

Company Baltic Horizon Fund / Northern Horizon Capital AS

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Attachments:

- BalticHori-10003261791-en.pdf (<http://oam.fi.ee/en/download?id=4431>)
- BalticHori-10003261793-et.pdf (<http://oam.fi.ee/en/download?id=4432>)
- BalticHori-10003261794-et.pdf (<http://oam.fi.ee/en/download?id=4433>)

Currency

Title BALTIC HORIZON FUND CONSOLIDATED AUDITED RESULTS FOR 2019

Management Board of Northern Horizon Capital AS has approved the audited financial results of Baltic Horizon Fund (the Fund) for the year 2019. The financial results remained unchanged compared to the preliminary disclosure on 14 February 2020.

Distributions to unitholders for 2019 Fund results

In total, the Fund declared a cash distribution of EUR 11,309 thousand from the operating results of 2019 (EUR 2,449 thousand from Q1 2019, EUR 2,624 thousand from Q2 2019, EUR 3,061 thousand from Q3 2019 and EUR 3,175 thousand from Q4 2019). Dividends for the operating results of 2019 correspond to a gross yield of 8.0% based on the closing price on the Nasdaq Tallinn Stock Exchange at 31 December 2019.

Net profit and net rental income

In 2019, the Group recorded a net profit of EUR 8.8 million, which was a down 12.0%, compared to net profit of EUR 10 million for 2018. The net profit was largely affected by the lower investment property value gains during the year. Portfolio valuations largely remained at the same level as at the end of 2018. Excluding the effect of valuation gains (losses), net profit from operating performance grew by 36.1%. Net profit was also significantly impacted by the increase in net rental income and net financing costs. The increase in net financing costs arose from a higher average cost of financing. Earnings per unit were EUR 0.09 (2018: EUR 0.13).

During the year, the Group recorded a net rental income of EUR 19.2 million compared to EUR 14.8 million in 2018. The increase was achieved through new acquisitions that were made following the capital raisings in 2019. The acquisition of the largest asset in the portfolio (Galerija Centrs) had a significant effect on the Group's net rental income growth for 2019 and will



continue to have a positive impact on the net rental income in the future. On an EPRA like-for-like basis, portfolio rental income decreased by 1.6% compared to 2018 mainly due to Pirita and Postimaja higher vacancies and concept change preparations.

Portfolio properties in the office segment contributed 50.8% (2018: 51.1%) of net rental income in 2019 followed by the retail segment with 43.8% (2018: 42.2%) and the leisure segment with 5.4% (6.7%).

During the year, investment properties in Latvia and Lithuania contributed 37.2% (2018: 51.1%) and 35.0% of net rental income respectively, while investment properties in Estonia contributed 27.8% (2018: 42.2%).

Gross Asset Value (GAV)

At the end of 2019, the GAV increased to EUR 371.7 million (31 December 2018: EUR 260.9 million) which was a rise of 42.5% over the year. The increase is mainly related to new acquisitions during the year and the start of the Meraki development project. The Fund completed the acquisitions of the Duetto II office building, the Galerija Centrs Shopping Centre and the North Star Business Centre and thus deployed most of the new capital raised in 2019. The Fund aims to use the remaining capital to finance the construction of the Meraki office building in 2020.

Net Asset Value (NAV)

During 2019, the Fund NAV increased from EUR 109.8 million to EUR 152.5 million as compared to the end of 2018. The increase is related to new equity raised and the Group's operational performance over the year. The Fund raised a total of EUR 44.7 million net equity through private placements in April, May, July and October and generated almost EUR 8.8 million in net profit. The Fund NAV increase was offset by a EUR 10.3 million dividend distribution to its unitholders and a negative cash flow hedge reserve movement of EUR 0.6 million. At 31 December 2019, NAV per unit stood at EUR 1.3451 (31 December 2018: EUR 1.3988), while NAV per unit based on EPRA standards was EUR 1.4333 (31 December 2018: EUR 1.5101).

Investment properties

Baltic Horizon Fund portfolio consists of 15 cash flow investment properties in the Baltic capitals and investment property under construction on the Meraki land plot. At the end of 2019, the appraised value of the Fund's portfolio was EUR 358.9 million (2018: EUR 245.2 million). Despite some NOI increases, valuations were also affected by a decrease in the Baltic States' inflation rates, which are used for rent indexation, and an increase in the expected cost of debt, taken into account in the valuation discount rates. During the year, the Group invested EUR 0.7 million of capital expenditure in the existing property portfolio and an additional EUR 0.7 million in the Meraki development project.

Interest bearing loans and bonds

Interest bearing loans and bonds increased to EUR 205.8 million (2018: EUR



140.5 million) which was a rise of 46.5% over the year. During 2019, the Group received external financing of EUR 67.4 million (bank loans and bonds), which was used to further expand the Fund's investment portfolio.

Cash flow

Cash flow from core operating activities for the year 2019 amounted to EUR 16.4 million (2018: EUR 10.4 million). Cash flow for investments amounted to EUR 78.2 million (2018: EUR 56.4 million). Investments consisted of subsequent capital expenditure and acquisitions of investment properties and the subsidiary Tampere Invest SIA, which owns Galerija Centrs. Cash flow from financing activities rose to EUR 59.4 million (2018: EUR 33.7 million). During the year, the Fund drew down several bank loans amounting to EUR 57.4 million and completed a subsequent bond subscription in an amount of EUR 10 million. The proceeds from the bank loans, bond issue and issue of new units (EUR 44.7 million) were used to acquire new properties. The Group's total cash balance at the end of 2019 amounted to EUR 9.8 million.

Key earnings figures

EUR '000	2019	2018	Change (%)
Net rental income	19,219	14,804	29.8%
Administrative expenses	(3,251)	(2,813)	15.6%
Other operating income	26	74	(64.9%)
Valuation gains (losses) on investment properties	(2,064)	2,014	(202.5%)
Operating profit	13,930	14,079	(1.1%)
Net financing costs	(4,713)	(2,781)	69.5%
Profit before tax	9,217	11,298	(18.4%)
Income tax	(426)	(1,308)	(67.4%)
Net profit for the period	8,791	9,990	(12.0%)
Weighted average number of units outstanding (units)	96,718,348	78,764,895(1)	22.8%
Earnings per unit			



(EUR)	0.09	0.13	(30.8%)
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Key financial position figures

EUR '000	31.12.2019	31.12.2018	Change (%)
Investment properties in use	356,575	245,160	45.4%
Investment property under construction	2,367	-	-
Gross asset value (GAV)	371,734	260,878	42.5%
Interest bearing loans and bonds	205,827	140,507	46.5%
Total liabilities	219,216	151,073	45.1%
Net asset value (NAV)	152,518	109,805	38.9%
Number of units outstanding (units)	113,387,525	78,496,831(1)	44.4%
IFRS Net asset value (IFRS NAV) per unit (EUR)	1.3451	1.3988	(3.8%)
EPRA Net asset value (EPRA NAV) per unit (EUR)	1.4333	1.5101	(5.1%)
Loan-to-Value ratio (%)	57.3%	57.3%	-
Average effective interest rate (%)	2.6%	2.4%	-

1. The number of units excludes 255,969 units acquired by the Fund as part of the unit buy-back program.

During 2019, the average actual occupancy of the portfolio was 96.8% (2018:



97.6%). Taking into account all rental guarantees, the effective occupancy rate was 97.5% (2018: 98.0%). Occupancy rate as of 31 December 2019 was 98.3%. Average direct property yield during 2019 was 6.6% (2018: 6.8%). The net initial yield for the whole portfolio for 2019 was 6.3% (2018: 6.5%). The decrease is mainly related to the acquisition of new properties with lower yields (e.g. Galerija Centrs) and weaker like-for-like performance of some of the retail assets in Tallinn. The average rent rate for the whole portfolio for 2019 was EUR 13.1 per sq. m.

Investment Properties Performance

Property name	Sector	Fair value(1) (EUR '000)	NLA (sq. m.)	Direct property yield(2)	Net initial yield(3)	Occupancy rate for 2019

Vilnius, Lithuania						

Duetto I	Office	16,460	8,586	7.7%	7.1%	100.0%(4)

Duetto II	Office	18,935	8,674	7.1%	7.2%	100.0%(4)

Europa SC	Retail	40,711	16,856	6.6%	6.1%	95.9%

Domus Pro Retail Park	Retail	16,670	11,247	7.3%	6.7%	98.0%

Domus Pro Office	Office	7,740	4,831	8.7%	7.5%	100.0%

North Star	Office	20,092	10,550	6.8%	6.9%	97.9%

Meraki Land		2,367	-	-	-	-

Total Vilnius		122,975	60,744	7.2%	6.7%	98.0%

Riga, Latvia						

Upmalas Biroji BC	Office	24,198	10,458	7.2%	6.7%	100.0%

Vainodes I	Office	20,890	8,052	6.9%	6.9%	100.0%

LNK Centre	Office	17,000	7,453	6.3%	6.3%	100.0%

Sky SC	Retail	4,850	3,254	7.4%	6.9%	99.4%

Galerija Centrs	Retail	76,409	20,022	6.3%	6.2%	96.0%



Total Riga		143,347	49,239	6.6%	6.5%	99.0%

Tallinn, Estonia						

Postimaja & CC Retail Plaza complex		32,250	9,145	4.2%	4.5%	91.2%

Postimaja & CC Leisure Plaza complex		15,150	8,664	8.7%	7.0%	100.0%

G4S Office Headquarters		17,550	9,179	7.3%	6.5%	94.3%

Lincona Office		17,820	10,871	8.1%	7.3%	99.4%

Pirita SC Retail		9,850	5,508	3.6%	4.4%	91.2%

Total Tallinn		92,620	43,367	5.9%	5.8%	95.7%

Total portfolio		358,942	153,350	6.6%	6.3%	97.5%

1. Based on the latest valuation as at 31 December 2019 and recognised right-of-use assets.
2. Direct property yield (DPY) is calculated by dividing NOI by the acquisition value and subsequent capital expenditure of the property.
3. The net initial yield (NIY) is calculated by dividing NOI by the market value of the property.
4. Effective occupancy rate is 100% due to a rental guarantee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

EUR '000	2019	2018

Rental income	20,776	15,860
Service charge income	4,525	2,760
Cost of rental activities	(6,082)	(3,816)

Net rental income	19,219	14,804

Administrative expenses	(3,251)	(2,813)



Other operating income	26	74
Valuation gains (losses) on investment properties	(2,064)	2,014
Operating profit	13,930	14,079
Financial income	5	8
Financial expenses	(4,718)	(2,789)
Net financing costs	(4,713)	(2,781)
Profit before tax	9,217	11,298
Income tax charge	(426)	(1,308)
Profit for the period	8,791	9,990
Other comprehensive income that is or may be reclassified to profit or loss in subsequent periods		
Net gains (losses) on cash flow hedges	(595)	(1,013)
Recognition of initial interest rate cap costs	-	(33)
Income tax relating to net gains (losses) on cash flow hedges	44	97
Other comprehensive income (expense), net of tax, that is or may be reclassified to profit or loss in subsequent periods	(551)	(949)
Total comprehensive income for the period, net of tax	8,240	9,041
Basic and diluted earnings per unit (EUR)	0.09	0.13

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR '000	31.12.2019	31.12.2018
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Non-current assets		
Investment properties	356,575	245,160
Investment property under construction	2,367	-
Derivative financial instruments	73	9
Other non-current assets	54	596

Total non-current assets	359,069	245,765

Current assets		
Trade and other receivables	1,794	2,229
Prepayments	301	154
Other current assets	734	505
Cash and cash equivalents	9,836	12,225

Total current assets	12,665	15,113

Total assets	371,734	260,878

Equity		
Paid in capital	138,064	93,673
Own units	-	(335)
Cash flow hedge reserve	(1,556)	(1,005)
Retained earnings	16,010	17,472

Total equity	152,518	109,805

Non-current liabilities



Interest bearing loans and borrowings	205,718	140,401
Deferred tax liabilities	6,199	5,844
Derivative financial instruments	1,728	1,069
Other non-current liabilities	1,298	905
Total non-current liabilities	214,943	148,219
Current liabilities		
Interest bearing loans and borrowings	414	106
Trade and other payables	3,171	2,397
Income tax payable	8	-
Other current liabilities	680	351
Total current liabilities	4,273	2,854
Total liabilities	219,216	151,073
Total equity and liabilities	371,734	260,878

For more information, please contact:

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The Fund is a registered contractual public closed-end real estate fund that is managed by Alternative Investment Fund Manager license holder Northern Horizon Capital AS. Both the Fund and the Management Company are supervised by the Estonian Financial Supervision Authority.

This announcement contains information that the Management Company is obliged to disclose pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the above distributors, at 20:15 EET on 20 March 2020.

