



Webinar Q2 2024

Baltic Horizon Fund

16 August 2024



Baltic Horizon Fund strategic ambitions

Strategic targets aim to ensure the future value creation for our investors

The plan how to bridge the gap between market price and NAV

Our 6 strategic targets



Occupancy

>90%+

Portfolio occupancy by the end of 2024



Loan-To-Value

<50%

LTV target by reducing debt and improving on valuations



Portfolio composition

Consider disposing of non-strategic assets over the next 18 months



Operating results

EUR 18m

Clear ESG and refurbishment strategy with an aim to reach portfolio NOI potential by 2027



Asset certification

100%

BREEAM or LEED certified portfolio



GRESB assessment

=>4 stars

GRESB real estate assessment rating

KPI overview

KPI	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Average Occupancy	79.5%	78.4%	81.6%	82.3%
Average rent	13.7	13.0	13.1	13.0
NOI (quarter)	3,228	2,894	2,794	3,189
Total debt outstanding	144,266	143,742	151,868	146,694
Average cost of debt	5.1%	5.2%	5.8%	6.4%
Euribor level	4.1%	3.9%	3.9%	3.7%
LTV	56.1%	57.3%	60.3%	61.3%
Capital expenditure (including fitouts)	(1,182)	(1,460)	(950)	(1,132)

Modern City Life Strategy summarized

Location and Accessibility:

- Central locations
- Good transportation infrastructure
- Walkability and Bikeability

Mixed-Use communities:

- Multipurpose spaces
- Live-Work integration
- Food & Entertainment

Sustainability and Wellness:

- Green lease and design elements
- Health and Wellness Facilities

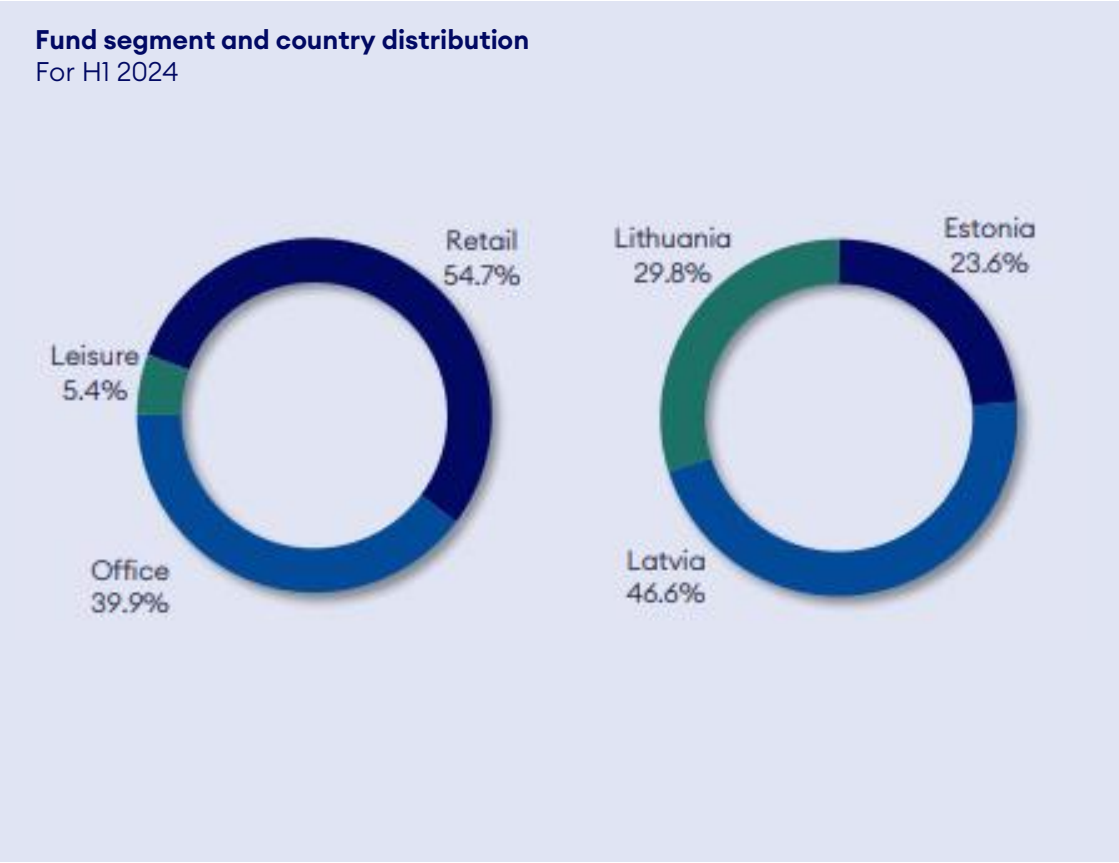
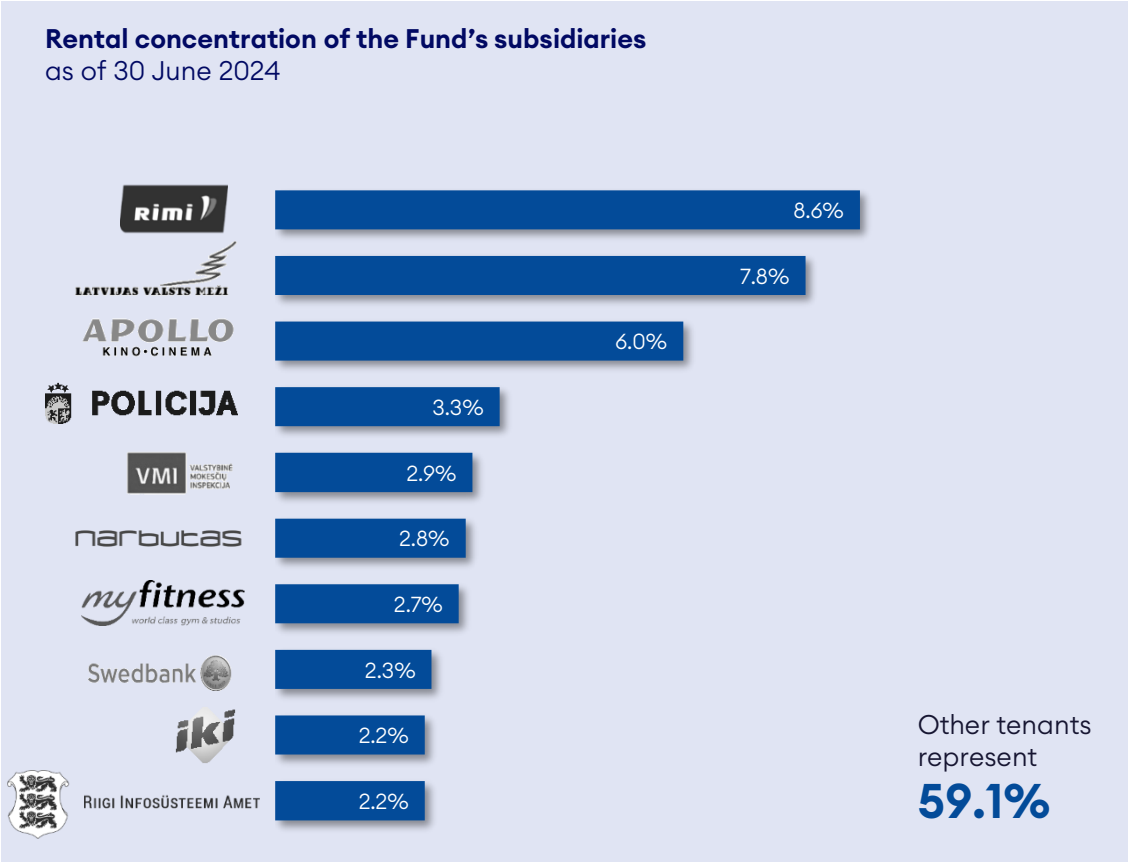
Investment Potential:

- Attractive and sustainable portfolio rental yield of 7%
- Long-Term value potential of 3% p.a.

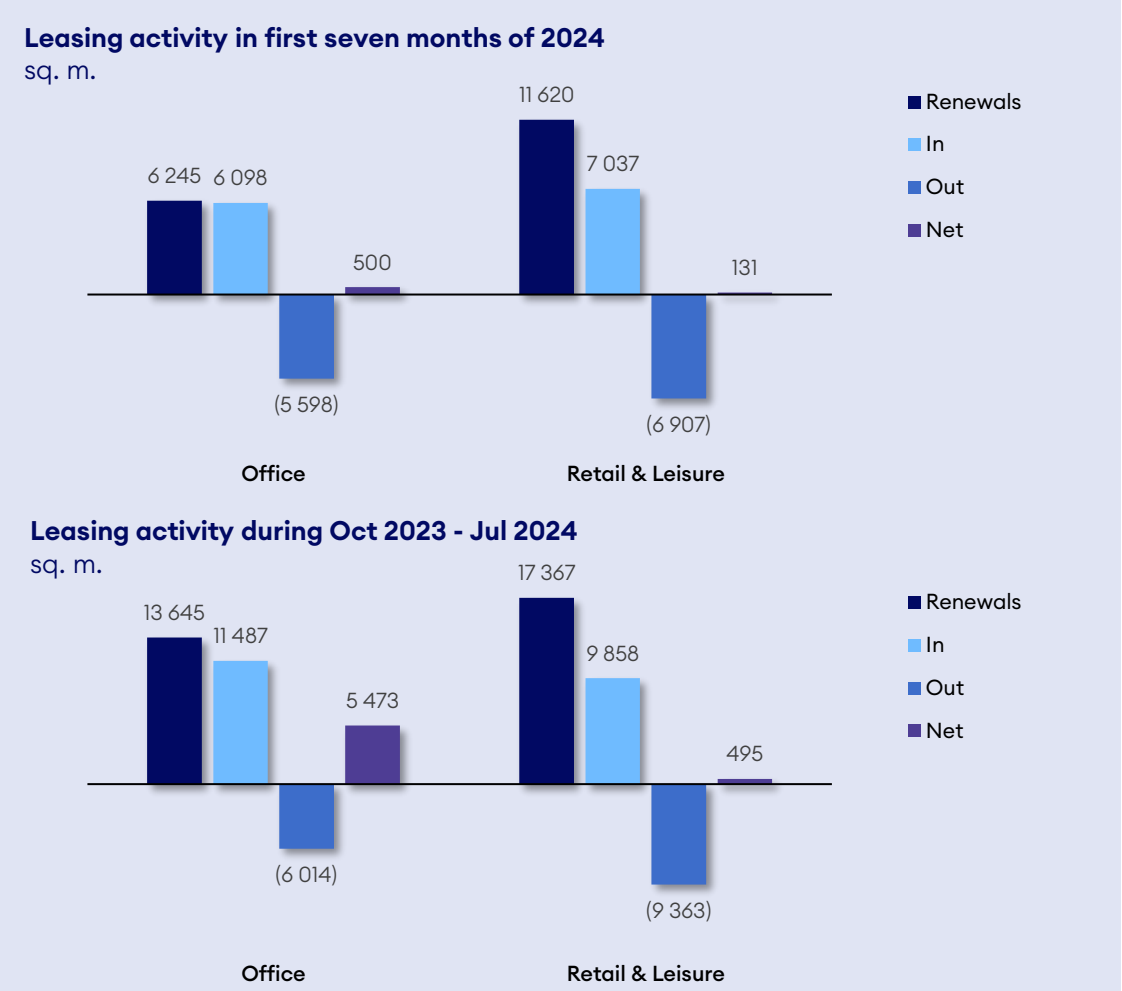
The target is to align majority of assets (60%) to the Modern City Life strategy while maintaining other type of assets with long-term governmental and other tenants to provide diversification to portfolio while sustaining attractive returns to investors.

Baltic Horizon Fund portfolio summary

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



Baltic Horizon Fund leasing and tenant update



Key comments

- From a lowest occupancy point in **September 2023 at 77.1%**, we have signed approx. **50,000 sq. m.** in lease prolongations and in new leases over the past nine months, contributing to an increase of occupancy by **4,580 sq. m.** to **79.1%** with a target of **90% by year end.** Change from Q1 occupancy of **83.5%** is mainly due to LNK lease termination. As of August 2024, the actual occupancy with newly signed leases and LOIs is approx. **84.7%.**
- During the first seven months of 2024, the Fund signed new leases for **13,135 sq.m.**, securing an annual rental income of EUR **2,033** thousand for future periods. Furthermore **24** new tenants have been attracted to our buildings, while **30** existing tenants have decided to continue their cooperation with us.
- This success was primarily attributable to significant deals with prominent tenants including **Narbutas** in Meraki (3,200 sq. m), **My Fitness** in Galerija Centrs (1,700 sq. m) and **Apollo Group** in Coca-Cola Plaza (2,200 sq. m), all signed in March and April.
- After the surge in the first four months of 2024, the summer months have been slower in terms of leasing activity. However, despite the slowdown, the inflow of new leases in H1 including July offset the outflow.

Occupancy Update August 2024

*(including newly signed leases & LOIs)

Property	Sector	NLA	June 2024	Leased area August 2024*	Occupancy August 2024*	Under negotiations	Occupancy Target	diff.
Lincona	Office	10 767	83,67%	9 533	88,55%		88,55%	4,88%
SKY	Retail	3 259	100,00%	3 259	100,00%		100,00%	0,00%
Coca Cola Plaza	Leisure	8 121	92,74%	7 532	92,74%	589	100,00%	7,26%
Europa	Retail	17 081	79,96%	13 260	77,63%	3 610	98,76%	18,80%
Upmalas Biroji	Office	11 213	58,84%	6 597	58,84%	2 640	82,38%	23,55%
Pirita	Retail	5 425	96,71%	5 348	98,59%		98,59%	1,88%
S27 (LNK)	Office	7 450	0,00%	3 719	49,92%	3 731	100,00%	100,00%
Vainodes I	Office	8 128	100,00%	8 128	100,00%		100,00%	0,00%
Postimaja	Retail	9 232	100,00%	9 232	100,00%		100,00%	0,00%
Galerija Centrs	Retail	19 331	77,75%	16 749	86,65%	1 753	95,71%	17,96%
North Star	Office	10 631	88,91%	10 317	97,05%		97,05%	8,14%
Meraki	Office	8 114	83,88%	6 931	85,42%	587	92,65%	8,77%
		118 751	79,11%	100 606	84,72%	12 910	95,59%	16,48%

Financial results for 2024 Q2

Profit and loss

EUR '000	01.04. - 30.06.2024	01.04. - 30.06.2023	Change (%)
Rental income	3,821	4,821	(20.7%)
Service charge income	1,315	1,745	(24.6%)
Cost of rental activities	(1,947)	(2,273)	(14.3%)
Net rental income	3,189	4,293	(25.7%)
Administrative expenses	(529)	(678)	(22.0%)
Losses on disposal of investment properties	(80)	(2,218)	(96.4%)
Other operating income	(26)	5	(620.0%)
Valuation losses on investment properties	(12,520)	(14,619)	(14.4%)
Operating profit	(9,966)	(13,217)	(24.6%)
Financial income	15	1	1400.0%
Financial expenses	(2,653)	(2,388)	11.1%
Net financial expenses	(2,638)	(2,387)	10.5%
Loss before tax	(12,604)	(15,604)	(19.2%)
Income tax charge	379	577	(34.3%)
Profit (loss) for the period	(12,225)	(15,027)	(18.6%)

Key comments:

- The Group earned net rental income of EUR 6.0 million in H1 2024 (H1 2023: 8.5 million).
- On an EPRA like-for-like basis, the portfolio net rental income in H1 2024 was 14% lower than in H1 2023, mainly due to vacancies in office properties in Latvia due to the expiry of the agreement with the main tenant in Upmalas Biroji BC and 100% vacancy of S27, as well as lower rental income in Europa due to the new anchor tenant IKI equipping the premises and opening in March.
- In H1 2024, the Group recorded a net loss of EUR 12.9 million compared with a net loss of EUR 15.0 million for H1 2023.

EPRA like-for-like net rental income by segment

EUR '000	Fair value 30.06.2024	Net rental income H1 2024	Net rental income H1 2023	Change (EUR '000)	Change
Like-for-like assets					
Retail	131,251	3,096	3,043	53	1.7%
Office	95,609	2,568	3,562	(994)	(27.9%)
Leisure	13,067	319	412	(93)	(22.6%)
Total like-for-like assets	239,927	5,983	7,017	(971)	(14.7%)
Disposed assets	-	-	1,478	(1,478)	(100.0%)
Total portfolio assets	239,927	5,983	8,495	(2,512)	(29.6%)

Financial results for 2024 Q2

Financial position

EUR '000	31.03.2024	31.12.2023
Non-current assets		
Investment properties	239,927	250,385
Intangible assets	17	11
Property, plant and equipment	6	4
Derivative financial instruments	241	295
Other non-current assets	742	647
Total non-current assets	240,933	251,342
Current assets		
Trade and other receivables	2,842	2,591
Prepayments	869	402
Derivative financial instruments	149	621
Cash and cash equivalents	5,371	6,182
Total current assets	9,231	9,796
Total assets	250,164	261,138
Equity		
Paid in capital	145,200	145,200
Cash flow hedge reserve	246	531
Retained earnings	(49,048)	(36,199)
Total equity	96,398	109,532
Non-current liabilities		
Interest-bearing loans and borrowings	85,022	64,158
Deferred tax liabilities	2,258	2,774
Other non-current liabilities	1,288	1,079
Total non-current liabilities	88,568	68,011
Current liabilities		
Interest-bearing loans and borrowings	61,672	79,584
Trade and other payables	3,114	3,343
Income tax payable	-	6
Other current liabilities	412	662
Total current liabilities	65,198	83,595
Total liabilities	153,766	151,606
Total equity and liabilities	250,164	261,138

Key comments:

- At the end of H1 2024, the Fund's GAV was EUR 250.1 million (31 December 2023: EUR 261.1 million). The decrease of approx. EUR 11 million is mainly related to the revaluation of the Fund's investment properties at the end of H1 2024.
- As of 30 June 2024, interest-bearing loans and bonds (excluding lease liabilities) were EUR 146.4 million (31 December 2023: EUR 143.5 million). Outstanding bank loans increased due to the additional loans taken by Europa and North Star, which were mainly used for partial early redemption of the short-term part of the bonds in the amount of EUR 4.5 million on 8 April 2024. Annual loan amortisation accounted for 2.2% of total debt outstanding. In February 2024, the Fund successfully refinanced Europa and North Star loans with Šiaulių bankas. Additionally, in April 2024, the Fund extended the bank loan of S27. As of 30 June 2024, the Fund's consolidated cash and cash equivalents amounted to EUR 5.4 million (31 December 2023: EUR 6.2 million).
- As of 30 June 2024, the Fund's NAV was EUR 96.4 million (31 December 2023: EUR 109.5 million).

Property valuations as of 30 June 2024

Carried out by Newsec

Property	Value as of 30 June 2024	Value as of 31 Dec 2023	Difference	Variance, %	WACC 23.12.31 → 24.06.30	Exit yield 23.12.31 → 24.06.30	Additional comment
Europa SC	36 510 000	36 360 000	150 000	0.4%	9.3% → 9.15%	7.25% → 7%	
North Star	19 020 000	19 900 000	(880 000)	(4.4%)	8.8% → 9.15%	7% → 7%	Slightly lower rental income potential assumed
Meraki	15 950 000	16 340 000	(390 000)	(2.4%)	9.90% → 9.15%	7.25% → 7.5%	Fit-outs of EUR 2mln considered in the 1 st year. Value will increase by this amount after premises are fitted
Total Vilnius	71 480 000	72 600 000	(1 120 000)	(1.5%)			
Upmalas Biroji	19 200 000	20 440 000	(1 240 000)	(6.1%)	8.9% → 9.15%	6.5% → 7%	Fit-outs of EUR 0.5 million considered in the 1 st year. Value will increase by this amount after premises are fitted
Vainodes I	15 860 000	16 710 000	(850 000)	(5.1%)	8.2% → 9.15%	6.9% → 7.5%	Expansion potential not considered in the current market
S27	11 570 000	13 960 000	(2 390 000)	(17.1%)	8.5% → 8.6	6.5% → 7%	Fit-outs of approx. EUR 2.7 mln considered. Value will increase after premises are fitted
Sky SC	4 940 000	5 660 000	(720 000)	(12.7%)	9.1% → 9.64%	7.25% → 8.25%	
Galerija Centrs	60 080 000	64 580 000	(4 500 000)	(7.0%)	9.5 → 8.6%	7.5% → 7%	Slightly lower rental income potential assumed
Total Riga	111 650 000	121 350 000	(9 700 000)	(8.0%)			
Postimaja	19 650 000	19 810 000	(160 000)	(0.8%)	8.6% → 9.15%	7% → 7%	
CC Plaza	13 780 000	13 240 000	540 000	4.1%	8.6% → 9.15%	7% → 7%	Apollo new 10 year lease agreement was considered
Lincona	13 850 000	14 370 000	(520 000)	(3.6%)	9.3% → 9.45%	8.5% → 7.5%	Fit-outs of EUR 0.5 million considered in the 1 st year. Value will increase by this amount after premises are fitted
Pirita SC	9 270 000	8 760 000	510 000	5.8%	10% → 9.7%	8% → 8%	
Total Tallinn	56 550 000	56 180 000	370 000	0.7%			
Total portfolio	239 680 000	250 130 000	(10 450 000)	(4.2%)			

Financial debt structure of the Fund

As of 30 June 2024

Property	Maturity	Currency	Carrying amount (EUR '000)	% of total	Hedged portion (%)
Galerija Centrs	26 August 2024	EUR	30,000	20.4%	100.0%
CC Plaza and Postimaja	12 February 2026	EUR	16,469	11.2%	0.0%
Europa SC	31 January 2029	EUR	16,389	11.2%	112.3%
Upmalas Biroji BC	2 August 2028	EUR	10,327	7.0%	102.4%
Vainodes I	13 November 2024	EUR	10,180	6.9%	48.3%
North Star	5 February 2029	EUR	9,436	6.4%	95.4%
S27	13 November 2024	EUR	7,783	5.3%	74.5%
Lincona	31 December 2027	EUR	9,040	6.2%	0.0%
Pirita SC	20 February 2026	EUR	4,547	3.1%	0.0%
Sky SC	31 January 2028	EUR	2,739	1.9%	0.0%
Total bank loans		EUR	116,908	79.6%	76.0%
Less capitalised loan arrangement fees ¹		EUR	(101)		
Total bank loans recognised in the statement of financial position		EUR	116,809		
5-year secured bonds (short-term) 8 July 2024		EUR	8,000	4.6%	0.0%
5-year secured bonds (long-term) 8 May 2028		EUR	22,000	15.8%	0.0%
Total bonds		EUR	30,000	20.4%	0.0%
Less capitalised bond arrangement fees ¹		EUR	(362)		
Total bonds recognised in the statement of financial position		EUR	29,638		
Total debt recognised in the statement of financial position		EUR	146,447	100.0%	76.0%

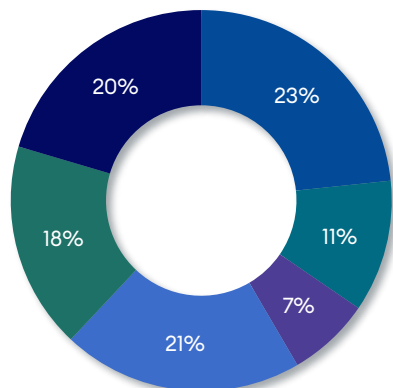
Financing summary

as of 30 June 2024

Summary of financing terms

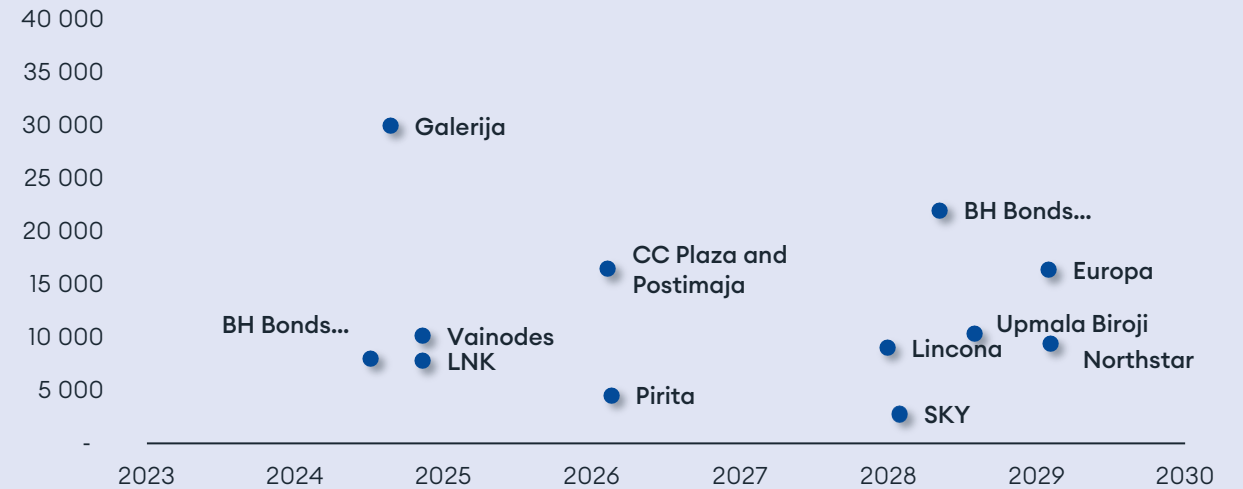


Diversification by creditor

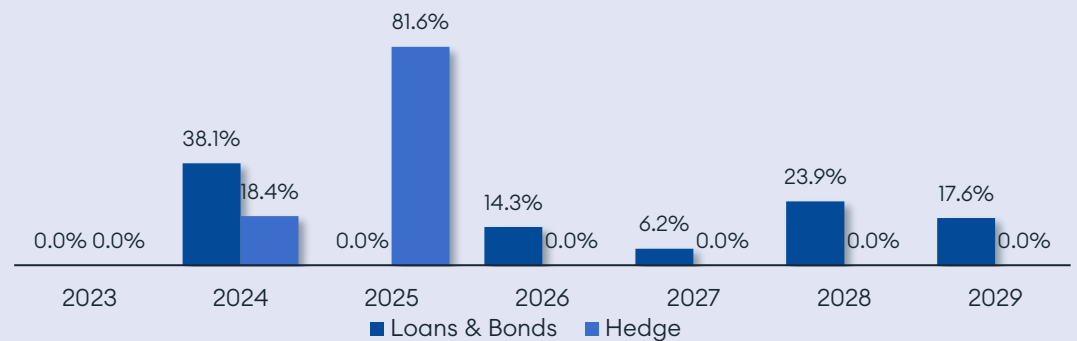


■ SEB ■ Swedbank ■ BluOr ■ OP ■ Siauliu Bankas ■ Bonds

Maturity by separate loan (EUR '000)



Loan and hedge maturity



Action plan for 2024-2025

- In order to reach our goals the action plan focuses on the following main topics:
 - Continue signing new lease agreements to **increase occupancy to 90%+** by end of 2024.
 - Target **private placement** with approx EUR 7 million in the autumn of 2024 to bolster the balance sheet of the Fund in order to reduce debt and/or perform required fit-out Investments in order to reach NOI of EUR 18 million.
 - **Continue refinancing certain properties** and reduce bank amortizations and/or bond amount.
 - Consider **disposal of certain assets** which are not part of Fund's long-term strategy.
 - Achieve a **Debt Service Coverage Ratio (DSCR) of 1.2** through increasing NOI and reducing (cost of) debt by 2025.