



NORTHERN HORIZON  
CAPITAL

BALTIC HORIZON  
WEBINAR  
PRESENTATION

9 April 2018

## AGENDA

1. Fund overview – portfolio
2. Financial results update
3. Bond program
4. Unit price update
5. Future outlook



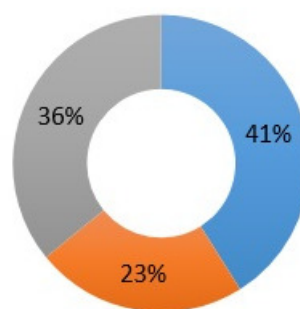
## 11 PROPERTY PORTFOLIO BREAKDOWN

Geographical and  
Segmental  
diversification

Latvian State Forestry  
as largest tenant in  
portfolio

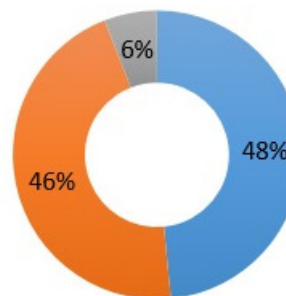
6 properties with  
expansion potential

Geographical allocation post Postimaja



■ Vilnius ■ Riga ■ Tallinn

Segment allocation post Postimaja



■ Office ■ Retail ■ Other



# STRONG PORTFOLIO WITH A VALUE OF EUR 224 MILLION

Geographical and Segmental diversification

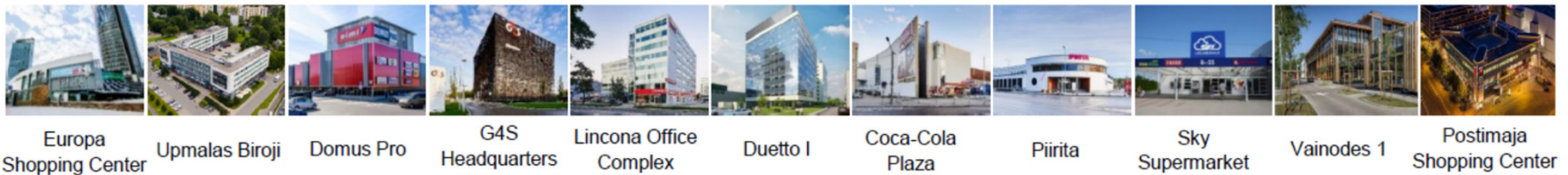
Latvian State Forestry as largest tenant in portfolio

6 properties with expansion potential





# STRONG PORTFOLIO WITH A VALUE OF EUR 224 MILLION



## Details of existing property portfolio

Property	Europa SC	Upmalas Biroji	Domus Pro	G4S HQ	Lincona	Duetto I	Coca-Cola Plaza	Piirita	Sky Super-market	Vainodes 1	Postimaja SC (new)	TOTAL
City	Vilnius CBD <sup>1</sup>	Riga	Vilnius	Tallinn	Tallinn	Vilnius	Tallinn CBD <sup>1</sup>	Tallinn	Riga	Riga	Tallinn	
Type	Retail	Office	Retail/Office	Office	Office	Office	Cinema	Retail	Retail	Office	Retail	
Rentable area, sqm	16,856	10,419	16,006 <sup>3</sup>	8,363	10,859	8,327	8,664	5,436	3,263	8,052	9,141	105,556
Vacancy	4.5%	0.2%	4.5%	0%	5.9%	3.5% (0% <sup>2</sup> )	0%	5.4% (0% <sup>2</sup> )	0.7%	0%	4.4	2.8%
Rent, EUR/sqm/month	13.6	12.2	9.4	11.2	10.0	11.5	9.6	13.3	11.0	13.3	17	11.9
NOI, EURm	2.4	1.7	1.3	1.2	1.2	1.1	1.0	0.9	0.4	1.4	1.8	15
Fair value, EURm	39.6	24.3	24.5 <sup>3</sup>	16.6	16.1	16.2	13.2	11.6	5.5	21.9	34.4	223.9
No. of leases	75	12	38	1	14	7	1	21	20	3	14	206
WAULT	4.3	3.8	5.0	4.9	5.5	4.3	5.2	7.0	4.0	7.1	4.0	4.8
Major tenants	MAXIMA APRANGA MICHAEL KORS VAPIANO	SEB BOSCH Johnson & Johnson	rimi fitus BENU	G4S	Swedbank REPUBLIC OF ESTONIA INFORMATION SYSTEMS AUTHORITY EIT	LINDORFF Pernod Ricard VILNIUS VANDENY	FORUM CINEMAS	rimi myfitness	sky CUP & CINO	LATVIAN VILNIA PIERI	H&M rimi	











Source: Northern Horizon Capital

<sup>1</sup> Central Business District <sup>2</sup> Effective vacancy rate was zero because sellers of properties provided 2-year (starting from the acquisition date) guarantees of full-occupancy net rental income. <sup>3</sup>Retail: 11,247 sqm, MV: €17.3m; Office: 7,150 sqm, MV: €7.1m

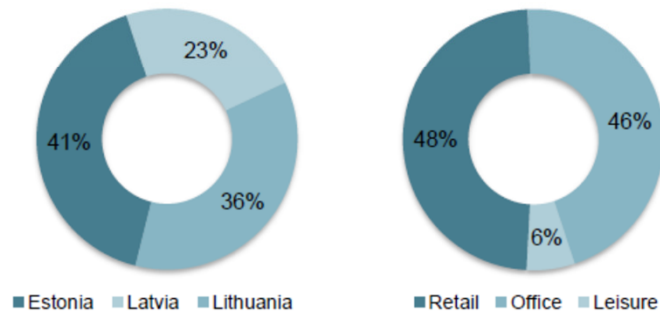
# WELL-BALANCED TENANT MIX WITH MAJOR NORDIC AND MULTINATIONAL TENANTS

## Strong tenants and long lease agreements

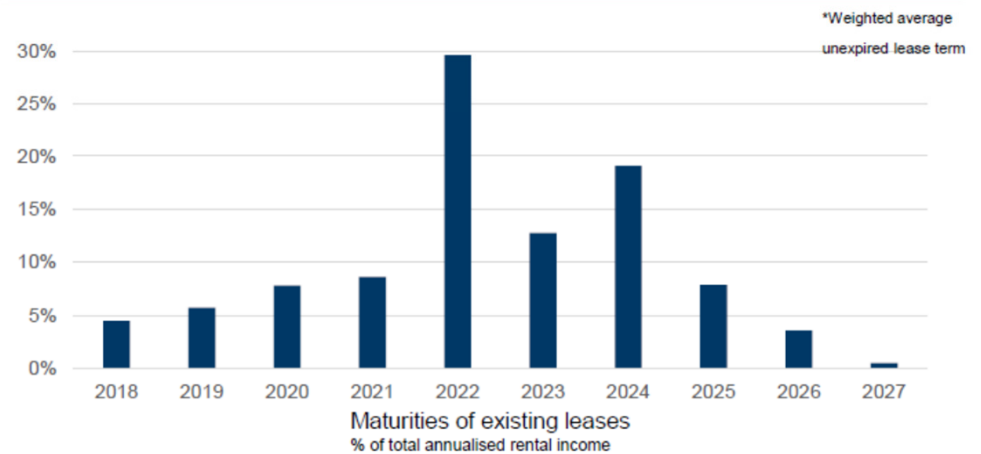
- Baltic Horizon has 206 tenants, mainly large Nordic and multinational firms.
- The 10 largest leases comprise 48% of total annualised rental income.
- Latvijas Valsts Meži is the largest tenant and accounts for 8.1% of total annualised rental income, closely followed by Rimi (7.6%).
- Successful property management is an important value driver for the Fund and the Management Company closely oversees property managers and signs off all new leases covering space of at least 100 sqm.
- The maturities of existing leases are fairly evenly distributed over the next 10 years with the exception of 2022 when lease contracts of 4 out of the 10 largest tenants are set to mature.

No	Tenant	Industry	Property	% of total annualised rental income	WAULT*, years
1		Forestry management	Vainodes 1	8.1%	6.9
2		Grocery	Domus Pro, Piiirita, Postimaja	7.6%	6.6
3		Security	G4S Headquarters	7.6%	4.8
4		(same owner as SF Bio) Cinema	Coca-Cola Plaza	6.7%	5.2
5		Banking	Upmalas Biroji	4.9%	5.0
6		Credit management	Duetto I	4.7%	4.2
7		Clothing	Postimaja	3.0%	3.1
8		Banking	Lincona	2.0%	6.7
9		Utilities	Duetto I	1.7%	4.7
10		Grocery	Sky Supermarket	1.6%	5.0
Total of 10 largest tenants				48.1%	5.2

## Fund Segment and Country Distribution



22

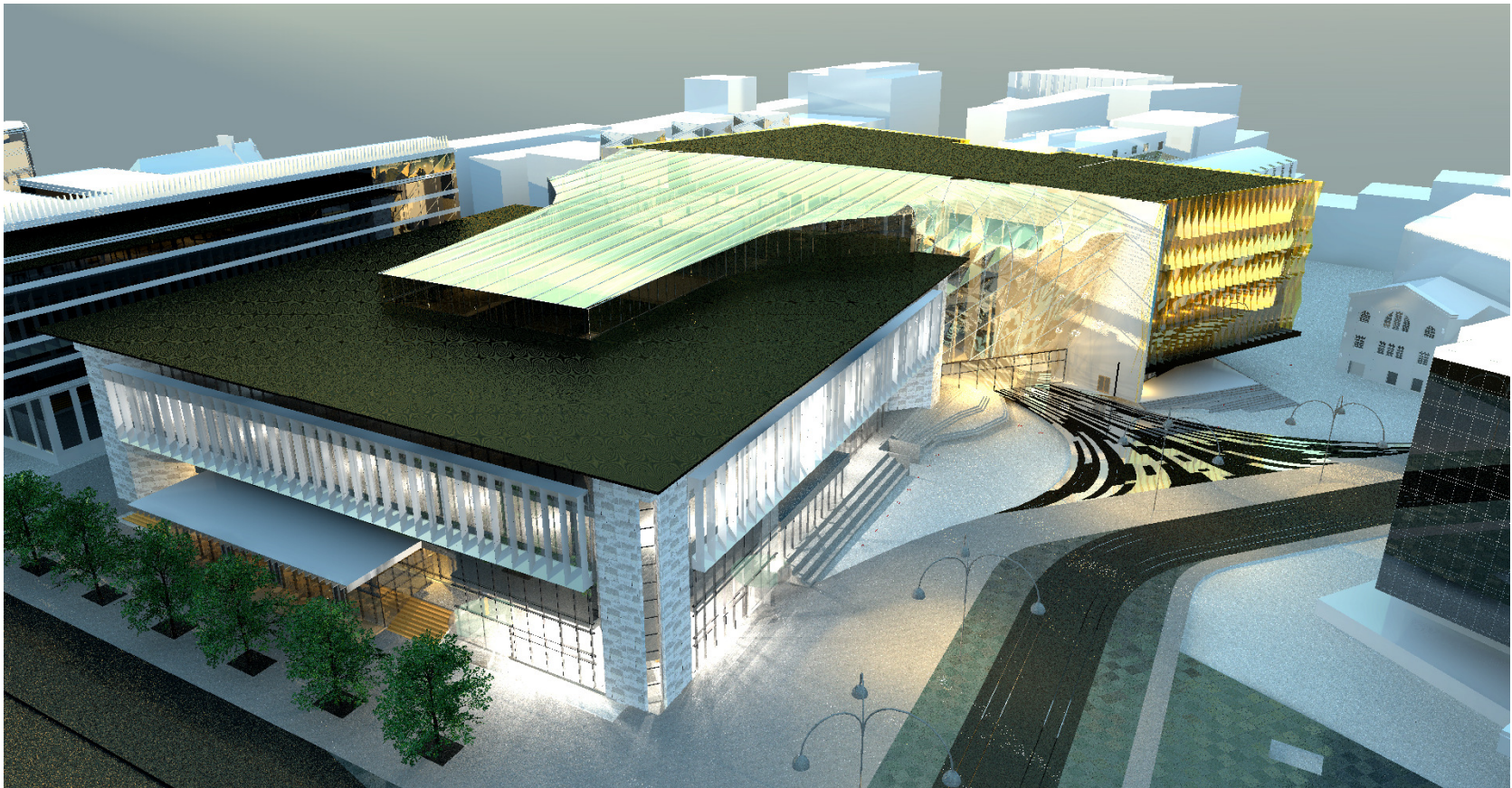






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## POSTIMAJA AND CC PLAZA EXPANSION





## PORTFOLIO PERFORMANCE

Most capital raised in Q4 has been deployed

- GAV: EUR 215 million
- NAV: EUR 107 million
- 7,2% direct property yield holding strong (6,8% net initial yield)
- Actual occupancy today remains strong at 97-98%
- Capital raised in 2017 invested in Vainodes 1 and Postimaja
- Equity left for a small acquisition in Q2-Q3





# INCOME STATEMENT

EUR'000	2014	2015	2016	2017
Rental income	3,048	6,073	7,874	11,839
Service charge income	829	2,062	2,594	3,692
Cost of rental activities	-1,177	-2,796	-3,315	-4,763
<b>Net rental income</b>	<b>2,700</b>	<b>5,339</b>	<b>7,153</b>	<b>10,768</b>
Administrative expenses	-665	-984	-2,190	-2,774
Other operating income	-	267	97	14
Net loss on disposal of investment properties	-	-10	-	-
Valuation gains/losses on investment properties	611	2,886	2,562	3,676
Valuation gains/losses on investment properties under construction	-	-	175	-
<b>Operating profit</b>	<b>2,646</b>	<b>7,498</b>	<b>7,797</b>	<b>11,684</b>
Financial income	72	17	14	47
Financial expenses	-656	-1,100	-1,253	-1,528
<b>Profit before tax</b>	<b>2,062</b>	<b>6,415</b>	<b>6,558</b>	<b>10,203</b>
Income tax charge	-55	-890	-798	-759
<b>Profit for the period</b>	<b>2,007</b>	<b>5,525</b>	<b>5,760</b>	<b>9,444</b>
<b>Earnings per unit (basic and diluted), EUR</b>	<b>0.10</b>	<b>0.23</b>	<b>0.12</b>	<b>0.15</b>



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## BALANCE SHEET

EUR'000	31 Dec 2014	31 Dec 2015	31 Dec 2016	31 Dec 2017
Investment properties	46,170	86,810	141,740	189,317
Investment property under construction	-	-	1,580	-
Derivative financial instruments	-	-	-	89
Other non-current assets	-	263	288	146
<b>Total non-current assets</b>	<b>46,170</b>	<b>87,073</b>	<b>143,608</b>	<b>189,552</b>
Trade and other receivables	214	840	1,269	1,568
Prepayments	11	81	178	108
Cash and cash equivalents	2,626	1,677	9,883	24,557
<b>Total current assets</b>	<b>2,851</b>	<b>2,598</b>	<b>11,330</b>	<b>26,233</b>
<b>TOTAL ASSETS</b>	<b>49,021</b>	<b>89,671</b>	<b>154,938</b>	<b>215,785</b>
Paid in capital	22,051	25,674	66,224	91,848
Own units	-	-	-8	-
Cash flow hedge reserve	-194	-199	-294	-56
Retained earnings	2,458	6,218	10,887	15,184
<b>Total equity</b>	<b>24,315</b>	<b>31,693</b>	<b>76,809</b>	<b>106,976</b>
Interest bearing loans and borrowings	22,395	39,586	58,981	96,497
Deferred tax liabilities	670	3,673	4,383	5,206
Derivative financial instruments	149	215	345	88
Other non-current liabilities	160	451	935	859
<b>Total non-current liabilities</b>	<b>23,374</b>	<b>43,925</b>	<b>64,644</b>	<b>102,650</b>
Interest bearing loans and borrowings	644	11,608	10,191	1,590
Trade and other payables	534	2,036	2,876	4,202
Income tax payable	-	112	46	14
Derivative financial instruments	60	17	-	15
Other current liabilities	94	280	372	338
<b>Total current liabilities</b>	<b>1,332</b>	<b>14,053</b>	<b>13,485</b>	<b>6,159</b>
<b>Total liabilities</b>	<b>24,706</b>	<b>57,978</b>	<b>78,129</b>	<b>108,809</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>49,021</b>	<b>89,671</b>	<b>154,938</b>	<b>215,785</b>



## KEY INDICATORS

	2014	2015	2016	2017
<b>Property-related</b>				
Value of investment properties, EUR'000	46,170	86,810	141,740	189,317
Number of properties, period end	4	5	8	10
Rentable area, sqm				
Period end	30,928	48,651	75,107	96,245
Period average <sup>1</sup>	28,322	44,718	58,936	83,736
Vacancy rate				
Period end	6.3%	2.0%	2.6%	2.2%
Period average <sup>2</sup>	9.8%	2.8%	3.2%	2.2%
Net initial yield <sup>3</sup>	6.6%	7.1%	6.8%	6.8%
<b>Financial</b>				
EPRA NAV per unit <sup>4,5</sup> , EUR	1.16	1.48	1.48	1.47
NAV per unit <sup>4</sup> , EUR	1.12	1.27	1.34	1.38
Adjusted earnings per unit <sup>4,6</sup> , EUR	0.10	0.23	0.14	0.13
Adjusted ROE <sup>7</sup>	9.3%	19.4%	10.8%	12.28%
Adjusted cash earnings <sup>8</sup> , EUR'000	1,349	3,485	4,656	6,485
Adjusted cash earnings per unit <sup>4</sup> , EUR	0.07	0.15	0.10	0.08
Adjusted cash ROE <sup>9</sup>	6.2%	12.2%	7.5%	6.15%
Dividends per unit <sup>4</sup> , EUR	0.051	0.072	0.050 <sup>10</sup>	0.084 <sup>11</sup>
Interest coverage ratio <sup>12</sup>	3.2	4.3	4.4	5.6
LTV <sup>13</sup>	49.9%	59.0%	48.8%	51.8%
Weighted average number of units issued <sup>4</sup> , '000	19,767	23,915	47,351	62,271
Number of units issued at period end <sup>4</sup> , '000	21,720	25,017	57,265	77,441

<sup>1</sup> Computed as average of monthly estimates. <sup>2</sup> Computed as average of monthly estimates. <sup>3</sup> Net initial yield = net rental income / value of investment properties. Calculated as average of monthly estimates. <sup>4</sup> On 30 June 2016 the Fund merged with BOF and took over all assets and liabilities of BOF. Units of BOF were converted into units of the Fund at a ratio of 1:100 (1 unit of BOF was exchanged into 100 units of the Fund). To ensure the comparability of historical *per unit* figures, numbers of units prior to the Merger were recalculated by multiplying them by 100 to reflect the effect of the conversion. The recalculated numbers or units were used to compute comparable *per unit* figures. <sup>5</sup> EPRA NAV is a measure of long term NAV, proposed by European Public Real Estate Association (EPRA) and widely used by listed European property companies. It is designed to exclude assets and liabilities that are not expected to crystallise in normal circumstances such as the fair value of financial derivatives and deferred taxes on property valuation gains. EPRA NAV = NAV per financial statements + derivative financial instruments liability net of related deferred tax asset + deferred tax liability related to investment property fair and tax value differences. Calculation of EPRA NAV is explained in greater detail in section 6.15 "NAV". <sup>6</sup> Earnings per unit for 2016 were adjusted to exclude EUR 938 thousand one-off expenses related to public offerings. No adjustments were performed for years 2015 and 2014. Earnings per unit for 2017 were adjusted to exclude EUR 637 thousand one-off expenses related to public offerings. <sup>7</sup> Adjusted return on average equity (ROE) = adjusted earnings per unit / average NAV per unit; where average NAV per unit = ( NAV per unit at the beginning of the period + NAV per unit at the end of the period ) / 2. <sup>8</sup> Adjusted cash earnings = profit before tax - valuation gains or losses on investment properties - valuation gains or losses on investment properties under construction - net gains or losses on disposals of investment properties - paid income taxes. A figure for 2016 was adjusted to exclude EUR 938 thousand one-off expenses related to public offerings. No adjustments were performed for years 2015 and 2014. A figure for 2017 was adjusted to exclude EUR 637 thousand one-off expenses related to public offerings. <sup>9</sup> Adjusted cash ROE = adjusted cash earnings per unit / average NAV per unit; where average NAV per unit = ( NAV per unit at the beginning of the period + NAV per unit at the end of the period ) / 2. <sup>10</sup> Represents two quarterly dividends for 2016 profit: EUR 0.026 per unit for Q3 2016 profit, announced on 12 October 2016 and paid on 28 October 2016, and EUR 0.024 per unit for Q4 2016 profit, announced on 20 January 2017 and paid on 7 February 2017. <sup>11</sup> Represents four quarterly dividends: EUR 0.023 per unit for Q1 2017 profit, announced on 28 April 2017 and paid on 18 May 2017, EUR 0.018 per unit for Q2 2017 profit, announced on 4 August 2017 and paid on 24 August 2017, EUR 0.02 per unit for Q3 2017 profit, announced on 31 October 2017 and paid on 17 November 2017, and EUR 0.023 per unit for Q4 2017 profit, announced on 31 January 2018 and paid on 19 February 2018. <sup>12</sup> Interest coverage ratio = ( operating profit - valuation gains or losses on investment properties - net gains or losses on disposals of investment properties ) / interest on bank loans. <sup>13</sup> Loan-to-value (LTV) = total interest bearing loans and borrowings / value of investment properties.



## BOND PROGRAM

Diversification of Capital  
structure of Baltic horizon

Cash management: removal  
of bank loan amortization

- Bond program up to EUR 30 million
  - Diversification of Capital structure
  - Rating to be obtained from S&P
  - Pre-screening of investors completed
- Renegotiation of the bank loans due to repayment
  - Removal of amortization
  - Optimizing sources of capital
- Timeline April – May
  - To be listed on Tallinn OMX stock exchange





# UNIT PRICE MOVEMENT TILL APRIL

06/04/2018

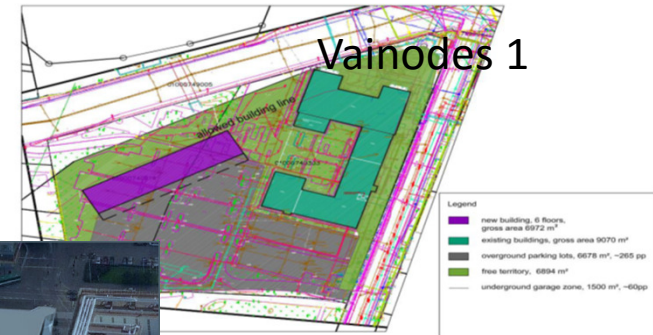
■ Baltic Horizon Fund (STO) 13.00 ■ Baltic Horizon Fund (TLN) 1.25



## FUTURE OUTLOOK

Strong focus on  
unlocking value:

- Domus PRO III stage
- Vainodes 1 extension
- G4S new extension
- CC Plaza expansion
- Duetto II
- Europa SC repositioning





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