

Company Baltic Horizon Fund / Northern Horizon Capital AS

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Attachments:

- BalticHori-10002576471-en.pdf (<http://oam.fi.ee/en/download?id=4036>)
- BalticHori-10002576473-et.pdf (<http://oam.fi.ee/en/download?id=4037>)

Currency

Title Baltic Horizon Fund Consolidated Un-Audited Results for H1 2019

Gross Asset Value (GAV)

In Q2 2019, the GAV increased from EUR 269.5 million to EUR 344.9 million compared to the end of Q1 2019. The increase is mainly related to a new acquisition during the quarter and the increase in cash as a result of the private placements. The Fund completed the acquisition of the Galerija Centrs Shopping Centre on 13 June 2019 and thus has deployed most of the new capital raised in April and May 2019. The value of investment properties increased to EUR 336.3 million after the acquisition of the Galerija Centrs Shopping Centre and mid-year valuations.

Net Asset Value (NAV)

In Q2 2019, the Fund NAV increased from EUR 109.3 million to EUR 131.1 million compared to the end of Q1 2019. The Fund NAV was positively affected by the Fund's operational performance over the quarter and capital raisings in the amount of EUR 24.5 million (net equity) through private placements in April and May. However, this was offset by a EUR 2.5 million cash distribution to unitholders (EUR 0.025 per unit) and a negative cash flow hedge reserve movement during the quarter.

Net Rental Income and Net Profit

In Q2 2019, the Fund earned a net profit of EUR 0.1 million (EUR 2.6 million during Q2 2018). The decrease in the net result was mainly attributable to investment property revaluation losses. The fair values of investment properties in the Fund's portfolio dropped slightly due to downward adjustments in the EU and Baltic consumer price index levels for the coming years, which are used in valuation calculations. During the quarter, the Group recognised revaluation losses of EUR 2.4 million. In Q2 2019, the Fund recorded a EUR 4.3 million net rental income (EUR 3.6 million in Q2 2018). Growth in net rental income was positively affected by new property acquisitions at the end of 2018 and the beginning of 2019 (LNK Centre office building, Duetto II office building, and



Galerija Centrs shopping centre).

Cash Distributions (dividends)

On 2 August 2019, the Fund declared a EUR 2.62 million quarterly cash distribution to investors, which represents a EUR 0.026 distribution per unit for the Q2 2019 results (EUR 2.45 million or EUR 0.025 per unit for Q1 2019).

Key figures

Euro '000	Q2 2019	Q2 2018	Change (%)
Net rental income	4,256	3,626	17.4%
Valuation gains (losses) on investment properties	(2,439)	480	(608.1%)
Operating profit	1,000	3,524	(71.6%)
Net financing costs	(1,076)	(714)	50.7%
Profit (loss) before tax	(76)	2,810	(102.7%)
Net profit for the period	144	2,576	(94.4%)
Weighted average number of units outstanding	94,949,766	79,157,094	20.0%
Earnings per unit (EUR)	-	0.03	(100.0%)

Euro '000	30.06.2019	31.12.2018	Change (%)
Investment property in use	336,310	245,160	37.2%
Gross asset value (GAV)	344,886	260,878	32.2%
Interest bearing loans	197,001	140,507	40.2%
Total liabilities	213,804	151,073	41.5%



Net asset value (NAV)	131,082	109,805	19.4%
Number of units outstanding	97,964,044	78,496,831(1)	24.8%
Net asset value (NAV) per unit (EUR)	1.3381	1.3988	(4.3%)
Loan-to-Value ratio (LTV)	58.6%	57.3%	-
Average effective interest rate	2.6%	2.4%	-

1. The number of units excludes 255,969 units acquired by the Fund and cancelled in February 2019 as part of the unit buy-back program.

Investment properties PERFORMANCE in Q2 2019

During Q2 2019, the average actual occupancy of the portfolio was 95.4% (Q1 2019: 96.6%). When all rental guarantees are considered, the effective occupancy rate is 96.7% (Q1 2019: 97.3%). The average direct property yield during Q2 2019 was 6.8% (Q1 2019: 6.7%). The net initial yield for the whole portfolio for Q2 2019 was 6.5% (Q1 2019: 6.3%).

Overview of the Fund's investment properties as of 30.06.2019

Property name	Sector	Market value(1) Euro '000	NLA	Direct property yield(2)	Net initial yield(3)	Occupancy rate for Q2 2019
Vilnius, Lithuania						
Duetto I	Office	16,020	8,498	7.7%	7.1%	98.7%(4)
Duetto II	Office	17,900	8,636	7.1%	7.2%	100.0%(4)
Europa SC	Retail	40,360	16,856	6.8%	6.1%	95.1%
Domus Pro Retail Park	Retail	16,510	11,247	7.4%	6.7%	98.1%
Domus Pro Office	Office	7,530	4,831	8.7%	7.5%	100.0%
Meraki Land		1,700	-	-	-	-



Total Vilnius		100,020	50,068	7.2%	6.7%	97.7%
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Riga, Latvia						
Upmalas Biroji						
BC	Office	25,220	10,458	7.2%	6.7%	100.0%
Vainodes I	Office	21,490	8,052	6.9%	6.9%	100.0%
LNK Centre	Office	16,830	7,453	6.3%	6.2%	100.0%
Sky SC	Retail	5,370	3,254	8.4%	7.8%	99.4%
Galerija Centrs	Retail	75,840	23,862	6.9%	6.8%	95.8%
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Total Riga		144,750	53,079	6.9%	6.7%	99.3%
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Tallinn, Estonia						
Postimaja & CC Plaza						
	Retail	32,140	9,145	4.2%	4.5%	90.6%
Postimaja & CC Plaza						
	Leisure	14,980	8,664	8.5%	6.9%	100.0%
G4S Headquarters						
	Office	17,130	9,179	6.4%	5.8%	87.0%
Lincona	Office	17,480	10,871	8.1%	7.4%	98.3%
Pirita SC	Retail	9,810	5,508	6.6%(5)	8.1%(5)	91.1%
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Total Tallinn		91,540	43,367	6.1%	6.0%	93.7%
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Total portfolio		336,310	146,514	6.8%	6.5%	96.7%
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1. Based on the latest valuation as at 30 June 2018.
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. Duetto II effective occupancy rate is 100% due to a rental guarantee. The rental guarantee provided to Duetto I expired in March.



5. In Q2 2019, the actual annualized average direct property yield of the Pirita SC was negative at 1.4%. The actual net initial yield during Q2 2019 was negative at 1.8%. Actual yields were negative due to a partial write-off of a rental guarantee accrual (EUR 153 thousand) and impairment of trade receivables (EUR 91 thousand) during Q2 2019. The impairment and write-off were excluded from yield calculations as they are considered a one-off event.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Euro '000	01.04.2019-30.06.2019	01.04.2018-30.06.2018	01.01.2019-30.06.2019	01.01.2018-30.06.2018
Rental income 7,564	4,646	3,958	8,797	
Service charge income 1,193	889	608	1,652	
Cost of rental activities (1,722)	(1,279)	(940)	(2,277)	
Net rental income 7,035	4,256	3,626	8,172	
Administrative expenses (1,261)	(817)	(621)	(1,526)	
Other operating income 45	-	39	6	
Valuation gains (losses) on investment properties 480	(2,439)	480	(2,439)	



Net financing costs	(1,076)	(714)	(1,973)
(1,201)			

Profit (loss) before tax	(76)	2,810	2,240
5,098			
Income tax charge	220	(234)	77
(838)			

Profit for the period	144	2,576	2,317
4,260			

Other comprehensive income that is or may be reclassified to profit or loss in subsequent periods

Net gains (losses) on cash flow hedges	(536)	(315)	(1,092)
(630)			

Recognition of initial interest rate cap costs	-	(33)	-
(33)			

Income tax relating to net gains (losses) on cash flow hedges	39	34	75
79			



Total comprehensive income (expense) for the period, net of tax	(353)	2,262	1,300
3,676			

Basic and diluted earnings per unit (Euro)	0.00	0.03	0.03
0.05			

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Euro '000	30.06.2019	31.12.2018
Non-current assets		
Investment properties	336,310	245,160
Derivative financial instruments	33	9
Other non-current assets	95	596
Total non-current assets	336,438	245,765
Current assets		
Trade and other receivables	2,301	2,229
Prepayments	339	154
Other current assets	856	505



Equity		
Paid in capital	117,883	93,673
Own units	-	(335)
Cash flow hedge reserve	(2,022)	(1,005)
Retained earnings	15,221	17,472
Total equity	131,082	109,805
Non-current liabilities		
Interest bearing loans and borrowings	196,613	140,401
Deferred tax liabilities	5,674	5,844
Derivative financial instruments	2,186	1,069
Other non-current liabilities	1,271	905
Total non-current liabilities	205,744	148,219
Current liabilities		
Interest bearing loans and borrowings	388	106
Trade and other payables	6,710	2,397
Income tax payable	1	-
Other current liabilities	961	351
Total current liabilities	8,060	2,854
Total liabilities	213,804	151,073
Total equity and liabilities	344,886	260,878

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