



Q3 2023 Webinar

**Baltic Horizon Fund**



# Notable events for the Fund



The Management Board of Nasdaq Tallinn **approved the application to list 420 bonds of Baltic Horizon Fund** on Baltic Bond List. The first trading day of Baltic Horizon bonds was October 25, 2023.



Three **Estonian retail assets have obtained** In-Use certificates under **BREEAM's In-Use certification standard**. This is a huge milestone in the Funds' ambition to achieve certification of the entire asset portfolio by the end of 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**.

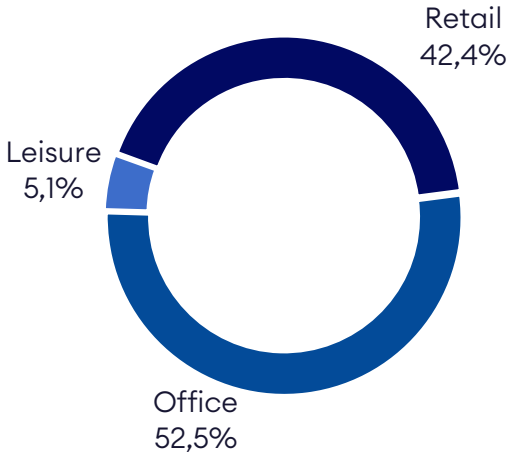


Baltic Horizon Fund has been honoured with a **Gold BPR Award** for its financial reporting from the European Public Real Estate Association (EPRA) for the fourth year in a row.

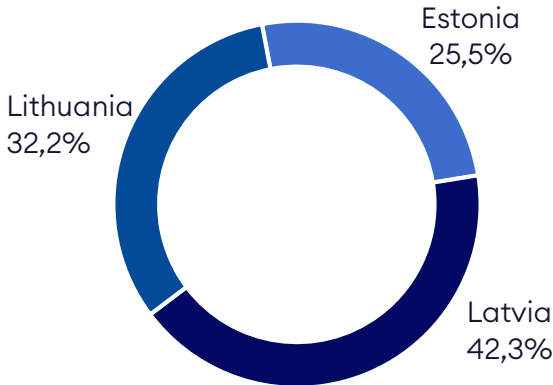
# Baltic Horizon Fund portfolio summary

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

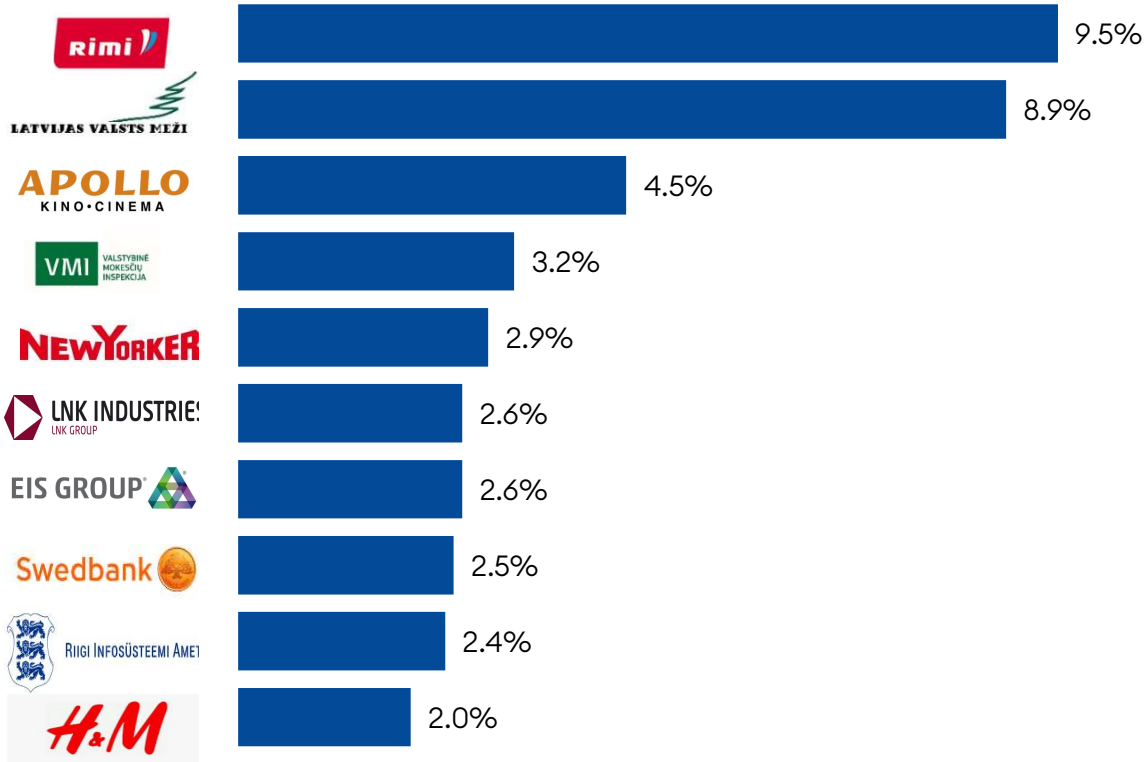
## Net rental income by segment, Q1-Q3 2023



## Net rental income by country, Q1-Q3 2023



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



Other tenants – 58.9%

# Letting activities & pipeline (Oct - Nov 2023)

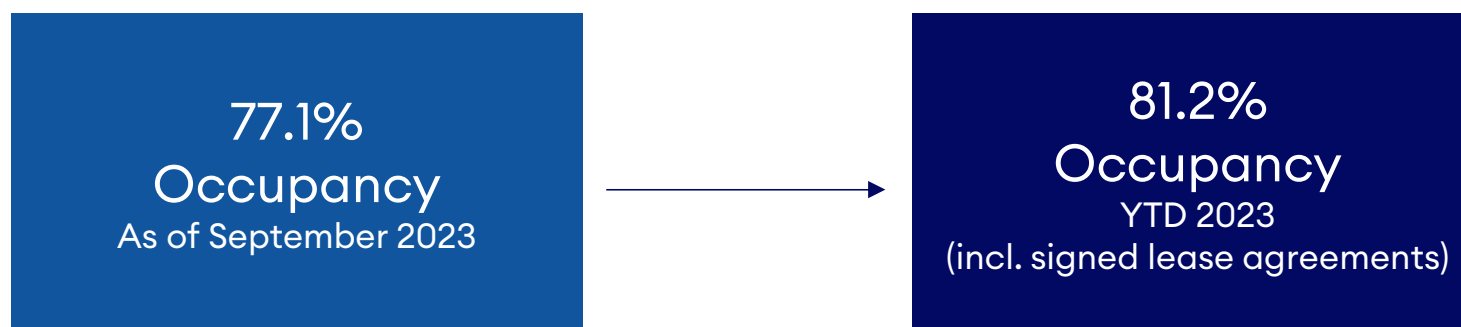
## Summary of recently signed lease agreements

Property	Tenant Name	Net Leased area, sqm
Upmalas	Latvian State Police	4,060
Europa	IKI Lietuva	1,869
Pirita	Dentores Dental Care	212
Lincona	Pet24 OÜ	187
	Other	457
	<b>Total</b>	<b>6,784</b>

In the period between October and the current date, the Fund successfully secured lease agreements **totaling 6,784 sqm.**

These agreements encompass a diverse range of tenants, including the **Latvian State Police** occupying 4,060 sqm, **IKI** with 1,869 sqm. The tenants will move into their premises at the end of 2023 / early 2024.

The Fund's leasing teams are currently in active negotiations for **approx. 4,613 sqm** in the retail segment and **approx. 2,740 sqm** in the office segment.



# Portfolio overview

As of 30 September 2023

Property name	Sector	Fair value <sup>1</sup> (EUR '000)	NLA (sq. m)	Direct property yield Q3 2023 <sup>2</sup>	Net initial yield Q3 2023 <sup>3</sup>	Occupancy rate
<b>Vilnius, Lithuania</b>						
Europa SC	Retail	35,828	17,051	3.7%	4.1%	84.2%
North Star	Office	20,368	10,579	7.0%	7.3%	99.7%
Meraki	Office	16,330	8,275	0.1%	0.1%	32.2%
<b>Total Vilnius</b>		<b>72,526</b>	<b>35,905</b>	<b>3.6%</b>	<b>4.1%</b>	<b>76.8%</b>
<b>Riga, Latvia</b>						
Upmalas Biroji BC	Office	20,061	10,594	3.0%	3.6%	22.1%
Vainodes I	Office	17,243	8,128	6.8%	8.6%	100.0%
LNK Centre	Office	15,290	7,450	3.3%	3.7%	42.8%
Sky SC	Retail	5,480	3,259	8.8%	8.2%	100.0%
Galerija Centrs	Retail	67,504	19,294	3.6%	4.1%	80.4%
<b>Total Riga</b>		<b>125,578</b>	<b>48,725</b>	<b>4.1%</b>	<b>4.8%</b>	<b>66.5%</b>
<b>Tallinn, Estonia</b>						
Postimaja & CC Plaza complex	Retail	23,100	9,232	3.7%	5.7%	95.6%
Postimaja & CC Plaza complex	Leisure	12,432	9,139	6.2%	6.0%	94.3%
Lincona	Office	14,201	10,775	6.9%	7.9%	85.8%
Pirita SC	Retail	8,825	5,425	6.3%	8.9%	97.1%
<b>Total Tallinn</b>		<b>58,558</b>	<b>34,571</b>	<b>5.2%</b>	<b>6.8%</b>	<b>92.4%</b>
<b>Total portfolio</b>		<b>256,662</b>	<b>119,201</b>	<b>4.3%</b>	<b>5.0%</b>	<b>77.1%</b>

1. Based on the latest valuation as of 30 September 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 September 2023

Property	Date of acquisition	2018	2019	2020	2021	2022	Q1-Q3 2022	Q1-Q3 2023
Galerija Centrs	13 June 2019	-	2,552	3,023	1,448	2,193	1,632	1,750
Postimaja & CC Plaza complex	8 March 2013 <sup>1</sup>	2,447	2,495	1,932	1,805	2,044	1,608	1,591
North Star	11 October 2019	-	315	1,419	1,208	1,371	1,006	1,124
Europa SC	2 March 2015	2,332	2,467	1,681	1,006	1,028	655	1,109
Upmalas Biroji BC	30 August 2016	1,710	1,701	1,661	1,740	1,763	1,281	1,102
Vainodes I	12 December 2017	1,463	1,462	1,464	1,449	1,383	1,054	1,078
Lincona	1 July 2011	1,192	1,276	1,212	1,114	1,102	834	828
LNK Centre	15 August 2018	409	1,072	1,090	1,088	1,132	851	712
Duetto II <sup>2</sup>	27 February 2019	-	1,090	1,354	1,353	1,409	1,044	598
Pirita SC	16 December 2016	900	438	677	484	664	488	573
Duetto I <sup>2</sup>	22 March 2017	1,096	1,160	1,166	1,223	1,191	888	550
Sky SC	7 December 2013	407	370	402	395	423	302	316
Domus Pro Retail <sup>3</sup>	1 May 2014	1,160	1,132	1,092	1,145	1,280	958	226
Domus Pro Office <sup>3</sup>	1 October 2017	499	562	538	537	548	408	100
Meraki <sup>4</sup>	10 September 2022	-	-	-	-	(101)	(36)	66
G4S Headquarters <sup>5</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>12,973</b>	<b>11,723</b>

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.

EUR '000	Fair value 30.09.2023	Net rental income Q1-Q3 2023	Net rental income Q1-Q3 2022	Change (EUR '000)	Change (%)
<b>Like-for-like assets</b>					
Retail	140,737	4,742	3,956	786	19.9%
Office	87,163	4,844	5,026	(182)	(3.6%)
Leisure	12,432	597	729	(132)	(18.1%)
<b>Total like-for-like assets</b>	<b>240,332</b>	<b>10,183</b>	<b>9,711</b>	<b>472</b>	<b>4.9%</b>
Developed assets	16,330	66	(36)	102	283.3%
Disposed assets	-	1,474	3,298	(1,824)	(55.3%)
<b>Total portfolio assets</b>	<b>256,662</b>	<b>11,723</b>	<b>12,973</b>	<b>(1,250)</b>	<b>(9.6%)</b>

# Financial results for Q1-Q3 2023

## Profit and loss

EUR '000	01.01.2023- 30.09.2023	01.01.2022- 30.09.2022	Change (%)
Rental income	13,988	15,422	(9.3%)
Service charge income	4,521	4,007	12.8%
Cost of rental activities	(6,786)	(6,456)	(5.1%)
<b>Net rental income</b>	<b>11,723</b>	<b>12,973</b>	<b>(9.6%)</b>
Administrative expenses	(1,986)	(2,137)	(7.1%)
Other operating income	15	278	(94.6%)
Losses on disposal of investment properties	(3,810)	-	-
Valuation gains (losses) on investment properties	(14,626)	158	(9,357.0%)
<b>Operating profit (loss)</b>	<b>(8,684)</b>	<b>11,272</b>	<b>(177.0%)</b>
Financial income	75	1	7400.0%
Financial expenses	(7,316)	(4,463)	63.9%
<b>Net financial expenses</b>	<b>(7,241)</b>	<b>(4,462)</b>	<b>62.3%</b>
<b>Profit (loss) before tax</b>	<b>(15,925)</b>	<b>6,810</b>	<b>(333.8%)</b>
Income tax charge	709	(673)	205.3%
<b>Profit (loss) for the period</b>	<b>(15,216)</b>	<b>6,137</b>	<b>(347.9%)</b>

## Key comments:

- The Group earned net rental income of EUR 11.7 million in Q1-Q3 2023 (Q1-Q3 2022: EUR 13.0 million).
- On an EPRA like-for-like basis, portfolio net rental income increased by 4.9% year on year, mainly due to the recovery in the retail segment.
- The Group recorded a net loss of EUR 15.2 million for Q1-Q3 2023 against a net profit of EUR 6.2 million for the corresponding period in 2022.
  - 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 net result was also impacted by the higher financial expenses.

# Financial results Q1-Q3 2023

Financial position

EUR '000	30.09.2023	31.12.2022	Change (%)
Investment properties in use	256,662	333,123	(23.0%)
<b>Gross asset value (GAV)</b>	<b>269,462</b>	<b>343,963</b>	<b>(21.7%)</b>
Interest-bearing loans and bonds	144,006	194,569	(26.0%)
<b>Total liabilities</b>	<b>151,478</b>	<b>210,308</b>	<b>(28.0%)</b>
<b>IFRS Net asset value (IFRS NAV)</b>	<b>117,984</b>	<b>133,655</b>	<b>(11.7%)</b>
<b>EPRA Net Reinstatement Value (EPRA NRV)</b>	<b>121,966</b>	<b>141,943</b>	<b>(14.1%)</b>
Number of units outstanding (units)	119,635,429	119,635,429	-
<b>IFRS Net asset value (IFRS NAV) per unit (EUR)</b>	<b>0.9862</b>	<b>1.1172</b>	<b>(11.7%)</b>
<b>EPRA Net Reinstatement Value (EPRA NRV) per unit (EUR)</b>	<b>1.0195</b>	<b>1.1865</b>	<b>(14.1%)</b>
Loan-to-Value ratio (%)	56.1%	58.4%	-
Average effective interest rate (%)	5.1%	3.0%	-

## Key comments:

- At the end of Q3 2023, the Fund's GAV was EUR 269.5 million (31 December 2022: EUR 344.0 million), 21.7% 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.
- As of 30 September 2023 interest-bearing loans and bonds (excluding lease liabilities) were EUR 144.0 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 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.
- At the end of Q3 2023, the Fund's NAV was EUR 118.0 million (31 December 2022: EUR 133.7 million).
- The management team is working to reduce LTV below 50% during upcoming periods.



# Financial debt structure

As of 30 September 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	16,856	11.1%	102.0%
Europa SC	15 March 2024	EUR	8,400	5.5%	219.1%
Upmalas Biroji BC	2 August 2028	EUR	10,500	7.6%	100.7%
Vainodes I	13 November 2024	EUR	10,444	6.9%	47.1%
North Star	15 March 2024	EUR	9,000	5.9%	100.0%
LNK	30 November 2023	EUR	8,088	5.3%	71.1%
Lincona	31 December 2027	EUR	9,277	6.1%	0.0%
Pirita SC	20 February 2026	EUR	4,670	3.1%	0.0%
Sky SC	31 January 2028	EUR	2,826	1.9%	0.0%
<b>Total bank loans</b>		<b>EUR</b>	<b>110,061</b>	<b>76.1%</b>	<b>73.6%</b>
Less capitalised loan arrangement fees <sup>1</sup>		EUR	(136)		
<b>Total bank loans recognised in the statement of financial position</b>		<b>EUR</b>	<b>109,925</b>		
5-year secured bonds <sup>2</sup>	8 May 2028	EUR	34,500	23.9%	0.0%
<b>Total bonds</b>		<b>EUR</b>	<b>34,500</b>	<b>23.9%</b>	<b>0.0%</b>
Less capitalised bond arrangement fees <sup>1</sup>		EUR	(419)		
<b>Total bonds recognised in the statement of financial position</b>		<b>EUR</b>	<b>34,081</b>		
<b>Total debt recognised in the statement of financial position</b>		<b>EUR</b>	<b>144,006</b>	<b>100.0%</b>	<b>73.6%</b>

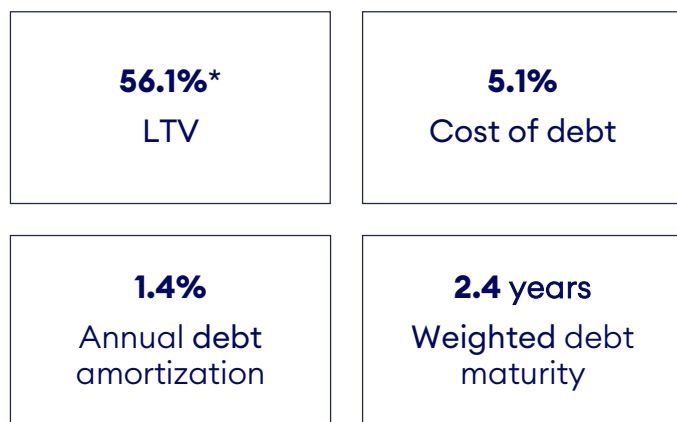
1. Amortised each month over the term of a loan/bond.

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

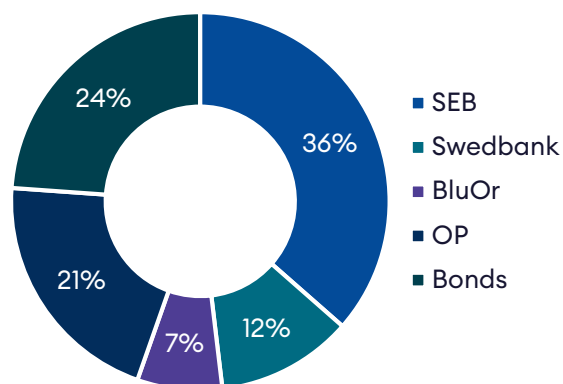
# Financing summary

As of 30 September 2023

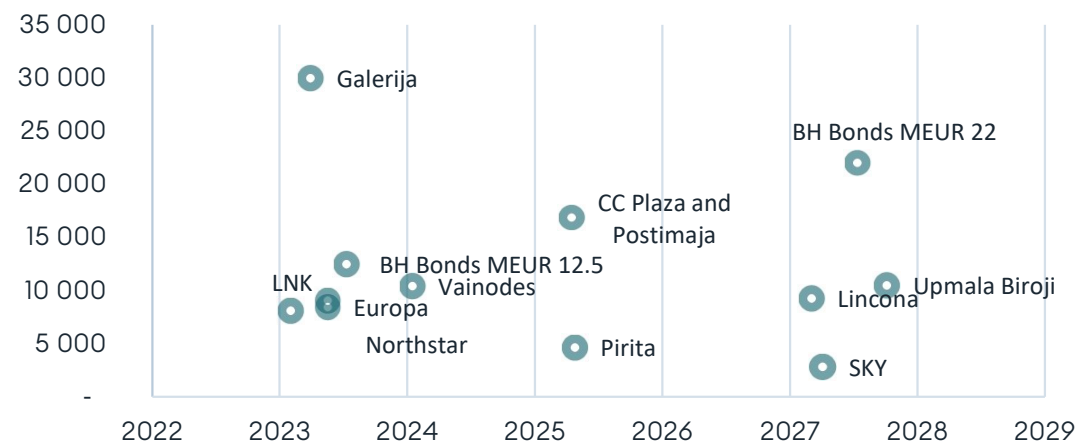
## Summary of financing terms



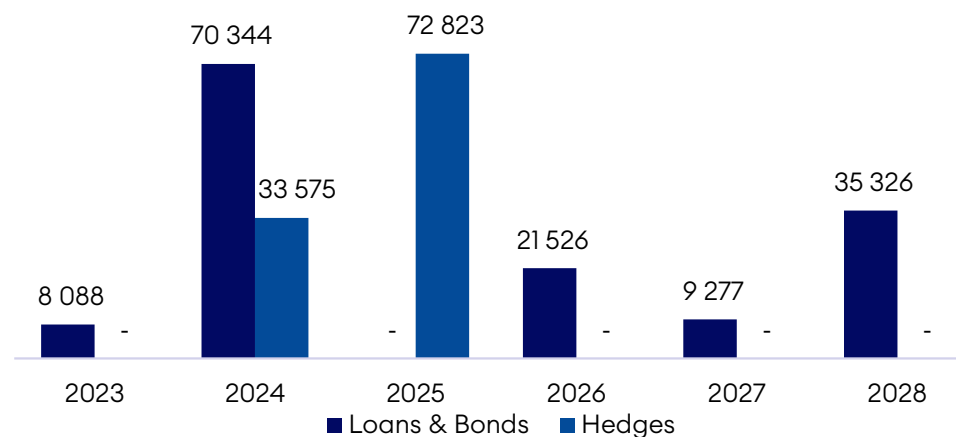
## Diversification by creditor



## Maturity by separate loan (EUR '000)



## Loan and hedge maturity



# Outlook for Q4 2023

- Management team remains fully committed to explore additional refinancing and divestment opportunities aimed at repaying the outstanding EUR 12.5 million of the first tranche before its maturity date in May 2024 in order to reduce the average cost of debt financing.
- Looking ahead, the Fund is determined to execute multiple early redemptions of bonds at the end of 2023/in early 2024.
- Refinancing of expiring loans in active process with various partner banks.
- The Fund has made new agreements with Newsec and Colliers and is allocating additional resources to reinforce leasing teams, aiming to ensure stronger occupancy levels in 2024-2025 across the portfolio. Several large anchor tenants already signed up and many more currently in process.
- The Fund is targeting to reduce the leverage to approx. 50 % after the refinancing activities.



# Contact information

## **Management board message**

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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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