



BALTIC  
HORIZON

# INTERIM REPORT

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## Q1 2022

UNAUDITED CONDENSED  
CONSOLIDATED INTERIM FINANCIAL  
STATEMENTS FOR THE 3-MONTH  
PERIOD ENDED 31 MARCH 2022



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

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

## KEY FIGURES

Key earnings figures	Unit	Q1 2022	Q1 2021	Change (%)
Rental income	EUR '000	4,959	4,677	6.0%
Net rental income	EUR '000	4,193	4,173	0.5%
Net rental income margin <sup>1</sup>	%	84.6	89.2	-
Valuation losses on investment properties	EUR '000	(6)	(4)	50.0%
EBIT	EUR '000	3,535	3,424	3.2%
EBIT margin <sup>2</sup>	%	71.3	73.2	-
Net profit	EUR '000	1,996	1,905	4.8%
Net profit margin	%	40.3	40.7	-
Earnings per unit	EUR	0.02	0.02	-
Generated net cash flow <sup>3</sup>	EUR '000	1,897	2,034	(6.7%)
Dividends per unit <sup>4</sup>	EUR/unit	0.013	0.011	18.2%
Generated net cash flow per unit <sup>5</sup>	EUR/unit	0.016	0.017	(5.9%)
Gross rolling dividend yield <sup>6</sup>	%	6.3	5.4	-

Key financial position figures	Unit	31.03.2022	31.12.2021	Change (%)
Total assets	EUR '000	345,592	346,338	(0.2%)
Return on assets (TTM)	%	0.4	0.4	-
Total equity	EUR '000	132,964	132,584	0.3%
Equity ratio	%	38.5%	38.3%	-
Return on equity (TTM)	%	1.1	1.1	-
Interest-bearing loans and borrowings	EUR '000	198,995	199,147	(0.1%)
Total liabilities	EUR '000	212,628	213,754	(0.5%)
LTV	%	59.8	60.7	-
Average cost of debt	%	2.8	2.7	-
Weighted average duration of debt	years	1.5	1.5	-
Current ratio	times	0.3	0.4	-
Quick ratio	times	0.3	0.4	-
Cash ratio	times	0.2	0.3	-
IFRS NAV per unit	EUR	1.1114	1.1082	0.3%

Key property portfolio figures	Unit	31.03.2022	31.12.2021	Change (%)
Fair value of portfolio	EUR '000	331,823	327,359	1.4%
Properties <sup>7</sup>	number	15	15	-
Net leasable area	sq. m	144,071	144,081	(0.0%)
Occupancy rate	%	92.4	92.1	-

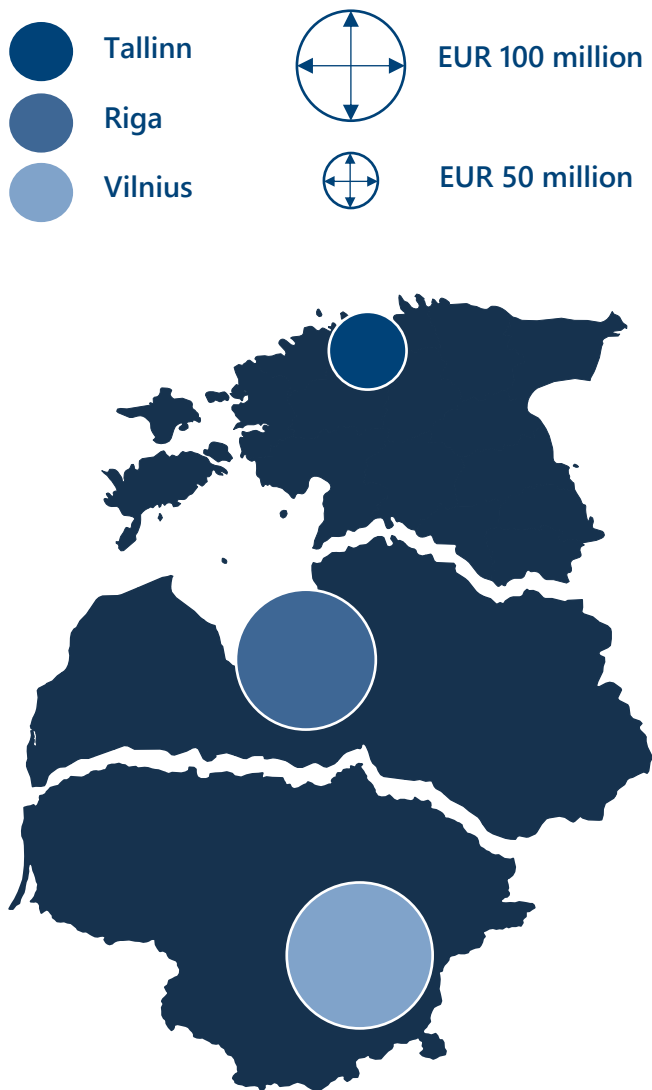
Key property portfolio figures	Unit	Q1 2022	Q1 2021	Change (%)
Direct property yield	%	5.0	4.8	-
Net initial yield	%	5.3	5.0	-

Key unit figures	Unit	31.03.2022	31.12.2021	Change (%)
Number of units outstanding	units	119,635,429	119,635,429	-
Closing unit price	EUR	0.9489	1.0690	(11.2%)
Closing unit price	SEK	9.80	10.87	(9.8%)
Market capitalisation <sup>8</sup>	EUR	113,483,753	127,519,749	(11.0%)

Key EPRA figures	Unit	Q1 2022	Q1 2021	Change (%)
EPRA Earnings	EUR '000	2,097	2,037	2.9%
EPRA Earnings per unit	EUR	0.02	0.02	(0.0%)

Key EPRA figures	Unit	31.03.2022	31.12.2021	Change (%)
EPRA NRV (Net Reinstatement Value)	EUR '000	142,386	142,176	0.1%
EPRA NRV per unit	EUR	1.1902	1.1884	0.1%
EPRA NTA (Net Tangible Assets)	EUR '000	142,386	142,176	0.1%
EPRA NTA per unit	EUR	1.1902	1.1884	0.1%
EPRA NDV (Net Disposal Value)	EUR '000	132,797	132,622	0.1%
EPRA NDV per unit	EUR	1.1100	1.1086	0.1%
EPRA LTV	%	57.5	56.9	-

1. Net rental income as a % of rental income.
2. EBIT (earnings before interest and taxes) as a % of rental income.
3. Generated net cash flow is calculated based on net rental income less administrative expenses, less external interest expenses, less CAPEX expenditure. Listing related expenses and acquisition related expenses are added back in GNCF calculation.
4. Distributions to unitholders for Q1 2021 and Q1 2022 Fund results.
5. Generated net cash flow per weighted average numbers of units during the period.
6. Gross dividend yield is based on the closing market price of the unit as at the end of the period (Q1 2022: closing market price of the unit as of 31 March 2022).
7. Properties includes 14 established cash flow properties and Meraki development project.
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.

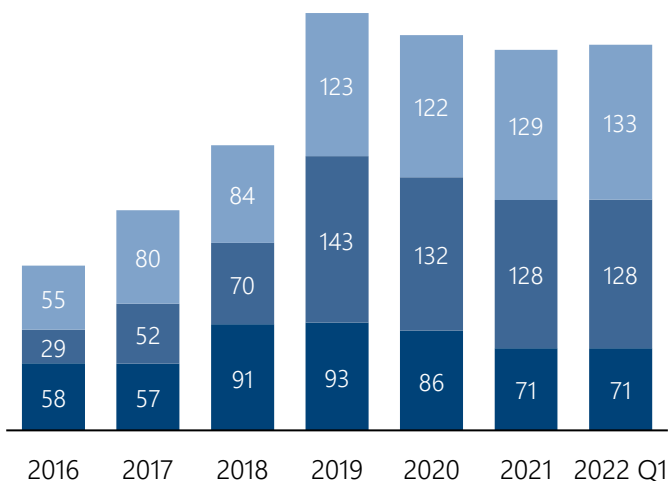
The Fund aims to use a 55% long-term leverage strategy. At no point in time may the Fund’s leverage exceed 65%.

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.

**14**  
Properties

**1**  
Development project

### Portfolio value (EUR million)



### Ten largest properties

1. Galerija Centrs	19.8%
2. Europa SC	11.7%
3. Postimaja	9.0%
4. Upmalas Biroji BC	6.6%
5. North Star	6.0%
6. Duetto II	5.9%
7. Vainodes	5.5%
8. Duetto I	5.2%
9. Lincona	5.1%
10. LNK Centre	5.1%
11. Others	20.1%

## Q1 2022 AT A GLANCE



### Quarterly cash distribution

On 22 February 2022, the Fund distributed EUR 2.27 million to investors (EUR 0.019 per unit). This equals approx. 1.79% of the Fund's Q4 2021 weighted average net asset value. The payout also represents a 5.4% rolling distribution yield for the past 12 months based on the closing unit price of the last day of Q4 2021 on the Nasdaq Tallinn Stock Exchange.

### Opening of Europa food hall Dialogai

On 24 January 2022, the Fund opened food hall Dialogai (approx. 900 sq. m) in Europa SC signaling the end of the first stage of the Europa SC reconstruction project. The Dialogai food hall is the first sizeable food hall in the CBD area of Vilnius, filled with greenery in the sitting area and different types of food. Dialogai has quickly become a

favourite spot for lunch for CBD office workers as it is always packed with people during lunch hours. The second stage of reconstruction is expected to be completed in Q2 2022.

### Extension of bank loans

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

# PROPERTY REPORT

## Portfolio and market overview

The diversified property portfolio of Baltic Horizon Fund consists of 14 cash flow generating properties, and one property under development in the search of an anchor tenant, in the Baltic capitals. Baltic Horizon believes it has established a portfolio of strong retail and office assets with well-known and long-term tenants including local commercial leaders, governmental tenants, nearshoring shared service centres and the Baltic headquarters of leading international companies.

During Q1 2022, shopping centres' sales and footfall nearly doubled compared to Q1 2021 figures and were mostly stable compared to Q4 2021 figures. Growth in sales and footfall figures signals the gradual recovery of the Fund's centrally located shopping centres. The Fund is yet to fully recover to pre-COVID levels as Europa's and Postimaja's sales & footfall figures are approx. 20% below pre-COVID levels with Galerija Centrs gap being slightly larger. It is expected, however, that sales and footfall figures will continue to increase throughout 2022 as no more COVID-19 restrictions are being imposed on shopping centres. BHF retail teams continue to work on attracting tenants with new concepts and revitalizing retail areas in Galerija Centrs, Postimaja and Europa SC to prepare for the next retail cycle.

After more than a year of hard work in an uncertain environment, which has been affecting tenants and construction companies, Europa SC has entered the final stages of reconstruction. The opening of food hall Dialogai and other renovated areas has created a great value proposition for office workers in Vilnius CBD. Leases for more than 1,200 sq. m have been signed lately for Europa SC which will likely bring the occupancy rate from approx. 82% to above 90% once all tenants occupy their new premises. Reconstruction created a temporary negative effect on the net rental income of Europa SC in Q1 2022 due to additional one-off expenses but the figure is expected to recover once reconstruction finishes and all newly signed leases start to generate income.

In recent months, Baltic Horizon Fund has been in negotiations, mainly with retail tenants, regarding rent reductions, which had a slight negative impact on the Fund's performance in Q1 2022. The amount of rent relief

has been greatly reduced lately since the direct impact of the pandemic has diminished. Discounts granted to Galerija Centrs tenants have been partially covered by grants received from the Latvian government in 2021 and 2022. In April 2022, the Fund received another grant of EUR 0.3 million from the Latvian government, which brought the total amount of COVID-19 grants received to EUR 0.7 million.

After completing small-scale reconstruction in December 2021, the cinema tenant in the CC Plaza building has fully reopened all cinema halls. The cinema is now fully ready to welcome cinema lovers to newly released and upcoming blockbuster movies.

During the pandemic, many tenants in the office segment across the Baltics adopted remote working practices where the nature of the job allowed it. At the same time, it is also apparent from interviews that employees are eager to return to the offices as social interaction and collaboration in physical meetings are still highly valued. The future of office work will very likely include an additional level of flexibility and tenants will be continuously evaluating their future needs.

Considering the new office reality, Baltic Horizon has been revitalizing larger vacant office areas to create flexible working spaces for smaller tenants. The Fund successfully converted vacant areas in North Star into an office hotel during Q1 2022. Most areas have been already leased out to tenants, significantly boosting North Star occupancy levels in the process. A similar concept will be developed on one Meraki office floor. The office portfolio continues to generate strong results due to fixed lease agreements but also as many employees are coming back to the offices. Unusually high rent indexations will play a huge part to support further growth of office portfolio results.

In summary, Baltic Horizon's offices continue to demonstrate resilience to all external shocks, while centrally located retail and entertainment centres continue to gradually recover to pre-pandemic levels.

## Developments

### Meraki



In 2018, the Fund completed the acquisition of 0.87 hectares of land next to the Domus Pro complex. The plots were acquired with the goal to further expand the Domus Pro complex in Vilnius, Lithuania. The building permit allows building approx. 15,800 sq. m of leasable office space along with a parking house. The first tower is expected to be completed in Q2 2022 and the second one in 2023. Meraki development costs reached EUR 15.7 million as of 31 March 2022 and the expected total development costs amount to EUR 32.7 million.



At the end of Q1 2022, approx. 16.1% of the net leasable area of one tower was let to 4 tenants. Recently, the Fund has signed an additional lease agreement on approx. 230 sq. m of leasable space. The Fund management team is currently working on an office hotel concept to meet the demand for smaller spaces with common areas from smaller tenants. First tenant fit-out works were well advanced at the end of Q1 2022.

### Europa



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

Reconstruction works started in September 2021 with the aim to finish reconstruction in two stages. The first stage was completed with the opening of the fully leased out food hall Dialogai (900 sq. m) on 24 January 2022. All food hall tenants except one have already fully moved in and are already offering tasty food to shopping centre customers. The second stage works were partially completed in 2021 and the rest will be completed in the first half of 2022. The interior of the ground floor passage



and lounge zones have already been completed, while the shop fronts together with an amphitheatre, bakery, vertical connections, and 2<sup>nd</sup> and 3<sup>rd</sup> floor interior will be completed in Q2 2022.

The total investment in the project has increased to approx. EUR 6.0 million after the expansion of the initial scope of work. Out of the total investment amount, EUR 2.1 million is the food hall investment. Despite rapidly rising construction costs the project mostly remained within budget and the scope of planned work did not have to be sacrificed.



## Postimaja



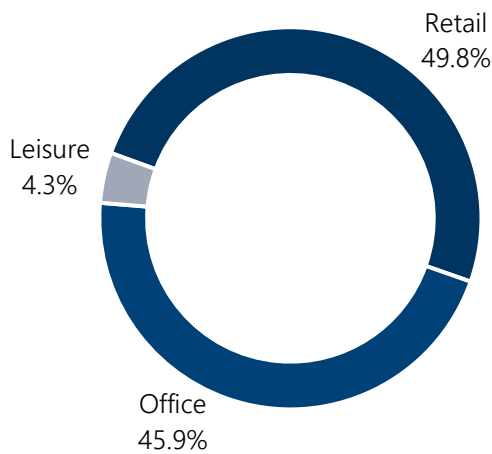
A final design and construction project was started in Q1 2020 for phase I of connecting the Postimaja and CC Plaza buildings. A building permit to connect underground parking has been received from the City of Tallinn. The final building permit for joining the two buildings was received in January 2021.



The first stage of the reconstruction project – Reval Café terrace construction – has been separated from the overall project and has already started. The opening of the terrace is expected in Q2 2022 with a planned investment of EUR 0.2 million. The second stage – full connection of the two buildings – has been scheduled for 2023 or later. While preparing for the second stage, the Fund is discussing with Tallinn municipality the plans to have a tram stop in front of Postimaja SC.

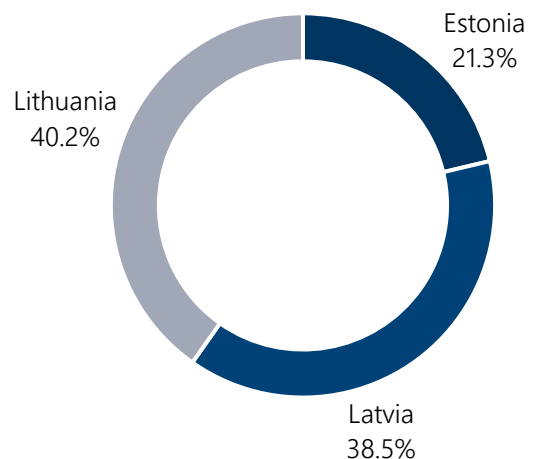
## Property performance

Fund segment distribution as of 31 March 2022



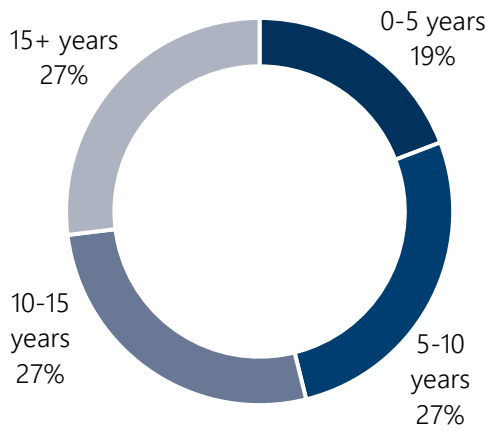
The Fund maintains a well-diversified mix of office, leisure, and retail buildings. At the end of Q1 2022, the portfolio was comprised of 49.8% retail assets, followed by 45.9% office assets and 4.3% leisure assets. Portfolio properties in the office segment contributed 58.4% of net rental income in Q1 2022 despite accounting for only 45.9% of the Fund's portfolio.

Fund country distribution as of 31 March 2022



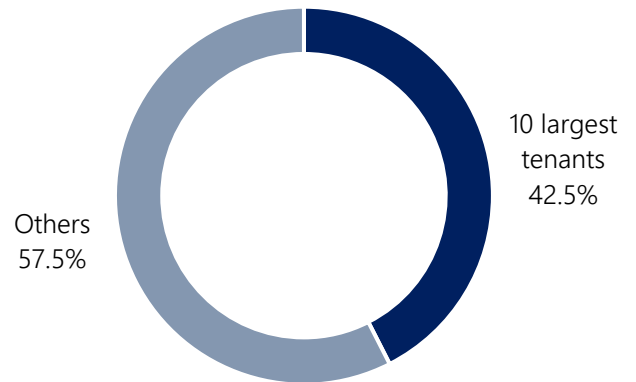
In terms of country distribution, in Q1 2022 Lithuania's share in the Fund's portfolio increased due to the ongoing Meraki development works. At the end of Q1 2022, the Fund's assets were located as follows: 40.2% in Lithuania, 38.5% in Latvia and 21.3% in Estonia.

Fund portfolio by age as of 31 March 2022



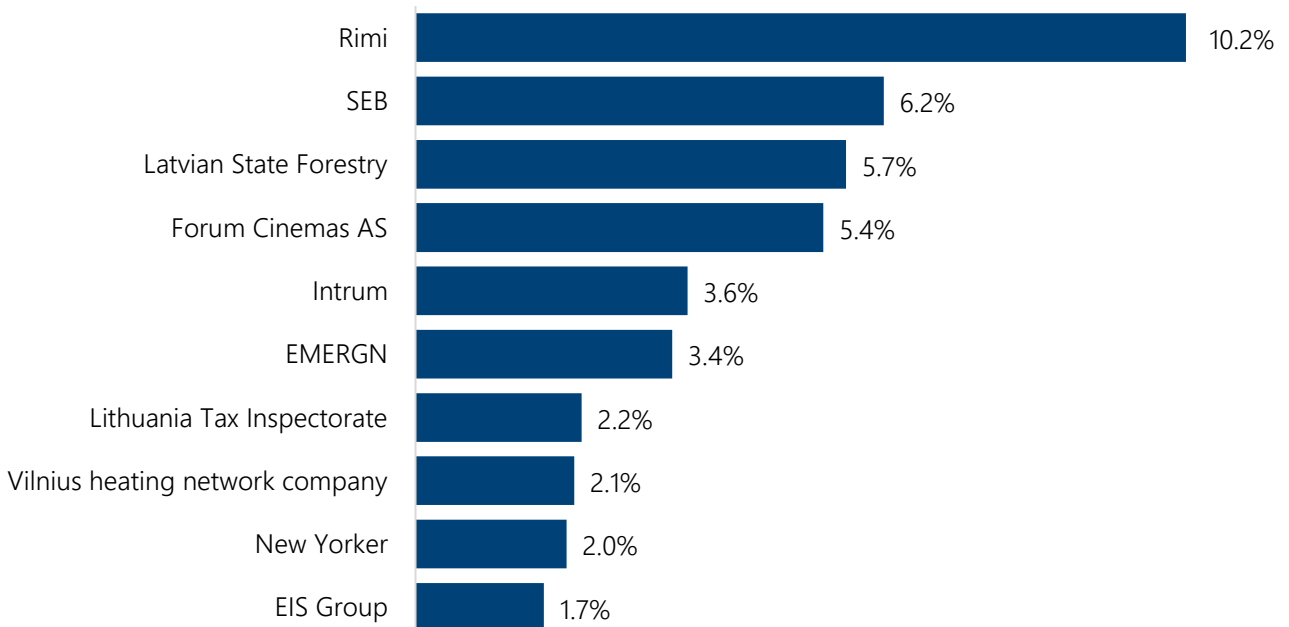
The graph above shows the age of assets in the Fund’s portfolio since construction or the last major refurbishment. The management team is working on new development projects and expects to improve the Fund’s average portfolio age in the future.

Rental concentration of the Fund’s subsidiaries as of 31 March 2022



The tenant base of the Fund is well diversified. Baltic Horizon Fund has around 250 tenants in the portfolio. The rental concentration of the Fund’s subsidiaries (rental income from the 10 largest tenants) is shown in the following chart with the largest tenant Rimi Baltic accounting for 10.2% of the annualised rental income. As further discussed in the risk management section, credit risk is mitigated by the high quality of the existing tenant base.

Rental concentration of the Fund’s subsidiaries: 10 largest tenants as of 31 March 2022



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

Property name	Sector	Fair value <sup>1</sup> (EUR '000)	NLA (sq. m)	Direct property yield Q1 2022 <sup>2</sup>	Net initial yield Q1 2022 <sup>3</sup>	Occupancy rate
<b>Vilnius, Lithuania</b>						
Duetto I	Office	17,347	8,587	8.0%	6.9%	100.0%
Duetto II	Office	19,683	8,674	7.6%	7.1%	100.0%
Europa SC	Retail	38,951	16,844	1.3%	1.4%	81.8%
Domus Pro Retail Park	Retail	16,268	11,226	8.0%	7.8%	98.7%
Domus Pro Office	Office	7,823	4,831	8.3%	6.8%	100.0%
North Star	Office	20,031	10,550	6.2%	6.5%	97.1%
Meraki Development		13,393	-	-	-	-
<b>Total Vilnius</b>		<b>133,496</b>	<b>60,712</b>	<b>5.3%</b>	<b>5.2%</b>	<b>94.2%</b>
<b>Riga, Latvia</b>						
Upmalas Biroji BC	Office	21,959	10,459	7.6%	8.3%	100.0%
Vainodes I	Office	18,161	8,052	6.5%	7.8%	100.0%
LNK Centre	Office	16,840	7,452	6.4%	6.6%	100.0%
Sky SC	Retail	5,106	3,249	8.2%	8.2%	97.4%
Galerija Centrs	Retail	65,576	20,022	3.2%	3.6%	74.1%
<b>Total Riga</b>		<b>127,642</b>	<b>49,234</b>	<b>5.0%</b>	<b>5.6%</b>	<b>89.3%</b>
<b>Tallinn, Estonia</b>						
Postimaja & CC Plaza complex	Retail	29,775	9,147	2.6%	3.2%	93.9%
Postimaja & CC Plaza complex	Leisure	14,442	8,664	7.2%	5.9%	100.0%
Lincona	Office	16,996	10,870	6.6%	6.1%	90.8%
Pirita SC	Retail	9,472	5,444	4.5%	5.9%	89.2%
<b>Total Tallinn</b>		<b>70,685</b>	<b>34,125</b>	<b>4.5%</b>	<b>4.8%</b>	<b>93.7%</b>
<b>Total portfolio</b>		<b>331,823</b>	<b>144,071</b>	<b>5.0%</b>	<b>5.3%</b>	<b>92.4%</b>

1. Based on the latest valuation as at 31 March 2022, subsequent capital expenditure and recognised right-of-use assets.
2. Direct property yield (DPY) is calculated by dividing annualized NOI by the acquisition value and subsequent capital expenditure of the property.
3. The net initial yield (NIY) is calculated by dividing annualized NOI by the market value of the property.

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

During Q1 2022, the average actual occupancy of the portfolio was 92.3% (Q4 2021: 92.4%). The occupancy rate as of 31 March 2022 was 92.4% (31 December 2021: 92.1%). The overall occupancy rates in the portfolio rose after the successful launch of the North Star office hotel and filling the premises with small tenants. Increasing occupancy figures were supplemented with new leases in Lincona and Europa. However, new vacancies in

Galerija Centrs have slightly offset the overall positive trend in the portfolio. Occupancy rates in the office segment remain strong at around 98% after the conclusion of new leases. Positive momentum in office leasing is expected to continue in Q2 2022. Retail leasing teams have been expanded to fasten the leasing process. The Fund is having in-depth negotiations with potential anchor tenants for shopping centres. The average direct property yield during Q1 2022 was 5.0% (Q4 2021: 4.5%). The net initial yield for the whole portfolio for Q1 2022 was 5.3% (Q4 2021: 4.8%). Property yields increased compared to Q4 2021 after a strong recovery of Galerija Centrs results following the lift of lockdowns at the end of 2021 and positive rent indexations across the portfolio.

### Breakdown of NOI development

Property	Date of acquisition	2017	2018	2019	2020	2021	Q1 2021	Q1 2022
Galerija Centrs	13 June 2019	-	-	2,552	3,023	1,448	284	597
Upmalas Biroji BC	30 August 2016	1,693	1,710	1,701	1,661	1,740	434	454
Postimaja & CC Plaza complex	8 March 2013 <sup>1</sup>	985	2,447	2,495	1,932	1,805	387	450
Vainodes I	12 December 2017	75	1,463	1,462	1,464	1,449	362	356
Duetto II	27 February 2019	-	-	1,090	1,354	1,353	341	352
North Star	11 October 2019	-	-	315	1,419	1,208	298	321
Domus Pro Retail	1 May 2014	1,185	1,160	1,132	1,092	1,145	238	315
Duetto I	22 March 2017	799	1,096	1,160	1,166	1,223	299	298
LNK Centre	15 August 2018	-	409	1,072	1,090	1,088	271	276
Lincona	1 July 2011	1,172	1,192	1,276	1,212	1,114	287	260
Pirita SC	16 December 2016	900	900	438	677	484	152	139
Europa SC	2 March 2015	2,365	2,332	2,467	1,681	1,006	280	137
Domus Pro Office	1 October 2017	35	499	562	538	537	123	133
Sky SC	7 December 2013	410	407	370	402	395	106	105
G4S Headquarters <sup>2</sup>	12 July 2016	1,149	1,189	1,127	1,223	1,009	311	-
<b>Total portfolio</b>		<b>10,768</b>	<b>14,804</b>	<b>19,219</b>	<b>19,934</b>	<b>17,004</b>	<b>4,173</b>	<b>4,193</b>

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

2. The Fund completed the disposal of G4S Headquarters on 8 November 2021.

The Fund's portfolio produced EUR 4.2 million of net operating income (NOI) during Q1 2022 (Q1 2021: EUR 4.2 million). Please refer to the table above for a breakdown of NOI development by each property, which has been generating stable rental income over the years.

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

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

### EPRA like-for-like net rental income by segment

EUR '000	Fair value 31.03.2022	Net rental income Q1 2022	Net rental income Q1 2021	Change (EUR '000)	Change (%)
<b>Like-for-like assets</b>					
Retail	165,148	1,529	1,293	236	18.3%
Office	138,840	2,450	2,415	35	1.4%
Leisure	14,442	214	154	60	39.0%
<b>Total like-for-like assets</b>	<b>318,430</b>	<b>4,193</b>	<b>3,862</b>	<b>331</b>	<b>8.6%</b>
Development assets	13,393	-	-	-	-
Disposed assets	-	-	311	(311)	(100.0%)
<b>Total portfolio assets</b>	<b>331,823</b>	<b>4,193</b>	<b>4,173</b>	<b>20</b>	<b>0.5%</b>

Net rental income of the portfolio on a like-for-like basis increased by 8.6% or EUR 331 thousand in Q1 2022, as compared to the same period last year. The increase in net rental income from all segments was mainly driven by the recovery of operations after the removal of COVID-19 restrictions.

The Fund's office segment properties have barely been affected by the COVID-19 pandemic. The office segment showed a positive change with an increase of like-for-like net rental income of 1.4%. Most of the properties saw an uplift in net rental income during Q1 2022 compared to last year.

The performance of the retail and leisure segments is still somewhat affected by rent reliefs granted to tenants due to COVID-19. However, even considering prolonged COVID-19 effects the Fund is still managing to generate increasing NOI and is on the path to recovering NOI to pre-COVID levels in the retail segment. This is particularly apparent in Galerija Centrs where NOI more than doubled in Q1 2022 as compared to Q1 2021. Such a positive effect was slightly undermined by a temporary drop in Europa's NOI due to additional marketing and other expenses related to the opening of the food hall and other areas after reconstruction.

At the beginning of COVID-19, the Fund's management team decided to provide sizeable support to the tenants with the aim of keeping them on the premises long-term. Such a strategy allowed the Fund to maintain occupancy levels at relatively stable levels considering the situation in the market and create ground for a quick recovery for periods when major COVID-19 pandemic restrictions are lifted.

Like-for-like net rental income changes in Latvia and Estonia were positive throughout Q1 2022 compared to Q1 2021. The overall performance of both countries was mostly influenced by the recovery of shopping centre results. Lithuanian assets are expected to catch up with the rest of the portfolio and also outperform 2021 results in the upcoming months.

In Q1 2022, the net rental income of Galerija Centrs, CC Plaza & Postimaja complex, Domus PRO complex, North Star, LNK, Upmalas Biroji BC and Duetto II exceeded the previous year's results. The solid performance of the aforementioned assets helped to generate growth in overall net rental income even after the disposal of one asset.

#### EPRA like-for-like net rental income by country

EUR '000	Fair value 31.03.2022	Net rental income Q1 2022	Net rental income Q1 2021	Change (EUR '000)	Change (%)
<b>Like-for-like assets</b>					
Estonia	70,685	849	826	23	2.8%
Latvia	127,642	1,788	1,457	331	22.7%
Lithuania	120,103	1,556	1,579	(23)	(1.5%)
<b>Total like-for-like assets</b>	<b>318,430</b>	<b>4,193</b>	<b>3,862</b>	<b>331</b>	<b>8.6%</b>
Development assets	13,393	-	-	-	-
Disposed assets	-	-	311	(311)	(100.0%)
<b>Total portfolio assets</b>	<b>331,823</b>	<b>4,193</b>	<b>4,173</b>	<b>20</b>	<b>0.5%</b>

# Estonia

## Economy

The Estonian economy has adapted very quickly to the changing environment in recent years and started the year with strong growth tendencies. High inflation expectations did not materially impact the customers' confidence and purchasing habits. While the pandemic-induced economic impact is mostly left behind, the war in Ukraine will likely have an economic impact on the Baltic economies albeit exposure to Russia is not extensive. Economists still do not agree on expectations for the economic impact on the Estonian economy, while most are forecasting positive expected GDP growth, others are projecting negative GDP movement expectations in 2022. Considering Estonia's resilience to recent unfavourable shocks, the GDP of Estonia is still expected to expand by 2-4% this year, following a smaller expansion in 2023.

	2021	2022	2023
GDP	7.5%	3.1%	4.0%
Inflation	4.5%	6.1%	2.1%

Source: European Commission Economic Forecast, Winter 2022

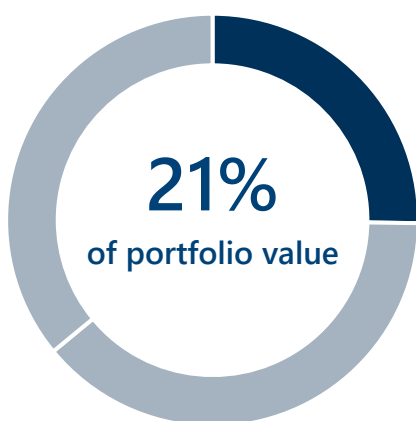
## Portfolio

Portfolio properties based in Estonia started the year with stable performance in the net rental income and other key portfolio metrics. The most obvious upward improvement

in metrics is visible in the cinema part of the Postimaja & CC Plaza complex. The Fund supported the tenant operating the cinema in CC Plaza during lockdowns which led to reduced rental income in 2021 and 2020. After recovery from COVID-19, the amount of support required from the Fund has been rapidly decreasing, leading to an improvement in performance.

The operational results of other Estonian properties were relatively stable during Q1 2022 as no major leases were terminated or signed and no major concessions were provided during this period. At the end of Q1 2022, one new tenant has relocated to Lincona. The Fund's leasing team is in active negotiations with other potential prospects to occupy the remaining premises and close contracts with tenants within the next few months.

Overall key performance metrics in Q1 2022 remained relatively stable compared to Q4 2021. NOI was almost identical, while other key metrics showed either a small improvement or decline. During Q1 2022, the average direct property yield decreased slightly to 4.5% (Q4 2021: 4.6%), while the average net initial yield was 4.8% (Q4 2021: 4.9%). The average occupancy level for Q1 2022 was 93.6% (Q4 2021: 93.7%). The occupancy rate as of 31 March 2022 was 93.7% (31 December 2021: 93.2%). During the quarter, occupancy slightly improved due to the uptake in the Lincona building.



**4**  
Properties

**93.7%**  
Occupancy rate

**34,125**  
Total leasable area (sq. m)

**4.5%**  
Direct property yield

**0.8m**  
Net rental income (EUR)

**70.7m**  
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 ended the year without major changes. Before the year-end restrictions, the economy was showing positive tendencies and it is expected that Latvian GDP will return to modest growth in 2022. While the unwinding of excess savings is driving up private consumption, soaring costs will reduce the purchasing power and limit the recovery of the labour market. EU funds will likely contribute to the construction segment, while high CPI figures will likely allow for rents to catch up with cost growth through 5-10% rent indexations.

	2021	2022	2023
GDP	4.7%	4.4%	3.8%
Inflation	3.2%	5.9%	0.9%

Source: European Commission Economic Forecast, Winter 2022

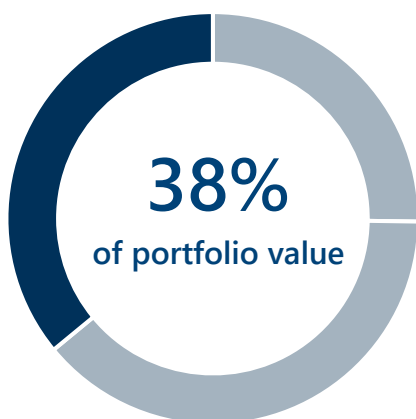
## Portfolio

Latvian properties recognised the highest increase in like-for-like net rental income year over year in all Baltic countries, delivering growth of 22.7%. This change was mostly influenced by a sizeable NOI increase in Galerija Centrs after a recovery in sales & footfall after the last COVID-19 lockdown in Latvia. Galerija Centrs operational performance has shown signs of recovery during restriction-free months. With the COVID-19 virus becoming less of a threat to customers, further recovery of footfall & sales is expected in Galerija Centrs. The Fund

has already initiated a strategic plan to upgrade the Galerija Centrs concept in 2022 to immediately boost occupancy levels by 5-10% and gradually take the property back to 95-100% occupancy. The refreshed concept will be unveiled once pre-lease negotiations are closed and the project is finalized. Several pre-leases on the upper floors have been already signed.

Meanwhile, in Upmalas Biroji and LNK Centre, NOI for Q1 2022 improved, while SKY SC and Vainodes I performed slightly worse compared to Q1 2021. Even though the results of SKY SC and Vainodes I were affected by cost inflation, the costs in Upmalas Biroji decreased, leading to a higher NOI. There were no major changes in the office occupancy rate as tenants continued to prolong leases.

The average direct property yield increased to 5.0% during Q1 2022 (Q4 2021: 3.6%). The average net initial yield was 5.6% (Q4 2021: 4.1%). The upward movement in Latvian portfolio yields is almost entirely attributable to the strong recovery of Galerija Centrs. The average occupancy level for Q1 2022 decreased slightly to 90.7% (Q4 2021: 91.7%), mostly due to increased vacancies in Galerija Centrs. The occupancy rate as of 31 March 2022 was 89.3% (31 December 2021: 91.4%). At the end of Q1 2022, 3 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

**89.3%**  
Occupancy rate

**49,234**  
Total leasable area (sq. m)

**5.0%**  
Direct property yield

**1.8m**  
Net rental income (EUR)

**127.6m**  
Portfolio value (EUR)

# Lithuania

## Economy

Similar to the other Baltic countries, Lithuania has produced strong economic growth even during economic shocks. Consumer purchasing power and confidence will likely take a hit from recent 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, growing exports and accumulated household savings. Overall, in 2022 real GDP is forecast to grow by 2.0-3.5%.

	2021	2022	2023
GDP	4.8%	3.4%	3.4%
Inflation	4.6%	6.7%	2.2%

Source: European Commission Economic Forecast, Winter 2022

## Portfolio

The Fund’s exposure to Lithuania has been steadily growing in 2021 and 2022 as investments continue to flow into Meraki development and Europa SC redevelopment projects. While overall Lithuanian results show only steady performance compared to last year, a deeper analysis reflects growth for most assets.

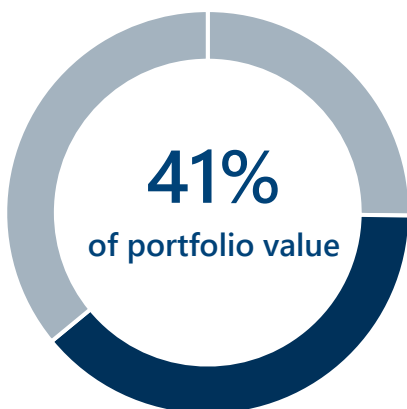
After completing the first stage of reconstruction, Europa SC is gradually moving towards a refreshed concept and the take-up of vacant premises. Yet, operational results of Q1

2022 do not still reflect growth due to a temporary increase in operating costs and one-off discounts related to the reconstruction of the building. Operating costs should return to normal levels after the reconstruction and net rental income should increase as rent figures are above 2021 levels. Shopping centre vacancies are already being filled after the opening of food hall Dialogai and other renovated areas at the beginning of 2022.

Domus PRO Complex showed a tremendous growth of 24.4% in year over year net rental income. The result was mostly influenced by rent indexation, successful leasing efforts and the reduction of COVID-19 discounts to minimal levels. North Star and Duetto II performed better compared to last year, while the performance of Duetto I was stable.

Almost all Lithuanian properties had lease extensions or new leases signed in Q1 2022. This is especially apparent in North Star where the Fund managed to sign 5 lease agreements with smaller tenants by offering them space in the newly created office hotel space on the premises previously occupied by VMI. The office hotel will accommodate smaller tenants and meet current market trends as demand for smaller offices keeps increasing.

During Q1 2022, the average direct property yield decreased to 5.3% (Q4 2021: 5.5%). The average net initial yield was 5.2% (Q4 2021: 5.4%). The average occupancy level for Q1 2022 increased to 92.8% (Q4 2021: 92.1%). The occupancy rate as of 31 March 2022 was 94.2% (31 December 2021: 92.2%). Duetto I and II and Domus PRO Office were fully leased out at the end of Q1 2022.



**5 / 1**

Properties / Development projects

**94.2%**

Occupancy rate

**60,712**

Total leasable area (sq. m)

**5.3%**

Direct property yield

**1.6m**

Net rental income (EUR)

**133.4m**

Portfolio value (EUR)



# FINANCIAL REPORT

## Financial position and performance of the Fund

### Net result and net rental income

The Group recorded a net profit of EUR 2.0 million for Q1 2022 against a net profit of EUR 1.9 million for Q1 2021. The net result was significantly impacted by strong recovery of the Galerija Centrs operating performance as fewer COVID-19 rent reliefs have been granted to tenants in 2022. The positive impact of the increase in net rental income was also influenced by a decrease in administrative expenses. Earnings per unit for Q1 2022 were EUR 0.02 (Q1 2021: EUR 0.02).

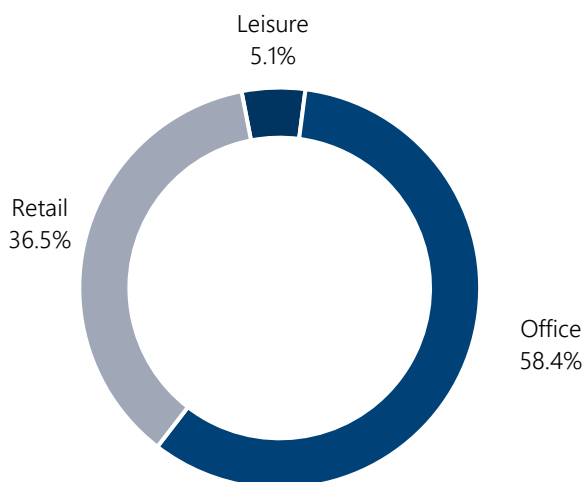
The Group earned net rental income of EUR 4.2 million in both Q1 2022 and Q1 2021. The results for Q1 2021 still included EUR 0.3 million of net rental income from G4S Headquarters, which was sold in Q4 2021 and did not contribute to Q1 2022 results. Rent indexations and recovery of income improved the net rental income of the same portfolio mix (like-for-like portfolio).

followed by the retail segment with 36.5% (Q1 2021: 31.0%) and the leisure segment with 5.1% (Q1 2021: 3.7%).

Retail assets located in the central business districts (Postimaja, Europa and Galerija Centrs) accounted for 23.1% of total portfolio net rental income in Q1 2022. Total net rental income attributable to neighbourhood shopping centres was 13.4% in Q1 2022.

During Q1 2022, investment properties in Latvia and Lithuania contributed 42.6% (Q1 2021: 34.8%) and 37.1% (Q1 2021: 37.9%) of net rental income, respectively, while investment properties in Estonia contributed 20.3% (Q1 2021: 27.3%).

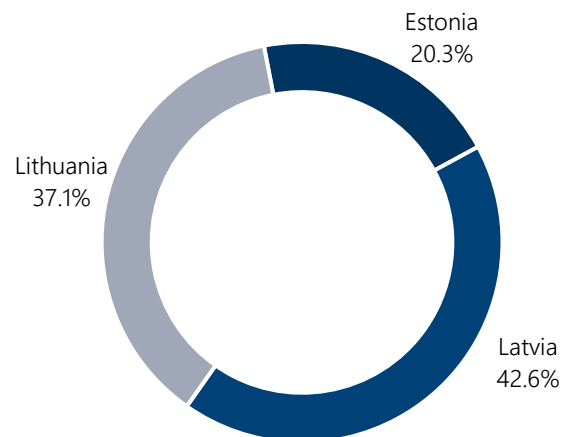
### Net rental income by segment



On an EPRA like-for-like basis, portfolio net rental income increased by 8.6% year on year, mainly due to higher performance in the retail segment, especially in Galerija Centrs. The increase was also impacted by the relatively stable performance of the office segment, which remained largely unaffected by the volatility in the macroeconomic and external social factors.

Portfolio properties in the office segment contributed 58.4% (Q1 2021: 65.3%) of net rental income in Q1 2022

### Net rental income by country



### Gross Asset Value (GAV)

At the end of Q1 2022, the Fund's GAV was EUR 345.6 million (31 December 2021: EUR 346.3 million), 0.2% lower than at the end of the previous period. The decrease is mainly related to a decrease in cash after the dividend pay-out in Q1 2022. The Fund made capital investments (EUR 1.9 million) in the Meraki office building development project during Q1 2022. The Fund aims to carry on with the construction of the Meraki office building throughout 2022 and 2023. An additional EUR

2.2 million was invested in other (re)development projects. The Management Company will continue to actively monitor the economic impact of the pandemic and ensure sufficient liquidity levels during the construction period.

### Investment properties

The Baltic Horizon Fund portfolio consists of 14 cash flow generating investment properties in the Baltic capitals

and an investment property under construction on the Meraki land plot. At the end of Q1 2022, the fair value of the Fund's portfolio was EUR 331.8 million (31 December 2021: EUR 327.4 million) and incorporated a total net leasable area of 144,071 sq. m. During Q1 2022, the Fund invested EUR 0.3 million in the existing property portfolio and EUR 4.1 million in the reconstruction or development projects.

### Key earnings figures

EUR '000	Q1 2022	Q1 2021	Change (%)
<b>Net rental income</b>	<b>4,193</b>	<b>4,173</b>	<b>0.5%</b>
Administrative expenses	(659)	(745)	(11.5%)
Other operating income	7	-	-
Valuation losses on investment properties	(6)	(4)	50.0%
<b>Operating profit</b>	<b>3,535</b>	<b>3,424</b>	<b>3.2%</b>
Net financing costs	(1,442)	(1,390)	(3.7%)
<b>Profit before tax</b>	<b>2,093</b>	<b>2,034</b>	<b>2.9%</b>
Income tax	(97)	(129)	(24.8%)
<b>Net profit for the period</b>	<b>1,996</b>	<b>1,905</b>	<b>4.8%</b>
Weighted average number of units outstanding (units)	119,635,429	119,635,429	-
<b>Earnings per unit (EUR)</b>	<b>0.02</b>	<b>0.02</b>	<b>-</b>

### Key financial position figures

EUR '000	31.03.2022	31.12.2021	Change (%)
Investment properties in use	318,430	315,959	0.8%
Investment property under construction	13,393	11,400	17.5%
<b>Gross asset value (GAV)</b>	<b>345,592</b>	<b>346,338</b>	<b>(0.2%)</b>
Interest-bearing loans and bonds	198,425	198,571	(0.1%)
<b>Total liabilities</b>	<b>212,628</b>	<b>213,754</b>	<b>(0.5%)</b>
<b>IFRS Net asset value (IFRS NAV)</b>	<b>132,964</b>	<b>132,584</b>	<b>0.3%</b>
<b>EPRA Net Reinstatement Value (EPRA NRV)</b>	<b>142,387</b>	<b>142,176</b>	<b>0.1%</b>
Number of units outstanding (units)	119,635,429	119,635,429	-
<b>IFRS Net asset value (IFRS NAV) per unit (EUR)</b>	<b>1.1114</b>	<b>1.1082</b>	<b>0.3%</b>
<b>EPRA Net Reinstatement Value (EPRA NRV) per unit (EUR)</b>	<b>1.1902</b>	<b>1.1884</b>	<b>0.2%</b>
Loan-to-Value ratio (%)	59.8%	60.7%	-
Average effective interest rate (%)	2.8%	2.7%	-

### Interest-bearing loans and bonds

Interest-bearing loans and bonds (excluding lease liabilities) were EUR 198.4 million, remaining at a level similar to year-end 2021 (31 December 2021: EUR 198.6 million). Outstanding bank loans decreased slightly due to regular bank loan amortisation. Annual loan amortisation accounts for 0.3% of total debt outstanding.

### Cash flow

Cash inflow from core operating activities for Q1 2022 amounted to EUR 2.8 million (Q1 2021: cash inflow of EUR 2.8 million). Cash outflow from investing activities was EUR 4.6 million (Q1 2021: cash outflow of EUR 1.6 million) due to subsequent capital expenditure on existing portfolio properties and investments in the Meraki, Postimaja and CC Plaza complex and Europa development projects. Cash outflow from financing activities was EUR 3.8 million (Q1 2021: cash outflow of EUR 2.8 million). During the quarter, the Fund made a cash distribution of EUR 2.3 million and paid regular interest on bank loans and bonds. At the end of Q1 2022, the Fund's consolidated cash and cash equivalents

amounted to EUR 10.5 million (31 December 2021: EUR 16.1 million), which demonstrates sufficient liquidity and financial flexibility. Available cash will be used to finance new acquisitions and continue with development projects.

### Net Asset Value (NAV)

At the end of Q1 2022, the Fund's NAV slightly increased to EUR 133.0 million (31 December 2021: EUR 132.6 million). Compared to the year-end 2021 NAV, the Fund's NAV increased by 0.3%. The increase in operational performance and positive cash flow hedge reserve movement of EUR 0.7 million over the quarter was offset by a EUR 2.3 million dividend distribution to the unitholders. As at 31 March 2022, IFRS NAV per unit stood at EUR 1.1114 (31 December 2021: EUR 1.1082), while EPRA net tangible assets and EPRA net reinstatement value were EUR 1.1902 per unit (31 December 2021: EUR 1.1884). EPRA net disposal value was EUR 1.1100 per unit (31 December 2021: EUR 1.1086).

# FINANCING

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

### S&P affirms credit rating

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

### Extension of bank loans

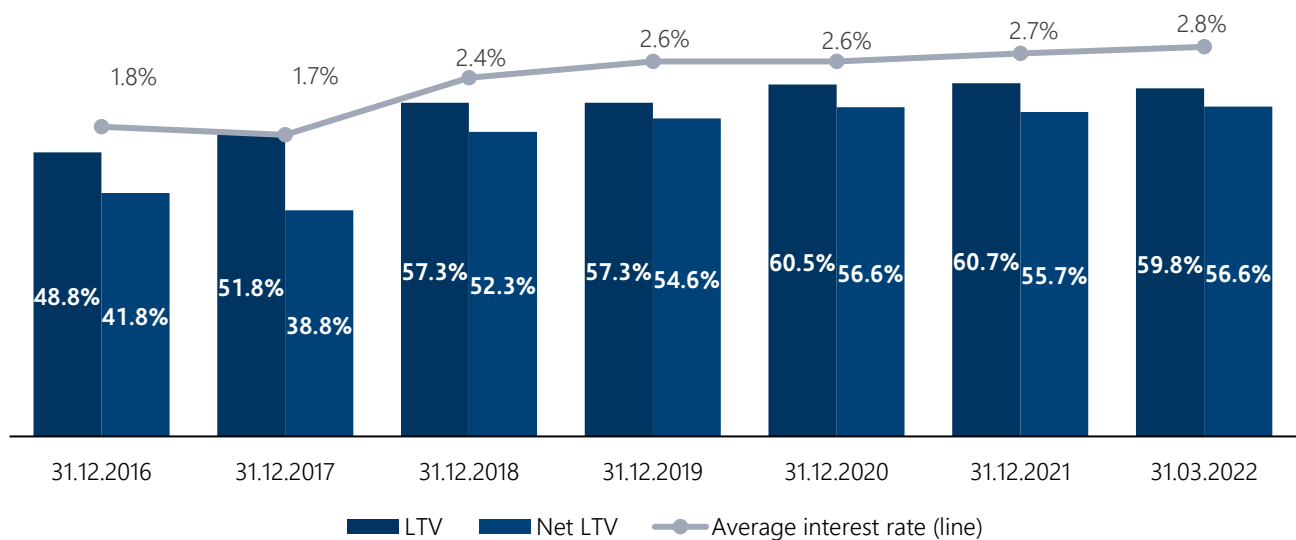
During Q1 2022, the Group successfully extended its Europa SC, Domus PRO, Pirita SC and SKY SC bank loans with the same banks. During Q1 2022, the bank’s credit committee also approved the extension of the Galerija Centrs loan in the amount of EUR 30.0 million until 2024 January. Galerija Centrs bank loan was also extended in Q2 2022.

With prolonged major shopping centre bank loans, the Fund management team is already preparing for the refinancing of the Lincona bank loan later this year as well as the 5-year unsecured bond refinancing next year. Various refinancing options are being considered to ensure the finest financing terms for Baltic Horizon investors.

### Bank loans and bonds

During Q1 2022, regular bank loan amortisation slightly increased from 0.2% to 0.3% (EUR 553 thousand p.a.) due to the amortisation clause of the Pirita SC bank loan under the prolonged bank loan agreement. As of the end of Q1 2022, LTV ratio slightly decreased and reached 59.8% (31 December 2021: 60.7%) after further investments in Meraki and Europa SC. Due to bank loan extensions in Q1 2022, the average interest rate as of 31 March 2022 slightly increased to 2.8% (31 December 2021: 2.7%). The management team is working on maintaining a low average interest rate and reducing LTV in the future.

### Debt financing terms of the Fund’s assets



The table below provides a detailed breakdown of the structure of the Fund’s consolidated financial debt as of 31 March 2022. Interest-bearing debt was comprised of bank loans with a total carrying value of EUR 144.6 million and bonds with a carrying value of EUR 53.9 million. 100% of the debt instruments were denominated in euros. Bank loans have been obtained by subsidiaries that hold

the Fund’s properties and the properties have been pledged as loan collateral. The parent entity holds the 5-year unsecured bonds, while BH Meraki UAB holds the 1.5-year secured bonds on the Meraki office building.

Loan arrangement costs are capitalised and amortised over the terms of the respective loans. At the end of Q1

2022, the unamortised balance of loan arrangement costs for all loans and bonds was EUR 277 thousand.

### Financial debt structure of the Fund as of 31 March 2022

Property	Maturity	Currency	Carrying amount (EUR '000)	% of total	Fixed rate portion (%)
Galerija Centrs	26 January 2024	EUR	30,000	15.1%	100.0%
Europa SC	15 March 2024	EUR	17,900	9.0%	102.8%
CC Plaza and Postimaja	12 February 2023	EUR	17,200	8.7%	100.0% <sup>1</sup>
Duetto I and II	31 March 2023	EUR	15,352	7.7%	-%
Upmalas Biroji BC	31 August 2023	EUR	11,750	5.9%	90.0%
Domus Pro	15 March 2024	EUR	11,000	5.5%	62.0%
Vainodes I	13 November 2024	EUR	9,842	5.0%	50.0%
North Star	15 March 2024	EUR	9,000	4.5%	-%
LNK	27 September 2023	EUR	8,512	4.3%	68.1%
Lincona	31 December 2022	EUR	7,188	3.6%	95.4%
Pirita SC	20 February 2026	EUR	4,916	2.5%	-%
Sky SC	31 January 2023	EUR	2,042	1.0%	-%
<b>Total bank loans</b>		<b>EUR</b>	<b>144,702</b>	<b>72.8%</b>	<b>69.5%</b>
Less capitalised loan arrangement fees <sup>2</sup>		EUR	(150)		
<b>Total bank loans recognised in the statement of financial position</b>		<b>EUR</b>	<b>144,552</b>		
5-year unsecured bonds	8 May 2023	EUR	50,000	25.2%	100.0%
1.5-year secured bonds	19 November 2022	EUR	4,000	2.0%	100.0%
<b>Total bonds</b>		<b>EUR</b>	<b>54,000</b>	<b>27.2%</b>	<b>100.0%</b>
Less capitalised bond arrangement fees <sup>2</sup>		EUR	(127)		
<b>Total bonds recognised in the statement of financial position</b>		<b>EUR</b>	<b>53,873</b>		
<b>Total debt recognised in the statement of financial position</b>		<b>EUR</b>	<b>198,425</b>	<b>100.0%</b>	<b>77.8%</b>

1. CC Plaza and Postimaja loan has an interest rate cap at 3.5% for the variable interest rate part.

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

Weighted debt financing average time to maturity was 1.5 years and weighted hedge average time to maturity was 1.0 years at the end of Q1 2022.

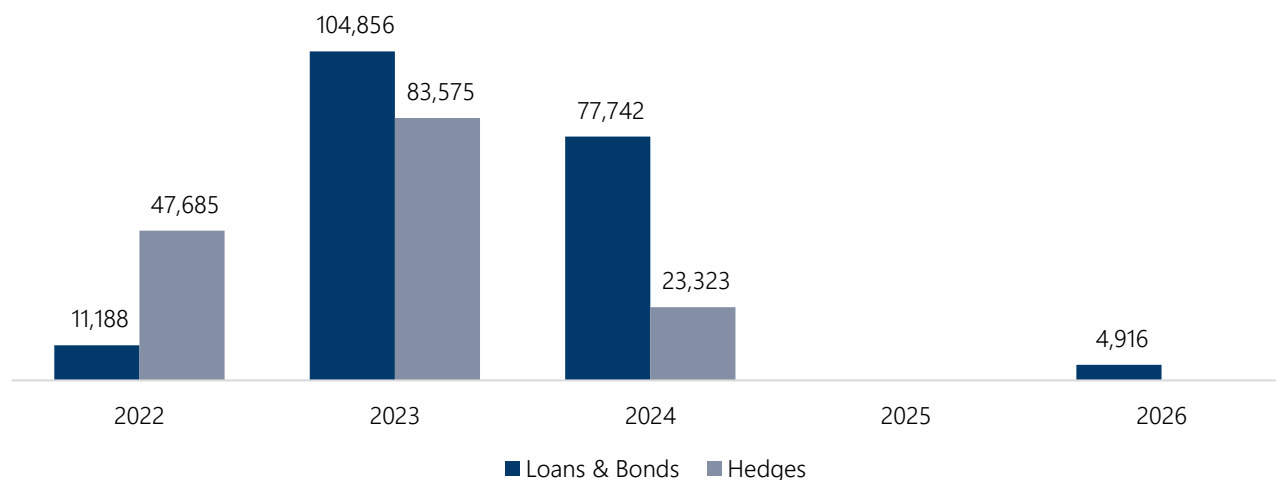
As of 31 March 2022, 77.8% of total debt had fixed interest rates while the remaining 22.2% had floating interest rates. The Fund fixes interest rates on a portion of its debt by acquiring IRS-type hedging instruments or limits the impact of rising interest rates with interest rate cap instruments (CAP). The unsecured bonds have a fixed

coupon rate of 4.25% and the secured Meraki bonds have a fixed coupon rate of 5.0%.

The graph below shows that as of 31 March 2022 around 58.4% of total debt financing matures in 2022–2023. In Q1 2022, the bank's credit committee also approved the extension of the Galerija Centrs loan in the amount of EUR 30.0 million until 2024 January, therefore this bank loan was reclassified to long-term loans.

### Loans, bonds and hedges maturity terms

EUR'000



### Covenant reporting

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

As of 31 March 2022, the Fund was in compliance with all special conditions and covenants set under the bank loan agreements except for the Galerija Centrs property. The Loan to Value Ratio (LTV) of the Galerija Centrs property (carrying loan amount – EUR 30 million) was above the required maximum level of 45% at the end of Q1 2022, 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 unsecured bonds issued at the Fund level

Covenant	Requirement	Ratio 31.03.2021	Ratio 30.06.2021	Ratio 30.09.2021	Ratio 31.12.2021	Ratio 31.03.2022
Equity Ratio	> 35.0%	40.3%	38.1%	38.0%	40.4%	39.7%
Debt Service Coverage Ratio	> 1.20	2.71	2.65	2.58	2.49	2.48

# 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 are 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 2021 for the second 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.

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

EPRA Net asset value

EUR '000	31.03.2022		
	EPRA NRV	EPRA NTA	EPRA NDV
<b>IFRS NAV</b>	<b>132,964</b>	<b>132,964</b>	<b>132,964</b>
Exclude:			
V. Deferred tax liability on investment properties <sup>1</sup>	9,250	9,250	-
V. Deferred tax on fair value of financial instruments	28	28	-
VI. Fair value of financial instruments	144	144	-
Include:			
IX. Revaluation at fair value of fixed-rate loans	-	-	(167)
<b>NAV</b>	<b>142,386</b>	<b>142,386</b>	<b>132,797</b>
Fully diluted number of units	119,635,429	119,635,429	119,635,429
<b>NAV per unit (EUR)</b>	<b>1.1902</b>	<b>1.1902</b>	<b>1.1100</b>

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

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

EPRA Earnings

EUR '000	Q1 2022	Q1 2021
<b>Net result IFRS</b>	<b>1,996</b>	<b>1,905</b>
Exclude:		
I. Changes in fair value of investment properties	6	4
VIII. Deferred tax in respect of EPRA adjustments	95	128
<b>EPRA Earnings</b>	<b>2,097</b>	<b>2,037</b>
Weighted number of units during the period	119,635,429	119,635,429
<b>EPRA Earnings per unit</b>	<b>0.02</b>	<b>0.02</b>



## EPRA LTV

EUR '000	31.03.2022	31.12.2021
<b>Net debt</b>		
Include:		
Borrowings from financial institutions	144,702	144,850
Bond loans	54,000	54,000
Net payables	2,574	3,497
Exclude:		
Cash and cash equivalents	(10,462)	(16,100)
<b>Net debt (A)</b>	<b>190,814</b>	<b>186,247</b>
<b>Property value</b>		
Include:		
Investment properties at fair value	318,430	315,959
Properties under development	13,393	11,400
<b>Total property value (B)</b>	<b>331,823</b>	<b>327,359</b>
<b>EPRA LTV (A/B)</b>	<b>57.5%</b>	<b>56.9%</b>

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

# INVESTOR RELATIONS

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

As at 31 March 2022, the market capitalisation for Baltic Horizon Fund was approx. EUR 113.5 million (31 December 2021: EUR 127.5 million) based on the closing unit market prices on the Nasdaq Tallinn Stock Exchange and the Nasdaq Stockholm Alternative Investment Funds market. During Q1 2022, Baltic Horizon Fund units on the Nasdaq Tallinn Stock Exchange were trading at a discount compared to the net asset value per unit. The market price of the unit remained relatively stable during the first half of Q1 2022 but entered a downward trend

at the end of February 2022 after the start of the war in Ukraine. At the end of Q1 2022, the closing unit price on the Nasdaq Tallinn Stock Exchange was EUR 0.9489.

## Key information

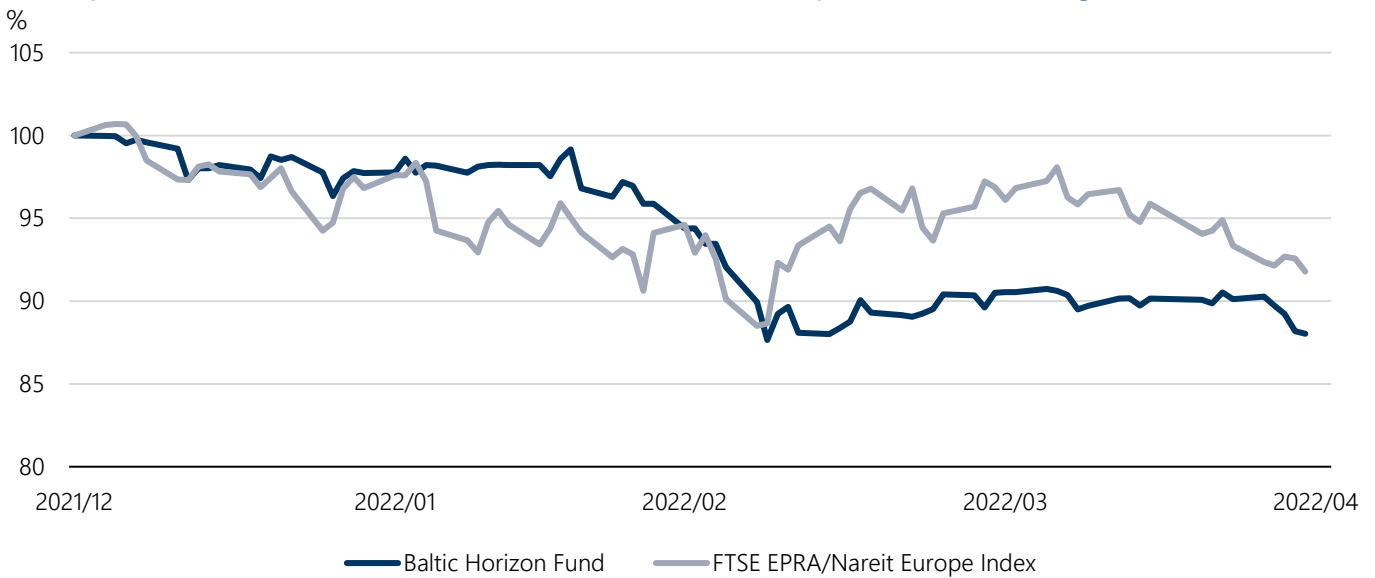
ISIN code	EE3500110244
Markets	Nasdaq Tallinn Nasdaq Stockholm
<b>Ticker symbols:</b>	
Nasdaq Tallinn	NHCBHFFT
Nasdaq Stockholm	NHCBHFFS
<b>Bloomberg tickers:</b>	
Nasdaq Tallinn	NHCBHFFT:ET
Nasdaq Stockholm	NHCBHFFS:SS

Key figures	31.03.2022	31.12.2021
Number of units issued (units)	119,635,429	119,635,429
Market capitalisation <sup>1</sup> (EUR)	113,483,753	127,519,749
IFRS NAV per unit (EUR)	1.1114	1.1082
Unit price premium (discount) from IFRS NAV per unit <sup>2</sup> (%)	(14.6%)	(3.5%)
EPRA NRV per unit (EUR)	1.1902	1.1884
Unit price premium (discount) from EPRA NRV per unit <sup>3</sup> (%)	(20.3%)	(10.0%)

Key figures	Q1 2022	Q1 2021
<b>Nasdaq Tallinn:</b>		
Highest unit price during the period (EUR)	1.0689	1.2800
Lowest unit price during the period (EUR)	0.9050	1.1550
Closing unit price (EUR)	0.9489	1.1585
<b>Nasdaq Stockholm:</b>		
Highest unit price during the period (SEK)	11.42	13.05
Lowest unit price during the period (SEK)	9.50	11.43
Closing unit price (SEK)	9.80	11.78
Earnings per units during the period (EUR)	0.02	0.02
Distribution per unit for the period <sup>4</sup> (EUR)	0.013	0.011

1. Based on the closing prices and split between units on the Nasdaq Tallinn and the Nasdaq Stockholm Stock Exchanges.
2. Based on the closing price on the Nasdaq Tallinn Stock Exchange and the IFRS NAV per unit at the end of period.
3. Based on the closing price on the Nasdaq Tallinn Stock Exchange and the EPRA NRV per unit at the end of period.
4. Distributions to unitholders for Q1 2022 and Q1 2021 Fund results.

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



Baltic Horizon Fund’s total shareholder return on unit in Q1 2022 amounted to -9.5%. Total shareholder return for a given period is equivalent to the movement in the unit price on the Nasdaq Tallinn Stock Exchange over the period plus dividends paid, divided by the opening unit price.

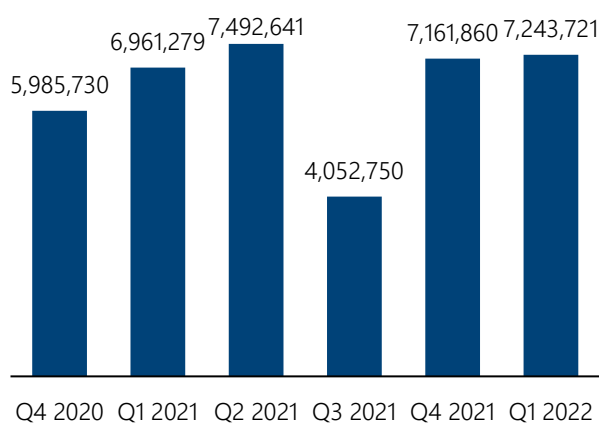
In Q1 2022, the Baltic Horizon Fund unit offered good liquidity with increasing trading volume. In total, 119,635,429 units were traded on the Nasdaq Tallinn and Nasdaq Stockholm stock exchanges, while the total trailing twelve-month trading volume reached 26.0 million units. Market capitalisation of approx. EUR 113.5 million turns around in ca. 4.6 years on the Nasdaq Tallinn and Stockholm Stock Exchanges. Baltic Horizon

Fund was the 12th most traded listed security on the Nasdaq Tallinn Stock Exchange during Q1 2022. The first graph below shows the Baltic Horizon Fund units’ quarterly trading volume on the Nasdaq Tallinn and the Nasdaq Stockholm Stock Exchanges.

During Q1 2022, Baltic Horizon Fund units on the Nasdaq Tallinn Stock Exchange were mostly trading at a discount compared to the net asset value per unit. At the end of Q1 2022, units were traded at a 14.6% discount compared to the IFRS NAV per unit and 20.3% 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.

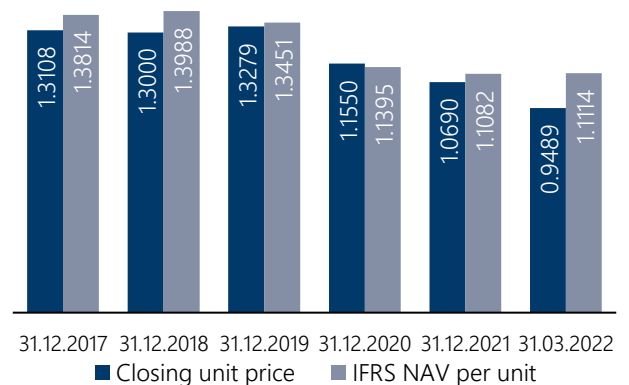
**Quarterly trading volume on Nasdaq Tallinn and Stockholm Stock Exchanges**

Units



**Nasdaq Tallinn unit price compared with NAV**

EUR



## Private placement

In October 2021, Baltic Horizon Fund announced the intention to raise new equity for the Fund through a private placement of new Baltic Horizon Fund units. The private placement was aimed mostly at institutional investors in select European countries. The intention was

to raise approximately EUR 15 million for Baltic Horizon Fund's new acquisitions and investments in existing properties in accordance with the Fund's investment policy. The management team of the Fund has extended the private placement period to 2022.

## Dividend capacity

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

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

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

### Generated net cash flow (GNCF) calculation formula

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

### Distributions to unitholders for Fund results

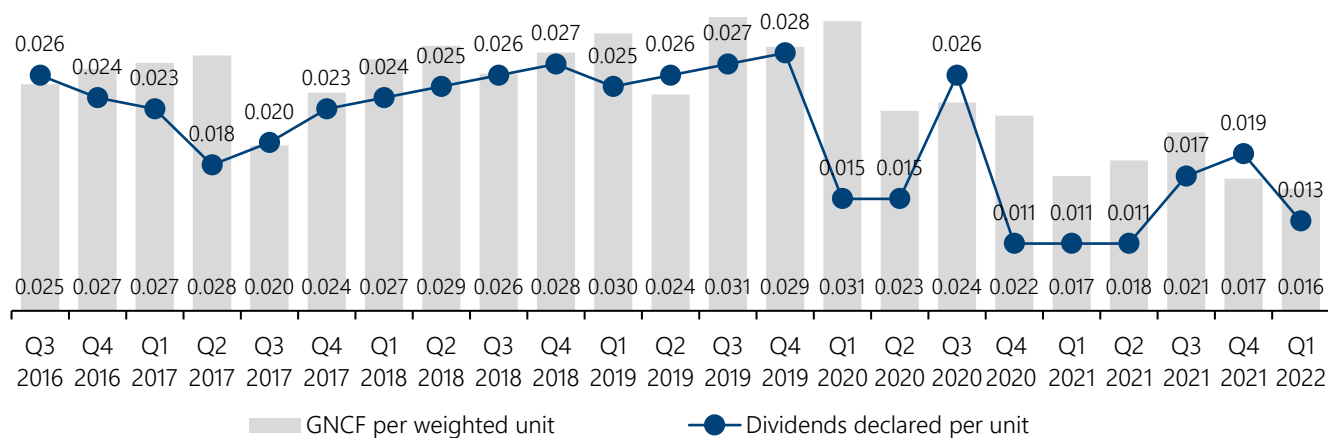
On 3 February 2022, the Fund declared a cash distribution of EUR 2,273 thousand (EUR 0.019 per unit) to the Fund unitholders for Q4 2021 results. This represents a 1.79% return on the weighted average Q4 2021 net asset value to its unitholders.

unitholders for Q1 2022 results. This represents a 1.17% return on the weighted average Q1 2022 net asset value to its unitholders.

With reduced payouts over 2020, 2021 and 2022 in the light of prevailing market uncertainty, the Fund has opted to retain EUR 6.5 million of distributable cash flow.

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

### Dividend per unit (EUR)



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

### Dividend capacity calculation

EUR '000	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
(+) Net rental income	4,173	4,357	4,676	3,798	4,193
(-) Fund administrative expenses	(745)	(756)	(735)	(633)	(659)
(-) External interest expenses	(1,346)	(1,311)	(1,407)	(1,408)	(1,372)
(-) CAPEX expenditure <sup>1</sup>	(79)	(92)	(38)	(222)	(266)
(+) Extraordinary income related to investment properties <sup>2</sup>	-	-	-	440	-
(+) Added back listing related expenses	-	-	-	-	-
(+) Added back acquisition related expenses	31	5	9	32	1
<b>Generated net cash flow (GNCf)</b>	<b>2,034</b>	<b>2,203</b>	<b>2,505</b>	<b>2,007</b>	<b>1,897</b>
<b>GNCf per weighted unit (EUR)</b>	<b>0.017</b>	<b>0.018</b>	<b>0.021</b>	<b>0.017</b>	<b>0.016</b>
<b>12-months rolling GNCf yield<sup>3</sup> (%)</b>	<b>7.4%</b>	<b>7.0%</b>	<b>7.0%</b>	<b>6.8%</b>	<b>7.6%</b>
<b>Dividends declared for the period</b>	<b>1,316</b>	<b>1,316</b>	<b>2,034</b>	<b>2,273</b>	<b>1,555</b>
<b>Dividends declared per unit<sup>4</sup> (EUR)</b>	<b>0.011</b>	<b>0.011</b>	<b>0.017</b>	<b>0.019</b>	<b>0.013</b>
<b>12-months rolling dividend yield<sup>3</sup> (%)</b>	<b>5.4%</b>	<b>5.0%</b>	<b>4.5%</b>	<b>5.4%</b>	<b>6.3%</b>

- 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.
- Latvian government COVID-19 grant related to the decrease of net rental income in Galerija Centrs due to discounts to tenants. The grant is used to offset property operating expenses.
- 12-month rolling GNCf and dividend yields are based on the closing market price of the unit as at the end of the quarter (Q1 2022: closing market price of the unit as of 31 March 2022).
- Based on the number of units entitled to dividends.

# STRUCTURE AND GOVERNANCE

Baltic Horizon Fund is a closed-end contractual investment fund registered in Estonia on 23 May 2016. The Fund is defined as a real estate fund under the Estonian Investment Funds Act. The Fund cannot enter into agreements on its own. The unitholders own all the Fund’s assets.

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

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

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

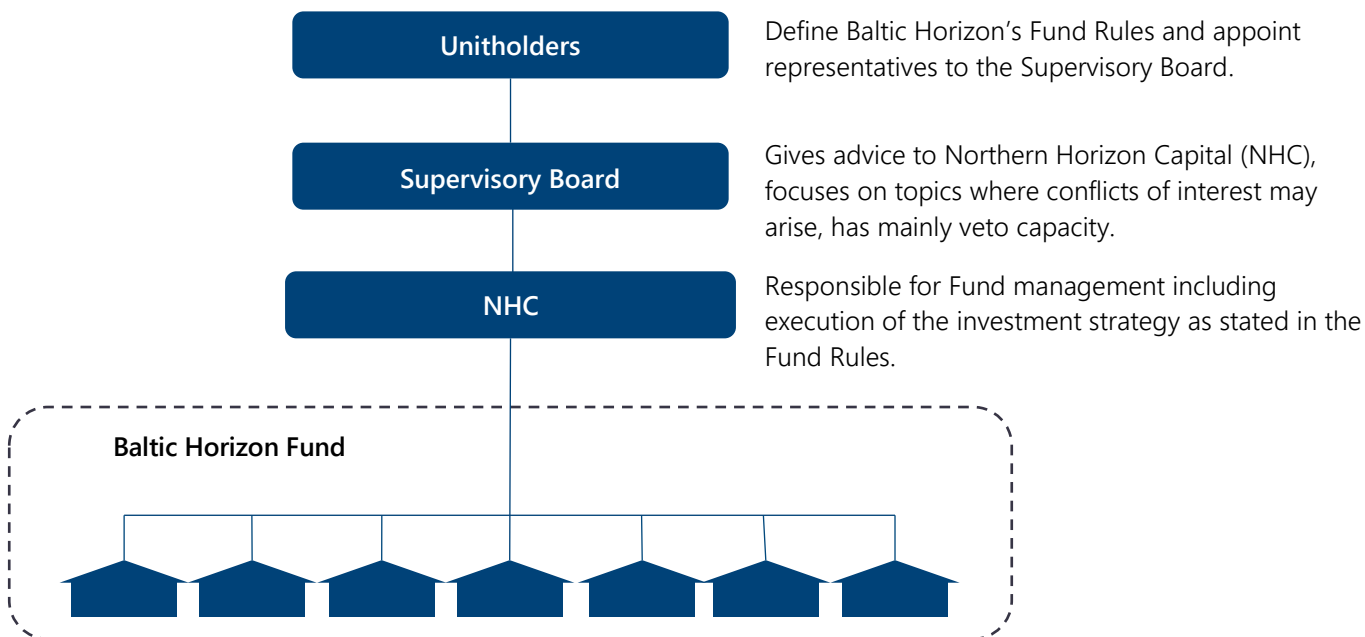
Northern Horizon Capital AS is an experienced real estate asset manager. Northern Horizon Capital Group

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

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

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

## Governance chart



### Management Board and Supervisory Board of the Management Company

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

### Supervisory Board of the Fund

The Fund has a Supervisory Board which consists of qualified members with recognised experience in the real estate markets in Estonia, Latvia, and Lithuania, impeccable reputation and appropriate education. In accordance with the Fund Rules, members of the Supervisory Board are appointed by the General Meeting. The Supervisory Board consists of three to five members.

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

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

or the Management Company upon termination of their term of office.

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

### Valuations

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

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

### Audit

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

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

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

# RISK MANAGEMENT

The risk management function of the Fund is outsourced to a sister company of the Management Company: Northern Horizon Capital AIFM Oy, which is a licensed AIFM in Finland. The Risk Manager of the Fund is responsible for identifying the Fund’s market risk portfolio, preparing proposals regarding market risk limits, monitoring the utilization of the limit and producing overall market risk analyses. The Risk Manager

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

## Principal risks faced by the Fund

Risk	Risk description
<b>Market risk</b>	<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).</p> <p>Currently, the yields of prime office and retail properties in the Baltic countries are decreasing as competition between real estate investors is consistently increasing. Investment yields in the Baltic countries are on average around 6.0% and 7.0% in the office and retail segments, with prime office yields at approx. 5.0-5.5%.</p>
<b>Interest rate risk</b>	<p>The Group’s interest rate risk is related to interest-bearing borrowings. The Fund’s policy is that long-term loans should be hedged to a fixed rate for their whole life. This converts floating rate liabilities to fixed rate liabilities. In order to achieve this, the Fund either takes fixed rate loans or swaps fixed interest rates for floating ones using interest rate derivatives. As 1) the Fund seeks to obtain financing on the best terms and conditions and 2) in the current market, fixed rate loans are often more expensive, the Fund hedges interest rate exposure by using derivative instruments such as interest rate swaps, forwards and options. The Fund and its subsidiaries acquire swaps only for cash flow hedging purposes and not for trading.</p>
<b>Credit risk</b>	<p>The Fund is aiming to diversify its investments, and counterparties with low credit risk are preferred. Major acquisition and project finance credit risks are minimized by sharing these risks with banks and insurance companies. Credit risks related to the placement of liquid funds and trading in financial instruments (counterparty credit risks) are minimized by making agreements only with the most reputable domestic and international banks and financial institutions.</p>
<b>Liquidity risk</b>	<p>Liquidity risk is the possibility of sustaining significant losses due to the inability to liquidate open positions, to realise assets by the due time at the prescribed fair price or to refinance loan obligations.</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> <p>The Management Company makes its best efforts to ensure sufficient liquidity by efficient cash management, by maintaining a “liquidity buffer” and organizing long-term diversified financing for real estate investments.</p>
<b>Operational risk</b>	<p>Operational risk represents the potential for loss resulting from inadequate or failed internal processes or systems, human factors, or external events, including business disruptions and system failure. The Fund is exposed to many types of operational risk and attempts to mitigate them by maintaining a system of internal control procedures and processes that are designed to control risk within appropriate levels. Also, training and development of personnel competencies, and active dialogue with investors help the Fund to identify and reduce the risks related to its operation.</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 since 2014 (UN PRI) and for 2020 received A+/A evaluation. The Fund also issues a separate annual ESG report based on GRI guidelines

## Environmental impact

Baltic Horizon maintains that all its employees are committed to environmental responsibility at all times. We believe that making the right environmental decisions leads to better investment outcomes and increased wellbeing of our stakeholders and society. As such, it is our aim to ensure that we can continuously reduce the negative environmental impact of our operations in all scopes.

We are taking steps to integrate ESG factors into our investment process in all steps of the investment life cycle by assigning positive value to measures that improve ESG. In Baltic Horizon our responsibility to national and international ESG legislation is 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.

## 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.

## 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. During Q3-Q4 2022, we plan to integrate 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 currently operational office assets in 2021 using BREEAM In-Use environmental assessment method and thus achieved one of the ESG goals. 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 certification coverage target and now has 55% certification coverage for the entire portfolio. Baltic Horizon Fund also plans to include retail assets in the certification program once the ongoing reconstruction projects are completed.

### Renewable energy

A key aspect in achieving our net-zero by 2030 target is ensuring that our portfolio assets are powered by clean and renewable energy sources. We are taking small steps to achieve this ambition. In 2021, a roof solar power plant was successfully installed in Domus Pro Retail and started producing green electricity. The 220-kW solar power plant is expected to cover about 6-8% of the park’s annual electricity needs and reduce the site’s CO<sub>2</sub> footprint by approximately 15 tonnes per annum. The goal for 2022 is to consider and assess the commercial and technical viability of installing solar power plants on the remaining office buildings. Other options such as distant solar plants will also be considered during Q2-Q3 2022.

### Electric vehicle charging stations

ESG requirements are rapidly evolving and one area of expected rapid change is mobility. Electrification of standard modes of transportation is accelerating and the Fund’s intention is to ensure that its assets can meet the increasing charging demands of electric vehicles (EV). Electric vehicle charging stations will be installed in Domus Pro and Meraki in 2022. For Latvian and Estonian properties data is being gathered and EV charging stations will be installed in 2022 for office buildings. In the retail portfolio, EV stations are considered only for Europa SC in 2022. To date, in Duetto 8 charging points (or 4 stations) and in North Star 4 charging points (2 stations) have been installed.

### Green leases

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

## OUTLOOK FOR 2022

The diversified property portfolio of Baltic Horizon Fund consists of 14 cash flow generating properties, and one property under development and in the search of an anchor tenant, in the Baltic capitals. Baltic Horizon believes it has established a portfolio of strong retail and office assets with well-known and long-term tenants including local commercial leaders, governmental tenants, nearshoring shared service centres and the Baltic headquarters of leading international companies.

2021 started and ended with growing COVID-19 cases and government restrictions in all three Baltic countries. However, the latest wave of COVID-19 seems to have less impact on the Baltic economies and the operations of the Baltic Horizon portfolio. The beginning of 2022 is already showing signs of quick recovery as governments have lifted restrictions and visitors/office workers are quickly coming back to shopping centres and offices. People in general are becoming less fearful of the pandemic and want to get back to life prior to COVID-19. It is expected that the Baltic economies will continue to be one of the fastest growing economies in the EU after the pandemic.

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

In recent years, the Baltics limited direct economic relations with Russia to minimal levels. Yet, there is an apparent immediate negative effect on energy, construction materials and other goods prices not only in the Baltics but also the rest of Europe. The war has had an impact on the Fund’s utility costs, but the overall impact has been limited. The construction prices of the Fund’s development projects were fixed prior to the war and other costs have not increased significantly. The Fund continues to operate normally - signing new leases in shopping centres, extending the office leases, indexing the rents and rolling over debt.

The bank loans for several Baltic Horizon properties were expiring in 2022. At the beginning of 2022, the Fund prolonged most of the bank loans maturing in 2022. Currently, only the Meraki bonds and the Lincona bank

loan are scheduled to expire in 2022. The Fund’s team is already trying to find the best financing terms to refinance the Meraki bonds and the Lincona bank loan within the upcoming months.

An important aim in our Environmental, Social and Governance activities is to achieve the third star from GRESB as further improvements are in motion. This is the next goal for the Fund after achieving an important ESG goal of obtaining BREEAM In-Use “Very Good” or “Excellent” certificates for all of our office buildings in 2021. The only asset with BREEAM In-Use “Good” environmental certification is Lincona. In addition, the aim to introduce green lease clauses into 100% of our lease agreements remains in place. In order to have attractive premises to rent over the long term, we are planning to reduce the energy consumption and improve the energy efficiency of all properties by at least one energy efficiency class by 2025 and to have a clear strategy to achieve carbon neutrality in our portfolio by 2030.

After completing the onboarding of the new property management company, the Fund management teams are focusing heavily on leasing to fill the vacancies caused by the lockdowns. At the same time, operational improvements are being made across the whole portfolio to improve financial performance and create added value in the existing portfolio.

The Fund’s management team is thrilled to see the first results of the Europa SC reconstruction project with new tenants coming to the shopping centre. The opening of food hall Dialogai and other renovated areas have created a perfect value proposition for office workers in Vilnius CBD. At the same time, preparations to open Meraki first tower in Q2 2022 are underway with increasing efforts to create a mix of flexible spaces suitable for small and large tenants. Other concept upgrades (Galerija Centrs), expansions (CC Plaza and Postimaja) and potential acquisitions will require hard commitment from the Fund’s team and partners but ultimately they should allow Baltic Horizon Fund to maximise the value and synergies of its portfolio. With openings of new buildings and new areas in current buildings, 2022 is positioned to become a year of openings and new beginnings.

## MANAGEMENT BOARD'S CONFIRMATION

Members of the Management Board of the Management Company Tarmo Karotam, Algirdas Vaitiekūnas and Aušra Stankevičienė confirm that according to their best knowledge, the condensed consolidated interim financial statements for the first three months of 2022, prepared in accordance with IFRS as adopted by the European Union, present a correct and fair view of the assets, liabilities, equity, financial position, financial performance

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

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

EUR '000	Notes	01.01.2022- 31.03.2022	01.01.2021- 31.03.2021
Rental income		4,959	4,677
Service charge income	5	1,304	1,217
Cost of rental activities	5	(2,070)	(1,721)
<b>Net rental income</b>	<b>4</b>	<b>4,193</b>	<b>4,173</b>
Administrative expenses	6	(659)	(745)
Other operating income		7	-
Valuation losses on investment properties	10, 11	(6)	(4)
<b>Operating profit</b>		<b>3,535</b>	<b>3,424</b>
Financial income		-	-
Financial expenses	7	(1,442)	(1,390)
<b>Net financial expenses</b>		<b>(1,442)</b>	<b>(1,390)</b>
<b>Profit before tax</b>		<b>2,093</b>	<b>2,034</b>
Income tax charge	4, 9	(97)	(129)
<b>Profit for the period</b>	<b>4</b>	<b>1,996</b>	<b>1,905</b>
<i>Other comprehensive income that is or may be reclassified to profit or loss in subsequent periods</i>			
Net gain on cash flow hedges	14b	721	210
Income tax relating to net gain on cash flow hedges	14b, 9	(64)	(15)
<b>Other comprehensive income, net of tax, that is or may be reclassified to profit or loss in subsequent periods</b>		<b>657</b>	<b>195</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>2,653</b>	<b>2,100</b>
<b>Basic and diluted earnings per unit (EUR)</b>	<b>8</b>	<b>0.02</b>	<b>0.02</b>

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR '000	Notes	31.03.2022	31.12.2021
<b>Non-current assets</b>			
Investment properties	4, 10	318,430	315,959
Investment property under construction	4, 11	13,393	11,400
Intangible assets		8	9
Property, plant and equipment		2	2
Other non-current assets		23	23
<b>Total non-current assets</b>		<b>331,856</b>	<b>327,393</b>
<b>Current assets</b>			
Trade and other receivables	12	2,959	2,708
Prepayments		315	137
Cash and cash equivalents	13	10,462	16,100
<b>Total current assets</b>		<b>13,736</b>	<b>18,945</b>
<b>Total assets</b>	<b>4</b>	<b>345,592</b>	<b>346,338</b>
<b>Equity</b>			
Paid in capital	14a	145,200	145,200
Cash flow hedge reserve	14b	(172)	(829)
Retained earnings		(12,064)	(11,787)
<b>Total equity</b>		<b>132,964</b>	<b>132,584</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	15	152,806	157,471
Deferred tax liabilities	9	6,456	6,297
Derivative financial instruments	20	94	756
Other non-current liabilities		1,185	1,103
<b>Total non-current liabilities</b>		<b>160,541</b>	<b>165,627</b>
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	15	46,189	41,676
Trade and other payables	16	5,095	5,223
Income tax payable		8	5
Derivative financial instruments	20	50	109
Other current liabilities		745	1,114
<b>Total current liabilities</b>		<b>52,087</b>	<b>48,127</b>
<b>Total liabilities</b>	<b>4</b>	<b>212,628</b>	<b>213,754</b>
<b>Total equity and liabilities</b>		<b>345,592</b>	<b>346,338</b>

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
<b>As at 1 January 2021</b>		145,200	(1,661)	(7,218)	136,321
<b>Comprehensive income</b>					
Net profit for the period		-	-	1,905	1,905
Other comprehensive income		-	195	-	195
<b>Total comprehensive income</b>		-	195	1,905	2,100
<b>Transactions with unitholders</b>					
Profit distribution to unitholders	14c	-	-	(1,316)	(1,316)
<b>Total transactions with unitholders</b>		-	-	(1,316)	(1,316)
<b>As at 31 March 2021</b>		145,200	(1,466)	(6,629)	137,105
<b>As at 1 January 2022</b>		145,200	(829)	(11,787)	132,584
<b>Comprehensive income</b>					
Net profit for the period		-	-	1,996	1,996
Other comprehensive income	14b	-	657	-	657
<b>Total comprehensive income</b>		-	657	1,996	2,653
<b>Transactions with unitholders</b>					
Profit distribution to unitholders	14c	-	-	(2,273)	(2,273)
<b>Total transactions with unitholders</b>		-	-	(2,273)	(2,273)
<b>As at 31 March 2022</b>		145,200	(172)	(12,064)	132,964

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

EUR '000	Notes	01.01.2022- 31.03.2022	01.01.2021- 31.03.2021
<b>Cash flows from core activities</b>			
<b>Profit before tax</b>		<b>2,093</b>	<b>2,034</b>
Adjustments for non-cash items:			
Value adjustment of investment properties	10	6	4
Depreciation of property, plant and equipment		1	-
Change in impairment losses for trade receivables	12	109	59
Financial expenses	7	1,442	1,390
Working capital adjustments:			
Change in trade and other accounts receivable		(360)	(683)
Change in other current assets		(178)	(55)
Change in other non-current liabilities		82	14
Change in trade and other accounts payable		(5)	(119)
Change in other current liabilities		(417)	180
Income tax paid		-	(1)
<b>Total cash flows from core activities</b>		<b>2,773</b>	<b>2,823</b>
<b>Cash flows from investing activities</b>			
Interest received		-	1
Acquisition of property, plant and equipment and intangible assets		-	(3)
Investment property development expenditure		(2,067)	(1,412)
Capital expenditure on investment properties		(2,529)	(186)
<b>Total cash flows from investing activities</b>		<b>(4,596)</b>	<b>(1,600)</b>
<b>Cash flows from financial activities</b>			
Repayment of bank loans		(149)	(97)
Profit distribution to unitholders	14c	(2,273)	(1,316)
Transaction costs related to loans and borrowings		(65)	-
Repayment of lease liabilities		(6)	(4)
Interest paid		(1,322)	(1,349)
<b>Total cash flows from financing activities</b>		<b>(3,815)</b>	<b>(2,766)</b>
<b>Net change in cash and cash equivalents</b>		<b>(5,638)</b>	<b>(1,543)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>16,100</b>	<b>13,333</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>10,462</b>	<b>11,790</b>

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

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

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

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

Name	31.03.2022	31.12.2021
BH Lincona OÜ	100%	100%
BOF SKY SIA	100%	100%
BH CC Plaza OÜ	100%	100%
BH Domus Pro UAB	100%	100%
BH Europa UAB	100%	100%
BH P80 OÜ	100%	100%
Kontor SIA	100%	100%
Pirita Center OÜ	100%	100%
BH Duetto UAB	100%	100%
Vainodes Krasti SIA	100%	100%
BH S27 SIA	100%	100%
BH Meraki UAB	100%	100%
BH Galerija Centrs SIA	100%	100%
BH Northstar UAB	100%	100%

## 2. Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Group's latest consolidated annual financial statements as at and for the year ended 31 December 2021. 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 2022 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 2021.

### 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 2021.

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

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

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

Operating segments – 31 March 2022

EUR '000	Retail	Office	Leisure	Total segments
<b>01.01.2022-31.03.2022:</b>				
External revenue <sup>1</sup>	3,144	2,877	242	6,263
<b>Segment net rental income</b>	<b>1,529</b>	<b>2,450</b>	<b>214</b>	<b>4,193</b>
Net loss from fair value adjustment	(3)	(3)	-	(6)
Interest expenses <sup>2</sup>	(437)	(385)	(19)	(841)
Income tax expenses	(21)	(76)	-	(97)
<b>Segment net profit</b>	<b>1,006</b>	<b>1,898</b>	<b>192</b>	<b>3,096</b>

As at 31.03.2022:

<b>Segment assets</b>	<b>169,343</b>	<b>154,988</b>	<b>15,019</b>	<b>339,350</b>
Investment properties <sup>3</sup>	165,148	138,840	14,442	318,430
Investment property under construction <sup>3</sup>	-	13,393	-	13,393
<b>Segment liabilities</b>	<b>81,004</b>	<b>75,226</b>	<b>5,668</b>	<b>161,898</b>

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 2,477 thousand) and additions to investment property under construction (EUR 1,993 thousand). Please refer to notes 10 and 11 for more information.

Operating segments – 31 March 2021

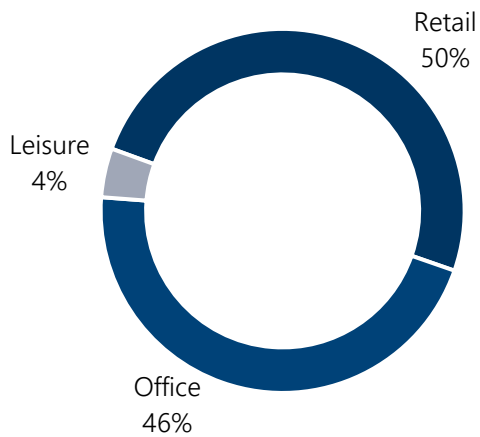
EUR '000	Retail	Office	Leisure	Total segments
<b>01.01.2021-31.03.2021:</b>				
External revenue <sup>1</sup>	2,553	3,181	160	5,894
<b>Segment net rental income</b>	<b>1,293</b>	<b>2,726</b>	<b>154</b>	<b>4,173</b>
Net loss from fair value adjustment	(1)	(3)	-	(4)
Interest expenses <sup>2</sup>	(433)	(363)	(19)	(815)
Income tax expenses	(48)	(81)	-	(129)
<b>Segment net profit</b>	<b>757</b>	<b>2,223</b>	<b>133</b>	<b>3,113</b>

As at 31.12.2021:

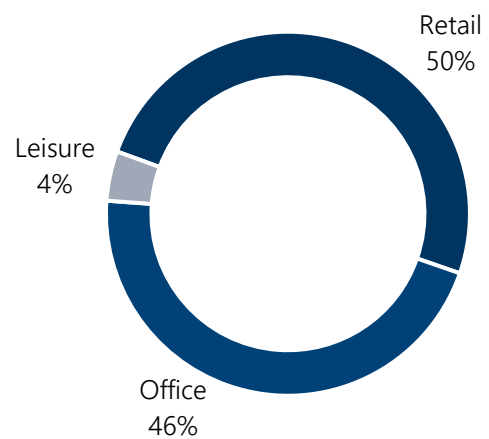
<b>Segment assets</b>	<b>168,464</b>	<b>158,234</b>	<b>15,344</b>	<b>342,042</b>
Investment properties <sup>3</sup>	162,876	138,641	14,442	315,959
Investment property under construction <sup>3</sup>	-	11,400	-	11,400
<b>Segment liabilities</b>	<b>81,856</b>	<b>75,469</b>	<b>5,661</b>	<b>162,986</b>

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 2,567 thousand), additions to right-of-use assets (EUR 317 thousand) and additions to investment property under construction (EUR 7,047 thousand). Please refer to notes 10 and 11 for more information.

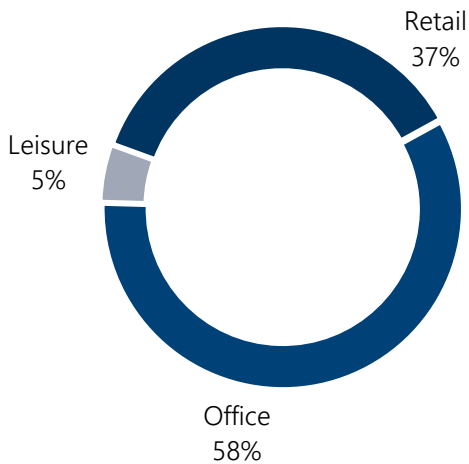
Investment properties as at 31 March 2022\*



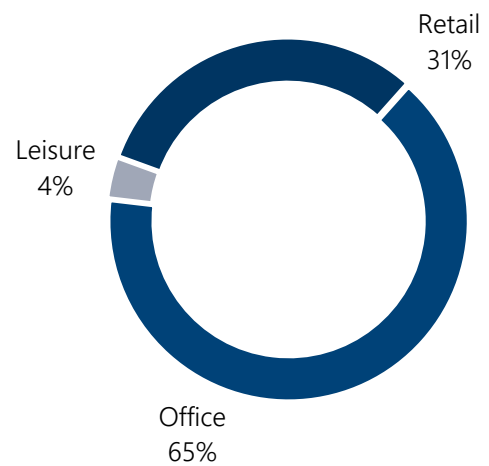
Investment properties as at 31 December 2021\*



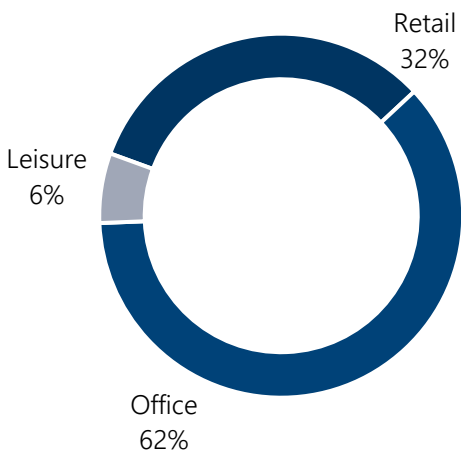
Segment net rental income for Q1 2022\*



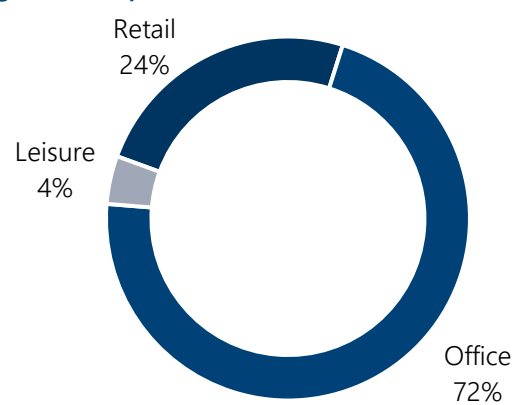
Segment net rental income for Q1 2021\*



Segment net profit for Q1 2022\*



Segment net profit for Q1 2021\*



\*As a percentage of the total for all reportable segments

## Reconciliation of information on reportable segments to IFRS measures

### Operating segments – 31 March 2022

EUR '000	Total reportable segments	Adjustments	Consolidated
<b>01.01.2022–31.03.2022:</b>			
<b>Net profit</b>	<b>3,096</b>	<b>(1,100)<sup>1</sup></b>	<b>1,996</b>
<b>As at 31.03.2022:</b>			
<b>Segment assets</b>	<b>339,350</b>	<b>6,242<sup>2</sup></b>	<b>345,592</b>
<b>Segment liabilities</b>	<b>161,898</b>	<b>50,730<sup>3</sup></b>	<b>212,628</b>

1. Segment net profit for Q1 2022 does not include Fund management fee (EUR 388 thousand), bond interest expenses (EUR 531 thousand), bond arrangement fee amortisation (EUR 17 thousand), Fund custodian fees (EUR 17 thousand), and other Fund-level administrative expenses (EUR 147 thousand).
2. Segment assets do not include cash, which is held at the Fund level (EUR 6,242 thousand).
3. Segment liabilities do not include liabilities related to a bond issue at the Fund level (EUR 49,925 thousand), accrued bond coupon expenses (EUR 313 thousand), management fee payable (EUR 388 thousand), and other short-term payables (EUR 104 thousand) at the Fund level.

### Operating segments – 31 March 2021

EUR '000	Total reportable segments	Adjustments	Consolidated
<b>01.01.2021–31.03.2021:</b>			
<b>Net profit</b>	<b>3,113</b>	<b>(1,208)<sup>1</sup></b>	<b>1,905</b>
<b>As at 31.12.2021:</b>			
<b>Segment assets</b>	<b>342,042</b>	<b>4,296<sup>2</sup></b>	<b>346,338</b>
<b>Segment liabilities</b>	<b>162,986</b>	<b>50,768<sup>3</sup></b>	<b>213,754</b>

1. Segment net profit for Q1 2021 does not include Fund management fee (EUR 459 thousand), bond interest expenses (EUR 531 thousand), bond arrangement fee amortisation (EUR 17 thousand), Fund custodian fees (EUR 17 thousand), and other Fund-level administrative expenses (EUR 184 thousand).
2. Segment assets do not include cash, which is held at the Fund level (EUR 4,296 thousand).
3. Segment liabilities do not include liabilities related to a bond issue at the Fund level (EUR 49,907 thousand), accrued bond coupon expenses (EUR 313 thousand), management fee payable (EUR 420 thousand), and other short-term payables (EUR 128 thousand) at the Fund level.

## Geographic information

EUR '000	External revenue		Investment property value <sup>1</sup>	
	01.01.2022–31.03.2022	01.01.2021–31.03.2021	31.03.2022	31.12.2021
Lithuania	2,472	2,261	133,496	129,109
Latvia	2,593	2,274	127,642	127,574
Estonia	1,198	1,359	70,685	70,676
<b>Total</b>	<b>6,263</b>	<b>5,894</b>	<b>331,823</b>	<b>327,359</b>

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

## 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 300 thousand of the total rental income for Q1 2022 (EUR 300 thousand for Q1 2021).

## 5. Cost of rental activities

EUR '000	01.01.2022- 31.03.2022	01.01.2021- 31.03.2021
Repair and maintenance	760	559
Property management expenses	373	261
Utilities	310	397
Real estate taxes	261	281
Sales and marketing expenses	133	114
Allowance (reversal of allowance) for bad debts	109	59
Property insurance	24	23
Other	100	27
<b>Total cost of rental activities</b>	<b>2,070</b>	<b>1,721</b>

Part of the total cost of rental activities (mainly utilities and repair and maintenance expenses) was recharged to tenants: EUR 1,304 thousand during the three-month period ended 31 March 2022 (EUR 1,217 thousand during the three-month period ended 31 March 2021).

## 6. Administrative expenses

EUR '000	01.01.2022- 31.03.2022	01.01.2021- 31.03.2021
Management fee	388	459
Audit fee	39	33
Fund marketing expenses	38	33
Consultancy fees	28	55
Legal fees	25	29
Custodian fees	17	17
Supervisory board fees	12	12
Other administrative expenses	112	107
<b>Total administrative expenses</b>	<b>659</b>	<b>745</b>

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

The Management Company is entitled to calculate the performance fee based on the annual adjusted funds from operations (AFFO) of the Fund. If AFFO divided by paid in capital during the year exceeds 8% per annum, the Management Company is entitled to a performance fee in the amount of 20% of the amount exceeding 8%. The performance fee based on this formula is calculated starting from 1 January 2017. The performance fee first becomes payable in the fifth year of the Fund (i.e. 2020). Transactions with related parties are disclosed in note 18.

## 7. Financial expenses

<b>EUR '000</b>	<b>01.01.2022- 31.03.2022</b>	<b>01.01.2021- 31.03.2021</b>
Interest on external loans and borrowings	1,367	1,343
Loan arrangement fee amortisation	67	44
Interest on lease liabilities	5	3
Other financial expenses	3	-
<b>Total financial expenses</b>	<b>1,442</b>	<b>1,390</b>

## 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 or loss attributable to the unitholders of the Fund:

<b>EUR '000</b>	<b>01.01.2022- 31.03.2022</b>	<b>01.01.2021- 31.03.2021</b>
Profit for the period, attributed to the unitholders of the Fund	1,996	1,905
<b>Profit for the period, attributed to the unitholders of the Fund</b>	<b>1,996</b>	<b>1,905</b>

Weighted-average number of units:

	<b>01.01.2022- 31.03.2022</b>	<b>01.01.2021- 31.03.2021</b>
Issued units at 1 January	119,635,429	119,635,429
<b>Weighted-average number of units</b>	<b>119,635,429</b>	<b>119,635,429</b>

Basic and diluted earnings per unit:

	<b>01.01.2022- 31.03.2022</b>	<b>01.01.2021- 31.03.2021</b>
Basic and diluted earnings per unit*	0.02	0.02

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

## 9. Income tax

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

The Group's consolidated effective tax rate in respect of continuing operations for the three-month period ended 31 March 2022 was 4.6% (three-month period ended 31 March 2021: 6.3%).

As of 31 March 2022, the Group had tax losses of EUR 2,804 thousand (31 December 2021: EUR 2,414 thousand) that are available indefinitely for offset against future taxable profits of the Lithuanian companies in which the losses arose. The deferred tax asset arising from the revaluation of derivative instruments to fair value amounted to EUR 16 thousand as of 31 March 2022 (31 December 2021: EUR 80 thousand). As of 31 March 2022, deferred tax liabilities on the difference



between investment property fair and tax value and other deferred tax liabilities amounted to EUR 9,276 thousand (31 December 2021: EUR 8,791 thousand). Deferred tax is only applicable for the Fund's subsidiaries in Lithuania.

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

EUR '000	01.01.2022- 31.03.2022	01.01.2021- 31.03.2021
<b>Consolidated statement of profit or loss</b>		
Current income tax for the period	(2)	(1)
Deferred tax for the period	(95)	(128)
<b>Income tax expense reported in profit or loss</b>	<b>(97)</b>	<b>(129)</b>
<b>Consolidated statement of other comprehensive income</b>		
Deferred income tax related to items charged or credited to equity:		
Revaluation of derivative instruments to fair value	(64)	(15)
<b>Income tax reported in other comprehensive income</b>	<b>(64)</b>	<b>(15)</b>

## 10. Investment property

EUR '000	31.03.2022	31.12.2021
<b>Balance at 1 January</b>	<b>315,959</b>	<b>334,518</b>
Development and refurbishment expenditure	2,211	2,136
Capital expenditure	266	431
Disposals	-	(15,403)
Net revaluation loss on investment property	-	(6,012)
Additions to right-of-use assets (new leases)	-	317
Net revaluation loss on right-of-use assets	(6)	(28)
<b>Closing balance</b>	<b>318,430</b>	<b>315,959</b>
<b>Closing balance excluding right-of-use assets</b>	<b>317,860</b>	<b>315,383</b>

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

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

No external property valuations were performed as at 31 March 2022. The management of the Fund assessed the fair values of investment properties as at 31 March 2022 using the same key assumptions that were used for valuations as at the end of the preceding financial year and concluded that the fair values of investment properties did not differ significantly from those as at the end of the preceding financial year.

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

Valuation techniques used to derive Level 3 fair values

As at 31 March 2022, the values of the properties are based on the valuation of investment properties performed by Colliers International as at 31 December 2021, increased by right-of-use assets and subsequent capital expenditure.

The table below presents the following for each investment property:

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

As of 31 December 2021:

Property	Valuation technique	Key unobservable inputs	Range
<b>Europa Shopping centre, Vilnius (Lithuania)</b> Net leasable area (NLA) – 17,189 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)	8.2% 1.5% - 3.4% 5.0% - 10.0% 7.0% 12.0
<b>Domus Pro, Vilnius (Lithuania)</b> Net leasable area (NLA) – 16,117 sq. m Segment – Retail/Office Year of construction/renovation – 2013	DCF	- Discount rate - Rental growth p.a. - Long-term vacancy rate - Exit yield - Average rent (EUR/sq. m)	8.2% - 8.6% 1.5% - 3.4% 5.0% - 10.0% 7.0% - 7.8% 9.9
<b>Lincona Office Complex, Tallinn (Estonia)</b> Net leasable area (NLA) – 10,788 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)	8.2% 3.7% 8.0% - 10.0% 7.2% 10.1
<b>Coca-Cola Plaza, Tallinn (Estonia)</b> Net leasable area (NLA) – 11,458 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)	8.2% 3.7% 1.0% - 3.0% 7.5% 8.3
<b>SKY Shopping Centre, Riga (Latvia)</b> Net leasable area (NLA) – 3,285 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)	8.6% 0.5% - 3.3% 1.0% - 5.0% 7.3% 11.3
<b>Upmalas Biroji, Riga (Latvia)</b> Net leasable area (NLA) – 9,863 sq. m Segment – Office Year of construction/renovation – 2008	DCF	- Discount rate - Rental growth p.a. - Long-term vacancy rate - Exit yield - Average rent (EUR/sq. m)	7.9% 0.5% - 3.3% 2.0% - 5.0% 6.6% 14.4

Property	Valuation technique	Key unobservable inputs	Range
<b>Pirita Shopping Centre, Tallinn (Estonia)</b>	DCF	- Discount rate	8.5%
Net leasable area (NLA) – 5,448 sq. m		- Rental growth p.a.	3.7%
Segment – Retail		- Long-term vacancy rate	6.0% - 10.0%
Year of construction/renovation – 2016		- Exit yield	7.5%
		- Average rent (EUR/sq. m)	12.6
<b>Duetto I, Vilnius (Lithuania)</b>	DCF	- Discount rate	8.2%
Net leasable area (NLA) – 8,255 sq. m		- Rental growth p.a.	1.3% - 2.8%
Segment – Office		- Long-term vacancy rate	2.5% - 10.0%
Year of construction/renovation – 2017		- Exit yield	6.8%
		- Average rent (EUR/sq. m)	12.5
<b>Duetto II, Vilnius (Lithuania)</b>	DCF	- Discount rate	8.2%
Net leasable area (NLA) – 8,225 sq. m		- Rental growth p.a.	2.2% - 2.8%
Segment – Office		- Long-term vacancy rate	2.5% - 10.0%
Year of construction/renovation – 2018		- Exit yield	6.8%
		- Average rent (EUR/sq. m)	14.1
<b>Vainodes I, Riga (Latvia)*</b>	DCF / Sales comparison approach for extension	- Discount rate	7.8%
Net leasable area (NLA) – 6,950 sq. m		- Rental growth p.a.	0.5% - 3.3%
Segment – Office		- Long-term vacancy rate	0.0% - 5.0%
Year of construction/renovation – 2014		- Exit yield	6.5%
		- Average rent (EUR/sq. m)	15.2
<b>Postimaja, Tallinn (Estonia)*</b>	DCF	- Discount rate	7.5%
Net leasable area (NLA) – 9,148 sq. m		- Rental growth p.a.	3.7%
Segment – Retail		- Long-term vacancy rate	3.0%
Year of construction/renovation – 1980		- Exit yield	6.2%
		- Average rent (EUR/sq. m)	14.3
<b>LNK Centre, Riga (Latvia)</b>	DCF	- Discount rate	7.4%
Net leasable area (NLA) – 6,848 sq. m		- Rental growth p.a.	0.5% - 3.3%
Segment – Office		- Long-term vacancy rate	2.0% - 5.0%
Year of construction/renovation – 2006 / 2014		- Exit yield	6.1%
		- Average rent (EUR/sq. m)	14.2
<b>Galerija Centrs, Riga (Latvia)</b>	DCF	- Discount rate	8.0%
Net leasable area (NLA) – 20,054 sq. m		- Rental growth p.a.	0.0% - 3.3%
Segment – Retail		- Long-term vacancy rate	1.0% - 10.0%
Year of construction/renovation – 1939 / 2006		- Exit yield	6.8%
		- Average rent (EUR/sq. m)	17.8
<b>North Star, Vilnius (Lithuania)</b>	DCF	- Discount rate	8.2%
Net leasable area (NLA) – 10,550 sq. m		- Rental growth p.a.	2.2% - 3.4%
Segment – Office		- Long-term vacancy rate	5.0% - 10.0%
Year of construction/renovation – 2009		- Exit yield	6.8%
		- Average rent (EUR/sq. m)	12.1

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

The table below sets out information about significant unobservable inputs used at 31 December 2021 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	2021: 6.1% - 7.8%	An increase in exit yield in isolation would result in a lower value of Investment property.
		Discount rate	2021: 7.4% - 8.6%	An increase in discount rate in isolation would result in a lower value of Investment property.
		Rental growth p.a.	2021: 0.0% - 3.7%	An increase in rental growth in isolation would result in a higher value of Investment property.
		Long-term vacancy rate	2021: 0.0% - 10.0%	An increase in long-term vacancy rate in isolation would result in a lower value of Investment property.

The book values of investment properties as at 31 March 2022 were as follows:

EUR '000	Total fair value Level 3
Latvia - Galerija Centrs (retail)	65,576
Lithuania – Europa (retail)	38,951
Estonia – Postimaja (retail)	29,775
Lithuania – Domus Pro (retail/office)	24,091
Latvia – Upmalas Biroji (office)	21,959
Lithuania – North Star (office)	20,031
Lithuania – Duetto II (office)	19,683
Latvia – Vainodes I (office)	18,161
Lithuania – Duetto I (office)	17,347
Estonia – Lincona (office)	16,996
Latvia – LNK Centre (office)	16,840
Estonia – Coca-Cola Plaza (leisure)	14,442
Estonia – Pirita (retail)	9,472
Latvia – SKY (retail)	5,106
<b>Total</b>	<b>318,430</b>

## 11. Investment property under construction

EUR '000	31.03.2022	31.12.2021
<b>Balance at 1 January</b>	<b>11,400</b>	<b>5,474</b>
Additions	1,993	7,047
Net revaluation loss	-	(1,121)
<b>Closing balance</b>	<b>13,393</b>	<b>11,400</b>

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

initially recognised as an investment property but was reclassified to investment property under construction at the beginning of construction.

No external property valuation was performed as at 31 March 2022. The management of the Fund assessed the fair value of investment property under construction as at 31 March 2022 using the same key assumptions that were used for valuation as at the end of the preceding financial year and concluded that the fair value of the investment property did not differ significantly from that as at the end of the preceding financial year.

Valuation techniques used to derive Level 3 fair values

As at 31 March 2022, the value of the property is based on the valuation of investment properties performed by Colliers International as at 31 December 2021 and subsequent capital expenditure.

Property	Valuation technique	Key unobservable inputs	Range
<b>Meraki, Vilnius (Lithuania)</b>	DCF	- Discount rate	9.0%
Net leasable area (NLA) – 15,933 sq. m		- Rental growth p.a.	1.5% - 1.9%
Segment – Office		- Long-term vacancy rate	5.0%
Year of construction/renovation – 2021		- Exit yield	7.0%
		- Average rent (EUR/sq. m)	12.0

**12. Trade and other receivables**

EUR '000	31.03.2022	31.12.2021
Trade receivables, gross	3,510	2,992
Less impairment allowance for doubtful receivables	(617)	(508)
Accrued income	17	174
Other accounts receivable	49	50
<b>Total</b>	<b>2,959</b>	<b>2,708</b>

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

As at 31 March 2022, trade receivables at a nominal value of EUR 617 thousand were fully impaired (EUR 508 thousand as at 31 December 2021).

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

EUR '000	31.03.2022	31.12.2021
Balance at 1 January	(508)	(589)
Charge for the period	(119)	(517)
Amounts written off	-	187
Reversal of allowances recognised in previous periods	10	411
<b>Balance at end of period</b>	<b>(617)</b>	<b>(508)</b>

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
31.03.2022	2,893	1,698	327	207	126	121	414
31.12.2021	2,484	1,023	286	347	353	135	340

### 13. Cash and cash equivalents

EUR '000	31.03.2022	31.12.2021
Cash at banks and on hand	10,462	16,100
<b>Total cash</b>	<b>10,462</b>	<b>16,100</b>

As at 31 March 2022, the Group had to keep at least EUR 350 thousand (31 December 2021: EUR 350 thousand) of cash in its bank accounts due to certain restrictions in bank loan agreements. The Group also keeps EUR 12 thousand of secured bonds proceeds in an escrow account.

### 14. Equity

#### 14a. Paid in capital

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

EUR '000	Number of units	Amount
<b>As at 1 January 2022 and 31 March 2022</b>	<b>119,635,429</b>	<b>145,200</b>

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

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

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

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

**14b. Cash flow hedge reserve**

This reserve represents the fair value of the effective part of the derivative financial instruments (interest rate swaps), used by the Fund to hedge the cash flows from interest rate risk in the periods ended on 31 March 2022 and 31 December 2021. Please refer to note 20 for more information.

EUR '000	31.03.2022	31.12.2021
<b>Balance at the beginning of the year</b>	<b>(829)</b>	<b>(1,661)</b>
Movement in fair value of existing hedges	721	898
Movement in deferred income tax (note 9)	(64)	(66)
<b>Net variation during the period</b>	<b>657</b>	<b>832</b>
<b>Balance at the end of the period</b>	<b>(172)</b>	<b>(829)</b>

**14c. Dividends (distributions)**

EUR '000	01.01.2022- 31.03.2022	01.01.2021- 31.03.2021
Declared during the period	(2,273)	(1,316)
<b>Total distributions made</b>	<b>(2,273)</b>	<b>(1,316)</b>

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

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

## 15. Interest-bearing loans and borrowings

EUR '000	Maturity	Effective interest rate	31.03.2022	31.12.2021
<b>Non-current borrowings</b>				
Unsecured bonds	May 2023	4.25%	49,925	49,907
Bank 1	Jan 2023	3M EURIBOR + 2.10%	-	2,068
Bank 1	Sep 2023	3M EURIBOR + 1.75%	8,498	8,565
Bank 1 <sup>1</sup>	Mar 2024	3M EURIBOR + 1.90%	17,864	17,894
Bank 1 <sup>2</sup>	Mar 2024	3M EURIBOR + 1.90%	10,978	7,500
Bank 1 <sup>2</sup>	Mar 2024	6M EURIBOR + 1.90%	-	3,497
Bank 1	Mar 2024	6M EURIBOR + 2.65%	8,986	8,985
Bank 1	Nov 2024	3M EURIBOR + 1.55%	9,819	9,817
Bank 1 <sup>3</sup>	Feb 2026	6M EURIBOR + 1.90%	4,912	4,943
Bank 2 <sup>4</sup>	Jan 2024	6M EURIBOR + 2.75%	29,995	-
Bank 3	Aug 2023	1M EURIBOR + 1.55%	11,741	11,740
Bank 4	Feb 2023	6M EURIBOR + 1.38%	-	17,189
Bank 4	Mar 2023	6M EURIBOR + 2.15%	-	15,364
Lease liabilities			570	576
Less current portion of bank loans and bonds			(447)	(539)
Less current portion of lease liabilities			(35)	(35)
<b>Total non-current debt</b>			<b>152,806</b>	<b>157,471</b>
<b>Current borrowings</b>				
Secured bonds	Nov 2022	5.00%	3,948	3,929
Bank 1	Dec 2022	6M EURIBOR + 1.40%	7,186	7,185
Bank 1 <sup>5</sup>	Jan 2023	3M EURIBOR + 2.10%	2,040	-
Bank 2 <sup>4</sup>	Jan 2024	6M EURIBOR + 2.75%	-	29,988
Bank 4	Feb 2023	6M EURIBOR + 1.38%	17,191	-
Bank 4	Mar 2023	6M EURIBOR + 2.15%	15,342	-
Current portion of non-current bank loans and bonds			447	539
Current portion of lease liabilities			35	35
<b>Total current debt</b>			<b>46,189</b>	<b>41,676</b>
<b>Total</b>			<b>198,995</b>	<b>199,147</b>

1. The loan was refinanced on 10 February 2022 with the same bank.

2. The loan was refinanced on 9 February 2022 with the same bank.

3. The loan was refinanced on 3 February 2022 with the same bank.

4. The loan was refinanced on 2 April 2022 with the same bank.

5. The loan was refinanced on 11 January 2022 with the same bank.

### Financial covenants for bank loans

As of 31 March 2022, the Fund was in compliance with all special conditions and covenants set under the bank loan agreements except for the Galerija Centrs property. The Loan to Value Ratio (LTV) of the Galerija Centrs property (carrying loan amount – EUR 30 million) was above the required maximum level of 45% at the end of Q1 2022, 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.

### Loan and bond securities

Borrowings received were secured with the following pledges and securities as of 31 March 2022:

	Mortgages of the property*	Second rank mortgages for derivatives	Cross-mortgage	Commercial pledge of the entire assets
<b>Bank 1</b>	Lincona, SKY, Europa, Domus Pro, LNK, Vainodes I, North Star and Pirita	Europa, Domus Pro, Vainodes I	Pirita and Lincona for Pirita and Lincona bank loans, Vainodes I and LNK for Vainodes I and LNK bank loan	Vainodes I, LNK
<b>Bank 2</b>	Galerija Centrs	Galerija Centrs		Galerija Centrs
<b>Bank 3</b>	Upmalas Biroji			
<b>Bank 4</b>	Coca-Cola Plaza and Postimaja, Duetto I and II			
<b>Secured bonds</b>	Meraki (land plots and office building)			

\*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
<b>Bank 1</b>	Europa, Domus Pro and North Star for Europa, Domus Pro and North Star bank loans, Baltic Horizon Fund for Europa bank loan; Vainodes I for LNK bank loan, LNK for Vainodes I bank loan	Lincona, SKY, Europa, and Domus Pro	BH Northstar UAB	Europa, SKY, LNK and Vainodes I	BH Domus Pro UAB, Vainodes Krasti SIA, BH S27 SIA
<b>Bank 2</b>					BH Galerija Centrs SIA
<b>Bank 3</b>				Upmalas Biroji	
<b>Bank 4</b>		Duetto I and II	BH Duetto UAB	Duetto I and II	BH Duetto UAB
<b>Secured bonds</b>	Baltic Horizon Fund for Meraki secured bonds			Meraki (escrow account)	

**16. Trade and other payables**

EUR '000	31.03.2022	31.12.2021
Payables related to Meraki development	2,321	2,386
Trade payables	1,309	1,327
Accrued financial expenses	483	431
Management fee payable	388	420
Tax payables	338	285
Accrued expenses	145	244
Other payables	111	130
<b>Total trade and other payables</b>	<b>5,095</b>	<b>5,223</b>

As of 31 March 2022, the Fund had a payable in the amount of EUR 2,269 thousand for the construction costs of the Meraki development project as per the construction contract signed on 6 February 2020. Other costs related to the Meraki construction works amounted to EUR 52 thousand.

Terms and conditions of trade and other payables:

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

**17. Commitments and contingencies****17a. Litigation**

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

**17b. Contingent assets**

The Group did not have any contingent assets as at 31 March 2022.

**17c. Contingent liabilities**

The Group did not have any contingent liabilities as at 31 March 2022.

**18. Related parties**

During the reporting period, the Group entered into transactions with related parties. Those transactions and related balances are presented below. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. All transactions between related parties are priced on an arm's length basis.

Northern Horizon Capital AS

As set out in Baltic Horizon Fund Rules, Northern Horizon Capital AS (the Management Company) carries out asset manager functions on behalf of the Fund and the Fund pays management fees for it (note 6).

The Group's transactions with related parties during Q1 2022 and 2021 were the following:

EUR '000	01.01.2022- 31.03.2022	01.01.2021- 31.03.2021
<b>Northern Horizon Capital AS group</b>		
Management fees	388	459

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

EUR '000	31.12.2022	31.12.2021
<b>Northern Horizon Capital AS group</b>		
Management fees payable	388	420

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

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

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

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

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

#### Supervisory Board of the Fund

As set out in Baltic Horizon Fund Rules, Supervisory Board members are entitled to remuneration for their service in the amount determined by the General Meeting. During the three-month period ended 31 March 2022, the remuneration of the Supervisory Board of the Fund amounted to EUR 12 thousand (three-month period ended 31 March 2021: EUR 12 thousand). Please refer to note 6 for more information regarding the total expenses related to the Supervisory Board of the Fund.

#### Entities having control or significant influence over the Fund

The holders of units owning more than 5% of the units in total as of 31 March 2022 and 31 December 2021 are presented in the tables below:

#### **As at 31 March 2022**

	Number of units	Percentage
Nordea Bank AB clients	45,685,297	38.19%
Swedbank AB clients	13,681,374	11.44%
Raiffeisen Bank International AG clients	12,178,071	10.18%

**As at 31 December 2021**

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

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

**19. Financial instruments****Fair values**

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

EUR '000	Carrying amount		Fair value	
	31.03.2022	31.12.2021	31.03.2022	31.12.2021
<b>Financial assets</b>				
Trade and other receivables	2,959	2,708	2,959	2,708
Cash and cash equivalents	10,462	16,100	10,462	16,100
<b>Financial liabilities</b>				
Interest-bearing loans and borrowings				
Bank loans	(144,552)	(144,735)	(144,591)	(144,524)
Bonds	(53,873)	(53,836)	(54,001)	(54,009)
Trade and other payables	(5,095)	(5,223)	(5,095)	(5,223)
Derivative financial instruments	(144)	(865)	(144)	(865)

**Fair value hierarchy**

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

**Period ended 31 March 2022**

EUR '000	Level 1	Level 2	Level 3	Total fair value
<b>Financial assets</b>				
Trade and other receivables	-	-	2,959	2,959
Cash and cash equivalents	-	10,462	-	10,462
<b>Financial liabilities</b>				
Interest-bearing loans and borrowings				
Bank loans	-	-	(144,591)	(144,591)
Bonds	-	-	(54,001)	(54,001)
Trade and other payables	-	-	(5,095)	(5,095)
Derivative financial instruments	-	(144)	-	(144)

## Period ended 31 December 2021

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

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

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

- Trade and other receivables are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer, and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses on these receivables. As at 31 March 2022 the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The fair value of derivatives has been calculated by discounting the expected future cash flows at prevailing interest rates.
- The fair values of the Group's interest-bearing loans and borrowings are determined by discounting the expected future cash flows at prevailing interest rates. The estimated fair values of the Group's interest-bearing loans and borrowings were determined using discount rates in a range of +0.45% and -0.71%.
- Cash and cash equivalents are attributed to Level 2 in the fair value hierarchy.

## 20. Derivative financial instruments

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

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

IFRS 9 allows hedge accounting provided that the hedge is effective. In such cases, any gain or loss recorded on the fair value changes of the financial instrument is recognised in an equity reserve rather than the income statement. The ineffective part of the change in the fair value of the hedging instrument (if any) is recognised in the income statement. Specific documentation on each financial instrument is required to be maintained to ensure compliance with hedge accounting principles. Please refer to note 14b for more information.

Derivative type EUR '000	Starting date	Maturity date	Notional amount	Variable rate (received)	Fixed rate (paid)	Fair value	
						31.03.2022	31.12.2021
IRS	Aug 2017	Feb 2022	5,766	6M EURIBOR	0.305%	-	(7)
IRS	Sep 2017	May 2022	6,825	3M EURIBOR	0.26%	(8)	(23)
IRS	July 2019	May 2022	30,000	6M EURIBOR	-0.37%	(8)	(20)
IRS	Mar 2018	Nov 2022	6,860	6M EURIBOR	0.46%	(35)	(59)
IRS	Nov 2016	Aug 2023	10,575	1M EURIBOR	0.26%	(22)	(119)
IRS	Jan 2019	Sep 2023	5,800	3M EURIBOR	0.32%	(8)	(70)
IRS	May 2018	Apr 2024	4,920	3M EURIBOR	0.63%	(11)	(104)
IRS	Mar 2018	Aug 2024	18,402	3M EURIBOR	0.73%	(52)	(463)
CAP	May 2018	Feb 2023	17,200	6M EURIBOR	3.5%*	-	-
<b>Derivative financial instruments, liabilities</b>						<b>(144)</b>	<b>(865)</b>
<b>Net value of financial derivatives</b>						<b>(144)</b>	<b>(865)</b>

\*Interest rate cap

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

Classification according to maturity EUR '000	Liabilities		Assets	
	31.03.2022	31.12.2021	31.03.2022	31.12.2021
Non-current	(94)	(756)	-	-
Current	(50)	(109)	-	-
<b>Total</b>	<b>(144)</b>	<b>(865)</b>	<b>-</b>	<b>-</b>

## 21. Subsequent events

On 2 April 2022, the Fund extended a EUR 30.0 million bank loan to finance Galerija Centrs. According to the agreement, the maturity date of the loan is 26 January 2024.

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

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

22. List of consolidated companies

Name	Registered office	Registration Number	Date of incorporation / acquisition	Activity	Interest in capital
BH Lincona OÜ	Hobujaama str. 4, Tallinn, Estonia	12127485	20 June 2011	Asset holding company	100%
BH Domus Pro UAB	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, Riga, Latvia	40003771618	30 August 2016	Asset holding company	100%
Pirita Center OÜ	Hobujaama str. 5, Tallinn, Estonia	12992834	16 December 2016	Asset holding company	100%
BH Duetto UAB	Spaudos str. 8-1, Vilnius, Lithuania	304443754	13 January 2017	Asset holding company	100%
Vainodes Krasti SIA	Audeju str. 16, Riga, Latvia	50103684291	12 December 2017	Asset holding company	100%
BH S27 SIA	Skanstes iela 27, Riga, Latvia	40103810023	15 August 2018	Asset holding company	100%
BH Meraki UAB	Ukmergės str. 308-1, Vilnius, Lithuania	304875582	18 July 2018	Asset holding company	100%
BH Galerija Centrs SIA	Audeju str. 16, Riga, Latvia	40003311422	13 June 2019	Asset holding company	100%
BH Northstar UAB	Ulonų str. 2, Vilnius, Lithuania	305175896	29 May 2019	Asset holding company	100%

# MANAGEMENT APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements of Baltic Horizon Fund were approved for issue by the Management Board of the Management Company on 9 May 2022.

Tarmo Karotam  
Chairman of the Management  
Board

Aušra Stankevičienė  
Member of the Management  
Board

Algirdas Jonas Vaitiekūnas  
Member of the Management  
Board



# DEFINITIONS OF KEY TERMS AND ABBREVIATIONS

## AIFM

Alternative Investment Fund Manager.

## AFFO

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

## 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.

## TTM

Trailing 12 months.