



Q2 2023 Webinar

**Baltic Horizon Fund**



# Notable events for the Fund



On 8 May 2023, the Fund completed the subscription for its **5-year secured bonds of EUR 42 million**. The Fund redeemed a part of the bonds in the amount of EUR 7.5 million early on 1 August 2023.

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On 17 May 2023, the Fund signed a share sale and purchase agreement with ECRE IV (Lux) S.à.r.l. **to sell 100% of the shares of BH Duetto UAB**, which owns Duetto I and II office buildings in Vilnius, Lithuania. Closing of the transaction took place on 6 June 2023.

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**Lars Ohnemus** was elected as **member and chairman of the supervisory board** of Northern Horizon Capital AS as of 24 July 2023.

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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**.

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# Disposal of Domus PRO Retail & Office

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 proceeds of the transaction were 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 took place on 6 March 2023.

**EUR 23.5m**  
Sale price

**2.1**  
Equity multiple

**15.8%**  
IRR



# Disposal of Duetto I / II

On 16 May 2023, the Fund signed a share sale and purchase agreement with East Capital to sell 100% shares of BH Duetto UAB. The agreed price of the property was approximately EUR 37 million.

Originally developed by YIT and acquired by Baltic Horizon in 2017 and 2019.

The proceeds of the transaction are to be used mainly to decrease the new bond of the Fund and invest into centrally located assets of the Fund. Closing of the transaction is expected to take place beginning of June.

**EUR 37m**  
Sale price

**1.8**  
Equity multiple

**13.7%**  
IRR

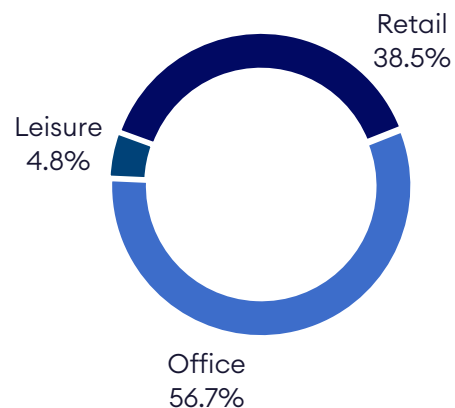




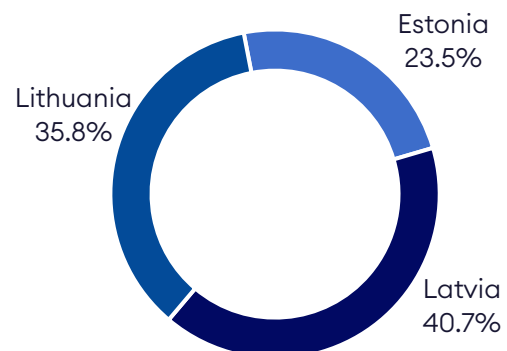
# Baltic Horizon Fund portfolio summary

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

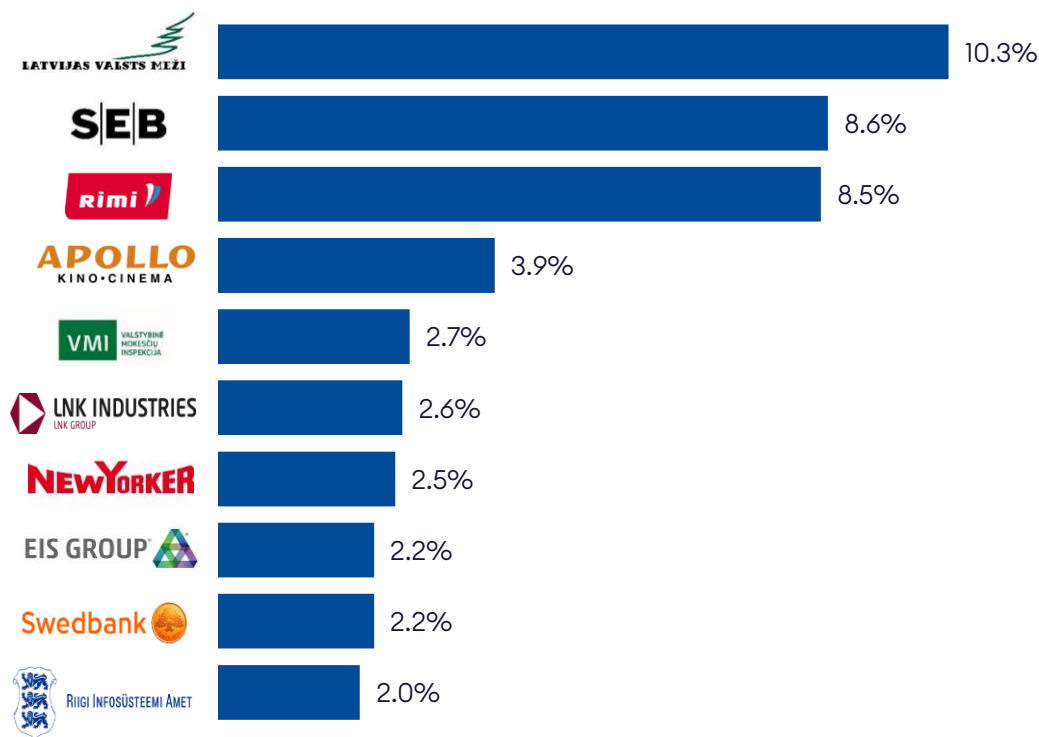
## Net rental income by segment, H1 2023



## Net rental income by country, H1 2023



## Rental concentration: 10 largest tenants as of 30 June 2023



Other tenants – 54.5%

# Portfolio overview

As of 30 June 2023

Property name	Sector	Fair value <sup>1</sup> (EUR '000)	NLA (sq. m)	Direct property yield Q2 2023 <sup>2</sup>	Net initial yield Q2 2023 <sup>3</sup>	Occupancy rate
<b>Vilnius, Lithuania</b>						
Europa SC	Retail	35,747	17,051	3.8%	4.3%	83.6%
North Star	Office	20,368	10,579	7.0%	7.0%	98.5%
Meraki	Office	16,240	8,275	0.0%	0.0%	32.2%
<b>Total Vilnius</b>		<b>72,355</b>	<b>35,905</b>	<b>4.8%</b>	<b>5.0%</b>	<b>76.1%</b>
<b>Riga, Latvia</b>						
Upmalas Biroji BC	Office	20,045	10,459	8.1%	9.4%	98.8%
Vainodes I	Office	17,220	8,128	6.7%	8.2%	100.0%
LNK Centre	Office	15,260	7,450	6.4%	6.6%	46.9%
Sky SC	Retail	5,480	3,259	8.2%	7.4%	100.0%
Galerija Centrs	Retail	66,854	19,293	4.1%	4.7%	80.9%
<b>Total Riga</b>		<b>124,859</b>	<b>48,589</b>	<b>5.6%</b>	<b>6.3%</b>	<b>84.0%</b>
<b>Tallinn, Estonia</b>						
Postimaja & CC Plaza complex	Retail	23,088	9,232	3.8%	5.4%	95.6%
Postimaja & CC Plaza complex	Leisure	12,432	9,139	7.2%	6.2%	100.0%
Lincona	Office	14,180	10,775	6.8%	7.4%	85.8%
Pirita SC	Retail	8,820	5,425	6.4%	8.9%	98.1%
<b>Total Tallinn</b>		<b>58,520</b>	<b>34,571</b>	<b>5.4%</b>	<b>6.5%</b>	<b>94.1%</b>
<b>Total portfolio</b>		<b>255,734</b>	<b>119,065</b>	<b>5.3%</b>	<b>5.9%</b>	<b>84.6%</b>

1. Based on the latest valuation as of 30 June 2023, 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.

# NOI development

As of 30 June 2023

Property	Date of acquisition	2018	2019	2020	2021	2022	H1 2022	H1 2023
Postimaja & CC Plaza complex	8 March 2013 <sup>1</sup>	2,447	2,495	1,932	1,805	2,044	1,049	1,074
Galerija Centrs	13 June 2019	-	2,552	3,023	1,448	2,193	1,179	1,057
Upmalas Biroji BC	30 August 2016	1,710	1,701	1,661	1,740	1,763	902	923
North Star	11 October 2019	-	315	1,419	1,208	1,371	674	753
Europa SC	2 March 2015	2,332	2,467	1,681	1,006	1,028	327	744
Vainodes I	12 December 2017	1,463	1,462	1,464	1,449	1,383	713	706
Duetto II <sup>5</sup>	27 February 2019	-	1,090	1,354	1,353	1,409	704	601
LNK Centre	15 August 2018	409	1,072	1,090	1,088	1,132	567	569
Duetto I <sup>5</sup>	22 March 2017	1,096	1,160	1,166	1,223	1,191	585	551
Lincona	1 July 2011	1,192	1,276	1,212	1,114	1,102	550	548
Pirita SC	16 December 2016	900	438	677	484	664	298	376
Domus Pro Retail <sup>4</sup>	1 May 2014	1,160	1,132	1,092	1,145	1,280	647	226
Sky SC	7 December 2013	407	370	402	395	423	207	204
Domus Pro Office <sup>4</sup>	1 October 2017	499	562	538	537	548	273	100
Meraki <sup>2</sup>	10 September 2022	-	-	-	-	(101)	-	63
G4S Headquarters <sup>3</sup>	12 July 2016	1,189	1,127	1,223	1,009	-	-	-
<b>Total portfolio</b>		<b>14,804</b>	<b>19,219</b>	<b>19,934</b>	<b>17,004</b>	<b>17,430</b>	<b>8,675</b>	<b>8,495</b>

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.
4. The Fund completed the disposal of the Domus Pro Retail and Office complex on 6 March 2023.
5. The Fund completed the disposal of the Duetto I and Duetto II properties on 6 June 2023.

	Fair value 30.06.2023	Net rental income H1 2023	Net rental income H1 2022	Change (EUR '000)	Change (%)
<b>EUR '000</b>					
<b>Like-for-like assets</b>					
Retail	139,989	3,043	2,571	472	18.3%
Office	87,073	3,499	3,406	93	2.7%
Leisure	12,432	412	489	(77)	(15.7%)
<b>Total like-for-like assets</b>	<b>239,494</b>	<b>6,954</b>	<b>6,466</b>	<b>488</b>	<b>7.5%</b>
Developed assets	16,240	63	-	63	100.0%
Disposed assets	-	1,478	2,209	(731)	(33.1%)
<b>Total portfolio assets</b>	<b>255,734</b>	<b>8,495</b>	<b>8,675</b>	<b>(180)</b>	<b>(2.1%)</b>

# Financial results for H1 2023

## Profit and loss

EUR '000	01.01.2023- 30.06.2023	01.01.2022- 30.06.2022	Change (%)
Rental income	10,095	10,070	0.2%
Service charge income	3,187	2,645	20.5%
Cost of rental activities	(4,787)	(4,040)	18.5%
<b>Net rental income</b>	<b>8,495</b>	<b>8,675</b>	<b>(2.1%)</b>
Administrative expenses	(1,414)	(1,385)	2.1%
Other operating income	15	278	(94.6%)
Losses on disposal of investment properties	(3,751)	-	-
Valuation gains (losses) on investment properties	(14,623)	172	(8601.7%)
<b>Operating profit (loss)</b>	<b>(11,278)</b>	<b>7,740</b>	<b>(245.7%)</b>
Financial income	1	-	-
Financial expenses	(4,425)	(2,960)	49.5%
<b>Net financial expenses</b>	<b>(4,424)</b>	<b>(2,960)</b>	<b>49.5%</b>
<b>Profit (loss) before tax</b>	<b>(15,702)</b>	<b>4,780</b>	<b>(428.5%)</b>
Income tax charge	697	(541)	228.8%
<b>Profit (loss) for the period</b>	<b>(15,005)</b>	<b>4,239</b>	<b>(454.0%)</b>

### Key comments:

- The Group recorded a net loss of EUR 15.0 million for H1 2023 against a net profit of EUR 4.2 million. The net result was strongly impacted by the negative valuation result of EUR 14.6 million.
- The net result was strongly impacted by the negative valuation result of EUR 14.6 million and in the loss on disposal EUR 3.8 million.
- The Group earned net rental income of EUR 8.5 million in H1 2023 (H1 2022: EUR 8.7 million).
- Rent indexations and the recovery of income improved the net rental income of the same portfolio mix (like-for-like portfolio) by 7.5%.



# Financial results for H1 2023

## Financial position

EUR '000	30.06.2023	31.12.2022
<b>Non-current assets</b>		
Investment properties	255,734	333,123
Intangible assets	6	6
Property, plant and equipment	2	1
Derivative financial instruments	1,557	2,228
Other non-current assets	210	-
<b>Total non-current assets</b>	<b>257,509</b>	<b>335,358</b>
<b>Current assets</b>		
Trade and other receivables	2,072	2,693
Prepayments	377	273
Derivative financial instruments	646	292
Cash and cash equivalents	18,218	5,347
<b>Total current assets</b>	<b>21,313</b>	<b>8,605</b>
<b>Total assets</b>	<b>278,822</b>	<b>343,963</b>
<b>Equity</b>		
Paid in capital	145,200	145,200
Cash flow hedge reserve	1,535	1,681
Retained earnings	(28,231)	(13,226)
<b>Total equity</b>	<b>118,504</b>	<b>133,655</b>
<b>Non-current liabilities</b>		
Interest-bearing loans and borrowings	64,760	124,017
Deferred tax liabilities	2,798	7,490
Other non-current liabilities	712	1,240
<b>Total non-current liabilities</b>	<b>68,270</b>	<b>132,747</b>
<b>Current liabilities</b>		
Interest-bearing loans and borrowings	88,648	71,094
Trade and other payables	2,510	5,644
Income tax payable	-	10
Other current liabilities	890	813
<b>Total current liabilities</b>	<b>92,048</b>	<b>77,561</b>
<b>Total liabilities</b>	<b>160,318</b>	<b>210,308</b>
<b>Total equity and liabilities</b>	<b>278,822</b>	<b>343,963</b>

## Key comments:

- At the end of H1 2023, the Fund's GAV was EUR 278.8 million (31 December 2022: EUR 344.0 million), 18.9% lower than at the end of the previous period. The decrease is mainly related to the sale of the shares in BH Domus Pro UAB and BH Duetto UAB and a negative property revaluation of EUR 14.6 EUR.
- At the end of H1 2023, the Fund's consolidated cash and cash equivalents amounted to EUR 18.2 million (31 December 2022: EUR 5.3 million). Operating costs are fully covered by cash flows generated by rental activities.
- Outstanding bank loans decreased due to the repayment of the Domus Pro and Duetto loans, part of Europa loan and regular bank loan amortisation.
- At the end of H1 2023, the Fund's NAV was EUR 118.5 million (31 December 2022: EUR 133.7 million).

# Financial debt structure

As of 30 June 2023

Property	Maturity	Currency	Carrying amount (EUR '000)	% of total	Fixed rate portion (%)
Galerija Centrs	26 January 2024	EUR	30,000	19.5%	100.0%
CC Plaza and Postimaja	12 February 2026	EUR	16,985	11.1%	101.3%
Europa SC	15 March 2024	EUR	8,400	5.5%	219.1%
Upmalas Biroji BC	31 August 2023	EUR	11,632	7.6%	90.9%
Vainodes I	13 November 2024	EUR	10,533	6.9%	46.7%
North Star	15 March 2024	EUR	9,000	5.9%	100.0%
LNK	27 September 2023	EUR	8,159	5.3%	71.1%
Lincona	31 December 2027	EUR	9,356	6.1%	0.0%
Pirita SC	20 February 2026	EUR	4,711	3.1%	0.0%
Sky SC	31 January 2028	EUR	2,855	1.9%	0.0%
<b>Total bank loans</b>		<b>EUR</b>	<b>111,631</b>	<b>72.7%</b>	<b>85.9%</b>
Less capitalised loan arrangement fees <sup>1</sup>		EUR	(55)		
<b>Total bank loans recognised in the statement of financial position</b>		<b>EUR</b>	<b>111,576</b>		
5-year secured bonds <sup>2</sup>	8 May 2028	EUR	42,000	27.3%	0.0%
<b>Total bonds</b>		<b>EUR</b>	<b>42,000</b>	<b>27.3%</b>	<b>0.0%</b>
Less capitalised bond arrangement fees <sup>1</sup>		EUR	(432)		
<b>Total bonds recognised in the statement of financial position</b>		<b>EUR</b>	<b>41,568</b>		
<b>Total debt recognised in the statement of financial position</b>		<b>EUR</b>	<b>153,144</b>	<b>100.0%</b>	<b>69.3%</b>

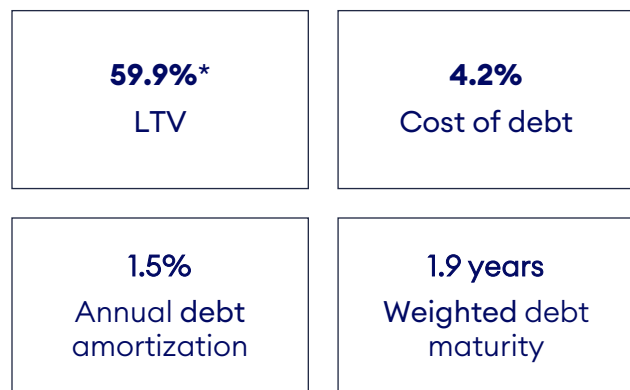
1. Amortised each month over the term of a loan/bond.

2. Bonds in the total nominal amount of EUR 20 million have to be redeemed by 8 May 2024.

# Financing summary

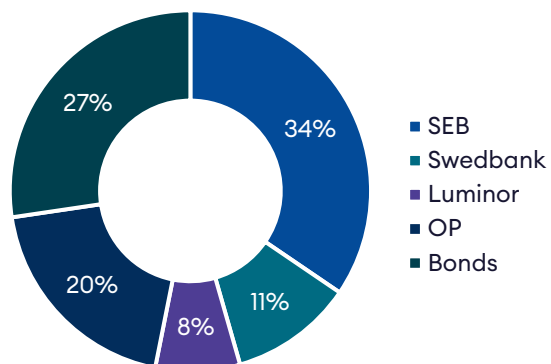
As of 30 June 2023

## Summary of financing terms

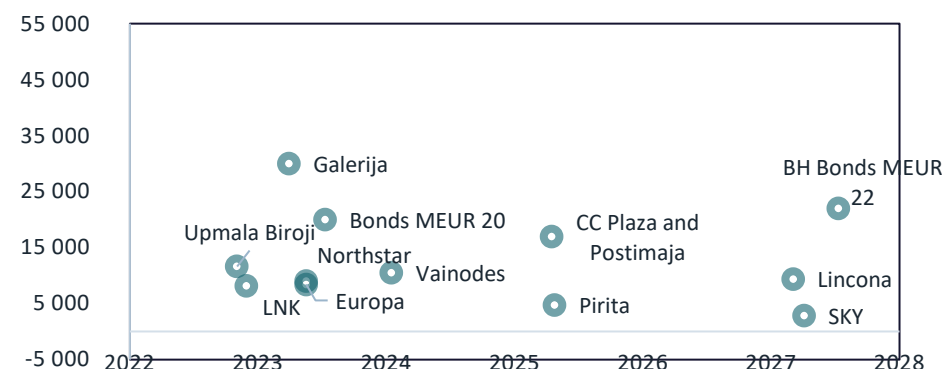


\*LTV after the redemption of EUR 7.5 million bonds decreased to 57.0%.

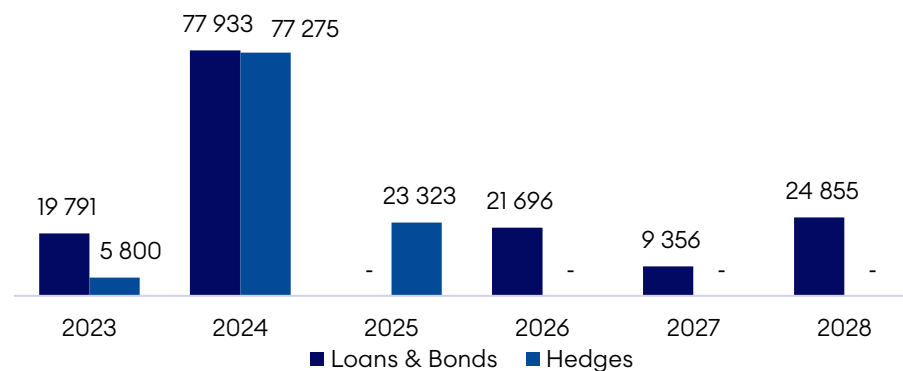
## Diversification by creditor



## Maturity by separate loan (EUR '000)



## Loan and hedge maturity



# Modern City Life Strategy

## Potential through customer focused retail concepts

- The new retail concepts responds to the needs and behaviors of the modern, urban customers.
- The retail concepts are based on a 'three-in-one' strategy that brings together shopping, beauty and health services and leisure, adding value through a streamlined customer experience.
- Food halls offer a dining and entertainment experience with a unique concept.
- A unique selling proposition is created through a lineup of unique brands and new retail offerings - sustainability, phygital, omnichannel.
- Investments will be redirected to the long-term strategy implementation.

13,5 mEUR  
NOI 2023

18 mEUR  
NOI potential 2028

### Main NOI drivers:

- Prime assets turnaround to mixed-use properties in city centre
- Increase in occupancy in Galerija Centrs, Europa, Postimaja, and Meraki
- Capex investment for NOI increase 10-12 mEUR



# Main focus of the Fund

The Fund is actively introducing new concepts to the market to meet clients' needs



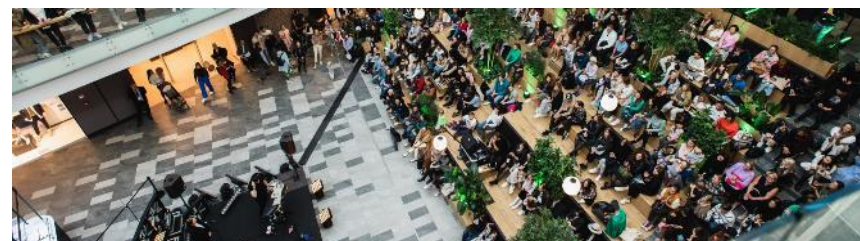
## Completion of the first Meraki office building

The Fund completed the first stage in the construction of the modern B-class office building Meraki in September 2022. The first stage included the construction of the first Meraki office tower and a parking house for the entire asset. The first tower was already commissioned for rental activities in Q3 2022. In total, 8,133 sq. m of net leasable area can be offered to tenants in the first tower. The Funds aims to receive the BREEAM "Excellent" certification for the completed building.



## New tram line to support the future of Postimaja & CC plaza

The Fund is in the process of prolonging all agreements in Postimaja and aims to achieve 100% by Q3 2023. New tramline construction ongoing which will be completed by 2024. New 10 year lease agreement negotiations taking place with Apollo for a top in class Entertainment Center in Rotermanni district. New ground floor anchor negotiations taking place.



## Several anchor tenant negotiations ongoing in Europa SC

At the end of 2020, the Fund's management initiated the Europa SC refurbishment Project. Reconstruction works started in September 2021 with the aim to finish reconstruction in two stages. The first stage was completed with the opening of the fully leased out food hall Dialogai (900 sq. m) on 24 January 2022. The reopening of the fully refurbished Europa SC areas took place on 8 September 2022. Main focus is on turning the centre a multifunctional property in the CBD of Vilnius.



## Opening of food hall and new fashion anchor in 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 design stage has already been completed and the necessary permits and permissions for the project were received in Q2 2022. The construction works started on 21 September 2022. During Q2-Q3 2022 the trademark of the new food hall in Galerija Centrs was created and registered. The food hall was opened in Q1 2023 and is quickly becoming great attraction point in the Old Town. The new anchor tenant will open the first flagship store of a global chain in Latvia and in Riga, in Galerija Centrs. Construction works started in Q1 2023, with an opening planned in November 2023.

Source: Company's information

# The strategy execution plan

- Dispose assets where best value can be obtained today and which have limited value growth in the future. Fund continues to deleverage.
- 7,5 mEUR of the bond is prepaid. Prepay remainder of the bond 12,5 mEUR by year-end with disposal proceeds.
- Complete ARKET fitout and open the store in Q4 2023 in GC, upgrade of H&M store planned.
- Food hall Investments have been successful yielding rent above expectations.
- 7 new lease agreements in Europa, further agreements under negotiation.
- H&M new store fitout in H1 2024 in Postimaja. Tenants awaiting completion of new tramline.
- Several test fits made for potential tenants in Meraki
- Prolong anchor agreement with Apollo Cinema in Postimaja. Negotiations with new anchor for ground floor.





# 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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