



NORTHERN HORIZON

# BALTIC HORIZON FUND WEBINAR

Interim Results  
H1 2020



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Europa SC

## Key highlights







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# DIVERSIFIED INVESTMENT STRATEGY

## Fund information

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<b>Total investors</b>	>5,000	➤ Focus on high-quality properties in the Baltic capitals
<b>Units outstanding</b>	EUR >113 million	➤ High dividend capacity
<b>Nasdaq churn p.a</b>	ca 14% of the market cap	➤ Active management and solid existing portfolio
<b>Largest investors</b>	Swedish church pension fund; SEB Baltic pension funds; Muirfield Invest; ETON; EIKOS, Vienna Insurance Group	➤ Efficient and investor-friendly structure
<b>Net lettable area</b>	153,351 sq.m.	➤ Diversified portfolio
<b>LTV</b>	59.5%, max LTV 65%	➤ Liquidity through the stock market listing
<b>Dividend payout<sup>1</sup></b>	EUR 4.9 million in H1 2020 (4.6 million in H1 2019)	
<b>S&amp;P rating</b>	MM3 (BB/BB+)	

<sup>1</sup>EUR 1.8 million was kept in a reserve to be paid out later.



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## KEY FIGURES

30 June 2020

**342,267**

Portfolio value  
(EUR '000)

**59.5%**

LTV

**1.2169**

IFRS NAV  
(EUR per unit)

**1.3044**

EPRA NAV  
(EUR per unit)

H1 2020

**10,390**

Net rental income  
(EUR '000)

**5.9%**

Net initial yield



31 December 2019

**356,575**

Portfolio value  
(EUR '000)

**57.3%**

LTV

**1.3451**

IFRS NAV  
(EUR per unit)

**1.4333**

EPRA NAV  
(EUR per unit)

H1 2019

**8,172**

Net rental income  
(EUR '000)

**6.4%**

Net initial yield



Variance

**(4.0%)**

Portfolio value

**220bps**

LTV

**(9.5%)**

IFRS NAV

**(9.0%)**

EPRA NAV

Variance

**27.1%**

Net rental income

**(50bps)**

Net initial yield



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## NOTABLE EVENTS DURING 2020

**EUR 0.028  
per unit**

Distribution on  
19 February  
2020

- On 19 February 2020, the Fund distributed EUR 3.18 million to investors (EUR 0.028 per unit).
- This equals approx. 2.16% of the Fund's Q4 2019 weighted average net asset value.

**EUR 0.015  
per unit**

Distribution on  
14 May 2020

- On 14 May 2020, the Fund distributed EUR 1.70 million to investors (EUR 0.015 per unit).
- This equals approx. 1.12% of the Fund's Q1 2020 weighted average net asset value.

**S&P MM3  
rating  
affirmed**

27 July 2020

- On 27 July 2020, S&P Global Ratings affirmed Baltic Horizon Fund "MM3" mid-market rating.
- The indicative corresponding rating for "MM3" on the global rating scale is "BB+/ BB".

**Equity  
ratio bond  
covenant  
reduction  
to 25%**

July 2020

- In July 2020, the bondholders of EUR 50 million 5-year unsecured bonds adopted the decision by the way of written procedure to temporarily reduce the equity ratio bond covenant to 25% or greater (previously 35% or greater).
- The original equity ratio covenant of 35% or greater will be automatically reinstated as of 1 August 2021.

➤ No covenants breached during COVID-19 pandemic period.





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LNK Centre

# COVID-19 impact





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# CHANGES IN THE OPERATING ENVIRONMENT (1/3)

While the operating environment changed dramatically with the outbreak of the COVID-19 pandemic, Baltic countries managed to avoid the worst of the health care crisis



## Europe

Cases have been reported:  
3,109,225

Deaths have been reported:  
207,871

Confirmed cases in the last 14 days (29.07-11.08):  
275,410

## Estonia

Cases have been reported:  
2,158/162 per 100k pop

Deaths have been reported:  
63/4.77 per 100k pop

Confirmed cases in the last 14 days (29.07-11.08):  
120

## Latvia

Cases have been reported:  
1,293/67 per 100k pop

Deaths have been reported:  
32/1.66 per 100k pop

Confirmed cases in the last 14 days (29.07-11.08):  
73

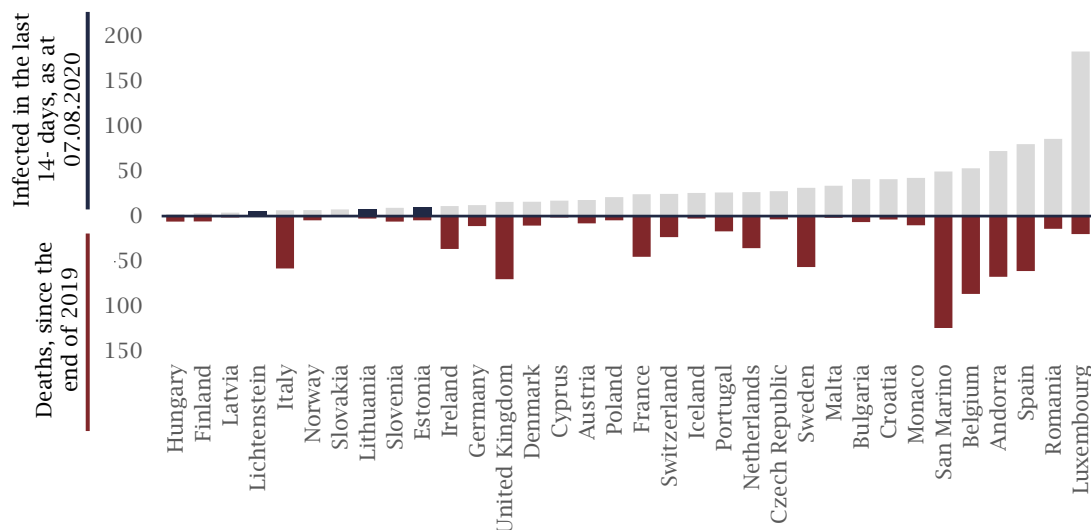
## Lithuania

Cases have been reported:  
2,265/81 per 100k pop

Deaths have been reported:  
81/2.90 per 100k pop

Confirmed cases in the last 14 days (29.07-11.08):  
246

Number cases and deaths per 100,000 inhabitants



## Significant divergences in the magnitude of the healthcare crisis across countries

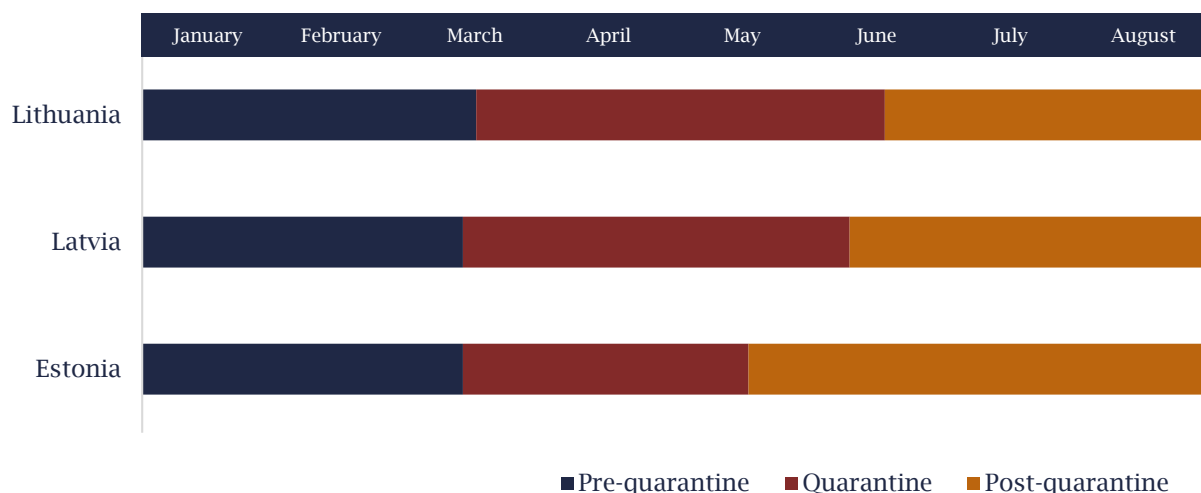
- Countries voluntarily shut down a large part of the economies.
- Pandemic has left almost no country in the world unaffected.
- The countries have suffered differently from the pandemic.
- In the Baltics, the virus was quickly contained
- the Baltic countries have managed to hold infection and death rates much lower than in many other parts of Europe.

Source: European Centre for Disease Prevention and Control (as at 11.08.2020), [ecdc.europa.eu](https://ecdc.europa.eu); John Hopkins University & Medicine; Republic of Estonia, Ministry of Foreign Affairs.



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## COVID-19 RISK MANAGEMENT



### Government support measures:

**In Estonia**, government support for a single affected tenant is capped at 25% of monthly rent provided that the landlord gives a rental discount of at least 25%, resulting in minimum savings of 50% to the tenant;

**In Lithuania**, the government implemented compensation of 50% of the monthly rent if the landlord provides a rental discount of at least 30%, resulting in minimum savings to the tenant of 80%. Compensation is available for the lockdown period and 2 months after;

No rent compensation mechanism for private businesses has yet been announced **in Latvia**.

### Risk management measures:

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

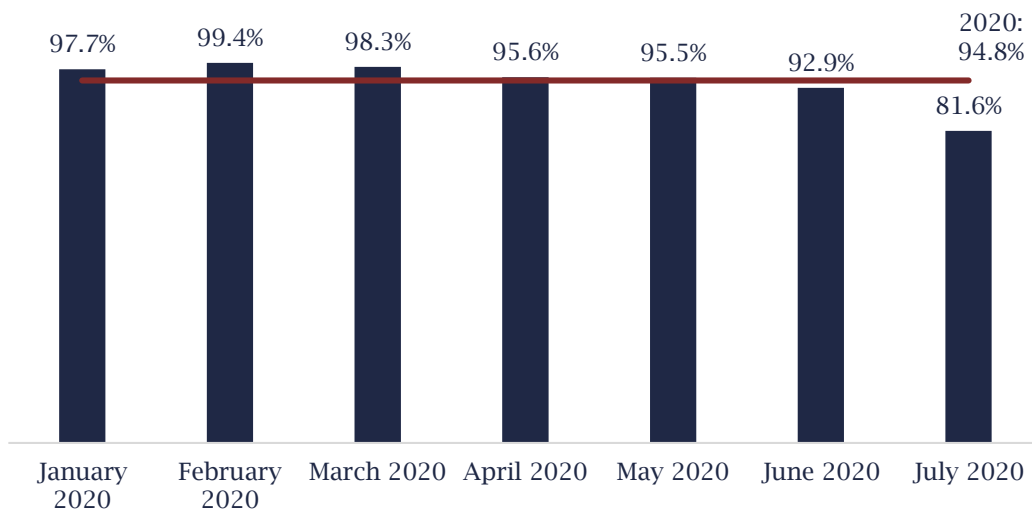




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## IMPACT OF THE COVID-19

### Rent collection



### Recoveries

<b>98.5%</b> Rent collection Q1 2020	<b>80.7%</b> Recovered footfall in Lithuania (July)
<b>94.7%</b> Rent collection Q2 2020	<b>85.4%</b> Recovered turnover in Europa SC (July)
<b>73.4%</b> Recovered footfall in Estonia (July)	<b>68.4%</b> Recovered turnover in Galerija Centrs (July)
<b>69.1%</b> Recovered footfall in Latvia (July)	<b>78.6%</b> Recovered turnover in Postimaja (July)

### Relief measures

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

The Fund assessed the impact of COVID-19 on each tenant's operating performance during the lockdown and granted discounts to the most affected tenants, while at the same time protecting the best interests of unitholders and other stakeholders. The Fund's management team reviewed each rent discount request individually in order to find suitable solutions for all parties.

Relief measures granted to tenants helped to improve collection rates during June/July and maintain trade receivables at healthy levels.



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Vainodes I

Financial results



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# FINANCIAL RESULTS FOR H1 2020

## KEY FIGURES

### IFRS NAV per unit (EUR)

**EUR 1.2169**

31.12.2019: EUR 1.3451

### EPRA NAV per unit (EUR)

**EUR 1.3044**

31.12.2019: EUR 1.4333

### Earnings per unit (EUR)

**EUR (0.08)**

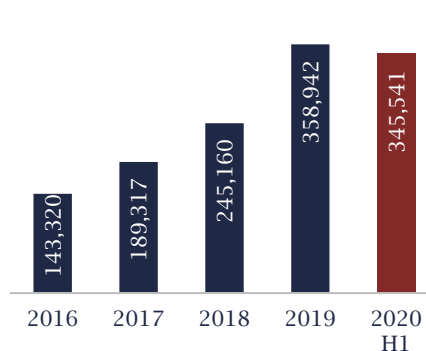
H1 2019: EUR 0.03

### Gross dividend yield<sup>1</sup>

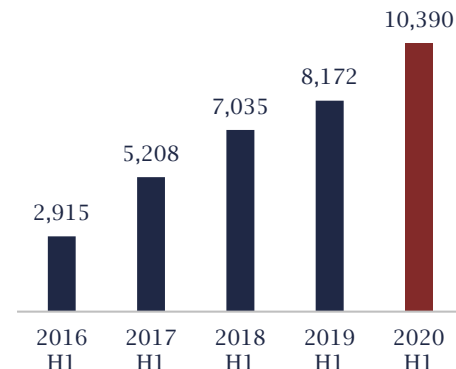
**7.2%**

Q1 2020: 9.6%

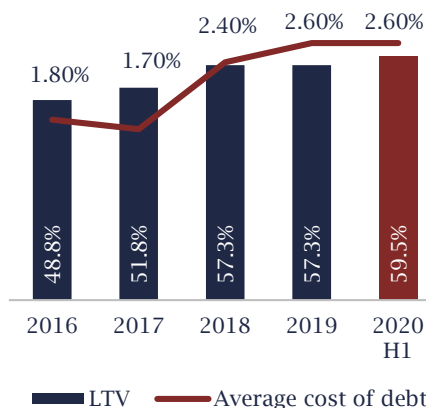
### Investment portfolio value (EUR '000)



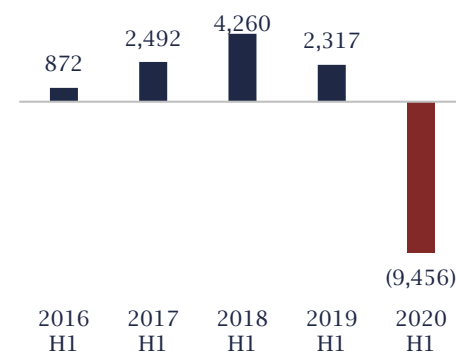
### Net rental income (EUR '000)



### LTV and average cost of debt



### (Loss) profit for the period (EUR '000)



1. Gross dividend yield is based on the closing market price of the unit as at the end of the year (Q2 2020: closing market price of the unit as of 30 June 2020).





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# FINANCING SUMMARY

## AS OF 30 JUNE 2020

### Summary of financing terms

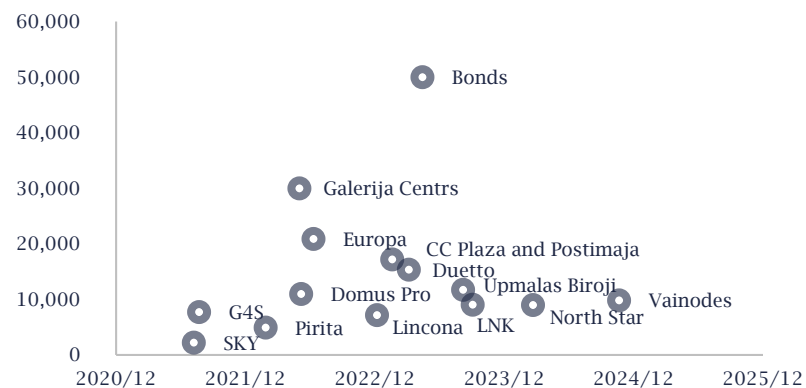
**59.5%**  
LTV

**2.6%**  
Cost of debt

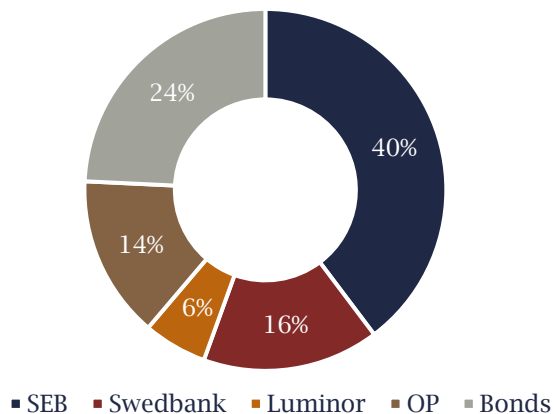
**0.2%**  
Annual debt  
amortization

**2.6 years**  
Weighted debt  
maturity

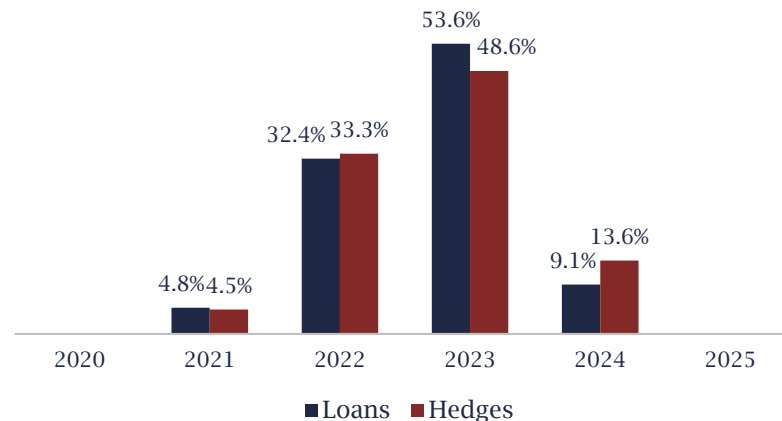
### Maturity by separate loan (EUR '000)



### Diversification by creditor



### Loan and hedge maturity





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# FINANCIAL DEBT STRUCTURE

## AS OF 30 JUNE 2020

Property	Maturity	Carrying amount (EUR'000)	% of total	Fixed rate portion
Galerija Centrs	26 May 2022	30,000	14.5%	100%
Europa SC	5 July 2022	20,900	10.1%	88%
CC Plaza and Postimaja	12 February 2023	17,200	8.3%	100% <sup>1</sup>
Duetto I and II	31 March 2023	15,376	7.5%	47% <sup>2</sup>
Upmalas Biroji BC	31 August 2023	11,750	5.7%	90%
Domus Pro	31 May 2022	11,000	5.3%	65%
Vainodes I	13 November 2024	9,842	4.8%	50%
LNK	27 September 2023	9,005	4.4%	64%
North Star	15 March 2024	9,000	4.4%	-%
G4S Headquarters	16 August 2021	7,750	3.8%	100%
Lincona	31 December 2022	7,188	3.5%	95%
Pirita SC	20 February 2022	4,944	2.4%	122%
Sky SC	1 August 2021	2,228	1.1%	-%
<b>Total bank loans</b>		<b>156,183</b>	<b>75.8%</b>	<b>78%</b>
Less capitalized loan arrangement fees <sup>3</sup>		(275)		
<b>Total bank loans recognised in the statement of financial position</b>		<b>155,908</b>		
5 year-unsecured bonds	08 May 2023	50,000	24.2%	100%
Less capitalized bond arrangement fees <sup>3</sup>		(196)		
<b>Total debt recognised in the statement of financial position</b>		<b>205,712</b>	<b>100.0%</b>	<b>83%</b>

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

2. Duetto loan has an interest rate cap at 1% for the variable interest rate part.

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



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# FINANCIAL RESULTS FOR H1 2020

## PROFIT AND LOSS

EUR '000	H1 2020	H1 2019	Change (%)
Rental income	11,282	8,797	28.2%
Service charge income	2,504	1,652	51.6%
Cost of rental activities	(3,396)	(2,277)	49.1%
<b>Net rental income</b>	<b>10,390</b>	<b>8,172</b>	<b>27.1%</b>
Administrative expenses	(1,523)	(1,526)	(0.2%)
Other operating income	186	6	3,000.0%
Valuation losses on investment properties	(15,753)	(2,439)	545.9%
<b>Operating (loss) profit</b>	<b>(6,700)</b>	<b>4,213</b>	<b>(259.0%)</b>
Financial income	2	3	(33.3%)
Financial expenses	(2,750)	(1,976)	39.2%
<b>Net financing costs</b>	<b>(2,748)</b>	<b>(1,973)</b>	<b>39.3%</b>
<b>(Loss) profit before tax</b>	<b>(9,448)</b>	<b>2,240</b>	<b>(521.8%)</b>
Income tax charge	(8)	77	(110.4%)
<b>(Loss) profit for the period</b>	<b>(9,456)</b>	<b>2,317</b>	<b>(508.1%)</b>

### Key comments:

- In H1 2020, the Group recorded a net loss of EUR 9.5 million against a net profit of EUR 2.3 million for H1 2019. **The net result was significantly impacted by the one-off negative valuation result of EUR 15.8 million during H1 2020.**
- In H1 2020, the Group earned net rental income of EUR 10.4 million exceeding the previous year's net rental income for the same period by EUR 2.2 million (H1 2019: 8.2 million). **The increase was achieved through new acquisitions that were made following the capital raisings in 2019.**
- The valuation losses on the property portfolio came to EUR 15.8 million during H1 2020 (H1 2019: EUR 2.4 million). **Valuations were negatively affected primarily due to downward adjustments to valuation assumptions resulting from the uncertainty associated with the COVID-19 pandemic.**





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# FINANCIAL RESULTS FOR H1 2020

## FINANCIAL POSITION

EUR '000	30.06.2020	31.12.2019
Investment properties	342,267	356,575
Investment property under construction	3,274	2,367
Derivative financial instruments	6	73
Other non-current assets	54	54
<b>Total non-current assets</b>	<b>345,601</b>	<b>359,069</b>
Trade and other receivables	3,166	1,794
Prepayments	550	301
Other current assets	353	734
Cash and cash equivalents	7,081	9,836
<b>Total current assets</b>	<b>11,150</b>	<b>12,665</b>
<b>Total assets</b>	<b>356,751</b>	<b>371,734</b>
Paid in capital	138,064	138,064
Cash flow hedge reserve	(1,765)	(1,556)
Retained earnings	1,678	16,010
<b>Total equity</b>	<b>137,977</b>	<b>152,518</b>
Interest bearing loans and borrowings	205,604	205,718
Deferred tax liabilities	6,011	6,199
Derivative financial instruments	1,885	1,728
Other non-current liabilities	1,165	1298
<b>Total non-current liabilities</b>	<b>214,665</b>	<b>214,943</b>
Interest bearing loans and borrowings	405	414
Trade and other payables	2,886	3,171
Income tax payable	181	8
Other current liabilities	637	680
<b>Total current liabilities</b>	<b>4,109</b>	<b>4,273</b>
<b>Total liabilities</b>	<b>218,774</b>	<b>219,216</b>
<b>Total equity and liabilities</b>	<b>356,751</b>	<b>371,734</b>

### Key comments:

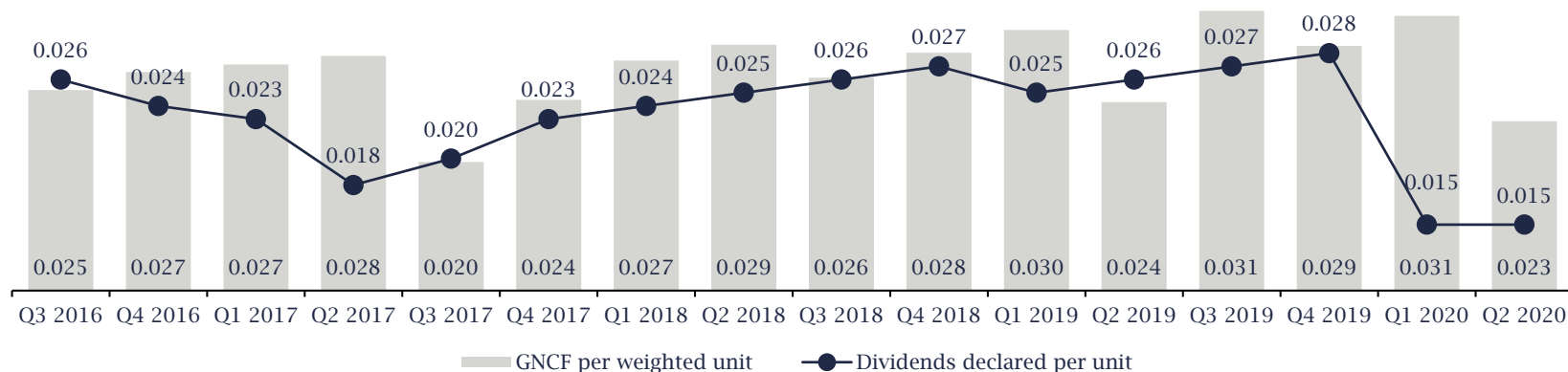
- At the end of H1 2020, the GAV decreased to EUR 356.8 million (31 December 2019: EUR 371.7 million) which was a drop of 4.0% over the period. **The decrease is mainly related to the negative property revaluation of EUR 15.8 million or 3.7% of the portfolio value at the end of 2019.**
- Trade and other receivables increased as a result of **weaker tenant payment discipline** since the start of COVID-19 pandemic.



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# BALTIC HORIZON FUND

## Q2 2020 DISTRIBUTION



EUR '000	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Generated net cash flow (GNCf)	2,306	3,136	3,218	3,496	2,589
GNCf per weighted unit (EUR)	0.024	0.031	0.029	0.031	0.023
12-months rolling GNCf yield <sup>1</sup> (%)	7.8%	8.4%	8.6%	11.5%	9.6%
<b>Dividends declared for the period</b>	<b>2,624</b>	<b>3,061</b>	<b>3,175</b>	<b>1,701</b>	<b>1,701</b>
<b>Dividends declared per unit<sup>2</sup> (EUR)</b>	<b>0.026</b>	<b>0.027</b>	<b>0.028</b>	<b>0.015</b>	<b>0.015</b>
<b>12-months rolling dividend yield<sup>1</sup> (%)</b>	<b>7.5%</b>	<b>7.8%</b>	<b>8.0%</b>	<b>9.6%</b>	<b>7.2%</b>

- Gross 12-month rolling GNCf and dividend yields are based on the closing market price of the unit as at the end of the quarter (Q2 2020: closing market price of the unit as of 30 June 2020).
- Based on the number of units entitled to dividends.

- With a reduced payout of EUR 1.7 million in the light of prevailing market uncertainty, the Fund has opted to retain EUR 0.9 million of distributable cash flow.
- Over the past two quarters, the Fund **has increased its cash distribution reserve to EUR 3.5 million.**





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Property performance



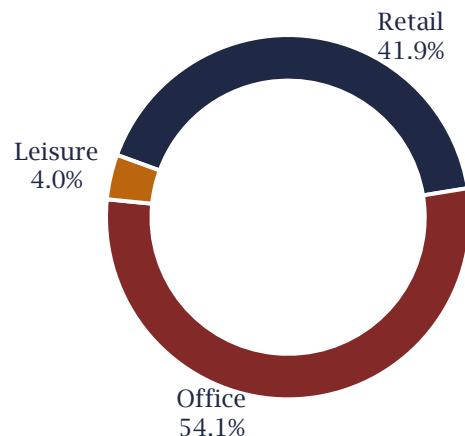




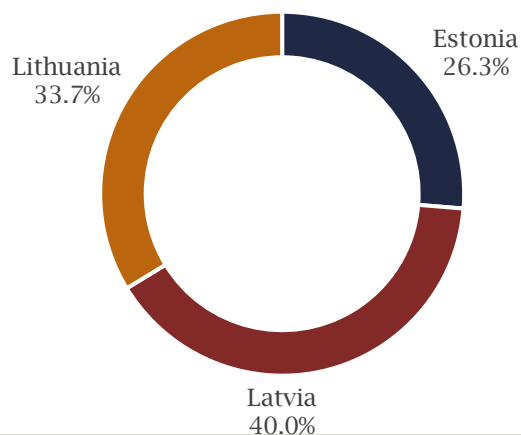
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# BALTIC HORIZON'S PROPERTY PORTFOLIO BREAKDOWN

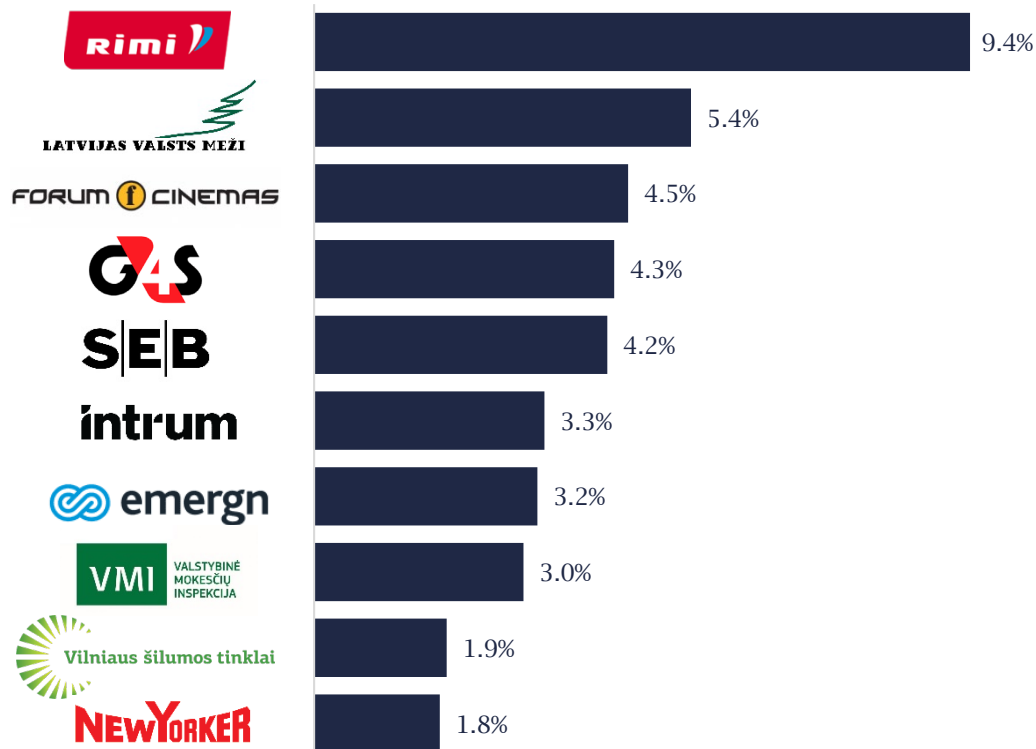
Net rental income by segment as of 30 June 2020



Net rental income by country as of 30 June 2020



Rental concentration: 10 largest tenants as of 30 June 2020



Other tenants – 59.0%



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## PROPERTY PERFORMANCE

EUR '000	Sector	Fair value <sup>1</sup> EUR '000	Direct property yield for Q2 2020 <sup>2</sup>	Net initial yield for Q2 2020 <sup>3</sup>	Occupancy rate for Q2 2020
Duetto I	Office	16,250	8.0%	7.3%	100.0%
Duetto II	Office	18,665	7.4%	7.2%	100.0%
Europa SC	Retail	39,691	1.9%	1.8%	92.8%
Domus Pro Retail Park	Retail	16,170	5.8%	5.5%	97.6%
Domus Pro Office	Office	7,590	7.3%	6.1%	100.0%
North Star	Office	19,743	6.6%	6.8%	100.0%
Meraki Development	Office	3,274	-	-	-
<b>Total Vilnius</b>		<b>121,383</b>	<b>5.3%</b>	<b>5.0%</b>	<b>97.5%</b>
Upmalas Biroji BC	Office	23,001	7.3%	7.3%	100.0%
Vainodes I	Office	20,830	6.9%	7.0%	100.0%
LNK Centre	Office	16,490	6.3%	6.4%	100.0%
Sky SC	Retail	4,960	7.8%	8.1%	98.4%
Galerija Centrs	Retail	71,277	3.6%	3.6%	86.9%
<b>Total Riga</b>		<b>136,558</b>	<b>5.2%</b>	<b>5.3%</b>	<b>94.6%</b>
Postimaja & CC Plaza	Retail	30,550	3.7%	4.0%	95.6%
Postimaja & CC Plaza	Leisure	14,250	4.9%	3.8%	100.0%
G4S Headquarters	Office	16,790	7.9%	7.1%	100.0%
Lincona	Office	16,470	8.0%	7.2%	99.4%
Pirita SC	Retail	9,540	5.7%	7.2%	83.4%
<b>Total Tallinn</b>		<b>87,600</b>	<b>5.6%</b>	<b>5.5%</b>	<b>96.8%</b>
<b>Total portfolio</b>		<b>345,541</b>	<b>5.3%</b>	<b>5.2%</b>	<b>96.4%</b>

1. Based on the latest valuation as at 31 December 2019 and recognised right-of-use assets.
2. Direct property yield (DPY) is calculated by dividing NOI by the acquisition value and subsequent capital expenditure of the property.
3. The net initial yield (NIY) is calculated by dividing NOI by the market value of the property.



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## PORTFOLIO VALUATIONS

EUR '000	Fair value 30.06.2020	Fair value 31.12.2019	Change (EUR '000)	Change (%)
<b>Like-for-like assets</b>				
Retail	172,188	180,740	(8,552)	(4.7%)
Office	155,829	160,685	(4,856)	(3.0%)
Leisure	14,250	15,150	(900)	(5.9%)
<b>Total like-for-like assets</b>	<b>342,267</b>	<b>356,575</b>	<b>(14,308)</b>	<b>(4.0%)</b>
<b>Development assets</b>				
Office	3,274	2,367	907	38.3%
<b>Total portfolio assets</b>	<b>345,541</b>	<b>358,942</b>	<b>(13,401)</b>	<b>(3.7%)</b>

### Key comments:

- The like-for-like value of the property portfolio excluding developments decreased by EUR 14.3 million (4.0%) in H1 2020, compared to year-end 2019.
- The decrease was mainly due to a more conservative valuation approach on CBD shopping centres and cinema building.
- Offices were less affected by the downward valuation adjustments related to COVID-19 due to a strong tenant base and payment discipline.

EUR '000	Fair value 30.06.2020	Fair value 31.12.2019	Change (EUR '000)	Change (%)
<b>Like-for-like assets</b>				
Estonia	87,600	92,620	(5,020)	(5.4%)
Latvia	136,558	143,347	(6,789)	(4.7%)
Lithuania	118,109	120,608	(2,499)	(2.1%)
<b>Total like-for-like assets</b>	<b>342,267</b>	<b>356,575</b>	<b>(14,308)</b>	<b>(4.0%)</b>
<b>Development assets</b>				
Lithuania	3,274	2,367	907	38.3%
<b>Total portfolio assets</b>	<b>345,541</b>	<b>358,942</b>	<b>(13,401)</b>	<b>(3.7%)</b>



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## EXPANSION PLANS

### Planning

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Pirita SC, Tallinn

- Pirita SC reconstruction project has been finalized
- Building permit has been received for a small expansion
- Expected start of construction - H2 2020

### Planning

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CC Plaza and Postimaja, Tallinn

- Final design and construction project was started in Q1 2020 for phase I of the CC Plaza and Postimaja expansion
- Building permit to connect underground parking has been received from the City of Tallinn
- Expected start of construction - H1 2021

### Under construction

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Meraki, Vilnius

- New building/construction
- 25% of net leasable area of one tower pre-let to 4 local tenants
- Approx. 15,800 sq.m. of NLA office area
- Expected costs - EUR 26.5 million
- Expected delivery - Q4 2021





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# PREVIOUS BOND ISSUES AND UNIT OFFERINGS

## Previous and upcoming unit offerings

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### July 2016. Initial public offering (IPO)

- Up to 30,567,018 units were offered with a price per unit set @ 1.3086.

### November 2016. Secondary public offering (SPO)

- Up to 37,131,000 units were offered with the price per unit set @ 1.3456
- **Results:** In total 15,285,593 units were subscribed that corresponds to gross amount of EUR 20,568,294.

### May 2017. SPO

- Up to 15,108,000 units were offered with the price per units set @ 1.3308.
- **Results:** In total 7,397,027 units were subscribed that corresponds to gross amount of EUR 9,843,963.

### November 2017. Public offering

- Up to 15,308,000 new units were offered with the price per unit set @ 1.3266
- **Results:** In total 12,784,768 units were subscribed that corresponds to gross amount of EUR 16,960,273.

### February 2018. Private placement

- Up to 1,716,456 new units were offered with the price per unit set @ 1.3691
- **Results:** In total 1,716,456 units were subscribed that corresponds to gross amount of EUR 2,349,999.

### April 2019. Two private placements

- Up to 15,699,366 and 3,139,873 new units were offered with the price per unit set @ 1.3067/1.3160
- **Results:** In total 15,699,366 and 3,139,873 units were subscribed that corresponds to gross amount of EUR 20,500,000 and EUR 4,100,000.

### May 2019. Private placement

- Up to 627,974 new units were offered with the price per unit set @ 1.3197
- **Results:** In total 627,974 units were subscribed that corresponds to gross amount up to EUR 800,000.

### July 2019. Private placement

- Up to 2,951,158 new units were offered with the price per unit set @ 1.3554
- **Results:** In total 2,951,158 units were subscribed that corresponds to gross amount up to EUR 4,000,000.

### October 2019. Private placement

- Up to 12,472,323 new units were offered with the price per unit set @ 1.3253
- **Results:** In total 12,472,323 units were subscribed that corresponds to gross amount up to EUR 16,500,000.

### H2 2020. PUBLIC OFFERING OF NEW UNITS

- Target: EUR 20 million (+EUR 20 million upsizing option). Price per unit YTD market average. Use of proceeds: expansion projects and opportunities in the market.



NORTHERN HORIZON

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