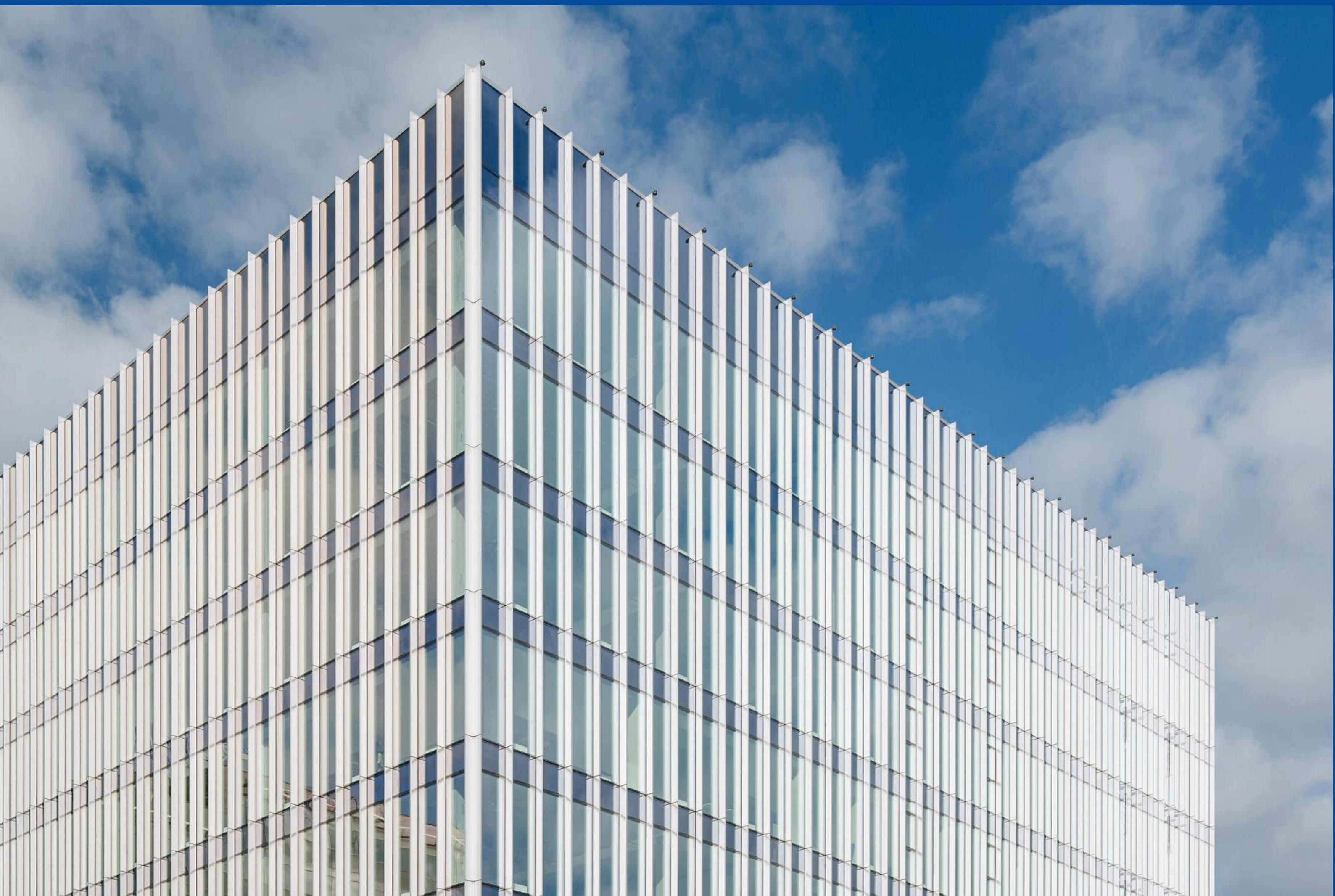
Baltic Horizon

Annual report 2023



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EXECUTING OUR STRATEGY

In a challenging economic landscape characterized by inflation, interest rate volatility, and recent geopolitical events, the Fund has assessed various strategic options to navigate these complexities and ensure future growth. Over the past year, our focus has been on reshaping our strategy to foster sustainable value, concentrating efforts on avenues that promise reliable and consistent growth for our investors. In light of prevailing market conditions, we firmly believe that the execution of the 'Modern City Life' strategy, introduced to investors in summer 2023, is paramount to their best interests.

In the coming years, we expect two thirds of the Fund's NOI to come from the centrally located 'Modern City Life' multi-functional assets. These spaces are meticulously designed to ignite, elevate and enrich the lives of modern citizens and communities. The remaining results are expected to be derived primarily from government-rented premises and select suburban supermarkets and other segments. Our value proposition hinges on quality, flexibility, sustainability, and remarkable service, underpinned by strategic locations tailored to meet the evolving needs of our clientele.

The Fund's management team has made the strategic decision to implement key performance indicators (KPIs) as a means to effectively measure and track performance. This decision stems from the recognition that clear and measurable benchmarks are essential for evaluating progress towards the Fund's objectives. By defining specific KPIs, the team aims to enhance transparency, accountability, and decision-making processes. With that in mind, the Fund management team will be focusing on the following targets:

Occupancy

>90% — Portfolio occupancy by the end of 2024

Operating results

EUR 18m — Clear ESG and refurb. strategy for the next 2y with an aim to reach the portfolio's NOI

Loan-To-Value

<50% — LTV target and repayment of the bonds maturing in 2024

Asset certification

100% — BREEAM or LEED certified portfolio

Portfolio composition

To consider disposing of non-strategic assets over the next 18 months

GRESB assessment

>4 stars — GRESB real estate assessment rating

In order to reach those targets, the Fund has been investing in the new concepts of our centrally located assets and already introduced the first new anchor tenants such as ARKET, H&M Home, IKI and food halls Dialogai and BURZMA into the properties. The Fund has been decreasing its vacancies in Q4 2023-Q1 2024 and while there could be some fluctuations in the occupancy over the coming quarters, considering the ongoing lease negotiations with several anchor tenants and with the recently signed new leases of more than 13,000 sq. m including those in Upmalas Biroji and Meraki, we believe that the portfolio occupancy goal of 90% is attainable as many of the new tenants are able to move in during 2024. Most of the new leases will start generating rental income from Q2 2024 onwards.

Equally importantly, the management team has been able to renegotiate the majority of expiring bank loans and in some cases refinance at more suitable terms. Additionally, we have divested mature Lithuanian assets in Duetto and Domus PRO, yielding double-digit returns for our investors. These initiatives align with our goal of fully repaying the short-term portion of the bonds issued in May 2023. The Fund is in good cooperation with the bondholders and has an aim to further improve its capital structure during 2024, positioning the Fund to seize opportunities presented by the evolving market landscape.

KEY FIGURES

Key earnings figures	Unit	2023	2022	Change (%)
Rental income	EUR '000	17,743	20,482	(13.4%)
Net rental income	EUR '000	14,617	17,430	(16.1%)
Net rental income margin[1]	%	82.4	85.1	-
Valuation losses on investment properties	EUR '000	(21,876)	(2,914)	650.7%
EBIT	EUR '000	(13,879)	11,238	(223.5%)
EBIT margin[2]	%	(78.2)	54.9	-
Net profit (loss)	EUR '000	(22,973)	3,944	(682.5%)
Net profit (loss) margin	%	(129.5)	19.3	-
Earnings per unit	EUR	(0.19)	0.03	(733.3%)
Generated net cash flow[3]	EUR '000	502	7,141	(92.9%)
Generated net cash flow per unit[4]	EUR/unit	-	0.06	(100.0%)

Key financial position figures	Unit	31.12.2023	31.12.2022	Change (%)
Total assets	EUR '000	261,138	343,963	(24.1%)
Return on assets	%	(7.6)	1.1	-
Total equity	EUR '000	109,532	133,655	(18.0%)
Equity ratio	%	41.9	38.9	-
Return on equity	%	(18.9)	3.0	-
Interest-bearing loans and borrowings	EUR '000	143,742	195,111	(26.3%)
Total liabilities	EUR '000	151,606	210,308	(27.9%)
LTV	%	57.3	58.4	-
Average cost of debt	%	5.2	3.0	-
Weighted average duration of debt	years	2.3	1.8	-
Current ratio	times	0.1	0.1	-
Quick ratio	times	0.1	0.1	-
Cash ratio	times	0.1	0.1	-
IFRS NAV per unit	EUR	0.9156	1.1172	(18.0%)

Key property portfolio figures	Unit	31.12.2023	31.12.2022	Change (%)
Fair value of portfolio	EUR '000	250,385	333,123	(24.8%)
Properties[5]	number	12	15	(20.0%)
Net leasable area	sq. m	119,714	151,870	(21.2%)
Occupancy rate	%	81.1	90.5	-
Weighted average unexpired lease term to expiry[6]	years	4.2	3.3	27.3%
Weighted average unexpired lease term to first break[7]	years	2.9	2.3	26.1%

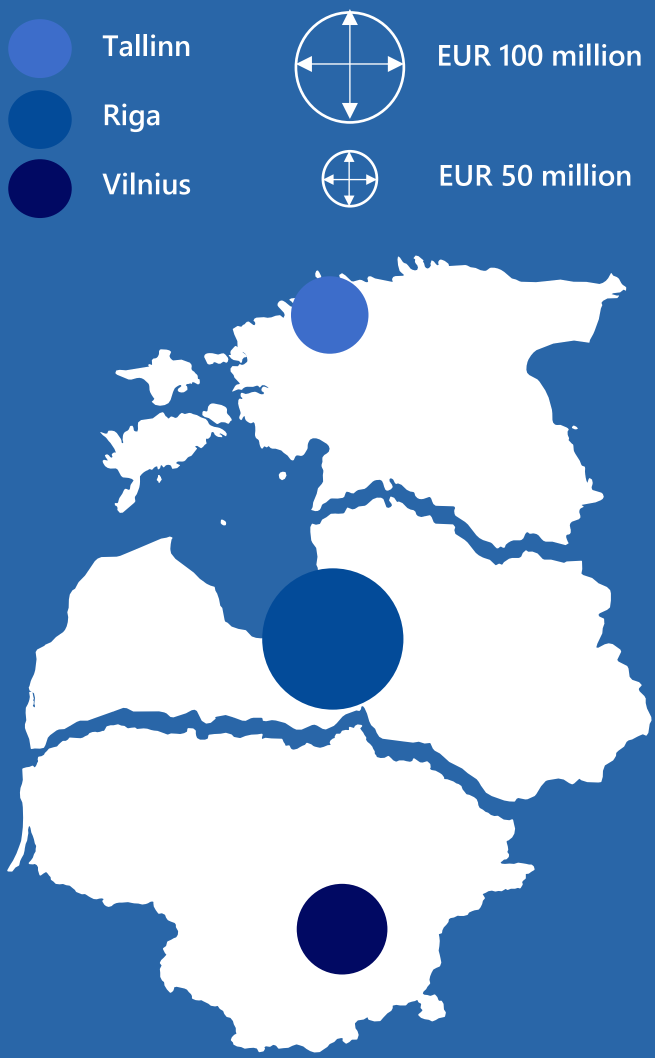
Key property portfolio figures	Unit	2023	2022	Change (%)
Direct property yield	%	4.5	5.1	-
Net initial yield	%	5.1	5.4	-
Average rent during the period	EUR/sq. m	13.5	12.8	5.5%

Key unit figures	Unit	31.12.2023	31.12.2022	Change (%)
Number of units outstanding	units	119,635,429	119,635,429	-
Closing unit price	EUR	0.3150	0.5750	(45.2%)
Closing unit price	SEK	3.30	5.60	(41.1%)
Market capitalisation[8]	EUR	37,685,160	68,790,372	(45.2%)

Key EPRA figures	Unit	2023	2022	Change (%)
EPRA Earnings	EUR '000	2,294	8,260	(72.2%)
EPRA Earnings per unit	EUR	0.02	0.07	(71.4%)
EPRA Cost ratio (including direct vacancy costs)	%	32.4	30.2	7.2%
EPRA Cost ratio (excluding direct vacancy costs)	%	26.7	27.1	(1.5%)

Key EPRA figures	Unit	31.12.2023	31.12.2022	Change (%)
EPRA NRV (Net Reinstatement Value)	EUR '000	114,205	141,943	(19.5%)
EPRA NRV per unit	EUR	0.9546	1.1865	(19.5%)
EPRA NTA (Net Tangible Assets)	EUR '000	114,205	141,943	(19.5%)
EPRA NTA per unit	EUR	0.9546	1.1865	(19.5%)
EPRA NDV (Net Disposal Value)	EUR '000	109,131	133,313	(18.1%)
EPRA NDV per unit	EUR	0.9122	1.1143	(18.1%)
EPRA LTV	%	55.5	57.9	(4.1%)
EPRA Net initial yield (NIY)	%	4.6	5.9	(22.0%)
EPRA Topped-up NIY	%	4.7	6.1	(22.9%)
EPRA Vacancy rate	%	17.1	6.9	147.8%

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. Generated net cash flow per weighted average numbers of units during the period.
5. Properties includes 12 established cash flow properties.
6. Weighted average unexpired lease term to expiry is based on the number of years of unexpired lease terms, as from the reporting date, weighted by the total annual income of each contract.
7. Weighted average unexpired lease term to first break is based on the number of years of unexpired lease terms until first break option date, as from the reporting date, weighted by the total annual income of each contract.
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 50% or lower long-term leverage strategy. At no point in time may the Fund's leverage exceed 65%.

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

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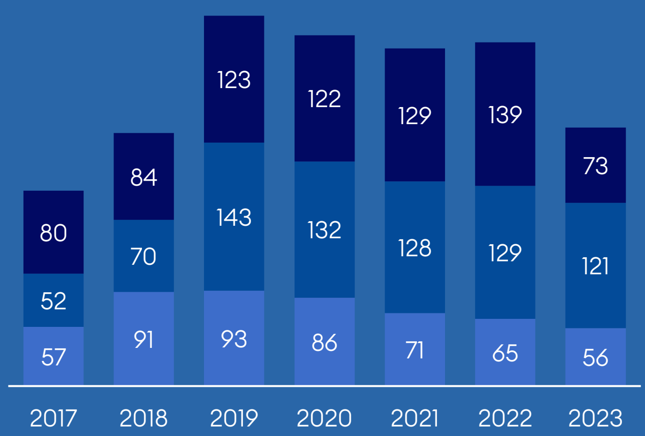
Properties

119,714
Portfolio size (sq. m)

Portfolio value (EUR million)



Ten largest properties

1. Galerija Centrs	25.8%
2. Europa SC	14.6%
3. Upmalas Biroji BC	8.2%
4. North Star	8.0%
5. Postimaja	7.9%
6. Vainodes	6.7%
7. Meraki	6.5%
8. Lincona	5.7%
9. LNK Centre	5.6%
10. Coca-Cola Plaza	5.3%
11. Others	5.7%

LETTER TO UNITHOLDERS

Closing the gap between unit price and portfolio value - strategic objectives

When Baltic Horizon Fund was launched in 2016, the scope of the Fund was to provide a good, well-diversified real estate portfolio of office and retail assets. The Fund achieved a size of EUR 370 million and was able to pay out approx. EUR 45 million in dividends (approx. 0.49 EUR per unit) from 2016-2022. Given the influence of COVID and the impact of recent geopolitical events, Baltic Horizon units are now traded at a price that is more than 60% below NAV. Clearly, this is not acceptable for our investors nor for Northern Horizon Capital as the management company.

On account of the underperforming unit price, Baltic Horizon has undergone a thorough review to determine the role that Baltic Horizon should have in the Baltic real estate market and how to recover the unit price. In this review, several strategic options for the Fund have been considered. Given the current market environment, the conclusion is that the execution of the 'Modern City Life' strategy, as introduced to the investors in summer 2023, is the option that is in the best interest of the investors.
The goal of the 'Modern City Life' strategy is to deliver positive risk-adjusted results to our investors in the years to come in terms of operating results, net cash flow and unit price development.

The focus of the Fund management team is and will be on four major objectives:

- Portfolio occupancy of at least 90% by end of 2024;
- Loan-to-Value target at 50% or lower and repayment of the bonds maturing in 2024;
- To consider disposing of non-strategic assets over the next 18 months;
- Clear ESG and refurbishment strategy for the next 1-2 years with an aim to reach the portfolio's NOI potential of EUR 18 million by 2027.

Strategic focus on Modern City Life

Traditional real estate asset classes like conventional office buildings and retail outlets are being challenged across the globe and the Baltics are no exception. Nevertheless, we believe centrally located buildings catering to the modern era will still be in demand from a tenant and investor perspective. However, these buildings must be adapted to modern ways of working and socializing, designed to accommodate multi-functional areas and tenants, while meeting the needs of the 'Modern City' resident.

Public infrastructure projects, and development projects in Tallinn, Riga, and Vilnius can connect people and businesses as never before. We expect to witness the transformation of the traditional urban shopping centre into a hub of experience based 'Live Work Play environment' for locals and tourists alike. We will continue investing in our centrally located properties – Europa, Galerija

Centrs, Postimaja/CC Plaza – with the aim to capitalize on the new cycle of economic development.

Regarding our office buildings, Baltic Horizon keeps its priority to work with government institutions and leading companies, to provide their employees quality premises and contemporary fit-out solutions to support efficiency and workplace satisfaction.

In regard to the disposal of mature assets in the amount of EUR 75+ million during 2021-2023, our strategic review has highlighted that additional assets with a total value of EUR 15-20 million could be sold within the next 18 months. The proceeds of these disposals would be used for the Fund's liquidity needs or reinvested in properties with a better long-term strategic fit for the Fund.

Overall, the future position of Baltic Horizon Fund will cater to 'Modern City Life' since we believe this strategy offers the best value proposition to tenants and investors in this new commercial real estate era. We expect two thirds of the Fund's NOI to come from the centrally located 'Modern City Life' concept assets. The remaining balance is expected to come primarily from government rented premises and selected suburban supermarkets and other segments.

Retail development and future focus

While market conditions are still challenging and not expected to fully recover before 2025, we are cautiously optimistic about 2024 with a goal to achieve a portfolio occupancy of 90% by year-end. Our centrally located strategic mixed-use retail/service/entertainment centres have a large role to play in achieving this goal.

During 2023, we have seen increased tenant interest in our buildings in the retail segment, and we expect this to continue in 2024. We believe this is attributable to the Fund owning very attractive retail assets and to the team having invested heavily in upgrading these properties over the last couple of years, having signed lease agreements with leading tenants who appreciate the locations and having strengthened the retail property management side through a new agreement with Newsec in Latvia and Lithuania. Also, these centrally located assets increasingly attract other tenants linked to lifestyle, health, or working communities.

Our NOI in this segment grew by 12% over the last 12 months. New major tenants include ARKET, H&M Home and IKI. Despite the challenging times, the team has either renegotiated or leased out 34% of the total lettable retail area. This development has positively impacted the terms that we have obtained for the new bank loans for the retail assets, which will further allow us to reduce the outstanding bond amount at a lower financing cost.

Office development and future focus

In the office segment, the market conditions in the Baltic capitals, especially in Riga, are expected to remain challenging in the coming years. We see this development reflected in NOI, which dropped 9% in 2023 compared to 2022.

For our office assets, we are happy to confirm that we have successfully prolonged all major lease agreements in the portfolio that we expected to prolong during January-March 2024. The long-term focus in the office segment will be on modern buildings and long-term cooperation with public tenants, e.g. governmental or municipal organizations. While the rental levels might not always beat the top end of the market, there are other benefits that contribute positively, such as stable rental income and less tenant turnover.

Accomplishments in our leasing strategy includes the latest agreements with the Latvian State Police in Riga for over 4,000 sq. m for a period of 12 years and the Estonian Information System Authority in Tallinn for over 3,000 sq. m for a period of 5 years and a strong lease out of vacant premises in our newest Meraki office building in Vilnius. Since November 2023, our team has successfully signed leases totaling over 4,500 sq. m in the Meraki asset, culminating in a substantial increase in occupancy level exceeding 90%.

Financial costs and Loan-to-Value ratio

In May 2023, an agreement was reached with the bondholders to refinance the maturing bonds of EUR 50 million with a new EUR 42 million bond issue, of which EUR 7.5 million has already been redeemed. We are pleased to confirm that the majority of the remaining short-term tranche of EUR 12.5 million is expected to be repaid with less expensive bank loans shortly.

The dramatic increase of interest rates experienced in 2022 had a negative impact on the entire real estate sector in Europe. Apart from the bonds, a large part of the Fund's bank loans are hedged until mid-2024 and capped even until 2025, which has helped lower the Fund's current cost of debt.

Given the improved performance of its properties, on 6 February 2024 the Fund signed new 5-year loan agreements with Šiaulių bankas in the total amount of EUR 26 million. Approximately EUR 17.4 million of the loan amounts are expected to be used to refinance the existing bank loans, while EUR 4.5 million will be used to redeem part of Baltic Horizon Fund bonds issued in May 2023 on 8 April 2024.

ESG and refurbishment capex

Our assets must remain attractive and have a low environmental footprint in order to attract the right tenants and the right investors. Significant investments (EUR 12.8 million) have been made in upgrading the centrally located assets over the last 36 months, which has contributed to the ongoing recovery of our operating results.

Over the last 3 years, we have strengthened our commitment to ESG considerably. In 2021, we set a major ESG goal to achieve a 100% BREEAM certified portfolio by the end of 2023. We are very proud to confirm that we have reached this milestone and to have received a four-star GRESB rating for the second year in a row.

Future outlook and dividend

Subject to stronger operational results, an improved interest environment, and no major macro-economic changes, it is the management's goal to be able to gradually reintroduce dividend payments and/or unit buybacks in the medium term from 2025.

While we are committed to reaching the above goals, future performance or returns are not guaranteed and the Fund's past performance does not guarantee the rate of future returns.

That being said, we continue focused work to deliver on the Fund management objectives for 2024 and beyond.

Baltic Horizon Fund Management team
29 March 2024

2023 AT A GLANCE

Q1 2023

Opening of Galerija Centrs food hall BURZMA

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

Sale of BH Domus PRO UAB shares

On 8 February 2023, the Fund signed a share sale and purchase agreement with UAB PREF III to sell 100% shares of BH Domus Pro UAB, which owns a retail park and an office building in Vilnius, Lithuania. The agreed price of the property was approximately EUR 23.5 million. The internal rate of return (IRR) for the holding period of more than 9 years was around 15.8%, while the equity multiple was 2.1. The proceeds of the transaction were used mainly to decrease the loan obligations of the Fund and partially to redeem the Fund's bonds. Closing of the transaction took place on 6 March 2023.

Bond issue

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

Q2 2023

Sale of BH Duetto UAB shares

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

Annual General Meeting

The Annual General Meeting of Baltic Horizon Fund investors took place on 2 June 2023 in Tallinn, Estonia. The management presented the 2022 audited annual report of Baltic Horizon Fund, the interim report for Q1 2023 and the future strategy of Baltic Horizon Fund.

Partial early redemption of bonds

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

Europa won Baltic Real Estate Investment Forum award

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

Changes on the Supervisory Board of Northern Horizon Capital AS

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

Q3 2023

Registration of listing prospectus

The Estonian Financial Supervision and Resolution Authority approved the prospectus for listing and admission to trading of the bonds on 16 October 2023. The first trading day of the bonds on the Baltic Bond List of the Nasdaq Tallinn Stock Exchange was 25 October 2023.

BREEAM In-Use certificates

Baltic Horizon Fund has obtained BREEAM In-Use certificates for its Estonian retail assets: Postimaja, CC Plaza and Pirita – have all achieved BREEAM In-Use certification with a 'Good' rating. The BREEAM In-Use certificate is one of the most important instruments for assessing sustainable commercial construction in Europe. It has been a key ESG priority for the Fund to certify its properties with the internationally recognized BREEAM standards. In 2021, the portfolio of office buildings received BREEAM certification, and in 2022, a costed retail portfolio certification plan was implemented with the goal to have a 100% certified portfolio by the end of 2023.

Baltic Horizon wins EPRA Gold award

Baltic Horizon Fund has been honoured with a Gold BPR Award for its financial reporting from the European Public Real Estate Association (EPRA) for the fourth year in a row. EPRA assessed the financial statements of 182 European listed real estate entities as part of its annual award process.

GRESB benchmarking

In Q3 2023, Baltic Horizon maintained the GRESB 4 star rating for the second year in a row. In the assessment, the Fund achieved a total score of 82 out of 100, representing the third highest GRESB score in the 'Northern Europe | Diversified – Office/Retail | Listed' peer group. The GRESB Real Estate Assessment is an investor-driven global ESG benchmark and reporting framework for listed property companies, private property funds, developers and investors that invest directly in real estate. The achievement of GRESB ratings confirms the Fund's continuous efforts in the ESG field.

Q4 2023

Changes in the property management teams

The Baltic Horizon Fund has selected real estate companies Newsec and Colliers to manage the Fund's properties located in Latvia. Newsec was designated as a strategic partner for the management of the shopping centres Galerija Centrs and Sky. Colliers was chosen for the management of the office buildings Upmalas Biroji BC, Vainodes I and S27 (formerly LNK Centre). From 1 February 2024, Newsec and Colliers' experts provide all services related to the maintenance of the properties in Latvia, including real estate management, leasing, accounting and marketing services. This pivotal change marks a new stage in the development strategy of the shopping centres and offices.

Baltic Horizon achieves a 100% BREEAM certified portfolio

Baltic Horizon Fund announced the successful BREEAM certification of its remaining retail assets thus becoming a member of an elite group of Baltic real estate investment companies to certify its entire portfolio according to the highest international environmental standards. The portfolio currently consists of 12 properties. The last to receive its certification was the historic building of Galerija Centrs in Riga that received an impressive BREEAM Very Good certification.

New members of the Supervisory board of Baltic Horizon Fund

The General Meeting of Baltic Horizon Fund appointed new members of the supervisory board: Reimo Hammerberg, Monica Hammer and Per V. Jenster were elected as the new members of the supervisory board of Baltic Horizon Fund as of 1 January 2024.

Portfolio value
EUR 250.3m

Direct yield
4.5%

WAULT until first break
2.9y

Properties
12

PROPERTY REPORT

Portfolio and market overview

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

While market conditions are still challenging and not expected to fully recover before 2025, the Fund's retail portfolio is gradually recovering to pre-COVID levels. Notably, the success of the BURZMA food hall and Arket openings has significantly bolstered the performance of Galerija Centrs, with a remarkable year-over-year growth exceeding 7% throughout 2023 and surpassing 10% in December. Although the operating results of Galerija Centrs were affected by one-off costs associated with tenant changes throughout 2023, we anticipate significant improvement in this regard during 2024 and beyond.

Throughout 2023, strategic efforts in leasing have yielded positive outcomes, with full occupancy achieved at Postimaja just after year-end, and the attraction and retention of prominent brands such as Arket, H&M Home, and Massimo Dutti. This success can be attributed to several factors, including the prime locations of our retail assets, substantial upgrades to the facilities over the last several years and strengthened property management, notably through our agreement with Newsec in Europa and Galerija Centrs. Furthermore, our centrally located assets are increasingly appealing to tenants aligned with lifestyle, health, and professional communities.

While footfall remains below pre-pandemic levels, we are witnessing steady growth in visitor numbers across all retail properties excl. Postimaja. For example, Europa SC witnessed a 5% increase in footfall during 2023 compared to the previous year. Notably, the introduction of new vibrant stores and dining options at Galerija Centrs has spurred an exceptional 11% surge in year-over-year footfall, contributing significantly to its overall recovery. It's important to note that the temporary decrease in footfall at Postimaja can be attributed primarily to ongoing tramline construction in close proximity to the shopping centre.

Although customer visits have become less frequent, there has been an upward trend in spending during these visits, with a clear focus on specific purchases. The recovery of the tourism sector is expected to further boost footfall figures, as Galerija Centrs and Postimaja have traditionally been sought-after destinations for tourist shopping.

Throughout 2023, the Fund secured important lease extensions with anchor tenants in retail assets. Particularly noteworthy is the extension of leases with anchor grocery tenant Rimi, which were maintained on favourable terms at both Postimaja and Galerija Centrs. Furthermore, lease prolongations were achieved with major fashion brands operated by Inditex, LPP, and Apranga Group, reinforcing the foundation of our tenant base. Additionally, strategic efforts were made to enhance the H&M store at Postimaja, incorporating the H&M Home concept to strengthen the long-term partnership between the Fund and this key tenant.

Meanwhile, Europa SC demonstrated an impressive surge in letting activity during 2023, with the Fund successfully securing deals for a total of 2,941 sq. m with 13 tenants, including prominent names like Pi Pilates, Optometrijos Centras, Codekus and others. In addition, the Fund recently finalized a new lease agreement with the prominent anchor tenant IKI at Europa SC, signing a ten-year lease for an approximate total lettable area of 1,900 sq. m. The opening of the new anchor tenant's store, which will be at the heart of the upgraded concept of the shopping centre, is anticipated to take place in early 2024.

The increased leasing activity at Europa SC, coupled with the robust performance of Pirita in 2023, resulted in a notable rise in the NOI of the retail segment compared to the 2022 figures. The Fund is actively engaged in negotiations for over 8,000 sq. m of retail space, with the intention of finalizing these agreements in early 2024.

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

In response to evolving market dynamics, the Fund is actively engaged in reletting current and forthcoming office vacancies, particularly in the light of EMERGN's decision to reduce their rented area in LNK and the SEB exit from Upmalas Biroji. Proactive measures are being taken to fill these vacancies, with the Fund securing the Latvian State Police as a tenant for approximately 4,128 sq. m in Upmalas Biroji to partially offset the vacancy from SEB premises. The agreement with the Latvian State Police was signed in November 2023.

Additionally, intense negotiations are underway to ensure maximum occupancy in the Lincona building with a newly signed deal with Pet24 to open a pet store on the ground floor. We are also actively seeking new small-scale tenants to occupy available spaces in S27. The well-configured floor layout of the building makes it suitable to accommodate smaller businesses or dedicate the building to one or two large tenants. Notably, several site negotiations with large-scale tenants in S27 are already in progress, capitalizing on the recent uptick in leasing activity in Riga and our new strategic collaboration with the leading leasing agent in Latvia, Colliers.

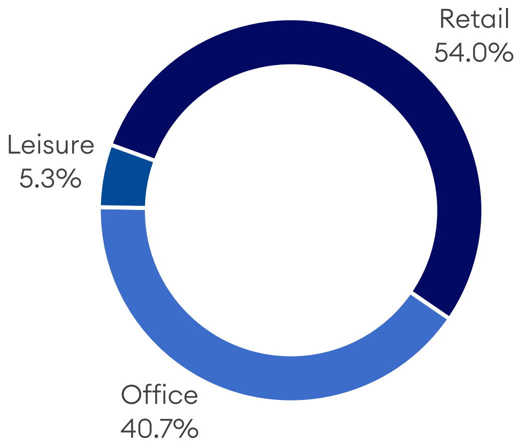
At the end of 2023, four new lease agreements were successfully signed in Meraki for approx. 1,540 sq. m. In addition to this, a few new leases were signed in Q1 2024 for approx. 3,562 sq. m., increasing the occupancy level of the building to over 90%. All new tenants are expected to move into the building within the next 3-9 months.

The recent vacancies in LNK and Upmalas Biroji are anticipated to affect the office portfolio results. However, we expect this impact to be partially mitigated by the stability provided by the fixed lease agreements in the remaining portfolio, as well as newly signed leases kicking in at the beginning of 2024. The Fund has recently secured long-term prolongations and new leases encompassing approximately 3,260 sq. m in North Star and approximately 4,000 sq. m in Lincona. In response to these vacancies, the Fund is actively working to provide flexible lease solutions to prospective tenants to maintain healthy occupancy figures. It is worth noting that rental indexations will play a pivotal role in sustaining organic growth within the office portfolio results. In early 2024, the Fund will have the capability to apply rental indexations ranging from 5% to 9% for tenants without indexation caps.

In conclusion, Baltic Horizon's offices are either showing stable performance or being transformed to fit today’s market needs, while centrally located retail and leisure assets continue their steady recovery toward peak performance. The Fund remains committed to navigating dynamic market conditions, proactively responding to challenges, and seizing opportunities to improve property performance.

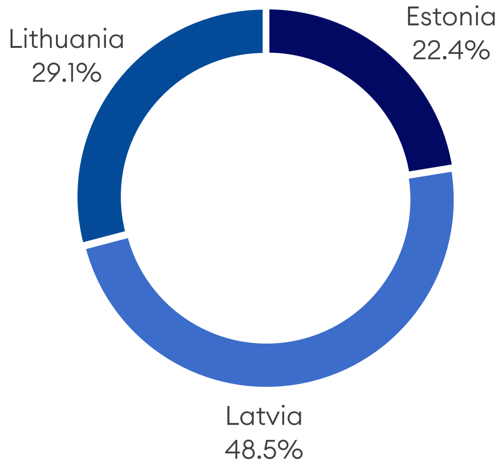
Property performance

Fund segment distribution as of 31 December 2023



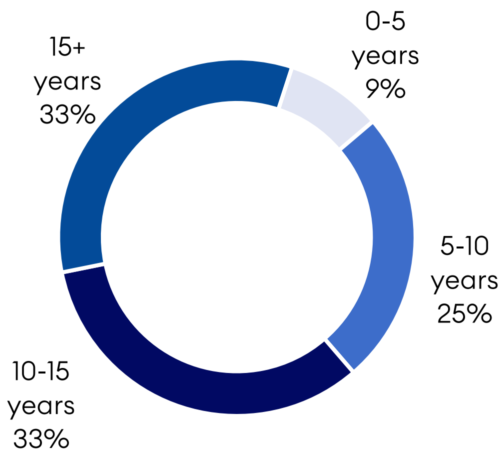
The Fund maintains a well-diversified mix of office, leisure, and retail buildings. At the end of 2023, the portfolio was comprised of 54.0% retail assets, followed by 40.7% office assets and 5.3% leisure assets.

Fund country distribution as of 31 December 2023



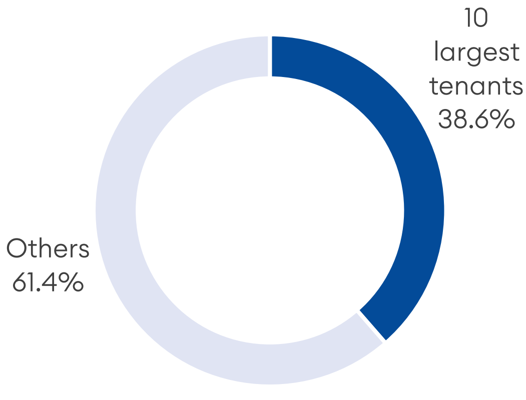
At the end of 2023, the Fund's assets were located as follows: 48.5% in Latvia, 29.1% in Lithuania and 22.4% in Estonia.

Fund portfolio by age as of 31 December 2023



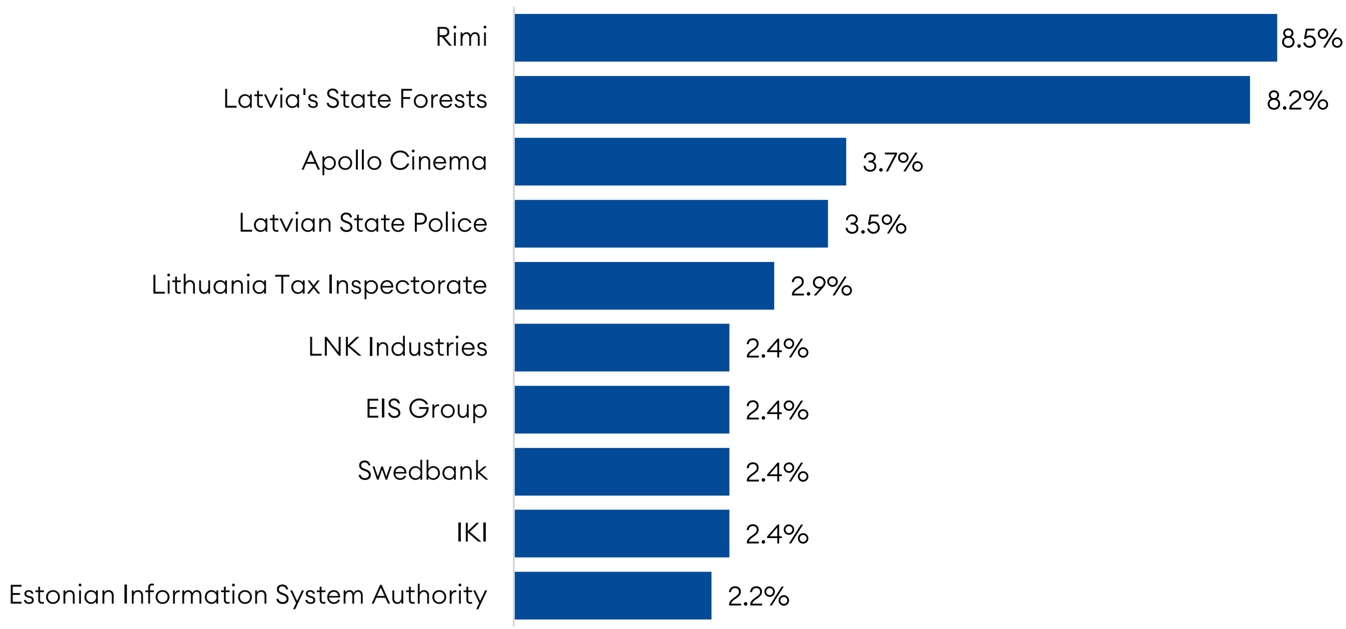
The graph above shows the age of assets in the Fund's portfolio since construction or the last major refurbishment. The management team is focused on improving the Fund's average portfolio age by acquiring newer assets and/or redeveloping assets in the current portfolio.

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



Baltic Horizon Fund has around 270 tenants in the portfolio. The rental concentration of the Fund's subsidiaries (rental income from the 10 largest tenants) is shown in the following chart with the largest tenant Rimi accounting for 8.5% of the annualised rental income. As further discussed in the risk management section, credit risk is mitigated by the high quality of the existing tenant base.

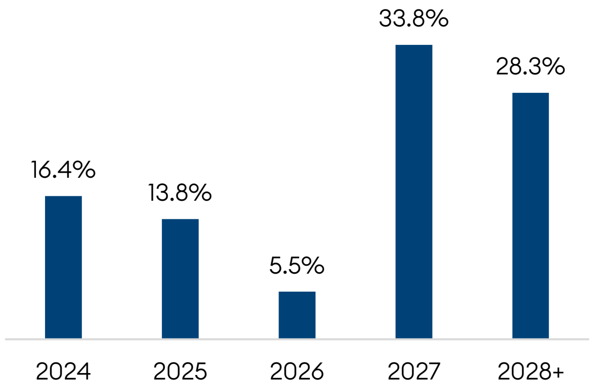
Rental concentration of the Fund's subsidiaries: 10 largest tenants as of 31 December 2023



The Fund team has been actively negotiating with the current tenants to extend lease agreements as well as with new tenants to fill the vacancies. Over 35% of the Baltic Horizon Fund tenant leases will expire after 2025, while the rest will expire during the next two years. The weighted average unexpired lease term until first break option was 2.9 years at the end of 2023 (31 December 2022: 2.3). The weighted average unexpired lease term until the end of contract term was 4.2 years at the end of 2023 (31 December 2022: 3.3). The graph below shows the expiry dates of contractual rental income.

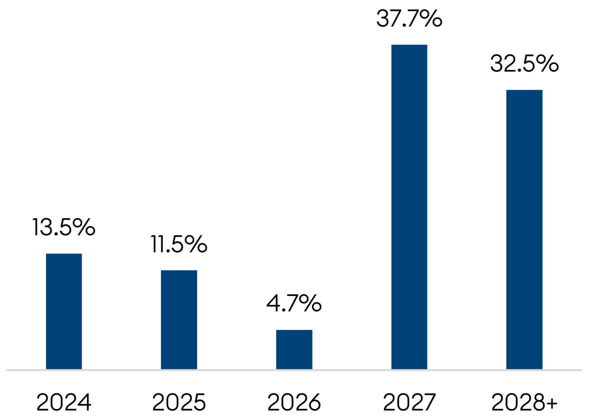
Maturity profile of lease agreements

% of contractual rent to end of contract



Maturity profile of lease agreements

% of contractual rent to first break option



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

Property name	Sector	Fair value[1] (EUR '000)	NLA (sq. m)	Direct property yield 2023[2]	Net initial yield 2023[3]	Occupancy rate
Vilnius, Lithuania						
Europa SC	Retail	36,437	17,047	3.8%	4.2%	84.5%
North Star	Office	20,028	10,579	7.1%	7.2%	99.7%
Meraki	Office	16,340	8,162	0.3%	0.4%	47.7%
Total Vilnius		**72,805**	**35,788**	**4.4%**	**4.6%**	**80.6%**
Riga, Latvia						
Upmalas Biroji BC	Office	20,478	11,212	5.5%	6.4%	57.7%
Vainodes I	Office	16,710	8,128	6.6%	8.2%	100.0%
LNK Centre	Office	13,960	7,450	4.7%	5.0%	42.8%
Sky SC	Retail	5,660	3,259	8.2%	7.5%	100.0%
Galerija Centrs	Retail	64,592	19,306	2.8%	3.2%	80.4%
Total Riga		**121,400**	**49,355**	**4.2%**	**4.8%**	**74.1%**
Tallinn, Estonia						
Postimaja & CC Plaza complex	Retail	19,810	9,232	3.7%	5.5%	95.6%
Postimaja & CC Plaza complex	Leisure	13,240	9,139	6.7%	6.1%	94.3%
Lincona	Office	14,370	10,775	6.6%	7.3%	83.5%
Pirita SC	Retail	8,760	5,425	6.1%	8.6%	97.1%
Total Tallinn		**56,180**	**34,571**	**5.2%**	**6.5%**	**91.7%**
Total portfolio		**250,385**	**119,714**	**4.5%**	**5.1%**	**81.1%**

1. Based on the latest valuation as of 31 December 2023, 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 2023, the average actual occupancy of the portfolio was 83.7% (2022: 92.1%). The occupancy rate as of 31 December 2023 was 81.1 % (31 December 2022: 90.5%). The decrease in occupancy rate over the year was mostly influenced by the expiry of the agreement with the main tenant in Upmalas Biroji BC and EMERGN's decision to reduce their rented area in LNK Centre. The Fund has successfully managed to sign a long-term lease for 4,128 sq. m in the renowned Upmalas Biroji building with the anchor tenant Latvian State Police, which partially filled the space vacated by SEB in August 2023. Some new lease agreements were also signed in the Meraki office building in Q4 2023 and Q1 2024 for a total area of approx. 5,102 sq. m.

As part of its strategy for the development of existing properties, the Fund has chosen new partners to manage its office and retail properties in Latvia. The management team believes that this change will speed up the leasing process in Latvia.

Breakdown of NOI development

EUR '000

Property	Date of acquisition	2018	2019	2020	2021	2022	2023
Galerija Centrs	13 June 2019	-	2,552	3,023	1,448	2,193	2,139
Postimaja & CC Plaza complex	8 March 2013[1]	2,447	2,495	1,932	1,805	2,044	2,126
Europa SC	2 March 2015	2,332	2,467	1,681	1,006	1,028	1,508
North Star	11 October 2019	-	315	1,419	1,208	1,371	1,495
Vainodes I	12 December 2017	1,463	1,462	1,464	1,449	1,383	1,431
Upmalas Biroji BC	30 August 2016	1,710	1,701	1,661	1,740	1,763	1,318
Lincona	1 July 2011	1,192	1,276	1,212	1,114	1,102	1,068
LNK Centre	15 August 2018	409	1,072	1,090	1,088	1,132	814
Pirita SC	16 December 2016	900	438	677	484	664	761
Sky SC	7 December 2013	407	370	402	395	423	420
Meraki[4]	10 September 2022	-	-	-	-	(101)	63
Active properties		**10,860**	**14,148**	**14,561**	**11,737**	**13,002**	**13,143**
Duetto II[2]	27 February 2019	-	1,090	1,354	1,353	1,409	598
Duetto I[2]	22 March 2017	1,096	1,160	1,166	1,223	1,191	550
Domus Pro Retail[3]	1 May 2014	1,160	1,132	1,092	1,145	1,280	226
Domus Pro Office[3]	1 October 2017	499	562	538	537	548	100
G4S Headquarters[5]	12 July 2016	1,189	1,127	1,223	1,009	-	-
Disposed properties		**3,944**	**5,071**	**5,373**	**5,267**	**4,428**	**1,474**
Total portfolio		**14,804**	**19,219**	**19,934**	**17,004**	**17,430**	**14,617**

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

The Fund's portfolio produced EUR 14.6 million of net operating income (NOI) during 2023 (2022: EUR 17.4 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 change 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 2023 and 2022. The change in the Fund's like-for-like net rental income compares the growth in the net rental income of the portfolio that has been consistently in operation, and not under development, during the two full periods that are presented.

EPRA like-for-like net rental income by segment

EUR '000	Fair value 31.12.2023	Net rental income 2023	Net rental income 2022	Change (EUR '000)	Change (%)
Like-for-like assets					
Retail	135,259	6,147	5,488	659	12.0%
Office	85,546	6,126	6,751	(625)	(9.3%)
Leisure	13,240	807	864	(57)	(6.6%)
Total like-for-like assets	**234,045**	**13,080**	**13,103**	**(23)**	**(0.2%)**
Developed assets	16,340	63	(101)	164	162.4%
Disposed assets	-	1,474	4,428	(2,954)	(66.7%)
Total portfolio assets	**250,385**	**14,617**	**17,430**	**(2,813)**	**(16.1%)**

In 2023, net rental income of the portfolio on a like-for-like basis remained at a level similar to 2022 (-0.2% or EUR -23 thousand). This change was mainly influenced by a sizeable NOI decrease in LNK Centre and Upmalas Biroji BC.

The retail segment showed a positive change with an increase in like-for-like net rental income of 12.0%. The increase in net rental income was mainly driven by rent indexation, a decrease in the temporary discounts granted to the tenants in H1 2022 in connection with the COVID-19 crisis and the recovery of Europa's NOI following its reconstruction.

All the retail properties except Galerija Centrs and Sky SC saw an uplift in net rental income during 2023 compared to 2022. Galerija Centrs 2023 performance was negatively affected by one-off costs related to the opening of BURZMA and the anchor tenant Arket, higher provision for bad debts as well as higher energy prices at the beginning of the year. Since the Fund covers part of the energy costs for common areas, increases in such costs have a negative effect on the NOI. However, the negative effect is limited to a certain extent as the Fund has fixed energy prices in Estonia. Europa's NOI has increased significantly following the completion of reconstruction. The downward adjustment in the leisure segment was recognised due to the changes in the master lease agreement with the tenant operating the cinema and increased vacancy in the CC Plaza property.

The office segment showed a negative change with a decrease in like-for-like net rental income of 9.3%. Net rental income in most of the office properties contracted during 2023 compared to 2022. The largest decline was seen in Upmalas Biroji BC and LNK Centre due to the expiration of the lease agreement with the major tenant SEB and EMERGN's decision to reduce their rented area. Exposure to increased costs was limited as most of the Fund's office premises have the widely accepted triple net lease agreement structure.

EPRA like-for-like net rental income by country

EUR '000	Fair value 31.12.2023	Net rental income 2023	Net rental income 2022	Change (EUR '000)	Change (%)
Like-for-like assets					
Estonia	56,180	3,955	3,810	145	3.8%
Latvia	121,400	6,122	6,894	(772)	(11.2%)
Lithuania	56,465	3,003	2,399	604	25.2%
Total like-for-like assets	**234,045**	**13,080**	**13,103**	**(23)**	**(0.2%)**
Developed assets	16,340	63	(101)	164	162.4%
Disposed assets	-	1,474	4,428	(2,954)	(66.7%)
Total portfolio assets	**250,385**	**14,617**	**17,430**	**(2,813)**	**(16.1%)**

Property valuation

All real estate properties belonging to the Fund must be appraised at least once a year at the end of the financial year to determine the market value of the real estate portfolio. During 2022 and 2023, the Fund's property portfolio was appraised twice a year, as of 30 June and 31 December, by independent real estate appraisers.

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

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

As of 31 December 2023, the fair value of the Baltic Horizon Fund portfolio decreased to EUR 250.4 million as compared to EUR 333.1 million as of 31 December 2022. During 2023, the Fund recognised valuation losses on investment properties of EUR 21.9 million (2022: losses of EUR 2.9 million) in the consolidated financial statements. Compared to the previous valuations, the change in portfolio value is mainly driven by the changes in exit yields and upward revisions of the weighted average cost of capital (WACC) due to increased EURIBOR rates. The fair value of investment properties is expected to recover when the European Central Bank reduces the EURIBOR.

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

Portfolio fair value movements by segment

EUR '000	Fair value 31.12.2023	Fair value 31.12.2022	Change (EUR '000)	Change (%)	Proportion of portfolio (%) 31.12.2023
Like-for-like assets					
Retail	135,259	144,264	(9,005)	(6.2%)	54.0%
Office	101,886	110,289	(8,403)	(7.6%)	40.7%
Leisure	13,240	14,385	(1,145)	(8.0%)	5.3%
Total like-for-like assets	**250,385**	**268,938**	**(18,553)**	**(6.9%)**	**100.0%**
Disposed assets					
Retail	-	17,047	(17,047)	(100.0%)	-
Office	-	47,138	(47,138)	(100.0%)	-
Total portfolio assets	**250,385**	**333,123**	**(82,738)**	**(24.8%)**	**100.0%**

The like-for-like value of the property portfolio decreased by EUR 18.6 million (6.9%) in 2023 compared to year-end 2022. The decrease was mainly driven by a downward adjustment to CBD shopping centres Postimaja and Galerija Centrs. The retail figure includes a decrease in the fair values of Postimaja of EUR 6.9 million and Galerija Centrs of EUR 2.6 million and an upward adjustment of the value of the Europa SC property EUR 0.8 million.

Compared to year-end 2022, the like-for-like property valuation results decreased accordingly: in the Lithuanian market (EUR 2.0 million or -2.6%), in the Latvian market (EUR 7.5 million or -5.8%) and in the Estonian market (EUR 9.1 million or -14.0%).

Downward adjustments in year-end valuations reflect the high EURIBOR rates at the end of 2023. For a summary of property valuations, please visit the Fund's website.

Portfolio fair value movements by country

EUR '000	Fair value 31.12.2023	Fair value 31.12.2022	Change (EUR '000)	Change (%)	Proportion of portfolio (%) 31.12.2023
Like-for-like assets					
Estonia	56,180	65,300	(9,120)	(14.0%)	22.4%
Latvia	121,400	128,862	(7,462)	(5.8%)	48.5%
Lithuania	72,805	74,776	(1,971)	(2.6%)	29.1%
Total like-for-like assets	**250,385**	**268,938**	**(18,553)**	**(6.9%)**	**100.0%**
Disposed assets					
Lithuania	-	64,185	(64,185)	(100.0%)	-
Total portfolio assets	**250,385**	**333,123**	**(82,738)**	**(24.8%)**	**100.0%**

Divestments

Domus PRO

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

Duetto

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

15.8%

IRR

2.1x

Equity multiple
(over 9y)

13.7%

IRR

1.8x

Equity multiple
(over 6y)

Estonia

Economy

Russia's invasion of Ukraine has challenged the Estonian economy, resulting in heightened inflation, disruptions in the supply chains, and a slowdown in the growth of the key trading partners. For five consecutive quarters, the GDP has experienced a contraction, with a 3.2% decrease from its level a year earlier recorded in Q1 2023. The primary cause for this downturn has been a decline in exports, driven by reduced demand from external markets. Moreover, private consumption has significantly weakened due to elevated inflation, which has exerted pressure on real disposable income despite ongoing drawdowns in savings. Economy is forecasted to break even in 2024 and to recover in 2025.

	2023	2024	2025
GDP	(3.5%)	0.6%	3.2%
Inflation	9.1%	3.2%	1.9%

Source: European Commission Economic Forecast, Winter 2024

Portfolio

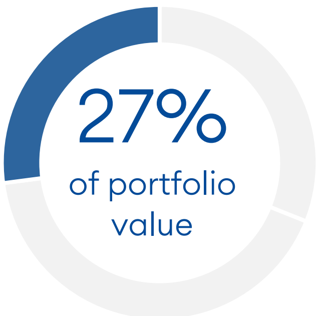
Portfolio properties based in Estonia started the year with an upward movement in the net rental income and key portfolio metrics. In the Fund's portfolio, Estonian properties recognised an increase in like-for-like net rental income, delivering growth of 3.8% year over year.

Net rental income in Postimaja and CC Plaza Complex increased compared to the prior year's results. The opening of Reval Café in January 2023 has additionally boosted the operating performance of Postimaja. The performance of CC Plaza has been negatively impacted by the changes in the master lease agreement with the tenant operating the cinema in the property. The team has been working to find a new anchor tenant for the ground floor of CC Plaza to boost the performance of the property.

The operational results of Lincona were relatively stable during 2023 as no major leases were signed and no major concessions were provided during this period. Occupancy in Lincona slightly decreased due to the termination and expiration of the lease agreements with a few tenants. At the beginning of 2024, the Fund signed a 5-year agreement prolongation for approximately 3,000 sq. m of office premises in Lincona with the current tenant Estonian Information System Authority. The management team is exploring opportunities to establish an office hotel in Lincona's vacant office space and to offer the premises to smaller tenants.

Pirita outperformed its 2022 results due to the indexation applied in 2023, higher occupancy and tenants' better payment discipline.

During 2023, the average direct property yield increased to 5.2% (2022: 5.0%), while the average net initial yield was 6.5% (2022: 5.6%). The average occupancy level for 2023 was 93.3% (2022: 94.3%). The occupancy rate as of 31 December 2023 was 91.7% (31 December 2022: 95.0%). The fair value of the properties in Estonia, on a like-for-like basis, has decreased from EUR 65,300 thousand measured in the 2022 valuation to EUR 56,100 thousand as of 31 December 2023.



4
Properties

91.7%
Occupancy rate

34,571
Total leasable area (sq. m)

5.2%
Direct property yield

3.9m
Net rental income (EUR)

56.1m
Portfolio value (EUR)

Postimaja

Fair value (EUR, million)	19.8
Constructed	1980
Acquired	13 February 2018
Sector	Retail
Net leasable area (sq. m)	9,232
Certification	BREEAM In-Use Good

Lincona

Fair value (EUR, million)	14.4
Constructed / Renovated	2002 / 2008
Acquired	1 July 2011
Sector	Office
Net leasable area (sq. m)	10,775
Certification	BREEAM In-Use Good

Coca Cola Plaza

Fair value (EUR, million)	13.2
Constructed	1999
Acquired	8 March 2013
Sector	Leisure
Net leasable area (sq. m)	9,139
Certification	BREEAM In-Use Good

Pirita

Fair value (EUR, million)	8.8
Constructed	2016
Acquired	16 December 2016
Sector	Retail
Net leasable area (sq. m)	5,425
Certification	BREEAM In-Use Good

Latvia

Economy

In 2023, Latvia grappled with heightened inflation, negative economic growth, and geopolitical complexities. Inflation surged notably over the past year, with headline inflation reaching 12.3% year-on-year in May, while core inflation rose to 12.4% year-on-year in the same period. The country experienced a slowdown in GDP growth as elevated inflation dampened private consumption, while high uncertainty and the implementation of tighter monetary policies moderated business and real estate investment. However, a projected increase in EU Cohesion Fund investment activities and an anticipated decline in inflation are poised to stimulate growth in the first half of 2024, leading to a somewhat accelerated pace of growth in 2025.

	2023	2024	2025
GDP	(0.6%)	1.7%	2.7%
Inflation	9.1%	2.2%	2.2%

Source: European Commission Economic Forecast, Winter 2024

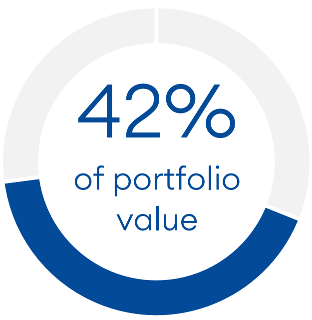
Portfolio

Latvian properties recognised an 11.2% decrease in like-for-like net rental income compared with the last year. This change was mainly influenced by a sizeable NOI decrease in LNK Centre and Upmalas Biroji BC due to the expiry of the agreement with the main tenant in Upmalas Biroji BC and EMERGN's decision to reduce their rented area in LNK Centre.

Even considering the strong recovery of rents, the sudden increase in energy costs had a direct negative impact on the Latvian portfolio, resulting in a fall in NOI at the beginning of 2023. The Fund has to cover the electricity costs of areas under refurbishment, while they are being prepared for newly signed agreements. The Fund initiated a strategic upgrade of the Galerija Centrs concept, which was carried out in 2022/2023 by constructing a food hall and implementing changes in other areas. In January 2023 the agreement with the Nordic fashion and lifestyle brand ARKET was signed for the total lettable area of 782 sq. m. The store was opened in December 2023. This is the first ARKET store in Latvia. The strategic move further strengthens Galerija Centrs' position in the market by offering customers an innovative and experience-based shopping environment. These major changes should boost occupancy levels by 5-15% and gradually take the property back to 95-100% occupancy.

Exposure to cost inflation was limited in SKY and LNK Centre resulting in a stable performance for both properties in the first half of 2023. However, in July 2023 the agreement with the main tenant expired and was not extended. In November 2023 the Fund signed the agreement with the Latvian State Police for an area of approximately 4,128 sq. m. The move is planned for March 2024.

The average direct property yield decreased to 4.2% during 2023 (2022: 4.8%). The average net initial yield was 4.8% (2022: 5.4%). The average occupancy level for 2023 decreased to 80.5% (2022: 91.0%), mostly due to increased vacancies in Galerija Centrs. The occupancy rate as of 31 December 2023 was 74.1% (31 December 2022: 92.0%). The fair value of the properties in Latvia has decreased from EUR 128,862 thousand in 2022 to EUR 121,400 thousand as of 31 December 2023.



5
Properties

74.1%
Occupancy rate

49,345
Total leasable area (sq. m)

4.2%
Direct property yield

6.1m
Net rental income (EUR)

121.4m
Portfolio value (EUR)

Galerija Centrs

Fair value (EUR, million)	64.6
Constructed / Renovated	1939 / 2006
Acquired	13 June 2019
Sector	Retail
Net leasable area (sq. m)	19,306
Certification	BREEAM In-Use Very Good

Upmalas Biroji

Fair value (EUR, million)	20.5
Constructed	2008
Acquired	30 August 2016
Sector	Office
Net leasable area (sq. m)	11,212
Certification	BREEAM In-Use Very Good

Vainodes I

Fair value (EUR, million)	16.7
Constructed	2014
Acquired	12 December 2017
Sector	Office
Net leasable area (sq. m)	6,950
Certification	BREEAM In-Use Very Good

LNK Centre

Fair value (EUR, million)	14.0
Constructed / Renovated	2006 / 2014
Acquired	15 August 2018
Sector	Office
Net leasable area (sq. m)	6,849
Certification	BREEAM In-Use Very Good

Sky SC

Fair value (EUR, million)	5.7
Constructed / Renovated	2000 / 2010
Acquired	7 December 2013
Sector	Retail
Net leasable area (sq. m)	3,259
Certification	BREEAM In-Use Very Good

Lithuania

Economy

The recovery after the pandemic spurred inflationary pressures driven by increased demand. Furthermore, supply chain bottlenecks and substantial rises in commodity prices following Russia's invasion of Ukraine exacerbated these pressures, culminating in elevated and enduring inflation. The Real GDP contracted by 0.3% in 2023. Consumer price inflation, which was at peak level of 18.9% in 2022, eased to 8.7% in 2023. This moderation occurred as energy prices experienced negative growth in the latter half of 2023, while the increase in the prices for food and manufacturing goods continued to slow down. Despite considerable capital injections and a rapid deceleration of inflation, economic recovery was hindered by subdued private consumption, sluggish exports, and increasingly stringent financing conditions.

	2023	2024	2025
GDP	(0.3%)	2.1%	3.0%
Inflation	8.7%	2.4%	2.4%

Source: European Commission Economic Forecast, Winter 2024

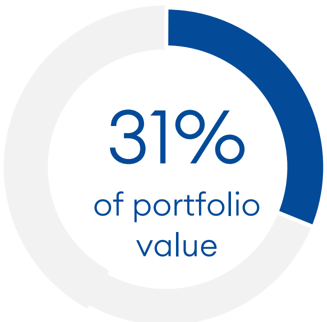
Portfolio

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

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

In 2023, all properties in the Lithuanian market outperformed prior year results and had lease extensions or new leases signed. The Fund's leasing efforts are now mostly focused on Europa and Meraki following the completion of these (re)development projects. In Q4 2023 and Q1 2024, Meraki signed a few new lease agreements for a total area of approx. 5,102 sq. m. In September 2023, the Fund signed an agreement with IKI, the second biggest food retailer in Lithuania, which will open a 1,869 sq. m store in the Europa SC in Vilnius. The new IKI store opened its doors in Q1 2024.

During 2023, the average direct property yield decreased to 4.4% (2022: 5.4%). The average net initial yield was 4.6% (2022: 5.3%). The occupancy rate as of 31 December 2023 was 80.6% (31 December 2022: 91.9%). The fair value of the properties in Lithuania has decreased from EUR 138,961 thousand measured in the 2022 valuation to EUR 72,800 thousand as of 31 December 2023.



3
Properties

80.6%
Occupancy rate

35,788
Total leasable area (sq. m)

4.4%
Direct property yield

4.5m
Net rental income (EUR)

72.8m
Portfolio value (EUR)

Europa SC

Fair value (EUR, million)	36.4
Constructed	2004
Acquired	2 March 2015
Sector	Retail
Net leasable area (sq. m)	17,047
Certification	BREEAM In-Use Very Good

North Star

Fair value (EUR, million)	20.0
Constructed	2009
Acquired	11 October 2019
Sector	Office
Net leasable area (sq. m)	10,579
Certification	BREEAM In-Use Very Good

Meraki

Fair value (EUR, million)	16.3
Constructed	2022
Acquired	10 September 2022
Sector	Office
Net leasable area (sq. m)	8,162
Certification	BREEAM In-Use Very Good (design state certificate)

OUTLOOK FOR 2024

The outlook for 2024 reflects Baltic Horizon's commitment to navigating the dynamic real estate market in the Baltic capitals. Our recent strategic changes and dedicated efforts toward optimizing the Fund's structure are directed towards fostering long-term growth and bridging the gap between unit price and portfolio value.

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

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

Given the influence of COVID and the impact of recent geopolitical events, Baltic Horizon units are now traded at a price that is 60% below NAV. This deviation is not aligned with our standards and is unacceptable to both our valued investors and to Northern Horizon as the Management Company.

To address this challenge, the Fund is strategically focused on enhancing the strength of its centrally-located retail portfolio throughout 2024. This involves the introduction of new anchor tenants and the implementation of further concept changes aimed at revitalizing and maximizing the potential of our retail assets.

Simultaneously, the Fund remains committed to improving debt service and lowering leverage levels. These efforts are essential to fortifying our financial position and enhancing overall portfolio resilience in the face of ongoing market volatility and uncertainty. By executing these strategic initiatives, Baltic Horizon aims to mitigate the current deviation from the NAV.

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

Our investment focus in recent years has been on renewing the concepts of our city centre properties, embracing the trend of hybrid retail and work. Beyond traditional stores, our attractive hybrid centres offer cinemas, sports clubs, beauty salons, clinics, coworking spaces, and authentic high-quality food areas. The successful launch of the Dialogai and BURZMA food areas in Europa and Galerija Centrs are testimony to our strategic approach, yielding social and financial success.

Continuous letting of the reconstructed areas of Europa SC, Galerija Centrs, Postimaja and CC Plaza will unlock untapped potential in our portfolio. The large lease agreement with major retail brand ARKET in Galerija Centrs demonstrates our dedication to enhancing customer experience and driving operational performance improvements.

Furthermore, our proactive approach to rejuvenating Europa SC is yielding tangible results, evidenced by the recent signing of a substantial 1,869 sq. m lease with IKI in Q3 2023. We are actively engaged in negotiations with tenants to introduce innovative concepts to the upper floors of Europa SC and Galerija Centrs, further enhancing their appeal and commercial viability.

In addition, the Fund has assumed control of the first floor of CC Plaza and is strategically planning to implement a new retail concept with a large-scale tenant, aiming to fully realize the property's NOI potential and create seamless connection with the Rotermann area in Tallinn. The cinema will continue to operate on the upper floors on a long-term basis.

Baltic Horizon's team has taken proactive measures to address the spike in energy prices at the end of 2022. By fixing electricity prices for our assets, we aim to maintain stable and resilient cost management for our tenants. Furthermore, we recognize the importance of environmental responsibility and are actively investing in green energy projects. We anticipate that several remote solar power plants will be operational by the end of 2024, supplying electricity to our assets in Lithuania and Latvia. This strategic investment not only aligns with our sustainability goals but also contributes to reducing our carbon footprint and promoting renewable energy sources.

Achieving four stars from GRESB in 2022 and 2023 marked a notable achievement, and we are committed to upholding this standard in future assessments. By successfully achieving BREEAM certification for all assets in our portfolio by the end of 2023, we have underscored our dedication to sustainability. Additionally, the introduction of green lease clauses in our agreements highlights our ongoing commitment to environmental responsibility.

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

Our management team remains committed to exploring additional divestment and refinancing opportunities aimed at repaying the outstanding EUR 12.5 million of the first tranche before its maturity date. In line with this commitment, we have successfully negotiated new loans with Šiaulių bankas for Europa and North Star, resulting in an increase in the outstanding loan amounts for these assets by EUR 8.6 million. The majority of the proceeds from these loans will be allocated towards bond redemption and lowering the overall cost of financing. The Fund has announced a bond redemption of EUR 4.5 million on 8 April 2024.

Given the substantial increase in Meraki occupancy levels, the Fund is strategically poised to explore leveraging opportunities for this asset. Presently, our management team is actively engaged in discussions with leading banks across Lithuania to assess potential financing options. The proceeds from bank financing would be mainly used for the repayment of the outstanding short-term bond tranche.

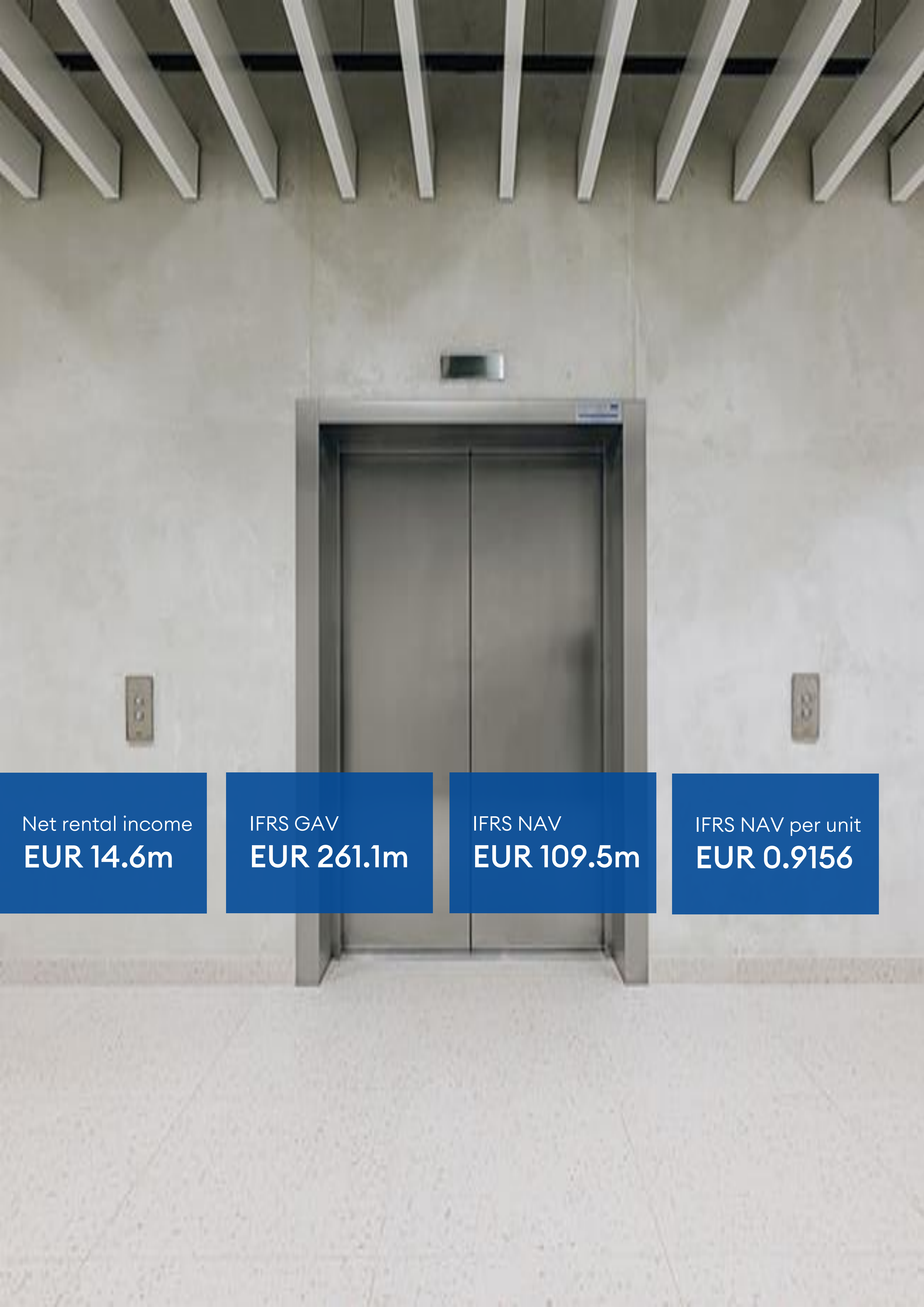
Management is also proactively negotiating with banks to extend the short-term loans of Galerija Centrs and LNK Centre. The team is working to create a new strategy for the properties, which would strengthen their cash flow position and would allow securing financing at better conditions.

Looking ahead, the Fund is determined to execute multiple early redemptions of bonds in 2024 through a combination of refinancing activities and potential asset disposals. These actions are aligned with our overarching strategy to gradually reduce leverage levels, with the ultimate goal of reaching a leverage ratio of approximately 50% or lower after all planned refinancing activities in 2024.

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

As the market evolves, our strategic decisions will remain agile to ensure adaptability to changes in the operating environment. The Fund's management team remains determined in its commitment to implement revitalized strategies that enhance the concepts of our city centre assets, with the aim of restoring them beyond historic income levels. Simultaneously, we remain dedicated to maintaining stable cash flows from our other assets, ensuring a secure foundation for stable future returns for our valued investors. In pursuit of these objectives, the Fund will be allocating additional resources to reinforce our leasing teams, aiming to ensure the achievement of healthy occupancy levels.

The management team's focus on maintaining a stable financial position remains a pivotal element of our long-term strategy. Through prudent financial management and a proactive leasing approach, we aspire to deliver sustainable performance and drive success for all those who place their trust in us.



Net rental income
EUR 14.6m

IFRS GAV
EUR 261.1m

IFRS NAV
EUR 109.5m

IFRS NAV per unit
EUR 0.9156

FINANCIAL REPORT

Financial position and performance of the Fund

Net result and net rental income

In 2023, the Group recorded a net loss of EUR 23.0 million against a net profit of EUR 3.9 million for 2022. The net result was strongly impacted by the negative valuation result of EUR 21.9 million. In 2022, the valuation resulted in a net fair value loss of EUR 2.9 million. The sale of the shares in BH Domus Pro UAB, which owns a retail park and an office building, and BH Duetto UAB, which owns two office buildings, resulted in the loss on disposal of EUR 4.0 million. The net result was also impacted by the higher financial expenses. Earnings per unit for 2023 were negative at EUR -0.19 (2022: positive at EUR 0.03). Audit expenses for 2023 amounted to EUR 163 thousand and remained at the same level as in the previous year (2022: EUR 162 thousand).

The Group earned net rental income of EUR 14.6 million in 2023 (2022: EUR 17.4 million). The results for 2023 include two months' net rental income of the Domus Pro Retail and Office property (EUR 0.3 million) and five months' net rental income of the Duetto properties (EUR 1.2 million), which were sold in February and May 2023, respectively. The net rental income of the same portfolio mix (like-for-like portfolio) remained at a level similar to the previous year.

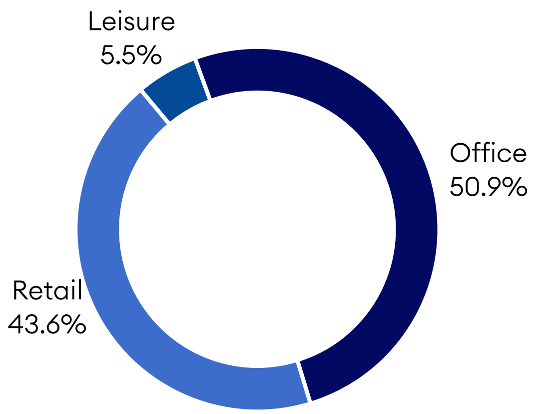
On an EPRA like-for-like basis, portfolio net rental income was slightly below the previous year (-0.2%), mainly due to vacancies in office properties in Latvia due to the expiry of the agreement with the main tenant in Upmalas Biroji BC and EMERGN's decision to reduce their rented area in LNK Centre.

Portfolio properties in the office segment contributed 50.9% (2022: 56.2%) of net rental income in 2023, followed by the retail segment with 43.6% (2022: 38.8%) and the leisure segment with 5.5% (2022: 5.0%).

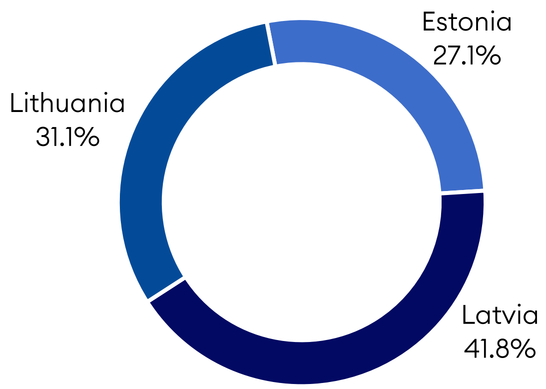
Retail assets located in the central business districts (Postimaja, Europa and Galerija Centrs) accounted for 34.0% of total portfolio net rental income in 2023. Total net rental income attributable to neighbourhood shopping centres was 9.6% in 2023.

During 2023, investment properties in Latvia and Lithuania contributed 41.8% (2022: 39.5%) and 31.1% (2022: 38.6%) of net rental income, respectively, while investment properties in Estonia contributed 27.1% (2022: 21.9%).

Net rental income by segment



Net rental income by country



Investment properties

At the end of 2023, the Baltic Horizon Fund portfolio consisted of 12 cash flow generating investment properties in the Baltic capitals. The fair value of the Fund's portfolio was EUR 250.4 million (31 December 2022: EUR 333.1 million) and incorporated a total net leasable area of 119.7 thousand sq. m. During 2023 the Group sold the Domus PRO buildings for approximately EUR 23.5 million and the Duetto I and Duetto II buildings for approximately EUR 37 million, invested EUR 1.1 million in reconstruction projects and EUR 2.3 million in the existing property portfolio.

Gross Asset Value (GAV)

At the end of 2023, the Fund's GAV was EUR 261.1 million (31 December 2022: EUR 344.0 million), 24.1% lower than at the end of 2022. The decrease is mainly related to the sale of the shares in BH Domus Pro UAB and BH Duetto UAB and the negative property revaluation.

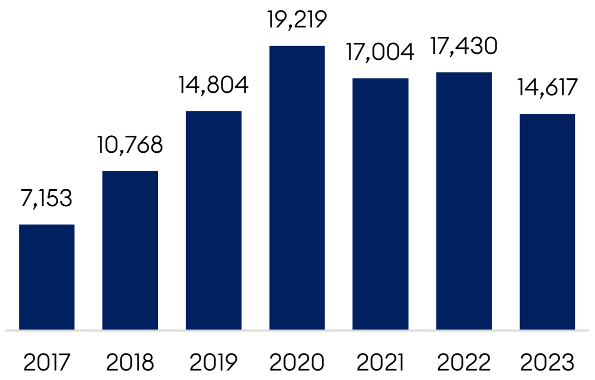
Key earnings figures

EUR '000	2023	2022	Change (%)
Net rental income	**14,617**	**17,430**	**(16.1%)**
Administrative expenses	(2,617)	(3,133)	(16.5%)
Losses on disposal of investment properties	(4,047)	(423)	856.7%
Valuation losses on investment properties	(21,876)	(2,914)	650.7%
Operating profit (loss)	**(13,879)**	**11,238**	**(223.5%)**
Net financial expenses	(9,750)	(6,311)	54.5%
Profit (loss) before tax	**(23,629)**	**4,927**	**(579.6%)**
Income tax	656	(983)	(166.7%)
Profit (loss) for the period	**(22,973)**	**3,944**	**(682.5%)**
Weighted average number of units outstanding (units)	119,635,429	119,635,429	-
Earnings per unit (EUR)	**(0.19)**	**0.03**	**-**

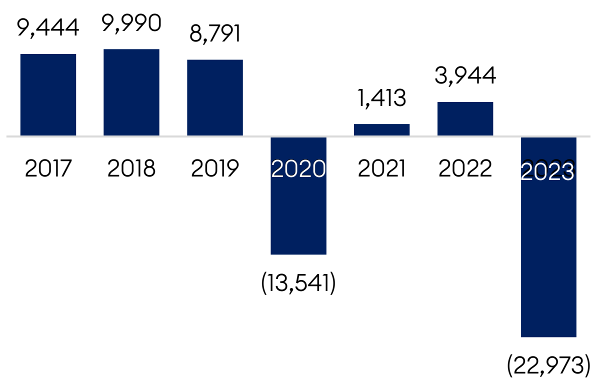
Key financial position figures

EUR '000	31.12.2023	31.12.2022	Change (%)
Investment properties in use	250,385	333,123	(24.8%)
Gross asset value (GAV)	**261,138**	**343,963**	**(24.1%)**
Interest-bearing loans and bonds	143,487	194,569	(26.3%)
Total liabilities	**151,606**	**210,308**	**(27.9%)**
IFRS Net asset value (IFRS NAV)	**109,532**	**133,655**	**(18.0%)**
EPRA Net Reinstatement Value (EPRA NRV)	**114,205**	**141,943**	**(19.5%)**
Number of units outstanding (units)	119,635,429	119,635,429	-
IFRS Net asset value (IFRS NAV) per unit (EUR)	**0.9156**	**1.1172**	**(18.0%)**
EPRA Net Reinstatement Value (EPRA NRV) per unit (EUR)	**0.9546**	**1.1865**	**(19.5%)**
Loan-to-Value ratio (%)	57.3%	58.4%	-
Average effective interest rate (%)	5.2%	3.0%	-

Net rental income
EUR '000



Net profit (loss)
EUR '000



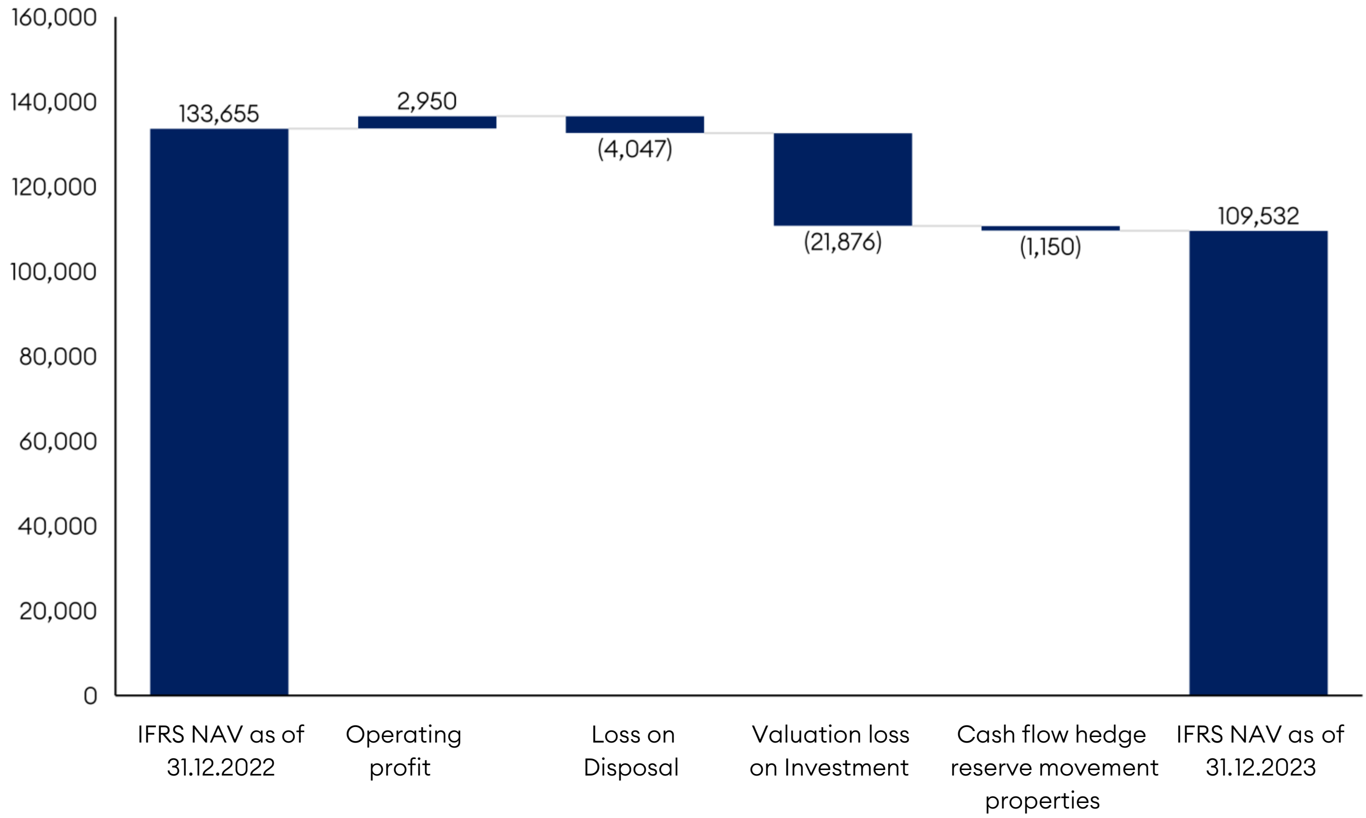
Interest-bearing loans and bonds
As of 31 December 2023 interest-bearing loans and bonds (excluding lease liabilities) were EUR 143.5 million (31 December 2022: EUR 194.6 million). Outstanding bank loans decreased due to the repayment of the Domus Pro and Duetto loans, part of Europa and Kontor SIA loans and regular bank loan amortisation. Also, the Fund redeemed a part of the bonds in the amount of EUR 7.5 million on 1 August 2023. The redemption was accompanied by the reduction of the nominal value of the bonds to EUR 82,142.85 per bond. The total nominal amount of the bonds before the redemption was EUR 42,000,000 and after the redemption is EUR34,499,997. Annual loan amortisation accounted for 1.4% of total debt outstanding.

Cash flow
Cash inflow from core operating activities in 2023 amounted to EUR 10.8 million (2022: cash inflow of EUR 15.3 million). Cash inflow from investing activities was EUR 20.4 million (2022: cash outflow of EUR 9.7 million) due to the sale of the shares in BH Domus Pro UAB and BH Duetto UAB. Cash outflow from financing activities was EUR 30.4 million (2022: cash outflow of EUR 16.4 million). In 2023, the Fund redeemed and issued bonds, repaid the Domus Pro and part of the Europa loan, and paid regular interest on bank loans and bonds. In March 2023, the Fund repaid the Domus Pro loan (EUR 11.0 million) and EUR 6.0 million of the Europa loan using the proceeds from the sale of the shares in BH Domus Pro UAB. In May the Fund redeemed its EUR 50 million unsecured 5-year bond issue, completed a private placement of 5-year bonds and issued bonds in the total volume of EUR 42 million. In August the Fund early redeemed a part of the bonds in the amount of EUR 7.5 million. During August, the Fund successfully refinanced the Kontor SIA loan until 2028, reducing the original Kontor SIA loan by EUR 1.2 million. At the end of 2023, the Fund's consolidated cash and cash equivalents amounted to EUR 6.2 million (31 December 2022: EUR 5.3 million).

Net Asset Value (NAV)
At the end of 2023, the Fund's NAV was EUR 109.5 million (31 December 2022: EUR 133.7 million). Compared to the year-end 2022, the Fund's NAV decreased by 18.0%. The operational performance result was offset by the EUR 21.9 million loss on property valuations and EUR 4.0 million loss from the disposal of the BH Domus Pro UAB and BH Duetto UAB shares. These were the main factors behind the fall in the Fund's NAV. Excluding the impact of valuations, the NAV at the end of 2023 would have been EUR 131.4 million or EUR 1.098 per unit. As of 31 December 2023, IFRS NAV per unit decreased to EUR 0.9156 (31 December 2022: EUR 1.1172), while EPRA net tangible assets and EPRA net reinstatement value were EUR 0.9546 per unit (31 December 2022: EUR 1.1865). EPRA net disposal value was EUR 0.9122 per unit (31 December 2022: EUR 1.1143).

Movement in IFRS NAV

EUR'000



LTV

57.3%

Average interest rate

5.2%

Bank loan amortisation

1.4% p.a.

Weighted average time to debt maturity

2.3 years

FINANCING

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

Extension of bank loans

During Q4 2023, the Group extended the bank loans of Galerija Centrs and LNK. The LNK loan was extended until April 2024 and the Galerija Centrs loan was extended until August 2024. In Q4 the Fund also received binding offers to refinance the Europa and North Star loans. The 5-year loan refinancing agreements were signed with Šiaulių bankas on 6 February 2024. The total amount of the BH Northstar UAB loan is EUR 9.5 million, while the BH Europa UAB loan is EUR 16.5 million. As part of the bonds mature in May 2024, it is planned that they will be redeemed using proceeds from asset sales and/or additional bank loans taken by Group companies.

Extension of short-term bond tranche

On 13 March 2024, the bondholders formally approved the extension of the EUR 12.5 million short-term bond tranche mandatory redemption deadline from 8 May 2024 to 8 July 2024. The remaining bond amount in EUR 22 million shall be redeemed by 8 May 2028.

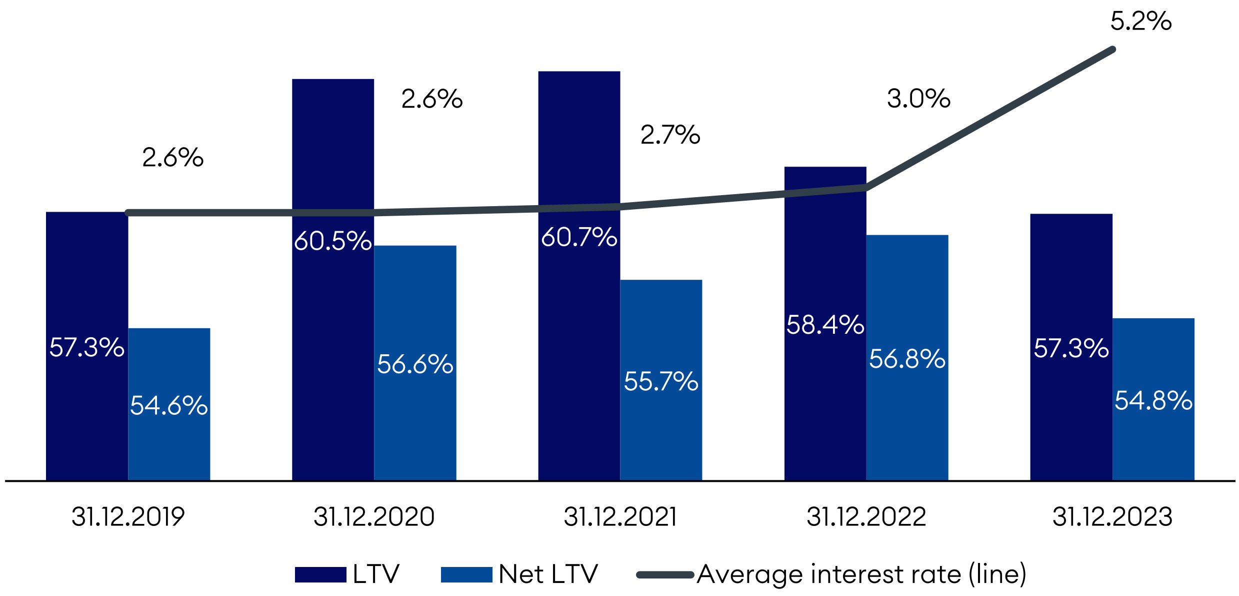
Registration of listing prospectus

The Estonian Financial Supervision and Resolution Authority approved the prospectus for listing and admission to trading of the bonds on 16 October 2023. The first trading day of the bonds on the Baltic Bond List of the Nasdaq Tallinn Stock Exchange was 25 October 2023.

Bank loans and bonds

During 2023, regular bank loan amortisation was 1.4% p.a. (EUR 2.1 million p.a.). As of the end of 2023, the LTV ratio decreased and reached 57.3% (31 December 2022: 58.4%). The average interest rate as of 31 December 2023 increased to 5.2% (31 December 2022: 3.0%) following an increase in EURIBOR and a higher bond coupon since bond refinancing in May 2023. The management team is working to reduce LTV below 50% during upcoming periods.

LTV and average interest rate



The table below provides a detailed breakdown of the structure of the Fund's consolidated financial debt as of 31 December 2023. Interest-bearing debt was comprised of bank loans with a total carrying value of EUR 109.4 million and bonds with a carrying value of EUR 34.5 million. 100% of the debt instruments were denominated in euros. Bank loans have been obtained by subsidiaries that hold the

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

Loan arrangement costs are capitalised and amortised over the terms of the respective loans. At the end of 2023, the unamortised balance of loan arrangement costs for all loans and bonds was EUR 522 thousand.

Financial debt structure of the Fund as of 31 December 2023

Property	Maturity	Currency	Carrying amount (EUR '000)	% of total	Hedged portion (%)
Galerija Centrs	26 August 2024	EUR	30,000	20.8%	100.0%
CC Plaza and Postimaja	12 February 2026	EUR	16,727	11.6%	102.8%
Europa SC[1]	15 March 2024	EUR	8,400	5.8%	219.1%
Upmalas Biroji BC	2 August 2028	EUR	10,455	7.3%	101.1%
Vainodes I	13 November 2024	EUR	10,356	7.2%	47.5%
North Star[1]	15 March 2024	EUR	9,000	6.2%	100.0%
LNK	2 April 2024	EUR	7,947	5.5%	73.0%
Lincona	31 December 2027	EUR	9,198	6.4%	0.0%
Pirita SC	20 February 2026	EUR	4,629	3.2%	0.0%
Sky SC	31 January 2028	EUR	2,797	2.0%	0.0%
Total bank loans		**EUR**	**109,509**	**76.0%**	**73.9%**
Less capitalised loan arrangement fees[2]		EUR	(121)		
Total bank loans recognised in the statement of financial position		**EUR**	**109,388**		
5-year secured bonds[3]	8 May 2028	EUR	34,500	24.0%	0.0%
Total bonds		**EUR**	**34,500**	**24.0%**	**0.0%**
Less capitalised bond arrangement fees[2]		EUR	(401)		
Total bonds recognised in the statement of financial position		**EUR**	**34,099**		
Total debt recognised in the statement of financial position		**EUR**	**143,487**	**100.0%**	**73.9%**

1. On 6 February 2024, new 5-year loan agreements were executed with Šiaulių bankas.
2. Amortised each month over the term of a loan/bond.
3. Bonds in the total nominal amount of EUR 12.5 million have to be redeemed by 8 May 2024.

Weighted debt financing average time to maturity was 1.9 years and weighted hedge average time to maturity was 1.1 years at the end of 2023.

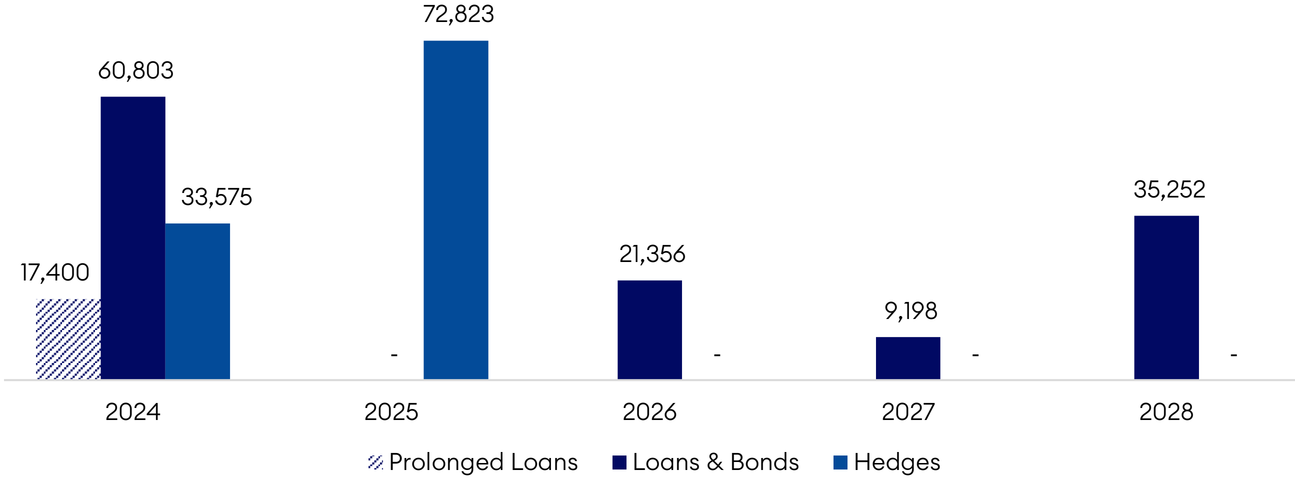
Hedging policy and new hedges

As of 31 December 2023, 73.9% of total debt was hedged against interest rate risk while the remaining 26.1% had floating interest rates. The Fund hedges interest rates on a portion of its debt by acquiring IRS-type hedging instruments or limits the impact of rising interest rates with interest rate cap instruments (CAP).

The graph below shows that as of 31 December 2023 around 54.3% of total debt financing matures in 2024.

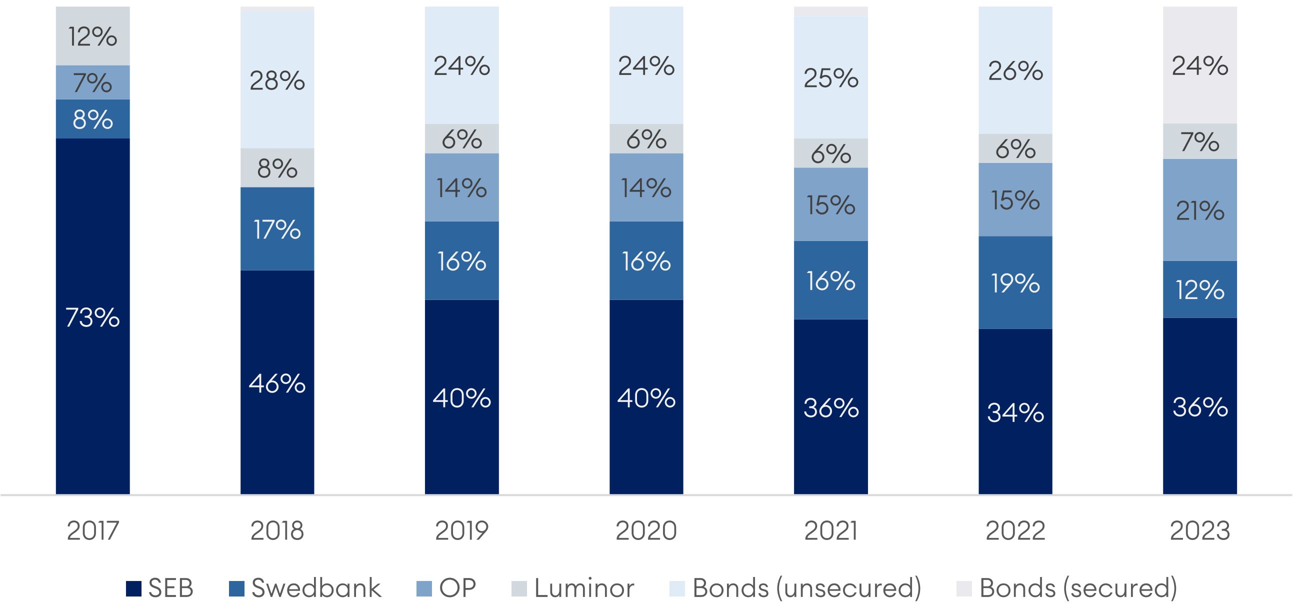
Maturity terms of loans, bonds and hedges

EUR'000



The graph below shows that the Fund's debt financing is diversified between 4 most reputable domestic and international banks in the Baltics, and unsecured and secured bonds. SEB exposure decreased from 73% in 2016 to 36% in 2023. 5-year secured bonds accounted for 24% of total debt financing in 2023.

Financing diversification



Covenant reporting

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

As of 31 December 2023, the Fund was in compliance with all special conditions and covenants set under the bank loan agreements except for the Galerija Centrs property. The Interest Service Coverage Ratio (ISCR) of the Galerija Centrs property (carrying loan amount – EUR 30 million) was below the required level of 1.8 at the end of 2023, but this did not result in any consequences because the Fund received a formal waiver from the lender for the mentioned covenant breach. As of 31 December 2023 the LTV of Galerija Centrs was above the required level of 45%. If the 45% threshold is exceeded, then Galerija Centrs has to make a partial early repayment of the loan within 6 months from the bank's notice to the extent that LTV does not exceed 45%. So, EUR 939,000 should be prepaid within 6 months if such a notice is received. No notice has been received from the bank to date.

Equity Ratio - equity divided by total assets.

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

On 13 March 2024, the bondholders formally approved reduction of the DSCR to 0.85 for the period of 1 January 2024 (inclusive) until 31 December 2024 (inclusive). Starting from 1 January 2025, the DSCR figure covenant will be 1.20.

Financial covenants of unsecured bonds

Covenant	Requirement	Ratio 31.12.2022	Ratio 31.03.2023	Ratio 30.06.2023	Ratio 30.09.2023	Ratio 31.12.2023
Equity Ratio	> 35.0%*	39.3%	42.3%	45.2%	44.9%	42.9%
Debt Service Coverage Ratio	> 1.100*	2.240	1.980	1.680	1.950	1.104**

*Equity ratio must be above 35.0% until the collateral has been released and thereafter above 37.5%. The DSCR of the Group must be (1) above 1.10 until 31 December 2023, (2) above 0.85 for the period of 1 January 2024 until 31 December 2024 and (3) thereafter as of 1 January 2025 above 1.20.

**As of 31 December 2023, the DSCR excluding paid interest associated with mandatory partial early redemption of the bonds was 1.19.

EPRA NRV
EUR 0.9546
per unit

EPRA Earnings
EUR 0.02
per unit

EPRA NIY
4.6%
net initial yield

EPRA BPR
Gold
Award

EPRA PERFORMANCE MEASURES

New EPRA performance metrics

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

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

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

Baltic Horizon wins EPRA Gold award

Baltic Horizon Fund received a prestigious award at the European Public Real Estate Association (EPRA) virtual annual conference 2023 for the fourth 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 182 European listed real estate entities as part of its annual award process.

Key performance indicators – definition and use

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

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

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

EPRA Net asset value

EUR '000	31.12.2023 EPRA NRV	31.12.2023 EPRA NTA	31.12.2023 EPRA NDV
IFRS NAV	**109,532**	**109,532**	**109,532**
Exclude:			
V. Deferred tax liability on investment properties[1]	5,204	5,204	-
V. Deferred tax on fair value of financial instruments	40	40	-
VI. Fair value of financial instruments	(571)	(571)	-
Include:			
IX. Revaluation at fair value of fixed-rate loans	-	-	(401)
NAV	**114,205**	**114,205**	**109,131**
Fully diluted number of units	119,635,429	119,635,429	119,635,429
NAV per unit (EUR)	**0.9546**	**0.9546**	**0.9122**

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

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

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

EPRA Earnings

EUR '000	2023	2022
Net result IFRS	**(22,973)**	**3,944**
Exclude:		
I. Changes in fair value of investment properties	21,876	2,914
II. Profits or losses on disposal of investment properties	4,047	423
VIII. Deferred tax in respect of EPRA adjustments	(656)	979
EPRA Earnings	**2,294**	**8,260**
Weighted number of units during the period	119,635,429	119,635,429
EPRA Earnings per unit	**0.02**	**0.07**

EPRA LTV

EUR '000	31.12.2023	31.12.2022
Net debt		
Include:		
Borrowings from financial institutions	109,509	144,682
Bond loans	34,500	50,000
Net payables	1,018	3,502
Exclude:		
Cash and cash equivalents	(6,182)	(5,347)
Net debt (A)	**138,845**	**192,837**
Property value		
Include:		
Investment properties at fair value	250,385	333,123
Total property value (B)	**250,385**	**333,123**
EPRA LTV (A/B)	**55.5%**	**57.9%**

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

EPRA Vacancy rate

EUR '000	31.12.2023	31.12.2022
Estimated rental value of vacant space	2,984	1,716
Estimated rental value of the whole portfolio	17,491	24,889
EPRA Vacancy rate	**17.1%**	**6.9%**

EPRA vacancy rate has increased from 6.9% at the end of 2022 to 17.1% at the end of 2023. The main reason for the increase was higher vacancies in the office segment, particularly due to EMERGN's decision to reduce their rented area in LNK and the SEB exit from Upmalas Biroji. Moreover, the rental value of the whole portfolio decreased due to disposal of Domus Pro and Duetto I and II buildings during the year.

EPRA Cost ratios

EUR '000	2023	2022
Property expenses not recharged to tenants	3,126	3,052
Administrative and overhead expenses	2,617	3,133
Capitalized overhead expense[1]	-	-
Capitalized administrative expense[1]	-	-
EPRA costs (including direct vacancy costs) (A)	**5,743**	**6,185**
Direct vacancy costs	(999)	(634)
EPRA costs (excluding direct vacancy costs) (B)	**4,744**	**5,551**
Rental income	17,743	20,482
Gross rental income (C)	**17,743**	**20,482**
EPRA Cost ratio (including direct vacancy costs) (A/C, %)	**32.4%**	**30.2%**
EPRA Cost ratio (excluding direct vacancy costs) (B/C, %)	**26.7%**	**27.1%**

1. No overhead expenses nor administrative expenses were capitalised during 2023 and 2022.

EPRA NIY and "topped-up" NIY

EUR '000	31.12.2023	31.12.2022
Investment properties	250,385	333,123
Exclude:		
Developments	-	-
Completed property portfolio GAV	**250,385**	**333,123**
Annualised cash passing rental income	15,593	22,639
Property expenses not recharged to tenants	(4,030)	(2,958)
Annualised net rental income	**11,562**	**19,681**
Include:		
Notional rent expiration of rent free periods or other lease incentives	318	699
Topped-up net annualised rental income	**11,880**	**20,380**
EPRA NIY	**4.6%**	**5.9%**
EPRA "topped-up" NIY	**4.7%**	**6.1%**

EPRA Capital expenditure

EUR '000	31.12.2023	31.12.2022
Development	-	5,718
Investment properties:		
No incremental lettable space	3,328	7,353
Total capital expenditure	**3,328**	**13,071**
Conversion from accrual to cash basis	2,360	554
Total capital expenditure on cash basis	**5,688**	**13,625**

In 2022 and 2023, there were no acquisitions of new properties. Development costs of EUR 5,718 thousand in 2022 are related to the construction of the Meraki office building, which was finished in September 2022. The capital expenditure on lettable space consists of tenants' fit-outs and improvements.

Market capitalisation of Baltic Horizon Fund turns around in ca. 13.4 years on the Nasdaq Tallinn Stock Exchange

INVESTOR RELATIONS

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

Conversion of units to Swedish depository receipts

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

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

After the end of the SDR offering period, the unitholders can convert units into SDRs (and vice versa) on an ongoing basis. The unitholders that are holders of the units held with Euroclear Sweden had such a possibility until the end of October 2022 after which Euroclear Sweden appointed a sales agent to sell such units and pay out the proceeds (less sales costs and any applicable taxes) to the cash account connected with the respective Swedish investor's securities account.

Trading information

As of 31 December 2023, the market capitalisation for Baltic Horizon Fund was approx. EUR 37.7 million (31 December 2022: EUR 68.8 million) based on the closing unit market prices on the Nasdaq Tallinn Stock Exchange. During 2023, Baltic Horizon Fund units on the Nasdaq Tallinn Stock Exchange were trading at a discount compared to the net asset value per unit. The market price of the unit entered a downward trend at the end of February 2022 after the start of the war in Ukraine. At the end of 2023, the closing unit price on the Nasdaq Tallinn Stock Exchange was EUR 0.3150.

Key information

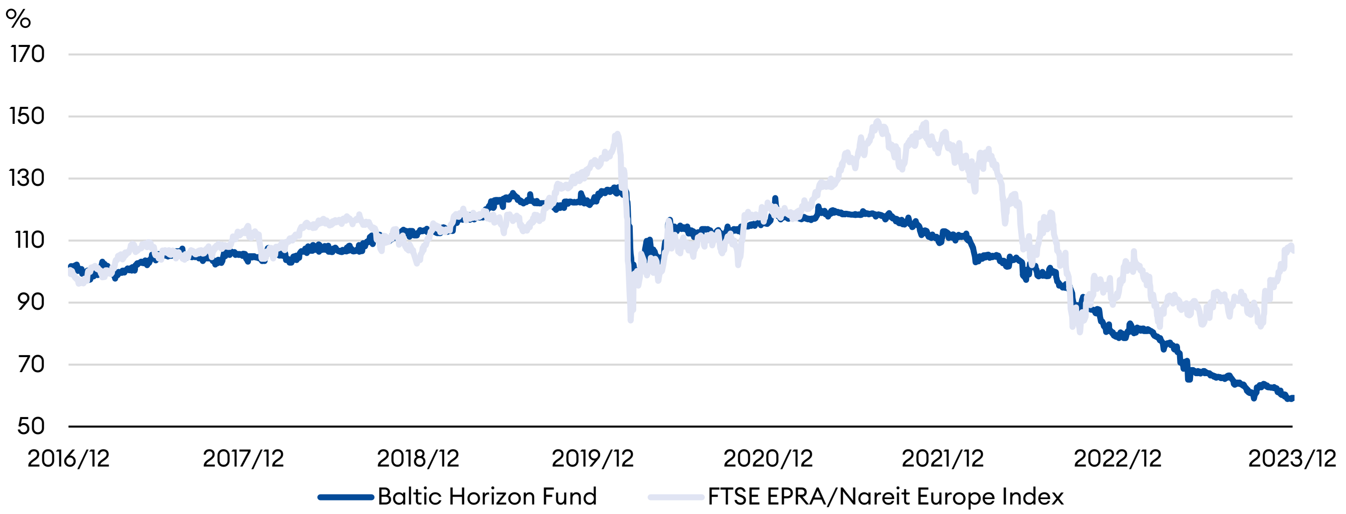
ISIN code	EE3500110244
Markets	Nasdaq Tallinn Nasdaq Stockholm
Ticker symbols:	
Nasdaq Tallinn	NHCBHFFT
Nasdaq Stockholm	NHCBHFFSDB
Bloomberg tickers:	
Nasdaq Tallinn	NHCBHFFT:ET
Nasdaq Stockholm	NHCBHFFS:SS

Key figures	31.12.2023	31.12.2022
Number of units issued (units)	119,635,429	119,635,429
Market capitalisation[1] (EUR)	37,685,160	68,790,372
IFRS NAV per unit (EUR)	0.9156	1.1172
Unit price discount from IFRS NAV per unit[2] (%)	(65.6%)	(48.5%)
EPRA NRV per unit (EUR)	0.9546	1.1865
Unit price discount from EPRA NRV per unit[3] (%)	(67.0%)	(51.5%)

Key figures	2023	2022
Nasdaq Tallinn:		
Highest unit price during the period (EUR)	0.6547	1.0689
Lowest unit price during the period (EUR)	0.3000	0.5687
Closing unit price (EUR)	0.3150	0.5750
Nasdaq Stockholm:		
Highest unit price during the period (SEK)	6.40	11.42
Lowest unit price during the period (SEK)	3.26	5.26
Closing unit price (SEK)	3.30	5.60
Earnings per units during the period (EUR)	(0.19)	0.03
Distribution per unit for the period[4] (EUR)	-	0.026

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

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

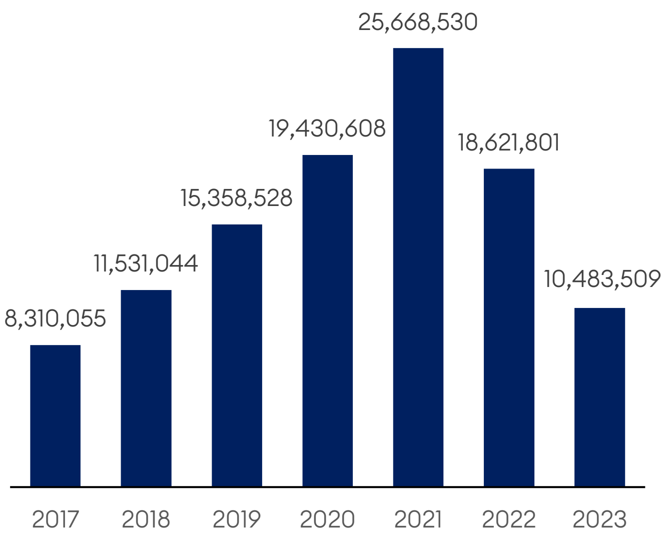


Baltic Horizon Fund's total shareholder return on the unit in during 2023 amounted to -45.2%. Total shareholder return for a given period is equivalent to the movement in the unit price on the Nasdaq Tallinn Stock Exchange over the period plus dividends paid, divided by the opening unit price.

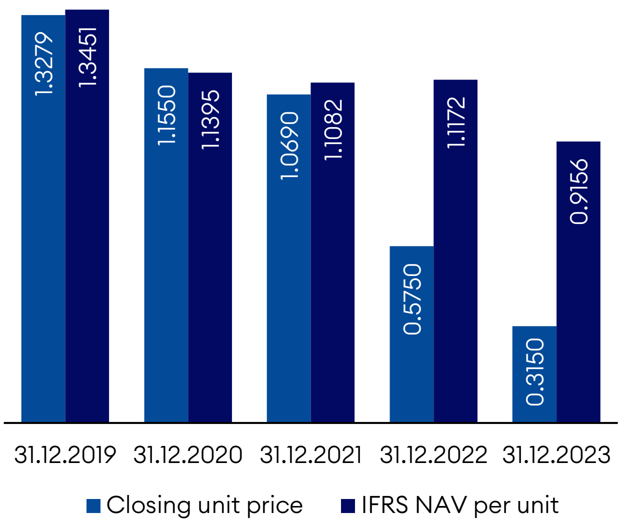
In 2023, the Baltic Horizon Fund unit offered decent liquidity. In total, 119,635,429 units were traded on the Nasdaq Tallinn stock exchange, while the total 2023 trading volume reached 8.9 million units. Market capitalisation of approx. EUR 37.7 million turns around in ca. 13.4 years on the Nasdaq Tallinn stock exchange. Baltic Horizon Fund was the 22nd most traded listed security on the Nasdaq Tallinn Stock Exchange during 2023. The first graph below shows the Baltic Horizon Fund units' yearly trading volume on the Nasdaq Tallinn and Nasdaq Stockholm stock exchange.

During 2023, Baltic Horizon Fund units on the Nasdaq Tallinn Stock Exchange were trading at a discount compared to the net asset value per unit. At the end of 2023, units were traded at a 65.6% discount compared to the IFRS NAV per unit and 67.0% discount compared to the EPRA NRV per unit. The second graph below shows the Baltic Horizon Fund unit price in relation to its IFRS net asset value since inception.

Yearly trading volume on Nasdaq Tallinn and Stockholm Stock Exchanges
Units



Nasdaq Tallinn unit price compared with NAV
EUR



Dividend capacity

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

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

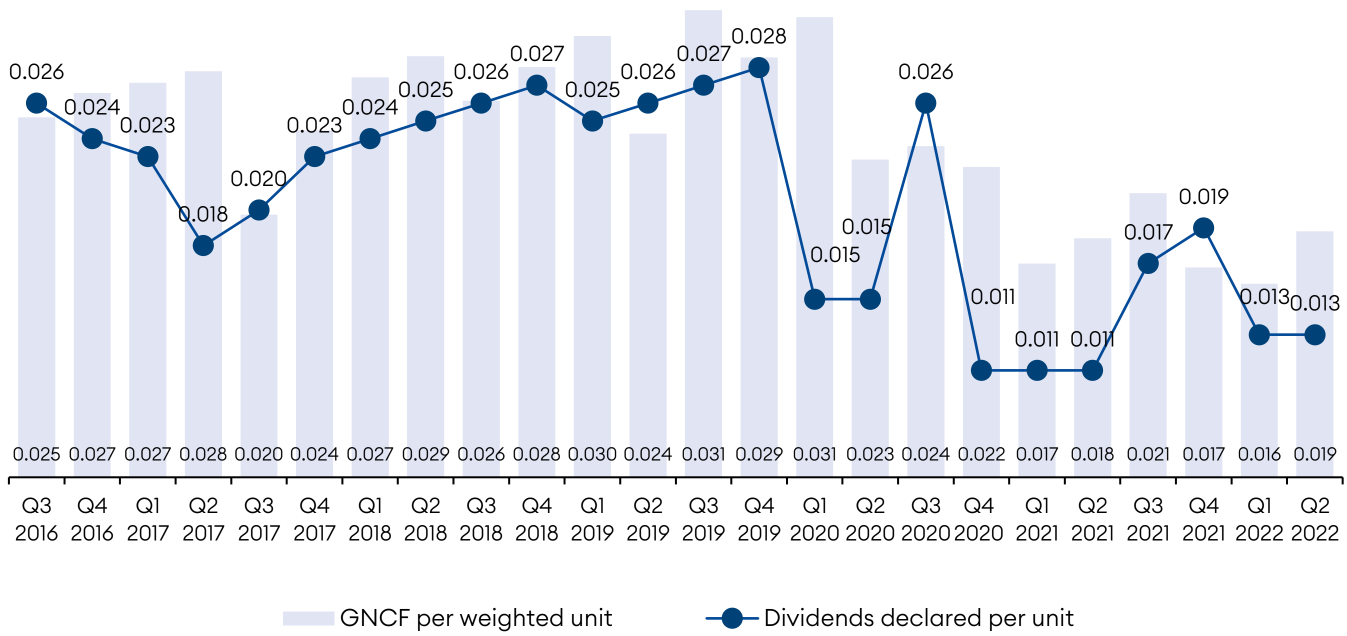
The Fund sets a target of dividend distributions to its unitholders in the range between 80% of generated net cash flow (GNCF) and net profit after unrealized P&L items are adjusted. The distribution is based on the Fund's short-term and long-term performance projections. Management has discretion to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

The Management Company of Baltic Horizon Fund has approved changes to cash distribution frequency. Starting from July 2022, Baltic Horizon Fund's quarterly cash distribution frequency was changed. At the Annual General Meeting the decision was announced to withhold the dividend payments in 2023 to strengthen the Fund and its asset performance. The Fund's management team does not intend to distribute any dividend payments in 2024.

Generated net cash flow (GNCF) calculation formula

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

Dividend per unit (EUR)



Generated net cash flow calculation

EUR '000	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
(+) Net rental income	4,457	4,202	4,293	3,228	2,894
(-) Fund administrative expenses	(996)	(736)	(678)	(572)	(631)
(-) External interest expenses	(1,748)	(1,822)	(2,290)	(2,794)	(2,321)
(-) CAPEX expenditure	(577)	(167)	(116)	(901)	(1,094)
(+) Added back acquisition/disposal related expenses	-	-	-	7	-
Generated net cash flow (GNCF)	**1,136**	**1,477**	**1,209**	**(1,032)**	**(1,152)**
GNCF per weighted unit (EUR)	**0.009**	**0.012**	**0.010**	**(0.009)**	**(0.010)**
12-months rolling GNCF yield[1] (%)	**10.4%**	**10.1%**	**11.3%**	**6.9%**	**1.3%**

1. 12-month rolling GNCF and dividend yields are based on the closing market price of the unit as of the end of the quarter (Q4 2023: closing market price of the unit as of 31 December 2023).

STRUCTURE AND GOVERNANCE

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

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

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.

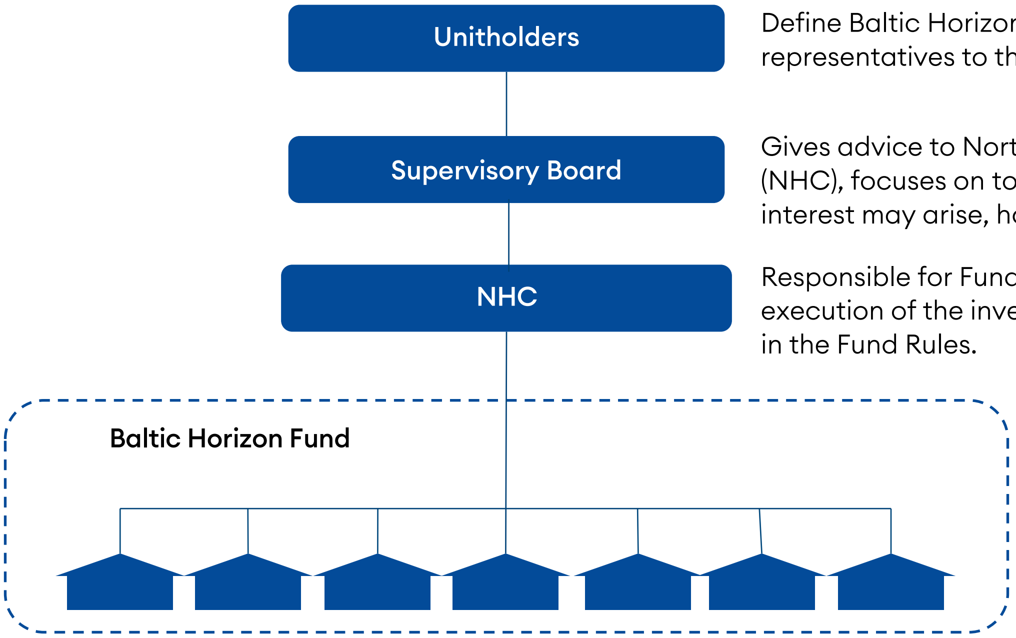
The Fund is a tax transparent and cost-efficient vehicle. The management fee is linked to the market capitalisation of the tradable units. It is also embedded in the Fund Rules that the management fee will decrease from 1.5% to as low as 0.5% of the market capitalisation as the Fund's assets grow.

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.

Governance chart



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

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

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

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.

Management Board and Supervisory Board of the Management Company

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

Supervisory Board of the Fund

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

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

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

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

Valuations

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

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

Audit

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

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

Members of the Management Board of the Management Company	Members of the Supervisory Board of the Management Company	Members of the Supervisory Board of the Fund
Tarmo Karotam (Chairman)	Lars Ohnemus (Chairman)	Reimo Hammerberg (Chairman)
Aušra Stankevičienė	Nerijus Žebrauskas	Monica Hammer
Edvinas Karbauskas	Daiva Liubomirskienė	Per V. Jenster
		David Bergendahl

Tarmo Karotam

Chairman of the Management Board / Fund Manager

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

Edvinas Karbauskas

Member of the Management Board / Co-Fund Manager

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

Aušra Stankevičienė

Member of the Management Board / Fund Service Director

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

RISK MANAGEMENT

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

Principal risks faced by the Fund

Risk	Risk description
Market risk	The Fund is exposed to the office and retail markets in Riga, Tallinn, and Vilnius through its indirect investments in investment property (through subsidiaries). Although the Fund's portfolio is well diversified across specified geographies and market segments, the whole region is affected by increasing energy costs and high inflation which increases the risk of tenant bankruptcies and their ability to pay rent. This could have a negative impact on the properties' occupancy rates and the Fund's rental income.
Liquidity risk	The Fund is exposed to liquidity risk related to the renewal of its financing as it reaches maturity. Failure to renew the financing at acceptable terms or breaches of debt covenants could cause the need to dispose of the assets owned by the Fund. Please refer to note 12 for more information regarding asset acquisitions. Please refer to note 17 for more information regarding the maturity dates of the loans and borrowings. Most financing agreements require additional loan amortisation when debt covenants deteriorate. Thus a decrease in the performance or value of the Fund's properties due to changes in real estate yields could cause the need for additional liquidity. Real estate investments have low liquidity and there can be no assurance that the Fund will be able to exit the investments in a timely manner. By their nature, real estate investments or interests in other non-public entities are subject to industry cyclicality, downturns in demand, market disruptions and the lack of available capital for potential purchasers and therefore often difficult or time consuming to liquidate.
Interest rate risk	The Fund is exposed to interest rate risk because of leverage (bank loans or bonds) used to finance its real estate investments. The Fund hedges against interest rate risk either by taking fixed rate loans or by using interest rate swaps or interest rate caps for the loans with variable interest rates. As 1) the Fund seeks to obtain financing on the best terms and conditions and 2) in the current market, fixed rate loans are often more expensive, the Fund hedges interest rate exposure by mainly using derivative instruments such as interest rate swaps, forwards and options. The Fund and its subsidiaries acquire swaps only for cash flow hedging purposes and not for trading. Given that a large part of external financing and related interest rate hedging mature in 2024 and given the increase in market interest rates and hedging costs, there is a risk that new financing will be arranged at a higher cost.
General property related risks	Real estate as an asset class has some typical risks, for example those caused by construction or property maintenance errors. An unforeseen event such as a technical system failure may arise despite comprehensive control and careful maintenance. A number of assets owned by the Fund are older than 10 years and, therefore, may require unplanned repairs or maintenance CAPEX. Investments may also be needed for buildings to meet changing tenants' needs and regulatory or environmental requirements.

The Fund received a 4-star rating from the Global Real Estate Sustainability Benchmark (GRESB) in 2023. The result reflects continuous efforts to become a market leader in ESG performance

SUSTAINABILITY

Our commitment

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

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

We strongly feel that continued commitment to high ESG standards is the best way for our investors to achieve their investment goals and at the same time to ensure that the environment and communities can benefit as well. For that we align our efforts with leading market standards. The Management Company of Baltic Horizon Fund and Northern Horizon group are members of EPRA, INREV and SIPA.

Northern Horizon Group has been a signatory to United Nations Principles of Responsible Investment (UN PRI) since 2014 and therefore reports to UN PRI. After a break in 2022, UN PRI released its new reporting framework and signatories received their scores in Q4 2023. Northern Horizon Group received 4 stars out of 5 in the Policy, Governance and Strategy section, a 3-star rating out of 5 in Direct – Real estate section and a 3-star rating out of 5 in Confidence building measures. We are pleased to report that Northern Horizon Group performed above median in the Policy, Governance and Strategy section of the report.

In order to benchmark our sustainability performance, the Fund also participated in the GRESB real estate assessment, receiving a 4-star rating for the second year in a row. The Fund also issues a separate annual ESG report based on GRI guidelines.

Stakeholder engagement

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

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

Tenants: tenant retention and commitment to our asset maintenance is a core focus of our asset management. We aim to be a considerate asset owner that reacts to the needs and suggestions of our tenants and to create a sustainability culture in the communities we have an impact on.

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

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

SFDR/EU Taxonomy

We have taken steps to integrate sustainability factors into our investment process in all steps of the investment life cycle. At Baltic Horizon, our responsibility to national and international sustainability legislation is recognised by monitoring present compliance and actively managing the risks of future proposed sustainability regulation. To support it, already in 2021 we signed as Sustainable Finance Disclosure Regulation ("SFDR") article 8 Fund. More information on the promoted environmental characteristics and their attainment is found in the Appendix to the Financial Statements. During 2022 we analysed our EU Taxonomy alignment for the first time and found that 12% of our investments were EU Taxonomy aligned, contributing to the objective of climate change mitigation. We have followed the development of regulatory guidance and assessed our portfolio again in 2023, finding that the Taxonomy alignment of our investments was 14%. Since all the Fund's assets have been built before 31 December 2020[1], the Taxonomy alignment was

[1]In accordance with the regulatory guidelines the asset has been considered to "be built" when it received its construction permit.

analysed in accordance with the climate change mitigation criteria for activity 7.7. acquisition and ownership of buildings, taking into account the energy performance requirements: either energy certificate A or belonging to the top 15% of the national building stock. Besides screening for energy efficiency, the Fund conducted a physical climate risk assessment already in Q4 2022 to respond to the “do no significant harm” criteria, incorporated minimum safeguards into its policies and conducted a human rights risk assessment during 2022.

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

Governance

Baltic Horizon is dedicated to good corporate governance principles. We strive to have a transparent, fair, and professional dialogue with our investors, business partners and employees. A lot of emphasis is put on identifying, monitoring, managing, and minimizing potential risks, while protecting the full upside potential of investments. We will refuse any investment opportunity, which challenges our integrity or conflicts with our mission statement and values. In 2023, we updated and further adjusted our Responsible Investment and Minimum Safeguards policy which integrates human rights and the OECD’s Guidelines into our processes in order to comply with the minimum safeguards of the EU Taxonomy.

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

LNK Centre, North Star, Vainodes, Upmalas Biroji, Galerija Centrs, Europa

BREEAM
Very Good

Pirita, Coca Cola Plaza, Postimaja, SKY, Lincona

BREEAM
Good

Certification

During the reporting period the Fund certified its entire retail portfolio and continued to renew the certificates of the office portfolio. Meraki received its BREEAM interim design state certificate and is expected to receive its BREEAM new construction certification in 2024. Thus, the Fund achieved 100% certification coverage in the reporting period.

GRESB benchmarking

GRESB evaluation has become an integral self-evaluation tool and a guide for improvement and even contributes to the achievement of the sustainability goals for the Fund. GRESB Real Estate Assessment consists of two separate assessment modules: Management and Performance.

In 2023 the Fund received a 4-star GRESB rating. The Fund scored 27 points (out of 30) in the Management module and 55 points (out of 70) in the Performance module.

Renewable energy

One of the Fund's long-term targets is achieving the operational carbon neutrality target. A key aspect in achieving our target by 2030 is ensuring that our portfolio assets are powered by clean and renewable energy sources. Our assets Pirita and Meraki are equipped with on-site solar panels. During 2023 all assets of the Fund purchased renewable electricity. The Fund is constantly seeking new methods to increase the use of renewable energy.

Green leases

Achieving our sustainability targets would be impossible without cooperation with our tenants. To ensure that our sustainability 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 topics such 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. During 2023 our retail portfolio reached 75% coverage with green lease agreements. The office portfolio green lease coverage was 68%, making the total green lease coverage 72%.

Community health and wellbeing

Retail and office assets are integral to everyday life – that is why the Baltic Horizon Fund is actively engaged in promoting healthier lifestyles and empowering communities. In 2023, the Fund's team implemented and supported various projects to forge partnerships and build community connections.

One of them, the Stop Before You Stop campaign, was aimed at raising awareness of burnout. A series of wellness and mental health support seminars took place in Europa shopping centre, along with the corresponding social media content.

In cooperation with the nearby offices, Europa celebrated the Employee Appreciation Day. The whole-day programme included a coffee with croissants in the morning and an afternoon discussion with some of the top experts in the field about work-life balance. The Fund was also active in supporting the initiatives of the Lithuanian Red Cross: First Aid Festival, which raised awareness of the importance of first aid skills, and the "LRK kalba" (Lithuanian Red Cross Talks) event, where volunteers shared their relevant experience.

The Fund's property portfolio is 100% BREEAM certified.

FINANCIAL CALENDAR

Annual Report 2023	29 March 2024
Interim Report January 2024 – March 2024	9 May 2024
AGM of unitholders and Swedish Depositary Receipt holders 2023	3 June 2024
Interim Report January 2024 - June 2024	8 August 2024
Interim Report January 2024 – September 2024	7 November 2024
Interim Report January 2024 – December 2024	17 February 2025

MANAGEMENT BOARD’S CONFIRMATION

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

Independent auditors' report

To the Unitholders of Baltic Horizon Fund

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Baltic Horizon Fund (the Fund or the Group), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

Key Audit Matters

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

Fair value of investment properties

The carrying amount of investment properties in the consolidated statement of financial position as at 31 December 2023 was EUR 250,385 thousand; revaluation loss recognised in 2023 profit or loss and other comprehensive income was EUR 21,876 thousand.

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

The key audit matter	How the matter was addressed in our audit
The Fund's primary activity is investing in commercial real estate. Consequently, investment properties represent the single largest category of assets on the Fund's statement of financial position as at 31 December 2023.	In this area, we conducted, among others, the following audit procedures: — We assessed the process applied by management in selecting, reviewing and assessing the work of the external appraisers engaged by the Fund.

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

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the management report and in the appendices of the annual report on the pages 118-126, but does not include the consolidated financial statements and our auditors' report thereon.

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

We have undertaken a reasonable assurance engagement on the iXBRL tagging of the consolidated financial statements included in the digital files Baltic_Horizon_Fund_2023-12-31_EN.zip prepared by Baltic Horizon Fund.

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

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

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

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

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

Auditors' Responsibilities

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

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

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

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

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

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

– reconciling the tagged data with the audited consolidated financial statements of the Group dated 31 December 2023;

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

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

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

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

In our opinion, the consolidated financial statements included in the annual report of Baltic Horizon Fund identified as Baltic_Horizon_Fund_2023-12-31_EN.zip for the year ended 31 December 2023 are tagged, in all material respects, in compliance with the ESEF RTS.

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

We were appointed by those charged with governance on 29 March 2016 to audit the consolidated financial statements of Baltic Horizon Fund for the year ended 31 December 2015. Our total uninterrupted period of engagement is 9 years, covering the periods ending 31 December 2015 to 31 December 2023.

We confirm that:

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

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

Tallinn, 29 March 2024

/digitally signed/	/digitally signed/
Helen Veetamm	**Liisa Piirsalu**
Certified Public Accountant, Licence No 606	Certified Public Accountant, Licence No 709

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

EUR '000	Notes	2023	2022
Rental income		17,743	20,482
Service charge income	7	6,008	5,974
Cost of rental activities	7	(9,134)	(9,026)
Net rental income	**6**	**14,617**	**17,430**
Administrative expenses	8	(2,617)	(3,133)
Other operating income		44	278
Losses on disposal of investment properties	12	(4,047)	(423)
Valuation losses on investment properties	12, 13	(21,876)	(2,914)
Operating profit (loss)		**(13,879)**	**11,238**
Financial income		104	1
Financial expenses	9	(9,854)	(6,312)
Net financial costs		**(9,750)**	**(6,311)**
Profit (loss) before tax		**(23,629)**	**4,927**
Income tax charge	6, 11	656	(983)
Profit (loss) for the period	**6**	**(22,973)**	**3,944**
Other comprehensive income that is or may be reclassified to profit or loss in subsequent periods			
Net gain (loss) on cash flow hedges	16b	(1,273)	2,746
Income tax relating to net gain (loss) on cash flow hedges	16b, 11	123	(236)
Other comprehensive income (loss) net of tax, that is or may be reclassified to profit or loss in subsequent periods		**(1,150)**	**2,510**
Total comprehensive income (loss) for the period, net of tax		**(24,123)**	**6,454**
Basic and diluted earnings per unit (EUR)	**10**	**(0.19)**	**0.03**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR '000	Notes	31.12.2023	31.12.2022
Non-current assets			
Investment properties	6, 12	250,385	333,123
Intangible assets		11	6
Property, plant and equipment		4	1
Derivative financial instruments	22	295	2,228
Other non-current assets		647	-
Total non-current assets		**251,342**	**335,358**
Current assets			
Trade and other receivables	14	2,591	2,693
Prepayments		402	273
Derivative financial instruments	22	621	292
Cash and cash equivalents	15	6,182	5,347
Total current assets		**9,796**	**8,605**
Total assets	**6**	**261,138**	**343,963**
Equity			
Paid in capital	16a	145,200	145,200
Cash flow hedge reserve	16b	531	1,681
Retained earnings		(36,199)	(13,226)
Total equity		**109,532**	**133,655**
Non-current liabilities			
Interest-bearing loans and borrowings	17	64,158	124,017
Deferred tax liabilities	11	2,774	7,490
Other non-current liabilities		1,079	1,240
Total non-current liabilities		**68,011**	**132,747**
Current liabilities			
Interest-bearing loans and borrowings	17	79,584	71,094
Trade and other payables	18	3,343	5,644
Income tax payable		6	10
Other current liabilities		662	813
Total current liabilities		**83,595**	**77,561**
Total liabilities	**6**	**151,606**	**210,308**
Total equity and liabilities		**261,138**	**343,963**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR '000	Notes	Paid in capital	Cash flow hedge reserve	Retained earnings	Total equity
As of 1 January 2022		**145,200**	**(829)**	**(11,787)**	**132,584**
Comprehensive income					
Net profit for the period		-	-	3,944	3,944
Other comprehensive income	16b	-	2,510	-	2,510
Total comprehensive income		**-**	**2,510**	**3,944**	**6,454**
Transactions with unitholders					
Profit distribution to unitholders	16c	-	-	(5,383)	(5,383)
Total transactions with unitholders		**-**	**-**	**(5,383)**	**(5,383)**
As of 31 December 2022		**145,200**	**1,681**	**(13,226)**	**133,655**
As of 1 January 2023		**145,200**	**1,681**	**(13,226)**	**133,655**
Comprehensive income					
Net loss for the period		-	-	(22,973)	(22,973)
Other comprehensive loss	16b	-	(1,150)	-	(1,150)
Total comprehensive loss		**-**	**(1,150)**	**(22,973)**	**(24,123)**
As of 31 December 2023		**145,200**	**531**	**(36,199)**	**109,532**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR '000	Notes	2023	2022
Cash flows from core activities			
Profit (loss) before tax		**(23,629)**	**4,927**
Adjustments for non-cash items:			
Value adjustment of investment properties		21,876	2,914
Losses on disposal of investment properties	12	4,047	423
Depreciation of property, plant and equipment		5	4
Change in impairment losses for trade receivables		248	117
Financial income		(104)	(1)
Financial expenses	9	9,854	6,312
Unrealised exchange differences		(1)	-
Working capital adjustments:			
Change in trade and other receivables		(623)	(102)
Change in other current assets		(136)	(143)
Change in other non-current liabilities		281	137
Change in trade and other payables		(295)	999
Change in other current liabilities		(684)	(300)
Income tax paid		-	(6)
Total cash flows from core activities		**10,839**	**15,281**
Cash flows from investing activities			
Interest received		104	1
Acquisition of property, plant and equipment and intangible assets		(13)	-
Proceeds from disposal of investment property	12	25,962	3,970
Investment property development expenditure		(1,588)	(6,516)
Capital expenditure on investment properties		(4,100)	(7,109)
Total cash flows from investing activities		**20,365**	**(9,654)**
Cash flows from financing activities			
Proceeds from bond issue		23,973	-
Proceeds from bank loans		14,500	4,000
Repayment of bank loans		(19,746)	(4,168)
Repayment of bonds		(39,473)	(4,000)
Profit distribution to unitholders	16c	-	(5,383)
Transaction costs related to loans and borrowings		(955)	(810)
Repayment of lease liabilities		(15)	(34)
Interest paid		(8,653)	(5,985)
Total cash flows from financing activities		**(30,369)**	**(16,380)**
Net change in cash and cash equivalents		**835**	**(10,753)**
Cash and cash equivalents at the beginning of the year		**5,347**	**16,100**
Cash and cash equivalents at the end of the year		**6,182**	**5,347**

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

Notes to the consolidated financial statements

1. Corporate information

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

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

The Fund’s registered office is at Hobujaama 5, 10151 Tallinn, Estonia.

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

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

Name	31.12.2023	31.12.2022
BH Lincona OÜ	100%	100%
BOF SKY SIA	100%	100%
BH CC Plaza OÜ	100%	100%
BH Europa UAB	100%	100%
Kontor SIA	100%	100%
Pirita Center OÜ	100%	100%
Vainodes Krasti SIA	100%	100%
BH S27 SIA	100%	100%
BH Meraki UAB	100%	100%
BH Galerija Centrs SIA	100%	100%
BH Northstar UAB	100%	100%
BH Domus PRO UAB	-	100%
BH P80 OÜ (merged with BH CC Plaza OÜ on 5 July 2023)	-	100%
BH Duetto UAB	-	100%

Baltic Horizon Fund merger with Baltic Opportunity Fund

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

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

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

2. Summary of material accounting policies

Basis of preparation

The Group's consolidated financial statements for the year ended 31 December 2023 have been prepared in accordance with International Financial Reporting Standards (the "IFRS") as adopted for use in the European Union.

Going concern assessment

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

New standards, amendments and interpretations adopted

The Fund applies certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023. These new standards and amendments did not have a material impact on the consolidated annual financial statements of the Fund when initially applied.

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

The following new standards, interpretations and amendments are not yet effective for the annual reporting period ended 31 December 2023 and have not been applied in preparing these consolidated financial statements.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants

(Effective for annual periods beginning on or after 1 January 2024)

In January 2020 and October 2022, the Board issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

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

(Effective for annual periods beginning on or after 1 January 2024)

The amendments to IFRS 16 Leases impact how a seller-lessee accounts for variable lease payments in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019. The amendments confirm the following:
- on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction;
- after initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains. A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. These amendments do not change the accounting for leases other than those arising in a sale and leaseback transaction.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements

(Effective for annual periods beginning on or after 1 January 2024)

The amendments introduce additional disclosure requirements for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk. The amendments apply to supplier finance arrangements (also referred to as supply chain finance, payables finance or reverse factoring arrangements) that have all of the following characteristics:
- a finance provider (also referred to as the factor) pays amounts a company (the buyer) owes its suppliers;
- a company agrees to pay under the terms and conditions of the arrangements on the same date or at a later date than its suppliers are paid;
- the company is provided with extended payment terms or suppliers benefit from early payment terms, compared with the related invoice payment due date.

However, the amendments do not apply to arrangements for financing receivables or inventory.

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability

(Effective for annual periods beginning on or after 1 January 2025)

Under IAS 21 The Effects of Changes in Foreign Exchange Rates, a company uses a spot exchange rate when translating a foreign currency transaction. In some jurisdictions, no spot rate is available because a currency cannot be exchanged into another currency.

IAS 21 was amended to clarify:
- when a currency is exchangeable into another currency; and
- how a company estimates a spot rate when a currency lacks exchangeability. The amendments also include additional disclosure requirements to help users to assess the impact of using an estimated exchange rate on the financial statements.

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

Material accounting policies

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

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

2a. Presentation currency

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

2b. Consolidated financial statements

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

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

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

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

2c. Foreign currency translation

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

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

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

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

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

2d. Investment properties

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

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

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

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

2e. Dividends (distributions)

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

2f. Provisions

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

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

2g. Derivative financial instruments

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

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

2h. Hedge accounting

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

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

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

2i. Interest-bearing loans and borrowings

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

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

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

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

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

2j. Other liabilities

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

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

2k. Financial assets

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

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

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

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

All "regular way" purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention are recognised at the trade date (the date that the Group commits to purchase or sell the asset), otherwise such transactions are treated as derivatives until the settlement date.
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:
- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and
- the Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

The expected loss rates are based on the payment profiles of receivables over a period of 36 months before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the tenants to settle the receivable. Such forward-looking information would include:
- changes in economic, regulatory, technological and environmental factors, (such as industry outlook, GDP, employment and politics); and
- external market indicators; and
- tenant base.

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

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

2l. Accounts receivable

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

2m. Cash and cash equivalents

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

2n. Contingencies

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

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

2o. Subsequent events

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

2p. Revenue recognition

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

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

2q. Expense recognition

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

2r. Administrative expenses

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

2s. Current taxation

Taxation of the Group subsidiaries

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

Taxation of the Fund

Gains from transfer of property

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

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

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

2t. Deferred taxation

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

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

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

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

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

(i) where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
(ii) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in profit or loss or directly in equity.
Under Estonian and Latvian laws, corporate profit for the year is not subject to income tax. Income tax is levied on dividends, gifts, donations, entertainment expenses, non-business expenditures and transfer price adjustments.

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

2u. Fair value measurements

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

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

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

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

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

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

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

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

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

2v. Business combinations

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

2w. Paid in capital

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

Applying the acquisition method

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

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

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

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

Business combinations between entities under common control

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

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

3. Significant accounting judgments, estimates and assumptions

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

Judgments

Presentation of service charge income
Management considers the following indicator to determine that a Group entity is acting as a principal in the agreement with the tenants in regards to service charge income: the entity is primarily responsible for fulfilling

the contract and has the right to terminate, freeze or amend the utilities and other services contracts, to enter into contracts with other providers or to switch to other supply types at any time.

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

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

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

- all significant risks and rewards of the ownership of this property are retained by the Group;
- the ownership of the property will remain to the Group by the end of the lease term;
- there is no agreement with the lessee that would allow the lessee to purchase the property at a discount or
- significantly lower amount than the fair value of the property;
- the initial rent period agreed was for 20 years with a lease expiration on 11 July 2034. However, the tenant has the right to terminate the lease at any time starting from 11 July 2024. Therefore, the lease term does not comprise the major part of the economic life of the property;
- there is no agreement with the lessee that would allow for the lessee to continue the lease for a secondary period at a rent that is substantially lower than market rent;
- at the inception of the lease the present value of the minimum lease payments does not amount to all of the fair value of the leased property.

Estimates and assumptions

Deferred tax
The Group is subject to income and capital gains taxes in numerous jurisdictions. Significant judgment is required in determining the total provision for current and deferred taxes. There are many transactions and calculations for which the ultimate tax determination and timing of payment is uncertain during the ordinary course of business. In particular, the effective tax rate applicable on the temporary differences on investment properties depends on the way and timing the investment property will be disposed of.

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

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

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

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

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

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

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

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

4. Financial risk management

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

4a. Credit risk

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

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

There are no significant concentrations of credit risk within the Group. As of 31 December 2023, the total credit risk exposure was as follows:

EUR '000	2023	2022
Cash and cash equivalents (note 15)	6,182	5,347
Trade and other receivables (note 14)	2,591	2,693
Derivative financial instruments (note 22)	916	2,520
Total exposure to credit risk	**9,689**	**10,560**

At the end of 2023, the Group's provisions for bad debts amounted to EUR 625 thousand (2022: EUR 513 thousand).

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

4b. Interest rate risk

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

On 31 December 2023, 73.9% of the Group's borrowings were hedged against interest rate risk using interest rate swaps and caps (31 December 2022: 80.3%). The Group's management is of an opinion that a 73.9% hedge ratio is fully sufficient in the current interest environment. Development of interest rates is closely monitored, and additional hedges can be concluded any time if the interest environment changes.

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

EUR '000	2023 Effect on profit before tax	2023 Effect on equity	2022 Effect on profit before tax	2022 Effect on equity
Increase in basis points, +50	(292)	74	(372)	234
Decrease in basis points, -50	292	(495)	372	(234)

4c. Liquidity risk

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

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

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

The management team and treasury department carefully monitor the Group's liquidity and consider various financing options to ensure the best possible financing terms for Baltic Horizon investors. In February 2024 new loans were negotiated with Šiaulių bankas for Europa and North Star, resulting in an increase in the outstanding loan amounts for these assets by EUR 8.6 million. Part of these loans in the amount of EUR 4.5 million will be used to early redeem part of the bonds of EUR 12.5 million maturing in May 2024 on 8 April 2024. The deadline of the mandatory early redemption of the bonds in the amount of EUR 8 million was prolonged to 8 July 2024. Bonds of EUR 8 million maturing in July 2024 will be refinanced by the new bank loan on expectedly better terms.

The banks are working on the extension of BH S27 SIA and BH Galerija Centrs SIA loans maturing in April and August 2024, respectively. The refinancing process of the Vainodes loan maturing in Q4 2024 will be initiated in autumn 2024.

The table below summarises the contractual maturity profile of the Group's financial liabilities on 31 December 2023. The amounts are gross and undiscounted and include contractual interest payments.

EUR '000	Less than 3 months	3 months - 1 year	1-2 years	2-5 years	More than 5 years	Total	Carrying amount
Interest-bearing loans and borrowings (note 17)	17,400	48,303	3,844	78,283	-	147,830	143,742
Derivative financial instruments (note 22)	-	-	621	295	-	916	916
Trade and other payables (note 18)	3,343	-	-	-	-	3,343	3,343
Total current and non-current	**20,743**	**48,303**	**4,465**	**78,578**	**-**	**152,089**	**148,001**

4d. Foreign exchange risk

The Fund's primary currency is the euro. In 2023 and 2022 the Group held no significant assets or liabilities and was not committed to undertake significant transactions in any currency other than the euro from this date.

5. Capital management

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

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

Management monitors capital using the loan-to-value ratio, which is borrowings divided by property value. The Group's target loan to value ratio is 50% or lower. As of 31 December 2023, the Group complied with all externally imposed capital requirements.

EUR '000	2023	2022
Interest-bearing loans and borrowings (excluding lease liabilities)	143,487	194,569
Investment properties	250,385	333,123
Investment property under construction	-	-
Gearing ratio (loan-to-value)	**57.3%**	**58.4%**

6. Operating segments

The Group's reportable segments are as follows:

- Retail segment – includes Europa Shopping Centre (Lithuania), Domus PRO Retail Park (Lithuania) (sold in Q1 2023), SKY Shopping Centre (Latvia), Pirita Shopping Centre (Estonia), Postimaja Shopping centre (Estonia), and Galerija Centrs Shopping Centre (Latvia) investment properties.
- Office segment – includes Lincona Office Complex (Estonia), Upmalas Biroji (Latvia), Duetto I (Lithuania) (sold in Q2 2023), Duetto II (Lithuania) (sold in Q2 2023), Domus PRO stage III (Lithuania) (sold in Q1 2023), Vainodes I (Latvia), LNK Centre (Latvia), Meraki (Lithuania) and North Star (Lithuania) investment properties.
- Leisure segment – includes Coca-Cola Plaza (Estonia) investment property.

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

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

Operating segments – 31 December 2023

EUR '000	Retail	Office	Leisure	Total segments
2023:				
External revenue[1]	12,924	9,830	997	23,751
Segment net rental income	**6,375**	**7,435**	**807**	**14,617**
Net loss from fair value adjustment	(11,836)	(8,881)	(1,159)	(21,876)
Interest expenses[2]	(2,862)	(2,127)	(331)	(5,320)
Income tax income	47	609	-	656
Segment net loss	**(10,150)**	**(5,515)**	**(702)**	**(16,367)**
As of 31.12.2023:				
Segment assets	**140,308**	**104,702**	**13,545**	**258,555**
Investment properties	135,259	101,886	13,240	250,385
Segment liabilities	**61,219**	**47,681**	**6,813**	**115,713**

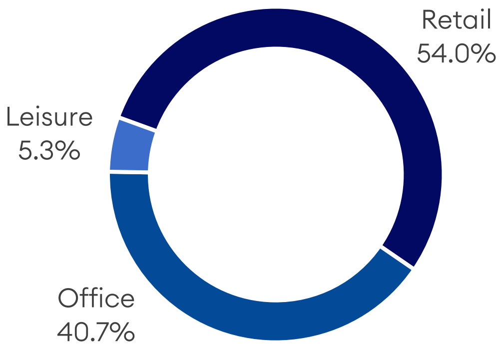
1. External revenue includes rental income and service charge income. The segments do not have inter-segment revenue.
2. Interest expenses include only external bank loan interest expenses.

Operating segments – 31 December 2022

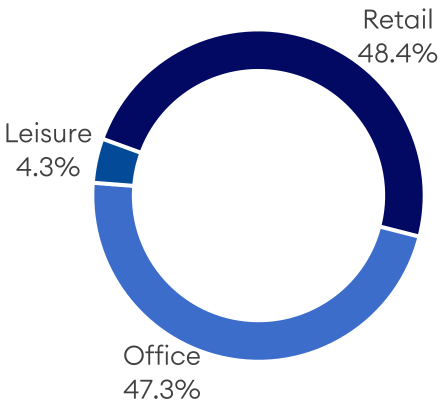
EUR '000	Retail	Office	Leisure	Total segments
2022:				
External revenue[1]	13,813	11,640	1,003	26,456
Segment net rental income	**6,768**	**9,798**	**864**	**17,430**
Net gain (loss) from fair value adjustment	(3,449)	597	(62)	(2,914)
Interest expenses[2]	(2,019)	(1,724)	(102)	(3,845)
Income tax expenses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

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

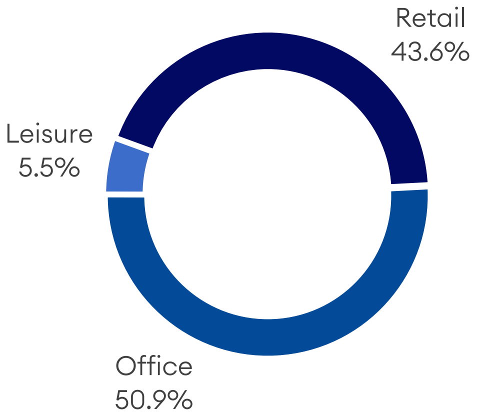
Investment properties as of 31 December 2023*



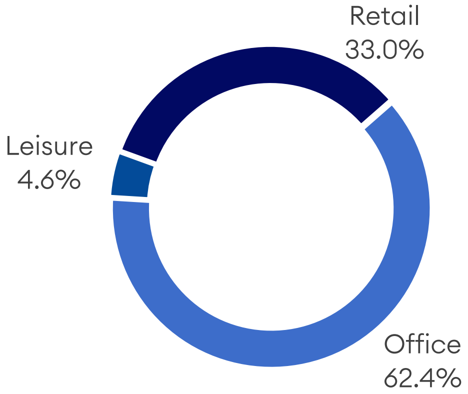
Investment properties as of 31 December 2022*



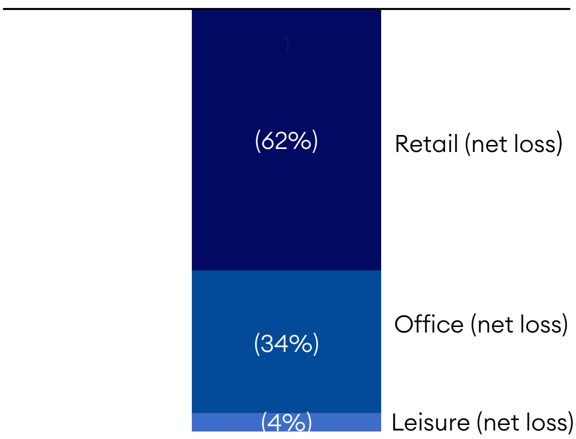
Segment net rental income for 2023*



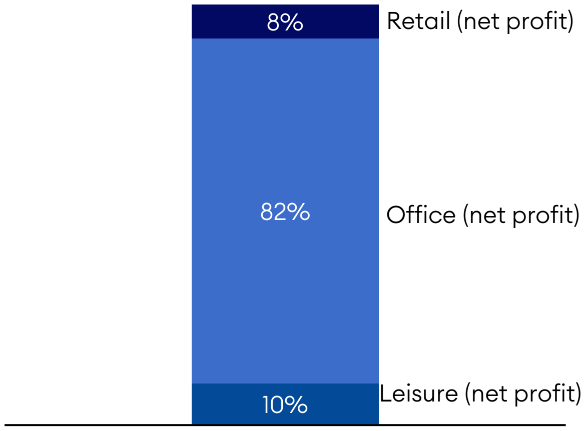
Segment net rental income for 2022*



Segment net loss for 2023*



Segment net profit for 2022*



*As a percentage of the total for all reportable segments

Reconciliation of information on reportable segments to IFRS measures

Operating segments – 31 December 2023

EUR '000	Total reportable segments	Adjustments	Consolidated
01.01.2023–31.12.2023:			
Net loss	**(16,367)**	(6,606)[1]	**(22,973)**
As of 31.12.2023:			
Segment assets	**258,555**	2,583[2]	**261,138**
Segment liabilities	**115,713**	35,893[3]	**151,606**

1. Segment net loss for 2023 does not include Fund management fee (EUR 1,493 thousand), bond interest expenses (EUR 3,532 thousand), bond arrangement fee amortisation (EUR 458 thousand), Fund custodian fees (EUR 61 thousand), and other Fund-level administrative expenses (EUR 1,062 thousand).
2. Segment assets do not include cash, which is held at the Fund level (EUR 2,284 thousand) and other receivables (EUR 299 thousand).
3. Segment liabilities do not include liabilities related to a bond issue at the Fund level (EUR 34,099 thousand), accrued bond coupon expenses (EUR 577 thousand), management fee payable (EUR 859 thousand), and other short-term payables (EUR 358 thousand) at the Fund level.

Operating segments – 31 December 2022

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

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

Geographic information

	External revenue		Investment property value[1]	
EUR '000	2023	2022	31.12.2023	31.12.2022
Lithuania	7,608	10,616	72,805	138,961
Latvia	10,489	10,795	121,400	128,862
Estonia	5,654	5,045	56,180	65,300
Total	**23,751**	**26,456**	**250,385**	**333,123**

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

Major tenant

No single tenant accounted for more than 10% of the Group's total revenue. Rental income from one tenant in the office segment represented EUR 1,275 thousand of the total rental income for 2023 (EUR 1,216 thousand for 2022).

7. Cost of rental activities

EUR '000	2023	2022
Repair and maintenance	3,348	3,124
Utilities	1,257	1,845
Property management expenses	1,053	1,435
Real estate taxes	717	1,039
Sales and marketing expenses	1,958	759
Property insurance	151	127
Allowance for bad debts	248	117
Other	402	580
Total cost of rental activities	**9,134**	**9,026**

Part of the total cost of rental activities (mainly utilities, repair and maintenance expenses) was recharged to tenants: EUR 6,008 thousand during 2023 (EUR 5,974 thousand during 2022).

8. Administrative expenses

EUR '000	2023	2022
Management fee	1,493	1,584
Consultancy fees	172	324
Legal fees	186	268
Fund marketing expenses	83	191
Audit fee	163	162
Custodian fees	61	68
Supervisory board fees	51	50
Other administrative expenses	408	486
Total administrative expenses	**2,617**	**3,133**

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

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

9. Financial expenses

EUR '000	2023	2022
Interest on external loans and borrowings	8,842	5,945
Loan arrangement fee amortisation	170	253
Interest on lease liabilities	10	19
Foreign exchange loss	-	-
Other financial expenses	832	95
Total financial expenses	**9,854**	**6,312**

10. Earnings per unit

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

Profit or loss attributable to the unitholders of the Fund:

EUR '000	2023	2022
Profit (loss) for the period, attributed to the unitholders of the Fund	(22,973)	3,944
Profit (loss) for the period, attributed to the unitholders of the Fund	**(22,973)**	**3,944**

Weighted-average number of units:

	2023	2022
Issued units of 1 January	119,635,429	119,635,429
Weighted-average number of units	**119,635,429**	**119,635,429**

Basic and diluted earnings per unit:

	2023	2022
Basic and diluted earnings per unit*	(0.19)	0.03

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

11. Income tax

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

The Group's consolidated effective tax rate in respect of continuing operations for 2023 was minus 2.8% (2022: 20%). The minus effective tax rate for 2023 is due to decrease in the fair values of Lithuanian investment properties.

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

EUR '000	2023	2022
Consolidated statement of profit or loss		
Current income tax for the period	-	(4)
Deferred tax for the period	656	(979)
Income tax income (expense) reported in profit or loss	**656**	**(983)**
Consolidated statement of other comprehensive income		
Deferred income tax related to items charged or credited to equity:		
Revaluation of derivative instruments to fair value	123	(236)
Income tax reported in other comprehensive income	**123**	**(236)**

Deferred tax is only applicable to Fund's subsidiaries in Lithuania. Deferred income tax as of 31 December 2023 and 2022 relates to the following:

EUR '000	Consolidated statement of financial position 31.12.2023	31.12.2022	Recognised in profit or loss 2023	2022
Tax losses brought forward	2,469	2,662	30	248
Revaluation of derivative instruments to fair value	(39)	-	-	-
Other adjustments	-	-	-	-
Deferred income tax assets	**2,430**	**2,662**	**-**	**-**
Investment property	(5,204)	(9,969)	613	(1,206)
Revaluation of derivative instruments to fair value	-	(156)	-	-
Other tax liability	-	(27)	13	(1)
Other adjustments	-	-	-	(20)
Deferred income tax liabilities	**(5,204)**	**(10,152)**	**-**	**-**
Deferred income tax income (expenses)	**-**	**-**	**656**	**(979)**
Deferred tax liabilities net	**(2,774)**	**(7,490)**	**-**	**-**
Reflected in the statement of financial position as follows:				
Deferred tax assets	-	-	-	-
Deferred tax liabilities	(2,774)	(7,490)	-	-
Deferred tax liabilities net	**(2,774)**	**(7,490)**	**-**	**-**

The reconciliation of the effective tax rate for the years ended 31 December 2023 and 2022 is as follows:

EUR '000	2023		2022	
Profit (loss) before income tax		**(23,629)**		**4,927**
At statutory tax rate	0.0%	-	0.0%	-
Effect of tax rates in foreign jurisdictions	(2.8%)	662	(16.2%)	(800)
Tax effect of non-deductible expenses	0.0%	(6)	(4.4%)	(215)
Change in unrecognised deferred tax	0.0%	-	(0.6%)	32
Total income tax expenses	**(2.8%)**	**656**	**(20.0%)**	**(983)**

As of 31 December 2023, the Group had tax losses of EUR 2,469 thousand that are available indefinitely for offset against future taxable profits of the Lithuanian companies in which the losses arose.

Summary of taxation rates by country is presented below:

	2023	2022
Lithuania	15%	15%
Latvia[1]	0%	0%
Estonia[2]	0%	0%

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

The maximum income tax liability which would arise if all of the available retained earnings in the subsidiaries in Estonia and Latvia were distributed as dividends to the Fund is EUR 2,493 thousand.

12. Investment property

The fair value of the investment properties is approved by the Management Board of the Management Company, based on independent appraisals. Independent appraisals are performed in accordance with the

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

As of 31 December 2023, new external valuations were performed by independent property valuators Colliers International and Newsec.

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

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

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

EUR '000	31.12.2023	31.12.2022
Balance as of 1 January	**333,123**	**315,959**
Development and refurbishment expenditure	1,050	5,894
Capital expenditure	2,278	1,459
Reclassification from investment property under construction	-	17,194
Disposals	(63,920)	(4,393)
Net revaluation loss on investment property	(21,859)	(2,956)
Additions to right-of-use assets (new leases)	15	-
Derecognition of right-of-use assets	(285)	-
Net revaluation loss on right-of-use assets	(17)	(34)
Closing balance	**250,385**	**333,123**
Closing balance excluding right-of-use assets	**250,130**	**332,581**

During the financial year 2023, the Group invested EUR 1,050 thousand in the development and refurbishment projects. The main capital expenditure was made in the Europa SC (EUR 182 thousand), the Galerija Centrs (EUR 1,559 thousand), the Meraki (EUR 345 thousand). At the remaining investment properties, capital expenditure amounted to EUR 192 thousand, contributing to a total capital expenditure of EUR 2,278 thousand for the financial year 2023.

The Group holds ground lease agreements and a solar power plant lease agreement, which fall within the scope of IFRS 16. As a result, the Group has recognised right-of use assets and lease liabilities. Right-of-use assets that meet the definition of investment property are presented within investment property and lease liabilities within interest-bearing loans and borrowing. As of 31 of December, the closing balance of the right-of-use assets amounts to EUR 255 thousand (2022: EUR 542 thousand).

Disposals
On 6 March 2023, the Group disposed of the Domus Pro Complex located in Vilnius, Lithuania, in a share deal. The share price was calculated based on an asset price of EUR 23.5 million. The book value of the asset was EUR 24.9 million. The transaction resulted in a net loss of EUR 1.7 million.

On 6 June 2023, the Group disposed of the Duetto offices located in Vilnius, Lithuania, in a share deal. The share price was calculated based on an asset price of EUR 37.0 million. The book value of the asset was EUR 39.0 million. The transaction resulted in a net loss of EUR 2.3 million.

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

Fair value hierarchy
The following table shows an analysis of the fair values of investment properties recognised in the statement of financial position by their level in the fair value hierarchy as of 31 December 2023:

EUR '000	Total fair value Level 3	Total gain or (loss) for 2023 recognised in profit or loss
Latvia - Galerija Centrs (retail)	64,592	(4,916)
Lithuania – Europa (retail)	36,437	393
Estonia – Postimaja (retail)	19,810	(6,930)
Lithuania – North Star (office)	20,028	(1,771)
Latvia – Upmalas Biroji (office)	20,478	(511)
Latvia – Vainodes I (office)	16,710	(1,331)
Lithuania – Meraki (office)	16,340	(1,318)
Latvia – LNK Centre (office)	13,960	(3,089)
Estonia – Lincona (office)	14,370	(861)
Estonia – Coca-Cola Plaza (leisure)	13,240	(1,159)
Estonia – Pirita (retail)	8,760	(251)
Latvia – SKY (retail)	5,660	(132)
Total	**250,385**	**(21,876)**

There were no transfers between levels during the years. Gains and losses recorded in profit or loss for fair value measurements categorised within Level 3 of the fair value hierarchy amounted to a net loss of EUR 21,859 thousand as of 31 December 2023 (2022: a net loss of EUR 2,914 thousand) and are presented in the consolidated statement of profit or loss and other comprehensive income on the line 'Valuation losses on investment properties'.

Valuation techniques used to derive Level 3 fair values
The values of the properties are based on the valuation of investment properties performed by Colliers International and Newsec as of 31 December 2023 increased by right-of-use assets.

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

As of 31 December 2023:

Property	Valuation technique	Key unobservable inputs	Range
Europa Shopping centre, Vilnius (Lithuania)	DCF	- Discount rate	9.3%
Net leasable area (NLA) – 17,185 sq. m		- Rental growth p.a.	2.0% - 7.0%
Segment – Retail		- Long-term vacancy rate	5.0% - 10.0%
Year of construction/renovation – 2004		- Exit yield	7.25%
		- Average rent (EUR/sq. m)	14.1
Lincona Office Complex, Tallinn (Estonia)	DCF	- Discount rate	9.3%
Net leasable area (NLA) – 10,775 sq. m		- Rental growth p.a.	0.0% - 3.4%
Segment – Office		- Long-term vacancy rate	10.0%
Year of construction/renovation – 2002 / 2008		- Exit yield	7.5%
		- Average rent (EUR/sq. m)	10.1
Coca-Cola Plaza, Tallinn (Estonia)	DCF	- Discount rate	8.6%
Net leasable area (NLA) – 7,046 sq. m		- Rental growth p.a.	0.0% - 7.1%
Segment – Leisure		- Long-term vacancy rate	2.0% - 5.0%
Year of construction/renovation – 1999		- Exit yield	7.0%
		- Average rent (EUR/sq. m)	11.7
SKY Shopping Centre, Riga (Latvia)	DCF	- Discount rate	9.1%
Net leasable area (NLA) – 3,241 sq. m		- Rental growth p.a.	2.1% - 5.0%
Segment – Retail		- Long-term vacancy rate	5.0%
Year of construction/renovation – 2000 / 2010		- Exit yield	7.25%
		- Average rent (EUR/sq. m)	11.5
Upmalas Biroji, Riga (Latvia)	DCF	- Discount rate	8.9%
Net leasable area (NLA) – 9,876 sq. m		- Rental growth p.a.	0.0% - 5.0%
Segment – Office		- Long-term vacancy rate	2.0% - 5.0%
Year of construction/renovation – 2008		- Exit yield	7.0%
		- Average rent (EUR/sq. m)	13.8
Pirita Shopping Centre, Tallinn (Estonia)	DCF	- Discount rate	10.0%
Net leasable area (NLA) – 5,425 sq. m		- Rental growth p.a.	0.0% - 3.4%
Segment – Retail		- Long-term vacancy rate	5.0%
Year of construction/renovation – 2016		- Exit yield	8.0%
		- Average rent (EUR/sq. m)	13.9
Vainodes I, Riga (Latvia)*	DCF	- Discount rate	8.2%
Net leasable area (NLA) – 6,950 sq. m		- Rental growth p.a.	0.0% - 3.4%
Segment – Office		- Long-term vacancy rate	5.0%
Year of construction/renovation – 2014		- Exit yield	6.9%
		- Average rent (EUR/sq. m)	15.4
Postimaja, Tallinn (Estonia)	DCF	- Discount rate	8.6%
Net leasable area (NLA) – 9,232 sq. m		- Rental growth p.a.	0.0% - 7.1%
Segment – Retail		- Long-term vacancy rate	2.0%-5.0%
Year of construction/renovation – 1980		- Exit yield	7.0%
		- Average rent (EUR/sq. m)	14.0

Property	Valuation technique	Key unobservable inputs	Range
LNK Centre, Riga (Latvia)	DCF	- Discount rate	8.5%
Net leasable area (NLA) – 6,849 sq. m		- Rental growth p.a.	0.0% - 5.0%
Segment – Office		- Long-term vacancy rate	2.0% - 5.0%
Year of construction/renovation – 2006 / 2014		- Exit yield	6.5%
		- Average rent (EUR/sq. m)	14.7
Galerija Centrs, Riga (Latvia)	DCF	- Discount rate	9.5%
Net leasable area (NLA) – 19,306 sq. m		- Rental growth p.a.	0.0% - 5.0%
Segment – Retail		- Long-term vacancy rate	3.5% - 5.0%
Year of construction/renovation – 1939 / 2006		- Exit yield	7.5%
		- Average rent (EUR/sq. m)	17.3
North Star, Vilnius (Lithuania)	DCF	- Discount rate	8.8%
Net leasable area (NLA) – 10,579 sq. m		- Rental growth p.a.	2.4% - 9.1%
Segment – Office		- Long-term vacancy rate	5.0% - 15.0%
Year of construction/renovation – 2009		- Exit yield	7.0%
		- Average rent (EUR/sq. m)	12.6
Meraki, Vilnius (Lithuania)*	DCF	- Discount rate	9.9%
Net leasable area (NLA) – 16,221 sq. m		- Rental growth p.a.	1.9% - 3.0%
Segment – Office		- Long-term vacancy rate	5.0%
Year of construction/renovation – 2021		- Exit yield	7.25%
		- Average rent (EUR/sq. m)	11.2

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

As of 31 December 2022:

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

Property	Valuation technique	Key unobservable inputs	Range
SKY Shopping Centre, Riga (Latvia)	DCF	- Discount rate	8.9%
Net leasable area (NLA) – 3,241 sq. m		- Rental growth p.a.	2.0% - 7.9%
Segment – Retail		- Long-term vacancy rate	1.0% - 5.0%
Year of construction/renovation – 2000 / 2010		- Exit yield	7.0%
		- Average rent (EUR/sq. m)	11.1
Upmalas Biroji, Riga (Latvia)	DCF	- Discount rate	8.9%
Net leasable area (NLA) – 9,876 sq. m		- Rental growth p.a.	2.0% - 7.9%
Segment – Office		- Long-term vacancy rate	2.0% - 5.0%
Year of construction/renovation – 2008		- Exit yield	6.5%
		- Average rent (EUR/sq. m)	13.9
Pirita Shopping Centre, Tallinn (Estonia)	DCF	- Discount rate	8.9%
Net leasable area (NLA) – 5,441 sq. m		- Rental growth p.a.	1.8% - 7,0%
Segment – Retail		- Long-term vacancy rate	5.0% - 8.0%
Year of construction/renovation – 2016		- Exit yield	7.5%
		- Average rent (EUR/sq. m)	12.3
Duetto I, Vilnius (Lithuania)	DCF	- Discount rate	8.8%
Net leasable area (NLA) – 8,498 sq. m		- Rental growth p.a.	3.0% - 10.0%
Segment – Office		- Long-term vacancy rate	2.5% - 10.0%
Year of construction/renovation – 2017		- Exit yield	6.8%
		- Average rent (EUR/sq. m)	13.1
Duetto II, Vilnius (Lithuania)	DCF	- Discount rate	8.8%
Net leasable area (NLA) – 8,643 sq. m		- Rental growth p.a.	2.0% - 8.3%
Segment – Office		- Long-term vacancy rate	2.5% - 12.5%
Year of construction/renovation – 2018		- Exit yield	6.8%
		- Average rent (EUR/sq. m)	13.9
Vainodes I, Riga (Latvia)*	DCF	- Discount rate	7.7%
Net leasable area (NLA) – 6,950 sq. m		- Rental growth p.a.	2.0% - 5.8%
Segment – Office		- Long-term vacancy rate	0.0% - 5.0%
Year of construction/renovation – 2014		- Exit yield	6.4%
		- Average rent (EUR/sq. m)	15.4
Postimaja, Tallinn (Estonia)**	DCF	- Discount rate	7.9%
Net leasable area (NLA) – 9,322 sq. m		- Rental growth p.a.	0.6% - 10.0%
Segment – Retail		- Long-term vacancy rate	3.0%
Year of construction/renovation – 1980		- Exit yield	6.3%
		- Average rent (EUR/sq. m)	15.0
LNK Centre, Riga (Latvia)	DCF	- Discount rate	8.1%
Net leasable area (NLA) – 6,849 sq. m		- Rental growth p.a.	0.0% - 7.9%
Segment – Office		- Long-term vacancy rate	2.0% - 5.0%
Year of construction/renovation – 2006 / 2014		- Exit yield	6.0%
		- Average rent (EUR/sq. m)	13.0
Galerija Centrs, Riga (Latvia)	DCF	- Discount rate	9.3%
Net leasable area (NLA) – 19,137 sq. m		- Rental growth p.a.	0.0% - 7.9%
Segment – Retail		- Long-term vacancy rate	1.0% - 5.0%
Year of construction/renovation – 1939 / 2006		- Exit yield	6.8%
		- Average rent (EUR/sq. m)	17.1

Property	Valuation technique	Key unobservable inputs	Range
North Star, Vilnius (Lithuania)	DCF	- Discount rate	8.8%
Net leasable area (NLA) – 10,578 sq. m		- Rental growth p.a.	0.0% - 8.0%
Segment – Office		- Long-term vacancy rate	2.5% - 25.0%
Year of construction/renovation – 2009		- Exit yield	6.8%
		- Average rent (EUR/sq. m)	12.5
Meraki, Vilnius (Lithuania)	DCF	- Discount rate	9.2%
Net leasable area (NLA) – 16,258 sq. m		- Rental growth p.a.	2.0% - 8.0%
Segment – Office		- Long-term vacancy rate	5.0%
Year of construction/renovation – 2021		- Exit yield	7.0%
		- Average rent (EUR/sq. m)	13.2

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

The table below sets out information about significant unobservable inputs used on 31 December 2023 in measuring investment properties categorised to Level 3 in the fair value hierarchy.

Type of asset class	Valuation technique	Significant unobservable input	Range of estimates	Fair value measurement sensitivity to unobservable inputs
Investment property	Discounted cash flow	Exit yield	2023: 6.5% - 8.0% 2022: 6.0% - 7.8%	An increase in exit yield in isolation would result in a lower value of Investment property.
		Discount rate	2023: 8.2% - 10.0% 2022: 7.7% - 9.3%	An increase in discount rate in isolation would result in a lower value of Investment property.
		Rental growth p.a.	2023: 0.0% - 9.1% 2022: 0.0% - 10.0%	An increase in rental growth in isolation would result in a higher value of Investment property.
		Long-term vacancy rate	2023: 2.0% - 15.0% 2022: 0.0% - 25.0%	An increase in long-term vacancy rate in isolation would result in a lower value of Investment property.

Sensitivity analysis of investment properties portfolio as of 31 December 2023 based on possible changes in exit yield and discount rate (WACC) are provided in the table below:

EUR '000		Movement in discount rate				
		-0.50%	-0.25%	0.00%	+0.25%	+0.50%
Movement in exit yield	-0.50%	281,534	271,628	262,783	254,910	247,638
	-0.25%	273,991	264,499	255,934	248,191	241,247
	0.00%	266,913	255,715	**250,385**	236,999	235,165
	+0.25%	260,170	251,255	243,200	236,004	229,473
	+0.50%	253,835	245,082	237,359	230,391	223,947

Descriptions and definitions

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

Discounted cash flows (DCF)

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

Rental growth

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

Long-term vacancy rate

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

Discount rate

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

Exit yield

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

Highest and best use

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

13. Investment property under construction

EUR '000	31.12.2023	31.12.2022
Balance on 1 January	**-**	**11,400**
Additions	-	5,718
Reclassification to investment properties	-	(17,194)
Net revaluation gain	-	76
Closing balance	**-**	**-**

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. On 10 September 2022, the property including the land plot was reclassified to investment property.

During the financial year of 2023, there were no investment properties under construction.

14. Trade and other receivables

EUR '000	31.12.2023	31.12.2022
Trade receivables, gross	2,325	2,898
Less impairment allowance for doubtful receivables	(625)	(513)
Accrued income	433	257
Other accounts receivable	458	51
Total	**2,591**	**2,693**

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

As of 31 December 2023, trade receivables at a nominal value of EUR 625 thousand were fully impaired (EUR 513 thousand as of 31 December 2022).

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

EUR '000	31.12.2023	31.12.2022
Balance as of 1 January	(513)	(508)
Charge for the period	(248)	(139)
Amounts written off	136	105
Reversal of allowances recognised in previous periods	-	29
Balance at end of period	**(625)**	**(513)**

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

		Neither past due nor	Past due but not impaired				
EUR '000	Total	impaired	<30 days	30-60 days	60-90 days	90-120 days	>120 days
Trade receivables, gross as of 31.12.2023	**2,325**	924	288	175	105	181	652
Impairment allowance for doubtful receivables as of 31.12.2023	**(625)**	(5)	(5)	(6)	(5)	(88)	(516)
Trade receivables, net as of 31.12.2023	**1,700**	**919**	**283**	**169**	**100**	**93**	**136**
Trade receivables, gross as of 31.12.2022	**2,898**	1,515	404	187	114	99	579
Impairment allowance for doubtful receivables as of 31.12.2022	**(513)**	(10)	(13)	(14)	(16)	(99)	(361)
Trade receivables, net as of 31.12.2022	**2,385**	**1,505**	**391**	**173**	**98**	**-**	**218**

15. Cash and cash equivalents

EUR '000	31.12.2023	31.12.2022
Cash at banks and on hand	6,182	5,347
Total cash	**6,182**	**5,347**

As of 31 December 2023, the Group had to keep at least EUR 1,150 thousand (31 December 2022: EUR 350 thousand) of cash in its bank accounts due to certain restrictions in bank loan agreements.

16. Equity

16a. Paid in capital

The units are currently dual listed on the Fund List of the Nasdaq Tallinn Stock Exchange and the Nasdaq Stockholm Alternative Investment Funds market. As of 31 December 2023, the total number of the Fund's units was 119,635,429 (as of 31 December 2022: 119,635,429). Units issued are presented in the table below:

EUR '000	Number of units	Amount
As of 1 January 2023 and 31 December 2023	**119,635,429**	**145,200**

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

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

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

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

16b. Cash flow hedge reserve

This reserve represents the fair value of the effective part of the derivative financial instruments (interest rate swaps and caps), used by the Fund to hedge the cash flows from interest rate risk in the periods ended on 31 December 2023 and 31 December 2022. Please refer to note 21 for more information.

EUR '000	31.12.2023	31.12.2022
Balance at the beginning of the year	**1,681**	**(829)**
Movement in fair value of existing hedges	(1,273)	2,746
Movement in deferred income tax (note 11)	123	(236)
Net variation during the period	**(1,150)**	**2,510**
Balance at the end of the period	**531**	**1,681**

16c. Dividends (distributions)

EUR '000	2023	2022
Declared during the period	-	(5,383)
Total distributions made	**-**	**(5,383)**

On 3 February 2022, the Fund declared a cash distribution of EUR 2,273 thousand (EUR 0.019 per unit).
On 28 April 2022, the Fund declared a cash distribution of EUR 1,555 thousand (EUR 0.013 per unit).
On 28 July 2022, the Fund declared a cash distribution of EUR 1,555 thousand (EUR 0.013 per unit).

17. Interest-bearing loans and borrowings

EUR '000	Maturity	Effective interest rate	31.12.2023	31.12.2022
Non-current borrowings				
Secured bonds	May 2028	3M EURIBOR + 8.00%	34,099	-
Bank 1[1]	Jan 2028	3M EURIBOR + 2.10%	2,792	1,962
Bank 1	Mar 2024	3M EURIBOR + 1.90%	-	14,380
Bank 1	Mar 2024	3M EURIBOR + 1.90%	-	10,987
Bank 1	Mar 2024	6M EURIBOR + 2.65%	-	8,991
Bank 1	Nov 2024	3M EURIBOR + 1.55%	-	9,826
Bank 1	Feb 2026	6M EURIBOR + 1.90%	4,626	4,789
Bank 2	Jan 2024	6M EURIBOR + 3.10%	-	29,988
Bank 4[2]	Feb 2026	6M EURIBOR + 1.38%	16,720	17,199
Bank 4[3]	Mar 2028	6M EURIBOR + 2.15%	-	19,244
Bank 1	Dec 2027	6M EURIBOR + 1.40%	9,198	7,188
Bank 5[4]	Aug 2028	6M EURIBOR + 2.50%	10,363	-
Lease liabilities			255	542
Less current portion of bank loans and bonds			(13,878)	(1,046)
Less current portion of lease liabilities			(17)	(33)
Total non-current debt			**64,158**	**124,017**
Current borrowings				
Unsecured bonds	May 2023	4.25%	-	49,976
Bank 1	Mar 2024	6M EURIBOR + 2.65%	8,998	-
Bank 1	Mar 2024	3M EURIBOR + 3.90%	8,397	-
Bank 2[4]	Aug 2024	6M EURIBOR + 3.10%	29,988	-
Bank 3[5]	Aug 2023	1M EURIBOR + 1.55%	-	11,747
Bank 1[6]	Apr 2024	3M EURIBOR + 1.75%	7,946	8,292
Bank 1	Nov 2024	3M EURIBOR + 1.60%	10,349	-
Current portion of non-current bank loans and bonds			13,878	1,046
Current portion of lease liabilities			17	33
Total current debt			**79,584**	**71,094**
Total			**143,742**	**195,111**

1. The loan was refinanced on 30 January 2023 with the same bank.
2. The loan was refinanced on 9 February 2023 with the same bank.
3. The loan was refinanced on 17 February 2023 with the same bank.
4. The agreement to prolong the loan was signed on 22 December 2023 with the same bank.
5. The agreement to refinance the loan was signed on 3 August 2023 with another bank.
6. The agreement to prolong the loan was signed on 26 September 2023 with the same bank.

Financial covenants for bank loans

As of 31 December 2023, the Fund was in compliance with all special conditions and covenants set under the bank loan agreements except for the Galerija Centrs property. The Interest Service Coverage Ratio (ISCR) of the Galerija Centrs property (carrying loan amount – EUR 30 million) was below the required level of 1.8 at the end of 2023. This did not result in any consequences because the Fund received a formal waiver from the lender for the aforementioned covenant breach. As of 31 December 2023, the LTV of Galerija Centrs was above the required level of 45%. If the 45% threshold is exceeded, then Galerija Centrs has to make a partial early repayment of the loan within 6 months from the bank's notice to the extent that LTV does not exceed 45%. Thus, EUR 939,000 should be prepaid within 6 months if such a notice is received. No notice has been received from the bank to date.

Reconciliation of movements of liabilities to cash flow arising from financing

EUR '000	1 January 2023	Changes from financing cash flows	Other movements	31 December 2023
Liabilities				
Interest-bearing loans and borrowings (excluding lease liabilities)	194,569	(21,325)	(29,757)	143,487
Lease liabilities	542	(15)	(272)	255
Other financial expenses	-	(376)	376	-
Accrued financial expenses	472	(8,653)	8,994[1]	813
Total liabilities from financing activities	**195,583**	**(30,369)**	**(20,659)**	**144,555**
Equity				
Paid in capital	145,200	-	-	145,200
Retained earnings	(13,226)	-	(22,973)[2]	(36,199)
Total equity related changes	**131,974**	**-**	**(22,973)**	**109,001**
Total	**327,557**	**(30,369)**	**(43,632)**	**253,556**

1. During 2023, the Fund's interest expenses amounted to EUR 8,994 thousand. Please refer to note 9 for more information.
2. In 2023, the Fund had a net loss of EUR 22,973 thousand. Please refer to note 6 for more information.

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

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

Loan and bond security

Borrowings received had the following security as of 31 December 2023:

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

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

	Guarantee	Pledges of receivables	Pledge of land lease rights of the land plots	Pledges of bank accounts	Share pledge
Bank 1	North Star and Baltic Horizon Fund for Europa bank loan; Europa for North Star bank loan; Vainodes I and SKY for LNK bank loan; LNK and SKY for Vainodes I bank loan; Vainodes I and LNK for SKY bank loan	Lincona, SKY and Europa,	BH Northstar UAB	Europa, North Star SKY, LNK and Vainodes I	Vainodes Krasti SIA, BH S27 SIA
Bank 2	Baltic Horizon Fund for Galerija Centrs SIA up to EUR 1,500,000				BH Galerija Centrs SIA
Bank 3	Baltic Horizon Fund for Upmalas Biroji				Upmalas Biroji

18. Trade and other payables

EUR '000	31.12.2023	31.12.2022
Trade payables	974	2,326
Payables related to Meraki development	-	1,588
Management fee payable	859	491
Accrued financial expenses	813	472
Tax payables	162	363
Accrued expenses	166	217
Other payables	369	187
Total trade and other payables	**3,343**	**5,644**

Terms and conditions of trade and other payables:

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

19. Commitments and contingencies

19a. Operating leases – the Group as a lessor

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

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

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

EUR '000	2023		2022	
Year of expiry or first break option	Amount receivable	%	Amount receivable	%
Within 1 year	13,087	30%	18,635	39%
Within 2 years	8,586	20%	10,822	22%
Within 3 years	6,907	16%	6,585	14%
Within 4 years	5,686	14%	4,876	10%
Within 5 years	4,409	10%	3,541	7%
6 years and more	4,315	10%	3,848	8%
Total	**42,990**	**100%**	**48,307**	**100%**

19b. Litigation

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

19c. Contingent assets

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

19d. Contingent liabilities

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

According to BH Duetto UAB Share Sale and Purchase agreement, the Group has issued the NOI and defects guarantee. The NOI guarantee is valid until 31 December 2025 and covers the shortfall between the rent calculated on the basis of the conditions stated in the sale and purchase agreement and the actual NOI. The maximum potential liability under the defects guarantee is limited to EUR 600 thousand. At the date of this report, no guarantee amounts have been paid under the guarantee scheme.

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

20. Related parties

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

Northern Horizon Capital AS
As set out in Baltic Horizon Fund Rules, Northern Horizon Capital AS (the Management Company) carries out asset manager functions on behalf of the Fund and the Fund pays management fees for it (note 8).

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

EUR '000	2023	2022
Northern Horizon Capital AS group		
Management fees	1,493	1,584

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

EUR '000	31.12.2023	31.12.2022
Northern Horizon Capital AS group		
Management fees payable	859	491

The Management Company is entitled to receive an annual management fee which is calculated quarterly, based on the 3-month average market capitalisation of the Fund. In case the market capitalisation is lower than 90% of the NAV of the Fund, the amount equal to 90% of the NAV of the Fund shall be used for the management fee calculation instead of the market capitalisation.
The fee is based on the following rates and in the following tranches:
- 1.50% of the market capitalisation below EUR 50 million;
- 1.25% of the part of the market capitalisation that is equal to or exceeds EUR 50 million and is below EUR 100 million;
- 1.00% of the part of the market capitalisation that is equal to or exceeds EUR 100 million and is below EUR 200 million;
- 0.75% of the part of the market capitalisation that is equal to or exceeds EUR 200 and is below EUR 300 million;
- 0.50% of the part of the market capitalisation that is equal to or exceeds EUR 300 million.

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

Northern Horizon Capital AS Group did not own any units of the Fund as of 31 December 2023.

Supervisory Board of the Fund
As set out in Baltic Horizon Fund Rules, Supervisory Board members are entitled to remuneration for their service in the amount determined by the General Meeting. The remuneration of the Supervisory Board of the Fund amounted to EUR 48 thousand in 2023 (EUR 48 thousand in 2022). Please refer to note 8 for more information regarding the total expenses related to the Supervisory Board of the Fund.

Entities having control or significant influence over the Fund
The holders of units owning more than 5% of the units in total as of 31 December 2023 and 31 December 2022 are presented in the tables below:

As of 31 December 2023

	Number of units	Percentage
Swedbank AB / Nordic Issuing AB clients	24,077,945	25.2%
SEB Bank AB clients	15,689,287	16.4%
Swedbank AB clients	15,406,998	16.1%
Raiffeisen Bank International AG clients	9,410,507	9.8%

As of 31 December 2022

	Number of units	Percentage
Nordea Bank AB clients	24,262,695	20.3%
Raiffeisen Bank International AG clients	15,576,748	13.0%
Swedbank AB clients	14,998,232	12.5%
Raiffeisen Bank International AG clients	11,506,610	9.6%

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

21. Financial instruments

Fair values

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

	Carrying amount		Fair value	
EUR '000	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Financial assets				
Trade and other receivables	2,591	2,693	2,591	2,693
Cash and cash equivalents	6,182	5,347	6,182	5,347
Derivative financial instruments	916	2,520	916	2,520
Financial liabilities				
Interest-bearing loans and borrowings				
Bank loans	(109,388)	(144,593)	(109,388)	(144,593)
Bonds	(34,099)	(49,976)	(34,500)	(50,318)
Trade and other payables	(3,343)	(5,644)	(3,343)	(5,644)

Fair value hierarchy

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

Period ended 31 December 2023

EUR '000	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Trade and other receivables	-	-	2,591	2,591
Cash and cash equivalents	-	6,182	-	6,182
Derivative financial instruments	-	916	-	916

Financial liabilities				
Interest-bearing loans and borrowings				
Bank loans	-	-	(109,388)	(109,388)
Bonds	-	-	(34,500)	(34,500)
Trade and other payables	-	-	(3,343)	(3,343)

Period ended 31 December 2022

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

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

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

- Trade and other receivables are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer, and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses on these receivables. As of 31 December 2023, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The fair value of derivatives has been calculated by discounting the expected future cash flows at prevailing interest rates.
- The fair values of the Group's interest-bearing loans and borrowings are determined by discounting the expected future cash flows at prevailing interest rates. The estimated fair values of the Group's interest-bearing loans and borrowings were determined using effective agreements' interest rates which represent current market rate.
- Cash and cash equivalents are attributed to Level 2 in the fair value hierarchy.

22. Derivative financial instruments

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

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

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

Derivative type EUR '000	Starting date	Maturity date	Notional amount	Variable rate (received)	Fixed rate (paid)	Fair value	
						31.12.2023	31.12.2022
IRS	Nov 2016	Aug 2023	10,575	1M EURIBOR	0.26%	-	180
IRS	Jan 2019	Sep 2023	5,800	3M EURIBOR	0.32%	-	112
IRS	May 2018	Apr 2024	4,920	3M EURIBOR	0.63%	50	166
IRS	Mar 2018	Aug 2024	18,402	3M EURIBOR	0.73%	314	727
CAP	Aug 2024	Aug 2025	17,900	3M EURIBOR	3.0%	28	124
CAP	Aug 2023	Aug 2024	10,575	1M EURIBOR	3.0%	42	76
CAP	Feb 2023	Feb 2024	17,200	6M EURIBOR	3.0%	81	81
CAP	Apr 2024	Apr 2025	4,921	3M EURIBOR	3.0%	13	35
CAP	Sep 2023	Sep 2024	5,800	3M EURIBOR	3.0%	27	44
CAP	Aug 2022	Mar 2024	3,500	3M EURIBOR	2.0%	13	51
CAP	Aug 2022	Mar 2024	7,000	3M EURIBOR	2.0%	27	102
CAP	Mar 2024	Mar 2025	11,000	6M EURIBOR	3.0%	34	77
CAP	Oct 2022	May 2025	30,000	6M EURIBOR	3.0%	194	437
CAP	Sep 2022	Mar 2024	9,000	6M EURIBOR	1.0%	67	244
CAP	Mar 2024	Mar 2025	9,000	6M EURIBOR	3.0%	26	64
Derivative financial instruments, assets						**916**	**2,520**
Net value of financial derivatives						**916**	**2,520**

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

Classification according to maturity

EUR '000	Liabilities		Assets	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Non-current	-	-	295	2,228
Current	-	-	621	292
Total	**-**	**-**	**916**	**2,520**

23. Subsequent events

On 6 February 2024, the Fund signed with Šiaulių bankas the 5-year loan refinancing agreements for the loans of BH Europa UAB and BH Northstar UAB. The total amount of the BH Northstar UAB loan is EUR 9.5 million, while the BH Europa UAB loan is EUR 16.5 million. The loans will be used to refinance the existing bank loans and to repay part of the Baltic Horizon Fund bonds issued in May 2023.

On 15 March 2024, the Fund announced its plan to early redeem part of the bonds maturing on 8 May 2024 in the amount of EUR 4,499,997.50 on 8 April 2024. The redemption is planned to be carried out by way of decreasing the nominal value of the bonds and the new nominal value would be EUR 71,428.57 per bond. The amount payable to investors per one bond is EUR 10,978. The total nominal amount of the bonds before the redemption is EUR 34,499,997 and after the redemption would be EUR 29,999,999.40. In March 2024, amendments to the bond terms and conditions were approved by the bondholders. It was decided to prolong the deadline of the mandatory early redemption of the bonds in the amount of EUR 8,000,000 to 8 July 2024 and to set the required ratio of Debt Service Coverage Ratio to 0.85 from 1 January 2024 to 31 December 2024.

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

24. List of consolidated companies

Name	Registered office	Registration Number	Date of incorporation / acquisition	Activity	Interest in capital
BH Lincona OÜ	Hobujaama str. 5, Tallinn, Estonia	12127485	20 June 2011	Asset holding company	100%
BH Domus PRO UAB (consolidated till 7 March 2023)[1]	Ukmergės str. 308-1, Vilnius, Lithuania	225439110	1 May 2014	Asset holding company	100%
BOF SKY SIA	Audēju iela 16 – 1, Riga, Latvia	40103538571	27 March 2012	Asset holding company	100%
BH CC Plaza OÜ	Hobujaama str. 5, 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 (merged with BH CC Plaza OÜ on 5 July 2023)	Hobujaama str. 5, Tallinn, Estonia	14065606	6 July 2016	Asset holding company	100%
Kontor SIA	Mūkusalas str. 101, Rīga, Latvia	40003771618	30 August 2016	Asset holding company	100%
Pirita Center OÜ	Merivälja str. 24, Tallinn, Estonia	12992834	16 December 2016	Asset holding company	100%
BH Duetto UAB (consolidated till 7 June 2023)[1]	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	Eitminų Str. 3-102, 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%

1. More information on disposals is disclosed in note 12.

MANAGEMENT APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of Baltic Horizon Fund were approved for issue by the Management Board of the Management Company on 29 March 2024.

/digitally signed/
Tarmo Karotam
Chairman of the Management Board

/digitally signed/
Aušra Stankevičienė
Member of the Management Board

/digitally signed/
Edvinas Karbauskas
Member of the Management Board

DEFINITIONS OF KEY TERMS AND ABBREVIATIONS

AIFM
Alternative Investment Fund Manager.

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

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

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

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

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

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

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

Fund
Baltic Horizon Fund.

GAV
Gross Asset Value of the Fund.

IFRS
International Financial Reporting Standards.

IRR
Internal rate of return.

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

Management Company
Northern Horizon Capital AS, register code 11025345.

NAV
Net asset value for the Fund.

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

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

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

NOI
Net operating income.

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

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

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

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

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

TTM
Trailing 12 months.

5-YEAR OVERVIEW OF KEY FIGURES

Key earnings figures	Unit	2023	2022	2021	2020	2019
Rental income	EUR ‘000	17,743	20,482	19,495	21,697	20,776
Net rental income	EUR ‘000	14,617	17,430	17,004	19,934	19,219
Net rental income margin	%	82.4	85.1	87.2	91.9	92.5
EBIT	EUR ‘000	(13,879)	11,238	7,347	(8,025)	13,930
EBIT margin	%	(78.2)	54.9	37.7	(37.0)	67.0
Net profit (loss)	EUR ‘000	(22,973)	3,944	1,413	(13,541)	8,791
Net profit (loss) margin	%	(129.5)	19.3	7.2	(62.4)	42.3
Earnings per unit	EUR	(0.19)	0.03	0.01	(0.12)	0.09
Generated net cash flow	EUR ‘000	877	7,141	8,749	11,409	10,996
Dividends per unit	EUR/unit	-	0.026	0.058	0.067	0.106
Generated net cash flow per unit	EUR/unit	0.010	0.060	0.073	0.100	0.114
Gross rolling dividend yield	%	-	4.5	5.4	5.8	8.0

Key financial position figures	Unit	31.12.2023	31.12.2022	31.12.2021	31.12.2020	31.12.2019
Total assets	EUR ‘000	261,138	343,963	346,338	355,602	371,734
Return on assets	%	(7.6)	1.1	0.4	(3.7)	2.8
Total equity	EUR ‘000	109,532	133,655	132,584	136,321	152,518
Equity ratio	%	41.9	38.9	38.3	38.3	41.0
Return on equity	%	(18.9)	3.0	1.1	(9.4)	6.7
Interest-bearing loans and borrowings	EUR ‘000	143,742	195,111	199,147	205,604	205,827
Total liabilities	EUR ‘000	151,606	210,308	213,754	219,281	219,216
LTV	%	57.3	58.4	60.7	60.5	57.3
Average cost of debt	%	5.2	3.0	2.7	2.6	2.6
Weighted average duration of debt	years	2.3	1.8	1.5	2.1	3.1
Current ratio	times	0.1	0.1	0.4	1.1	3.0
Quick ratio	times	0.1	0.1	0.4	1.0	2.9
Cash ratio	times	0.1	0.1	0.3	0.9	2.3
IFRS NAV per unit	EUR	0.9156	1.1172	1.1082	1.1395	1.3451

Key property portfolio figures	Unit	31.12.2023	31.12.2022	31.12.2021	31.12.2020	31.12.2019
Fair value of portfolio	EUR ‘000	250,385	333,123	327,359	339,992	358,942
Properties	number	12	15	15	16	16
Net leasable area	sq. m	119,714	151,870	144,081	153,345	153,350
Occupancy rate	%	81.1	90.5	92.1	94.3	98.3

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

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

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

Product name: Baltic Horizon Fund

Legal entity identifier: Northern Horizon Capital AS

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective? ☐ Yes	☒ No
☐ It will make a minimum of **sustainable investments with an environmental objective:** 100%	☒ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 35% of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☒ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☒ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☐ It will make a minimum of **sustainable investments with a social objective: ___%**	☐ It promotes E/S characteristics, but **will not make any sustainable investments**

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

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

This financial product promotes the following environmental characteristics:
- in the following 5 years starting from 2022 the Fund has committed to strive to maintain its 12% proportion of assets that substantially contribute to environmental objectives under the EU Taxonomy. During the reporting period the Fund exceeded its goal and had 14% of Taxonomy aligned assets.
- 100% fossil-free electricity by 2030 across all real estate assets in the portfolio. During the reporting period all of the assets of the Fund purchased renewable electricity.
- 100% certified (BREEAM In-Use or similar standard) assets by 2030. During the reporting period the Fund certified its entire retail portfolio and continued to renew the certificates of the office portfolio. One of the offices, Meraki, has received its interim design state certificate and is expected to receive its final certification in 2024. Thus, the Fund achieved 100% certification coverage in the reporting period.
- The aim is that 100% of tenants would sign green lease clauses to ensure tenant collaboration on the best effort basis on sustainability matters. During the reporting period, the Fund reached 72% of green lease coverage.

How did the sustainability indicators perform?

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

	2023
Percentage of the assets in the portfolio that substantially contribute to the environmental objectives	14%
Percentage of the assets in the portfolio that use fossil-free electricity	100%
Percentage of the portfolio certification coverage	100%
Percentage of the portfolio where tenants signed the green lease clauses	72%

and compared to previous periods?

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

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

The Fund's assets that were Taxonomy aligned substantially contributed to the objective of climate change mitigation. Thus, the Fund screened current investments for substantial contribution to environmental objectives of climate change mitigation 7.7 Acquisition and Ownership of Buildings sub-objective.

Other sustainable investments contributed to climate change mitigation by fulfilling the energy efficiency requirements (EPC ratings A-B), using renewable energy and limiting their GHG emissions. The Fund's activity focused on improving energy efficiency, utilizing green solutions such as solar power plants, acquiring renewable energy and renting distant solar plants.

Also, all assets were continuously certified for BREEAM In-Use certification standard that assesses the environmental qualities of the buildings. In addition, in order to have green leases signed, the asset managers continuously negotiated contracts with tenants to motivate them to collaborate on common sustainability goals.

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

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

The environmental sustainable investments were analysed according to Taxonomy criteria for 7.7 Acquisition and Ownership of Buildings by conducting a physical climate risk assessment.

The other sustainable investments were analysed in accordance with the principal adverse impact indicators described in the following section.

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

The Fund has followed the regulatory guidance and analysed the fulfillment of "do no significant harm" criteria utilizing the principal adverse impact indicators. The Fund considered exposure to fossil fuels, inefficient real estate assets, GHG emissions, energy consumption intensity and waste production in operations in its "do no significant harm" consideration.

The Fund did not consider "Raw materials consumption for new construction and major renovations" because it did not conduct such operations in 2023. The Fund also did not consider "Land artificialisation" of its standing assets due to the fact that all its buildings are located in urban areas. Due to the new methodology of assessing sustainable investments by taking into account the 'do no sigficiant harm' criteria, the sustainable investment percentage decreased from 97% to 35%. The Fund will re-evaluate its sustainable investment assessment as the regulatory guidance and market practices evolve, taking into account the materiality of sustainability impacts and it will keep on applying the industry best practice to evaluate the sustainability of its investments.

	Adverse sustainability indicator	Metric	Impact 2023	Impact 2022	Explanation	Do no significant harm evaluation
Fossil fuels	Exposure to fossil fuels through real estate assets.	Share of investments in real estate assets involved in the extraction, storage, transport, or manufacture of fossil fuels.	0	0	Assets are not involved in the indicated activities, so no additional action needs to be taken.	Assets are not involved in the indicated activities, so no additional action needs to be taken.
Energy efficiency	Exposure to energy-inefficient real estate assets	Share of investments in energy inefficient real estate assets -	39.3%	32.0%*	Assets considered energy inefficient are assets that have an energy rating below B.	Assets that were energy efficient (EPC A-B) were considered not to harm the objective.
GHG emissions	Scope 1 – 3 GHG emissions	Scope 1 GHG emissions	493 tCO_2	539 tCO_2	The GHG emissions include operational emissions such as GHG emission from district heating, gas and fuels as well as electricity consumption. The GHG emissions were calculated applying location based methodology using a third-party ESG data platform provider's carbon calculator tool that utilizes emission factors from International Energy Agency and CRREM. Due to difficulties in data standardization, the district heating emission factors are based on the standard factor provided by the ESG data platform. The Fund will aim to improve data accuracy in its GHG emission calculation and also include calculations applying the market-based method in the future.	The assets that had GHG emission intensity below the CRREM Paris Aligned 1.5 degrees pathway were considered not to harm this objective.
		Scope 2 GHG emissions	5,540 tCO_2	7,028 tCO_2		
		Scope 3 GHG emissions	1,495 tCO_2	1,645 tCO_2		
		Total GHG emissions	7,529 tCO_2	9,213 tCO_2		

Energy consumption	Energy consumption intensity	Energy consumption in GWh of owned real estate assets per sq. m	147 kWh/sq. m/yr 0.000147 GWh/sq. m/yr	175 kWh/sq. m/yr 0.000175 GWh/sq. m/yr	The energy consumption per sq. m took into account the electricity consumption and the energy used in heating/cooling.	The assets that were found energy efficient and had energy intensity per sq. m below the CRREM Paris Aligned 1.5 degrees pathway were considered not to harm this objective.
Waste	Waste production in operations	Share of real estate assets not equipped with facilities for waste sorting and not covered by a waste recovery or recycling contract	5%	5%	One property was not covered by a waste recovery or recycling contract.	Assets that have facilities for waste sorting and are covered by a waste recovery or recycling contract were considered not to harm the objective.
In conclusion:		35% of the assets including environmentally sustainable assets were considered to pass all criteria and were therefore considered to contribute to sustainable investment objective as well as to meet the "do no significant harm" criteria.				

* The percentage was erroneously reported as 92 % in the financial report for 2022.

The EU Taxonomy sets out a "do no significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and which is accompanied by specific EU criteria.

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

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

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

Yes, the financial product has OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights incorporated in the Responsible Investment Policy, a Minimum Safeguards Policy and risk management procedures and processes. The Fund has concluded a human rights risk assessment on its operations and included a human rights questionnaire in its tendering processes.

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

The product did not consider principal adverse impacts separately from the "do no significant harm" assessment.

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 31 Dec 2023

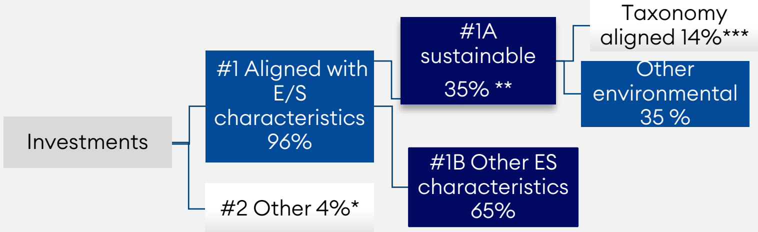
What were the top investments of this financial product?

Largest investments	Sector	% Assets	Country
Galerija Centrs	Retail	25.8%	Latvia
Europa SC	Retail	14.6%	Lithuania
Upmalas Biroji BC	Office	8.2%	Latvia
North Star	Office	8.0%	Lithuania
Postimaja & CC Plaza complex	Retail	7.9%	Estonia
Vainodes I	Office	6.7%	Latvia
Meraki	Office	6.5%	Lithuania
Lincona	Office	5.7%	Estonia
LNK Centre	Office	5.6%	Latvia
Postimaja & CC Plaza complex	Leisure	5.3%	Estonia
Pirita SC	Retail	3.4%	Estonia
Sky SC	Retail	2.3%	Latvia

Asset allocation describes the share of investments in specific assets.

What was the proportion of sustainability-related investments?

What was the asset allocation?



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

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

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

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

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

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

In which economic sectors were the investments made?

Tertiary - real estate.

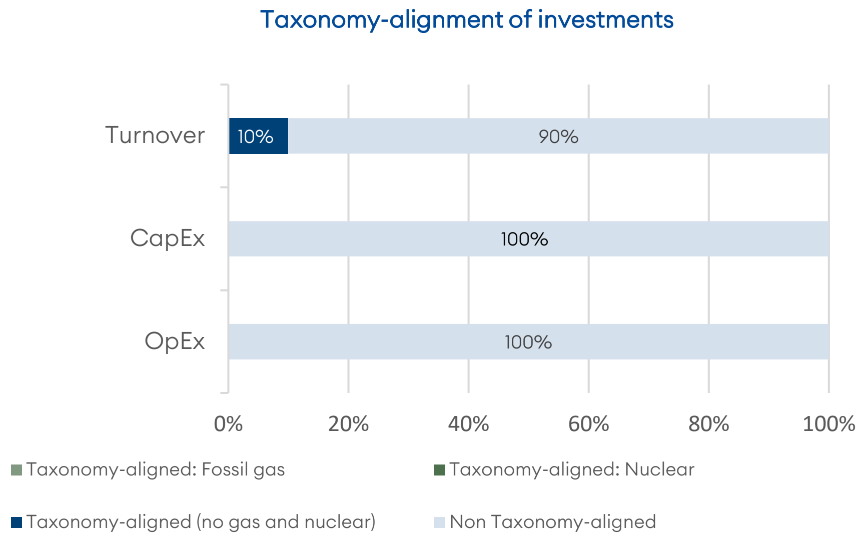
To what extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The market value of assets that were Taxonomy aligned based on climate change mitigation criteria 7.7. was EUR 36,240,000 – which corresponds to 14% EU Taxonomy alignment.

Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy[1]?

No

The graphs below show in green the percentage of investments* that were aligned with the EU Taxonomy.



*The Fund has not invested in sovereign bonds

Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflecting the share of revenue from green activities of investee companies.
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

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

0 %

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

At the end of 2023 the Fund had 14% of EU Taxonomy aligned investments (at the end of 2022: 12%).

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

For the reporting year 2023 the share of sustainable investments excluding Taxonomy aligned investments was 21%.

What is the share of socially sustainable investments?

The Fund did not make sustainable investments with social objective.

[1] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

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

"#2 Other" comprise cash and cash equivalents, derivative financial instruments, trade receivables and similar assets.

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

As one of the promoted topics of the Fund is to maintain its Taxonomy alignment of 12%, the Fund screened its assets for the Taxonomy criteria. Two of the Fund's assets, North Star and Meraki were found to pass the criteria for substantial contribution and alignment. Because both properties received their building permits before 31 December 2020, the alignment to Taxonomy was assessed in accordance with 7.7 (1).

The Fund also promoted 100% fossil-free electricity by 2030 across all real estate assets in the portfolio and in order to attain the characteristics the Fund's assets have purchased renewable energy proven by green electricity certification from the electricity provider or guarantee of origin certificate.

The Fund aimed to have 100% certified (BREEAM In-Use or similar standard) assets by 2030. During 2023, the Fund received BREEAM certificates for its entire retail portfolio. The office portfolio's certificates were renewed accordingly, except Meraki, which has received its design state interim certificate and is still in the process of final certification. Taking into account the interim certification, the Fund has reached its certification characteristics and aims to maintain it going forward.

The Fund continued to make efforts to include green lease clauses in rental agreements to ensure tenant collaboration on the best effort basis on sustainability matters. The green lease coverage of the Fund increased substantially during the reporting period.

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

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

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

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

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

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

Not applicable, there is no reference benchmark.

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

Not applicable, there is no reference benchmark.

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

Not applicable.

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