

Company Baltic Horizon Fund / Northern Horizon Capital AS

Type Company Release

Category Annual financial report

Disclosure time 29 Mar 2024 11:35:00 +0200

Attachments:

- Baltic_Horizon_Fund_2023-12-31_EN_audited.zip (<http://oam.fi.ee/en/download?id=8180>)
- BHF Annual Report_2023_EN 1.pdf (<http://oam.fi.ee/en/download?id=8181>)
- Baltic_Horizon_Fund_2023-12-31_ET_audited.zip (<http://oam.fi.ee/en/download?id=8182>)
- BHF Annual Report_2023_ET 1.pdf (<http://oam.fi.ee/en/download?id=8183>)

Currency

Title Baltic Horizon Fund consolidated audited results for 2023

Management Board of Northern Horizon Capital AS has approved the audited financial results of Baltic Horizon Fund (the Fund) for the year 2023. The financial results remained unchanged compared to the preliminary disclosure on 15 February 2024.

Executing our strategy

In a challenging economic landscape characterized by inflation, interest rate volatility, and recent geopolitical events, the Fund has assessed various strategic options to navigate these complexities and ensure future growth. Over the past year, our focus has been on reshaping our strategy to foster sustainable value, concentrating efforts on avenues that promise reliable and consistent growth for our investors. In light of prevailing market conditions, we firmly believe that the execution of the 'Modern City Life' strategy, introduced to investors in summer 2023, is paramount to their best interests.

In the coming years, we expect two thirds of the Fund's NOI to come from the centrally located 'Modern City Life' multi-functional assets. These spaces are meticulously designed to ignite, elevate and enrich the lives of modern citizens and communities. The remaining results are expected to be derived primarily from government-rented premises and select suburban supermarkets and other segments. Our value proposition hinges on quality, flexibility, sustainability, and remarkable service, underpinned by strategic locations tailored to meet the evolving needs of our clientele.

The focus of the Fund management team is and will be on these major objectives:

- * Portfolio occupancy of at least 90% by end of 2024;



- * Loan-to-Value target at 50% or lower and repayment of the bonds maturing in 2024;
- * To consider disposing of non-strategic assets over the next 18 months;
- * Clear ESG and refurbishment strategy for the next 1-2 years with an aim to reach the portfolio's NOI potential of EUR 18 million by 2027;
- * Maintaining 100% BREEAM or LEED certified portfolio;
- * Achieving not less than 4 stars from GRESB assessment.

In order to reach those targets, the Fund has been investing in the new concepts of our centrally located assets and already introduced the first new anchor tenants such as ARKET, H&M Home, IKI and food halls Dialogai and BURZMA into the properties. The Fund has been decreasing its vacancies in Q4 2023-Q1 2024 and while there could be some fluctuations in the occupancy over the coming quarters, considering the ongoing lease negotiations with several anchor tenants and with the recently signed new leases of more than 13,000 sq. m including those in Upmalas Biroji and Meraki, we believe that the portfolio occupancy goal of 90% is attainable as many of the new tenants are able to move in during 2024. Most of the new leases will start generating rental income from Q2 2024 onwards.

Equally importantly, the management team has been able to renegotiate the majority of expiring bank loans and in some cases refinance at more suitable terms. Additionally, we have divested mature Lithuanian assets in Duetto and Domus PRO, yielding double-digit returns for our investors. These initiatives align with our goal of fully repaying the short-term portion of the bonds issued in May 2023. The Fund is in good cooperation with the bondholders and has an aim to further improve its capital structure during 2024, positioning the Fund to seize opportunities presented by the evolving market landscape.

Outlook

An important milestone in our financial journey was the refinancing of our EUR 50 million bond issue in Q2 2023. We carried out a new bond issue, raising EUR 42 million to optimize our capital structure. The first tranche, amounting to EUR 20 million, matures in May 2024. Following the disposal of the Duetto properties, the Fund proactively redeemed EUR 7.5 million of the first tranche in August 2023.

Our management team remains committed to exploring additional divestment and refinancing opportunities aimed at repaying the outstanding EUR 12.5 million of the first tranche before its maturity date. In line with this commitment, we have successfully negotiated new loans with Shiauli? bankas for Europa and North Star, resulting in an increase in the outstanding loan amounts for these assets by EUR 8.6 million. The majority of received cash from these bank loans will be allocated towards bond redemption and lowering the overall cost of financing. The Fund has already announced a bond redemption of EUR 4.5 million on 8 April 2024.

Given the substantial increase in Meraki occupancy levels, the Fund is



strategically poised to explore leveraging opportunities for this asset. Presently, our management team is actively engaged in discussions with leading banks across Lithuania to assess potential financing options. The proceeds from bank financing would be mainly used for the repayment of the outstanding short-term bond tranche.

Management is also proactively negotiating with banks to extend the short-term loans of Galerija Centrs and LNK Centre. The team is working to create a new strategy for the properties, which would strengthen their cash flow position and would allow securing financing at better conditions.

Looking ahead, the Fund is determined to execute multiple early redemptions of bonds in 2024 through a combination of refinancing activities and potential asset disposals. These actions are aligned with our overarching strategy to gradually reduce leverage levels, with the ultimate goal of reaching a leverage ratio of approximately 50% or lower after all planned refinancing activities in 2024.

Baltic Horizon achieves a 100% BREEAM certified portfolio

Baltic Horizon Fund announced the successful BREEAM certification of its remaining retail assets thus becoming a member of an elite group of Baltic real estate investment companies to certify its entire portfolio according to the highest international environmental standards. The portfolio currently consists of 12 properties. The last to receive its certification was the historic building of Galerija Centrs in Riga that received an impressive BREEAM Very Good certification.

GRESB benchmarking

In Q3 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. The GRESB Real Estate Assessment is an investor driven global ESG benchmark and reporting framework for listed property companies, private property funds, developers and investors that invest directly in real estate. The achievement of GRESB ratings confirms the Fund's continuous efforts in the ESG field.

Net result and net rental income

In 2023, 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. In 2022, the valuation resulted in a net fair value loss of EUR 2.9 million. The sale of the shares in BH Domus Pro UAB, which owns a retail park and an office building, and BH Duetto UAB, which owns two office buildings, resulted in the loss on disposal of EUR 4.0 million. The net result was also impacted by the higher financial expenses. Earnings per unit for 2023 were negative at EUR -0.19 (2022: positive at EUR 0.03). Audit expenses for 2023 amounted to EUR 163 thousand and remained at the same level as in the previous year (2022: EUR 162 thousand).



The Group earned net rental income of EUR 14.6 million in 2023 (2022: EUR 17.4 million). The results for 2023 include two months' net rental income of the Domus Pro Retail and Office property (EUR 0.3 million) and five months' net rental income of the Duetto properties (EUR 1.2 million), which were sold in February and May 2023, respectively. The net rental income of the same portfolio mix (like-for-like portfolio) remained at a level similar to the previous year.

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 the expiry of the agreement with the main tenant in Upmalas Biroji BC and EMERGN's decision to reduce their rented area in LNK Centre.

Investment properties

At the end of 2023, the Baltic Horizon Fund portfolio consisted of 12 cash flow generating investment properties in the Baltic capitals. The fair value of the Fund's portfolio was EUR 250.4 million (31 December 2022: EUR 333.1 million) and incorporated a total net leasable area of 119.7 thousand sq. m. During 2023 the Group sold the Domus PRO buildings for approximately EUR 23.5 million and the Duetto I and Duetto II buildings for approximately EUR 37 million, invested EUR 1.1 million in reconstruction projects and EUR 2.3 million in the existing property portfolio.

Gross Asset Value (GAV)

At the end of 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 2022. 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.

Net Asset Value (NAV)

At the end of 2023, the Fund's NAV was EUR 109.5 million (31 December 2022: EUR 133.7 million). Compared to the year-end 2022, the Fund's NAV decreased by 18.0%. The operational performance result was offset by the EUR 21.9 million loss on property valuations and EUR 4.0 million loss from the disposal of the BH Domus Pro UAB and BH Duetto UAB shares. These were the main factors behind the fall in the Fund's NAV. Excluding the impact of valuations, the NAV at the end of 2023 would have been EUR 131.4 million or EUR 1.098 per unit. As of 31 December 2023, IFRS NAV per unit decreased to EUR 0.9156 (31 December 2022: EUR 1.1172), while EPRA net tangible assets and EPRA net reinstatement value were EUR 0.9546 per unit (31 December 2022: EUR 1.1865). EPRA net disposal value was EUR 0.9122 per unit (31 December 2022: EUR 1.1143).

Interest-bearing loans and bonds

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. The redemption was accompanied by the reduction of the nominal value of the bonds to EUR 82,142.85 per bond. The total nominal



amount of the bonds before the redemption was EUR 42,000,000 and after the redemption is EUR 34,499,997. Annual loan amortisation accounted for 1.4% of total debt outstanding.

Cash flow

Cash inflow from core operating activities in 2023 amounted to EUR 10.8 million (2022: cash inflow of EUR 15.3 million). Cash inflow from investing activities was EUR 20.4 million (2022: cash outflow of EUR 9.7 million) due to the sale of the shares in BH Domus Pro UAB and BH Duetto UAB. Cash outflow from financing activities was EUR 30.4 million (2022: cash outflow of EUR 16.4 million). In 2023, the Fund redeemed and issued bonds, repaid the Domus Pro and part of the Europa loan, and paid regular interest on bank loans and bonds. In March 2023, the Fund repaid the Domus Pro loan (EUR 11.0 million) and EUR 6.0 million of the Europa loan using the proceeds from the sale of the shares in BH Domus Pro UAB. In May the Fund redeemed its EUR 50 million unsecured 5-year bond issue, completed a private placement of 5-year bonds and issued bonds in the total volume of EUR 42 million. In August the Fund early redeemed a part of the bonds in the amount of EUR 7.5 million. During August, the Fund successfully refinanced the Kontor SIA loan until 2028, reducing the original Kontor SIA loan by EUR 1.2 million. At the end of 2023, the Fund's consolidated cash and cash equivalents amounted to EUR 6.2 million (31 December 2022: EUR 5.3 million).

Key earnings figures

EUR '000	2023	2022	Change (%)
Net rental income	14,617	17,430	(16.1%)
Administrative expenses	(2,617)	(3,133)	(16.5%)
Losses on disposal of investment properties	(4,047)	(423)	(856.7%)
Valuation losses on investment properties	(21,876)	(2,914)	(650.7%)
Operating (loss) profit	(13,879)	11,238	(223.5%)
Net financial expenses	(9,750)	(6,311)	(54.5%)
(Loss) profit before tax	(23,629)	4,927	(579.6%)
Income tax	656	(983)	166.7%
Net (loss) profit for the period	(22,973)	3,944	(682.5%)
Weighted average number of units outstanding (units)	119,635,429	119,635,429	-



Earnings per unit (EUR)	(0.19)	0.03	-

Key financial position figures			
EUR '000	31.12.2023	31.12.2022	Change (%)

Investment properties in use	250,385	333,123	(24.8%)
Gross asset value (GAV)	261,138	343,963	(24.1%)
Interest-bearing loans and bonds	143,742	194 569	(26.3%)
Total liabilities	151,606	210,308	(27.9%)
IFRS Net asset value (IFRS NAV)	109,532	133,655	(18.0%)
EPRA Net Reinstatement Value (EPRA NRV)	114,205	141,943	(19.5%)

Number of units outstanding (units)	119,635,429	119,635,429	-
IFRS Net asset value (IFRS NAV) per unit (EUR)	0.9156	1.1172	(18.0%)
EPRA Net Reinstatement Value (EPRA NRV) per unit (EUR)	0.9546	1.1865	(19.5%)

Loan-to-Value ratio (%)	57.3%	58.4%	-
Average effective interest rate (%)	5.2%	3.0%	-

During 2023, the average actual occupancy of the portfolio was 83.7% (2022: 92.1%). The occupancy rate as of 31 December 2023 was 81.1% (31 December 2022: 90.5%). The decrease in occupancy rate over the year was mostly influenced by the 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 Fund has successfully managed to sign a long-term lease for 4,128 sq. m in the renowned Upmalas Biroji building with the anchor tenant Latvian State Police, which



partially filled the space vacated by SEB in August 2023. Some new lease agreements were also signed in the Meraki office building in Q4 2023 and Q1 2024 for a total area of approx. 5,102 sq. m.

As part of its strategy for the development of existing properties, the Fund has chosen new partners to manage its office and retail properties in Latvia. The management team believes that this change will speed up the leasing process in Latvia.

Overview of the Fund's investment properties as of 31 December 2023

Property name	Sector	Fair value(1) (EUR '000)	NLA (sq. m)	Direct property yield 2023(2)	Net initial yield 2023(3)	Occupancy rate

Vilnius, Lithuania						
Europa SC	Retail	36,437	17,047	3.8%	4.2%	84.5%
North Star	Office	20,028	10,579	7.1%	7.2%	99.7%
Meraki	Office	16,340	8,162	0.3%	0.4%	47.7%

Total Vilnius		72,805	35,788	4.4%	4.6%	80.6%

Riga, Latvia						
Upmalas Biroji BC	Office	20,478	11,212	5.5%	6.4%	57.7%
Vainodes I	Office	16,710	8,128	6.6%	8.2%	100.0%
LNK Centre	Office	13,960	7,450	4.7%	5.0%	42.8%
Sky SC	Retail	5,660	3,259	8.2%	7.5%	100.0%
Galerija Centrs	Retail	64,592	19,306	2.8%	3.2%	80.4%

Total Riga		121,400	49,355	4.2%	4.8%	74.1%

Tallinn, Estonia						
Postimaja & CC Plaza	Retail					



complex		19,810	9,232	3.7%	5.5%	95.6%
Postimaja & CC Plaza complex	Leisure	13,240	9,139	6.7%	6.1%	94.3%
Lincona	Office	14,370	10,775	6.6%	7.3%	83.5%
Pirita SC	Retail	8,760	5,425	6.1%	8.6%	97.1%
Total Tallinn		56,180	34,571	5.2%	6.5%	91.7%
Total portfolio		250,385	119,714	4.5%	5.1%	81.1%

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

EUR '000	2023	2022
Rental income	17,743	20,482
Service charge income	6,008	5,974
Cost of rental activities	(9,134)	(9,026)
Net rental income	14,617	17,430
Administrative expenses	(2,617)	(3,133)
Other operating income	44	278
Losses on disposal of investment properties	(4,047)	(423)
Valuation losses on investment properties	(21,876)	(2,914)
Operating profit (loss)	(13,879)	11,238



Financial income	104	1
Financial expenses	(9,854)	(6,312)
Net financial expenses	(9,750)	(6,311)
Profit (loss) before tax	(23,629)	4,927
Income tax charge	656	(983)
Profit (loss) for the period	(22,973)	3,944
Other comprehensive income that is or may be reclassified to profit or loss in subsequent periods		
Net gain (loss) on cash flow hedges	(1,273)	2,746
Income tax relating to net gain (loss) on cash flow hedges	123	(236)
Other comprehensive income (expense), net of tax, that is or may be reclassified to profit or loss in subsequent periods	(1,150)	2,510
Total comprehensive income (expense) for the period, net of tax	(24,123)	6,454
Basic and diluted earnings per unit (EUR)	(0.19)	0.03

CONSOLIDATED STATEMENT OF 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	-
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Total non-current assets	251,342	335,358
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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
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Total current assets	9,796	8,605
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Total assets	261,138	343,963
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Equity		
Paid in capital	145,200	145,200
Cash flow hedge reserve	531	1,681
Retained earnings	(36,199)	(13,226)
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Total equity	109,532	133,655
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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
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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

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.

To receive Nasdaq announcements and news from Baltic Horizon Fund about its projects, plans and more, register on www.baltichorizon.com (https://www.globenewswire.com/Tracker?data=BKmcNxlclI6Z0i0PWdydPGXcNBi-xfnf8I1jZNEThbSSZgDQ0vTQLmnUaYKhPQ_74CeR7QDrSalifdJMsZo05EpaceZd71KuphfGMWCFx4N8=). You can also follow Baltic Horizon Fund on www.baltichorizon.com (https://www.globenewswire.com/Tracker?data=BKmcNxlclI6Z0i0PWdydPGXcNBi-xfnf8I1jZNEThbSSZgDQ0vTQLmnUaYKhPQ_74CeR7QDrSalifdJMsZo05EpaceZd71KuphfGMWCFx4N8=) and on LinkedIn (<https://www.globenewswire.com/Tracker?data=fAtj9ulqnq3TWFix9GxpYNmPgRiMY8IWuwM0BjFi8Pu-jkxMrvBsdKI3PUOWKAifhZrLjJWCJFn59gacQUSHRmKXkP8DYjvSCdCZAPq5aElvwJNaaK5lqpqf8i6DRfuY>), Facebook ([\), X \(\[https://www.globenewswire.com/Tracker?data=zyjDS0aQocWlu7qxr55iR13DkbgTzcuBf99_\]\(https://www.globenewswire.com/Tracker?data=zyjDS0aQocWlu7qxr55iR13DkbgTzcuBf99_\)](https://www.globenewswire.com/Tracker?data=w_7InjopQLZsI8vq_Odrj3dZQIjkbB6N6vBVgm0Bfan6h7clgawZwywkvBpntBDeSekoyIOy-CvR18EY0mFgxd78BPL9kje8JFWOOMFdGZs=)



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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 11:35 EET on 29 March 2024.

