



Annual General Meeting

Baltic Horizon Fund
2 June 2023

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Financial results



Disposal of Domus PRO Retail & Office

- On 8 February 2023, the Fund signed a share sale and purchase agreement with UAB PRAF III to sell 100% shares of BH Domus Pro UAB which owns a retail park and an office building in Vilnius, Lithuania. The agreed price of the property was approximately EUR 23.5 million.
- The proceeds of the transaction were used mainly to decrease the loan obligations of the Fund and partially to redeem the Fund's bonds which mature in May 2023. Closing of the transaction took place on 6 March 2023.

EUR 23.5m
Sale price

2.1
Equity multiple

15.8%
IRR

Disposal of Duetto I / II

- On 16 May 2023, the Fund signed a share sale and purchase agreement with East Capital to sell 100% shares of BH Duetto UAB. The agreed price of the property was approximately EUR 37 million.
- Originally developed by YIT and acquired by Baltic Horizon in 2017 and 2019.
- The proceeds of the transaction are to be used mainly to decrease the new bond of the Fund and invest into centrally located assets of the Fund. Closing of the transaction is expected to take place beginning of June.

EUR 37m
Sale price

1.8
Equity multiple

13.7%
IRR



Portfolio performance

As of 31 March 2023

Property name	Sector	Fair value (EUR '000)	NLA (sq. m)	Direct property yield Q1 2023	Net initial yield Q1 2023	Occupancy rate
Vilnius, Lithuania						
Duetto I	Office	18,845	8,587	8.4%	6.7%	97.6%
Duetto II	Office	20,253	8,674	7.6%	6.9%	100.0%
Europa SC	Retail	35,795	16,929	3.7%	4.1%	80.9%
North Star	Office	21,790	10,579	7.2%	7.0%	97.7%
Meraki	Office	17,422	8,113	1.3%	1.4%	30.9%
Total Vilnius		114,105	52,882	5.3%	5.1%	82.4%
Riga, Latvia						
Upmalas Biroji BC	Office	20,960	10,459	7.3%	8.4%	98.8%
Vainodes I	Office	18,010	8,128	6.3%	7.6%	100.0%
LNK Centre	Office	17,000	7,450	6.9%	6.9%	100.0%
Sky SC	Retail	5,773	3,259	7.8%	6.9%	98.5%
Galerija Centrs	Retail	67,885	19,270	1.3%	1.5%	81.3%
Total Riga		129,628	48,566	3.9%	4.4%	92.2%
Tallinn, Estonia						
Postimaja & CC Plaza complex	Retail	26,715	9,232	3.6%	4.9%	95.6%
Postimaja & CC Plaza complex	Leisure	14,396	9,094	6.6%	5.5%	100.0%
Lincona	Office	15,203	10,775	6.8%	7.2%	87.6%
Pirita SC	Retail	9,000	5,441	5.6%	7.9%	92.6%
Total Tallinn		65,314	34,542	5.1%	6.0%	93.8%
Total portfolio		309,047	135,990	4.7%	5.0%	88.8%

NOI development

As of 31 March 2023

Property	Date of acquisition	2018	2019	2020	2021	2022	Q1 2022	Q1 2023
Postimaja & CC Plaza complex	8 March 2013 ¹	2,447	2,495	1,932	1,805	2,044	450	522
Upmalas Biroji BC	30 August 2016	1,710	1,701	1,661	1,740	1,763	454	438
North Star	11 October 2019	-	315	1,419	1,208	1,371	321	383
Europa SC	2 March 2015	2,332	2,467	1,681	1,006	1,028	137	363
Duetto II	27 February 2019	-	1,090	1,354	1,353	1,409	352	349
Vainodes I	12 December 2017	1,463	1,462	1,464	1,449	1,383	356	343
Duetto I	22 March 2017	1,096	1,160	1,166	1,223	1,191	298	317
LNK Centre	15 August 2018	409	1,072	1,090	1,088	1,132	276	295
Lincona	1 July 2011	1,192	1,276	1,212	1,114	1,102	260	275
Galerija Centrs	13 June 2019	-	2,552	3,023	1,448	2,193	597	254
Domus Pro Retail ⁴	1 May 2014	1,160	1,132	1,092	1,145	1,280	315	225
Pirita SC	16 December 2016	900	438	677	484	664	139	177
Sky SC	7 December 2013	407	370	402	395	423	105	100
Domus Pro Office ⁴	1 October 2017	499	562	538	537	548	133	99
Meraki ²	10 September 2022	-	-	-	-	(101)	-	62
G4S Headquarters ³	12 July 2016	1,189	1,127	1,223	1,009	-	-	-
Total portfolio		14,804	19,219	19,934	17,004	17,430	4,193	4,202

Financial results for Q1 2023

Profit and loss

EUR '000	01.01.2023- 31.03.2023	01.01.2022- 31.03.2022	Change (%)
Rental income	5,274	4,959	6.4%
Service charge income	1,442	1,304	10.6%
Cost of rental activities	(2,514)	(2,070)	21.4%
Net rental income	4,202	4,193	0.2%
Administrative expenses	(736)	(659)	11.7%
Other operating income	10	7	42.9%
Losses on disposal of investment properties	(1,533)	-	100.0%
Valuation gains (losses) on investment properties	(4)	(6)	(33.3)%
Operating profit (loss)	1,939	3,535	(45.1)%
Net financial expenses	(2,037)	(1,442)	41.3%
Profit (loss) before tax	(98)	2,093	(104.7)%
Income tax charge	120	(97)	23.7%
Profit (loss) for the period	22	1,996	(98.9)%

- The Group recorded a net profit of EUR 22 thousand against EUR 1,996 thousand for Q1 2022.
- The net result was strongly impacted by the sale of the shares in BH Domus Pro UAB which resulted in the loss on disposal of EUR 1.5 million and increased financial expenses.
- The Group earned net rental income of EUR 4.2 million in both Q1 2023 and Q1 2022. The results for 2023 include two months' net rental income of Domus Pro Retail and Office property (EUR 0.3 million).

Financial results for Q1 2023

Financial position

EUR '000	31.03.2023	31.12.2022
Non-current assets		
Investment properties	309,047	333,123
Intangible assets	6	6
Property, plant and equipment	1	1
Derivative financial instruments	1,577	2,228
Total non-current assets	310,631	335,358
Current assets		
Trade and other receivables	2,247	2,693
Prepayments	292	273
Derivative financial instruments	637	292
Cash and cash equivalents	7,495	5,347
Total current assets	10,671	8,605
Total assets	321,302	343,963
Equity		
Paid in capital	145,200	145,200
Cash flow hedge reserve	1,471	1,681
Retained earnings	(13,204)	(13,226)
Total equity	133,467	133,655
Non-current liabilities		
Interest-bearing loans and borrowings	58,349	124,017
Deferred tax liabilities	5,203	7,490
Other non-current liabilities	998	1,240
Total non-current liabilities	64,550	132,747
Current liabilities		
Interest-bearing loans and borrowings	119,151	71,094
Trade and other payables	3,356	5,644
Income tax payable	1	10
Other current liabilities	777	813
Total current liabilities	123,285	77,561
Total liabilities	187,835	210,308
Total equity and liabilities	321,302	343,963

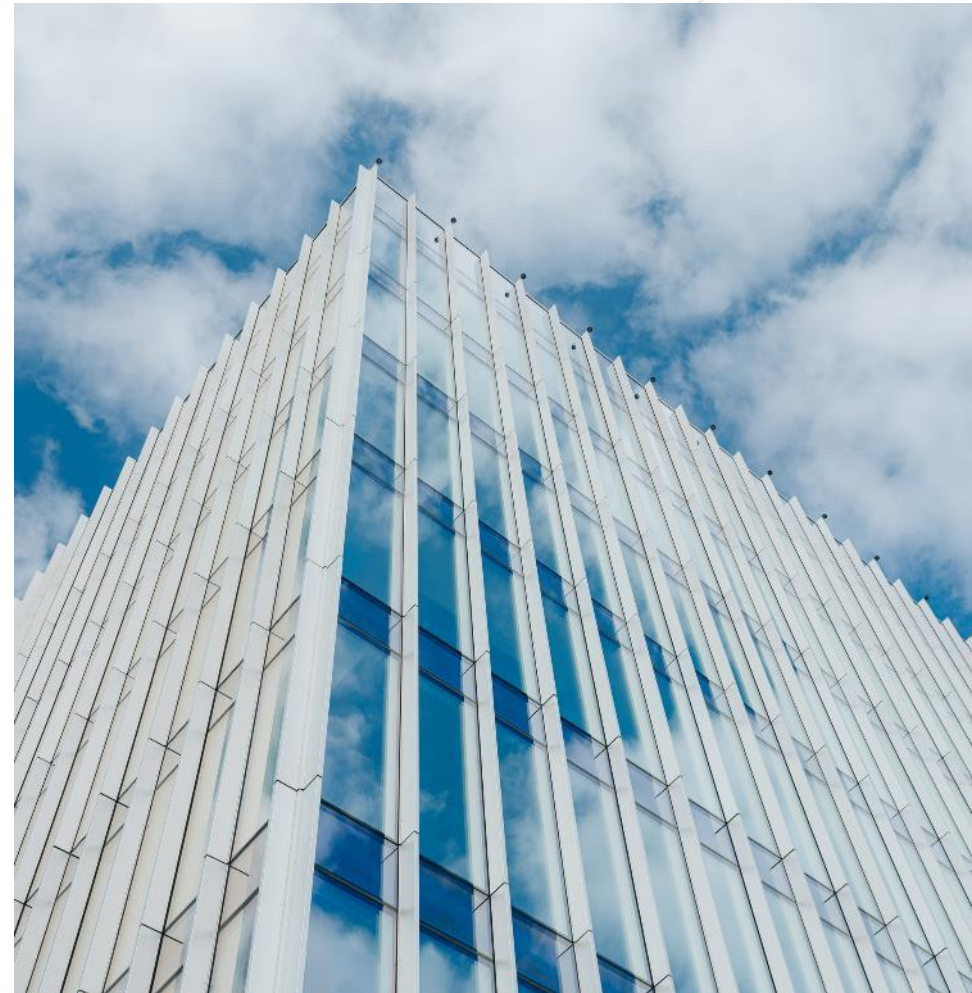
- At the end of Q1 2023, the Fund's GAV was EUR 321.3 million (31 December 2022: EUR 344.0 million), 6.6% lower than at the end of the previous period. The decrease is mainly related to the sale of the shares in BH Domus Pro UAB.
- At the end of Q1 2023, the Fund's consolidated cash and cash equivalents amounted to EUR 7.5 million (31 December 2022: EUR 5.3 million). Operating costs are fully covered by cash flows generated by rental activities.
- In March 2023 the Fund repaid the Domus Pro loan (EUR 11.0 million) and repaid EUR 6.0 million of the Europa loan using the proceeds from the sale of the shares in BH Domus Pro UAB.

Strategic
background



Background of Baltic Horizon Fund

- Baltic Horizon Fund and its predecessor BOF started investing in Baltic commercial real estate since 2011.
- The Fund has been a long-term player in the real estate sector in the Baltics providing local and international investors access to the Baltic commercial real estate market since its EE/SWE Nasdaq listing in 2016.
- Most of its EUR 133 million equity is coming from Swedish professional and institutional investors.
- EUR 45 million in dividends paid since listing
- **Over the past few years, the overall real estate market, including our Fund, have witnessed several external shocks – COVID, the Ukrainian war, rising energy and construction expenses, higher EURIBOR rates - notably changing the investment environment.**



Background of Baltic Horizon Fund

New reality:

- Iron curtain with Russia potentially for decades.
- Higher constructions costs are here to stay.
- Higher interest rate environment for the known future.
- Shift in working patterns with 60-70% of people back in the offices with remote working.
- Consumer focus on services, food and entertainment.
- Tourists are returning to the City centres.
- **In this challenging business climate, Baltic Horizon fund is adopting to the environment. The main focus in the future is on leveraging the potential of the Fund's unique properties located in central locations and bringing down debt.**



Main events

- Since Q4 2021, the Fund has been executing an asset disposal program. Some of the asset disposals are expected to be closed in Q2 2023.
- The previous bond was refinanced on 8 May 2023 with a new EUR 42 million bond including a call option for EUR 20 million during 12 months and further call options thereafter.
- 2021-22, the Fund prepared and executed an investment program of close to EUR 10 million to rejuvenate its centrally located properties for them to be attractive mixed-purpose assets during the 2020s.
- Historically the Fund used a debt-equity ratio of 55-60%, including a EUR 50 million bond. Since the Ukrainian war broke out in 2022, the management of the Fund has been working to bring down the LTV ratio to below 50%.



12
cash flow
producing assets

54%
of assets in prime locations
in Tallinn, Riga, and Vilnius

270 mEUR
GAV

49%
Net LTV after Duetto
disposal

The investment strategy



Unleashing potential through new customer focused retail concepts

- The new retail concepts responds to the needs and behaviors of the modern, urban customers.
- The retail concepts are based on a 'three-in-one' strategy that brings together shopping, beauty and health services and leisure, adding value through a streamlined customer experience.
- „Food is the new fashion“ - Food halls offer a dining and entertainment experience with a unique concept.
- A unique selling proposition is created through a lineup of unique brands and new retail offerings - sustainability, phygital, omnichannel.
- Investments will be redirected to the long-term strategy implementation.

13 mEUR

NOI after 2023

18 mEUR

NOI potential 2027

Main NOI drivers:

- Prime assets turnaround to mixed-use properties in city centre
- Increase in occupancy in Galerija Centrs, Europa, Postimaja, and Meraki
- Capex investment for NOI increase – ca. 10 mEUR

Europa Service Center

About the location

- Vilnius CBD has developed faster than any of the city's districts the past 5 years with a lot of development potential over the next 5 years.
- 40,000 office workers every day + 40,000 visitors every day
- Additional 10,000 new office workers are expected by 2025.
- High-income, young and active target audience.
- 65,000 cars pass Europa shopping center every day.
- Europa Service Center is a three-minute walk from public transport stops and is easily accessed by car, bicycle and by foot.



Located in the heart of Vilnius CBD

310,115
sqm

current
office stock

39,300
sqm

offices under
construction

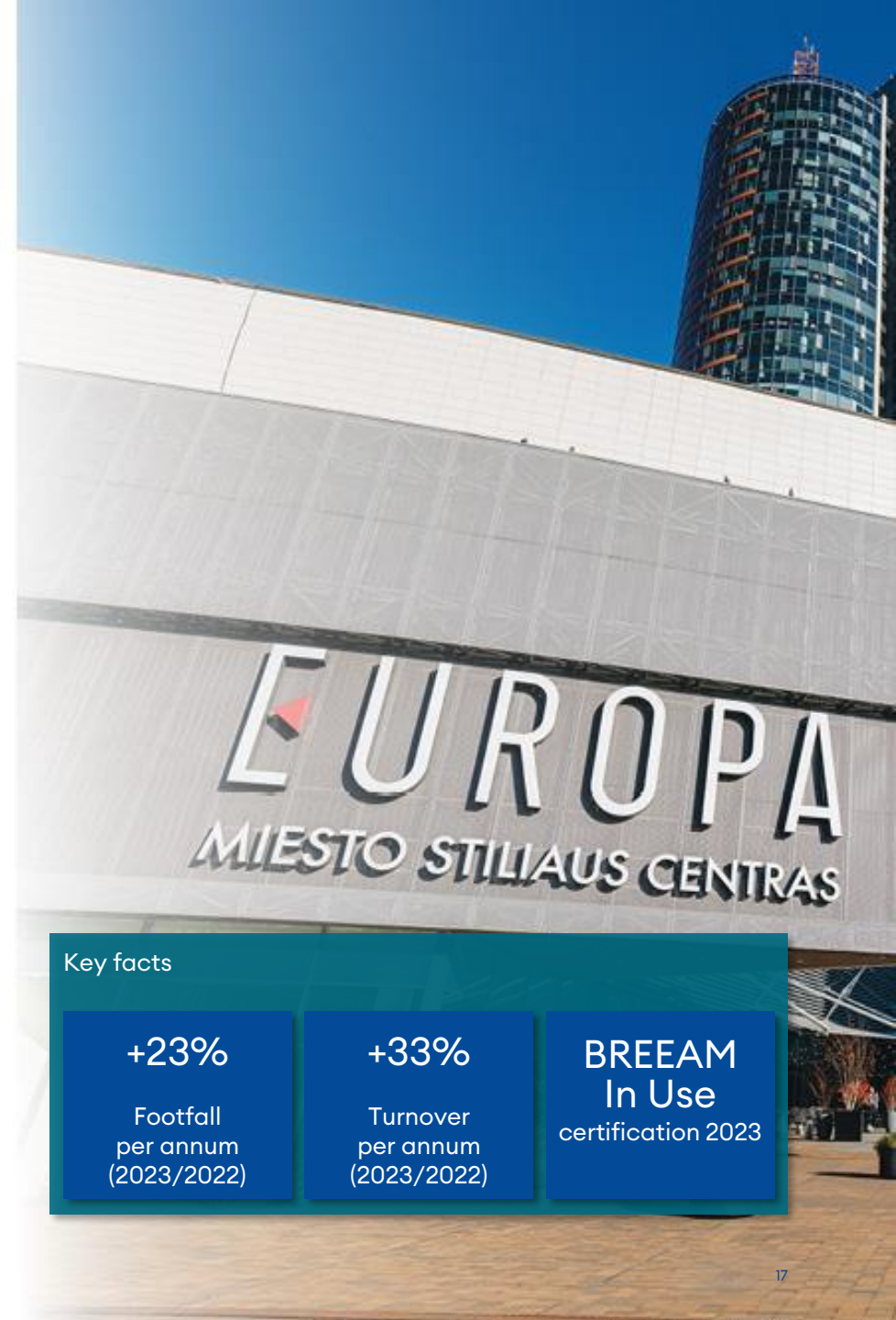
146,000
sqm

office
pipeline

Europa Service Center

Concept and Unique Sales Proposition

- In 2022 completed refurbishment of the shopping centre.
- Reconstruction of Europa with EUR 6m invested. The Fund refurbished common areas, set up an amphitheater, introduced a new coffee/bakery area and food hall.
- In Q1 2023 – signed 9 new leases for 800 sqm, 3,000 sqm in the pipeline (2,000 sqm of new leases and 5,000 sqm of prolongations last year).
- New retail trends and unique sales proposition: sustainable tenants E-shaped and Textile, PiPilates studio (sports cluster) and others.
- Lemon Gym implemented sauna and refurbished the club.
- Well performing in 2022 opened – “Dialogai”, Avitela”, “Ali”, “Huracan” and others.



Key facts

+23%

Footfall
per annum
(2023/2022)

+33%

Turnover
per annum
(2023/2022)

BREEM
In Use
certification 2023

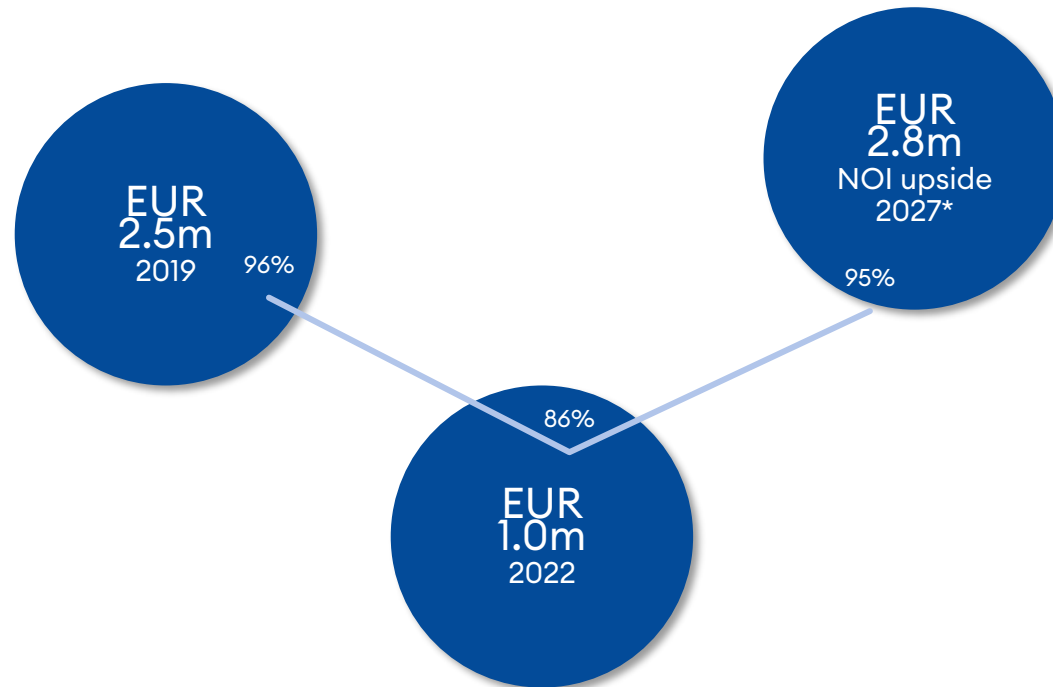
By the vote of the international jury, Europa won the Baltic Real Estate Forum award for the best shopping centre renovation project in the Baltics



Europa Service Center

New concept of “3 in 1” is being introduced to the shopping center revolving around food spaces, fashion and beauty/medicine. Food spaces and restaurants are concentrated on the ground floor with fresh food outlets to be created. The first floor will have exclusive clothing and sustainable fashion stores. On the second floor, visitors will find health, medicine, beauty and extended sport service areas together with co-working spaces.

Net rental income (EUR million) and Occupancy (%)



*Based on 2022 year-end valuation reports prepared by Colliers



Galerija Life Style Center

About the location

- Historically the highest tourists' flow of 38%. Today, only 14% of the visitors are tourists, still highest among all retail centres in Riga.
- 40% of the customers live, work or study in the city center.
- Historical heart of the Old Town.
- High municipality attention to rejuvenate the Old Town district through a master plan for Riga City.
- Valnu street redevelopment – turn to the pedestrian alley.

Located in the heart of Riga Old Town

1.4m

foreign visitors
in Riga
in 2019

60%

of the 2019
visitors recorded in
2022

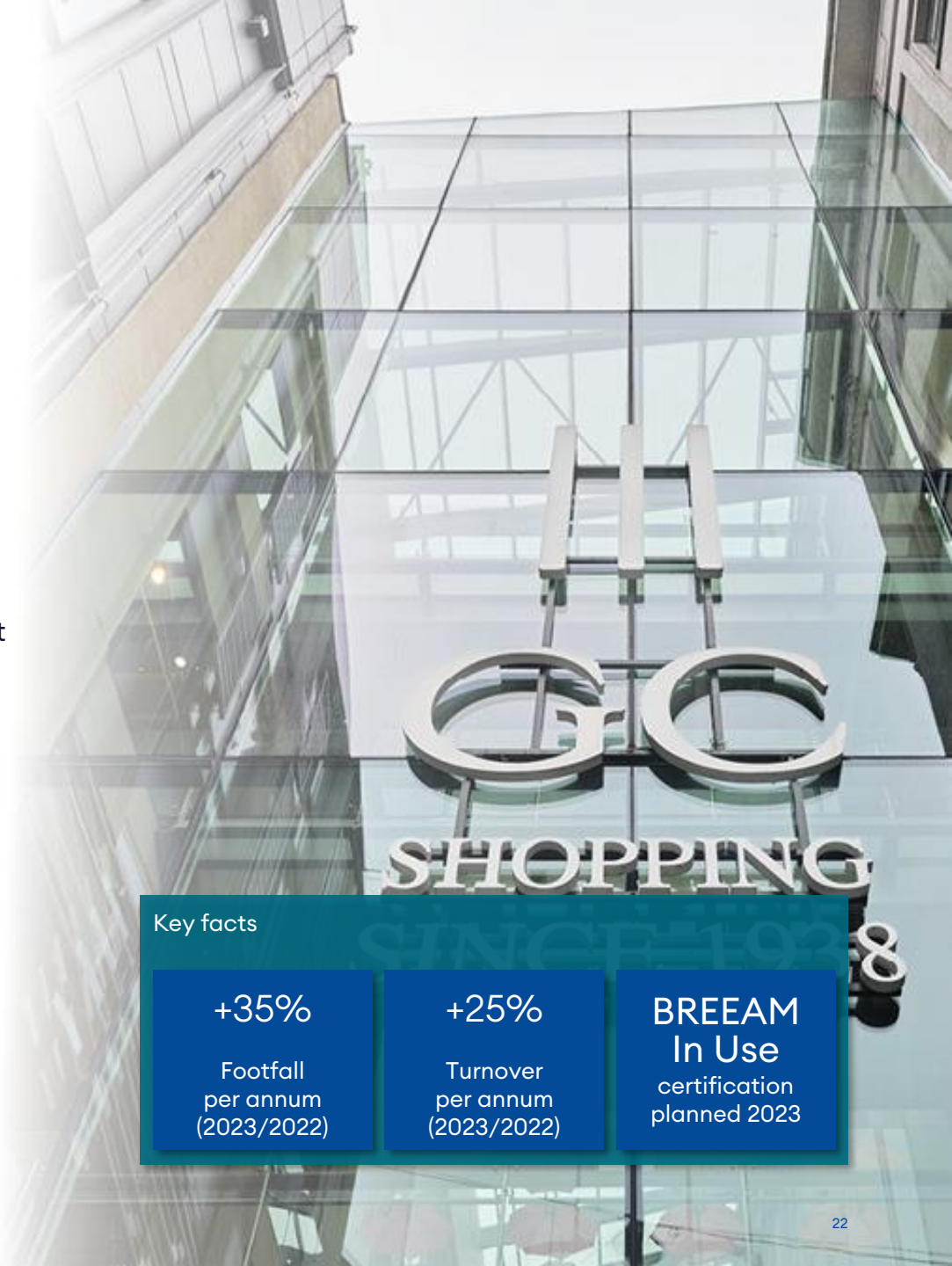
80%

of the 2019
visitors expected in
2023

Galerija Life Style Center

Concept and Unique Sales Proposition

- Q1 2023, “BURZMA” food hall opened (4th floor with two terraces), creating an immediate attraction point for customers.
- Footfall on the 4th floor +31%, net rent for the whole area >20 EUR/sqm/mo.
- Signed agreement with the newest retail flagship concept ARKET (1st in Latvia and Riga), committed refurbishment of H&M. (2,000 sqm of new leases and 5,000 sqm of prolongations last year).
- Finalizing long-term leasing strategy, pipeline on the new anchor leases.
- Beauty services and co-working on the 5th floor, a la carte restaurant on the 4th floor.



Key facts

+35%

Footfall
per annum
(2023/2022)

+25%

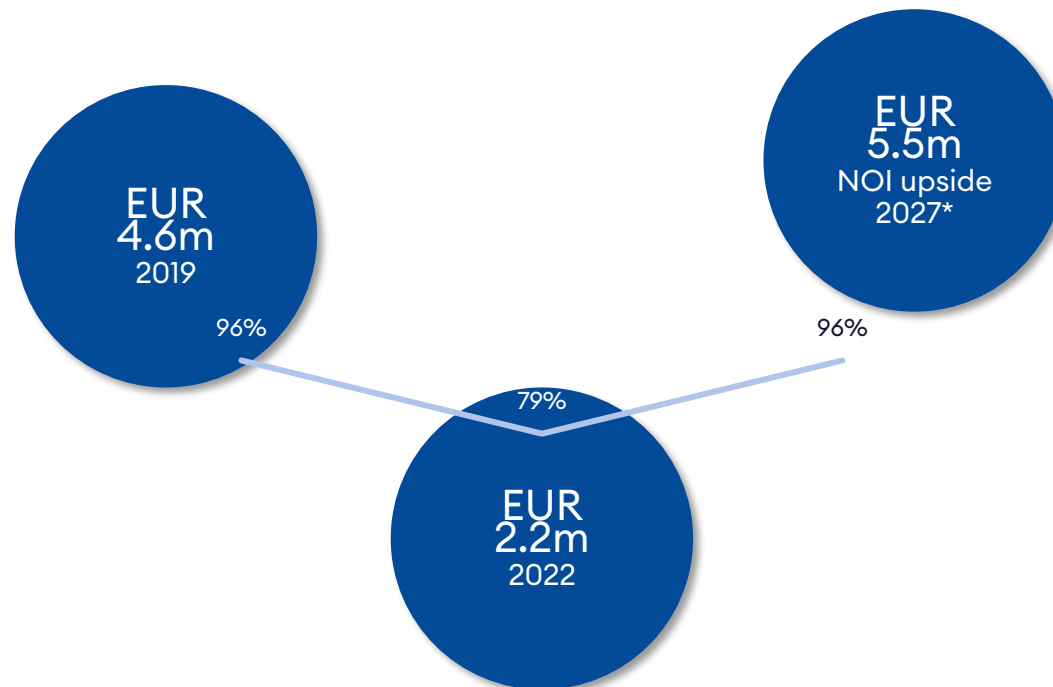
Turnover
per annum
(2023/2022)

BREEM
In Use
certification
planned 2023

Galerija Life Style Center

Compared to 2019, Latvia still has fewer tourists. The Latvian government expects that 2023 tourism figures will be close to 2019 figures. Galerija Centrs is perfectly suited to re-attract tourists due to its unique location in the Old Town and newly opened fashion anchors and food hall/restaurant zones.

Net rental income (EUR million) and Occupancy (%)



*Based on 2022 year-end valuation reports prepared by Colliers



Postimaja Service and Entertainment Center

About the location

- Heart of Tallinn city center – part of the fashion, restaurants, offices and services cluster.
- Synergy with the whole Rotermann quarter which is behind these buildings and has a variety of fashion brands incl. COS, Ivo Nikkolo, Bershka and others.
- Transport hub and new tram station on Hobujaama str. Connecting airport and the ferry passenger port
- Coca-Cola Plaza – lease with Apollo Kino is valid till 2028.



Located in the heart of Tallinn city center

3.8y
WAULT

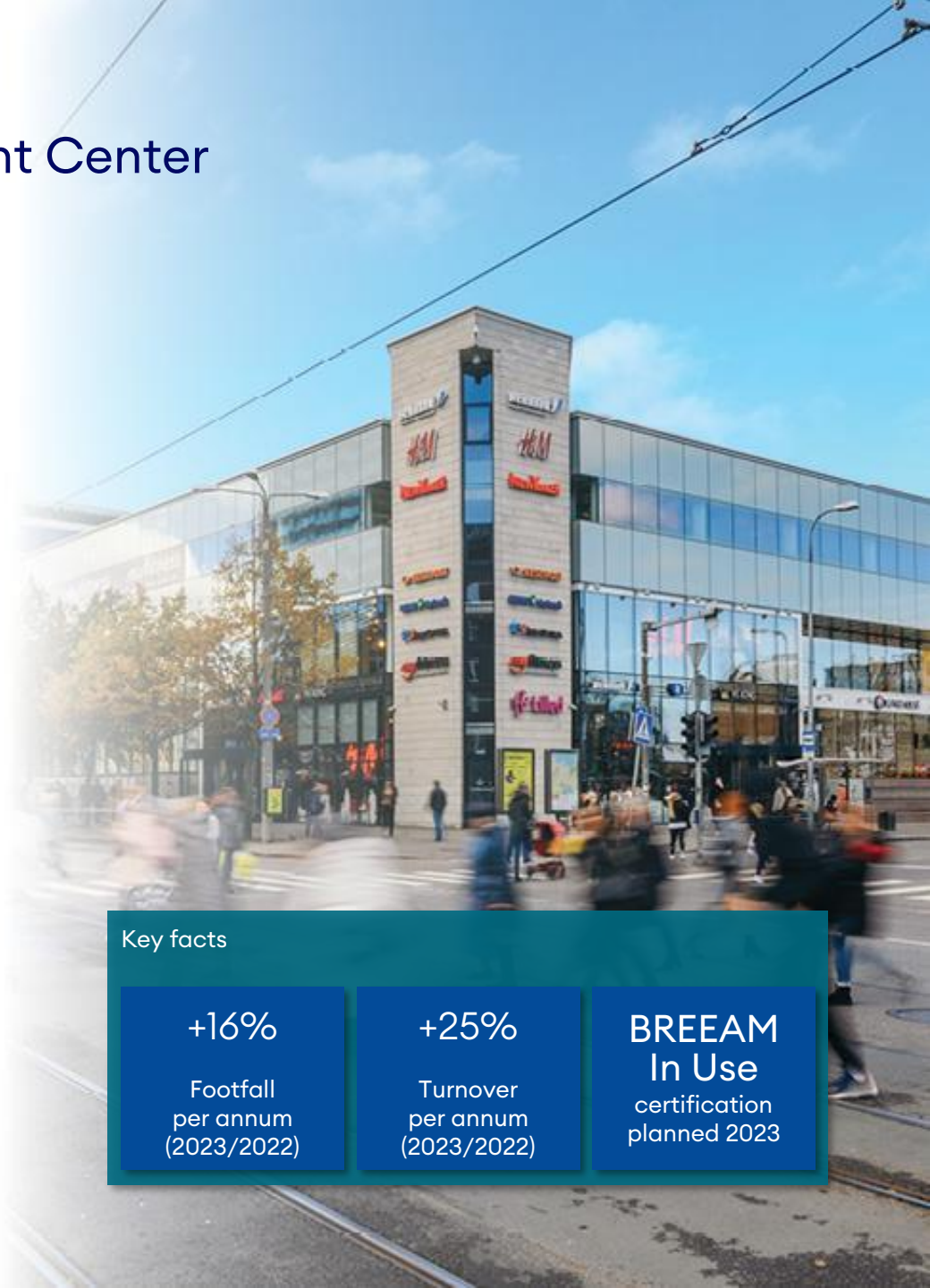
100%
Occupancy with
pre-leases

New tramline
construction
completed in
spring 2024

Postimaja Service and Entertainment Center

Concept and Unique Sales Proposition

- In 2022 prolonged, enlarged and refurbished Reval Café, opened the new terrace.
- Postimaja to be 100% let by August 2023. Prolonged RIMI lease agreement. Signed agreement on H&M refurbishment to refresh the concept.
- In progress agreement on Apollo Kino refurbishment and newest cinema concept opening and new 10 year lease agreement.
- Ground floor of Coca-Cola Plaza turn to entertainment, services and restaurants cluster.



Key facts

+16%

Footfall
per annum
(2023/2022)

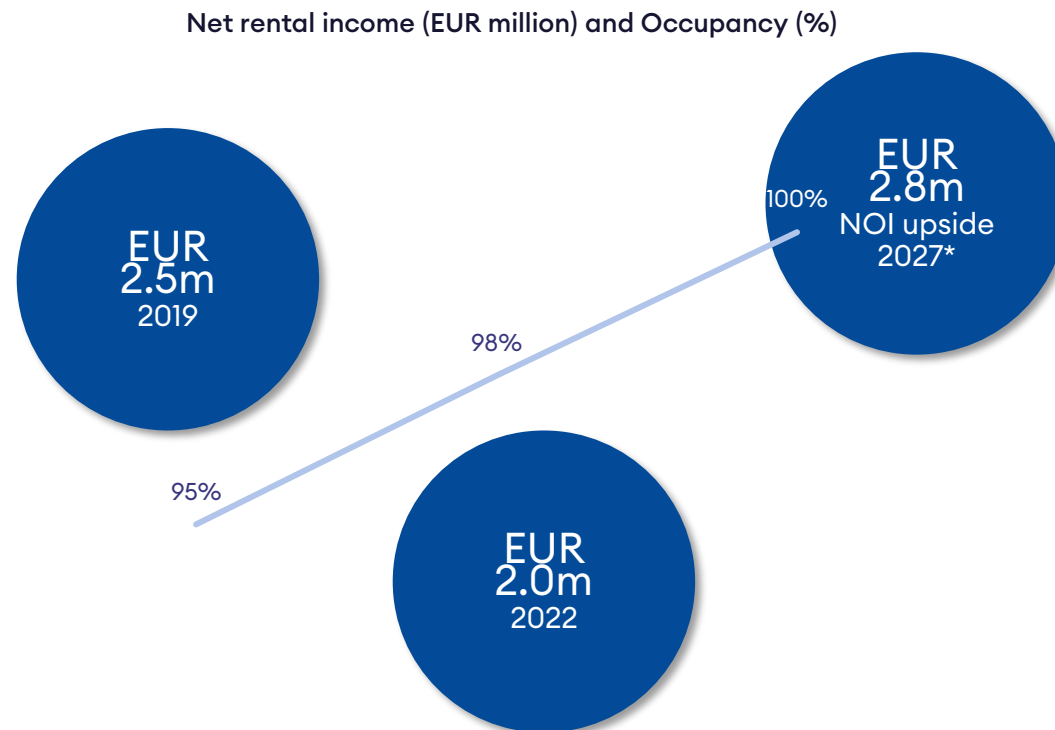
+25%

Turnover
per annum
(2023/2022)

BREEAM
In Use
certification
planned 2023

Postimaja Service and Entertainment Center

Long-term potential of the property can be extracted by combining Postimaja SC and CC Plaza buildings together by constructing a connection between two buildings to establish a good flow of clients from Postimaja to CC Plaza and adding additional fashion brands/restaurants. In the past, valuers estimated the value of extension alone at ca. EUR 5 million.



*Based on 2022 year-end valuation reports prepared by Colliers



Meraki Office Home

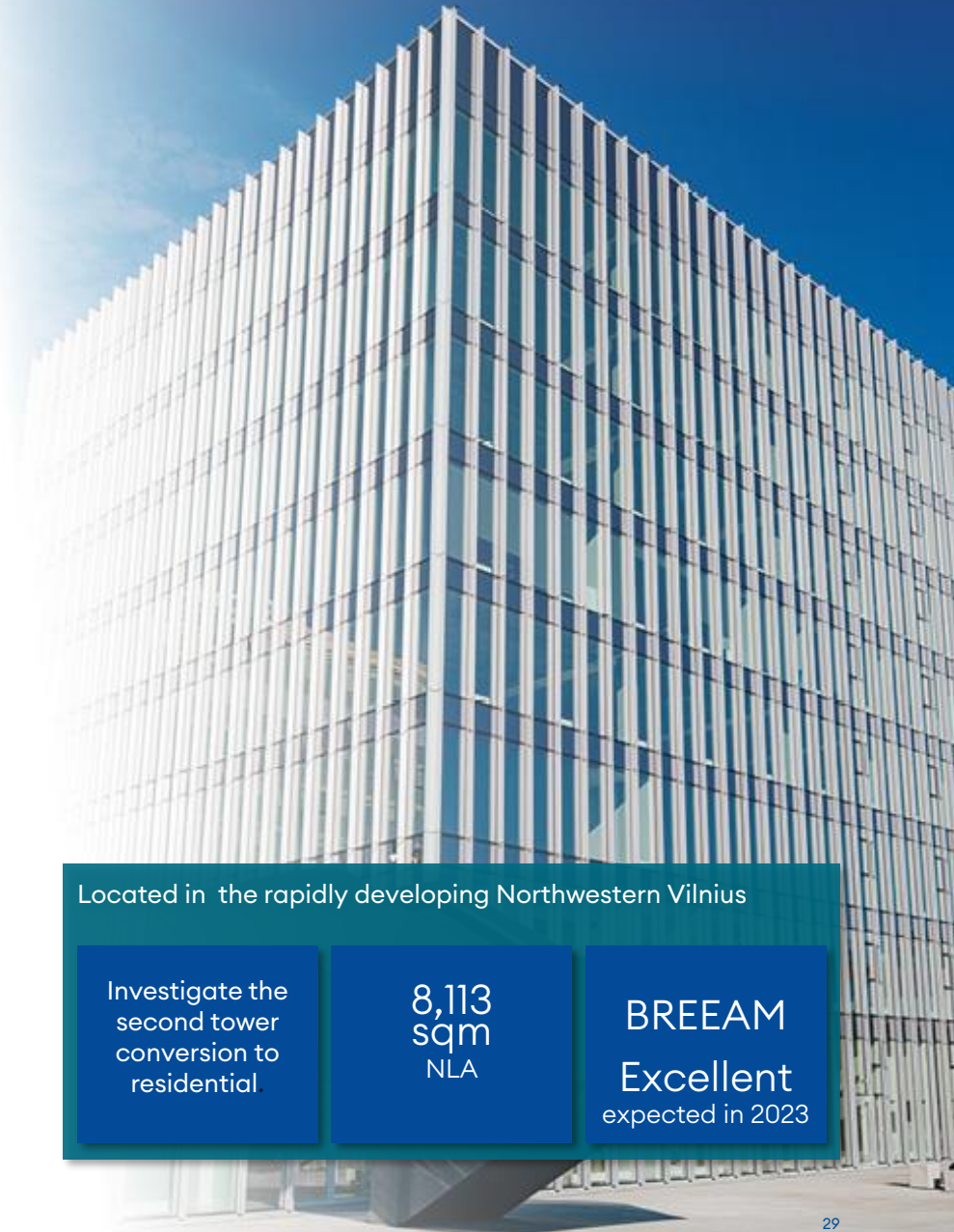
- Meraki Office Home is located in Pašilaičiai, a growing business area in the Northwestern part of Vilnius.
- The building is a modern 8-storey glass building, equipped with a vast range of amenities and the highest quality technology in cooling, ventilation and humidity control.
- A+ energy efficiency - solar power stations, efficient heating, electric car charging stations.
- The building has shared conference rooms, an auditorium, and a flexible floor plan that can easily be tailored to individual tenant needs.

Main tenants

- Luminor Bank
- Baltic Line
- InMedica
- Co-working

Future tenant mix

- 70% Long-term offices
- 10% Short-term offices
- 10% Health and wellbeing
- 10% F&B and catering

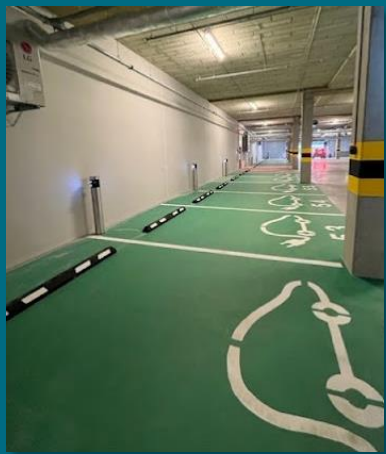


Located in the rapidly developing Northwestern Vilnius

Investigate the second tower conversion to residential.

8,113
sqm
NLA

BREEAM
Excellent
expected in 2023

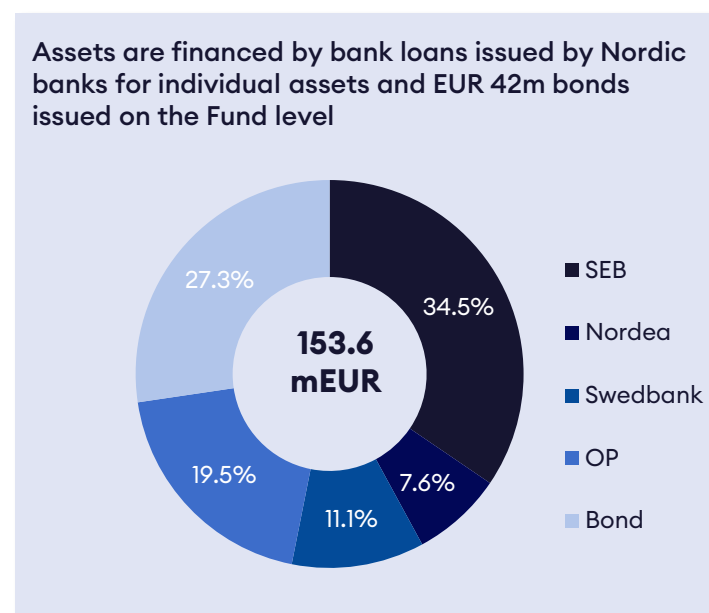
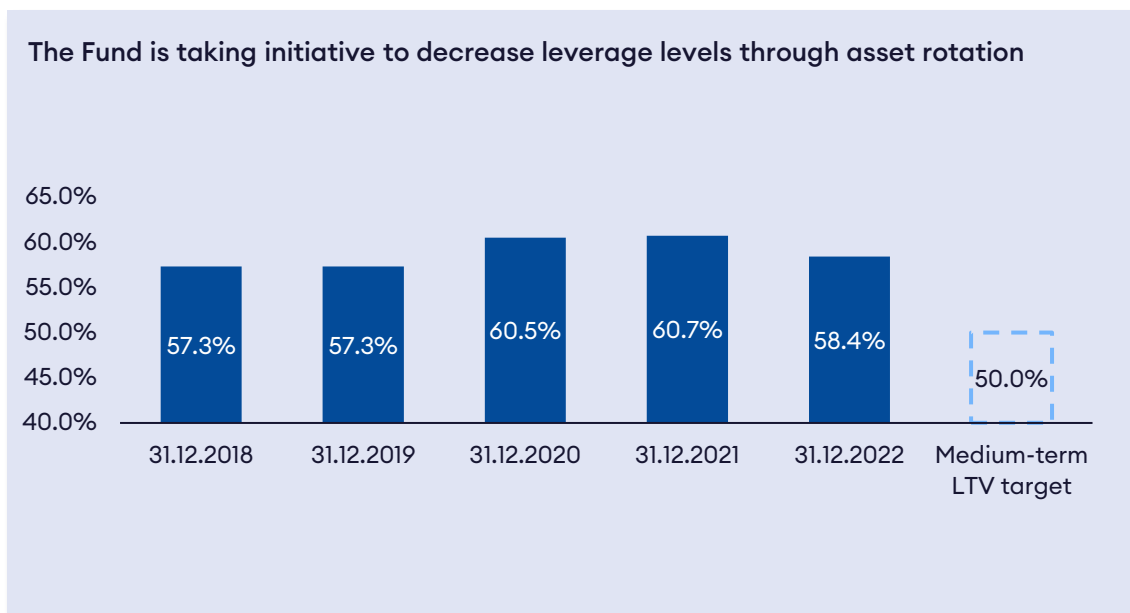


Financing strategy



Financing structure Q1 2023 (after Duetto transaction)

Strong focus on hedging the interest rate risk and maintaining healthy debt service ratios



Financial goals

Dividend payment decision

- Decision to withhold dividends in 2023 to strengthen the Fund and its asset performance.

Equity raising

- No new capital calls planned for the next 12 months.

The Fund's financial goals for the future

- NOI growth up to 18 mEUR (per annum)
- LTV below 50%
- Reduce expensive debt
- Regular dividend from operating cash flows

The execution plan

- Strengthening the balancing sheet through the disposal of assets where the best value can be obtained today.
- Manage the interest rate expense by reducing the outstanding bond amount and prolonging loans.
- Reducing the LTV ratio below 50 percent.
- Execute leasing strategy to increase the occupancy in the portfolio
- Complete ARKET fit-out and open the store in Q4 2023 in GC.
- H&M renewed concept in H1 2024 in Postimaja.
- Prolong anchor agreement with Apollo Cinema in Postimaja.
- Sign new anchor agreements in Europa with office, clinic and F&B tenants.



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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