



22 February 2024
Webinar Q4 2023

Baltic Horizon Fund



Closing the gap between unit price and portfolio value - strategic objectives

- Fund's goal is to achieve a **portfolio occupancy of at least 90% by end of 2024;**
- The **LTV target remains at 50% or lower** and the outstanding bond must be repaid in line with the agreement with the bond holders or waiver received;
- The portfolio strategy must be clear, and we consider **disposing non-strategic assets over the next 18 months;**
- There is a clear ESG and refurbishment strategy for the next 1-2 years in order to aim to reach portfolio's **NOI potential of EUR 18 million by 2027.**

Closing the gap between unit price and portfolio value - strategic objectives

- We believe **centrally located buildings** catering to the modern era will **still be in demand from a tenant and investor perspective**. However, these buildings must be **adapted to modern ways of working** and socializing, designed to accommodate multi functional areas and tenants, while meeting the needs of the 'Modern City' resident.
- **Public infrastructure projects, and development projects** in Tallinn, Riga, and Vilnius can connect people and businesses as never before. We expect to witness transformation of the traditional urban shopping center into a **hub of experience based 'Live Work Play environment'** for locals and tourists alike.
- We will continue investing in our centrally located properties – **Europa, Galerija Centrs, Postimaja/CC Plaza** – with the aim to capitalize on the new cycle of economic development.
- Regarding our office buildings, Baltic Horizon keeps its priority to work with **governmental and other leading companies, to provide its employees quality premises and contemporary fitout** solutions to support efficiency and workplace satisfaction.
- We expect two thirds of the fund's NOI to come from the centrally located **'Modern City Life' concept** assets. The remaining balance is expected to come from primarily government rented office premises and selected suburban supermarkets. Future diversification may also include social assets, logistics and other.

Strong focus on operational results - Retail

- While market conditions are still challenging and not expected to fully recover before 2025, we are cautiously optimistic about 2024 with a goal to achieve a portfolio occupancy of 90% by year-end. Our centrally located strategic mixed-use retail/service/entertainment centers have a large role to play in achieving this goal.
- During 2023, we have seen increased tenant interest in our buildings in the retail segment, and we expect this to continue in 2024. We believe this is attributable to the fund owning very attractive retail assets, to the team having invested heavily in upgrading these facilities over the last couple of years, to having signed lease agreements with leading tenants who appreciate the locations and to having strengthened the retail property management side through a new agreement with Newsec in Latvia and Lithuania.
- Our NOI in this segment grew by approx 12% over the last 12 months. New major tenants include ARKET, H&M Home and IKI. The team has either renegotiated or leased out 34% of the total retail lettable area. This development has positively impacted the terms that the new bank loans which will further allow us to reduce the outstanding bond amount at a lower financing cost.

NLA (m2)	Total	Occupancy %	Vacant	Active negotiations
Europa	17,047	84.5%	2,634	2,590
Galerija Centrs	19,306	80.4%	3,789	5,600
Sky	3,259	100.0%	-	-
Pirita	5,425	97.1%	159	103
Postimaja	9,232	95.6%	407	-
CC Plaza	9,139	94.3%	524	1,950
Total	63,408	88.1%	7,513	10,243

As of 31 December 2023

Strong focus on operational results - Offices

- In the office segment, the market conditions in the Baltic capitals, especially in Riga, are expected to remain challenging in the coming years. We see this development reflected in NOI which dropped 9% when comparing 2023 with 2022 due to anchor tenant changes.
- For our office assets, we are happy to confirm that we have successfully prolonged all major lease agreements in the portfolio that we expected to prolong by January 2024. The long-term focus in the office segment will be on modern buildings and long-term cooperation with public tenants e.g. governmental or municipal organizations. While the rental levels might not always be at the top end of the market, there are other benefits such as stable rental income and less tenant turnover that contribute positively.
- Examples of this strategy include the latest agreements with the Latvian Police in Riga for 4,000 m² for a period of 12 years and the Estonian Information System Authority for 3,000 m² for a period of 5 years.

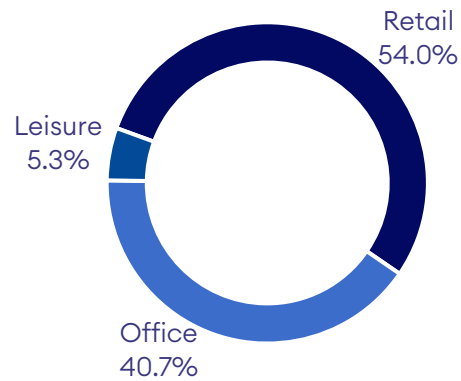
NLA (m ²)	Total	Occupancy %	Vacant	Active negotiations
Lincona	10,775	85.8%	1,772	432
North Star	10,579	99.7%	35	35
Meraki	8,162	47.7%	4,272	4,055
Upmalas Biroji	11,212	57.7%	4,739	450
Vainodes I	8,128	100.0%	-	-
S27	7,450	42.8%	4,263	3,000
Total	56,306	73.2%	15,081	7,972

As of 31 December 2023

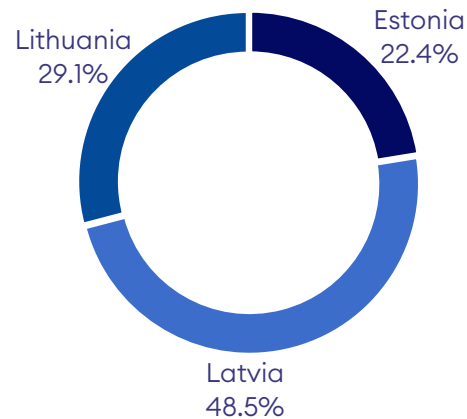
Baltic Horizon Fund portfolio summary

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

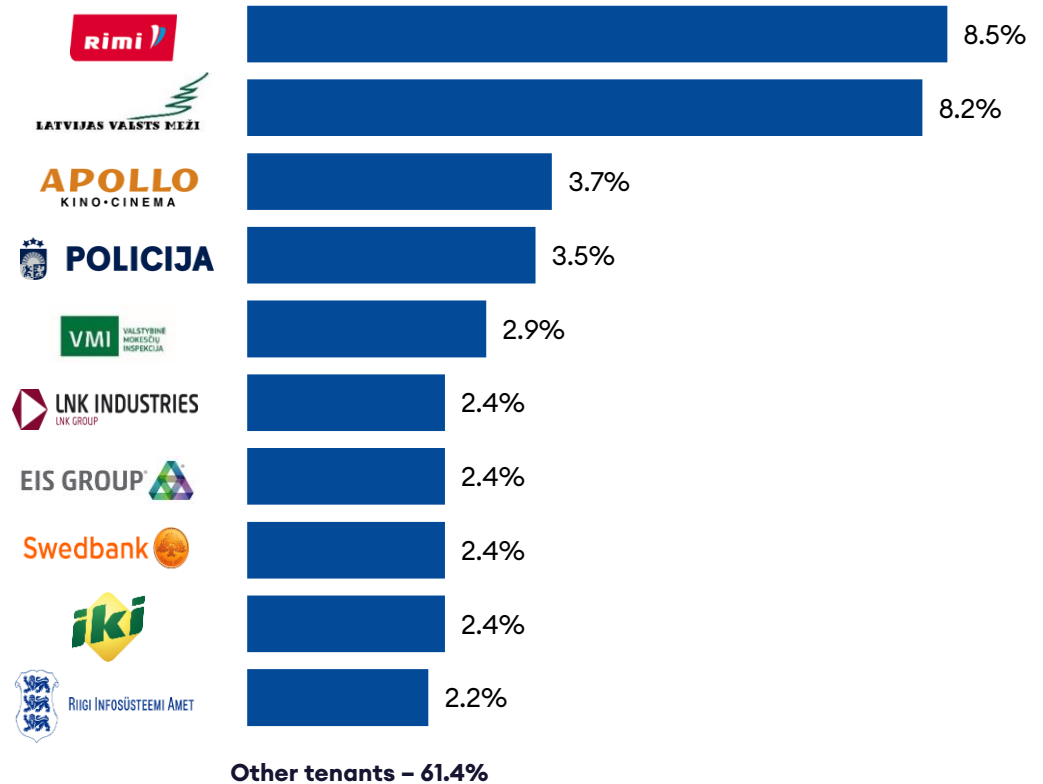
Net rental income by segment, 31 December 2023



Net rental income by country, 31 December 2023



Rental concentration: 10 largest tenants as of 31 December 2023



Portfolio overview

As of 31 December 2023

Property name	Sector	Fair value ¹ (EUR '000)	NLA (sq. m)	Direct property yield Q4 2023 ²	Net initial yield Q4 2023 ³	Occupancy rate
Vilnius, Lithuania						
Europa SC	Retail	36,437	17,047	4.0%	4.4%	84.5%
North Star	Office	20,028	10,579	7.0%	7.3%	99.7%
Meraki	Office	16,340	8,162	-0.1%	-0.1%	47.7%
Total Vilnius		72,805	35,788	3.8%	4.2%	80.6%
Riga, Latvia						
Upmalas Biroji BC	Office	20,478	11,212	3.6%	4.3%	57.7%
Vainodes I	Office	16,710	8,128	6.5%	8.3%	100.0%
LNK Centre	Office	13,960	7,450	2.4%	2.8%	42.8%
Sky SC	Retail	5,660	3,259	8.0%	7.4%	100.0%
Galerija Centrs	Retail	64,592	19,306	2.0%	2.3%	80.4%
Total Riga		121,400	49,354	3.2%	3.7%	74.1%
Tallinn, Estonia						
Postimaja & CC Plaza complex	Retail	19,810	9,232	3.6%	6.0%	95.6%
Postimaja & CC Plaza complex	Leisure	13,240	9,139	7.0%	6.6%	94.3%
Lincona	Office	14,370	10,775	6.0%	6.8%	83.5%
Pirita SC	Retail	8,760	5,425	6.0%	8.6%	97.1%
Total Tallinn		56,180	34,571	5.0%	6.7%	91.7%
Total portfolio		250,385	119,714	3.8%	4.5%	81.1%

1. Based on the latest valuation as of 31 December 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 31 December 2023

Property	Date of acquisition	2018	2019	2020	2021	2022	2023
Galerija Centrs	13 June 2019	-	2,552	3,023	1,448	2,193	2,139
Postimaja & CC Plaza complex	8 March 2013 ¹	2,447	2,495	1,932	1,805	2,044	2,126
Europa SC	2 March 2015	2,332	2,467	1,681	1,006	1,028	1,508
North Star	11 October 2019	-	315	1,419	1,208	1,371	1,495
Vainodes I	12 December 2017	1,463	1,462	1,464	1,449	1,383	1,431
Upmalas Biroji BC	30 August 2016	1,710	1,701	1,661	1,740	1,763	1,318
Lincona	1 July 2011	1,192	1,276	1,212	1,114	1,102	1,068
LNK Centre	15 August 2018	409	1,072	1,090	1,088	1,132	814
Pirita SC	16 December 2016	900	438	677	484	664	761
Sky SC	7 December 2013	407	370	402	395	423	420
Meraki ⁴	10 September 2022	-	-	-	-	(101)	63
Active properties		10,860	14,148	14,561	11,737	13,002	13,143
Duetto II ²	27 February 2019	-	1,090	1,354	1,353	1,409	598
Duetto I ²	22 March 2017	1,096	1,160	1,166	1,223	1,191	550
Domus Pro Retail ³	1 May 2014	1,160	1,132	1,092	1,145	1,280	226
Domus Pro Office ³	1 October 2017	499	562	538	537	548	100
G4S Headquarters ⁵	12 July 2016	1,189	1,127	1,223	1,009	-	-
Disposed properties		3,944	5,071	5,373	5,267	4,428	1,474
Total portfolio		14,804	19,219	19,934	17,004	17,430	14,617

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 31.12.2023	Net rental income Q1-Q4 2023	Net rental income Q1-Q4 2022	Change (EUR '000)	Change (%)
Like-for-like assets					
Retail	135,259	6,147	5,488	659	12.0%
Office	85,546	6,126	6,751	(625)	(9.3%)
Leisure	13,240	807	864	(57)	(6.6%)
Total like-for-like assets	234,045	13,080	13,103	(23)	(0.2%)
Developed assets	16,340	63	(101)	164	162.4%
Disposed assets	-	1,474	4,428	(2,954)	(66.7%)
Total portfolio assets	250,385	14,617	17,430	(2,813)	(16.1%)

Financial results for 2023

Profit and loss

EUR '000	01.01.2023- 31.12.2023	01.01.2022- 31.12.2022	Change (%)
Rental income	17,743	20,482	(13.4%)
Service charge income	6,008	5,974	0.6%
Cost of rental activities	(9,134)	(9,026)	1.2%
Net rental income	14,617	17,430	(16.1%)
Administrative expenses	(2,617)	(3,133)	(16.5%)
Other operating income	44	278	(84.2%)
Losses on disposal of investment properties	(4,047)	(423)	856.7%
Valuation gains (losses) on investment properties	(21,876)	(2,914)	650.7%
Operating profit (loss)	(13,879)	11,238	(223.5%)
Financial income	104	1	10300.0%
Financial expenses	(9,854)	(6,312)	56.1%
Net financial expenses	(9,750)	(6,311)	54.5%
Profit (loss) before tax	(23,629)	4,927	(579.6%)
Income tax charge	656	(983)	(166.7%)
Profit (loss) for the period	(22,973)	3,944	(682.5%)

Key comments:

- The Group earned net rental income of EUR 14.6 million in 2023 (2022: EUR 17.4 million).
- On an EPRA like-for-like basis, portfolio net rental income was slightly below the previous year (-0.2%), mainly due to vacancies in office properties in Latvia due to expiry of the agreement with the main tenant in Upmalas Biroji BC and EMERGN's decision to reduce their rented area in LNK Centre.
- The Group recorded a net loss of EUR 23.0 million against a net profit of EUR 3.9 million for 2022.
 - The net result was strongly impacted by the negative valuation result of EUR 21.9 million.
 - The net result was also impacted by the higher financial expenses.

Financial results for 2023

Financial position

EUR '000	31.12.2023	31.12.2022
Non-current assets		
Investment properties	250,385	333,123
Intangible assets	11	6
Property, plant and equipment	4	1
Derivative financial instruments	295	2,228
Other non-current assets	647	-
Total non-current assets	251,342	335,358
Current assets		
Trade and other receivables	2,591	2,693
Prepayments	402	273
Derivative financial instruments	621	292
Cash and cash equivalents	6,182	5,347
Total current assets	9,796	8,605
Total assets	261,138	343,963
Equity		
Paid in capital	145,200	145,200
Cash flow hedge reserve	531	1,681
Retained earnings	(36,199)	(13,226)
Total equity	109,532	133,655
Non-current liabilities		
Interest-bearing loans and borrowings	64,158	124,017
Deferred tax liabilities	2,774	7,490
Other non-current liabilities	1,079	1,240
Total non-current liabilities	68,011	132,747
Current liabilities		
Interest-bearing loans and borrowings	79,584	71,094
Trade and other payables	3,343	5,644
Income tax payable	6	10
Other current liabilities	662	813
Total current liabilities	83,595	77,561
Total liabilities	151,606	210,308
Total equity and liabilities	261,138	343,963

Key comments:

- At the end of Q4 2023, the Fund's GAV was EUR 261.1 million (31 December 2022: EUR 344.0 million), 24.1% 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 the negative property revaluation.
- As of 31 December 2023 interest-bearing loans and bonds (excluding lease liabilities) were EUR 143.5 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 SIA 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 2023, the Fund's NAV was EUR 109.5 million (31 December 2022: EUR 133.7 million).

Financial debt structure

As of 31 December 2023

Property	Maturity	Currency	Carrying amount (EUR '000)	% of total	Hedged portion (%)
Galerija Centrs	26 August 2024	EUR	30,000	20.8%	100.0%
CC Plaza and Postimaja	12 February 2026	EUR	16,727	11.6%	102.8%
Europa SC	15 March 2024	EUR	8,400	5.8%	219.1%
Upmalas Biroji BC	2 August 2028	EUR	10,455	7.3%	101.1%
Vainodes I	13 November 2024	EUR	10,356	7.2%	47.5%
North Star	15 March 2024	EUR	9,000	6.2%	100.0%
LNK	2 April 2024	EUR	7,947	5.5%	73.0%
Lincona	31 December 2027	EUR	9,198	6.4%	0.0%
Pirita SC	20 February 2026	EUR	4,629	3.2%	0.0%
Sky SC	31 January 2028	EUR	2,797	2.0%	0.0%
Total bank loans		EUR	109,509	76.0%	73.9%
Less capitalised loan arrangement fees ¹		EUR	(121)		
Total bank loans recognised in the statement of financial position		EUR	109,388		
5-year secured bonds ²	8 May 2028	EUR	34,500	24.0%	0.0%
Total bonds		EUR	34,500	24.0%	0.0%
Less capitalised bond arrangement fees ¹		EUR	(401)		
Total bonds recognised in the statement of financial position		EUR	34,099		
Total debt recognised in the statement of financial position		EUR	143,487	100.0%	73.9%

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

2. Bonds in the total nominal amount of EUR 12.5 million have to be redeemed by 8 May 2024.

Outlook for 2024 and beyond

- Europa and Northstar new 5-year loan agreements with Šiaulių bankas in total amount of EUR 26 million is signed. Approximately EUR 17.4 million of the loan amounts will be used for refinancing the existing bank loans and the rest of the amount will be used to redeem part of Baltic Horizon Fund bonds issued in May 2023 and to reinvest into existing properties.
- Management team remains fully committed to explore refinancing and divestment opportunities aimed at repaying the full outstanding EUR 12.5 million of the first tranche in order to reduce the average cost of debt financing.
- Refinancing of maturing loans is currently underway through strategic collaboration with multiple banking partners. The Fund is targeting to reduce the leverage to approx. 50% after the refinancing activities.
- 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. Numerous prominent anchor tenants have already committed, with several additional agreements in progress.



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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