

Baltic real estate market review

4Q 2022

March 29, 2023

4Q 2022 Real estate market review



Sector highlights

- All of the reviewed companies have grown their rental income during the 4th quarter and FY 2022. While the property expenses have increased considerably, the companies have managed to pass on most of the increase to their tenants. Additionally, the occupancy rates have improved, which is another positive element for revenue growth.
- The commercial real estate investments in the Baltics declined and amounted to EUR 1.3bn during FY 2022 (EUR 2.0bn¹ in FY 2021). Investors have been relatively cautious due to geopolitical risks and inflationary environment, and last year the investment activity was dominated by relatively small transactions by Baltic investors. Numerous projects have been put on hold due to economic uncertainties and construction cost increases.
- Similar trends can be expected also in 2023 as buyers are waiting for better price conditions from the sellers. Local players will likely remain the main drivers of the investment market and most of the transactions will be of smaller size. The prime yields have remained unchanged at the end of the year, however, higher interest rates are putting considerable upwards pressure on the yields, which are expected to expand in 2023¹.
- In March 2023, Mainor Ülemiste successfully completed a 4-year 8.5% unsecured bond issue in the amount of EUR 12m. The market is expecting a new bond issue from Baltic Horizon in the coming months to partially refinance its EUR 50m bonds maturing in May 2023.
- During the 4th quarter, the reviewed companies have successfully extended part of their bank loans with the same banks and while the rising interest rates have increased the cost of financing, the real estate companies have implemented interest rate hedging for the majority of their loans.
- The bond yields remain at a high level due to an upwards pressure from the rising interest rates in the market. Akropolis Group bonds are trading with a YTM of 9.3%, while Baltic Horizon is planning a new bond issue – both of these bonds could be considered as a benchmark for the Baltic real estate bond market.

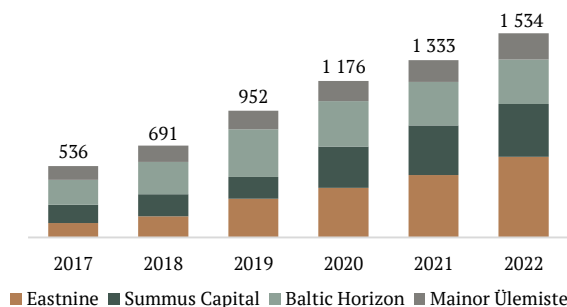
SUMMUS
CAPITAL

Baltic
Horizon

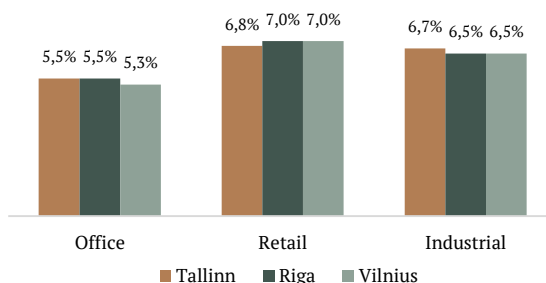
eastnine

MAINOR
ÜLEMISTE

Investment properties value, EUR m



Prime Yields¹, 4Q'22



FY 2022 Financial highlights

EUR m	Summus Capital	Baltic Horizon	Eastnine	Mainor Ülemiste
Revenue	40.0	26.5	30.3	16.2
Net profit	15.7	3.9	108.6	30.4
Investment properties	397.6	333.1	606.2	196.8
Borrowings	225.9	195.1	326.9	118.5
Total Equity	179.8	133.7	478.5	155.3
Equity ratio	42%	39%	57%	56%
Occupancy rate	96.8%	90.5%	96.3%	92.4%

¹Source: Colliers Q4 2022 Baltic States Property Snapshot

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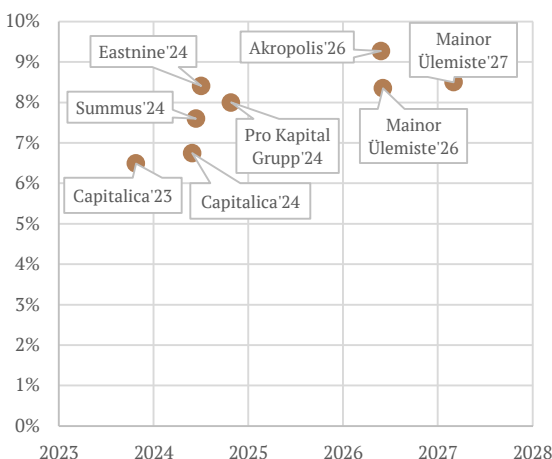
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Bond Yield to Maturity (YTM)



4Q 2022 Summus Capital



SUMMUS
CAPITAL

Key parameters

Founded: 2013	NLA, m²: 220 334 ¹
Headquarters: Tallinn, Estonia	Bonds outstanding: EUR 10m
Portfolio value: EUR 397.6m	Auditor: KPMG (IFRS)
Number of properties: 12	Rating: BB by Scope Ratings (Sep. 2022)
Company description: Family owned real estate holding company with large focus on retail sector. Lithuania and Latvia have similar stake in the portfolio, Estonia takes up a smaller share. There are more than 300 tenants in the portfolio.	

Financial highlights

- During 4Q'22 Summus Capital generated revenue of EUR 10.6m (-6% Q/Q & +39% Y/Y). Summus forwards most of the utility expenses to the tenants and records it as both revenue and expenses in their own statements – as the utility expenses have normalised in 4Q'22 compared to the previous quarter, there was a slight drop in the overall revenue. Nevertheless, the income from rental activities has continued to grow and during FY 2022, Summus Capital generated a record high revenue of EUR 40.0m (+37% Y/Y).
- Net profit in 4Q'22 reached EUR 3.5m (-18% Q/Q & -79% Y/Y) – the net result has been negatively affected by EUR 6m provision for potential future expenses, which was recorded in 4Q'22, as well as a loss of EUR 4.4m from real estate portfolio revaluation. The expenses are offset by a EUR 9.9m positive result from interest rate hedging instruments in 4Q'22. The net profit for FY 2022 amounted to EUR 15.7m (-38% Y/Y), showing a decrease from FY 2021, when it was positively affected by gains from revaluation of properties.
- In October 2022, Summus sold Hanza Mechanics industrial building in Estonia. As a result of the disposal and revaluations, the investment property portfolio slightly declined to EUR 397.6m (-2% Q/Q) at the end of 4Q'22. Overall, during FY 2022 the portfolio has increased by 7% compared to FY 2021, considering the acquisition of Damme SC during the second quarter of the year.
- The borrowings at the end of 4Q'22 stood at EUR 225.9m (+2% Q/Q). During the quarter, Park Town East office building in Vilnius and Riga Plaza shopping centre in Latvia have received additional bank loan in the amount of EUR 10.8m, part of Summus loans have been refinanced, the loan related to the disposed asset was paid back and a partial one-off repayment of a loan was made. In 4Q'22 the bank loan interest payments have increased due to changes in EURIBOR, however, at the end of FY 2022, 53% of the loans are hedged.
- Reported DSCR of 1.4x (covenant > 1.2x) for trailing twelve months ending 4Q'22 and Equity ratio of 42% (covenant > 30%), meeting the bond financial covenants.

Key developments

- On September 5, 2022, Scope Ratings affirmed Summus Capital issuer rating at BB/Stable. According to Scope's report, the Group has shown continued growth, predictable recurring income, stable occupancy rate and expanded its property portfolio.
- According to Aavo Koppel, member of the management board of Summus Capital, the results in 4Q'22 demonstrate steady situation in the Group's assets and cash flow, and were also positively affected by positive results from interest hedging instruments for the first time.
- At the end of FY 2022, 68% of Summus Capital portfolio was certified by international organizations that assess sustainable investment activities, and further 18% was in the process of certification.

Financial highlights, EUR m

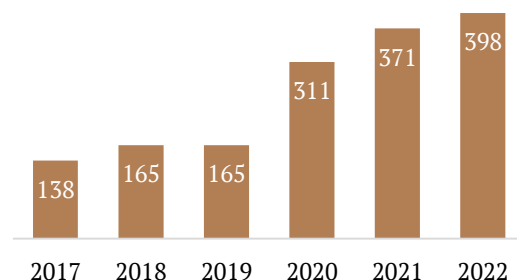
	4Q 2021	4Q 2022		FY 2021	FY 2022	
Revenue	7.6	10.6	+39%	29.3	40.0	+37%
EBITDA	18.6	5.9	-69%	35.3	23.6	-33%
Adjusted EBITDA²	3.4	6.3	+82%	17.0	23.8	+40%
Net profit	16.5	3.5	-79%	25.1	15.7	-38%
Total assets	406.7	428.7	+5%	406.7	428.7	+5%
Investment properties	371.0	397.6	+7%	371.0	397.6	+7%
Cash	15.1	16.4	+9%	15.1	16.4	+9%
Adjusted Equity³	173.8	179.8	+3%	173.8	179.8	+3%
Total borrowings	210.8	225.9	+7%	210.8	225.9	+7%
DSCR	1.3x	1.4x	n/a	1.3x	1.4x	n/a
Equity ratio	43%	42%	-1pp	43%	42%	-1pp

¹Based on Signet Bank estimates

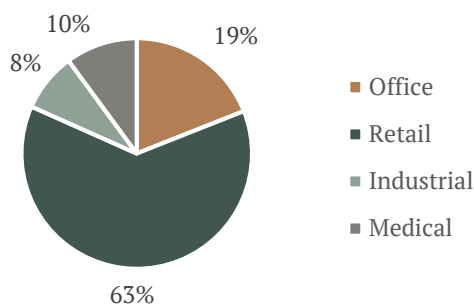
²EBITDA – changes in investment properties valuation and other non-recurring items

³Including shareholder loans

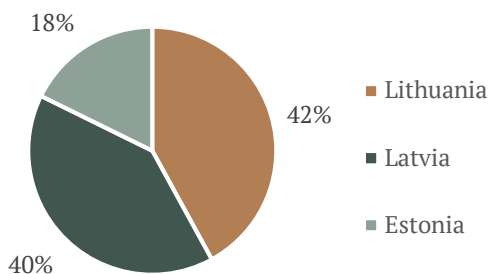
Portfolio balance sheet value, EUR m



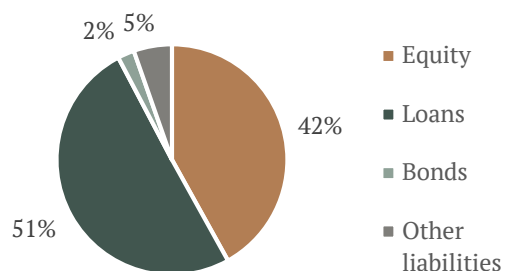
Portfolio value split by segment¹



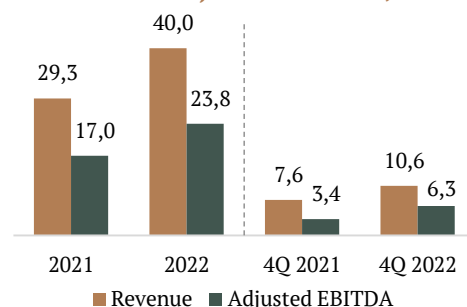
Portfolio value split by countries¹



Funding structure



Revenue and Adjusted EBITDA, EUR m



4Q 2022 Baltic Horizon



Key parameters

Founded: 2016	NLA, m²: 151 870
Headquarters: Tallinn, Estonia	Bonds outstanding: EUR 50m
Portfolio value: EUR 333.1m	Auditor: KPMG (IFRS)
Number of properties: 15	Rating: MM3 (BB+) by S&P (Apr. 2022)

Company description: Regulated closed-end investment fund registered in Estonia with a portfolio covering the Baltic countries on a similar level with main focus on office and retail buildings. The Fund has more than 250 tenants in the portfolio.

Financial highlights

- The revenue of Baltic Horizon reached EUR 7.0m (+5% Q/Q & +20% Y/Y) in 4Q'22, while during FY 2022 the revenue reached EUR 26.5m (+8% Y/Y) – the rental income for majority of the properties has exceeded the results of the previous year. The increase of the rental income can be explained mainly due to higher performance in the retail segment, especially in Galerija Centrs, while the office segment has also performed well and has remained largely unaffected by the volatility in macroeconomic and other external factors.
- The Fund generated net loss of EUR 2.2m in 4Q'22, which was largely impacted by a property revaluation loss of EUR 3.5m during the quarter. Nevertheless, the Fund recorded a net profit of EUR 3.9m (+179% Y/Y) during FY 2022, which was mainly driven by strong recovery of Galerija Centrs operating performance and also due to less significant negative impact from property revaluations compared to FY 2021.
- The investment property portfolio value stood at EUR 333.1m (-2% Q/Q) at the end of 4Q'22 – the decrease is attributable to Europa parking house disposal for a sales price of EUR 4m in December 2022. The Fund has additionally disposed Domus PRO Retail & Office complex in Vilnius during February 2023 for a sales price of EUR 23.5m and the proceeds from these disposals will be mainly used to decrease loan obligations and partially redeem the Fund's bonds maturing in May 2023.
- The total borrowings stood at EUR 195.1m (-2% Q/Q) at the end of 4Q'22. In November 2022 the Fund repaid Meraki bonds of EUR 4m and Europa loan of EUR 3.5m from the sales proceeds. During the 4th quarter the Fund has successfully extended considerable part of its bank loans with the same banks. 80% of the total debt has been hedged against interest rate risks.
- Bond refinancing – the Fund is planning to use the proceeds from the disposal of properties for partial refinancing of the bonds and the remaining amount is planned to be redeemed by issuing a new bond at a lower amount in March/April 2023. Overall, the Fund is targeting to reduce its leverage level after the bond refinancing.
- The Fund maintained a DSCR of 2.2x (covenant > 1.2x) for trailing twelve months ending 4Q'22 and Equity ratio of 39% (covenant > 35%) as of 4Q'22.

Key developments

- The investors are expecting news regarding the upcoming bond maturity in May 2023, while the current uncertainty is possibly also putting a pressure on the Fund's unit price. The Fund's unit price has continued a downwards trend during 4Q'22 and at the end of 2022 traded for EUR 0.58, which is a 48% discount from the Fund's NAV per unit of EUR 1.12. Overall, during 2022 the Fund's price has decreased by 46%.
- Baltic Horizon aims to obtain BREEAM certification for all assets in the portfolio by the end of 2023. Currently, the Fund has certified 55% of its portfolio.
- During 4Q'22 Baltic Horizon has introduced a new corporate design and launched a new website.

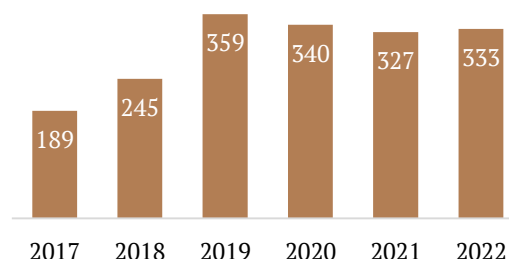
Financial highlights, EUR m

	4Q 2021	4Q 2022		FY 2021	FY 2022	
Revenue	5.9	7.0	+20%	24.4	26.5	+8%
EBITDA	10.6	-0.1	n/a	7.3	11.2	+53%
Adjusted EBITDA¹	3.5	3.0	-14%	14.5	14.2	-2%
Net profit	8.3	-2.2	n/a	1.4	3.9	+179%
Total assets	346.3	344.0	-1%	346.3	344.0	-1%
Investment properties	327.4	333.1	+2%	327.4	333.1	+2%
Cash	16.1	5.3	-67%	16.1	5.3	-67%
Total Equity	132.6	133.7	+1%	132.6	133.7	+1%
Total borrowings	199.1	195.1	-2%	199.1	195.1	-2%
DSCR	2.5x	2.2x	n/a	2.5x	2.2x	n/a
Equity ratio²	40%	39%	-1pp	40%	39%	-1pp

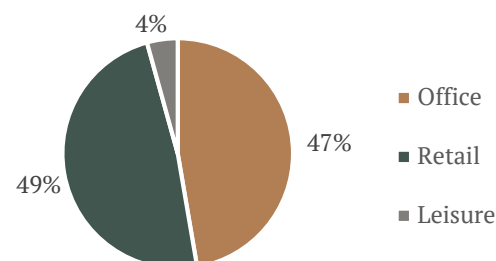
¹EBIT – changes in investment properties valuation

²Excluding cash flow hedge reserve

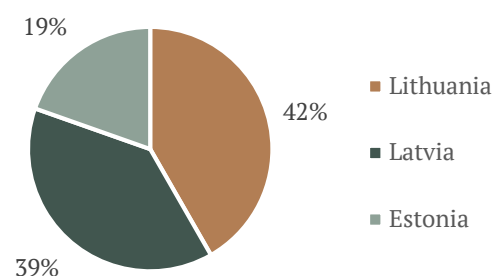
Portfolio balance sheet value, EUR m



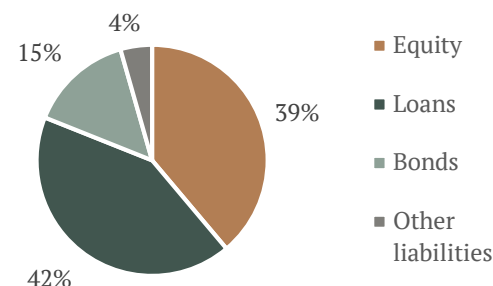
Portfolio value split by segment



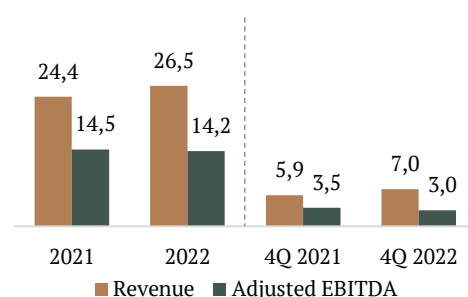
Portfolio value split by countries



Funding structure



Revenue and Adjusted EBITDA, EUR m



Key parameters

Founded: 2007	NLA, m²: 183 000
Headquarters: Stockholm, Sweden	Bonds outstanding: EUR 45m
Portfolio value: EUR 606.2m	Auditor: KPMG (IFRS)
Number of properties: 14	Rating: -
Company description: Publicly listed Swedish real estate Group with a main focus on first-class office properties. Lithuania has the largest share in the portfolio, Latvia and Poland takes up the rest. The tenants primarily are large Nordic companies.	

Financial highlights

- The revenue of Eastnine reached EUR 8.5m (+3% Q/Q & +56% Y/Y) in 4Q'22 and EUR 30.3m (+41% Y/Y) in FY 2022. The increase in rental income is explained by a larger property portfolio as well as higher occupancy rate and rent levels, which have increased by 4% in a comparable portfolio.
- Eastnine generated net loss of EUR 0.3m during 4Q'22, a significant decrease Y/Y due to a smaller gain from changes in property and other investments valuation, as well as increased interest expenses related to higher leverage and rising interest rates. In FY 2022, Eastnine generated net profit of EUR 108.6m (+50% Y/Y), which includes large gains from unrealised value changes in properties (EUR 9.4m) and investments in Melon Fashion Group (Russian fashion retailer company) (EUR 70.8m), and interest rate swaps (EUR 12.4m).
- The investment property value was EUR 606.2m (+1% Q/Q) at the end of 4Q'22. The portfolio compared to end of FY 2021 has increased by 29% or EUR 136.4m, which is mainly related to the acquisition of office property in Poland in May 2022 for EUR 120.9m, while the remaining part is made up by investments in existing properties and unrealised value changes. Properties are valued quarterly, including one external valuation at least once a year.
- During 4Q'22, Eastnine has entered into a conditional agreement for the sale of its entire holding in MFG for EUR 193m to the Russian listed investment company Sistema PJSC. The stated value of the MFG holding on Eastnine's balance sheet amounted to EUR 193m at the end of FY 2022, which corresponds to the agreed sales price and the transaction is expected to be completed in 1Q'23.
- Eastnine has received repayments amounting to EUR 18.8m from East Capital Baltic Property Fund II during FY 2022 and no further repayments are expected in the future, as the fund has sold all of its assets.
- The total borrowings of Eastnine stood at EUR 326.9m (-1% Q/Q) at the end of 4Q'22. During FY 2022, two new bank loans have been raised in the amount of EUR 93.3m from BerlinHyp and Luminor, which were mainly related to the acquisition. 71% of the interest bearing liabilities have been hedged by using derivatives.
- Eastnine had ICR of 2.4x (covenant > 1.75x) at the end of 4Q'22 and Equity ratio of 57% (covenant > 35%), exceeding the bond covenants.

Key developments

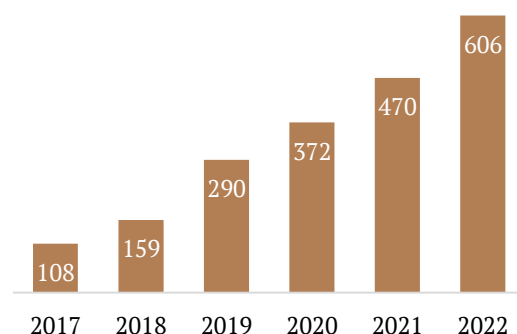
- According to Kestutis Sasnauskas, the CEO of Eastnine, With the sale of MFG, Eastnine will be potentially put at a favourable position for future growth and will be able to devote full attention to the real estate business.
- During 2022, the share price of Eastnine fell by 24% and at the end of the year traded for EUR 10.9, which is a 50% discount from the NAV per unit of EUR 21.9.
- At the end of FY 2022, 94% of the property portfolio held sustainability certificates at least at the level of LEED Gold or BREEAM Excellent. The certifications are ongoing for the remaining part of the portfolio.

Financial highlights, EUR m

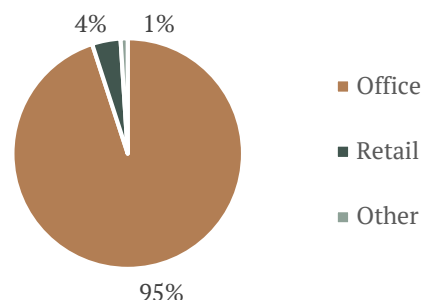
	4Q 2021	4Q 2022		FY 2021	FY 2022	
Revenue	5.5	8.5	+56%	21.5	30.3	+41%
EBITDA	51.0	3.7	-93%	81.5	122.5	+50%
Adjusted EBITDA¹	3.5	6.5	+86%	15.1	22.8	+51%
Net profit	47.2	-0.3	n/a	72.3	108.6	+50%
Total assets	652.5	837.5	+28%	652.5	837.5	+28%
Investment properties	469.8	606.2	+29%	469.8	606.2	+29%
Cash	29.2	19.8	-32%	29.2	19.8	-32%
Total Equity	376.0	478.5	+27%	376.0	478.5	+27%
Total borrowings	241.1	326.9	+36%	241.1	326.9	+36%
ICR	2.7x	2.4x	n/a	2.7x	2.4x	n/a
Equity ratio	58%	57%	-1pp	58%	57%	-1pp

¹EBITDA – changes in investment properties, derivatives and other investments valuation

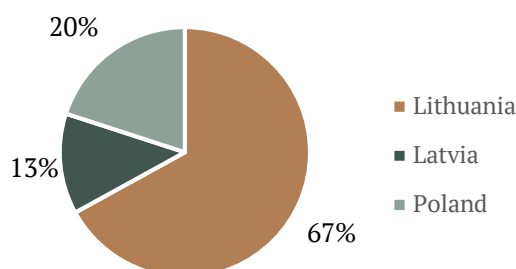
Portfolio balance sheet value, EUR m



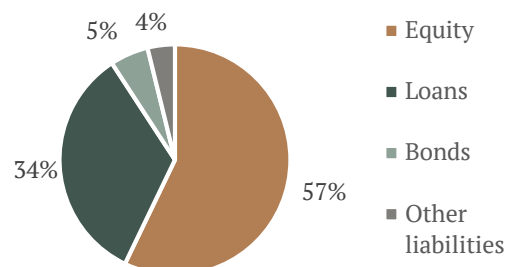
Portfolio value split by segment



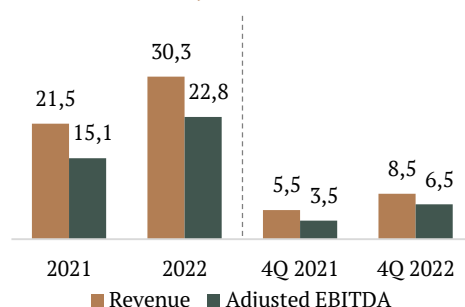
Portfolio value split by countries



Funding structure



Revenue and Adjusted EBITDA, EUR m



4Q 2022 Mainor Ülemiste



Key parameters

Founded: 1997	NLA, m²: 218 100
Headquarters: Tallinn, Estonia	Bonds outstanding: EUR 23.5m
Portfolio value: EUR 183.8m	Auditor: EY (IFRS)
Number of properties: n/a	Rating: -
Company description: Mainor Ülemiste is the main developer of Ülemiste City in Tallinn, where all of the Group's investment properties are located and the portfolio mainly consists of office spaces and includes an international tenant base.	

Financial highlights

- The revenue of Mainor Ülemiste reached EUR 4.6m (+14% Q/Q & +26% Y/Y) during 4Q'22 and EUR 16.2m (+24% Y/Y) in FY 2022. The increase in revenue is attributable to a larger property portfolio, with growing number of tenants.
- The Group generated net profit of EUR 24.7m in 4Q'22 and EUR 30.4m (+196% Y/Y) during FY 2022. The increase in net profit both quarterly and annually can be explained by a EUR 13.2m gain from property revaluation due to the completion of Alma Tomingas office building. Additionally, the net profit was positively impacted by income from associated companies in the amount of EUR 13.9m, which includes the revaluation of holding in Technopolis Ülemiste AS.
- The value of the financial investment in Technopolis Ülemiste AS stood at EUR 58.9m (+21% Q/Q) at the end of 4Q'22. During the year, the holding in Technopolis Ülemiste AS has been positively revaluated, and has provided Mainor Ülemiste with additional income.
- Cash balance of EUR 10.8m at the end of 4Q'22, unchanged from the previous quarter, which provides a solid buffer for further investments in the portfolio.
- The total borrowings of the Group stood at EUR 118.5m (+2% Q/Q) at the end of 4Q'22. During the quarter, the Group has repaid EUR 0.7m and received EUR 3.2m in long term loans, as well as currently the Group has EUR 15.2m in untapped credit facilities.
- The investment property portfolio has shown continuous growth due to consistent investments in the Ülemiste City and has reached EUR 196.8m (+8% Q/Q) at the end of 4Q'22. The completion of Alma Tomingas office building made a notable increase in the portfolio value during 4Q'22.
- Mainor Ülemiste had equity ratio of 56% (covenant > 35%) at the end of 4Q'22.

Key developments

- Mainor Ülemiste issued 4-year 8.5% unsecured bonds in the amount of EUR 12.1m during 1Q'23, and the base offering of EUR 10m was 1.2x oversubscribed. The bond issue is a part of the companies' EUR 20m bond program and the proceeds will be used for the development of new projects and for refinancing the EUR 10m 2023 bonds.
- The Alma Tomingas office building, which is planned to be awarded LEED gold status, a 11-story building with GLA of over 20 000 sq.m, was opened in November 2022. The value of the building is EUR 30m, which makes it the largest investment in an office building project on the campus. The tenants include international corporations such as Fujitsu, Breakwater Technology and Estonian Business and Innovation Agency.

Financial highlights⁴, EUR m

	4Q 2021	4Q 2022		FY 2021	FY 2022	
Revenue	3.7	4.6	+26%	13.1	16.2	+24%
EBITDA	2.7	24.7	+811%	13.1	33.3	+153%
Adjusted EBITDA²	2.7	11.8	+336%	10.9	20.1	+84%
Net profit	1.9	24.2	n/a	10.3	30.4	+196%
Total assets	237.8	278.2	+17%	237.8	278.2	+17%
Investment properties	167.0	196.8	+18%	167.0	196.8	+18%
Cash	12.9	10.8	-16%	12.9	10.8	-16%
Total Equity	126.5	155.3	+23%	126.5	155.3	+23%
Total borrowings	104.1	118.5	+14%	104.1	118.5	+14%
DSCR	1.8x	3.5x	n/a	1.8x	3.5x	n/a
Equity ratio	53%	56%	+3pp	53%	56%	+3pp

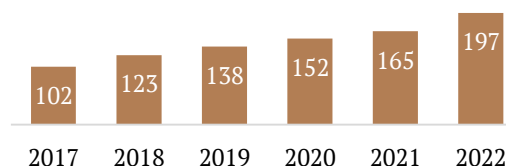
¹Based on Signet Bank estimates

²EBITDA – changes in investment properties valuation

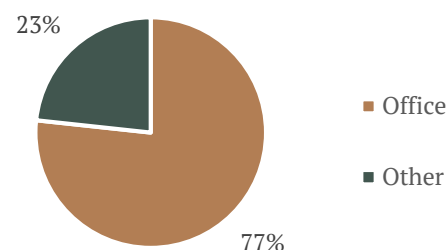
³Not including the new bonds, as the issue date was 6 March 2023

⁴FY 2022 data according to bond investor presentation

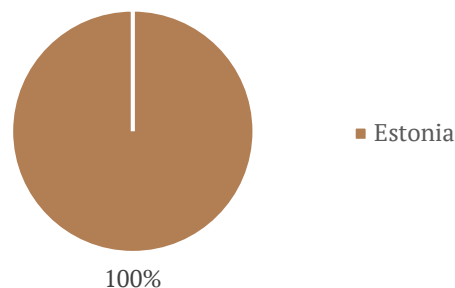
Portfolio balance sheet value, EUR m



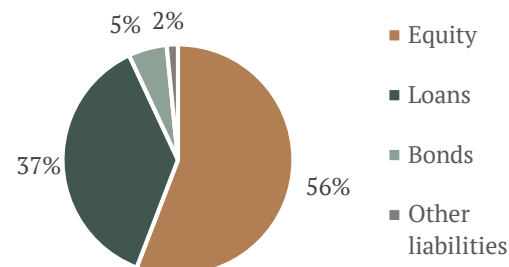
Leasable area split by segment¹



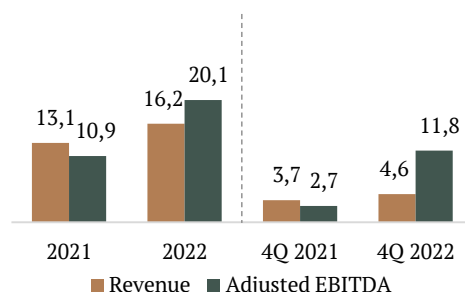
Portfolio value split by countries



Funding structure³










Revenue and Adjusted EBITDA, EUR m



Current bond issues

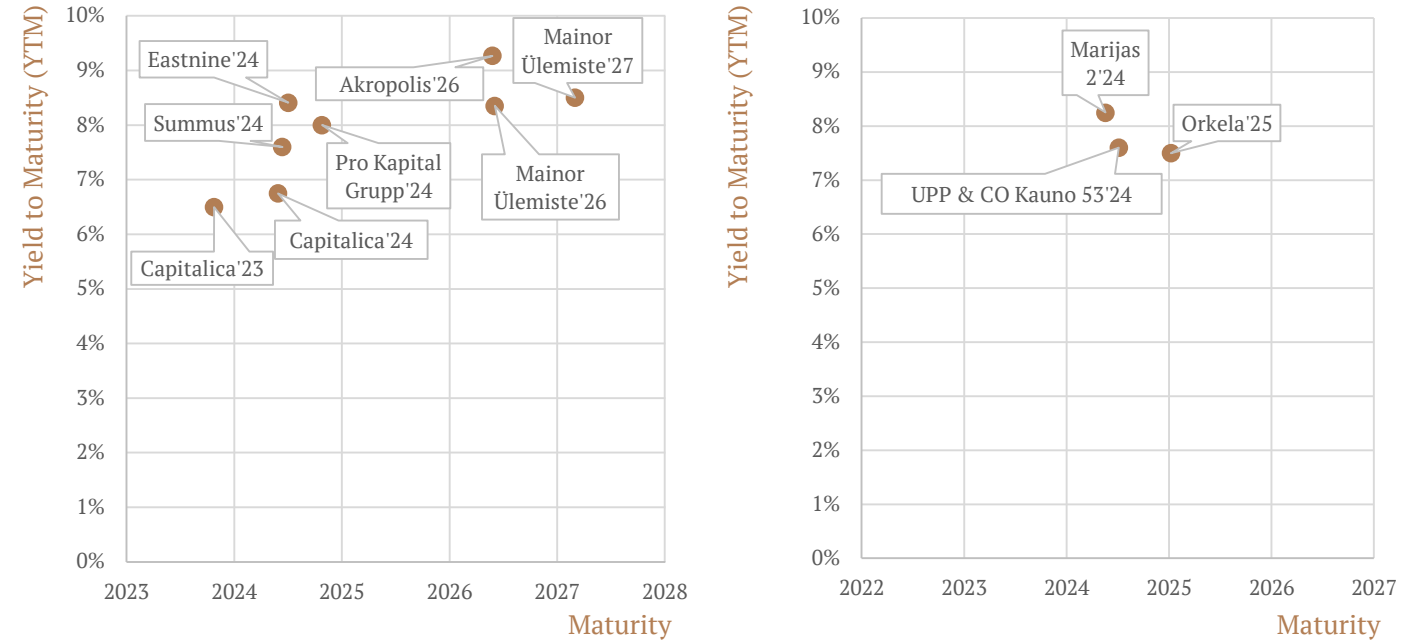
Holding level bonds

	Issuer	ISIN	Maturity	Coupon	Issue size	YTM ¹	Call option	Collateral	Listing
	Summus Capital OÜ (Estonia)	LV0000802478	18.06.2024	6.75%	EUR 10 000 000	7.6%	Yes	Unsecured	Nasdaq Baltic First North
	Northern Horizon Capital AS (Estonia)	EE3300111467	08.05.2023	4.25%	EUR 50 000 000	-	Yes	Unsecured	Nasdaq Tallinn
	Mainor Ülemiste AS (Estonia)	EE3300111343	05.04.2023	5.50%	EUR 6 377 500	-	Yes	Unsecured	Nasdaq Baltic First North
		EE3300003136	10.03.2027	8.50%	EUR 12 106 000	8.5%	Yes	Unsecured	Nasdaq Baltic First North
		EE3300002138	10.06.2026	4.75%	EUR 5 000 000	8.4%	Yes	Unsecured	Nasdaq Baltic First North
	Eastnine AB (Sweden)	SE0013719788	08.07.2024	3M EURIBOR + 500bp	EUR 45 000 000	8.4%	Yes	Unsecured	Nasdaq Stockholm and Frankfurt Stock Exchange
	Akropolis Group UAB (Lithuania)	XS2346869097	02.06.2026	2.875%	EUR 300 000 000	9.3%	Yes	Unsecured	Nasdaq Vilnius and Dublin Euronext
	UAB Capitalica Baltic Real Estate Fund I (Lithuania)	LT0000404725	30.10.2023	6.50%	EUR 8 000 000	6.5%	-	Unsecured	Nasdaq Baltic First North
		LT0000406555	03.06.2024	5.00%	EUR 3 000 000	6.7%	-	Unsecured	Nasdaq Baltic First North
	AS Pro Kapital Grupp (Estonia)	EE3300001676	31.10.2024	8.00%	EUR 9 685 426	8.0%	Yes	Unsecured	Nasdaq Tallinn

Project level bonds

	Issuer	ISIN	Maturity	Coupon	Issue size	YTM ¹	Call option	Collateral	Listing
	UPP & CO KAUNO 53 OÜ (Estonia)	EE3300111152	17.07.2024	6.00%	EUR 4 700 000	7.6%	Yes	Secured	Nasdaq Tallinn
	SIA Marijas 2 (Latvia)	LV0000802551	30.05.2024	6.50%	EUR 19 500 000	8.3%	-	Secured	-
	UAB Orkela (Lithuania)	LT0000405961	19.01.2025	6.00%	EUR 17 099 000	7.5%	Yes	Secured	Nasdaq Vilnius

¹Source: Bloomberg, Nasdaq. Data as of 21 March 2023





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