,156	2,504	254	4,914
Segment net rental income	**1,505**	**2,157**	**254**	**3,916**
Net gains (losses) from fair value adjustment	-	-	-	-
Interest expenses[2]	(213)	(224)	(16)	(453)
Income tax expenses	(117)	(26)	-	(143)
Segment net profit	**1,088**	**1,870**	**237**	**3,195**
As at 31.12.2019:				
Segment assets	**186,377**	**168,352**	**15,710**	**370,439**
Investment properties[3]	180,740	160,685	15,150	356,575
Investment property under construction[3]	-	2,367	-	2,367
Segment liabilities	**85,563**	**76,907**	**5,534**	**168,004**

1. External revenue includes rental income and service charge income. The segments do not have inter-segment revenue.
2. Interest expenses include only external bank loan interest expenses and interest expenses on lease liabilities.
3. Additions to non-current assets consist of acquisition of investment property (EUR 114,133 thousand), subsequent expenditure on investment property (EUR 651 thousand), additions to right-of-use assets (EUR 321 thousand) and additions to investment property under construction (EUR 746 thousand). Please refer to notes 10 and 11 for more information.

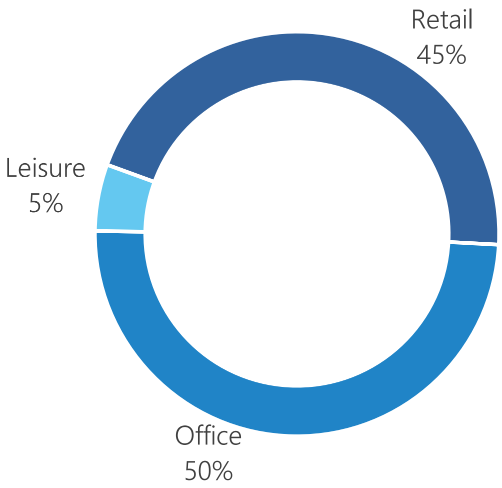
Segment net rental income for Q1 2020



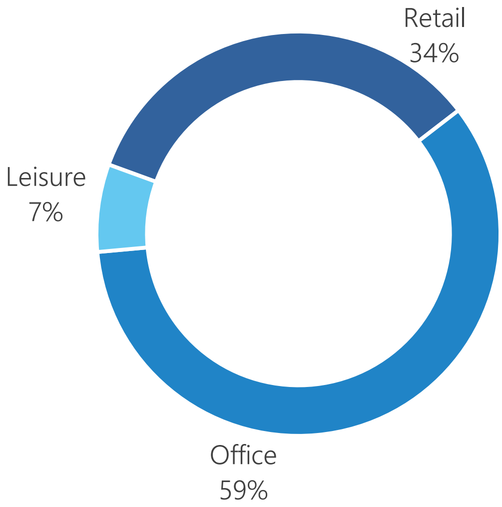
Segment net rental income for Q1 2019



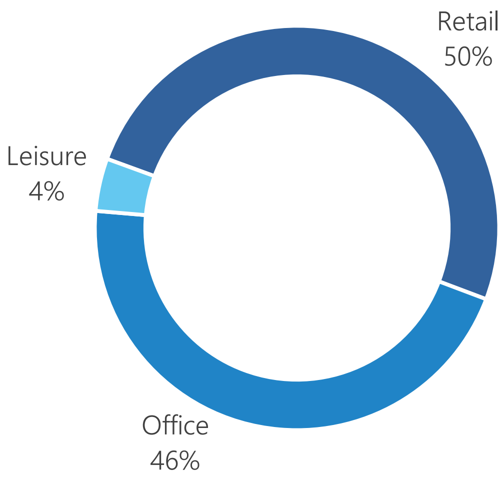
Segment net profit for Q1 2020



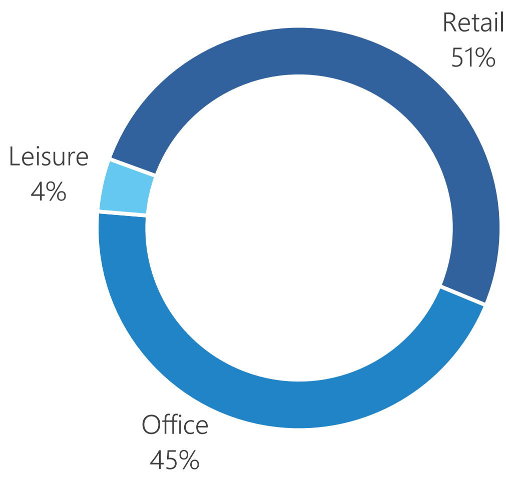
Segment net profit for Q1 2019



Investment properties as at 31 March 2020*



Investment properties as at 31 December 2019*



*As a percentage of the total for all reportable segments

Reconciliation of information on reportable segments to IFRS measures

Operating segments – 31 March 2020

EUR '000	Total reportable segments	Adjustments	Consolidated
01.01.2020 – 31.03.2020:			
Net profit (loss)	**4,696**	(1,342)[1]	**3,354**
As at 31.03.2020:			
Segment assets	**372,137**	1,208[2]	**373,345**
Segment liabilities	**169,400**	51,413[3]	**220,813**

1. Segment net profit for Q1 2020 does not include Fund management fee (EUR 458 thousand), bond interest expenses (EUR 531 thousand), bond arrangement fee amortisation (EUR 17 thousand), Fund performance fee accrual (EUR 173 thousand), Fund custodian fees (EUR 18 thousand), and other Fund-level administrative expenses (EUR 145 thousand).
2. Segment assets do not include cash, which is held at the Fund level (EUR 1,208 thousand).
3. Segment liabilities do not include liabilities related to a bond issue at the Fund level (EUR 49,787 thousand), accrued bond coupon expenses (EUR 313 thousand), management fee payable (EUR 458 thousand), and other short-term payables (EUR 855 thousand) at the Fund level.

Operating segments – 31 March 2019

EUR '000	Total reportable segments	Adjustments	Consolidated
01.01.2019 – 31.03.2019:			
Net profit (loss)	**3,195**	(1,022)[1]	**2,173**
As at 31.12.2019:			
Segment assets	**370,439**	1,295[2]	**371,734**
Segment liabilities	**168,004**	51,212[3]	**219,216**

1. Segment net profit for Q1 2019 does not include Fund management fee (EUR 348 thousand), bond interest expenses (EUR 416 thousand), Fund performance fee accrual (EUR 101 thousand), Fund custodian fees (EUR 14 thousand), and other Fund-level administrative expenses (EUR 143 thousand).
2. Segment assets do not include cash, which is held at the Fund level (EUR 1,295 thousand).
3. Segment liabilities do not include liabilities related to a bond issue at the Fund level (EUR 49,770 thousand), accrued bond coupon expenses (EUR 313 thousand), management fee payable (EUR 474 thousand), and other short-term payables (EUR 655 thousand) at the Fund level.

Geographic information

	External revenue		Investment property value[1]	
EUR '000	01.01.2020 – 31.03.2020	01.01.2019 – 31.03.2019	31.03.2020	31.12.2019
Lithuania	2,731	1,998	124,299	122,975
Latvia	3,147	1,324	143,377	143,347
Estonia	1,687	1,592	92,659	92,620
Total	**7,565**	**4,914**	**360,335**	**358,942**

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

Major tenant

No single tenant accounted for more than 10% of the Group's total revenue. Rental income from one tenant in the office segment represented EUR 300 thousand of the Group's total rental income for Q1 2020 (EUR 300 thousand for Q1 2019).

5. Cost of rental activities

EUR '000	01.01.2020 – 31.03.2020	01.01.2019 – 31.03.2019
Repair and maintenance	580	402
Utilities	372	158
Property management expenses	275	178
Real estate taxes	269	159
Sales and marketing expenses	198	71
Allowance (reversal of allowance) for bad debts	62	(7)
Property insurance	22	20
Other	15	17
Total cost of rental activities	**1,793**	**998**

Part of the total cost of rental activities was recharged to tenants: EUR 1,356 thousand during the three-month period ended 31 March 2020 (EUR 763 thousand during the three-month period ended 31 March 2019).

6. Administrative expenses

EUR '000	01.01.2020 – 31.03.2020	01.01.2019 – 31.03.2019
Management fee	458	348
Performance fee	173	101
Listing related expenses	39	3
Fund marketing expenses	34	33
Legal fees	30	35
Consultancy fees	28	85
Audit fee	23	20
Custodian fees	18	14
Supervisory board fees	12	12
Other administrative expenses	74	58
Total administrative expenses	**889**	**709**

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

The Management Company is entitled to calculate the performance fee based on the annual adjusted funds from operations (AFFO) of the Fund. If AFFO divided by paid in capital during the year exceeds 8% per annum, the Management Company is entitled to a performance fee in the amount of 20% of the amount exceeding 8%. The performance fee based on this formula is calculated starting from 1 January 2017. The performance fee first becomes payable in the fifth year of the Fund (i.e. 2020). Transactions with related parties are disclosed in note 19.

7. Financial expenses

EUR '000	01.01.2020 – 31.03.2020	01.01.2019 – 31.03.2019
Interest on external loans and borrowings	1,331	869
Loan arrangement fee amortisation	44	30
Interest on lease liabilities	2	-
Total financial expenses	**1,377**	**899**

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	01.01.2020 – 31.03.2020	01.01.2019 – 31.03.2019
Profit for the period, attributed to the unitholders of the Fund	3,354	2,173
Profit for the period, attributed to the unitholders of the Fund	**3,354**	**2,173**

Weighted-average number of units:

	01.01.2020 – 31.03.2020	01.01.2019 – 31.03.2019
Issued units at 1 January	113,387,525	78,496,831[1]
Weighted-average number of units	**113,387,525**	**78,496,831**

1. The number of units excludes 255,969 units acquired by the Fund and cancelled in February 2019 as part of the unit buy-back program.

Basic and diluted earnings per unit:

EUR	01.01.2020 – 31.03.2020	01.01.2019 – 31.03.2019
Basic and diluted earnings per unit*	0.03	0.03

*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. Deferred tax is only applicable to the Fund's subsidiaries in Lithuania.

The Group's consolidated effective tax rate in respect of continuing operations for the three-month period ended 31 March 2020 was 4.5% (three-month period ended 31 March 2019: 6.2%).

The major components of income tax for the periods ended 31 March 2020 and 2019 were as follows:

EUR '000	01.01.2020 – 31.03.2020	01.01.2019 – 31.03.2019
Consolidated statement of profit or loss		
Current income tax for the period	-	(16)
Deferred tax for the period	(157)	(127)
Income tax expense reported in profit or loss	**(157)**	**(143)**
Consolidated statement of other comprehensive income		
Deferred income tax related to items charged or credited to equity:		
Revaluation of derivative instruments to fair value	13	36
Income tax reported in other comprehensive income	**13**	**36**

10. Investment property

EUR '000	31.03.2020	31.12.2019
Balance at 1 January	**356,575**	**245,160**
Acquisition of investment property	-	114,133
Additions (subsequent expenditure)	95	651
Disposals	-	(5)
Transfer to investment property under construction	-	(1,700)
Net revaluation loss on investment property	-	(1,969)
Initial recognition of right-of-use assets at 1 January (IFRS 16)	-	163
Additions to right-of-use assets (new leases)	-	158
Net revaluation loss on right-of-use assets	(4)	(16)
Closing balance	**356,666**	**356,575**
Closing balance excluding right-of-use assets	**356,365**	**356,270**

Investment property comprises buildings, which are rented out under lease contracts.

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.

No external property valuations were performed as at 31 March 2020. The management of the Fund has assessed the fair values of investment properties as at 31 March 2020 using the same key assumptions that were used for valuations as at the end of the preceding financial year and concluded that the fair values of investment properties do not differ significantly from those as at the end of preceding financial year.

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
As at 31 March 2020, the values of the properties are based on the valuations conducted in 2019. The values of the properties are based on the valuation of investment properties performed by Newsec as at 31 December 2019 increased by right-of-use assets.

The table below presents the following for each investment property:

- A description of the valuation techniques applied;
- The inputs used in the fair value measurement;
- Quantitative information about the significant unobservable inputs used in the fair value measurement.

As of 31 March 2020 (based on 2019 valuations):

Property	Valuation technique	Key unobservable inputs	Range
Europa Shopping centre, Vilnius (Lithuania)	DCF	- Discount rate	8.0%
Net leasable area (NLA) – 17,426 sq. m.		- Rental growth p.a.	1.2% - 2.3%
Segment – Retail		- Long-term vacancy rate	2.0% - 5.0%
Year of construction/renovation – 2004		- Exit yield	6.8%
		- Average rent (EUR/sq. m.)	13.8
Domus Pro, Vilnius (Lithuania)	DCF	- Discount rate	8.0% - 8.5%
Net leasable area (NLA) – 16,057 sq. m.		- Rental growth p.a.	1.2% - 2.3%
Segment – Retail/Office		- Long-term vacancy rate	2.0% - 5.0%
Year of construction/renovation – 2013		- Exit yield	7.5%
		- Average rent (EUR/sq. m.)	9.6
Lincona Office Complex, Tallinn (Estonia)	DCF	- Discount rate	8.1%
Net leasable area (NLA) – 10,865 sq. m.		- Rental growth p.a.	1.2% - 2.2%
Segment – Office		- Long-term vacancy rate	5.0%
Year of construction/renovation – 2002 / 2008		- Exit yield	7.5%
		- Average rent (EUR/sq. m.)	10.1
Coca-Cola Plaza , Tallinn (Estonia)	DCF	- Discount rate	8.1%
Net leasable area (NLA) – 8,664 sq. m.		- Rental growth p.a.	1.0% - 3.0%
Segment – Leisure		- Long-term vacancy rate	2.0%
Year of construction/renovation – 1999		- Exit yield	7.5%
		- Average rent (EUR/sq. m.)	10.7
G4S Headquarters, Tallinn (Estonia)*	DCF	- Discount rate	8.0%
Net leasable area (NLA) – 9,179 sq. m.		- Rental growth p.a.	2.0% - 2.2%
Segment – Office		- Long-term vacancy rate	2.0%
Year of construction/renovation – 2013		- Exit yield	7.3%
		- Average rent (EUR/sq. m.)	10.8
SKY Shopping Centre, Riga (Latvia)	DCF	- Discount rate	9.3%
Net leasable area (NLA) – 3,254 sq. m.		- Rental growth p.a.	1.2% - 1.7%
Segment – Retail		- Long-term vacancy rate	2.0% - 5.0%
Year of construction/renovation – 2000 / 2010		- Exit yield	7.8%
		- Average rent (EUR/sq. m.)	11.0
Upmalas Biroji, Riga (Latvia)	DCF	- Discount rate	8.0%
Net leasable area (NLA) – 10,458 sq. m.		- Rental growth p.a.	0.7% - 1.7%
Segment – Office		- Long-term vacancy rate	2.0% - 5.0%
Year of construction/renovation – 2008		- Exit yield	7.0%
		- Average rent (EUR/sq. m.)	13.0
Pirita Shopping Centre, Tallinn (Estonia)	DCF	- Discount rate	9.3%
Net leasable area (NLA) – 5,460 sq. m		- Rental growth p.a.	1.9% - 2.2%
Segment – Retail		- Long-term vacancy rate	2.0% - 5.0%
Year of construction/renovation – 2016		- Exit yield	8.0%
		- Average rent (EUR/sq. m.)	13.4
Duetto I, Vilnius (Lithuania)	DCF	- Discount rate	8.0%
Net leasable area (NLA) – 8,498 sq. m		- Rental growth p.a.	0.5% - 2.3%
Segment – Office		- Long-term vacancy rate	5%
Year of construction/renovation – 2017		- Exit yield	7.3%
		- Average rent (EUR/sq. m.)	11.7

Property	Valuation technique	Key unobservable inputs	Range
Duetto II, Vilnius (Lithuania)	DCF	- Discount rate	8.0%
Net leasable area (NLA) – 8,515 sq. m		- Rental growth p.a.	1.2% - 2.3%
Segment – Office		- Long-term vacancy rate	5%
Year of construction/renovation – 2018		- Exit yield	7.3%
		- Average rent (EUR/sq. m.)	12.6
Vainodes I, Riga (Latvia)*	DCF	- Discount rate	8.0%
Net leasable area (NLA) – 8,052 sq. m		- Rental growth p.a.	0.0% - 2.5%
Segment – Office		- Long-term vacancy rate	1.0% - 5.0%
Year of construction/renovation – 2014		- Exit yield	7.0%
		- Average rent (EUR/sq. m.)	13.2
Postimaja, Tallinn (Estonia)*	DCF	- Discount rate	7.4%
Net leasable area (NLA) – 9,145 sq. m		- Rental growth p.a.	0.5% - 2.8%
Segment – Retail		- Long-term vacancy rate	2.0%
Year of construction/renovation – 1980		- Exit yield	6.0%
		- Average rent (EUR/sq. m.)	16.4
LNK Centre, Riga (Latvia)	DCF	- Discount rate	7.4%
Net leasable area (NLA) – 7,453 sq. m		- Rental growth p.a.	0.7% - 2.6%
Segment – Office		- Long-term vacancy rate	2.0% - 5.0%
Year of construction/renovation – 2006 / 2014		- Exit yield	6.5%
		- Average rent (EUR/sq. m.)	12.2
Galerija Centrs, Riga (Latvia)	DCF	- Discount rate	7.4%
Net leasable area (NLA) – 19,945 sq. m		- Rental growth p.a.	2.0% - 2.8%
Segment – Retail		- Long-term vacancy rate	2.0% - 5.0%
Year of construction/renovation – 1939 / 2006		- Exit yield	6.8%
		- Average rent (EUR/sq. m.)	22.9
North Star, Vilnius (Lithuania)	DCF	- Discount rate	8.1%
Net leasable area (NLA) – 10,562 sq. m		- Rental growth p.a.	0.0% - 2.3%
Segment – Office		- Long-term vacancy rate	5.0%
Year of construction/renovation – 2009		- Exit yield	7.0%
		- Average rent (EUR/sq. m.)	12.2

*Postimaja, G4S and Vainodes I property valuations also include building expansion rights. The market value of the additional building rights is EUR 5.4 million for Postimaja, EUR 0.4 million for G4S and EUR 2.8 million for Vainodes I.

The table below sets out information about significant unobservable inputs used at 31 December 2019 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	2019: 6.0% - 8.0%	An increase in exit yield in isolation would result in a lower value of Investment property.
		Discount rate	2019: 7.4% - 9.3%	An increase in discount rate in isolation would result in a lower value of Investment property.
		Rental growth p.a.	2019: 0.0% - 3.0%	An increase in rental growth in isolation would result in a higher value of Investment property.
		Long-term vacancy rate	2019: 1.0% - 5.0%	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 at 31 March 2020 were as follows:

EUR '000	Total fair value Level 3
Latvia - Galerija Centrs (retail)	76,408
Lithuania – Europa (retail)	40,721
Estonia – Postimaja (retail)	32,250
Lithuania – Domus Pro (retail/office)	24,410
Latvia – Upmalas Biroji (office)	24,209
Latvia – Vainodes I (office)	20,902
Lithuania – North Star (office)	20,104
Lithuania – Duetto II (office)	18,935
Estonia – Lincona (office)	17,820
Estonia – G4S (office)	17,550
Latvia – LNK Centre (office)	17,007
Lithuania – Duetto I (office)	16,460
Estonia – Coca-Cola Plaza (leisure)	15,150
Estonia – Pirita (retail)	9,889
Latvia – SKY (retail)	4,851
Total	**356,666**

11. Investment property under construction

EUR '000	31.03.2020	31.12.2019
Balance at 1 January	**2,367**	**-**
Transfer from investment property	-	1,700
Additions	1,302	746
Net revaluation loss	-	(79)
Closing balance	**3,669**	**2,367**

In December 2019, the Group started construction and development works to build an office on the land plot near Domus Pro Retail Park. On 6 February 2020, the Group signed a construction contract for the Meraki development project in Vilnius, Lithuania.

No external property valuation was performed as at 31 March 2020. The management of the Fund has assessed the fair values of investment property under construction as at 31 March 2020 using the same key assumptions that were used for valuation as at the end of the preceding financial year and concluded that the fair values of investment properties do not differ significantly from that as at the end of the preceding financial year.

Valuation techniques used to derive Level 3 fair values
As at 31 March 2020, the value of the investment property under construction is based on the valuation conducted in 2019. The value of the property is based on the valuation of investment properties performed by Newsec as at 31 December 2019.

Property	Valuation technique		Key unobservable inputs	Range
Meraki, Vilnius (Lithuania)	DCF	-	Discount rate	18.0%
Net leasable area (NLA) – 15,621 sq. m		-	Rental growth p.a.	2.1% - 2.3%
Segment – Office		-	Long-term vacancy rate	5.0%
Year of construction/renovation – 2021		-	Exit yield	7.3%
		-	Average rent (EUR/sq. m.)	11.6

12. Trade and other receivables

EUR '000	31.03.2020	31.12.2019
Trade receivables, gross	2,290	1,644
Less impairment allowance for doubtful receivables	(461)	(399)
Accrued income	402	477
Other accounts receivable	60	72
Total	**2,291**	**1,794**

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

As at 31 March 2020, trade receivables at a nominal value of EUR 461 thousand were fully impaired (EUR 399 thousand as at 31 December 2019).

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

EUR '000	31.03.2020	31.12.2019
Balance at 1 January	(399)	(221)
Acquisitions of subsidiaries	-	(190)
Charge for the period	(62)	(233)
Amounts written off	-	177
Reversal of allowances recognised in previous periods	-	68
Balance at end of period	**(461)**	**(399)**

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
31.03.2020	**1,829**	896	684	87	115	43	4
31.12.2019	**1,245**	920	210	48	13	9	45

13. Other current assets

Other current assets comprise of prepaid expenses related to future investment property acquisitions and development projects in Lithuania, Latvia and Estonia.

14. Cash and cash equivalents

EUR '000	31.03.2020	31.12.2019
Cash at banks and on hand	9,384	9,836
Total cash	**9,384**	**9,836**

As at 31 March 2020, the Group had to keep at least EUR 350 thousand (31 December 2019: EUR 350 thousand) of cash in its bank accounts due to certain restrictions in bank loan agreements.

15. Equity
15a. Paid in capital

The units are currently dual-listed on the Fund List of the Nasdaq Tallinn Stock Exchange and the Nasdaq Stockholm Alternative Investment Funds market. As at 31 March 2020, the total number of the Fund's units was 113,387,525 (as at 31 December 2019: 113,387,525). Units issued are presented in the table below:

EUR '000	Number of units	Amount
As at 1 January 2020 and 31 March 2020	**113,387,525**	**138,064**

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

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

Subsidiaries did not hold any units of the Fund as at 31 March 2020 and 31 December 2019.

The Fund did not hold its own units as at 31 March 2020.

On 1 February 2019, the Fund cancelled and deleted 255,969 units that were held on its own account.

15b. 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 period ended on 31 March 2020 and 31 December 2019.

EUR '000	31.03.2020	31.12.2019
Balance at the beginning of the year	**(1,556)**	**(1,005)**
Movement in fair value of existing hedges	(178)	(595)
Movement in deferred income tax (note 9)	13	44
Net variation during the period	**(165)**	**(551)**
Balance at the end of the period	**(1,721)**	**(1,556)**

15c. Dividends (distributions)

EUR '000	2020	2019
Declared during the period	(3,175)	(2,119)
Total distributions made	**(3,175)**	**(2,119)**

On 13 February 2019, the Fund declared a cash distribution of EUR 2,119 thousand (EUR 0.027 per unit).

On 31 January 2020, the Fund declared a cash distribution of EUR 3,175 thousand (EUR 0.028 per unit).

16. Interest bearing loans and borrowings

EUR '000	Maturity	Effective interest rate	31.03.2020	31.12.2019
Non-current borrowings				
Bonds	May 2023	4.25%	49,787	49,770
Bank 1	Jul 2022	3M EURIBOR + 1.40%	20,876	20,874
Bank 1	Aug 2021	3M EURIBOR + 1.75%	2,252	2,286
Bank 1	Aug 2021	6M EURIBOR + 1.40%	7,746	7,746
Bank 1	Feb 2022	6M EURIBOR + 1.40%	4,940	4,939
Bank 1	Dec 2022	6M EURIBOR + 1.40%	7,180	7,180
Bank 1	Nov 2024	3M EURIBOR + 1.55%	9,802	9,800
Bank 1	May 2022	3M EURIBOR + 1.55%	7,330	7,328
Bank 1	May 2022	6M EURIBOR + 1.55%	3,654	3,654
Bank 1	Sep 2023	3M EURIBOR + 1.75%	9,043	9,111
Bank 1	Mar 2024	6M EURIBOR + 2.65%	8,974	8,972
Bank 2	May 2022	6M EURIBOR + 2.75%	29,935	29,928
Bank 3	Aug 2023	1M EURIBOR + 1.55%	11,729	11,727
Bank 4	Mar 2023	6M EURIBOR + 2.15%	15,346	15,344
Bank 4	Feb 2023	6M EURIBOR + 1.18%	17,171	17,168
Lease liabilities			301	305
Less current portion of bank loans and bonds			(388)	(397)
Less current portion of lease liabilities			(17)	(17)
Total non-current debt			**205,661**	**205,718**
Current borrowings				
Current portion of non-current bank loans and bonds			388	397
Current portion of lease liabilities			17	17
Total current debt			**405**	**414**
Total			**206,066**	**206,132**

Loan securities

Borrowings received were secured with the following pledges and securities as of 31 March 2020:

	Mortgages of the property*	Second rank mortgages for derivatives	Cross-mortgage	Commercial pledge of the entire assets
Bank 1	Lincona, SKY, G4S Headquarters, Europa, Domus Pro, LNK, Vainodes I, North Star and Pirita	Europa, Domus Pro, Vainodes I	Pirita, Lincona, G4S Headquarters for Pirita, Lincona, G4S Headquarters 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.

	Suretyship	Pledges of receivables	Pledges of bank accounts	Share pledge
Bank 1	Europa for Domus Pro bank loan, Europa for North Star bank loan, Vainodes I for LNK bank loan, LNK for Vainodes I bank loan	Lincona, SKY, Europa, and Domus Pro	Europa, SKY, LNK and Vainodes I	BH Domus Pro UAB, Vainodes Krasti SIA, BH S27 SIA
Bank 2				Tampere Invest SIA
Bank 3			Upmalas Biroji	
Bank 4		Duetto I and II	Duetto I and II	BH Duetto UAB

17. Trade and other payables

EUR '000	31.03.2020	31.12.2019
Payables related to Meraki development	1,263	-
Accrued expenses	1,005	830
Trade payables	742	875
Tax payables	540	471
Management fee payable	458	474
Accrued financial expenses	398	410
Other payables	140	111
Total trade and other payables	**4,546**	**3,171**

As of 31 March 2020, the Fund had a payable in the amount of EUR 1,263 thousand for the construction costs of the Meraki development project as per the construction contract signed on 6 February 2020.

Terms and conditions of trade and other payables:

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

18. Commitments and contingencies

18a. Litigation

As at 31 March 2020, there was no ongoing litigation, which could materially affect the consolidated financial position of the Group.

18b. Contingent assets

On 18 December 2018, the Fund signed an additional agreement to the sales and purchase agreement with the seller of the Duetto II property. The seller agreed to provide a rental income guarantee in the aggregate amount of EUR 1,300 thousand per annum (EUR 108 thousand per month) of the effective net operating income from the Building for the first 24 months starting from 27 February 2019. An asset has not been recognised in the financial statements as the management of the Fund expects that Duetto II will be able to earn the guaranteed amount of rent.

18c. Contingent liabilities

The Group did not have any contingent liabilities at 31 March 2020.

19. 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 the three-month period ended 31 March 2020 and 2019 were the following:

EUR '000	01.01.2020 – 31.03.2020	01.01.2019 – 31.03.2019
Northern Horizon Capital AS group		
Management fees	458	348
Performance fees	173	101

The Group's balances with related parties as at 31 March 2020 and 31 December 2019 were the following:

EUR '000	31.03.2020	31.12.2019
Northern Horizon Capital AS group		
Management fees payable	458	474
Accrued performance fees	718	545

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 will be calculated starting from 1 January 2017. The performance fee first becomes payable in the fifth year of the Fund (i.e. 2020).

Northern Horizon Capital AS Group owns 7,737 units of the Fund.

Supervisory Board of the Fund

As set out in Baltic Horizon Fund Rules, Supervisory Board members are entitled to remuneration for their service in the amount determined by the General Meeting. During the three-month period ended 31 March 2020, the remuneration of the Supervisory Board of the Fund amounted to EUR 12 thousand (three-month period ended 31 March 2019: EUR 12 thousand). 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 2020 and 31 December 2019 are presented in the tables below:

As at 31 March 2020

	Number of units	Percentage
Nordea Bank AB clients	54,912,773	48.43%
Raiffeisen Bank International AG clients	17,114,698	15.09%

As at 31 December 2019

	Number of units	Percentage
Nordea Bank AB clients	54,428,197	48.00%
Raiffeisen Bank International AG clients	17,561,032	15.49%

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

20. 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	31.03.2020	31.12.2019	31.03.2020	31.12.2019
Financial assets				
Trade and other receivables	2,291	1,794	2,291	1,794
Cash and cash equivalents	9,384	9,836	9,384	9,836
Derivative financial instruments	29	73	29	73
Financial liabilities				
Interest-bearing loans and borrowings				
Bank loans	(155,978)	(156,057)	(155,501)	(155,718)
Bonds	(49,787)	(49,770)	(50,101)	(50,687)
Trade and other payables	(4,546)	(3,171)	(4,546)	(3,171)
Derivative financial instruments	(1,862)	(1,728)	(1,862)	(1,728)

Fair value hierarchy

Quantitative disclosures of the Group's financial instruments in the fair value measurement hierarchy as at 31 March 2020 and 31 December 2019:

Period ended 31 March 2020

EUR '000	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Trade and other receivables	-	-	2,291	2,291
Cash and cash equivalents	-	9,384	-	9,384
Derivative financial instruments	-	29	-	29
Financial liabilities				
Interest-bearing loans and borrowings				
Bank loans	-	-	(155,501)	(155,501)
Bonds	-	-	(50,101)	(50,101)
Trade and other payables	-	-	(4,546)	(4,546)
Derivative financial instruments	-	(1,862)	-	(1,862)

Period ended 31 December 2019

EUR '000	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Trade and other receivables	-	-	1,794	1,794
Cash and cash equivalents	-	9,836	-	9,836
Derivative financial instruments	-	73	-	73
Financial liabilities				
Interest-bearing loans and borrowings				
Bank loans	-	-	(155,718)	(155,718)
Bonds	-	-	(50,687)	(50,687)
Trade and other payables	-	-	(3,171)	(3,171)
Derivative financial instruments	-	(1,728)	-	(1,728)

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 at 31 March 2020 the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The fair value of derivatives has been calculated by discounting the expected future cash flows at prevailing interest rates.
- The fair values of the Group's interest-bearing loans and borrowings are determined by discounting the expected future cash flows at prevailing interest rates. The estimated fair values of the Group's interest-bearing loans and borrowings were determined using discount rates in a range of 0.03% and negative 0.50%.
- Cash and cash equivalents are attributed to Level 2 in the fair value hierarchy.

21. Derivative financial instruments

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

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 15b for more information.

Derivative type EUR '000	Starting date	Maturity date	Notional amount	Variable rate (received)	Fixed rate (paid)	Fair value	
						31.03.2020	31.12.2019
CAP	May 2018	Feb 2023	17,200	6M EURIBOR	3.5%*	-	-
CAP	Nov 2017	Mar 2022	7,200	6M EURIBOR	1.0%*	-	-
IRS	July 2019	May 2022	30,000	6M EURIBOR	-0.37%	29	73
Derivative financial instruments, assets						**29**	**73**
IRS	Mar 2018	Aug 2024	18,402	3M EURIBOR	0.73%	(891)	(805)
IRS	Mar 2018	Nov 2022	6,860	6M EURIBOR	0.46%	(145)	(142)
IRS	Sep 2017	May 2022	7,138	3M EURIBOR	0.26%	(102)	(102)
IRS	Nov 2016	Aug 2023	10,575	1M EURIBOR	0.26%	(259)	(228)
IRS	Aug 2017	Feb 2022	5,957	6M EURIBOR	0.305%	(73)	(76)
IRS	Aug 2016	Aug 2021	7,750	6M EURIBOR	0.05%	(43)	(46)
IRS	May 2018	Apr 2024	4,920	3M EURIBOR	0.63%	(204)	(194)
IRS	Jan 2019	Sep 2023	5,800	3M EURIBOR	0.32%	(145)	(135)
Derivative financial instruments, liabilities						**(1,862)**	**(1,728)**
Net value of financial derivatives						**(1,833)**	**(1,655)**

*Interest rate cap

Derivative financial instruments were accounted for at fair value as at 31 March 2020 and 31 December 2019. The maturity of the derivative financial instruments of the Group is as follows:

Classification according to maturity	Liabilities		Assets	
EUR '000	31.03.2020	31.12.2019	31.03.2020	31.12.2019
Non-current	(1,862)	(1,728)	29	73
Current	-	-	-	-
Total	**(1,862)**	**(1,728)**	**29**	**73**

22. Subsequent events

On 24 April 2020, the Fund declared a cash distribution of EUR 1,701 thousand (EUR 0.015 per unit) to unitholders.

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

23. List of consolidated companies

Name	Registered office	Registration Number	Date of incorporation / acquisition	Activity	Interest in capital
BH Lincona OÜ	Rävala 5, Tallinn, Estonia	12127485	20 June 2011	Asset holding company	100%
BOF SKY SIA	Valdemara 21-20, Riga, Latvia	40103538571	27 March 2012	Asset holding company	100%
BH CC Plaza OÜ	Rävala 5, Tallinn, Estonia	12399823	11 December 2012	Asset holding company	100%
BH Domus Pro UAB	Bieliūnų g. 1-1, Vilnius, Lithuania	225439110	1 May 2014	Asset holding company	100%
BH Europa UAB	Gynėjų 16, Vilnius, Lithuania	300059140	2 March 2015	Asset holding company	100%
BH P80 OÜ	Hobujaama 5, Tallinn, Estonia	14065606	6 July 2016	Asset holding company	100%
Kontor SIA	Mūkusalas iela 101, Rīga, Latvia	40003771618	30 August 2016	Asset holding company	100%
Pirita Center OÜ	Hobujaama 5, Tallinn, Estonia	12992834	16 December 2016	Asset holding company	100%
BH Duetto UAB	Jogailos 9, Vilnius, Lithuania	304443754	13 January 2017	Asset holding company	100%
Vainodes Krasti SIA	Agenskalna 33, Riga, Latvia	50103684291	12 December 2017	Asset holding company	100%
BH Meraki UAB	Ukmergės str. 308-1, Vilnius, Lithuania	304875582	18 July 2018	Asset holding company	100%
BH S27 SIA	Skanstes iela 27, Riga, Latvia	40103810023	15 August 2018	Asset holding company	100%
BH Northstar UAB	Bieliūnų g. 8-1, Vilnius, Lithuania	305175896	29 May 2019	Asset holding company	100%
Tampere Invest SIA	Audeju iela 16, Riga, Latvia	40003311422	13 June 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 15 May 2020.

Tarmo Karotam Chairman of the Management Board	Aušra Stankevičienė Member of the Management Board	Algirdas Jonas Vaitiekūnas 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.

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.

EPRA NAV
It is a measure of the fair value of net assets assuming a normal investment property company business model. Accordingly, there is an assumption of owning and operating investment property for the long term. The measure is provided by the European Public Real Estate Association, the industry body for European Real Estate Investment Trusts (REITs).

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 divided by the carrying amount of investment property (including investment property under construction).

Management Company
Northern Horizon Capital AS, register code 11025345, registered address at Tornimäe 2, Tallinn 15010, Estonia

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.

NOI
Net operating income

Net Initial Yield
NOI divided by market value of the property