

INTERIM REPORT

Q2 2023

UNAUDITED CONDENSED
CONSOLIDATED INTERIM FINANCIAL
STATEMENTS FOR THE 6-MONTH
PERIOD ENDED 30 JUNE 2023



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Baltic Horizon Fund

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

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

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

KEY FIGURES

Key earnings figures	Unit	H1 2023	H1 2022	Change (%)
Rental income	EUR '000	10,095	10,070	0.2%
Net rental income	EUR '000	8,495	8,675	(2.1%)
Net rental income margin ¹	%	84.2	86.1	
Valuation gains (losses) on investment properties	EUR '000	(14,623)	172	(8,601.7%)
EBIT	EUR '000	(11,278)	7,740	(245.7%)
EBIT margin ²	%	(111.7)	76.9	
Net profit (loss)	EUR '000	(15,005)	4,239	(454.0%)
Net profit (loss) margin	%	(148.6)	42.1	
Earnings per unit	EUR	(0.13)	0.04	(425.0%)
Generated net cash flow ⁴	EUR '000	1,209	4,147	(70.8%)
Dividends per unit ³	EUR/unit	0.000	0.026	(100.0%)
Generated net cash flow per unit ⁵	EUR/unit	0.022	0.035	(37.1%)
Gross rolling dividend yield ⁶	%	0.0	6.9	

Key financial position figures	Unit	30.06.2023	31.12.2022	Change (%)
Total assets	EUR '000	278,822	343,963	(18.9%)
Return on assets (TTM)	%	(4.8)	1.1	-
Total equity	EUR '000	118,504	133,655	(11.3%)
Equity ratio	%	42.5	38.9	-
Return on equity (TTM)	%	(12.0)	3.0	-
Interest-bearing loans and borrowings	EUR '000	153,408	195,111	(21.4%)
Total liabilities	EUR '000	160,318	210,308	(23.8%)
LTV	%	59.9	58.4	-
Average cost of debt	%	4.2	3.0	-
Weighted average duration of debt	years	2.4	1.8	-
Current ratio	times	0.2	0.1	-
Quick ratio	times	0.2	0.1	-
Cash ratio	times	0.2	0.1	-
IFRS NAV per unit	EUR	0.9905	1.1172	(11.3%)

Key property portfolio figures	Unit	30.06.2023	31.12.2022	Change (%)
Fair value of portfolio	EUR '000	255,734	333,123	(23.2%)
Properties ⁷	number	12	15	(20.0%)
Net leasable area	sq. m	119,065	151,870	(21.6%)
Occupancy rate	%	84.6	90.5	-

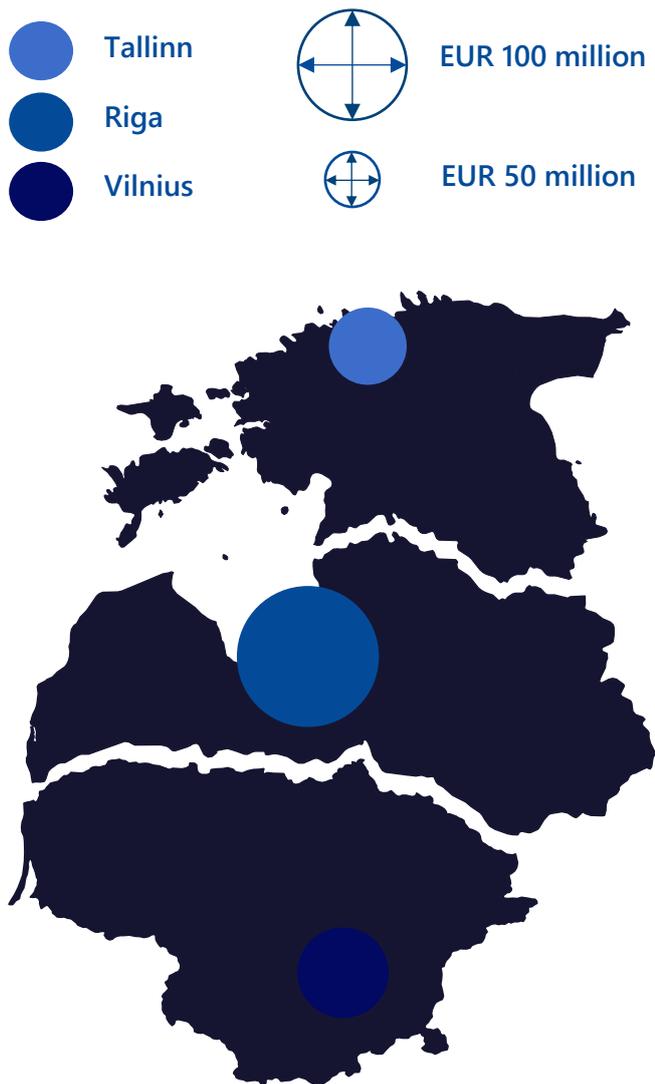
Key property portfolio figures	Unit	H1 2023	H1 2022	Change (%)
Direct property yield	%	5.0	5.1	-
Net initial yield	%	5.5	5.4	-

Key unit figures	Unit	30.06.2023	31.12.2022	Change (%)
Number of units outstanding	units	119,635,429	119,635,429	-
Closing unit price	EUR	0.4200	0.5750	(27.0%)
Closing unit price	SEK	4.62	5.60	(17.5%)
Market capitalisation ⁸	EUR	50,246,880	68,790,372	(27.0%)

Key EPRA figures	Unit	H1 2023	H1 2022	Change (%)
EPRA Earnings	EUR '000	2,762	4,608	(40.1%)
EPRA Earnings per unit	EUR	0.02	0.04	(50.0%)
EPRA Cost ratio (including direct vacancy costs)	%	29.9	26.5	-
EPRA Cost ratio (excluding direct vacancy costs)	%	25.6	27.6	-

Key EPRA figures	Unit	30.06.2023	31.12.2022	Change (%)
EPRA NRV (Net Reinstatement Value)	EUR '000	122,123	141,943	(14.0%)
EPRA NRV per unit	EUR	1.0208	1.1865	(14.0%)
EPRA NTA (Net Tangible Assets)	EUR '000	122,123	141,943	(14.0%)
EPRA NTA per unit	EUR	1.0208	1.1865	(14.0%)
EPRA NDV (Net Disposal Value)	EUR '000	118,072	133,313	(11.4%)
EPRA NDV per unit	EUR	0.9869	1.1143	(11.4%)
EPRA Net initial yield (NIY)	%	5.4	5.9	-
EPRA Topped-up NIY	%	5.5	6.1	-
EPRA Vacancy rate	%	5.9	6.9	-
EPRA LTV	%	53.3	57.9	-

1. Net rental income as a % of rental income.
2. EBIT (earnings before interest and taxes) as a % of rental income.
3. Generated net cash flow is calculated based on net rental income less administrative expenses, less external interest expenses, less CAPEX expenditure. Listing related expenses and acquisition related expenses are added back in GNCF calculation.
4. Distributions to unitholders for H1 2022 and H1 2023 Fund results.
5. Generated net cash flow per weighted average numbers of units during the period.
6. Gross dividend yield is based on the closing market price of the unit as of the end of the period (Q2 2023: closing market price of the unit as of 30 June 2023).
7. Properties includes 12 established cash flow properties.
8. Based on the closing prices and split between units on the Nasdaq Tallinn and the Nasdaq Stockholm Stock Exchanges.



Investment strategy

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

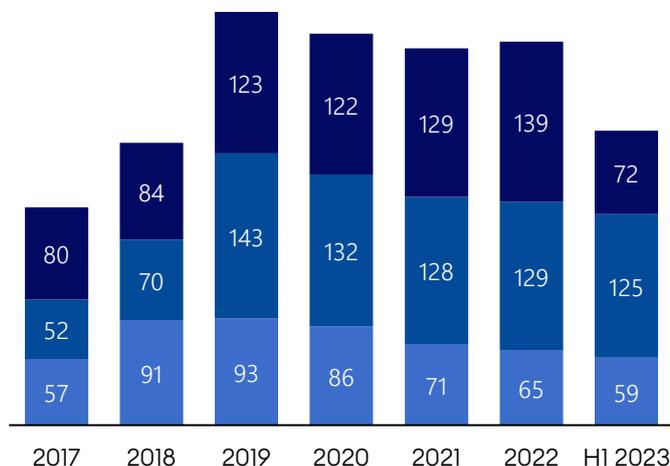
The Fund’s focus is on established cash flow generating properties with potential to add value through active management within the retail, office, leisure and logistics segments in strategic locations and strong tenants or a quality tenant mix and long leases. Up to 20% of the Fund’s assets may be allocated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

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

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

12 Properties **119,065** Portfolio size (sq. m)

Portfolio value (EUR million)



Ten largest properties

1. Galerija Centrs	26.1%
2. Europa SC	14.0%
3. Postimaja	9.0%
4. North Star	8.0%
5. Upmalas Biroji BC	7.8%
6. Vainodes	6.7%
7. Meraki	6.4%
8. LNK Centre	6.0%
9. Lincona	5.5%
10. Coca-Cola Plaza	4.9%
11. Others	5.6%

Q2 2023 AT A GLANCE



Sale of BH Duetto UAB shares

On 17 May 2023, the Fund signed a share sale and purchase agreement with ECRE IV (Lux) S.a.r.l. to sell 100% of the shares of BH Duetto UAB, which owns Duetto I and II office buildings in Vilnius, Lithuania. The agreed price of the property was approximately EUR 37 million. The Fund first acquired the properties in 2017 and 2019 from the international developer and earned an IRR of approximately 13.7% and an equity multiple of 1.8x over the period. The proceeds of the transaction will be used to partially redeem new bonds and to invest in the centrally located assets of the Fund. Closing of the transaction took place on 6 June 2023.

Annual General Meeting

The Annual General Meeting of Baltic Horizon Fund investors took place on 2 June 2023 in Tallinn, Estonia. Fund Manager Tarmo Karotam and Co-Fund Manager and Investment Manager Edvinas Karbauskas presented the FY2022 audited annual report of Baltic Horizon Fund, the interim report for Q1 2023 and the future strategy of Baltic Horizon Fund.

Bond issue

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

date, the second tranche of EUR 22 million in 5 years from the issue date. The Fund redeemed a part of the bonds in the amount of EUR 7,500,003 early on 1 August 2023. The redemption was accompanied by the reduction of the nominal value of the bonds to EUR 82,142.85 per bond. The total nominal amount of the bonds before the redemption was EUR 42,000,000 and after the redemption is EUR 34,499,997.

Annual ESG report

On 7 July 2023, the Fund published its ESG report 2022, which provides an overview of the Fund's performance against its ESG goals. The Fund has pledged its contribution to the Northern Horizon Capital Group's net zero carbon buildings commitment by 2030 and compliance with the latest reporting regulations.

Property valuations

In June 2023, the portfolio valuations were conducted by the independent real estate appraiser Colliers International. As of 30 June 2023, the fair value of the Baltic Horizon Fund like-for-like portfolio decreased to EUR 255.7 million (31 December 2022: EUR 268.9 million). Compared to the previous valuations, the change in portfolio value was mainly driven by the changes in exit yields and upward adjustments of the weighted average cost of capital (WACC) due to the rise in interest rates (EURIBOR) over H1 2023.

Europa won Baltic Real Estate Investment Forum award

At the international Baltic Real Estate Investment Forum, held 1 June 2023, the renovation project of the Europa Shopping Centre was named the best in the Baltic States in the shopping centres category. The evaluating committee consisted of real estate and architecture experts from Estonia, Latvia, and Lithuania.

Changes on the Supervisory Board of Northern Horizon Capital AS

Lars Ohnemus was elected as member and chairman of the supervisory board of Northern Horizon Capital AS as of 24 July 2023. The appointment of a new supervisory board member is related to the expiration of the term of office of Milda Darguzaite on 6 July 2023. Lars Ohnemus is the co-founder and Chairman of the Board of Directors of the parent company of Northern Horizon Capital AS.

PROPERTY REPORT

Portfolio and market overview

At the end of Q2 2023, the diversified property portfolio of Baltic Horizon Fund consisted of 12 cash flow-generating properties in the Baltic capitals. Baltic Horizon believes it has established a portfolio of strong retail and office assets with well-known and long-term tenants including local commercial leaders, governmental agencies, nearshoring shared service centres and the Baltic headquarters of leading international companies.

The recovery of our centrally located shopping centres from the impact of the COVID-19 pandemic was solid throughout 2022 and H1 2023. In H1 2023, the total turnover of the shopping centres' tenants displayed remarkable growth, surpassing H1 2022 figures by an impressive 15-25% across all centrally located retail assets.

While footfall remains below pre-pandemic levels, we are witnessing steady growth in footfall across all retail properties. For instance, H1 2023 footfall in Postimaja SC and Europa SC increased by 7% and 13%, respectively, compared to the same period in the previous year. Moreover, the recent opening of the BURZMA food hall at Galerija Centrs has triggered an exceptional 23% year-over-year surge in footfall, contributing to the overall performance of Galerija Centrs.

Although customer visits have become less frequent, there has been an upward trend in spending during these visits, with a clear focus on specific purchases. The recovery of the tourism sector is expected to further boost footfall figures, as Galerija Centrs and Postimaja have traditionally been sought-after destinations for tourist shopping. The year 2023 is projected to witness the return to pre-pandemic levels of tourism in the Baltics, which will unlock new growth opportunities.

The opening of the BURZMA food hall and the successful negotiation of deals with new tenants, including international fashion brand ARKET, at Galerija Centrs have created a strong basis for growth in its operating results. While one-off costs related to these endeavours impacted Galerija Centrs' operating results in H1 2023, the situation is expected to improve greatly during the latter part of the year and in future periods. Additionally,

ongoing negotiations for new lease agreements, especially those with synergistic food hall tenants like bakeries, high-end restaurants and other new anchor tenants, are expected to drive further growth.

Throughout H1 2023, the Fund secured crucial lease extensions with anchor tenants in retail assets. Notably, the anchor grocery tenant Rimi extended its leases on the same favourable terms in both Postimaja and Galerija Centrs. Furthermore, the successful opening of the Reval Café terrace in Postimaja during Q1 2023 fortified a long-term lease and introduced an attractive new entrance to the property.

Meanwhile, Europa SC demonstrated an impressive surge in letting activity during H1 2023, with the Fund successfully securing deals for a total of 1,071 sq. m with nine tenants, including prominent names like Pi Pilates, Optometrijos Centras, Codekus and others. The increased leasing activity at Europa SC, coupled with the robust performance of Pirita & Postimaja in H1 2023, resulted in a notable rise in the NOI of the retail segment compared to the H1 2022 figures.

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

In response to evolving market dynamics, the Fund is actively engaged in reletting efforts for current office vacancies and forthcoming office spaces, particularly in light of EMERGN's decision to reduce their rented area in LNK and the upcoming SEB exit from Upmalas Biroji. Proactive measures are being taken to fill these vacancies, with the Fund securing a tenant tender for approximately 3,000 sq. m. in

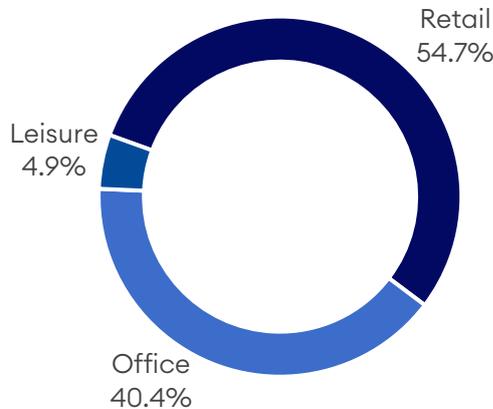
Upmalas Biroji to partially offset the upcoming vacancy. Additionally, intense negotiations are underway to ensure maximum occupancy in the Lincona building, and new small tenants are being sought to occupy vacancies in LNK.

Despite external challenges, the office portfolio remains robust, thanks to fixed lease agreements and flexible solutions offered by the Fund. Rental indexations have played a vital role in driving growth in the office portfolio results.

In conclusion, Baltic Horizon's offices demonstrate resilience to external shocks, while centrally located retail and entertainment assets continue their steady recovery toward peak performance. The Fund remains committed to navigating dynamic market conditions, proactively responding to challenges, and seizing opportunities to deliver strong performance.

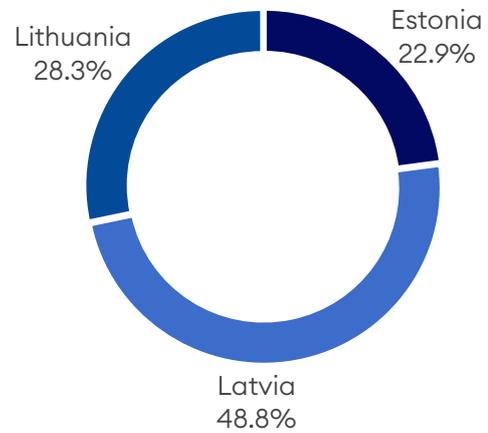
Property performance

Fund segment distribution as of 30 June 2023



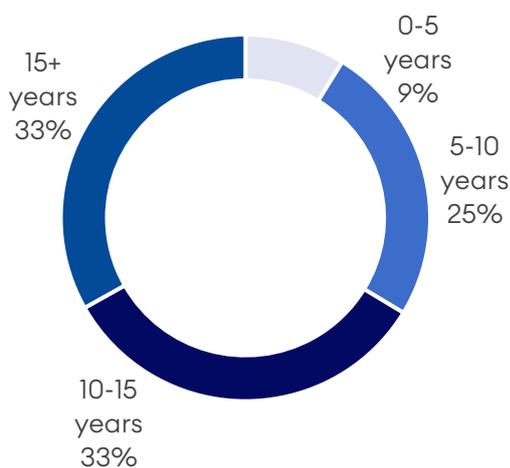
The Fund maintains a well-diversified mix of office, leisure, and retail buildings. At the end of Q2 2023, the portfolio was comprised of 54.7% retail assets, followed by 40.4% office assets and 4.9% leisure assets. Portfolio properties in the office segment contributed 56.7% of net rental income in H1 2023 despite accounting for only 40.4% of the Fund's portfolio.

Fund country distribution as of 30 June 2023



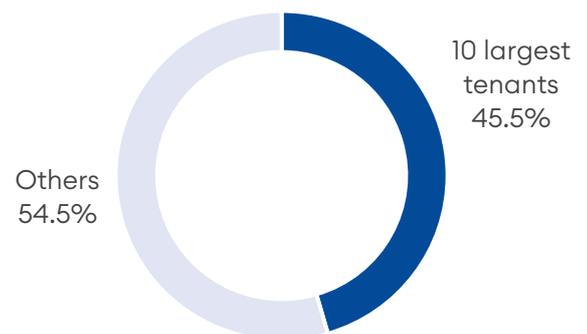
In terms of country distribution, in Q2 2023 Lithuania's share in the Fund's portfolio decreased due to the sale of BH Duetto UAB shares. At the end of Q2 2023, the Fund's assets were located as follows: 48.8% in Latvia, 28.3% in Lithuania and 22.9% in Estonia.

Fund portfolio by age as of 30 June 2023



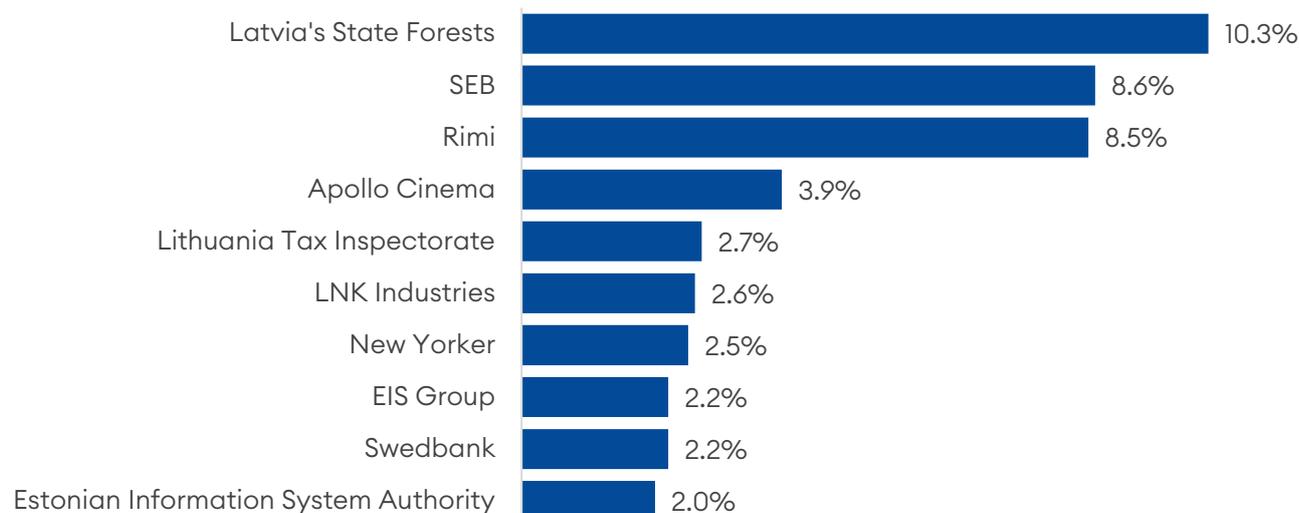
The graph above shows the age of assets in the Fund's portfolio since construction or the last major refurbishment. The management team is focused to improve the Fund's average portfolio age by acquiring newer assets and/or redeveloping assets in the current portfolio.

Rental concentration of the Fund's subsidiaries as of 30 June 2023



Baltic Horizon Fund has around 260 tenants in the portfolio. The rental concentration of the Fund's subsidiaries (rental income from the 10 largest tenants) is shown in the following chart with the largest tenant Latvia's State Forests accounting for 10.3% of the annualised rental income. As further discussed in the risk management section, credit risk is mitigated by the high quality of the existing tenant base.

Rental concentration of the Fund's subsidiaries: 10 largest tenants as of 30 June 2023



Overview of the Fund's investment properties as of 30 June 2023

Property name	Sector	Fair value ¹ (EUR '000)	NLA (sq. m)	Direct property yield Q2 2023 ²	Net initial yield Q2 2023 ³	Occupancy rate
Vilnius, Lithuania						
Europa SC	Retail	35,747	17,051	3.8%	4.3%	83.6%
North Star	Office	20,368	10,579	7.0%	7.0%	98.5%
Meraki	Office	16,240	8,275	0.0%	0.0%	32.2%
Total Vilnius		72,355	35,905	4.8%	5.0%	76.1%
Riga, Latvia						
Upmalas Biroji BC	Office	20,045	10,459	8.1%	9.4%	98.8%
Vainodes I	Office	17,220	8,128	6.7%	8.2%	100.0%
LNK Centre	Office	15,260	7,450	6.4%	6.6%	46.9%
Sky SC	Retail	5,480	3,259	8.2%	7.4%	100.0%
Galerija Centrs	Retail	66,854	19,293	4.1%	4.7%	80.9%
Total Riga		124,859	48,589	5.6%	6.3%	84.0%
Tallinn, Estonia						
Postimaja & CC Plaza complex	Retail	23,088	9,232	3.8%	5.4%	95.6%
Postimaja & CC Plaza complex	Leisure	12,432	9,139	7.2%	6.2%	100.0%
Lincona	Office	14,180	10,775	6.8%	7.4%	85.8%
Pirita SC	Retail	8,820	5,425	6.4%	8.9%	98.1%
Total Tallinn		58,520	34,571	5.4%	6.5%	94.1%
Total portfolio		255,734	119,065	5.3%	5.9%	84.6%

1. Based on the latest valuation as of 30 June 2023, subsequent capital expenditure and recognised right-of-use assets,
2. Direct property yield (DPY) is calculated by dividing annualized NOI by the acquisition value and subsequent capital expenditure of the property.
3. The net initial yield (NIY) is calculated by dividing annualized NOI by the market value of the property.

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

During Q2 2023, the average actual occupancy of the portfolio was 87.2% (Q1 2023: 89.6%). The occupancy rate as of 30 June 2023 was 84.6% (31 March 2023: 88.8%). The overall occupancy rate was impacted by the decreased occupancy in Galerija Centrs, LNK and Lincona.

Occupancy rates in the office segment are strongly impacted by the Meraki office development, which was completed in September 2022. Excluding the Meraki building, the office segment remained strong at around 94.0% occupancy during Q2 2023. Sky SC, Vainodes I and CC Plaza are now fully occupied. The Fund's retail and office leasing teams

were expanded in 2022 to speed up the leasing process. The agreement with the anchor tenant ARKET in Galerija Centrs was signed in December 2022. Construction works for ARKET fit-out started in Q1 2023, with an opening planned in November 2023.

The average direct property yield during Q2 2023 was 5.3% (Q1 2023: 4.7%). The net initial yield for the whole portfolio for Q2 2023 was 5.9% (Q1 2023: 5.0%). Rent indexation across the portfolio had a positive impact on the property yields albeit the short-term vacancy in Galerija Centrs due to construction works related to ARKET fit-out is still affecting the Fund's performance.

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

Breakdown of NOI development

Property	Date of acquisition	2018	2019	2020	2021	2022	H1 2022	H1 2023
Postimaja & CC Plaza complex	8 March 2013 ¹	2,447	2,495	1,932	1,805	2,044	1,049	1,074
Galerija Centrs	13 June 2019	-	2,552	3,023	1,448	2,193	1,179	1,057
Upmalas Biroji BC	30 August 2016	1,710	1,701	1,661	1,740	1,763	902	923
North Star	11 October 2019	-	315	1,419	1,208	1,371	674	753
Europa SC	2 March 2015	2,332	2,467	1,681	1,006	1,028	327	744
Vainodes I	12 December 2017	1,463	1,462	1,464	1,449	1,383	713	706
Duetto II ⁵	27 February 2019	-	1,090	1,354	1,353	1,409	704	601
LNK Centre	15 August 2018	409	1,072	1,090	1,088	1,132	567	569
Duetto I ⁵	22 March 2017	1,096	1,160	1,166	1,223	1,191	585	551
Lincona	1 July 2011	1,192	1,276	1,212	1,114	1,102	550	548
Pirita SC	16 December 2016	900	438	677	484	664	298	376
Domus Pro Retail ⁴	1 May 2014	1,160	1,132	1,092	1,145	1,280	647	226
Sky SC	7 December 2013	407	370	402	395	423	207	204
Domus Pro Office ⁴	1 October 2017	499	562	538	537	548	273	100
Meraki ²	10 September 2022	-	-	-	-	(101)	-	63
G4S Headquarters ³	12 July 2016	1,189	1,127	1,223	1,009	-	-	-
Total portfolio		14,804	19,219	19,934	17,004	17,430	8,675	8,495

1. The Fund completed the acquisition of the Postimaja SC on 13 February 2018.
2. The Fund completed the development of the first tower of the Meraki building in September 2022. Rental income is received starting from October 2022. Initial rental costs were recognised in September 2022.
3. The Fund completed the disposal of G4S Headquarters on 8 November 2021.
4. The Fund completed the disposal of the Domus Pro Retail and Office complex on 6 March 2023.
5. The Fund completed the disposal of the Duetto I and Duetto II properties on 6 June 2023.

The Fund's portfolio produced EUR 8.5 million of net operating income (NOI) during H1 2023 (H1 2022: EUR 8.7 million). Please refer to the table above for a breakdown of NOI development by each property, which has been generating stable rental income over the years.

Like-for-like net rental growth provides a more comparable view on the performance of the

underlying assets, as these calculations exclude the impact of net rental growth or decline due to acquisitions, developments or disposals in H1 2023 and H1 2022. The change in the Fund's like-for-like net rental income compares the growth in the net rental income of the portfolio that has been consistently in operation, and not under development, during the two full periods that are presented.

EPRA like-for-like net rental income by segment

EUR '000	Fair value 30.06.2023	Net rental income H1 2023	Net rental income H1 2022	Change (EUR '000)	Change (%)
Like-for-like assets					
Retail	139,989	3,043	2,571	472	18.3%
Office	87,073	3,499	3,406	93	2.7%
Leisure	12,432	412	489	(77)	(15.7%)
Total like-for-like assets	239,494	6,954	6,466	488	7.5%
Developed assets	16,240	63	-	63	100.0%
Disposed assets	-	1,478	2,209	(731)	(33.1%)
Total portfolio assets	255,734	8,495	8,675	(180)	(2.1%)

Net rental income of the portfolio on a like-for-like basis increased by 7.5% or EUR 488 thousand in H1 2023 compared to the same period last year. The increase in net rental income was mainly driven by rent indexation, temporary discounts granted to the tenants in H1 2022 in connection with the COVID-19 crisis and the recovery of Europa's NOI after its reconstruction. Recovery at the beginning of 2023, however, was slowed by higher energy costs, which increased unrecoverable costs.

The office segment showed a positive change with an increase in like-for-like net rental income of 2.7%. Most of the office properties saw an uplift in net rental income during H1 2023 compared to last year. Exposure to increasing costs was limited as most of the Fund's office premises have the widely accepted triple net lease agreement structure. Increasing energy costs mostly affected buildings with governmental tenants, i.e. Vainodes I and North Star were recharges to such tenants are limited to certain levels.

The performance of the retail and leisure segments in H1 2023 was mostly affected by one-off cost related to "BURZMA" opening and higher energy prices. Since the Fund covers part of the energy costs for common areas, increases in such costs

create a negative effect on the NOI. However, the negative effect is limited to a certain extent as the Fund has fixed energy prices in Estonia. Partial fixing of energy prices in Lithuania starts in Q3 2023 as the Fund signed an agreement to buy solar energy earlier this year. The net rental income of retail assets increased by 18.3% compared to H1 2022. The positive effect was slightly undermined by a temporary drop in Galerija Centrs' NOI due to additional marketing and other expenses related to the opening of the food hall after reconstruction. Europa's NOI increased significantly following the completion of reconstruction.

Like-for-like net rental income changes in Lithuania and Estonia were positive throughout H1 2023 compared to H1 2022. Latvia's performance was affected by the weaker performance of Galerija Centrs.

In H1 2023, the net rental income of Postimaja, North Star, Lincona, Europa SC, Upmalas Biroji BC, and Pirita exceeded the previous year's result. Despite the solid performance of most of the assets, the pressure of higher electricity costs and unrecoverable costs from common areas limited net rental income growth during H1 2023.

EPRA like-for-like net rental income by country

EUR '000	Fair value 31.06.2023	Net rental income H1 2023	Net rental income H1 2022	Change (EUR '000)	Change (%)
Like-for-like assets					
Estonia	58,520	1,998	1,897	101	5.3%
Latvia	124,859	3,459	3,568	(109)	(3.1%)
Lithuania	56,115	1,497	1,001	496	49.6%
Total like-for-like assets	239,494	6,954	6,466	488	7.5%
Developed assets	16,240	63	-	63	100.0%
Disposed assets	-	1,478	2,209	(731)	(33.1%)
Total portfolio assets	255,734	8,495	8,675	(180)	(2.1%)

Property valuation

All real estate properties belonging to the Fund must be appraised at least once a year at the end of the financial year to determine the market value of the real estate portfolio. The Fund's property portfolio was appraised twice in 2022 and will be appraised twice in 2023 by an independent real estate appraiser. External property appraisals in 2022 were carried out as of 30 June and 31 December and the first external appraisal in 2023 was carried out as of 30 June.

The Management Company ensures that only a licensed independent real estate appraiser of high repute and sufficient experience in appraising similar property and operating in the country where the relevant real estate property is located evaluates real estate belonging to the Fund. As of 31 December 2022 and 30 June 2023, external valuations were performed by the independent property valuator Colliers International.

Independent appraisals are performed in accordance with the Practice Statements and Relevant Guidance Notes of the RICS Appraisal and Valuation approved by both the International Valuation Standards Committee (IVSC) and the European Group of Valuers' Associations (TEGoVA).

The appraisal methodology employed by the external appraiser is explained in more detail in note 10 to the financial statements.

The like-for-like fair value of the portfolio as of 30 June 2023 decreased to EUR 255.7 million as compared to EUR 268.9 million as of 31 December 2022. During H1 2023, the Fund recognised valuation losses on investment properties of EUR 14.6 million (H1 2022: a gain of EUR 0.2 million) in the consolidated financial statements.

Compared to the previous valuations, the change in portfolio value was mainly driven by the changes in exit yields and upward adjustments of the weighted average cost of capital (WACC) due to the rise in interest rates (EURIBOR) over H1 2023.

The table below shows movements in the fair value of the Baltic Horizon Fund investment portfolio during H1 2023. The values of the properties, which are based on the valuation of investment properties performed by Colliers International, have been increased by the value of right-of-use assets (IFRS 16). The table below does not reflect any capital investments during the year

Portfolio fair value movements by segment

EUR '000	Fair value 30.06.2023	Fair value 31.12.2022	Change (EUR '000)	Change (%)	Proportion of portfolio (%) 30.06.2023
Like-for-like assets					
Retail	139,989	144,264	(4,275)	(3.0%)	54.7%
Office	103,313	110,289	(6,976)	(6.3%)	40.4%
Leisure	12,432	14,385	(1,953)	(13.6%)	4.9%
Total like-for-like assets	255,734	268,938	(13,204)	(4.9%)	100.0%
Disposed assets					
Office	-	64,185	64,185	(100.0%)	-
Total portfolio assets	255,734	333,123	(77,389)	(23.2%)	100.0%

The like-for-like value of the property portfolio excluding disposed assets decreased by EUR 13.2 million (4.9%) in H1 2023 compared to year-end 2022. The values of all properties except for Europa SC decreased. The largest decrease in value was recorded for the Coca Cola Plaza and Postimaja Complex (EUR -5.6 million). The downward

adjustment was recognised due to the changes in the master lease agreement with the tenant operating the cinema as well as higher capitalisation and discount rate assumptions. For a summary of property valuations, please visit the Fund's website.

Portfolio fair value movements by country

EUR '000	Fair value 30.06.2023	Fair value 31.12.2022	Change (EUR '000)	Change (%)	Proportion of portfolio (%) 30.06.2023
Like-for-like assets					
Estonia	58,520	65,300	(6,780)	(10.4%)	22.9%
Latvia	124,859	128,862	(4,003)	(3.1%)	48.8%
Lithuania	72,355	74,776	(2,421)	(3.2%)	28.3%
Total like-for-like assets	255,734	268,938	(13,204)	(4.9%)	100.0%
Disposed assets					
Lithuania	-	64,185	(64,185)	(100.0%)	-
Total portfolio assets	255,734	333,123	(77,389)	(23.2%)	100.0%

Estonia

Economy

The Estonian economy has adapted very quickly to the changing environment in recent years and expanded robustly in 2021. However, the war in Ukraine has had negative consequences for the Estonian economy. Economic growth stalled in 2022. Worsening households' purchasing power and foreign demand as well as a spike in interest rates should slow down high inflation. The government has increased spending to reduce the impact of the energy crisis. Labour market still remains resilient to external shocks. According to Eurostat, in 2022 the GDP of Estonia shrank by 1.3% compared to the previous year. Due to high inflation, restrained financial conditions and slow growth in major trading partners, GDP is forecast to decrease by 0.4% in 2023. In 2024, GDP should grow by 3.1%.

	2022	2023	2024
GDP	(1.3%)	(0.4%)	3.1%
Inflation	19.4%	9.2%	2.8%

Source: European Commission Economic Forecast, Spring 2023

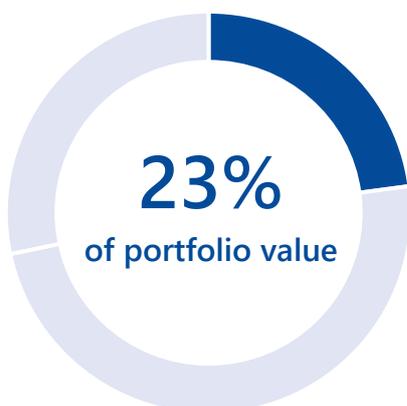
Portfolio

Portfolio properties based in Estonia started the year with an upward movement in the net rental income and key portfolio metrics. In the Fund's portfolio, Estonian properties recognised an increase in like-for-like net rental income, delivering growth of 5.3% year over year. The change was mostly influenced by a sizeable NOI increase in Pirita after due to higher occupancy. The Fund supported the tenant operating the cinema in CC Plaza and retail tenants in Postimaja during lockdowns, which reduced rental income during 2020-2022. After the tenants' recovery from the effects of COVID-19, the amount of support required from the Fund has been rapidly

decreasing, leading to an improvement in the Fund's performance. The opening of Reval Café in January 2023 additionally boosted the operating performance of Postimaja. The performance of CC Plaza was negatively impacted by the changes in the master lease agreement with the tenant operating the cinema in the property. The team has engaged to look for a new anchor tenant for the ground floor of CC Plaza from beginning of 2024 in order to boost the performance of the property.

The operational results of Lincona were relatively stable during H1 2023 as no major leases were signed and no major concessions were provided during this period. Occupancy in Lincona slightly decreased due to the termination and expiration of the lease agreements with a few tenants. The management team is exploring opportunities to establish an office hotel in Lincona's vacant office space and offer the premises to smaller tenants. Pirita outperformed H1 2022 results due to indexation applied in 2023, higher occupancy and better payment discipline. Net rental income in CC Plaza and Postimaja complex increased compared to the prior year results, albeit the increase in energy prices led the Fund to grant rent relief to the tenant operating a cinema in CC Plaza.

Most of the key performance metrics in Q2 2023 improved compared to the previous quarter. During Q2 2023, the average direct property yield increased to 5.4% (Q1 2023: 5.1%), while the average net initial yield grew to 6.5% (Q1 2023: 6.0%). The average occupancy level for Q2 2023 was 94.0% (Q1 2023: 94.6%). The occupancy rate as of 30 June 2023 was 94.1% (31 March 2023: 93.8%).



4
Properties

94.1%
Occupancy rate

34,571
Total leasable area (sq. m)

5.4%
Direct property yield

2.0m
Net rental income (EUR)

58.5m
Portfolio value (EUR)

Latvia

Economy

Following a temporary slowdown toward the end of 2021 due to new restrictions introduced by the government, Latvia’s economy showed positive momentum at the beginning of 2022. The trend slowed in the second part of the year driven by a decrease in private consumption and exports. Economists forecast that the growth pace will decelerate throughout 2023 as private consumption will continue to contract and exports will start to recover later in 2023. GDP is forecasted to grow by 1.4% in 2023 and by 2.8% in 2024.

	2022	2023	2024
GDP	2.8%	1.4%	2.8%
Inflation	17.2%	9.3%	1.7%

Source: European Commission Economic Forecast, Spring 2023

Portfolio

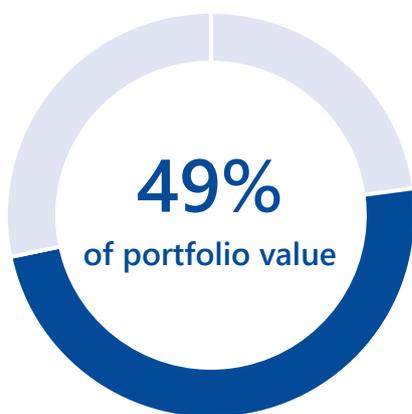
Latvian properties recognised a 3.1% decrease in like-for-like net rental income compared with the same period last year. This change was mainly influenced by a sizeable NOI decrease in Galerija Centrs due to growth in unrecoverable costs and one-off costs related to the opening of the food hall.

Even considering the strong recovery of rents, the sudden increase in energy costs had a direct negative impact on the Latvian portfolio, resulting in a fall in NOI at the beginning of 2023. Most of the decrease is attributable to Galerija Centrs. The Fund is covering the electricity costs of areas under refurbishment, while they are being prepared for newly signed agreements. The Fund has initiated a strategic upgrade of the Galerija Centrs concept to

be carried out in 2022/2023 by constructing a food hall and implementing changes in other areas. In January 2023 the agreement with the Nordic fashion and lifestyle brand ARKET was signed for the total lettable area of 782 sq. m. The opening of the store is planned for November 2023. This will be the first ARKET store in Latvia. The strategic move further strengthens Galerija Centrs' position in the market by offering customers an innovative and experience-based shopping environment. These major changes will boost occupancy levels by 5-15% and gradually take the property back to 95-100% occupancy.

Exposure to cost inflation was limited in SKY and LNK Centre resulting in a stable performance for both properties. As of 30 June 2023, Upmalas Biroji BC was almost fully leased out. However, in July 2023 the agreement with the main tenant expired and was not extended. The property management team is discussing the final terms with the Latvian Police and it is expected that an agreement for an area of 2,850 sq. m will be signed in Q3.

The average direct property yield increased to 5.6% during Q2 2023 (Q1 2023: 3.9%). The average net initial yield was 6.3% (Q1 2023: 4.4%). The average occupancy level for Q2 2023 slightly decreased to 88.7% (Q1 2023: 91.7%). The occupancy rate as of 30 June 2023 was 84.0% (31 March 2023 92.2%). At the end of H1 2023, 2 out of the 5 properties in Latvia were fully leased out to local and international tenants. Latvian properties have development potential, which the Fund’s management team aims to realize in the coming years in order to maximise the value of the properties.



5
Properties

84.0%
Occupancy rate

48,589
Total leasable area (sq. m)

5.6%
Direct property yield

3.5m
Net rental income (EUR)

124.9m
Portfolio value (EUR)

Lithuania

Economy

Lithuania has produced strong economic growth even during economic shocks. Consumer purchasing power and confidence took a hit from recent geopolitical events but should not dramatically limit Lithuania’s economic expansion compared to other EU countries. Double-digit wage growth is not enough to cover the whole inflation, but it makes a major difference in mitigating the risks associated with high inflation. While growth is set to be moderate, the economy is projected to continue to be supported by the good financial position of businesses, accumulated household savings and fiscal support. Even though inflationary pressure is falling, higher interest rates, the loss in purchasing power and slowing foreign demand impact on export will have a slowdown effect on economic growth. Overall, in 2023 GDP growth is forecast to slow down to 0.5% and increase to 2.7% in 2024.

	2022	2023	2024
GDP	1.9%	0.5%	2.7%
Inflation	18.9%	9.2%	2.2%

Source: European Commission Economic Forecast, Spring 2023

Portfolio

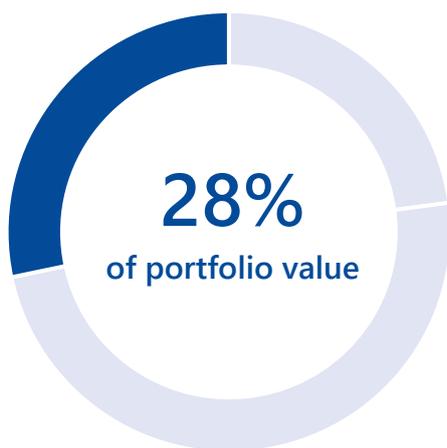
Across all Baltic Horizon Fund markets, the properties in Lithuania showed the best like-for-like results due to

solid diversification of assets. After completing reconstruction, the Europa SC has moved towards a refreshed concept and the take-up of vacant premises. Operational results for H1 2023 reflect strong growth in NOI. Gross rental income has been on an upward trend for the last several quarters.

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

In H1 2023, all the properties in the Lithuanian market outperformed prior year results. Almost all properties in Lithuania had lease extensions or new leases signed. The Fund’s leasing efforts are now mostly focused on Europa and Meraki following the completion of these (re)development projects.

Overall, the Q2 2023 key performance metrics of the properties in Lithuania were affected by the sale of the Domus Pro and Duetto properties. During Q2 2023, the average direct property yield was 4.8% (Q1 2023: 5.3%). The average net initial yield was 5.0% (Q1 2023: 5.1%). The average occupancy level for Q2 2023 was 80.6% (Q1 2023: 85.2%). The occupancy rate as of 30 June 2023 was 76.1% (31 March 2023: 82.4%).



3
Properties

76.1%
Occupancy rate

35,905
Total leasable area (sq. m)

4.8%
Direct property yield

3.0m
Net rental income (EUR)

72.4m
Portfolio value (EUR)

FINANCIAL REPORT

Financial position and performance of the Fund

Net result and net rental income

The Group recorded a net loss of EUR 15.0 million for H1 2023 against a net profit of EUR 4.2 million. The net result was strongly impacted by the negative valuation result of EUR 14.6 million. Meanwhile in H1 2022, the valuation resulted in a net fair value gain of EUR 0.2 million. The sale of the shares in BH Domus Pro UAB which owns a retail park and an office building and BH Duetto UAB, which owns two office buildings, resulted in the loss on disposal of EUR 3.8 million. The net result was also impacted by the higher financial expenses. Earnings per unit for H1 2023 were negative at EUR -0.13 (H1 2022: positive at EUR 0.04).

The Group earned net rental income of EUR 8.5 million in H1 2023 (H1 2022: EUR 8.7 million). The results for 2023 include two months' net rental income of the Domus Pro Retail and Office property (EUR 0.3 million) and five months' net rental income of the Duetto properties (EUR 1.2 million), which were sold in February and May 2023, respectively. Rent indexations and the recovery of income improved the net rental income of the same portfolio mix (like-for-like portfolio).

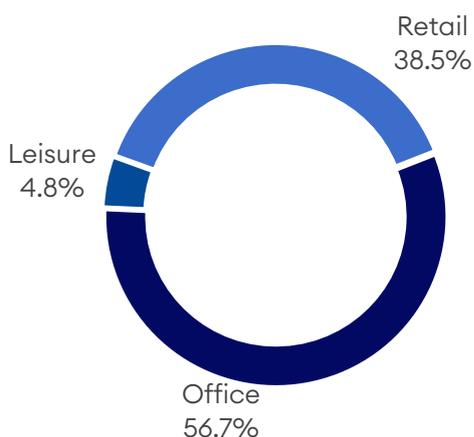
On an EPRA like-for-like basis, portfolio net rental income increased by 7.5% year on year, mainly due to the recovery in the retail segment. The increase was also supported by the relatively stable performance of the office segment.

Portfolio properties in the office segment contributed 56.7% (H1 2022: 57.3%) of net rental income in H1 2023, followed by the retail segment with 38.5% (H1 2022: 37.1%) and the leisure segment with 4.8% (H1 2022: 5.6%).

Retail assets located in the central business districts (Postimaja, Europa and Galerija Centrs) accounted for 29.0% of total portfolio net rental income in H1 2023. Total net rental income attributable to neighbourhood shopping centres was 9.5% in H1 2023.

During H1 2023, investment properties in Latvia and Lithuania contributed 40.7% (H1 2022: 41.1%) and 35.8% (H1 2022: 37.0%) of net rental income, respectively, while investment properties in Estonia contributed 23.5% (H1 2022: 21.9%).

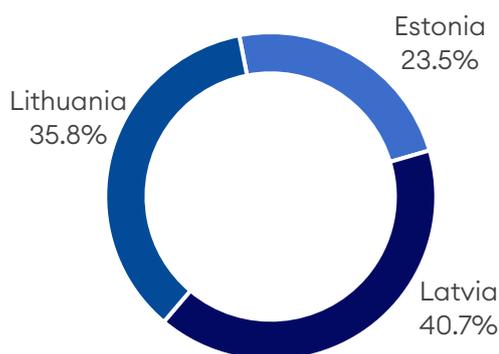
Net rental income by segment



Gross Asset Value (GAV)

At the end of H1 2023, the Fund's GAV was EUR 278.8 million (31 December 2022: EUR 344.0 million), 18.9% lower than at the end of the previous period. The decrease is mainly related to the sale of the shares in BH Domus Pro UAB and BH Duetto UAB.

Net rental income by country



Investment properties

At the end of H1 2023, the Baltic Horizon Fund portfolio consisted of 12 cash flow generating investment properties in the Baltic capitals. The fair value of the Fund's portfolio was EUR 255.7 million (31 December 2022: EUR 333.1 million) and incorporated a total net leasable area of 119.1

thousand sq. m. During H1 2023 the Group sold the Domus PRO buildings for approximately EUR 23.5 million and the Duetto I and Duetto II buildings for

approximately EUR 37 million, invested EUR 0.7 million in reconstruction projects and EUR 0.8 million in the existing property portfolio.

Key earnings figures

EUR '000	Q2 2023	Q2 2022	Change (%)
Net rental income	4,293	4,482	(4.2%)
Administrative expenses	(678)	(726)	(6.6%)
Other operating income	5	271	(98.5%)
Losses on disposal of investment properties	(2,218)	-	-
Valuation gains (losses) on investment properties	(14,619)	178	(8,312.9%)
Operating profit (loss)	(13,217)	4,205	(414.3%)
Net financial expenses	(2,387)	(1,518)	57.2%
Profit (loss) before tax	(15,604)	2,687	(680.8%)
Income tax	577	(444)	230.0%
Net profit (loss) for the period	(15,027)	2,243	(770.0%)
Weighted average number of units outstanding (units)	119,635,429	119,635,429	-
Earnings per unit (EUR)	(0.13)	0.02	-

Key financial position figures

EUR '000	30.06.2023	31.12.2022	Change (%)
Investment properties in use	255,734	333,123	(23.2%)
Gross asset value (GAV)	278,822	343,963	(18.9%)
Interest-bearing loans and bonds	153,144	194,569	(21.3%)
Total liabilities	160,318	210,308	(23.8%)
IFRS Net asset value (IFRS NAV)	118,504	133,655	(11.3%)
EPRA Net Reinstatement Value (EPRA NRV)	122,123	141,943	(14.0%)
Number of units outstanding (units)	119,635,429	119,635,429	-
IFRS Net asset value (IFRS NAV) per unit (EUR)	0.9905	1.1172	(11.3%)
EPRA Net Reinstatement Value (EPRA NRV) per unit (EUR)	1.0208	1.1865	(14.0%)
Loan-to-Value ratio (%)	59.9%	58.4%	-
Average effective interest rate (%)	4.2%	3.0%	-

Interest-bearing loans and bonds

Interest-bearing loans and bonds (excluding lease liabilities) were EUR 153.1 million (31 December 2022: EUR 194.6 million). Outstanding bank loans decreased due to the repayment of the Domus Pro and Duetto loans, part of Europa loan and regular bank loan amortisation. Annual loan amortisation accounted for 1.5% of total debt outstanding.

Cash flow

Cash inflow from core operating activities in H1 2023 amounted to EUR 6.2 million (H1 2022: cash inflow of EUR 7.3 million). Cash inflow from investing activities was EUR 22.3 million (H1 2022: cash outflow of EUR 7.6 million) due to the sale of the shares in BH Domus Pro UAB and BH Duetto UAB. Cash outflow from financing activities was EUR 15.6 million (H1 2022: cash outflow of EUR 7.1 million). In

H1 2023, the Fund redeemed and issued bonds, repaid the Domus Pro and part of the Europa loan, and paid regular interest on bank loans and bonds. In March 2023 the Fund repaid the Domus Pro loan (EUR 11.0 million) and EUR 6.0 million of the Europa loan using the proceeds from the sale of the shares in BH Domus Pro UAB. In May the Fund redeemed its EUR 50 million unsecured 5-year bond issue, completed a private placement of 5-year bonds and issued bonds in the total volume of EUR 42 million. At the end of H1 2023, the Fund's consolidated cash and cash equivalents amounted to EUR 18.2 million (31 December 2022: EUR 5.3 million). Operating costs are fully covered by cash flows generated by rental activities.

Net Asset Value (NAV)

At the end of H1 2023, the Fund's NAV was EUR 118.5 million (31 December 2022: EUR 133.7 million). Compared to the year-end 2022 NAV, the Fund's NAV decreased by 11.3%. The increase in operational performance was offset by a EUR 14.6 million property valuation loss and EUR 3.8 million loss from the disposal of the BH Domus Pro UAB and BH Duetto UAB shares. Excluding the impact of valuations, the NAV at the end of H1 2023 would have been EUR 132.7 million or EUR 1.1093 per unit. As of 30 June 2023, IFRS NAV per unit decreased to EUR 0.9905 (31 December 2022: EUR 1.1172), while EPRA net tangible assets and EPRA net reinstatement value were EUR 1.0208 per unit (31 December 2022: EUR 1.1865). EPRA net disposal value was EUR 0.9869 per unit (31 December 2022: EUR 1.1143).

FINANCING

The Fund currently aims to use a 50% long-term leverage strategy. At no point in time may the Fund’s leverage exceed 65%. The ability to borrow on attractive terms plays a major role in the investment strategy and cash distributions to unitholders.

S&P affirms credit rating

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

Extension of bank loans

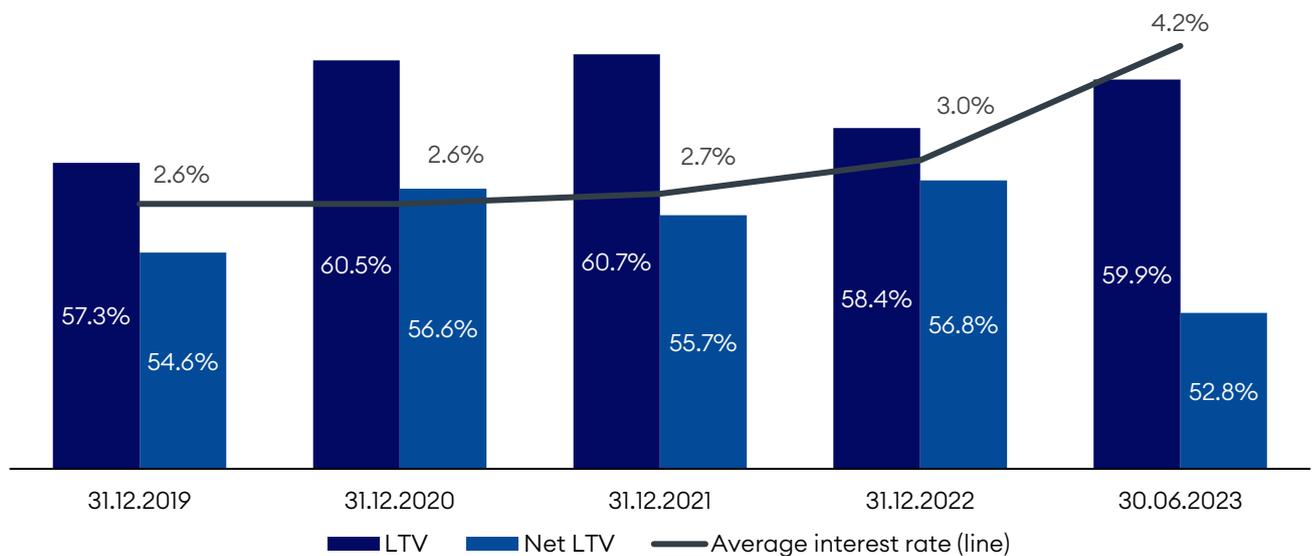
During Q2 2023, there were no bank loan extensions. At the end of Q2 2023, the Fund received binding offers for the refinancing of the

Kontor SIA bank loan. The Fund completed a private placement of 5-year bonds and issued bonds with in the total volume of EUR 42 million with the final maturity on 8 May 2028.

Bank loans and bonds

During Q2 2023, regular bank loan amortisation increased to 1.5 % p.a. (EUR 2.3 million p.a.). As of the end of Q2 2023, the LTV ratio increased and reached 59.9% (31 December 2022: 58.4%). LTV after the redemption of EUR 7,500,003 bonds on 1 August 2023 decreased to 57.0%. The average interest rate as of 30 June 2023 increased to 4.2% (31 December 2022: 3.0%) following an increase in the EURIBOR. The management team is working to reduce LTV below 50% during upcoming periods.

LTV and average interest rate



The table below provides a detailed breakdown of the structure of the Fund’s consolidated financial debt as of 30 June 2023. Interest-bearing debt was comprised of bank loans with a total carrying value of EUR 111.6 million and bonds with a carrying value of EUR 42 million. 100% of the debt instruments were denominated in euros. Bank loans have been obtained by subsidiaries that hold the Fund’s properties and the properties have been pledged as

loan collateral. The parent entity holds the 5-year secured bonds.

Loan arrangement costs are capitalised and amortised over the terms of the respective loans. At the end of HI 2023, the unamortised balance of loan arrangement costs for all loans and bonds was EUR 487 thousand.

Financial debt structure of the Fund as of 30 June 2023

Property	Maturity	Currency	Carrying amount (EUR '000)	% of total	Fixed rate portion (%)
Galerija Centrs	26 January 2024	EUR	30,000	19.5%	100.0%
CC Plaza and Postimaja	12 February 2026	EUR	16,985	11.1%	101.3%
Europa SC	15 March 2024	EUR	8,400	5.5%	219.1%
Upmalas Biroji BC	31 August 2023	EUR	11,632	7.6%	90.9%
Vainodes I	13 November 2024	EUR	10,533	6.9%	46.7%
North Star	15 March 2024	EUR	9,000	5.9%	100.0%
LNK	27 September 2023	EUR	8,159	5.3%	71.1%
Lincona	31 December 2027	EUR	9,356	6.1%	0.0%
Pirita SC	20 February 2026	EUR	4,711	3.1%	0.0%
Sky SC	31 January 2028	EUR	2,855	1.9%	0.0%
Total bank loans		EUR	111,631	72.7%	85.9%
Less capitalised loan arrangement fees ¹		EUR	(55)		
Total bank loans recognised in the statement of financial position		EUR	111,576		
5-year secured bonds ²	8 May 2028	EUR	42,000	27.3%	0.0%
Total bonds		EUR	42,000	27.3%	0.0%
Less capitalised bond arrangement fees ¹		EUR	(432)		
Total bonds recognised in the statement of financial position		EUR	41,568		
Total debt recognised in the statement of financial position		EUR	153,144	100.0%	69.3%

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

2. Bonds in the total nominal amount of EUR 20 million have to be redeemed by 8 May 2024.

Weighted debt financing average time to maturity was 1.9 years and weighted hedge average time to maturity was 1.5 years at the end of Q2 2023.

Hedging policy and new hedges

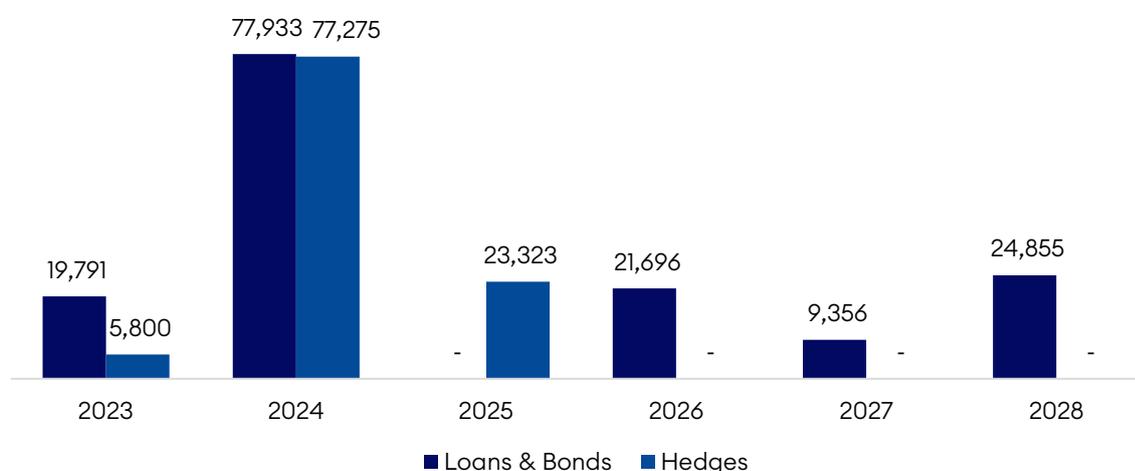
As of 30 June 2023, 69.3% of total debt was hedged against interest rate risk while the remaining 30.7% had floating interest rates. The Fund hedges interest rates on a portion of its debt by acquiring IRS-type

hedging instruments or limits the impact of rising interest rates with interest rate cap instruments (CAP).

The graph below shows that as of 30 June 2023 around 63.6% of total debt financing matures in 2023-2024.

Maturity terms of loans, bonds and hedges

EUR'000



Covenant reporting

As of 30 June 2023, the Fund was in compliance with all the covenants set under the bond issue terms and conditions dated 8 May 2023.

As of 30 June 2023, the Fund was in compliance with all special conditions and covenants set under the bank loan agreements except for the Galerija Centrs property. The Interest Service Coverage Ratio (ISCR) of the Galerija Centrs property (carrying loan amount – EUR 30 million) was below the required level of 1.8 at the end of Q2 2023, but this did not result in any consequences because the Fund received a formal waiver from the lender for the mentioned covenant breach. Management is monitoring the situation proactively with the banks to ensure timely measures.

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

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

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

Financial covenants of secured bonds issued at the Fund level

Covenant	Requirement	Ratio 30.06.2023
Equity Ratio	> 35.0%*	45.2%
Debt Service Coverage Ratio	> 1.10*	1.68

*Equity ratio must be above 35.0% until the collateral has been released and thereafter above 37.5 %. DSCR of the Group must be above 1.10 until the first anniversary of the issue date or until the collateral has been released and thereafter above 1.20.

EPRA PERFORMANCE MEASURES

New EPRA performance metrics

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

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

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

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

Baltic Horizon wins EPRA Gold award

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



Key performance indicators – definition and use

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

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

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

EPRA Net asset value

EUR '000	30.06.2023		
	EPRA NRV	EPRA NTA	EPRA NDV
IFRS NAV	118,504	118,504	118,504
Exclude:			
V. Deferred tax liability on investment properties ¹	5,154	5,154	-
V. Deferred tax on fair value of financial instruments	103	103	-
VI. Fair value of financial instruments	(1,638)	(1,638)	-
Include:			
IX. Revaluation at fair value of fixed-rate loans	-	-	(432)
NAV	122,123	122,123	118,072
Fully diluted number of units	119,635,429	119,635,429	119,635,429
NAV per unit (EUR)	1.0208	1.0208	0.9869

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

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

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

EPRA Earnings

EUR '000	Q2 2023	Q2 2022	H1 2023	H1 2022
Net result IFRS	(15,027)	2,243	(15,005)	4,239
Exclude:				
I. Changes in fair value of investment properties	14,619	(178)	14,623	(172)
II. Profits or losses on disposal of investment properties	2,218	-	3,751	-
VIII. Deferred tax in respect of EPRA adjustments	(577)	446	(697)	541
EPRA Earnings	1,233	2,511	2,672	4,608
Weighted number of units during the period	119,635,429	119,635,429	119,635,429	119,635,429
EPRA Earnings per unit	0.01	0.02	0.02	0.04

EPRA LTV

EUR '000	30.06.2023	31.12.2022
Net debt		
Include:		
Borrowings from financial institutions	111,621	144,682
Bond loans	42,000	50,000
Net payables	951	3,502
Exclude:		
Cash and cash equivalents	(18,218)	(5,347)
Net debt (A)	136,354	192,837
Property value		
Include:		
Investment properties at fair value	255,734	333,123
Total property value (B)	255,734	333,123
EPRA LTV (A/B)	53.3%	57.9%

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

EPRA Vacancy rate

EUR '000	30.06.2023	31.12.2022
Estimated rental value of vacant space	1,112	1,716
Estimated rental value of the whole portfolio	18,974	24,889
EPRA Vacancy rate	5.9%	6.9%

EPRA Cost ratios

EUR '000	Q2 2023	Q2 2022	H1 2023	H1 2022
Property expenses not recharged to tenants	528	629	1,600	1,395
Administrative expenses	678	726	1,414	1,385
EPRA costs (including direct vacancy costs) (A)	1,206	1,355	3,014	2,780
Direct vacancy costs	(213)	(191)	(432)	(359)
EPRA costs (excluding direct vacancy costs) (B)	993	1,164	2,582	2,421
Rental income	4,821	5,111	10,095	10,070
Gross rental income (C)	4,821	5,111	10,095	10,070
EPRA Cost ratio (including direct vacancy costs) (A/C, %)	25.0%	26.5%	29.9%	27.6%
EPRA Cost ratio (excluding direct vacancy costs) (B/C, %)	20.6%	22.8%	25.6%	24.1%

EPRA NIY and “topped-up” NIY

EUR '000	30.06.2023	31.12.2022
Investment properties	255,734	333,123
Exclude:		
Developments	-	-
Completed property portfolio GAV	255,734	333,123
Annualised cash passing rental income	17,126	22,639
Property expenses not recharged to tenants	(3,296)	(2,958)
Annualised net rental income	13,830	19,681
Include:		
Notional rent expiration of rent-free periods or other lease incentives	197	699
Topped-up net annualised rental income	14,027	20,380
EPRA NIY	5.4%	5.9%
EPRA “topped-up” NIY	5.5%	6.1%

INVESTOR RELATIONS

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

Conversion of units to Swedish depository receipts

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

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

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

Trading information

As of 30 June 2023, the market capitalisation for Baltic Horizon Fund was approx. EUR 50.2 million (31 December 2022: EUR 68.8 million) based on the closing unit market prices on the Nasdaq Tallinn Stock Exchange and the Nasdaq Stockholm Alternative Investment Funds market. During H1 2023, Baltic Horizon Fund units on the Nasdaq Tallinn Stock Exchange were trading at a discount compared to the net asset value per unit. The market price of the unit entered a downward trend at the end of February 2022 after the start of the war in Ukraine. At the end of H1 2023, the closing unit price on the Nasdaq Tallinn Stock Exchange was EUR 0.4200.

Key information

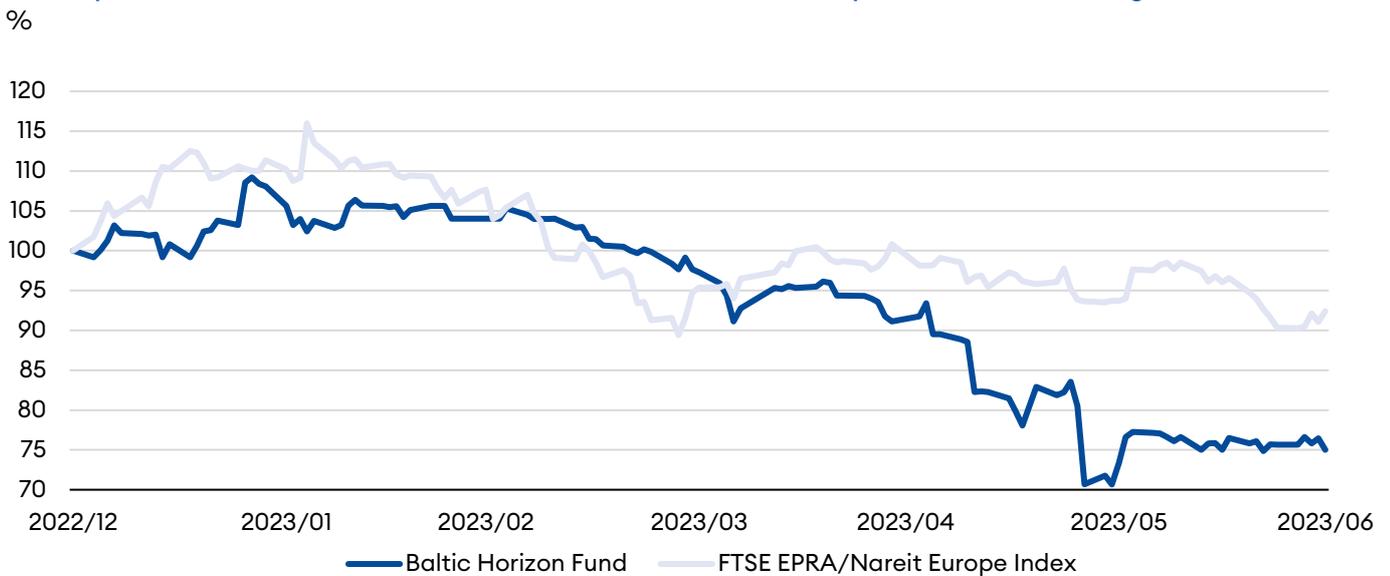
ISIN code	EE3500110244
Markets	Nasdaq Tallinn Nasdaq Stockholm
Ticker symbols:	
Nasdaq Tallinn	NHCBHFFT
Nasdaq Stockholm	NHCBHFFSDB
Bloomberg tickers:	
Nasdaq Tallinn	NHCBHFFT:ET
Nasdaq Stockholm	NHCBHFFS:SS

Key figures	30.06.2023	31.12.2022
Number of units issued (units)	119,635,429	119,635,429
Market capitalisation ¹ (EUR)	50,246,880	68,790,372
IFRS NAV per unit (EUR)	0.9905	1.1172
Unit price discount from IFRS NAV per unit ² (%)	(57.6%)	(48.5%)
EPRA NRV per unit (EUR)	1.0208	1.1865
Unit price discount from EPRA NRV per unit ³ (%)	(58.9%)	(51.5%)

Key figures	H1 2023	H1 2022
Nasdaq Tallinn:		
Highest unit price during the period (EUR)	0.6547	1.0689
Lowest unit price during the period (EUR)	0.3916	0.8015
Closing unit price (EUR)	0.4200	0.8966
Nasdaq Stockholm:		
Highest unit price during the period (SEK)	6.40	11.42
Lowest unit price during the period (SEK)	4.48	8.12
Closing unit price (SEK)	4.62	9.73
Earnings per units during the period (EUR)	(0.13)	0.04
Distribution per unit for the period ⁴ (EUR)	-	0.026

1. Based on the closing prices and split between units on the Nasdaq Tallinn and the Nasdaq Stockholm Stock Exchanges.
2. Based on the closing price on the Nasdaq Tallinn Stock Exchange and the IFRS NAV per unit at the end of period.
3. Based on the closing price on the Nasdaq Tallinn Stock Exchange and the EPRA NRV per unit at the end of period.
4. Distributions to unitholders for H1 2023 and H1 2022 Fund results.

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



Baltic Horizon Fund’s total shareholder return on unit in Q2 2023 amounted to -27.0%. Total shareholder return for a given period is equivalent to the movement in the unit price on the Nasdaq Tallinn Stock Exchange over the period plus dividends paid, divided by the opening unit price.

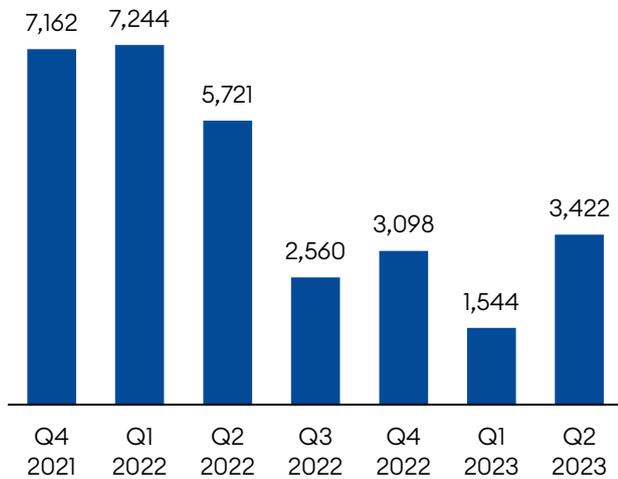
In H1 2023, the Baltic Horizon Fund unit offered good liquidity. In total, 119,635,429 units were traded on the Nasdaq Tallinn and Nasdaq Stockholm stock exchanges, while the total H1 2023 trading volume reached 5.0 million units. Market capitalisation of approx. EUR 50.2 million turns around in ca. 11.3 years on the Nasdaq Tallinn and Stockholm Stock Exchanges. Baltic Horizon Fund was the 19th most

traded listed security on the Nasdaq Tallinn Stock Exchange during H1 2023. The first graph below shows the Baltic Horizon Fund units’ quarterly trading volume on the Nasdaq Tallinn and the Nasdaq Stockholm Stock Exchanges.

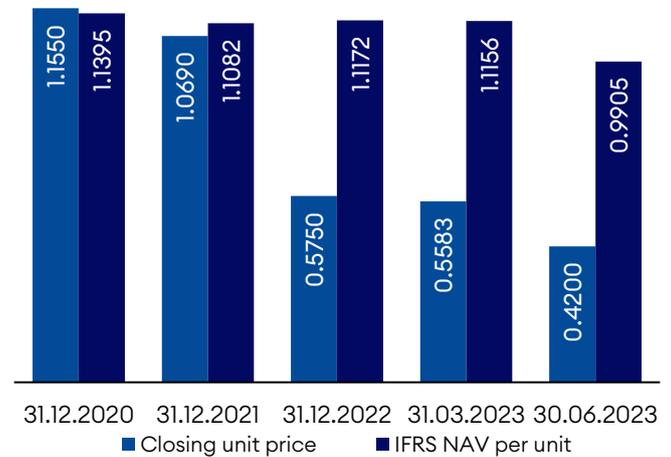
During H1 2023, Baltic Horizon Fund units on the Nasdaq Tallinn Stock Exchange were mostly trading at a discount compared to the net asset value per unit. At the end of H1 2023, units were traded at a 57.6% discount compared to the IFRS NAV per unit and 58.9% discount compared to the EPRA NRV per unit. The second graph below shows the Baltic Horizon Fund unit price in relation to its IFRS net asset value since inception.

Quarterly trading volume on Nasdaq Tallinn and Stockholm Stock Exchanges

'000 Units



Nasdaq Tallinn unit price compared with NAV
EUR



Dividend capacity

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

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

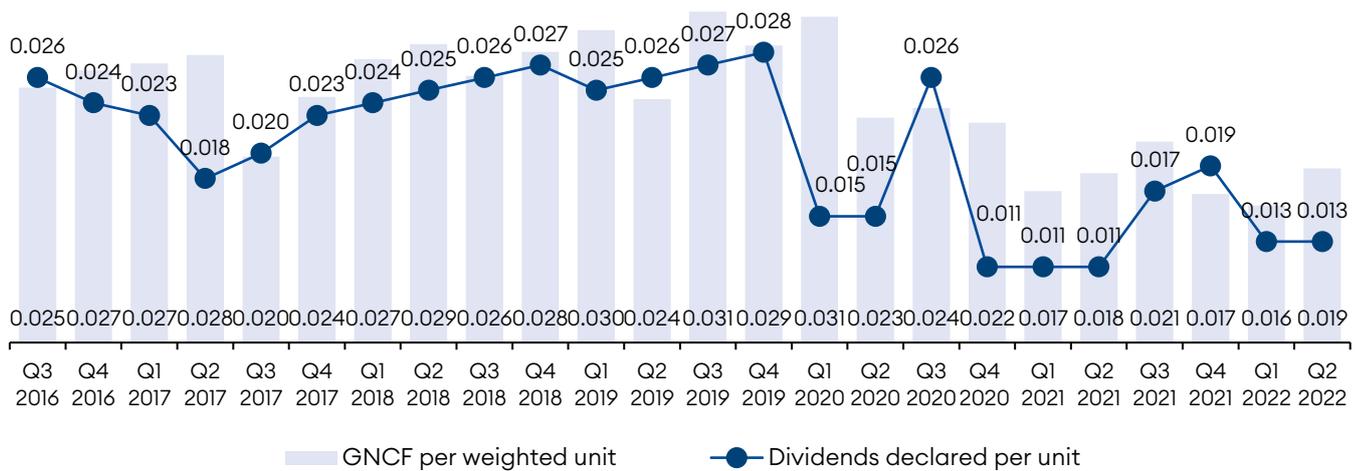
The Fund sets a target of dividend distributions to its unitholders in the range between 80% of generated net cash flow (GNCF) and net profit after unrealized P&L items are adjusted. The distribution is based on the Fund’s short-term and long-term performance projections. Management has discretion to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

The management company of Baltic Horizon Fund has approved changes to cash distribution frequency. Starting from July 2022, Baltic Horizon Fund’s quarterly cash distribution frequency was changed. At the Annual General Meeting the decision was announced to withhold the dividends payments in 2023 to strengthen the Fund and its asset performance.

Generated net cash flow (GNCF) calculation formula

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

Dividend per unit (EUR)



Dividend capacity calculation

EUR '000	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023
(+) Net rental income	4,482	4,298	4,457	4,202	4,293
(-) Fund administrative expenses	(726)	(752)	(996)	(736)	(678)
(-) External interest expenses	(1,403)	(1,441)	(1,748)	(1,822)	(2,290)
(-) CAPEX expenditure ¹	(369)	(247)	(577)	(167)	(116)
(+) Extraordinary income related to investment properties ²	261	-	-	-	-
(+) Added back listing related expenses	-	-	-	-	-
(+) Added back acquisition related expenses	5	-	-	-	-
Generated net cash flow (GNCF)	2,250	1,858	1,136	1,477	1,209
GNCF per weighted unit (EUR)	0.019	0.016	0.009	0.012	0.010
12-months rolling GNCF yield³ (%)	8.0%	9.4%	10.4%	10.1%	11.3%

1. The table provides actual capital expenditures for the quarter. Future dividend distributions to unitholders are aimed to be based on the annual budgeted capital expenditure plans equalised for each quarter. This will reduce the quarterly volatility of cash distributions to unitholders.
2. Latvian government COVID-19 grants related to the decrease of net rental income in Galerija Centrs due to discounts to tenants. The grants are used to offset property operating expenses.
3. 12-month rolling GNCF and dividend yields are based on the closing market price of the unit as of the end of the quarter (Q2 2023: closing market price of the unit as of 30 June 2023).

STRUCTURE AND GOVERNANCE

Baltic Horizon Fund is a closed-end contractual investment fund registered in Estonia on 23 May 2016. The Fund is defined as a real estate fund under the Estonian Investment Funds Act. The Fund cannot enter into agreements on its own. The unitholders own all the Fund’s assets. The Fund has no employees except for the general directors of Lithuanian subsidiaries (3 at the reporting date) as required by Lithuanian law.

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

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

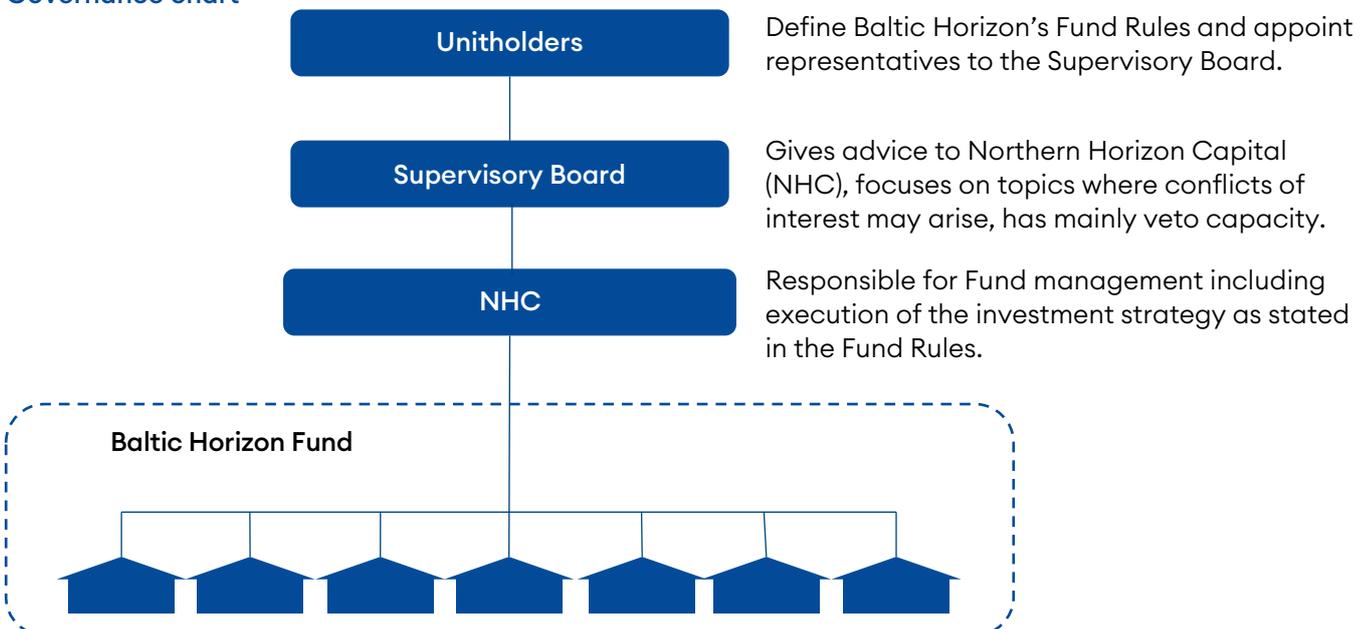
The Fund is managed by the Management Company, which is Northern Horizon Capital AS. The immediate team comprises of the Management Board, which is headed by the Fund Manager, and the Supervisory Board of the Management Company. The Fund also has its own Supervisory Board, which comprises of 4 independent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

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

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

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

Governance chart



Management Board and Supervisory Board of the Management Company

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

Supervisory Board of the Fund

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

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

Supervisory Board members are entitled to remuneration for their service in the amount determined by the General Meeting. The chairman of the Supervisory Board is entitled to an annual remuneration of EUR 15,000 and a regular member is entitled to an annual remuneration of EUR 11,000. On the basis of the agreements concluded with each Supervisory Board member, Supervisory Board

members are not entitled to any benefits from the Fund or the Management Company upon termination of their term of office.

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

Valuations

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

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

Audit

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

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

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

RISK MANAGEMENT

The risk management function of the Fund is responsible for identifying, measuring, managing, and monitoring the risks which the Fund is or might be exposed to. The risk management function is overseen by a dedicated member of the Management Board (who is not performing Portfolio Management or Investor Relations functions) and partly delegated to a sister company of the Management Company: Northern Horizon Capital AIFM Oy, which is a licensed AIFM in Finland. The

risk management function maintains a list of all risk management related instructions, monitors these compared to internationally recommended best practice, and initiates changes and improvements when needed. The risk management function reports to the Fund’s boards on a regular basis. The risk management function assessed at the end of the reporting period that the Fund is currently in compliance with the intended risk management framework.

Principal risks faced by the Fund

Risk	Risk description
Market risk	<p>The Fund is exposed to the office and retail markets in Riga, Tallinn, and Vilnius through its indirect investments in investment property (through subsidiaries). Although the Fund’s portfolio is well diversified across specified geographies and market segments, the whole region is affected by increasing energy costs and high inflation which increases the risk of tenant bankruptcies and their ability to pay rent. This could have a negative impact on the properties’ occupancy rates and the Fund’s rental income.</p>
Liquidity risk	<p>The Fund is exposed to liquidity risk related to the renewal of its financing as it reaches maturity. Failure to renew the financing at acceptable terms or breaches of debt covenants could cause the need to dispose of the assets owned by the Fund. Please refer to note 10 for more information regarding asset acquisitions. Please refer to note 14 for more information regarding the maturity dates of the loans and borrowings.</p> <p>Most financing agreements require additional loan amortisation when debt covenants deteriorate. Thus a decrease in the performance or value of the Fund’s properties due to changes in real estate yields could cause the need for additional liquidity.</p> <p>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 cyclicalities, downturns in demand, market disruptions and the lack of available capital for potential purchasers and therefore often difficult or time consuming to liquidate.</p>
Interest rate risk	<p>The Fund is exposed to interest rate risk because of leverage (bank loans or bonds) used to finance its real estate investments. The Fund hedges against interest rate risk either by taking fixed rate loans or by using interest rate swaps or interest rate caps for the loans with variable interest rates. As 1) the Fund seeks to obtain financing on the best terms and conditions and 2) in the current market, fixed rate loans are often more expensive, the Fund hedges interest rate exposure by mainly using derivative instruments such as interest rate swaps, forwards and options. The Fund and its subsidiaries acquire swaps only for cash flow hedging purposes and not for trading.</p> <p>Given that a large part of external financing and related interest rate hedging mature in 2023 and given the rising market interest rates and hedging costs, there is a risk that new financing will be arranged at a higher cost.</p>
General property related risks	<p>Real estate as an asset class has some typical risks, for example those caused by construction or property maintenance errors. An unforeseen event such as a technical system failure may arise despite comprehensive control and careful maintenance. A number of assets owned by the Fund are older than 10 years and, therefore, may require unplanned repairs or maintenance CAPEX. Investments may also be needed for buildings to meet changing tenants’ needs and regulatory or environmental requirements.</p>

SUSTAINABILITY

Our commitment

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

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

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

Stakeholder engagement

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

Investors: we build relationships with our investors based on transparency and trust by engaging in dialogue and finding the best solutions for both parties to strengthen positive ESG impacts on our investments and community.

Tenants: tenant retention and commitment to our asset maintenance is a core focus of our asset management. We aim to be a considerate asset owner that reacts to the needs and suggestions of

our tenants and to create a sustainability culture in the communities we have an impact on.

Partners: we continuously engage with our business partners to ensure smooth communication that is built on mutual values of trust, transparency and professionalism.

Employees: we are committed to creating sustainable value to our shareholders with integrity, and believe empowering our employees is the key to maintaining and creating excellent performance.

SFDR/EU Taxonomy

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

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

Governance

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

We hold ourselves accountable to the highest standards of professionalism and ethics. Our group Code of Conduct ensures that our business activities are undertaken in an environment of

integrity, transparency and accountability. This approach allows Baltic Horizon to be a trustworthy and accountable partner to all of our stakeholders.

Certification

Baltic Horizon certified all operational office assets in 2021 using BREEAM In-Use environmental assessment method and thus achieved one of the ESG goals. The minimum certification target – BREEAM In-Use “Very Good” was mostly achieved. Only one asset, Lincona was evaluated “Good”

while all the other assets secured “Very Good” evaluation. The Fund’s team exceeded its certification coverage target and now has 55% certification coverage for the entire portfolio. The Fund has started the building certification process for the remaining retail assets that do not have BREEAM certification yet and expects to have the whole portfolio certified in 2023. Meraki Office is expected to receive BREEAM New Construction Excellent certification in 2023.



GRESB benchmarking

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

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

In Q3 2022 BHF received the GRESB 4 star rating, exceeding its goal to achieve 3 stars. The Fund scored 28 points (out of 30) in the Management

module and 55 points (out of 70) in the Performance module. In 2021 Baltic Horizon also enrolled in the

Public Disclosure Assessment where the Fund achieved a 63-point score (out of 100), obtaining a B3 rating. In 2022, the Fund improved its rating to A (85 out of 100 points).

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

Benchmark report

In 2022 Baltic Horizon Fund conducted a benchmark report based on the GRI standards and compared its reporting quality with other market participants. Although most of the funds report their

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

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

Compared to social and environmental data, disclosures are less quantitative.

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

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

Renewable energy

A key aspect in achieving our net-zero by 2030 target is ensuring that our portfolio assets are powered by clean and renewable energy sources. We are taking small steps to achieve this ambition.

OUTLOOK FOR 2023

The outlook for H2 2023 reflects Baltic Horizon's commitment to navigating the dynamic real estate market in the Baltic capitals. Our recent strategic moves and dedication towards optimizing the Fund's structure, position us for resilience and potential growth in a challenging environment.

The successful disposal of the Domus PRO complex and Duetto I and II in H1 2023 has been a pivotal step in optimizing our portfolio. This aligns with our strategic vision to reduce leverage and increase exposure to city centre assets, thereby allowing us to concentrate on value creation and unlocking the full potential of our city centre assets.

Baltic Horizon is pleased to boast a diversified property portfolio of 12 cash flow generating properties in the Baltic capitals, comprising strong retail, leisure and office assets with well-known and long-term tenants. Our properties house local commercial leaders, governmental agencies, nearshoring shared service centres, and the Baltic headquarters of leading international companies. We remain committed to nurturing these valuable tenant relationships.

Recent history with its notable challenges has forced investors to deal with uncertainty in the surrounding environment. It almost seems like uncertainty is a new certainty. For several years from 2020, the COVID virus related restrictions strongly affected travel and centrally located commercial properties – hotels, retail centres and offices – as people were forced out of city centres to commute and socialize less and work, shop and entertain themselves from homes.

Real estate markets in the Nordic and Baltic regions have witnessed several external shocks over the past years, which have changed the investment environment for good and there are a number of outstanding challenges including rising material and renovation costs, higher cost of financing, volatile energy prices, weaker economies and lower consumer confidence.

Our investment focus in recent years has been on renewing the concepts of our city centre properties, embracing the trend of hybrid retail and work. Beyond traditional stores, our attractive hybrid centres will offer cinemas, sports clubs, beauty salons, clinics, coworking spaces, and authentic

high-quality food areas. The successful launch of Dialogai food hall in Europa and the recent opening of the BURZMA food area in Galerija Centrs are testimony to our strategic approach, yielding both social and financial success.

Continuous letting of the Meraki premises and new lease agreements on the reconstructed areas of Europa SC, Galerija Centrs, and Postimaja will unlock untapped potential in our portfolio. The large lease agreement with major retail brand ARKET in Galerija Centrs demonstrates our dedication to enhancing customer experiences and driving operational performance improvements. Additionally, we are revitalizing Europa SC with new tenants, and negotiations are underway for high-value letting deals.

Baltic Horizon's team has taken proactive measures to address the spike in energy prices at the end of 2022. By fixing electricity prices for our Estonian and Lithuanian assets, we aim to maintain stable and resilient cost management for our tenants. Our dedication to sustainability extends beyond cost management, as we actively evaluate and invest in green energy projects.

Achieving four stars from GRESB in 2022 was a significant milestone, and we aim to maintain this rating in future assessments. Pursuing the widely acknowledged BREEAM certification for all assets in our portfolio by the end of 2023 and introducing green lease clauses into our lease agreements further demonstrate our commitment to environmental responsibility.

An important milestone in our financial journey was the refinancing of our EUR 50 million bond issue in Q2 2023. We initiated a new bond issue, raising EUR 42 million to optimize our capital structure. The first tranche, amounting to EUR 20 million, matures in May 2024. Following the disposal of the Duetto properties, the Fund proactively redeemed EUR 7.5 million of the first tranche in August 2023. The Fund's management team remains resolute in reducing financial leverage at the earliest viable opportunity.

The management team is steadfast in its commitment to exploring further divestment or refinancing opportunities to repay the remaining EUR 12.5 million of the first tranche before the maturity date. The Fund is aiming to make several

additional early redemptions of bonds in 2023, in alignment with its strategy to gradually reduce the leverage to approximately 50% after all refinancing activities in the upcoming year.

Baltic Horizon management team recognises the challenges posed by rising interest rates and inflation. However, our strategy is to partially offset growing costs through sizeable rent indexations and the conclusion of new lease agreements. We actively implement multiple cost-saving strategies to maintain operational profitability and limit potential exposure to rising costs.

As the market evolves, our strategic decisions will remain agile to ensure adaptability to changes in the operating environment. The Fund's management team remains determined in its

commitment to implement revitalized strategies that enhance the concepts of our city centre assets, with the aim of restoring them beyond historic income levels. Simultaneously, we remain dedicated to maintaining stable cash flows from our other assets, ensuring a secure foundation for stable future returns for our valued investors.

By striking a balance between growth and stability, we strive to maximize value creation and uphold our fiduciary responsibility to all stakeholders. The management team's focus on maintaining a stable financial position remains a pivotal element of our long-term strategy. Through prudent financial management and a proactive approach, we aspire to deliver sustainable performance and drive success for all those who place their trust in us.

MANAGEMENT BOARD'S CONFIRMATION

Members of the Management Board of the Management Company Tarmo Karotam, Edvinas Karbauskas and Aušra Stankevičienė confirm that according to their best knowledge, the condensed consolidated interim financial statements for the six months of 2023, prepared in accordance with IFRS as adopted by the European Union, present a correct and fair view of the assets, liabilities, equity, financial position, financial performance and cash

flows of the Fund and its subsidiaries, taken as a whole, and the management report gives a true and fair view of the development, the results of the business activities and the financial position of the Fund and its subsidiaries, taken as a whole, as well as of the significant events which took place during the six months of the financial year and their effect on the condensed consolidated interim accounts.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

EUR '000	Notes	01.04.2023- 30.06.2023	01.04.2022- 30.06.2022	01.01.2023- 30.06.2023	01.01.2022- 30.06.2022
Rental income		4,821	5,111	10,095	10,070
Service charge income	5	1,745	1,341	3,187	2,645
Cost of rental activities	5	(2,273)	(1,970)	(4,787)	(4,040)
Net rental income	4	4,293	4,482	8,495	8,675
Administrative expenses	6	(678)	(726)	(1,414)	(1,385)
Other operating income		5	271	15	278
Losses on disposal of investment properties	10	(2,218)	-	(3,751)	-
Valuation gains (losses) on investment properties	10	(14,619)	178	(14,623)	172
Operating profit (loss)		(13,217)	4,205	(11,278)	7,740
Financial income		1	-	1	-
Financial expenses	7	(2,388)	(1,518)	(4,425)	(2,960)
Net financial expenses		(2,387)	(1,518)	(4,424)	(2,960)
Profit (loss) before tax		(15,604)	2,687	(15,702)	4,780
Income tax charge	4, 9	577	(444)	697	(541)
Profit (loss) for the period	4	(15,027)	2,243	(15,005)	4,239
<i>Other comprehensive income that is or may be reclassified to profit or loss in subsequent periods</i>					
Net gain (loss) on cash flow hedges	13b	78	575	(173)	1,296
Income tax relating to net gain (loss) on cash flow hedges	13b, 9	(14)	(51)	27	(115)
Other comprehensive income (expense), net of tax, that is or may be reclassified to profit or loss in subsequent periods		64	524	(146)	1,181
Total comprehensive income (expense) for the period, net of tax		(14,963)	2,767	(15,151)	5,420
Basic and diluted earnings per unit (EUR)	0	(0.13)	0.02	(0.13)	0.04

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR '000	Notes	30.06.2023	31.12.2022
Non-current assets			
Investment properties	4, 10	255,734	333,123
Intangible assets		6	6
Property, plant and equipment		2	1
Derivative financial instruments	19	1,557	2,228
Other non-current assets		210	-
Total non-current assets		257,509	335,358
Current assets			
Trade and other receivables	11	2,072	2,693
Prepayments		377	273
Derivative financial instruments	19	646	292
Cash and cash equivalents	12	18,218	5,347
Total current assets		21,313	8,605
Total assets	4	278,822	343,963
Equity			
Paid in capital	13a	145,200	145,200
Cash flow hedge reserve	13b	1,535	1,681
Retained earnings		(28,231)	(13,226)
Total equity		118,504	133,655
Non-current liabilities			
Interest-bearing loans and borrowings	14	64,760	124,017
Deferred tax liabilities	9	2,798	7,490
Other non-current liabilities		712	1,240
Total non-current liabilities		68,270	132,747
Current liabilities			
Interest-bearing loans and borrowings	14	88,648	71,094
Trade and other payables	0	2,510	5,644
Income tax payable		-	10
Other current liabilities		890	813
Total current liabilities		92,048	77,561
Total liabilities	4	160,318	210,308
Total equity and liabilities		278,822	343,963

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR '000	Notes	Paid in capital	Cash flow hedge reserve	Retained earnings	Total equity
As of 1 January 2022		145,200	(829)	(11,787)	132,584
Comprehensive income					
Net profit for the period		-	-	4,239	4,239
Other comprehensive income		-	1,181	-	1,181
Total comprehensive income		-	1,181	4,239	5,420
Transactions with unitholders					
Profit distribution to unitholders	13c	-	-	(3,828)	(3,828)
Total transactions with unitholders		-	-	(3,828)	(3,828)
As of 30 June 2022		145,200	352	(11,376)	134,176
As of 1 January 2023		145,200	1,681	(13,226)	133,655
Comprehensive income					
Net loss for the period		-	-	(15,005)	(15,005)
Other comprehensive expense	13b	-	(146)	-	(146)
Total comprehensive expense		-	(146)	(15,005)	(15,151)
As of 30 June 2023		145,200	1,535	(28,231)	118,504

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

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR '000	Notes	01.01.2023- 30.06.2023	01.01.2022- 30.06.2022
Cash flows from core activities			
Profit (loss) before tax		(15,702)	4,780
Adjustments for non-cash items:			
Value adjustment of investment properties	10	14,623	(172)
Losses on disposal of investment properties	10	3,751	-
Depreciation of property, plant and equipment		1	1
Change in impairment losses for trade receivables	11	(4)	151
Financial income	7	(1)	-
Financial expenses	7	4,425	2,960
Unrealised exchange differences		(1)	(1)
Working capital adjustments:			
Change in trade and other accounts receivable		150	343
Change in other current assets		(129)	(286)
Change in other non-current liabilities		(88)	158
Change in trade and other accounts payable		(883)	(143)
Change in other current liabilities		77	(496)
Total cash flows from core activities		6,219	7,295
Cash flows from investing activities			
Interest received		1	-
Proceeds from disposal of investment property		25,611	-
Investment property development expenditure		(1,588)	(3,732)
Capital expenditure on investment properties		(1,722)	(3,875)
Total cash flows from investing activities		22,302	(7,607)
Cash flows from financial activities			
Proceeds from the issue of bonds		23,973	-
Proceeds from bank loans		14,567	-
Repayment of bank loans		(17,804)	(263)
Repayment of bonds		(31,973)	-
Profit distribution to unitholders	13c	-	(3,828)
Transaction costs related to loans and borrowings		(461)	(83)
Repayment of lease liabilities		(4)	(18)
Interest paid		(3,948)	(2,858)
Total cash flows from financing activities		(15,650)	(7,050)
Net change in cash and cash equivalents		12,871	(7,362)
Cash and cash equivalents at the beginning of the year		5,347	16,100
Cash and cash equivalents at the end of the period		18,218	8,738

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

Notes to the consolidated financial statements

1. Corporate information

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

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

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

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

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

Name	30.06.2023	31.12.2022
BH Lincona OÜ	100%	100%
BOF SKY SIA	100%	100%
BH CC Plaza OÜ	100%	100%
BH Europa UAB	100%	100%
BH P80 OÜ	100%	100%
Kontor SIA	100%	100%
Pirita Center OÜ	100%	100%
Vainodes Krasti SIA	100%	100%
BH S27 SIA	100%	100%
BH Meraki UAB	100%	100%
BH Galerija Centrs SIA	100%	100%
BH Northstar UAB	100%	100%
BH Duetto UAB	-	100%
BH Domus Pro UAB	-	100%

2. Basis of preparation

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

relevant to understanding the changes in the Group's financial position and performance since the last annual financial statements.

Going concern assessment

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

New standards, amendments and interpretations

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

3. Summary of significant account policies

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the reported item in the future. The assumptions and judgements applied in these interim condensed consolidated financial statements were the same as those applied in the Group's consolidated financial statements for the year ended 31 December 2022.

Significant accounting policies

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

Fair value measurements

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

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

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

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

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

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

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

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

4. Operating segments

The Group's reportable segments are as follows:

- Retail segment – includes Europa Shopping Centre (Lithuania), Domus Pro Retail Park (Lithuania) (till 7 March 2023), SKY Shopping Centre (Latvia), Pirita Shopping Centre (Estonia), Postimaja Shopping centre (Estonia), and Galerija Centrs Shopping Centre (Latvia) investment properties.
- Office segment – includes Lincona Office Complex (Estonia), Upmalas Biroji (Latvia), Duetto I (Lithuania) (till 7 June 2023), Duetto II (Lithuania) (till 7 June 2023), Domus Pro stage III (Lithuania) (till 7 March 2023), Vainodes I (Latvia), LNK Centre (Latvia), Meraki (Lithuania) and North Star (Lithuania) investment properties.
- Leisure segment – includes Coca-Cola Plaza (Estonia) investment property.

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

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

Operating segments – 30 June 2023

EUR '000	Retail	Office	Leisure	Total segments
01.04.2023-30.06.2023:				
External revenue ¹	3,306	2,990	270	6,566
Segment net rental income	1,827	2,252	214	4,293
Net loss from fair value adjustment	(5,456)	(7,197)	(1,966)	(14,619)
Interest expenses ²	(698)	(614)	(73)	(1,385)
Income tax income (expenses)	(47)	624	-	577
Segment net loss	(4,478)	(7,228)	(1,832)	(13,538)
01.01.2023-30.06.2023:				
External revenue ¹	6,580	6,162	540	13,282
Segment net rental income	3,270	4,813	412	8,495
Net loss from fair value adjustment	(5,456)	(7,201)	(1,966)	(14,623)
Interest expenses ²	(1,393)	(1,151)	(126)	(2,670)
Income tax income	162	535	-	697
Segment net (loss)	(5,107)	(5,521)	(1,682)	(12,310)

EUR '000	Retail	Office	Leisure	Total segments
As of 30.06.2023:				
Segment assets	144,299	106,175	12,675	263,149
Investment properties ³	139,989	103,313	12,432	255,734
Segment liabilities	62,127	49,270	6,029	117,426
<p>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 1,425 thousand).</p>				

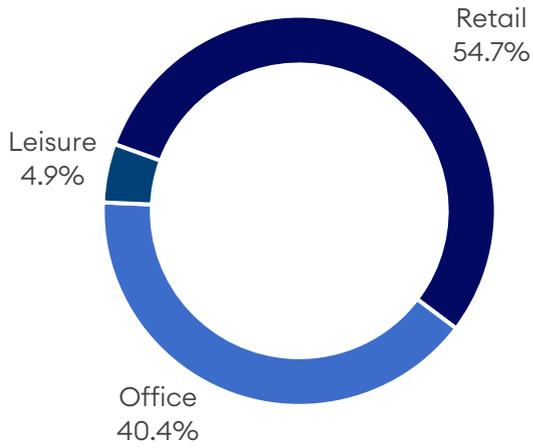
Operating segments – 30 June 2022

EUR '000	Retail	Office	Leisure	Total segments
01.04.2022-30.06.2022:				
External revenue ¹	3,229	2,929	294	6,452
Segment net rental income	1,689	2,518	275	4,482
Net gain (loss) from fair value adjustment	(4,308)	4,403	83	178
Interest expenses ²	(464)	(390)	(23)	(877)
Income tax income (expenses)	98	(542)	-	(444)
Segment net profit (loss)	(2,612)	5,676	332	3,396

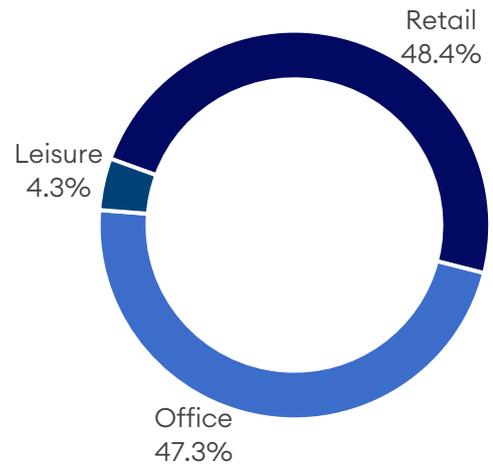
01.01.2022-30.06.2022:				
External revenue ¹	6,373	5,806	536	12,715
Segment net rental income	3,218	4,968	489	8,675
Net profit (loss) from fair value adjustment	(4,311)	4,400	83	172
Interest expenses ²	(901)	(775)	(42)	(1,718)
Income tax income (expenses)	77	(618)	-	(541)
Segment net profit (loss)	(1,606)	7,574	524	6,492

As of 31.12.2022:				
Segment assets	167,207	161,030	14,874	343,111
Investment properties ³	161,311	157,427	14,385	333,123
Segment liabilities	78,009	75,220	6,115	159,344
<p>1. External revenue includes rental income and service charge income. The segments do not have inter-segment revenue. 2. Interest expenses include only external bank loan interest expenses, the Meraki bond interest expenses and interest expenses on lease liabilities. 3. Additions to non-current assets consist of subsequent expenditure on investment property (EUR 3,974 thousand) and additions to investment property under construction (EUR 4,144 thousand). Please refer to note 10 for more information.</p>				

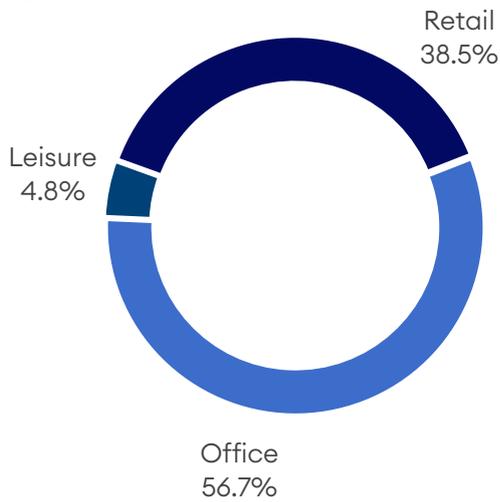
Investment properties as of 30 June 2023*



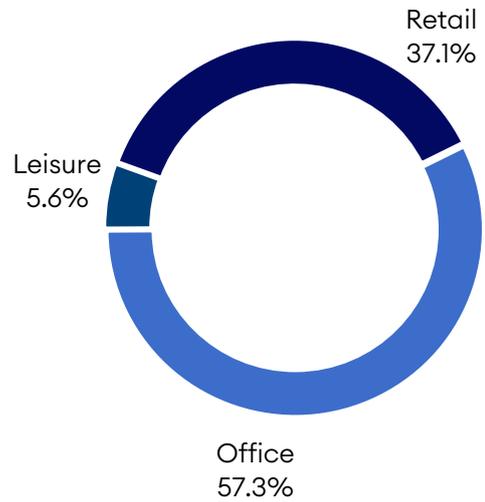
Investment properties as of 31 December 2022*



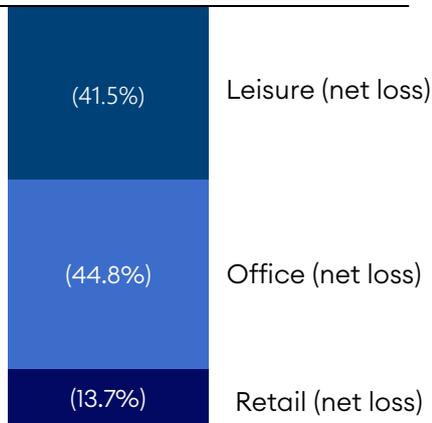
Segment net rental income for H1 2023*



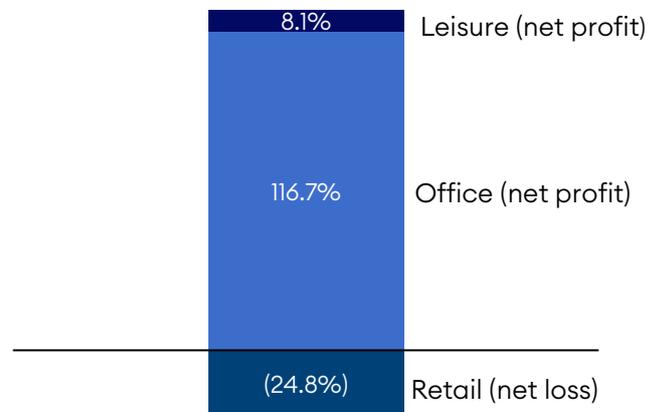
Segment net rental income for H1 2022*



Segment net loss for H1 2023*



Segment net profit (loss) for H1 2022*



*As a percentage of the total for all reportable segments

Reconciliation of information on reportable segments to IFRS measures

Operating segments – 30 June 2023

EUR '000	Total reportable segments	Adjustments	Consolidated
01.04.2023 – 30.06.2023			
Net loss	(13,538)	(1,489) ¹	(15,027)
01.01.2023 – 30.06.2023			
Net loss	(12,310)	(2,695) ²	(15,005)

As of 30.06.2023:

Segment assets	263,149	15,673 ³	278,822
Segment liabilities	117,426	42,892 ⁴	160,318

1. Segment net loss for Q2 2023 does not include Fund management fee (EUR 391 thousand), bond interest expenses (EUR 906 thousand), bond arrangement fee amortisation (EUR 20 thousand), Fund custodian fees (EUR 16 thousand), and other Fund-level administrative expenses (EUR 156 thousand).
2. Segment net loss for H1 2023 does not include Fund management fee (EUR 778 thousand), bond interest expenses (EUR 1,443 thousand), bond arrangement fee amortisation (EUR 37 thousand), Fund custodian fees (EUR 33 thousand), and other Fund-level administrative expenses (EUR 404 thousand).
3. Segment assets do not include cash, which is held at the Fund level (EUR 15,581 thousand), and other receivables at fund level (EUR 92 thousand).
4. Segment liabilities do not include liabilities related to a bond issue at the Fund level (EUR 41,568 thousand), accrued bond coupon expenses (EUR 686 thousand), management fee payable (EUR 531 thousand), and other short-term payables at the Fund level (EUR 107 thousand).

Operating segments – 30 June 2022

EUR '000	Total reportable segments	Adjustments	Consolidated
01.04.2022 – 30.06.2022:			
Net profit	3,396	(1,153) ¹	2,243
01.01.2022 – 31.06.2022:			
Net profit	6,492	(2,253) ²	4,239

As at 31.12.2022:

Segment assets	343,111	852 ³	343,963
Segment liabilities	159,344	50,964 ⁴	210,308

1. Segment net profit for Q2 2022 does not include Fund management fee (EUR 364 thousand), bond interest expenses (EUR 526 thousand), bond arrangement fee amortisation (EUR 17 thousand), Fund custodian fees (EUR 11 thousand), and other Fund-level administrative expenses (EUR 235 thousand).
2. Segment net profit for H1 2022 does not include Fund management fee (EUR 752 thousand), bond interest expenses (EUR 1,057 thousand), bond arrangement fee amortisation (EUR 34 thousand), Fund custodian fees (EUR 28 thousand), and other Fund-level administrative expenses (EUR 382 thousand).
3. Segment assets do not include cash, which is held at the Fund level (EUR 2,303 thousand).
4. Segment liabilities do not include liabilities related to a bond issue at the Fund level (EUR 49,942 thousand), accrued bond coupon expenses (EUR 307 thousand), management fee payable (EUR 364 thousand), and other short-term payables (EUR 125 thousand) at the Fund level.

Geographic information

EUR '000	External revenue				Investment property value	
	01.04.2023- 30.06.2023	01.04.2022- 30.06.2022	01.01.2023- 30.06.2023	01.01.2022- 30.06.2022	31.06.2023	31.12.2022
Lithuania	2,051	2,490	4,749	4,962	72,355	138,961
Latvia	2,920	2,642	5,654	5,235	124,859	128,862
Estonia	1,595	1,320	2,879	2,592	58,520	65,300
Total	6,566	6,452	13,282	12,715	255,734	333,123

Major tenant

No single lease accounted for more than 10% of the Group's total revenue. Rental income from one lease concluded with a tenant in the office segment represented EUR 637 thousand for H1 2023 (EUR 600 thousand for H1 2022).

5. Cost of rental activities

EUR '000	01.04.2023 - 30.06.2023	01.04.2022- 30.06.2022	01.01.2023 - 30.06.2023	01.01.2022- 30.06.2022
Repair and maintenance	875	750	1,768	1,510
Utilities	546	319	1,083	692
Property management expenses	313	307	654	617
Real estate taxes	271	250	568	511
Sales and marketing expenses	152	168	426	301
Property insurance	40	32	76	56
Allowance (reversal of allowance) for bad debts	4	42	(4)	151
Other	72	102	216	202
Total cost of rental activities	2,273	1,970	4,787	4,040

Part of the total cost of rental activities (mainly utilities and repair and maintenance expenses) was recharged to tenants: EUR 3,187 thousand during the six-month period ended 30 June 2023 (EUR 2,645 thousand during the six-month period ended 30 June 2022) and EUR 1,745 thousand during Q2 2023 (EUR 1,341 thousand during Q2 2022).

6. Administrative expenses

EUR '000	01.04.2023 - 30.06.2023	01.04.2022- 30.06.2022	01.01.2023 - 30.06.2023	01.01.2022- 30.06.2022
Management fee	391	364	778	752
Legal fees	-	43	134	68
Consultancy fees	57	58	80	86
Audit fee	44	37	75	76
Fund marketing expenses	22	34	53	72
Custodian fees	16	11	33	28
Supervisory board fees	14	12	26	24
Other administrative expenses	134	167	235	279
Total administrative expenses	678	726	1,414	1,385

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

The Management Company is entitled to calculate the performance fee based on the annual adjusted funds from operations (AFFO) of the Fund. If AFFO divided by paid in capital during the year exceeds 8% per annum, the Management Company is entitled to a performance fee in the amount of 20% of the amount exceeding 8%. The performance fee based on this formula has been calculated starting from 1 January 2017. The performance fee first became payable in the fifth year of the Fund (i.e. 2020). Transactions with related parties are disclosed in note 17.

7. Financial expenses

EUR '000	01.04.2023 - 30.06.2023	01.04.2022- 30.06.2022	01.01.2023 - 30.06.2023	01.01.2022- 30.06.2022
Interest on external loans and borrowings	2,287	1,398	4,105	2,765
Loan arrangement fee amortisation	40	70	88	137
Interest on lease liabilities	3	5	7	10
Other financial expenses	58	45	225	48
Total financial expenses	2,388	1,518	4,425	2,960

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	01.04.2023 - 30.06.2023	01.04.2022- 30.06.2022	01.01.2023 - 30.06.2023	01.01.2022- 30.06.2022
Profit (loss) for the period, attributed to the unitholders of the Fund	(15,027)	2,243	(15,005)	4,239
Profit (loss) for the period, attributed to the unitholders of the Fund	(15,027)	2,243	(15,005)	4,239

Weighted-average number of units:

	01.04.2023 - 30.06.2023	01.04.2022- 30.06.2022	01.01.2023 - 30.06.2023	01.01.2022- 30.06.2022
Issued units at 1 January	119,635,429	119,635,429	119,635,429	119,635,429
Weighted-average number of units	119,635,429	119,635,429	119,635,429	119,635,429

Basic and diluted earnings per unit:

	01.04.2023 - 30.06.2023	01.04.2022- 30.06.2022	01.01.2023 - 30.06.2023	01.01.2022- 30.06.2022
Basic and diluted earnings per unit*	(0.13)	0.02	(0.13)	0.04

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

9. Income tax

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

The Group's consolidated effective tax rate in respect of continuing operations for the six-month period ended 30 June 2023 was minus 4.4% (six-month period ended 30 June 2022: 11.3%).

As of 30 June 2023, the Group had tax losses of EUR 2,492 thousand (31 December 2022: EUR 2,662 thousand) that are available indefinitely for offset against future taxable profits of the Lithuanian companies in which the losses arose. The deferred tax liability arising from the revaluation of derivative instruments to fair value amounted to EUR 103 thousand as of 30 June 2023 (31 December 2022: liability of EUR 156 thousand). As of 30 June 2023, deferred tax liabilities on the difference between investment property fair and tax value and other deferred tax liabilities amounted to EUR 5,187 thousand (31 December 2022: EUR 9,996 thousand). Deferred tax is only applicable to the Fund's subsidiaries in Lithuania.

The major components of income tax for the periods ended 30 June 2023 and 2022 were as follows:

EUR '000	01.04.2023 30.06.2023	01.04.2022- 30.06.2022	01.01.2023- 30.06.2023	01.01.2022- 30.06.2022
Consolidated statement of profit or loss				
Current income tax for the period	-	2	-	-
Deferred tax for the period	577	(446)	697	(541)
Income tax income (expense) reported in profit or loss	577	(444)	697	(541)
Consolidated statement of other comprehensive income				
Deferred income tax related to items charged or credited to equity:				
Revaluation of derivative instruments to fair value	(14)	(51)	27	(115)
Income tax reported in other comprehensive income	(14)	(51)	27	(115)

10. Investment property

EUR '000	30.06.2023	31.12.2022
Balance at 1 January	333,123	315,959
Development and refurbishment expenditure	1,142	5,894
Capital expenditure	283	1,459
Reclassification from investment property under construction	-	17,194
Disposals	(63,921)	(4,393)
Net revaluation loss on investment property	(14,615)	(2,956)
Additions to right-of-use assets (new leases)	15	-
Derecognition of right-of-use assets	(285)	-
Net revaluation loss on right-of-use assets	(8)	(34)
Closing balance	255,734	333,123
Closing balance excluding right-of-use assets	255,470	332,581

Disposals

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

On 6 June 2023, the Group disposed of the Duetto offices located in Vilnius, Lithuania, in a share deal. The share price was calculated based on an asset price of EUR 37.0 million. The book value of the asset was EUR 39.0 million. The transaction resulted in a net loss of EUR 2.2 million.

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

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

Valuation techniques used to derive Level 3 fair values

The values of the properties are based on the valuation of investment properties performed by Colliers International as of 30 June 2023, increased by right-of-use assets and subsequent capital expenditure.

The table below presents the following for each investment property:

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

As of 30 June 2023:

Property	Valuation technique	Key unobservable inputs	Range
Europa Shopping centre, Vilnius (Lithuania) Net leasable area (NLA) – 17,051 sq. m Segment – Retail Year of construction/renovation – 2004	DCF	- Discount rate - Rental growth p.a. - Long-term vacancy rate - Exit yield - Average rent (EUR/sq. m)	9.0% 2.0% - 7.0% 5.0% - 10.0% 7.0% 13.6
Lincona Office Complex, Tallinn (Estonia) Net leasable area (NLA) – 10,871 sq. m Segment – Office Year of construction/renovation – 2002 / 2008	DCF	- Discount rate - Rental growth p.a. - Long-term vacancy rate - Exit yield - Average rent (EUR/sq. m)	9.1% 1.0% - 6.6% 5.0% 7.9% 10.5
Coca-Cola Plaza, Tallinn (Estonia) Net leasable area (NLA) – 9,150 sq. m Segment – Leisure Year of construction/renovation – 1999	DCF	- Discount rate - Rental growth p.a. - Long-term vacancy rate - Exit yield - Average rent (EUR/sq. m)	8.3% 1.5% - 5.8% 3.0% 6.8% 8.8
SKY Shopping Centre, Riga (Latvia) Net leasable area (NLA) – 3,241 sq. m Segment – Retail Year of construction/renovation – 2000 / 2010	DCF	- Discount rate - Rental growth p.a. - Long-term vacancy rate - Exit yield - Average rent (EUR/sq. m)	9.2% 2.1% - 5.0% 5.0% 7.25% 11.2
Upmalas Biroji, Riga (Latvia) Net leasable area (NLA) – 9,876 sq. m Segment – Office	DCF	- Discount rate - Rental growth p.a. - Long-term vacancy rate	8.9% 2.1% - 5.0% 2.0% - 5.0%

Property	Valuation technique	Key unobservable inputs	Range
Year of construction/renovation – 2008		- Exit yield	6.75%
		- Average rent (EUR/sq. m)	13.2
Pirita Shopping Centre, Tallinn (Estonia)	DCF	- Discount rate	9.3%
Net leasable area (NLA) – 5,441 sq. m		- Rental growth p.a.	1.5% - 5.8%
Segment – Retail		- Long-term vacancy rate	8.0%
Year of construction/renovation – 2016		- Exit yield	7.8%
		- Average rent (EUR/sq. m)	14.0
Vainodes I, Riga (Latvia)*	DCF	- Discount rate	8.1%
Net leasable area (NLA) – 6,950 sq. m		- Rental growth p.a.	0.0% - 5.0%
Segment – Office		- Long-term vacancy rate	5.0%
Year of construction/renovation – 2014		- Exit yield	6.65%
		- Average rent (EUR/sq. m)	15.4
Postimaja, Tallinn (Estonia)*	DCF	- Discount rate	8.3%
Net leasable area (NLA) – 9,234 sq. m		- Rental growth p.a.	1.5% - 5.8%
Segment – Retail		- Long-term vacancy rate	3.0%
Year of construction/renovation – 1980		- Exit yield	6.8%
		- Average rent (EUR/sq. m)	14.6
LNK Centre, Riga (Latvia)	DCF	- Discount rate	8.4%
Net leasable area (NLA) – 6,849 sq. m		- Rental growth p.a.	0.0% - 5.0%
Segment – Office		- Long-term vacancy rate	2.0% - 5.0%
Year of construction/renovation – 2006 / 2014		- Exit yield	6.25%
		- Average rent (EUR/sq. m)	14.9
Galerija Centrs, Riga (Latvia)	DCF	- Discount rate	9.3%
Net leasable area (NLA) – 19,271 sq. m		- Rental growth p.a.	0.0% - 5.0%
Segment – Retail		- Long-term vacancy rate	3.5% - 5.0%
Year of construction/renovation – 1939 / 2006		- Exit yield	7.0%
		- Average rent (EUR/sq. m)	17.9
North Star, Vilnius (Lithuania)	DCF	- Discount rate	9.4%
Net leasable area (NLA) – 10,438 sq. m		- Rental growth p.a.	2.5% - 9.3%
Segment – Office		- Long-term vacancy rate	5.0% - 20.0%
Year of construction/renovation – 2009		- Exit yield	7.0%
		- Average rent (EUR/sq. m)	12.5
Meraki, Vilnius (Lithuania)	DCF	- Discount rate	9.8%
Net leasable area (NLA) – 16,258 sq. m		- Rental growth p.a.	1.9% - 7.5%
Segment – Office		- Long-term vacancy rate	5.0%
Year of construction/renovation – 2021		- Exit yield	7.25%
		- Average rent (EUR/sq. m)	11.4

* Vainodes I property valuations also include building expansion rights. The market value of the additional building rights is EUR1.0 million.

The table below sets out information about significant unobservable inputs used at 30 June 2023 in measuring investment properties categorised to Level 3 in the fair value hierarchy.

Type of asset class	Valuation technique	Significant unobservable input	Range of estimates	Fair value measurement sensitivity to unobservable inputs
Investment property	Discounted cash flow	Exit yield	2023: 6.25% - 7.9% 2022: 6.0% - 7.8%	An increase in exit yield in isolation would result in a lower value of Investment property.
		Discount rate	2023: 8.1% - 9.8% 2022: 7.7% - 9.3%	An increase in discount rate in isolation would result in a lower value of Investment property.
		Rental growth p.a.	2023: 0.0% - 9.3% 2022: 0.0% - 10.0%	An increase in rental growth in isolation would result in a higher value of Investment property.
		Long-term vacancy rate	2023: 2.0% - 20.0% 2022: 0.0% - 25.0%	An increase in long-term vacancy rate in isolation would result in a lower value of Investment property.

The book values of investment properties as of 30 June 2023 were as follows:

EUR '000	Total fair value Level 3
Latvia - Galerija Centrs (retail)	66,854
Lithuania – Europa (retail)	35,747
Estonia – Postimaja (retail)	23,088
Lithuania – North Star (office)	20,368
Latvia – Upmalas Biroji (office)	20,045
Latvia – Vainodes I (office)	17,220
Lithuania – Meraki (office)	16,240
Latvia – LNK Centre (office)	15,260
Estonia – Lincona (office)	14,180
Estonia – Coca-Cola Plaza (leisure)	12,432
Estonia – Pirita (retail)	8,820
Latvia – SKY (retail)	5,480
Total	255,734

11. Trade and other receivables

EUR '000	30.06.2023	31.12.2022
Trade receivables, gross	1,924	2,898
Less impairment allowance for doubtful receivables	(373)	(513)
Accrued income	279	257
Other accounts receivable	242	51
Total	2,072	2,693

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

As of 30 June 2023, trade receivables at a nominal value of EUR 373 thousand were fully impaired (EUR 513 thousand as of 31 December 2022).

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

EUR '000	30.06.2023	31.12.2022
Balance as of 1 January	(513)	(508)
Charge for the period	4	(139)
Amounts written off	136	105
Reversal of allowances recognised in previous periods	-	29
Balance at end of period	(373)	(513)

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

EUR '000	Total	Neither past due nor impaired		Past due but not impaired			
		<30 days	30-60 days	60-90 days	90-120 days	>120 days	
30.06.2023	1,551	787	271	78	53	45	317
31.12.2022	2,385	1,505	391	173	98	-	218

12. Cash and cash equivalents

EUR '000	30.06.2023	31.12.2022
Cash at banks and on hand	18,218	5,347
Total cash	18,218	5,347

As of 30 June 2023, the Group had to keep at least EUR 450 thousand (31 December 2022: EUR 350 thousand) of cash in its bank accounts due to certain restrictions in bank loan agreements.

13. Equity

13a. Paid in capital

The units are currently listed on the Fund List of the Nasdaq Tallinn Stock Exchange. The Fund's Swedish depository receipts (the SDRs) are listed on the Nasdaq Stockholm Stock Exchange. As of 30 June 2023, the total number of the Fund's units was 119,635,429 (31 December 2022: 119,635,429). Units issued are presented in the table below:

EUR '000	Number of units	Amount
As of 1 January 2023 and 30 June 2023	119,635,429	145,200

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

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

Subsidiaries did not hold any units of the Fund as of 30 June 2023 and 31 December 2022.

The Fund did not hold its own units as of 30 June 2023 and 31 December 2022.

13b. Cash flow hedge reserve

This reserve represents the fair value of the effective part of the derivative financial instruments (interest rate swaps), used by the Fund to hedge the cash flows from interest rate risk in the periods ended on 30 June 2023 and 31 December 2022. Please refer to note 18 for more information.

EUR '000	31.06.2023	31.12.2022
Balance at the beginning of the year	1,681	(829)
Movement in fair value of existing hedges	(173)	2,746
Movement in deferred income tax (note 9)	27	(236)
Net variation during the period	(146)	2,510
Balance at the end of the period	1,535	1,681

13c. Dividends (distributions)

EUR '000	01.01.2023- 30.06.2023	01.01.2022- 30.06.2022
Declared during the period	-	(3,828)
Total distributions made	-	(3,828)

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

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

14. Interest-bearing loans and borrowings

EUR '000	Maturity	Effective interest rate	30.06.2023	31.12.2022
Non-current borrowings				
Secured bonds	May 2028	3M EURIBOR + 8.00%	41,568	-
Bank 1 ¹	Jan 2028	3M EURIBOR + 2.10%	2,850	1,962
Bank 1	Mar 2024	3M EURIBOR + 1.90%	-	14,380
Bank 1	Mar 2024	3M EURIBOR + 1.90%	-	10,987
Bank 1	Mar 2024	6M EURIBOR + 2.65%	-	8,991
Bank 1	Nov 2024	3M EURIBOR + 1.55%	10,521	9,826
Bank 1	Feb 2026	6M EURIBOR + 1.90%	4,708	4,789
Bank 2	Jan 2024	6M EURIBOR + 3.10%	-	29,988
Bank 4 ²	Feb 2026	6M EURIBOR + 1.38%	16,976	17,199
Bank 4 ³	Mar 2028	6M EURIBOR + 2.15%	-	19,244
Bank 1	Dec 2027	6M EURIBOR + 1.40%	9,356	7,188
Lease liabilities			264	542
Less current portion of bank loans and bonds			(21,466)	(1,046)
Less current portion of lease liabilities			(17)	(33)
Total non-current debt			64,760	124,017

EUR '000	Maturity	Effective interest rate	30.06.2023	31.12.2022
Current borrowings				
Unsecured bonds	May 2023	4.25%	-	49,976
Bank 1	Mar 2024	6M EURIBOR + 2.65%	8,995	-
Bank 1	Mar 2024	3M EURIBOR + 3.90%	8,389	-
Bank 2	Jan 2024	6M EURIBOR + 3.10%	29,994	-
Bank 3 ⁴	Aug 2023	1M EURIBOR + 1.55%	11,631	11,747
Bank 1	Sep 2023	3M EURIBOR + 1.75%	8,156	8,292
Current portion of non-current bank loans and bonds			21,466	1,046
Current portion of lease liabilities			17	33
Total current debt			88,648	71,094
Total			153,408	195,111

1. The loan was refinanced on 30 January 2023 with the same bank.
2. The loan was refinanced on 9 February 2023 with the same bank.
3. The loan was refinanced on 17 February 2023 with the same bank.
4. The agreement to refinance the loan was signed on 3 August 2023 with another bank.

Financial covenants for bank loans

As of 30 June 2023, the Fund was in compliance with all special conditions and covenants set under the bank loan agreements except for the Galerija Centrs property. The Interest Service Coverage Ratio (ISCR) of the Galerija Centrs property (carrying loan amount – EUR 30 million) was below the required level of 1.8 at the end of Q2 2023. This did not result in any consequences because the Fund received a formal waiver from the lender for the mentioned covenant breach.

Loan and bond securities

Borrowings received were secured with the following pledges and securities as of 30 June 2023:

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

*Please refer to note 10 for the carrying amounts of assets pledged at period end.

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

15. Trade and other payables

EUR '000	30.06.2023	31.12.2022
Accrued financial expenses	755	472
Trade payables	554	2,326
Management fee payable	531	491
Accrued expenses	297	217
Tax payables	256	363
Other payables	117	187
Payables related to Meraki development	-	1,588
Total trade and other payables	2,510	5,644

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.

16. Commitments and contingencies

16a. Litigation

As of 30 June 2023, there was no ongoing litigation, which could materially affect the consolidated financial position of the Group.

16b. Contingent assets

The Group did not have any contingent assets as of 30 June 2023.

16c. Contingent liabilities

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

According to BH Duetto UAB Share Sale and Purchase agreement, the Group has issued the NOI and defects guarantee. The NOI guarantee is valid until 31 December 2025 and covers the shortfall between the rent calculated on the basis of the conditions stated in the sale and purchase agreement and the actual NOI. The

maximum potential liability under the defects guarantee is limited to EUR 600 thousand. At the date of this report, no guarantee amounts have been paid under the guarantee scheme.

The Group did not have any other contingent liabilities as of 30 June 2023.

17. 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 H1 2023 and H1 2022 were the following:

EUR '000	01.01.2023- 30.06.2023	01.01.2022- 30.06.2022
Northern Horizon Capital AS group		
Management fees	778	752

The Group's balances with related parties as of 30 June 2023 and 31 December 2022 were the following:

EUR '000	30.06.2023	31.12.2022
Northern Horizon Capital AS group		
Management fees payable	531	491

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

The fee is based on the following rates and in the following tranches:

- 1.50% of the market capitalisation below EUR 50 million;
- 1.25% of the part of the market capitalisation that is equal to or exceeds EUR 50 million and is below EUR 100 million;
- 1.00% of the part of the market capitalisation that is equal to or exceeds EUR 100 million and is below EUR 200 million;
- 0.75% of the part of the market capitalisation that is equal to or exceeds EUR 200 and is below EUR 300 million;
- 0.50% of the part of the market capitalisation that is equal to or exceeds EUR 300 million.

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

Northern Horizon Capital AS Group did not own any units of the Fund as of 30 June 2023.

Supervisory Board of the Fund

As set out in Baltic Horizon Fund Rules, Supervisory Board members are entitled to remuneration for their service in the amount determined by the General Meeting. The remuneration of the Supervisory Board of the Fund amounted to EUR 24 thousand during H1 2023 (EUR 24 thousand during H1 2022). Please refer to note 6 for more information regarding the total expenses related to the Supervisory Board of the Fund.

Entities having control or significant influence over the Fund

The holders of units owning more than 5% of the units in total as of 30 June 2023 and 31 December 2022 are presented in the tables below:

As of 30 June 2023

	Number of units	Percentage
Swedbank AB / Nordic Issuing AB clients	24,358,626	20.36%
Swedbank AB clients	15,135,199	12.65%
SEB Bank AB clients	14,685,808	12.28%
Raiffeisen Bank International AG clients	11,097,206	9.28%

As of 31 December 2022

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

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

18. 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:

EUR '000	Carrying amount		Fair value	
	30.06.2023	31.12.2022	31.06.2023	31.12.2022
Financial assets				
Trade and other receivables	2,072	2,693	2,072	2,693
Cash and cash equivalents	18,218	5,347	18,218	5,347
Derivative financial instruments	2,203	2,520	2,203	2,520
Financial liabilities				
Interest-bearing loans and borrowings				
Bank loans	(111,576)	(144,593)	(111,576)	(144,593)
Bonds	(41,568)	(49,976)	(42,000)	(50,318)
Trade and other payables	(2,510)	(5,644)	(2,510)	(5,644)
Derivative financial instruments	-	-	-	-

Fair value hierarchy

Quantitative disclosures of the Group's financial instruments in the fair value measurement hierarchy as of 30 June 2023 and 31 December 2022:

As of 30 June 2023

EUR '000	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Trade and other receivables	-	-	2,072	2,072
Cash and cash equivalents	-	18,218	-	18,218
Derivative financial instruments	-	2,203	-	2,203
Financial liabilities				
Interest-bearing loans and borrowings				
Bank loans	-	-	(111,576)	(111,576)
Bonds	-	-	(42,000)	(42,000)
Trade and other payables	-	-	(2,510)	(2,510)

As of 31 December 2022

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

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

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

- Trade and other receivables are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer, and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses on these receivables. As of 30 June 2023, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The fair value of derivatives has been calculated by discounting the expected future cash flows at prevailing interest rates.
- The fair values of the Group's interest-bearing loans and borrowings are determined by discounting the expected future cash flows at prevailing interest rates. The estimated fair values of the Group's interest-bearing loans and borrowings were determined using effective agreements' interest rates which represent current market rate.
- Cash and cash equivalents are attributed to Level 2 in the fair value hierarchy.

19. Derivative financial instruments

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

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

IFRS 9 allows hedge accounting provided that the hedge is effective. In such cases, any gain or loss recorded on the fair value changes of the financial instrument is recognised in an equity reserve rather than the income statement. The ineffective part of the change in the fair value of the hedging instrument (if any) is recognised in the income statement. Specific documentation on each financial instrument is required to be maintained to ensure compliance with hedge accounting principles. Please refer to note 13b for more information.

Derivative type EUR '000	Starting date	Maturity date	Notional amount	Variable rate (received)	Fixed rate (paid)	Fair value	
						31.06.2023	31.12.2022
IRS	Nov 2016	Aug 2023	10,575	1M EURIBOR	0.26%	59	180
IRS	Jan 2019	Sep 2023	5,800	3M EURIBOR	0.32%	46	112
IRS	May 2018	Apr 2024	4,920	3M EURIBOR	0.63%	128	166
IRS	Mar 2018	Aug 2024	18,402	3M EURIBOR	0.73%	618	727
CAP	Aug 2024	Aug 2025	17,900	3M EURIBOR	3.0%	141	124
CAP	Aug 2023	Aug 2024	10,575	1M EURIBOR	3.0%	87	76
CAP	Feb 2023	Feb 2024	17,200	6M EURIBOR	3.0%	92	81
CAP	Apr 2024	Apr 2025	4,921	3M EURIBOR	3.0%	30	35
CAP	Sep 2023	Sep 2024	5,800	3M EURIBOR	3.0%	52	44
CAP	Aug 2022	Mar 2024	3,500	3M EURIBOR	2.0%	44	51
CAP	Aug 2022	Mar 2024	7,000	3M EURIBOR	2.0%	89	102
CAP	Mar 2024	Mar 2025	11,000	6M EURIBOR	3.0%	100	77
CAP	Oct 2022	May 2025	30,000	6M EURIBOR	3.0%	450	437
CAP	Sep 2022	Mar 2024	9,000	6M EURIBOR	1.0%	185	244
CAP	Mar 2024	Mar 2025	9,000	6M EURIBOR	3.0%	82	64
Derivative financial instruments, assets						2,203	2,520
Net value of financial derivatives						2,203	2,520

Derivative financial instruments were accounted for at fair value as of 30 June 2023 and 31 December 2022. The maturity of the derivative financial instruments of the Group is as follows:

Classification according to maturity EUR '000	Liabilities		Assets	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022
Non-current	-	-	1,557	2,228
Current	-	-	646	292
Total	-	-	2,203	2,520

20. Subsequent events

On 1 August 2023, the Fund redeemed a part of the bonds in the amount of EUR 7,500,003. The redemption was accompanied by the reduction of the nominal value of the bonds to EUR 82,142.85 per bond. The total nominal amount of the bonds after the redemption is EUR 34,499,997.

On 5 July 2023, BH P80 OÜ was merged with BH CC Plaza OÜ. BH CC Plaza OÜ is the remaining company.

On 3 August 2023, the Fund signed the agreement to refinance the EUR 10.5 million Kontor SIA bank loan. According to the agreement, the maturity date of the new loan is 3 August 2028.

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

21. List of consolidated companies

Name	Registered office	Registration Number	Date of incorporation / acquisition	Activity	Interest in capital
BH Lincona OÜ	Hobujaama str. 4, Tallinn, Estonia	12127485	20 June 2011	Asset holding company	100%
BH Domus Pro UAB (consolidated till 7 March 2023)	Ukmergės str. 308-1, Vilnius, Lithuania	225439110	1 May 2014	Asset holding company	100%
BOF SKY SIA	Valdemara str. 21-20, Riga, Latvia	40103538571	27 March 2012	Asset holding company	100%
BH CC Plaza OÜ	Hobujaama str. 4, Tallinn, Estonia	12399823	11 December 2012	Asset holding company	100%
BH Europa UAB	Konstitucijos ave. 7A-1, Vilnius, Lithuania	300059140	2 March 2015	Asset holding company	100%
BH P80 OÜ	Hobujaama str. 5, Tallinn, Estonia	14065606	6 July 2016	Asset holding company	100%
Kontor SIA	Mūkusalas str. 101, Rīga, Latvia	40003771618	30 August 2016	Asset holding company	100%
Pirita Center OÜ	Hobujaama str. 5, Tallinn, Estonia	12992834	16 December 2016	Asset holding company	100%
BH Duetto UAB (consolidated till 7 June 2023)	Spaudos str. 8-1, Vilnius, Lithuania	304443754	13 January 2017	Asset holding company	100%
Vainodes Krasti SIA	Audeju str. 16, Riga, Latvia	50103684291	12 December 2017	Asset holding company	100%
BH S27 SIA	Skanstes iela 27, Riga, Latvia	40103810023	15 August 2018	Asset holding company	100%
BH Meraki UAB	Ukmergės str. 308-1, Vilnius, Lithuania	304875582	18 July 2018	Asset holding company	100%
BH Galerija Centrs SIA	Audeju str. 16, Riga, Latvia	40003311422	13 June 2019	Asset holding company	100%
BH Northstar UAB	Ulonų str. 2, Vilnius, Lithuania	305175896	29 May 2019	Asset holding company	100%

MANAGEMENT APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements of Baltic Horizon Fund were approved for issue by the Management Board of the Management Company on 8 August 2023.

Tarmo Karotam
Chairman of the Management
Board

Aušra Stankevičienė
Member of the Management
Board

Edvinas Karbauskas
Member of the Management
Board

DEFINITIONS OF KEY TERMS AND ABBREVIATIONS

AIFM

Alternative Investment Fund Manager.

AFFO

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

Cash ratio

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

Current ratio

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

Direct Property Yield

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

Dividend

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

Equity ratio

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

Fund

Baltic Horizon Fund.

GAV

Gross Asset Value of the Fund.

IFRS

International Financial Reporting Standards.

LTV

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

Management Company

Northern Horizon Capital AS, register code 11025345.

NAV

Net asset value for the Fund.

NAV per unit

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

Net Initial Yield

NOI divided by market value of the property.

Net LTV

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

NOI

Net operating income.

Occupancy rate

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

Quick ratio

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

Return on assets

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

Return on equity

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

Triple Net Lease

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

TTM

Trailing 12 months.