



Q4 Webinar

Baltic Horizon Fund



Notable events for the Fund

EUROPA

On 30 December 2022, Baltic Horizon Fund signed a real estate sale and purchase agreement with UAB Prime Location Property Fund, **closing the deal for selling its share in the parking house of Europa Shopping Centre** which was previously co-owned with the purchaser. The sales price was EUR 4 million.



Edvinas Karbauskas was elected as a new member of the management board of Northern Horizon Capital AS effective from 3 January 2023 for a period of four years. Edvinas Karbauskas was also appointed as **Co-Fund manager of Baltic Horizon Fund** together with Tarmo Karotam, the current Fund manager.



In Q4 2022, Baltic Horizon launched a brand-new website. Compared to the previous one, the new website offers many improvements - faster navigation, improved functionality and more information about the Fund's assets and the team behind Baltic Horizon to name a few.



During 2022 and in the beginning of 2023, **the Group successfully extended its Europa SC, Galerija Centrs, Domus PRO, Pirita SC, Lincona, CC Plaza and SKY SC bank loans** with the same banks. In total, 86.5m of loans were extended.

Europa parking house disposal



On 30 December 2022, Baltic Horizon Fund signed a real estate sale and purchase agreement with UAB Prime Location Property Fund, closing the deal for selling its share in the parking house of Europa Shopping Centre which was previously co-owned with the purchaser. The sales price was EUR 4 million.

The proceeds of the transaction were used to optimise balance sheet structure and reduce the financial leverage of the Fund.

Baltic Horizon Fund remains the sole owner of the Europa Shopping Centre.

Disposal of Domus PRO Retail & Office

On 9 February 2023, the Fund signed an agreement with UAB PREF III to sell 100% shares of BH Domus PRO UAB which owns Retail park and Office building in Vilnius, Lithuania.

The proceeds of the transaction will be used mainly to decrease the loan obligations of the Fund and partially to redeem the Fund's bonds which mature in May 2023. Closing of the transaction is expected to take place by the end of February 2023.



EUR 23.5m
Sale price

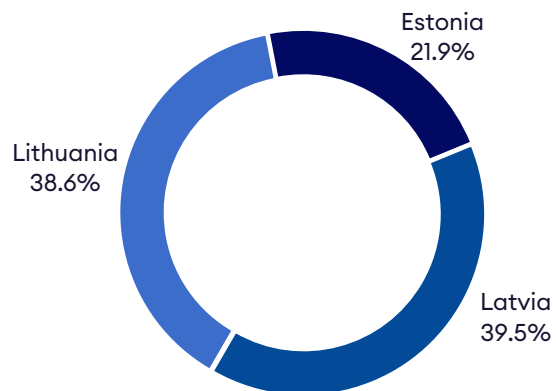
2.1
Equity multiple

15.8%
IRR

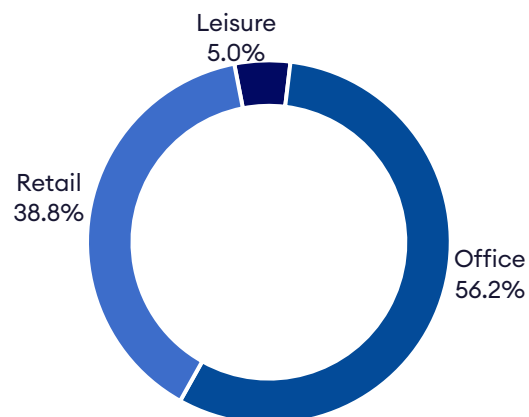
Baltic Horizon Fund portfolio summary

The Fund is minimizing concentration risk by diversifying the client base, segment, and geographical allocation

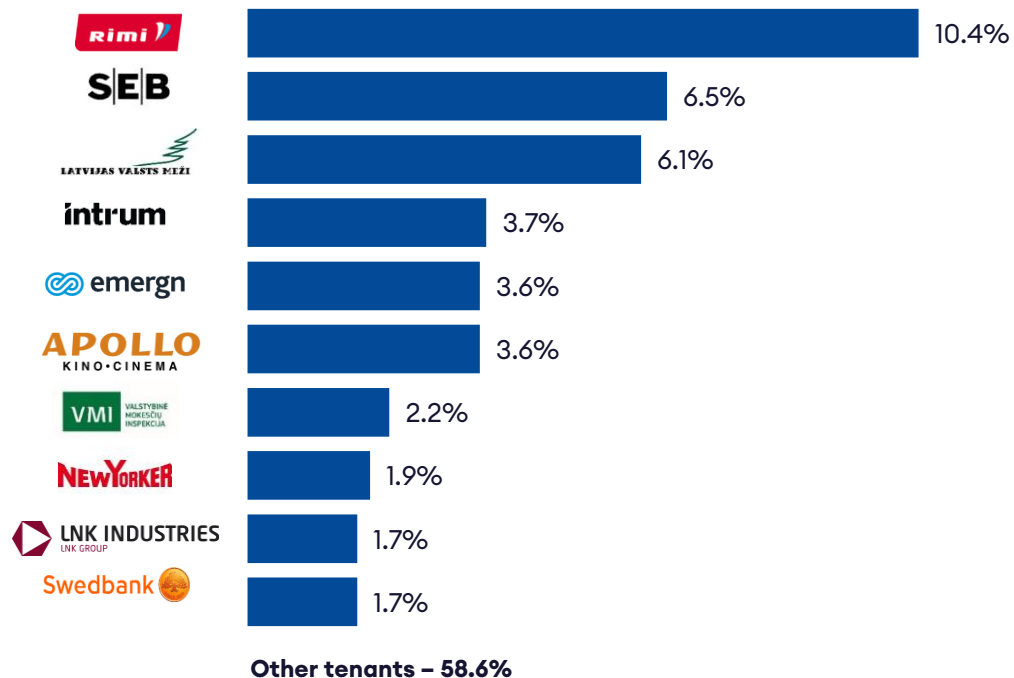
Net rental income by segment, Q1-Q4 2022



Net rental income by country, Q1-Q4 2022



Rental concentration: 10 largest tenants as of 31 December 2022



Portfolio performance

As of 31 December 2022

Property name	Sector	Fair value ¹ (EUR '000)	NLA (sq. m)	Direct property yield Q4 2022 ²	Net initial yield Q4 2022 ³	Occupancy rate
Vilnius, Lithuania						
Duetto I	Office	18,845	8,587	8.0%	6.5%	97.6%
Duetto II	Office	20,253	8,674	7.9%	7.2%	100.0%
Europa SC	Retail	35,658	16,901	3.5%	3.9%	85.5%
Domus Pro Retail Park	Retail	17,047	11,226	8.2%	7.7%	98.5%
Domus Pro Office	Office	8,040	4,831	8.7%	7.0%	91.4%
North Star	Office	21,788	10,579	6.9%	6.7%	100.0%
Meraki ⁴	Office	17,330	8,113	(1.3%)	(1.5%)	30.9%
Total Vilnius		138,961	68,911	5.2%	5.1%	87.2%
Riga, Latvia						
Upmalas Biroji BC	Office	20,961	10,459	8.0%	8.9%	98.8%
Vainodes I	Office	18,010	8,128	6.0%	7.2%	100.0%
LNK Centre	Office	17,000	7,452	6.5%	6.4%	100.0%
Sky SC	Retail	5,761	3,241	9.5%	8.5%	98.5%
Galerija Centrs	Retail	67,130	19,137	2.9%	3.4%	80.6%
Total Riga		128,862	48,417	4.9%	5.5%	92.0%
Tallinn, Estonia						
Postimaja & CC Plaza complex	Retail	26,715	9,232	3.4%	4.5%	95.6%
Postimaja & CC Plaza complex	Leisure	14,385	9,094	4.5%	3.7%	100.0%
Lincona	Office	15,200	10,775	6.7%	6.5%	91.5%
Pirita SC	Retail	9,000	5,441	5.6%	7.6%	92.6%
Total Tallinn		65,300	34,542	4.6%	5.2%	95.0%
Total portfolio		333,123	151,870	5.0%	5.3%	90.5%

1. Based on the latest valuation as of 31 December 2022, subsequent capital expenditure and recognised right-of-use assets.

2. Direct property yield (DPY) is calculated by dividing annualized NOI by the acquisition value and subsequent capital expenditure of the property.

3. The net initial yield (NIY) is calculated by dividing annualized NOI by the market value of the property.

4. The Fund completed the development of the first tower of the Meraki building in September 2022. Rental income is generated starting from October 2022.

NOI development

As of 31 December 2022

Property	Date of acquisition	2017	2018	2019	2020	2021	2022
Galerija Centrs	13 June 2019		-	2,552	3,023	1,448	2,193
Postimaja & CC Plaza complex	8 March 2013 ¹	985	2,447	2,495	1,932	1,805	2,044
Upmalas Biroji BC	30 August 2016	1,693	1,710	1,701	1,661	1,740	1,763
Vainodes I	12 December 2017	75	1,463	1,462	1,464	1,449	1,383
Duetto II	27 February 2019	-	-	1,090	1,354	1,353	1,409
North Star	11 October 2019	-	-	315	1,419	1,208	1,371
Domus Pro Retail	1 May 2014	1,185	1,160	1,132	1,092	1,145	1,280
Duetto I	22 March 2017	799	1,096	1,160	1,166	1,223	1,191
LNK Centre	15 August 2018	-	409	1,072	1,090	1,088	1,132
Lincona	1 July 2011	1,172	1,192	1,276	1,212	1,114	1,102
Europa SC	2 March 2015	2,365	2,332	2,467	1,681	1,006	1,028
Pirita SC	16 December 2016	900	900	438	677	484	664
Domus Pro Office	1 October 2017	35	499	562	538	537	548
Sky SC	7 December 2013	410	407	370	402	395	423
Meraki ²	10 September 2022	-	-	-	-	-	(101)
G4S Headquarters ³	12 July 2016	1,149	1,189	1,127	1,223	1,009	-
Total portfolio		10,768	14,804	19,219	19,934	17,004	17,430

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

2. The Fund completed the development of the first tower of the Meraki building in September 2022. Rental income is received starting from October 2022. Initial rental costs were recognised in September 2022.

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

EUR '000	Fair value 31.12.2022	Net rental income Q1-Q4 2022	Net rental income Q1-Q4 2021	Change (EUR '000)	Change (%)
Like-for-like assets					
Retail	161,311	6,768	5,506	1,262	22.9%
Office	140,097	9,899	9,712	187	1.9%
Leisure	14,385	864	777	87	11.2%
Total like-for-like assets	315,793	17,531	15,995	1,536	9.6%
Developed assets	17,330	(101)	-	(101)	(100.0%)
Disposed assets	-	- ¹	1,009	(1,009)	(100.0%)
Total portfolio assets	333,123	17,430	17,004	426	2.5%

1. The Fund sold its share in the parking house of Europa SC. As the parking house did not generate rental income, it is not reflected in the table above.

Baltic Horizon Fund's development projects

Developments in Latvia

Galerija Centrs

- The Fund approved the refreshed concept of the food hall on the 4th floor of the Galerija Centrs at the beginning of 2022.
- The construction works started on 21 September 2022.
- During Q2-Q3 2022 the trademark “BURZMA” of the new food hall in Galerija Centrs was created and registered. The investment in the Galerija Centrs food hall could extend to EUR 2 million.
- Pre-leases have been signed for the whole rentable food hall area and lease agreements have already been concluded with half of all food hall tenants. The planned opening has been scheduled for Q2 2023.
- A new fashion anchor tenant was approved by the Fund in Q4 2022 and the agreement was signed in January 2023. The tenant will be located on the ground floor of the shopping centre, with a total lettable area of 782 sq. m. The new anchor tenant will open the first flagship store of a global chain in the Baltics.



Baltic Horizon Fund's development projects

Developments in Estonia

CC Plaza and Postimaja

- The first stage of the reconstruction project – the construction of a terrace for Reval Café, which was separated from the overall project and started earlier, was completed and transferred to the tenant in Q4 2022.
- The terrace opening is planned for Q1 2023. The investment is estimated to amount to EUR 0.2 million. The newly built terrace will expand the leasable area of the shopping centre by approx. 90 sq. m.
- The second stage – full connection of the two buildings – has been scheduled for later. While preparing for the second stage, the Fund is discussing with the City of Tallinn the plans to have a tram stop in front of the Postimaja SC.



Financial results for Q1-Q4 2022

Profit and loss

EUR '000	2022	2021	Change (%)
Rental income	20,482	19,495	5.1%
Service charge income	5,974	4,901	21.9%
Cost of rental activities	(9,026)	(7,392)	22.1%
Net rental income	17,430	17,004	2.5%
Administrative expenses	(3,133)	(2,869)	9.2%
Other operating income	278	444	(37.4)%
Losses on disposal of investment properties	(423)	(71)	495.8%
Valuation gains (losses) on investment properties	(2,914)	(7,161)	(59.3)%
Operating profit (loss)	11,238	7,347	53.0%
Financial income	1	1	0.0%
Financial expenses	(6,312)	(5,706)	10.6%
Net financial expenses	(6,311)	(5,705)	10.6%
Profit (loss) before tax	4,927	1,642	200.1%
Income tax charge	(983)	(229)	329.3%
Profit (loss) for the period	3,944	1,413	179.1%

Key comments:

- In 2022, the Group recorded a net profit of EUR 3.9 million against EUR 1.4 million for 2021.
- The net result was mainly driven by strong recovery of the Galerija Centrs operating performance as fewer COVID-19 rent reliefs were granted to tenants in 2022 and increased rent indexation.
- The net result in 2021 was significantly impacted by the one-off negative valuation result of EUR 7.1 million. In 2022, the valuation resulted in a net fair value loss of EUR 2.9 million (-1.8% of portfolio value).
- The Group earned net rental income of EUR 17.4 million in 2022 compared to 17.0 million in 2021. The results for 2021 still included EUR 1.0 million of net rental income from G4S Headquarters, which was sold in Q4 2021 and did not contribute to 2022 results.
- The positive impact of the increase in net rental income was partly offset by non-recovered property costs.
- Earnings per unit for 2022 were EUR 0.03 (2021: EUR 0.01).

Financial results for Q1-Q4 2022

Financial position

EUR '000	31.12.2022	31.12.2021
Non-current assets		
Investment properties	333,123	315,959
Investment property under construction	-	11,400
Intangible assets	6	9
Property, plant and equipment	1	2
Derivative financial instruments	2,228	-
Other non-current assets	-	23
Total non-current assets	335,358	327,393
Current assets		
Trade and other receivables	2,693	2,708
Prepayments	273	137
Derivative financial instruments	292	-
Cash and cash equivalents	5,347	16,100
Total current assets	8,605	18,945
Total assets	343,963	346,338
Equity		
Paid in capital	145,200	145,200
Cash flow hedge reserve	1,681	(829)
Retained earnings	(13,226)	(11,787)
Total equity	133,655	132,584
Non-current liabilities		
Interest-bearing loans and borrowings	124,017	157,471
Deferred tax liabilities	7,490	6,297
Derivative financial instruments	-	756
Other non-current liabilities	1,240	1,103
Total non-current liabilities	132,747	165,627
Current liabilities		
Interest-bearing loans and borrowings	71,094	41,676
Trade and other payables	5,644	5,223
Income tax payable	10	5
Derivative financial instruments	-	109
Other current liabilities	813	1,114
Total current liabilities	77,561	48,127
Total liabilities	210,308	213,754
Total equity and liabilities	343,963	346,338

Key comments:

- At the end of Q4 2022, the Fund's GAV was EUR 344.0 million (31 December 2021: EUR 346.3 million), 0.7% lower than at the end of the previous period. The decrease is mainly related to a negative property revaluation of EUR 2.9 million.
- At the end of 2022, the Fund's consolidated cash and cash equivalents amounted to EUR 5.3 million (31 December 2021: EUR 16.1 million). Operating costs are fully covered by cash flows generated by rental activities.
- During 2022, total capital expenditures amounted to EUR 13.6 million.

Financial debt structure

As of 31 December 2022

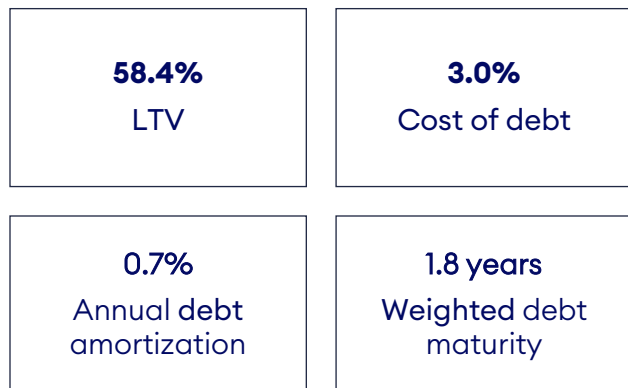
Property	Maturity	Currency	Carrying amount (EUR '000)	% of total	Fixed rate portion (%)
Galerija Centrs	26 January 2024	EUR	30,000	15.4%	100.0%
Duetto I and II	31 March 2028	EUR	19,247	9.9%	-%
CC Plaza and Postimaja	12 February 2026	EUR	17,200	8.8%	100.0%
Europa SC	15 March 2024	EUR	14,400	7.4%	127.8%
Upmalas Biroji BC	31 August 2023	EUR	11,750	6.0%	90.0%
Domus Pro	15 March 2024	EUR	11,000	5.7%	95.5%
Vainodes I	13 November 2024	EUR	9,842	5.1%	50.0%
North Star	15 March 2024	EUR	9,000	4.6%	100.0%
LNK	27 September 2023	EUR	8,300	4.3%	69.9%
Lincona	31 December 2027	EUR	7,188	3.6%	-%
Pirita SC	20 February 2026	EUR	4,793	2.5%	-%
Sky SC	31 January 2028	EUR	1,962	1.0%	-%
Total bank loans		EUR	144,682	74.3%	73.5%
Less capitalised loan arrangement fees ¹		EUR	(89)		
Total bank loans recognised in the statement of financial position		EUR	144,593		
5-year unsecured bonds	8 May 2023	EUR	50,000	25.7%	100.0%
Total bonds		EUR	50,000	25.7%	100.0%
Less capitalised bond arrangement fees ¹		EUR	(24)		
Total bonds recognised in the statement of financial position		EUR	49,976		
Total debt recognised in the statement of financial position		EUR	194,569	100.0%	80.3%

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

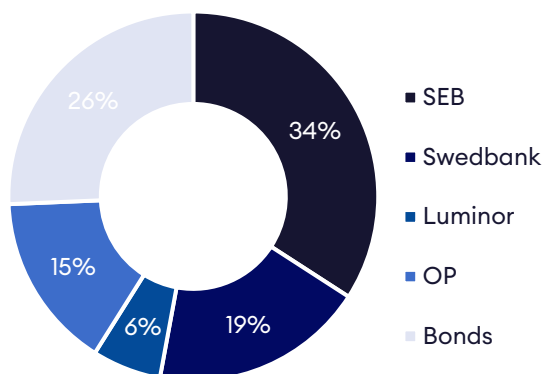
Financing summary

As of 31 December 2022

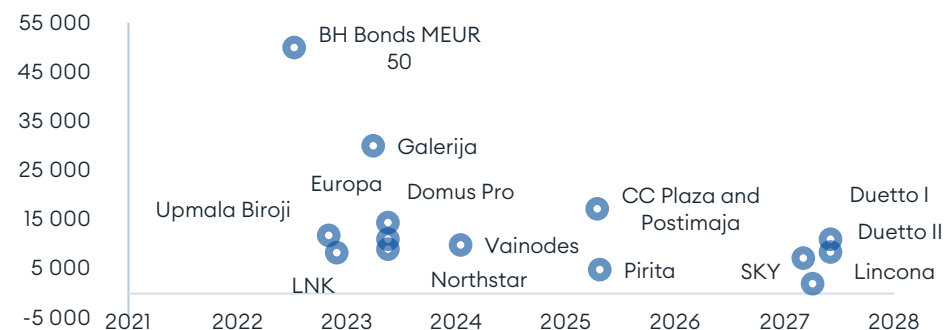
Summary of financing terms



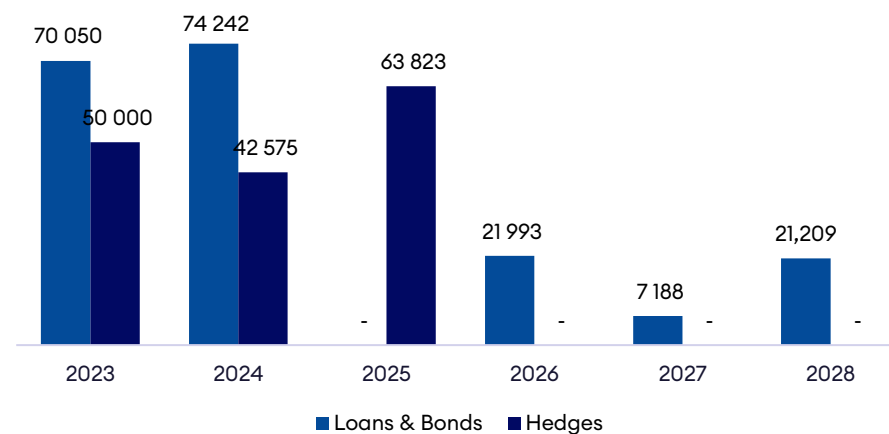
Diversification by creditor



Maturity by separate loan (EUR '000)



Loan and hedge maturity



Outlook for 2023

- Heavy focus on releasing to increase Fund's WAULT
- The Fund is targeting to reduce the leverage to approx. 50-55% after the refinancing activities: use the proceeds of disposals to partially redeem the current bonds. The remaining amount of current bonds is planned to be redeemed by issuing a new bond at a lower issue amount in March/April 2023.
- Actively monitor the costs and continuously look for cost optimisation opportunities such as investing in renewable energy solutions or reducing electricity consumption in the buildings' common areas
- The aim to obtain the widely acknowledged BREEAM certification for all assets in its portfolio by the end of 2023
- Improving the energy efficiency of all properties by at least one energy efficiency class by 2025 and to have a clear strategy to achieve carbon neutrality in our portfolio by 2030

Contact information

Management board message

We declare that, to the best of our knowledge, the information provided in this document is accurate and that the document is not subject to any omissions that may serve to distort the picture of the document provided.

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