BALTIC HORIZON

Baltic Horizon Fund

Unaudited Interim Condensed Consolidated Financial Statements for the 9-month period ended 30 September 2016

Beginning of financial year	1 January
End of financial year	31 December
Management company	Northern Horizon Capital AS
Business name	Baltic Horizon Fund
Type of fund	Contractual public closed-ended real estate fund
Style of fund	Core / Core plus
Market segment	Retail / Offices / Leisure
Life time/ Investment stage	Evergreen
Address of the Fund	Hobujaama 5 Tallinn 10151 Estonia
Phone	+372 6 743 200
Fund manager	Tarmo Karotam
Fund Supervisory Board	Raivo Vare (Chairman) Andris Kraujins Per Moller
Fund Supervisory Board remuneration	EUR 37,000 p.a.
Management board of the Management Company	Tarmo Karotam (Chairman) Aušra Stankevičienė Algirdas Vaitiekūnas
Supervisory board of the Management Company	Michael Schönach (Chairman) Dalia Garbuzienė Milda Dargužaitė
Depositary, Fund administrator and Registrar	Swedbank AS

CONTENTS

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2016

AIFM	Alternative Investment Fund Manager
AFFO	Adjusted Funds From Operations means the net operating income of properties less fund administration expenses, less external interest expenses and less all capital expenditures including tenant fit-out expenses invested into existing properties by the Fund. New investments and acquisitions and follow-on investments into properties are not considered to be capital expenditures.
EPRA NAV	It is a measure of the fair value of net assets assuming a normal investment property company business model. Accordingly, there is an assumption of owning and operating investment property for the long term. The measure is provided by the European Public Real Estate Association, the industry body for European REITs.
Fund	Baltic Horizon Fund
IFRS	International Financial Reporting Standards
Management Company	Northern Horizon Capital AS, register code 11025345, registered address at Hobujaama 5, Tallinn 10151, Estonia
NAV	Net asset value for the Fund
NAV per unit	NAV divided by the amount of units in the Fund at the moment of determination.
NOI	Net operating income
Direct Property Yield	NOI divided by acquisition value of a property
Net Initial Yield	NOI divided by market value of a property
GAV	Gross Asset Value of the Fund
Triple Net Lease	A triple net lease is a lease agreement that designates the lessee, i.e. the tenant, as being solely responsible for all the costs relating to the asset being leased, in addition to the rent fee applied under the lease.

GENERAL INFORMATION ABOUT THE FUND

Baltic Horizon Fund (further the "Fund" or the “Group”) is a regulated closed-end contractual investment fund registered in Estonia on 23 May 2016. Northern Horizon Capital AS is the management company (AIFM) of the Fund. Both the Fund and the Management Company are supervised by Estonian Financial Supervision Authority.

The Fund is a public fund with no particular lifetime (evergreen). Units of the Fund are made available to the public in accordance with the Fund Rules and applicable laws. The Fund is currently listed on the Fund List of the Nasdaq Tallinn Stock Exchange.

Following a successful capital raising Baltic Horizon Fund merged with Baltic Opportunity Fund (further “BOF”) on 30 June 2016. Baltic Horizon is the remaining entity which took over 5 assets of BOF and its investor base. The raised proceeds were allocated according to the investment strategy of the Fund within weeks after listing into the acquisition pipeline that was built throughout the process. The trading of Baltic Horizon Fund units on the Nasdaq Tallinn Stock Exchange began on 6 July 2016. In total approx. 42 million of fund units were listed on the exchange. On 4th of October 2016, the Fund declared its aspiration to raise additional capital and target a second listing on Nasdaq Stockholm Stock Exchange.

The Fund’s primary focus is to invest directly in commercial real estate located in Estonia, Latvia and Lithuania with a particular focus on the capitals - Tallinn, Riga and Vilnius.

The Fund will focus on established cash flow generating properties with potential to add value through active management within retail, office and logistic segments in strategic locations and strong tenants or a quality tenant mix and long leases. Up to 20% of the Fund’s assets may be invested in forward funding development / core plus projects.

The Fund aims to use 50% long-term leverage strategy. At no point in time may the Fund’s leverage exceed 65%.

The Fund aims to grow through making attractive investments for its investors while diversifying its risks geographically, across real estate segments, across tenants and debt providers.

Structure and Governance

The Fund is a tax transparent and cost efficient vehicle. The management fee is linked to the market capitalisation of the tradable units. It is also imbedded in the Fund Rules that the management fee will decrease from 1.5% to as low as 0.5% from the market capitalisation as the Fund’s assets grow.

The Fund operates under the REIT concept where the vast majority of the Fund's cash earnings are paid and only 20% can be reinvested.

The Fund is managed by the Management Company which is Northern Horizon Capital AS. The immediate team comprises of the Management Board and the Supervisory Board of the Management Company. The Fund also has its Supervisory Board which comprises of 3 independent board members.

Northern Horizon Capital AS is an experienced real estate asset manager. Northern Horizon Capital Group has proven itself as one of the leading real estate investors in the Baltic countries and elsewhere with an in-depth knowledge of the markets of operation. Over the course of the organization’s life, the Northern Horizon Capital Group has been able to build a strong and a cohesive team from diverse backgrounds with a focus on being conservative and thorough, yet dynamic in real estate acquisitions and management.

The commitment to corporate governance is rooted in the Management Company's focus on long-term business relations with investors, partners, and tenants. In all relations, the Management Company encourages a professional and open dialogue based on mutual trust and strives to earn the respect of its business partners through a strong commitment, transparency and fair dealings. The investor's best interest is always considered in the Management Company to guard that the investor is treated fairly. The Management Board ensures that conflicts of interests between the related parties are avoided or are as small as possible. Business units are obliged to establish, maintain and document procedures to identify, prevent and manage conflicts of interest and to, when necessary issue supplementing instructions to the policies, instructions and guidelines issued by the Group.

The Fund has an independent Investment Committee which consists of qualified members with recognized experience in the real estate markets in Estonia, Latvia, and Lithuania, impeccable reputation and appropriate education.

Swedbank is appointed to provide depository and administration responsibilities in accordance with Estonian legislation. The administrator provides the independent NAV calculations, the Fund accounting and together with Estonian Central Register of Securities Unit Holder services such as transfer agency, paying agency and registry maintenance services.

The real estate property valuation policies of the Fund are determined in the Fund Rules based on the common market practice. Only a licensed independent real estate appraiser of high repute and sufficient experience in appraising similar property and operating in the country where any relevant real estate property is located may evaluate real estate belonging to the Fund.

Each potential acquisition opportunity is subject to extensive commercial, legal, technical and financial/tax due-diligence performed by the Management Company in cooperation with reputable local and international advisers. The auditor of the Fund is KPMG Baltics OÜ which is a member of the Estonian Association of Auditors.

The Fund's activities are monitored on a regular basis by the Estonian Financial Supervision Authority, the Investment Committee, and the Fund administrator and depositary bank Swedbank.

MANAGEMENT REPORT

Following a successful capital raising Baltic Horizon Fund closed and took over G4S Headquarters in Tallinn just days after listing on the Tallinn Nasdaq Stock Exchange. G4S Headquarters was built in 2013. The property is located on the arterial Paldiski road and has 9.1 thousand sq. m. of gross area. The property is leased on a long-term basis to the global Danish security company G4S. The property was acquired at an approx. 7.5% yield.

On 30 August 2016, Baltic Horizon closed an office building transaction with Bauplan Nord in Riga. Upmala Biroji is an office building built in 2008 by the German developer Bauplan Nord. The building is anchored by SEB and CABOT under medium- to long-term leases and the property is fully leased out. The net leasable area is over 10,500 sq. m.. The property is acquired at an approx. 7% yield based on the first full year.

MACROECONOMIC FACTORS IN THE BALTIC STATES

In Q3 the Baltic economies continued to grow at a steady pace. However the growth in the Baltic countries will slightly be lower this year than previously expected, primarily due to weaker than expected investments. Meanwhile, exports are growing and consumption growth has been robust. According to Swedbank foreign demand will improve gradually in 2017-2018. This will contribute more to export growth and to the recovery of investments and, in turn, will accelerate economic growth to 2.5%-3,5% in the coming years in the Baltic region.

Despite new offices being completed one after the other for expanding near shoring tenants such as Nordic banks, developers are continuously ready to build new buildings for major tenants secured through prelease contracts. In the Baltic office development market, at least 50% prelease level continues to be the main prerequisite for receiving bank financing and getting projects started. All in all, market players are taking the situation quite calmly and seem to accept a longer period for achieving the 100% occupancies when leasing markets grow down the road. It is expected that tenants have more choice in new premises and that they continue to move up the quality curve from old buildings and B2/C class locations.

Retail spending has remained robust across the Baltics year to date 2016 with rents on the rise. Larger established shopping centres enjoy low occupancies with only a few new large scale projects threatening the status quo down the road. New neighbourhood supermarkets are being built to compete in the micro locations considering the new road developments and residential development plans. All in all, every shopping centre owner is focused on providing more leisure and entertainment services for attracting more customers. Largest competition has been noted among the sports clubs which are now likely to be found in all major shopping centres.

The compression of prime yields has continued in 2016, driven by cheap debt capital, limited number of established investment grade products and strong investor appetite. In office and retail segments which is the predominant focus of Baltic Horizon, the prime yields in Latvia and Lithuania are between 7-7,5% whereas in Estonia the prime yields have dropped 20-30 bps below 7%. It is however important to note that the spread of prime yields to cost of debt over the past 5 years has remained relatively similar being around 500-550 bps.

In year to date 2016 most property trades have taken place in Lithuania and Estonia and the turnover has been similar to the previous year. Foreign capital is slightly dominating at 60% with majority of the capital coming from the Nordics. Remainder 40% of the acquisitions has been made with local capital. The larger deals have mostly been made by the established investment managers and for the remainder of 2016 only a few newcomers are expected to enter the investment market.

FINANCIAL REPORT

Financial position and performance of the fund

As at 30 September 2016 the GAV of the Fund increased to EUR 133.7 million (EUR 118.3 million as at 30 June 2016). The increase is mainly related to G4S Headquarters and Upmalas Biroji properties acquisitions during the quarter.

As of 30 September 2016, the Fund NAV was EUR 57.2 million, compared to EUR 53.5 million as at 30 June 2016. The increase in NAV is mainly related to the performance of the Fund (net result EUR 3.7 million during Q3 2016).

During Q3 2016, the Fund recorded a net profit of EUR 3.7 million (EUR 1.1 million during Q3 2015) which had a positive effect on the Fund NAV. The net result was positively affected by the quarter-end valuations and the operational performance of the properties.

In Q3 2016, the net rental operating income (NOI) earned by the Group amounted to EUR 1.9 million (EUR 4.8 million during nine months ended September 2016) and was higher as compared to the Q3 2015 when the Group earned EUR 1.4 million (EUR 3.8 million during nine months ended September 2015). Compared to 2015, the increase in NOI is mainly related to rental income earned by new acquisitions G4S Headquarters and Upmalas Biroji acquired in July and August respectively.

Table 1: Quarterly profit/loss results breakdown into months

Euro '000	**Jul 2016**	**Aug 2016**	**Sep 2016**	**Q3 2016**
Rental income	631	644	783	2,058
Expenses reimbursement revenue	199	194	224	617
Cost of rental activities	(241)	(233)	(273)	(747)
Net rental income	**589**	**605**	**734**	**1,928**
Monthly change in %	*20.0%*	*2.7%*	*21.3%*	
Expenses related to IPO	(65)	(11)	(49)	(125)
Administrative expenses	(155)	(125)	(77)	(357)
Other operating income / (expenses)	7	-	10	17
Valuation gains / (loss) on investment properties	-	-	2,802	2,802
Operating profit	**376**	**469**	**3,420**	**4,265**
Financial income	3	-	-	3
Financial expenses	(85)	(90)	(132)	(307)
Net financing costs	**(82)**	**(90)**	**(132)**	**(304)**
Profit before tax	**294**	**379**	**3,288**	**3,961**
Current income tax for the period	(5)	(5)	(4)	(14)
Deferred tax for the period	(38)	(35)	(171)	(244)
Profit for the period	**251**	**344**	**3,113**	**3,708**

The Fund also calculates EPRA NAV, which was EUR 64.2 million as at 30 September 2016. EPRA NAV is calculated according to EPRA Best practice recommendations that were issued in December 2014. EPRA NAV is calculated adjusting IFRS NAV for the items summarised in the table below:

Table 2: Adjustments for recalculating NAV to EPRA NAV

Euro '000	**30.09.2016**
IFRS NAV as of 30 September 2016	**57,170**
Exclude deferred tax liability on investment properties	6,783
Exclude fair value of financial instruments	297
Exclude deferred tax on fair value of financial instruments	(32)
EPRA NAV*	**64,218**
Amount of units	41,979,150
EPRA NAV per unit	**1.5298**

***** The objective of the EPRA NAV measure is to highlight the fair value of net assets on an ongoing, long-term basis. Assets and liabilities that are not expected to crystallise in normal circumstances such as the fair value of financial derivatives and deferred taxes on property valuation surpluses are therefore excluded.

PROPERTY REPORT

The property portfolio, which from the end of August consists of 7 properties in the Baltic capitals continues to be virtually fully let producing very attractive cash flows. This is supported by the expectations that the Baltic economic growth is largely being driven by domestic consumption and expected growth in exports. Baltic Horizon believes it has established a portfolio of strong retail and office assets with well-known and long term tenants being either local commercial leaders, governmental tenants or back offices or Baltic headquarters of leading Nordic companies.

With the absence of traditional high streets in the Baltic capitals, the shopping is concentrated to shopping centres. The established centres in the market have all been focusing on growing further through expansions while only a few new stand-alone centres being panned. Most retail development is taking place in neighbourhoods as competition between grocery chains is fierce. An example of that is Prisma being replaced by Rimi (ICA) in Domina shopping centre in Riga. Overall retail rent levels for all tenant sizes are expected to continue increasing along with the positive outlooks of the economies. Vacancies remain between 1-3% in established centres. In addition to global leaders such as H&M, Debenhams, Subway, Sports Direct entering the market over the past years, more new retail companies are expected to look for ways to take advantage of the growing spending power of the Baltic people.

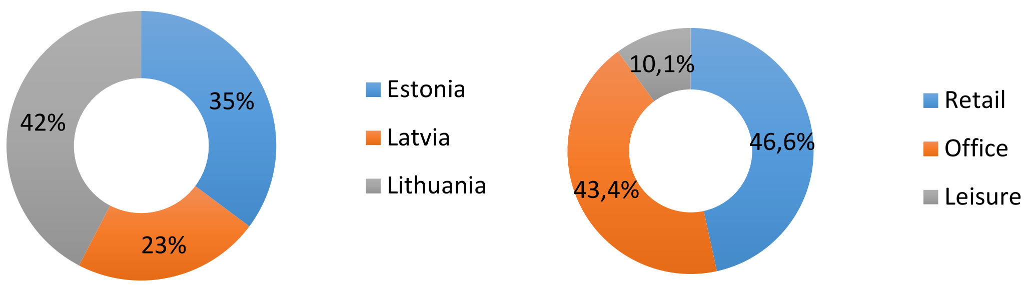
In the Baltic retail sector in 2016, rents for small spaces increased and were in the range of EUR 21-60 sq. m. per month. Average retail rents were EUR 13-22 sq. m for 150-350 sq. m. spaces in the Baltic capitals while anchor tenants mostly paid EUR 6-11 sq. m. Rent rates for medium and larger retail units are forecasted to be rather stable. The average rent range of retail assets in the Fund's portfolio was EUR 9.3-13 per sq. m. per month, therefore well in line with average market brackets.

In the office segment, Vilnius has witnessed a completion of the new state of the art office building making the CBD area on Konstitucijos Prospektas become the most dominant A class office cluster in the city. The trend of pre-lease remains present with agreements often signed 6-9 months in advance. There will be more than 100,000 sq. m. of new office space added within the next 2 years in Vilnius, much of it pre-leased and in the city centre. Also in Riga the new office development has started to emerge and is expected to concentrate on the Skanstes district over the next 5 year period. Tallinn office market has gotten over its state of deficit and is gradually moving towards the tenants' market when new buildings are being erected on Tartu road, Ülemiste Center and Tallinn port area.

Capital city office rents were EUR 12.5-17.4 EUR per sq. m. per month for class A premises and EUR 8.0-13.0 sq. m. for modern class B class offices. For comparison, the average rental level in Lincona was EUR 10.3 sq. m, therefore also well in line with average market brackets.

The Baltic property yields in both office and retail segments have decreased during the past year by approx. 50 bp to 7 – 8% depending on the exact micro location, age, rent level and history of the property. The Baltic States continue to maintain a yield value gap of 200-250 bps compared to Western European and the Nordic countries and 100-150 bps to Poland.

Picture 1: Fund segment and country distribution



Property performance

During Q3 2016, the average occupancy of the portfolio was 97.4% and average Direct Property Yield 7.2%. The level of the property operating costs was stable throughout the whole period.

Lincona
The average occupancy level of the property slightly decreased to 92.1% at the end of this reporting period. The decrease was caused due to tenant Liewenthal Electronics OU that decided to partially terminate lease agreement. Average net yield during Q3 was 7.8% and with no debts the tenant payment discipline was very good. In the coming quarters, the management team continues to maintain the attractiveness of the property by upgrading its façade and main entrance in order to obtain its maximum occupancy.

Domus PRO
The construction of Domus Pro II stage was finalized in May and the last tenant of stage II (Fitus gym) opened their doors after the final fit-out was completed. The manager is currently working on pre-leases of the third development stage of the site, which shall add some 4,380 sq. m. of office and retail space to the complex. At the end of the reporting period, 47% of stage three has already been pre-leased.

The plan is to build a mixed use building of 4,380 sq. m. of net leasable area on 6 floors (ground floor for retail) with an additional 2 floors of underground parking. The aim is to start construction in September 2016 at the latest after the required level of pre-leases has been achieved and complete the building within 12 months by Q3 2017.

Pursuing pre-leased expansions is a good example of the value adding activities of the Fund.

SKY supermarket
SKY supermarket continues to produce good net cash flows as expected despite the fact that Maxima retail centre was opened nearby. This proves that established neighbourhood shopping centres surrounded by dwelling houses are one of the most resilient investment properties.

During the year, the management team has developed a new architectural project to modernize the façade of the building in cooperation with the main tenant SKY. Total investment EUR 200 thousand. Further investments are planned by the tenant SKY supermarket within their premises.

Coca-Cola Plaza
In Coca-Cola Plaza, the master lease agreement with Forum Cinemas holds strong and tenant risk remains very low. In addition, the team has continued to test the feasibility of the vision to expand the property and connect to the neighbouring shopping centre. With further support from the neighbours, the tenants and the city of Tallinn, the management team will undertake an architectural competition to find the best and

most economical solution for all stakeholders within the course of the coming year. This potential is not yet priced into the valuation of the property as the building rights are yet to be established.

Europa Shopping Centre
After taking over Europa Shopping Centre, the management team has set goals to actively increase the foot flow and tenant quality of the centre. Located in the heart of Vilnius central business district on Konstitucijos Prospektas the shopping centre caters to the higher end of the market with a focus on having an A-class mix of fashion tenants. In the immediate neighbourhood there are a number of new office buildings being built which is expected to contribute to the success of the centre in the long term. The largest office complex Quadrum opened its first stage of 24 000 sq. m. and positive signs in Europa SC footfall have already been noted.

By successfully managing tenant movements and marketing efforts for the centre, management was able to achieve strong property level results. The tactical vacancy is expected to be filled within 3-6 months with strategic new tenants with whom negotiations are ongoing. New lease agreements have also been signed with PJazz and Cili Pizza to enhance the lunch/dinner service offering in the centre.

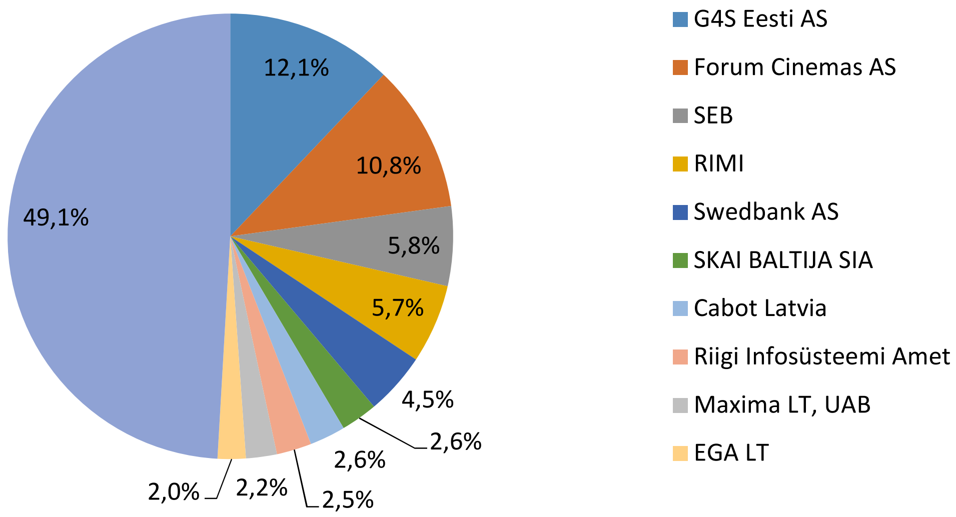
G4S Headquarters
The building was built in 2013 as build to suit for G4S global security company's regional headquarters. Cash management center for Northern Estonia is also located in the building on the underground floor. The property has good visibility and access from the arterial Paldiski road. The land plot allows for future development of additional 13,000 sq, m. of GLA office building.

The total gross space of the G4S office center is 9,179 sq, m.. It maintains one key tenant – G4S, who has rented out the whole building on a long-term agreement. G4S together with the landlord sub-leases 2 floors of the building to a leading Estonian software company Pipedrive and works with other smaller sub-tenants as well.

Upmalas Biroji
Upmala Biroji is an office complex built in 2008 with NLA of 10,599 sq, m.. The property currently accommodates a mix of 13 quality tenants of which 8 could be regarded as international blue chip tenants (77% of total NLA). Upmala is positioned as Shared Service Center/Back office destination and accommodates such tenants as SEB, CABOT, Bosch, Johnson&Johnson, Strabag and others. The property was built by a German developer Bauplan Nord and the quality has been maintained throughout its life. The property was elected as the most energy efficient building in Latvia 2013 and remains among tenants as one of the most preferred office buildings in Riga with its 2,000 sq, m. floor plates.

The tenant base of the Fund is well diversified. The rental concentration of 10 largest tenants of the Fund subsidiaries are shown in picture 2. As further discussed in the risk management section, credit risk is mitigated by the high quality of the existing tenant base.

Picture 2: Rental concentration of 10 largest tenants of the Fund subsidiaries



RISK MANAGEMENT

The risk management function of the Fund is the responsibility of the Management Company Northern Horizon Capital AS. The manager of the Fund is responsible for identifying the Fund's market risk portfolio, preparing proposals regarding market risk limits, monitoring the limit utilization and producing overall risk analyses of market risk. The manager maintains a list of all risk management related instructions, monitors these compared to internationally recommended best practice, and initiates changes and improvements when needed. The manager assessed at the end of the reporting period that the Fund is currently in compliance with the intended risk management framework.

Principal risks faced by the Fund

Market risk

The Fund is exposed to the office market in Tallinn and Riga and the retail market in Riga, Tallinn, and Vilnius through its indirect investments in investment property (through subsidiaries).

Investment yields in the Baltic states remain stable at around 7.0% and 7.5% in the office and retail segments, depending on property type and location. Rent levels in most segments are also expected to somewhat increase in 2016 especially in new buildings.

Interest rate risk

The Fund's policy is that long-term loans should be hedged to a fixed rate for their whole life. This converts floating rate liabilities to fixed rate liabilities. In order to achieve this, the Fund either takes fixed rate loans or swaps fixed interest rates to floating using interest rate derivatives. As 1) the Fund seeks to obtain financing on the best terms and conditions and 2) in the current market, fixed rate loans are often more expensive, the Fund hedges interest rate exposure by using derivative instruments such as interest rate swaps, forwards and options. The Fund and its subsidiaries acquire swaps purely for cash flow hedge purposes and not for trading.

Credit risk

The Fund is aiming to diversify its investments, and counterparties with low credit risk are preferred. Major acquisition and project finance credit risks are minimized by sharing these risks with banks and insurance companies. Credit risks related to the placement of liquid funds and to trading in financial instruments (counterparty credit risks) are minimized by making agreements only with the most reputable domestic and international banks and financial institutions.

Liquidity risk

Liquidity risk means the risk of failure to liquidate open positions, to realise assets by the due time at the prescribed fair price or to refinance loan obligations.

Many of the investments will be highly illiquid and there can be no assurance that the Fund will be able to exit the investments in a timely manner. By their nature, real estate investments or interests in other non-public entities are subject to industry cyclicality, downturns in demand, market disruptions and the lack of available capital for potential purchasers and are therefore often difficult or time consuming to liquidate.
The Management Company makes its best efforts to ensure sufficient liquidity by efficient cash management, by maintaining a “liquidity buffer” and by organizing committed and uncommitted credit lines.

In order to minimise liquidity risk, a part of the real estate fund assets may be invested in deposits of credit institutions, in short-term debt securities and in other securities with a high level of liquidity. Also, derivative instruments may be used to reduce liquidity risk.

The Fund’s policy is to maintain sufficient cash and cash equivalents within the Fund and its controlled entities or have available funding through an adequate amount of committed credit facilities to meet their commitments at a given date in accordance with its strategic plans.

Operational risk

Operational risk represents the potential for loss resulting from inadequate or failed internal processes or systems, human factors, or external events, including business disruptions and system failure. The Fund is exposed to many types of operational risk and attempts to mitigate them by maintaining a system of internal control procedures and processes that are designed to control risk within appropriate levels. Also, training and development of personnel competences, and active dialogue with investors help the Fund to identify and reduce the risks related to its operation.

OUTLOOK FOR REMAINDER OF 2016

After completing two new acquisitions with the IPO proceeds during Q3, the portfolio of Baltic Horizon Fund has increased to hold 7 established cash flow properties located in the Baltic capitals with a gross asset value above EUR 125 million. The management team has declared the first dividend under the new fund structure on 12 October and is planning to pay quarterly dividend distributions to its investors from this point forward.

On 4 October, the fund has declared an ambition to organize a follow on retail offering in Estonia, Sweden, Finland and Denmark in the end of 2016 and a plan to have the fund’s second listing in Nasdaq Stockholm. By focusing on off-market deals, the management team continues to search for highly bankable cash flow-producing investment opportunities where the dividend potential is comparable with the remainder of the properties in the portfolio. Enlarging the portfolio with high quality assets in the Baltic capitals will notably decrease fund overheads per investor and improve risk diversification geographically, across new tenants in retail and office segments, and financing banks.

A lot of attention has been paid to the surprise Brexit vote. Central banks are expected to do their best to support markets with liquidity and by keeping the doors open to a further loosening of monetary policy. The Brexit-related market premiums pulled back relatively fast, and problems in the European banking sector, primarily Italy, were not seen as creating systemic risks. The economic and political impact on the rest of Europe from Brexit is not yet known, but the UK economy will most likely see weaker economic growth and lack of inward investment, given the long future period of uncertainty regarding UK relations with mainland Europe. The impact of Brexit on the Baltic economies is considered to be very limited. Any impact of the U.S Presidential election in November is yet to be seen.

In regards to the interest rates in medium to long term, it may be reasonable to expect the rates to begin rising, albeit very slowly. It is foreseen that interest rates curves will flatten initially as the short term rates will increase more than the long-term ones. The yield curve will remain relatively depressed for some time due the persistent low inflationary environment as well as other fundamental and technical factors, such as investor’s ongoing hunt for yield. Also, as one of the key fundamentals for real estate investments – the cost of debt; this is expected to remain low for years to come.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2016

Euro '000	Note	01.07.2016-30.09.2016	01.07.2015-30.09.2015	01.01.2016-30.09.2016	01.01.2015-30.09.2015
Rental income		2,058	1,621	5,334	4,325
Expenses reimbursement revenue		617	582	1,810	1,468
Cost of rental activities	4	(747)	(784)	(2,301)	(2,004)
Net rental income	3	**1,928**	**1,419**	**4,843**	**3,789**
Administrative expenses	5	(482)	(186)	(1,462)	(621)
Other operating income / (expenses)		17	266	95	266
Net loss on disposal of investment property	9	-	-	-	(10)
Valuation gains / (loss) on investment properties	3, 9	2,802	-	2,361	-
Operating profit		**4,265**	**1,499**	**5,837**	**3,424**
Financial income		3	6	11	14
Financial expenses	6	(307)	(281)	(840)	(814)
Net financing costs		**(304)**	**(275)**	**(829)**	**(800)**
Profit before tax		**3,961**	**1,224**	**5,008**	**2,624**
Income tax charge	3, 8	(253)	(120)	(428)	(288)
Profit for the period	3	**3,708**	**1,104**	**4,580**	**2,336**
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Net gains (losses) on cash flow hedges	12b	(36)	(79)	(65)	14
Income tax relating to net gains (losses) on cash flow hedges	12b, 8	(7)	14	(1)	11
Other comprehensive income/ (expense), net of tax, to be reclassified to profit or loss in subsequent periods		**(43)**	**(65)**	**(66)**	**25**
Total comprehensive income/ (expense) for the period, net of tax		**3,665**	**1,039**	**4,514**	**2,361**
Basic and diluted earnings per unit (Euro)	7	**0.09**	**4.57**	**0.12**	**9.88**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2016

Euro '000	Note	30.09.2016	31.12.2015
Non-current assets			
Investment properties	3, 9	129,200	86,810
Other non-current assets		376	263
Total non-current assets		**129,576**	**87,073**
Current assets			
Trade and other receivables	10	722	840
Prepayments		154	81
Cash and cash equivalents	11	3,245	1,677
Total current assets		**4,121**	**2,598**
Total assets	3	**133,697**	**89,671**
Equity			
Paid in capital	12a	46,636	25,674
Cash flow hedge reserve	12b	(265)	(199)
Retained earnings		10,798	6,218
Total equity		**57,169**	**31,693**
Non-current liabilities			
Interest bearing loans and borrowings	13	67,745	39,586
Deferred tax liabilities		4,050	3,673
Derivative financial instruments	18	297	215
Other non-current liabilities		714	451
Total non-current liabilities		**72,806**	**43,925**
Current liabilities			
Interest bearing loans and borrowings	13	1,958	11,608
Trade and other payables	14	1,183	2,036
Income tax payable		212	112
Derivative financial instruments	18	-	17
Other current liabilities		369	280
Total current liabilities		**3,722**	**14,053**
Total liabilities	3	**76,528**	**57,978**
Total equity and liabilities		**133,697**	**89,671**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2016

Euro '000	Notes	Paid in capital	Cash flow hedge reserve	Retained earnings	Total equity
As at 1 January 2015		**22,051**	**-**	**2,263**	**24,314**
Net profit for the period		-	-	2,336	**2,336**
Other comprehensive income / (expense)		-	25	-	**25**
Total comprehensive income / (expense)		**-**	**25**	**2,336**	**2,361**
Paid in capital – units issued	12a	3,160	-	-	**3,160**
Cash flow hedge reserve in acquired subsidiaries	12b	-	(194)	194	-
As at 30 September 2015		**25,211**	**(169)**	**4,793**	**29,835**
As at 1 January 2016		**25,674**	**(199)**	**6,218**	**31,693**
Net profit for the period		-	-	4,580	**4,580**
Other comprehensive income / (expense)		-	(66)	-	**(66)**
Total comprehensive income / (expense)		**-**	**(66)**	**4,580**	**4,514**
Paid in capital – units issued	12a	20,962	-	-	**20,962**
As at 30 September 2016		**46,636**	**(265)**	**10,798**	**57,169**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2016

Euro '000	**Note**	**01.01.2016-30.09.2016**	**01.01.2015-30.09.2015**
Cash flows from core activities			
Profit (loss) before tax		**5,008**	**2,624**
Adjustments for non-cash items:			
Value adjustment of investment properties	9	(2,361)	-
(Gain)/loss on property disposal	9	-	(10)
Value adjustment of derivative finance instruments		-	11
Allowance for bad debts		-	23
Financial income		(11)	(14)
Financial expenses	6	840	814
Working capital adjustments:			
Decrease/(Increase) in trade and other accounts receivable		216	9
(Increase)/decrease in other current assets		(94)	(77)
(Decrease)/Increase in other non-current liabilities		68	154
Increase/(Decrease) in trade and other accounts payable		(239)	(117)
(Decrease)/increase in other current liabilities		(164)	327
Refunded/(paid) income tax		(52)	(38)
Total cash flows from core activities		**3,211**	**3,706**
Cash flows from investing activities			
Interest received		11	13
Acquisition of subsidiaries, net of cash acquired	9	(8,528)	(7,657)
Disposal of investment properties	9	-	990
Acquisition of investment property		(15,454)	-
Capital expenditure on investment properties		(1,807)	(1,362)
Total cash flows from investing activities		**(25,778)**	**(8,016)**
Cash flows from financial activities			
Proceeds from bank loans		8,182	4,301
Repayment of bank loans		(4,230)	(2,106)
Proceeds from issue of units	12	20,962	3,160
Interest paid		(779)	(766)
Total cash flows from financing activities		**24,135**	**4,589**
Net change in cash and cash equivalents		**1,568**	**279**
Cash and cash equivalents at the beginning of the year		**1,677**	**2,626**
Cash and cash equivalents at the end of the period		**3,245**	**2,905**

The accompanying notes are an integral part of these consolidated financial statements.

ACCOUNTING POLICIES

1. Corporate information

Baltic Horizon Fund (further "Fund" or "Group") is a regulated closed-end contractual investment fund registered in Estonia on 23 May 2016. Northern Horizon Capital AS is the management company (AIFM) of the Fund. Both the Fund and the Management Company are supervised by the Estonian Financial Supervision Authority.

The Fund is a public fund with no particular lifetime (evergreen). Units of the Fund are made available to the public in accordance with the Fund Rules and applicable laws. The Fund is currently listed on the Fund List of the Nasdaq Tallinn Stock Exchange.

The Fund's registered office is at Hobujaama 5, Tallinn, Estonia.

At the reporting date, the Fund held the following 100% interests in subsidiaries:

Name	30.09.2016	31.12.2015
BOF Lincona OÜ	100%	100%
BOF SKY SIA	100%	100%
BOF CC Plaza OÜ	100%	100%
BOF Domus Pro UAB	100%	100%
BOF Europa Holding UAB	100%	100%
BOF Europa UAB	100%	100%
BH G4S OÜ	100%	-
Kontor SIA	100%	-

Basis of preparation

The interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2015. These condensed interim financial statements do not include all of the information required complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last financial statements.

Going concern assessment

The management of the Fund has performed an assessment of the Fund's future consolidated financial position, consolidated performance and cash flows and has concluded that the continued application of the going concern assumption is appropriate.

2. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the reported item affected in the future. The assumptions and judgements applied in these interim financial statement are the same as those applied in the Group's consolidated financial statements for the year ended 31 December 2015.

Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements for the year ended 31 December 2015.

New standards, amendments and interpretations not yet effective

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2016, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

These Amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured.

IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets

The amendments explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. In addition, the amendments introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

IAS 16 – Property, Plant and Equipment and IAS 41 – Agriculture

These amendments result in bearer plants being in the scope of IAS 16 Property, Plant and Equipment, instead of IAS 41 Agriculture, to reflect the fact that their operation is similar to that of manufacturing.

IAS 19 – Defined Benefit Plans: Employee Contributions

The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. When these criteria are met, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.

IAS 27 – Separate Financial Statements

The amendments allow an entity to use the equity method in its separate financial statements to account for investments in subsidiaries, associates and joint ventures.

A number of new standards, amendments and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these interim consolidated financial statements. Those which may be relevant to the Group as well as management's judgements regarding the possible impact of initial application of new and revised standards and interpretations are set out below. The Group does not plan to adopt these amendments, standards and interpretations early.

IFRS 9 Financial Instruments (2014)

(Effective for annual periods beginning on or after 1 January 2018; to be applied retrospectively with some exemptions. The restatement of prior periods is not required, and is permitted only if information is available without the use of hindsight. Early application is permitted. Not yet adopted by the EU.)

This Standard replaces IAS 39, Financial Instruments: Recognition and Measurement, except that the IAS 39 exception for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply, and entities have an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting.

The Group does not expect IFRS 9 (2014) to have material impact on the financial statements. The classification and measurement of the Group's financial instruments are not expected to change under IFRS 9 because of the nature of the Group's operations and the types of financial instruments that it holds.

IFRS 15 Revenue from contracts with customers

(Effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The new Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

The Group does not expect that the new Standard, when initially applied, will have material impact on the financial statements. The timing and measurement of the Group's revenues are not expected to change under IFRS 15 because of the nature of the Group's operations and the types of revenues it earns.

IFRS 16 "Leases"

(Effective for annual periods beginning on or after 1 January 2019. Early application is permitted. Not yet adopted by the EU.)

The new standard eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. A lessee is required to recognise:

a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and

b) depreciation of lease assets separately from interest on lease liabilities in the income statement.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, i.e. a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group does not expect that the new Standard, when initially applied, will have material impact on the financial statements because the Group as a lessee has not entered into lease contracts which qualify as operating lease contracts under the currently effective IAS 17.

Fair value measurements

The Group measures certain financial instruments such as derivatives, and non-financial assets such as investment property, at fair value at the end of each reporting period. Also, the fair values of financial instruments measured at amortised cost are disclosed in the financial statements.
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
  Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The Group must be able to access the principal or the most advantageous market at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

On 30 June 2016 Baltic Horizon Fund was merged with Baltic Opportunity Fund by issuing 100 units in exchange for each unit in Baltic Opportunity Fund (ratio 1:100). During the public offering 41,979,150 units were listed on NASDAQ Tallinn stock exchange, the offer price was EUR 1.3086 per unit, the total issue proceeds – EUR 29.7 million. Share capital was increased by EUR 21 million and remaining amount of EUR 8.7 million was used to redeem the units for investors who decided to exit the Fund (EUR 7.5 million) and to pay off subscription fees (EUR 1.2 million).

The merger is treated as a group restructuring under common control. During the merger of Baltic Horizon Fund and Baltic Opportunity Fund, the assets and liabilities of the involved parties were shown based on the Baltic Opportunity Fund’s book values. As a result of this merger, no goodwill was created. At the time of the merger, the Fund had no assets and liabilities of its own. Thus, historical financial and operational performance of Baltic Opportunity Fund prior to the merger is directly comparable the Fund’s performance after the merger. In these interim consolidated financial statements for the 6-month period ended 30 June 2016, Baltic Opportunity Fund’s financial results prior to the merger are presented as those of the Fund.

3. Operating segments

The Group's reportable segments are as follows:

- Retail segment – includes Europa Shopping Centre (Lithuania), Domus Pro Retail Park (Lithuania), and SKY Supermarket (Latvia) investment properties.
- Office segment – includes Lincona Office Complex (Estonia), G4S Headquarters (Estonia), and Upmalas Biroji (Latvia) investment properties.
- Leisure segment – includes Coca-Cola Plaza (Estonia) investment property.

For management purposes, the Group is organized into three business segments based on the type of investment property. Management monitors the operating results of business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on net rental income.

Information related to each reportable segment is set out below. Segment net rental income is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

Operating segments – 30 September 2016

'000 Euro	**Retail**	**Office**	**Leisure**	**Total**
01.01.2016 – 30.09.2016:				
External revenue[1]	4,802	1,605	737	7,144
Segment net rental income	**2,815**	**1,299**	**729**	**4,843**
Net gains or losses from fair value adjustment	507	1,504	350	2,361
Interest expenses	(723)	(446)	(226)	(1,395)
Income tax expenses	(430)	2	-	(428)
Segment net profit / (loss)	**2,382**	**2,636**	**934**	**5,952**
As at 30.09.2016:				
Segment assets	**62,265**	**57,126**	**13,101**	**132,492**
Investment properties	60,170	56,030	13,000	129,200
Segment liabilities	**40,238**	**28,745**	**7,148**	**76,131**

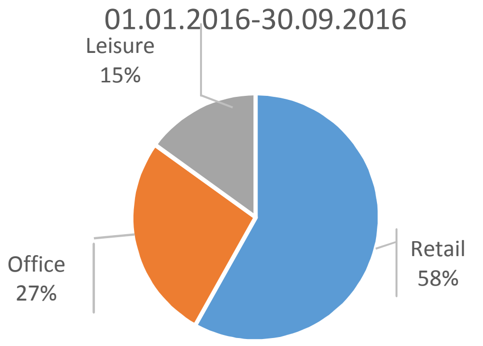
1. External revenue includes rental income and expense reimbursement revenue. The segments do not have inter-segment revenue.

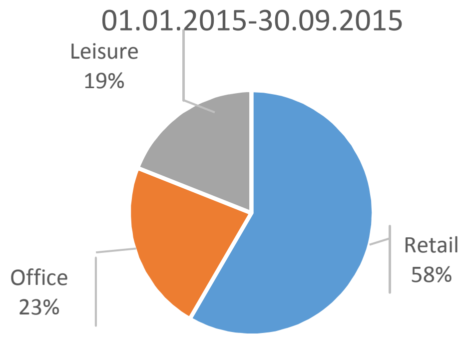
Operating segments – 30 September 2015

'000 Euro	**Retail**	**Office**	**Leisure**	**Total**
01.01.2015 – 30.09.2015:				
External revenue[1]	3,885	1,178	730	5,793
Segment net rental income	**2,212**	**856**	**721**	**3,789**
Net gains or losses from fair value adjustment	-	-	-	-
Interest expenses	(614)	(371)	(300)	(1,285)
Income tax expenses	(288)	-	-	(288)
Segment net profit	**1,363**	**913**	**533**	**2,809**
As at 31.12.2015:				
Segment assets	**61,077**	**15,611**	**12,759**	**89,447**
Investment properties	58,700	15,460	12,650	86,810
Segment liabilities	**41,480**	**8,870**	**7,353**	**57,703**

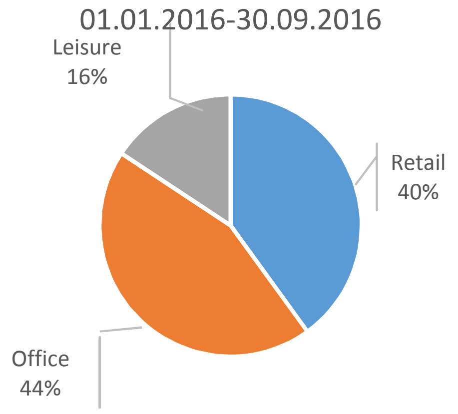
1. External revenue includes rental income and expense reimbursement revenue. The segments do not have inter-segment revenue.

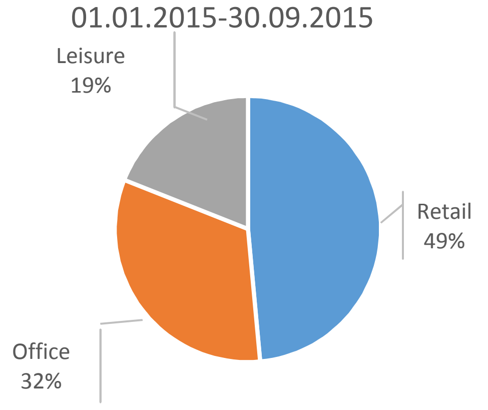
Segment net rental income*



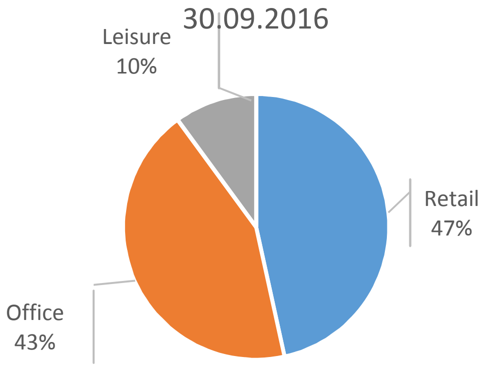


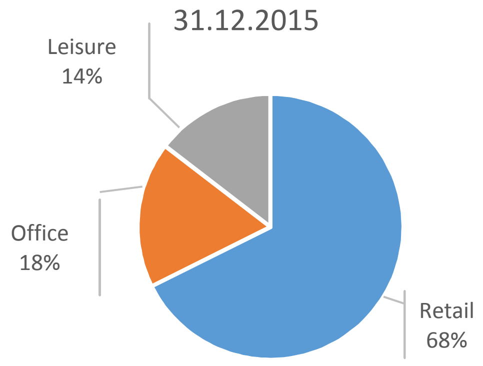
Segment net profit (loss)*





Investment properties*





*As a percentage of the total for all reportable segments

Reconciliation of information on reportable segments to IFRS measures

Operating segments – 30 September 2016

'000 Euro	Total Reportable Segments	Adjustments	Consolidated
01.01.2016 – 30.09.2016:			
Interest expenses	(1,395)	566[1]	(829)
Net profit / (loss)	**5,952**	**(1,372)[2]**	**4,580**
As at 30.09.2016:			
Segment assets	**132,492**	**1,205[3]**	**133,697**
Segment liabilities	**76,131**	**397[4]**	**76,528**

1. Eliminated intercompany transactions between Group entities.
2. Segment net profit does not include accrual for IPO related expenses (EUR 523 thousand), Fund management fee expense (EUR 513 thousand), performance fee (EUR 81 thousand), fund custodian fee (EUR 13 thousand) and other Fund-level administrative expenses (EUR 242 thousand).
3. Segment assets do not include cash, which is held at the Fund level (EUR 1,186 thousand) and Fund units acquired during the stabilization period (EUR 19 thousand).
4. Segment liabilities do not include, management fee payable (EUR 207 thousand), final price adjustment liability in regards to Upmalas Biroji acquisition (EUR 158 thousand), and other short-term payables (EUR 32 thousand) at Fund level.

Operating segments – 30 September 2015

'000 Euro	Total reportable segments	Adjustments	Consolidated
01.01.2015 – 30.09.2015:			
Interest expenses	(1,285)	497[1]	(788)
Net profit (loss)	**2,809**	**(473)[2]**	**2,336**
As at 31.12.2015:			
Segment assets	**89,447**	**261[3]**	**89,708**
Segment liabilities	**57,703**	**312[4]**	**58,015**

1. Eliminated intercompany transactions between Group entities.
2. Segment net profit does not include Fund management fee expense (EUR 388 thousand), fund custodian fee (EUR 11 thousand) and other administrative expenses (EUR 74 thousand).
3. Segment assets do not include cash, which is held at the Fund level (EUR 261 thousand).
4. Segment liabilities do not include management fee payable (EUR 214 thousand), performance fee accrual (EUR 80 thousand) and other short term payables (EUR 18 thousand) at Fund level.

Geographic information
Segment net rental income

'000 Euro	*External revenue*		*Investment property value*	
	01.01.2016-30.09.2016	**01.01.2015-30.09.2015**	**30.09.2016**	**31.12.2015**
Lithuania	4,193	3,285	54,740	53,550
Latvia	768	600	28,960	5,150
Estonia	2,183	1,908	45,500	28,110
Total	**7,144**	**5,793**	**129,200**	**86,810**

Major tenant
During nine months ended September 2016, rental income from one tenant in leisure segment represented EUR 737 thousand of the Group's total rental income (EUR 730 thousand during the nine months period ended September 2015).

4. Cost of rental activities

'000 Euro	01.07.2016-30.09.2016	01.07.2015-30.09.2015	01.01.2016 - 30.09.2016	01.01.2015 - 30.09.2015
Utilities	345	320	1,040	894
Repair and maintenance	182	188	594	436
Property management expenses	98	120	286	283
Real estate taxes	56	60	181	152
Sales and marketing expenses	50	63	149	171
Property insurance	7	8	20	20
Allowance / (reversal of allowance) for bad debts	-	23	-	23
Other	9	2	31	25
Total cost of rental activities	**747**	**784**	**2,301**	**2,004**

Part of the total cost of rental activities (mainly utilities and repair and maintenance expenses) was recharged to tenants: EUR 1,810 thousand during nine months period ended September 2016 (EUR 1,482 thousand during nine month period ended September 2015) and EUR 617 thousand during Q3 2016 (EUR 582 thousand during Q3 2015).

5. Administrative expenses

'000 Euro	01.07.2016-30.09.2016	01.07.2015-30.09.2015	01.01.2016 - 30.09.2016	01.01.2015 - 30.09.2015
IPO related expenses	125	-	625	-
Management fee	208	138	513	388
Consultancy fees	60	2	88	31
Performance fee	-	-	81	-
Legal fees	35	27	57	134
Audit fee	15	10	35	28
Custodian fees	5	4	13	11
Property valuation fee	3	2	7	21
Other administrative expenses	31	3	43	8
Total administrative expenses	**482**	**186**	**1,462**	**621**

Up to 30 June 2016, the Management Company (Note 16) was entitled to receive an annual management fee, which was calculated as 1.9% of the Net Asset Value (NAV) per annum of the Fund's portfolio, determined as NAV at certain dates (the last Banking Day of each calendar month). As from 1 July 2016, the Management Company is entitled to receive an annual management fee which is calculated quarterly, based on the 3-month average market capitalisation of the Fund.

Up to 30 June 2016, the Management Company was entitled to calculate a performance fee of 20% of the average annual return on paid in capital if the average annual Return on paid in capital of the Fund exceeded 11% per annum.

After the Baltic Opportunity Fund merger with Baltic Horizon Fund starting from 1 July 2016, the Management Company is entitled to calculate the performance fee based on the annual adjusted funds from operations (AFFO) of the Fund. If AFFO divided by paid in capital during the year exceeds 8% per annum, the Management Company is entitled to a performance fee in the amount of 20% of the amount exceeding 8%. The performance fee based on this formula will be calculated starting from 1 January 2017. The performance fee first becomes payable in the fifth year of the Fund (i.e. 2020).

6. Financial expenses

’000 Euro	01.07.2016-30.09.2016	01.07.2015-30.09.2015	01.01.2016 - 30.09.2016	01.01.2015 - 30.09.2015
Interest on bank loans	302	273	829	788
Foreign currency exchange loss	-	-	-	4
Loan arrangement fee amortisation	5	8	11	22
Total financial expenses	**307**	**281**	**840**	**814**

7. Earnings per unit

The calculation of earnings per unit has been based on the following profit attributable to unit holders and weighted-average number of units outstanding.

Profit attributable to unit holders of the Fund:

’000 Euro	01.07.2016-30.09.2016	01.07.2015-30.09.2015	01.01.2016 - 30.09.2016	01.01.2015 - 30.09.2015
Profit for the period, attributed to the unit holders of the Fund	3,708	1,104	4,580	2,336
Profit for the period, attributed to the unit holders of the Fund	**3,708**	**1,104**	**4,580**	**2,336**

Weighted-average number of units:

	Note	30.09.2016	30.09.2015
Issued units at 1 January		250,167	217,197
Effect of units issued in February 2015		-	19,281
Effect of conversion from BOF to Baltic Horizon Fund		24,766,533	-
Effect of units issued in June 2016*	12a	14,146,820	-
Weighted-average number of units issued		**39,163,520**	**236,478**

*On June 30, 2016, BOF was merged with Baltic Horizon Fund. Unit holders of BOF received 100 units in Baltic Horizon Fund for 1 unit in BOF (ratio of 1:100). During the public offering 41,979,150 units were listed on the NASDAQ Tallinn stock exchange. This change was taken into account by restating the weighted-average number of units.

Basic and diluted earnings per unit

	01.07.2016-30.09.2016	01.07.2015-30.09.2015	01.01.2016 - 30.09.2016	01.01.2015 - 30.09.2015
Basic and diluted earnings per unit*	**0.09**	**4.57**	**0.12**	**9.88**

*There are no potentially dilutive instruments issued by the Group, therefore, the basic and diluted earnings per unit are the same.

8. Income tax

Real estate revenues, or capital gains derived from real estate are subject to taxes by assessment in the countries where real estate is situated. The Fund's subsidiaries depreciate their historical property cost in accordance with applicable tax regulations. Depreciation is deducted from taxable profits in determining current taxable income. The Group's consolidated effective tax rate in respect of continuing operations for the nine months ended 30 September 2016 was 8.5% (nine months ended 30 September 2015: 11%). The change in effective tax rate was caused mainly by the deferred tax accumulation in BOF Europa Holding UAB for the full nine months period (BOF Europa Holding UAB was acquired together with the Europa property on 2 March 2015).

The major components of income tax for the periods ended 30 September 2016 and 30 September 2015 were as follows:

'000 Euro	01.07.2016-30.09.2016	01.07.2015-30.09.2015	01.01.2016-30.09.2016	01.01.2015-30.09.2015
Consolidated statement of profit or loss				
Current income tax for the period	(14)	(11)	(33)	(30)
Deferred tax for the period (Note 12b)	(239)	(109)	(395)	(258)
Income tax expense reported in profit or loss	**(253)**	**(120)**	**(428)**	**(288)**
Consolidated statement of other comprehensive income				
Deferred income tax related to items charged or credited to equity:				
Revaluation of derivative instruments to fair value	(7)	14	(1)	11
Income tax expense reported in other comprehensive income	**(7)**	**14**	**(1)**	**11**

9. Investment property

Investment property represents buildings, which are rented out under lease contracts, and land.

'000 Euro	30.09.2016	31.12.2015
Balance at 1 January	**86,810**	**-**
Acquisition of investment property	15,454	-
Investment property acquired in business combination	23,576	81,957
Additions (subsequent expenditure)	999	2,967
Disposals	-	(1,000)
Net revaluation gain / (loss)	2,361	2,886
Closing balance	**129,200**	**86,810**

Acquisition of G4S Headquarters

On 12 July 2016, the Fund acquired G4S property located in Tallinn, Estonia, in an asset deal for a purchase price of EUR 15.4 million. Transaction costs related to the acquisition amounted to EUR 29 thousand.

Acquisition of Upmalas Biroji

On 30 August 2016, the Group acquired 100% of the voting shares of Kontor SIA, an unlisted company based in Latvia. Kontor SIA owns Upmalas Biroji property. The management of the Group was of opinion that this acquisition qualifies to be a business combination because of the following reasons:

- Complex property management process.
- Acquired property was with tenants and related processes;
- No employees exist to manage the processes, however, these processes are outsourced to the external property management company.

The fair value of the consolidated identifiable assets and liabilities of Kontor SIA as at the date of acquisition were:

'000 Euro	**Fair value recognized on acquisition**
Investment property	23,576
Deferred tax asset	33
Trade and other receivables	103
Cash and cash equivalents	230
Total assets	**23,942**
Interest bearing loans and borrowings	14,539
Trade and other payable	487
Total liabilities	**15,026**
Net assets	**8,916**
Total consideration	**8,916**

The total cost of the acquisition was EUR 8,916 thousand. EUR 8,758 thousand was paid in cash in August 2016 and the remaining EUR 158 thousand was paid to the seller on 13 October 2016.

Cash outflow on acquisition:

'000 Euro	**Total**
Net cash acquired with the subsidiary	230
Cash paid for the acquisition	(8,758)
Net cash outflow on acquisition	**(8,528)**

From the date of acquisition on 30 August 2016 until 30 September 2016, Kontor SIA has contributed EUR 158 thousand to the rental income of the Group and EUR 32 thousand to the net profit of the Group. If the combination had taken place at the beginning of 2016, the revenue contribution would be 818 thousand and net profit for the Group would have been EUR 130 thousand for the period from 1 January to 30 September 2016.

Fair value hierarchy

The following table shows an analysis of the fair values of investment properties recognised in the statement of financial position by level of the fair value hierarchy:

30 September 2016	Level 1	Level 2	Level 3	Total	Total gain or (loss) 9 months of 2016 in the income statement
Lithuania – Europa (retail)	-	-	38,000	38,000	565
Lithuania – Domus Pro (retail)	-	-	16,740	16,740	(323)
Latvia – SKY (retail)	-	-	5,430	5,430	265
Latvia – Upmalas Biroji (office)	-	-	23,530	23,530	(47)
Estonia – Lincona (office)	-	-	15,700	15,700	205
Estonia – Coca-Cola Plaza (leisure)	-	-	13,000	13,000	350
Estonia – G4S (office)	-	-	16,800	16,800	1,346
Total	**-**	**-**	**129,200**	**129,200**	**2,361**

There were no transfers between Levels during the years. Gains and losses recorded in profit or loss for fair value measurements categorised within Level 3 of the fair value hierarchy amount to gain of EUR 2,361 thousand as at 30 September 2016 (30 September 2015: none) and are presented in the consolidated income statement in line ‘Valuation gains / (loss) on investment properties’.

Valuation techniques used to derive Level 3 fair values

As of 30 September 2016 valuations of investment properties were performed by Colliers International and DTZ Kinnisvaraekspert.

The table below presents the following for each investment property:

- A description of the valuation techniques applied;
- The inputs used in the fair value measurement;
- Quantitative information about the significant unobservable inputs used in the fair value measurement.

As of 30 September 2016:

Property	Valuation technique	Key unobservable inputs	Range
Europa Shopping centre, Vilnius (Lithuania)	DCF	- Discount rate	7.5%
Total rentable space – 22,611 sq, m.		- Rental growth p.a.	0.0% - 2.4%
Segment – Retail		- Long term vacancy rate	3.0% - 5.0%
Year of construction/renovation – 2004		- Exit yield	7.25%
Domus Pro Retail Park, Vilnius (Lithuania)	DCF	- Discount rate	8.4%
Total rentable space – 7,505 sq, m.		- Rental growth p.a.	0.0% - 2.5%
Segment – Retail		- Long term vacancy rate	2.0% - 7.0%
Year of construction/renovation – 2013		- Exit yield	8.0%
Lincona Office Complex, Tallinn (Estonia)**	DCF	- Discount rate	8.6%
Total rentable space – 10,849 sq, m.		- Rental growth p.a.	0.0% - 2.3%
Segment – Office		- Long term vacancy rate	5.0% - 10.0%
Year of construction/renovation – 2002 / 2008		- Exit yield	7.8%
Coca-Cola Plaza , Tallinn (Estonia)	DCF	- Discount rate	8.2%
Total rentable space – 8,664 sq, m.		- Rental growth p.a.	0.8-1.5%
Segment – Leisure		- Long term vacancy rate	0.0%
Year of construction/renovation – 1999		- Exit yield	7.8%
G4S Headquarters, Tallinn (Estonia)	DCF	- Discount rate	8.5%
Total rentable space – 8,363 sq, m.		- Rental growth p.a.	0.2-2.70%
Segment – Office		- Long term vacancy rate	3.0%
Year of construction/renovation – 2013		- Exit yield	7.25%
SKY Supermarket, Riga (Latvia)	DCF	- Discount rate	7.9%
Total rentable space – 3,240 sq, m.		- Rental growth p.a.	1.4% - 1.7%
Segment – Retail		- Long term vacancy rate	1.0%
Year of construction/renovation – 2000 / 2010		- Exit yield	7.75%
Upmalas Biroji, Riga (Latvia)	DCF	- Discount rate	7.3%
Total rentable space – 10,419 sq, m.		- Rental growth p.a.	0.5-4.4%
Segment – Office		- Long term vacancy rate	1.5%
Year of construction/renovation – 2008		- Exit yield	7.2%

Descriptions and definitions

The table above includes the following descriptions and definitions relating to valuation techniques and key unobservable inputs made in determining the fair values:

Discounted Cash Flows (DCF)
Under the DCF method, a property's fair value is estimated using explicit assumptions about the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This involves the projection of a series of cash flows and to this, an appropriate, market-derived discount rate is applied to establish the present value of the income stream. The duration of the cash flow and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related lease up periods, re-letting, redevelopment, or refurbishment.

Rental growth
The estimated average increase in rent based on both market estimations and contractual indexations.

Long term vacancy rate
Long-term vacancy rate is determined based on the percentage of estimated vacant space divided by the total lettable area.

Discount rate
Rate used to discount the net cash flows generated from rental activities during the period of analysis.

Exit yield
A rate used to estimate the resale value of a property at the end of the holding period. The expected net operating income per year is divided by the terminal cap rate to get the terminal value. The exit yield is calculated according to the growth rate of the stabilized net operating income or based on forecast.

Highest and best use
For all investment property that is measured at fair value, the current use of the property is considered the highest and best use.

10. Trade and other receivables

'000 Euro	30.09.2016	31.12.2015
Trade receivables, gross	456	570
Less impairment allowance for doubtful receivables	(22)	(22)
Accrued income	118	174
Other accounts receivable	170	118
Total	**722**	**840**

Trade receivables are non-interest bearing and are generally on 30-day terms.

As at 31 December 2015, trade receivables at nominal value of EUR 22 thousand were impaired and fully provisioned.

Movements in the impairment allowance for receivables were as follows:

'000 Euro	30.09.2016	31.12.2015
Balance at 1 January	(22)	-
Charge for the period	-	(22)
Balance at end of period	**(22)**	**(22)**

The ageing analysis of trade receivables not impaired is as follows (at the end of the period):

'000 Euro	Total	Neither past due nor impaired	Past due but not impaired				
			<30 days	30-60 days	60-90 days	90-120 days	>120 days
30.09.2016	**434**	221	76	14	14	6	103
31.12.2015	**548**	241	93	29	24	6	155

11. Cash and cash equivalents

’000 Euro	30.09.2016	31.12.2015
Cash at banks and on hand	3,245	1,677
Total cash	**3,245**	**1,677**

As at 30 September 2016, the Group had to keep at least EUR 400 thousand of cash in its bank accounts due to certain restrictions in bank loan agreements.

12. Equity

12a. Paid in capital

New units were offered through public offering from 8 June 2016 until 29 June 2016. During the public offering 41,979,150 units were listed on NASDAQ Tallinn stock exchange, the offer price was EUR 1.3086 per unit, the total issue proceeds – EUR 29.7 million. Share capital was increased by EUR 21 million and remaining amount of EUR 8.7 million was used to redeem the units for investors who decided to exit the Fund. As at 30 September 2016, the paid in capital of Baltic Horizon Fund is represented by 41,979,150 units (as at 31 December 2015: 250,167).

Units issued are presented in the table below:

’000 Euro	Number of units	Amount
As at 1 January 2016	**250,167**	**25,674**
Effect of conversion from BOF to Baltic Horizon Fund*	24,766,508	-
Units issued in June 2016**	22,709,723	28,483
Units redeemed in June 2016	(5,747,248)	(7,521)
Total issued during the year	**41,728,983**	**20,962**
As at 30 September 2016	**41,979,150**	**46,636**

*On June 30, 2016, BOF was merged with Baltic Horizon Fund. Unit holders of BOF received 100 units in Baltic Horizon Fund for 1 unit in BOF (ratio of 1:100).
**net of subscription fees of EUR 1,235 thousand.

Subsidiaries did not hold any units of the Fund as at 30 September 2016.

The Fund held 15,000 its own units as at 30 September 2016 that have been acquired during the stabilization period. The stabilization was undertaken for the Baltic Horizon Fund during 30 days after listing it on Nasdaq Tallinn Stock Exchange. The Fund units were purchased on 7 July 2016 on Nasdaq Tallinn at 1.3086 EUR per unit, which equalled to the IPO price. No more trades were made during the stabilization period as part of stabilization.

12b. Cash flow hedge valuation reserve

This reserve represents the fair value of the effective part of the derivative financial instruments (interest rate swaps), used by the Fund to hedge the cash flows from interest rate risk in the period ended on 30 September 2016.

'000 Euro	30.09.2016	31.12.2015
Balance at the beginning of the year	**(199)**	**-**
Fair value of hedge acquired*	-	(194)
Movement in fair value of existing hedges	(65)	(23)
Movement in deferred income tax (Note 8)	(1)	18
Net variation during the period	**(66)**	**(5)**
Balance at the end of the period	**(265)**	**(199)**

*Starting as from January 1, 2015 the Fund ceased to be treated as an investment entity and consequently is required to consolidate all of its subsidiaries.

12c. Dividends

During the first nine month period the Fund did not paid dividends. On 12 October 2016, the Fund declared a dividend distribution of EUR 1,091,458 (EUR 0.026 per unit).

13. Interest bearing loans and borrowings

'000 Euro	Maturity	Effective interest rate	30.09.2016	31.12.2015
Non-current borrowings				
Bank 1	Dec 2017	1M EURIBOR + 1.45%	7,055	7,169
Bank 1	Dec 2017	3M EURIBOR + 3.00%	1,473	1,533
Bank 3	May 2018	3M EURIBOR + 2.50%	8,279	8,141
Bank 1	Mar 2018	3M EURIBOR + 1.50%	23,666	24,331
Bank 1	Aug 2021	3M EURIBOR + 1.75%	2,625	-
Bank 2	Mar 2019	3M EURIBOR + 1.90%	7,113	-
Bank 1	Aug 2021	6M EURIBOR + 1.45%	7,739	-
Bank 4	Mar 2018*	3M EURIBOR + 2.95%	11,753	-
Less current portion			(1,958)	(1,588)
Total non-current debt			**67,745**	**39,586**
Current borrowings				
Bank 1	Aug 2016	3M EURIBOR + 2.10%	-	2,708
Bank 2	Mar 2016	3M EURIBOR + 2.60%	-	7,312
Current portion of non-current borrowings			1,958	1,588
Total current debt			**1,958**	**11,608**
Total			**69,703**	**51,194**

*The Fund has agreed with Nordea Bank to refinance the loan in October 2016. The purpose of the loan refinancing is to lower the costs of the financing.

Loan securities

For the borrowings received, the following pledges and securities were present as of 30 September 2016:

	Mortgages of the property	Second rank mortgages for derivatives	Pledges of receivables	Pledges of bank accounts	Share pledge
Bank 1	Lincona, SKY, G4S and Europa	Europa	Lincona, SKY and Europa	Europa, SKY	
Bank 2	Coca-Cola Plaza		Coca-Cola Plaza	Coca-Cola Plaza	
Bank 3	Domus Pro	Domus Pro	Domus Pro		BOF Domus Pro UAB
Bank 4	Upmalas Biroji			Upmalas Biroji	

14. Trade and other payables

'000 Euro	30.09.2016	31.12.2015
Trade payables	531	686
Accrued expenses	99	235
Accrued expenses related to Domus Pro stage II acquisition	-	745
Accrued financial expenses	21	17
Tax payables	130	120
Other payables	402	233
Total trade and other payables	**1,183**	**2,036**

Terms and conditions of trade and other payables:

- Trade payables are non-interest bearing and are normally settled on 30-day terms.
- Other payables are non-interest bearing and have an average term of 3 months.

15. Commitments and contingencies

15a. Litigation

As at 30 September 2016, there was no ongoing litigation, which could materially affect the consolidated financial position of the Group.

15b Contingent liabilities

On 1 December 2015, the Group entered into agreement with TK Development to increase the value of Domus Pro Retail Park by constructing and developing office and commercial building (stage III) on the land plot nearby the Domus Pro stage II. Construction of stage III may be commenced if at least 50% of gross letting area of office and retail building of stage III is preleased and at least 20% of gross leting area of office and retail building of stage III are under the head of terms and the building permitting of the stage III is obtained. In case the commencement conditions precedent was not met until 30 November 2016, the Group:

1. is released from any obligations of this agreement, however, if the commencement conditions precedent of stage III were not met due to the fault of the Group, it must cover the costs related to preparation for the development of stage III;
2. if the commencement conditions precedent of stage III were not met due to the fault of TK Development by 30 November 2016, the Group should initiate separation of the part of the land plot related to stage III. Once the land plot is legally formed and registered, the Group shall sell the land plot in land SPA to TK

Development for the price equal to the market price. The Group shall also pay to TK Development remuneration for development services delivered until the date of concluding land separation;
3. In case the land is not separated until 31 May 2017 and/or the land SPA is not signed until 31 July 2017 due to the fault of the Group, the Group shall pay to TK Development the amount of EUR 1,000 thousand.

The Group did not have any other contingent liabilities at the end of 30 September 2016.

16. Related parties

During the reporting period, the Group entered into transactions with related parties. Those transactions and related balances are presented below. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. All transactions between related parties are priced on an arm's length basis.
<u>Northern Horizon Capital AS</u>
As set out in Baltic Horizon Fund Rules, Northern Horizon Capital AS (the Management Company) carries out asset manager functions on behalf of the Fund and the Fund pays management fees for it (Note 5).

<u>TK Development Lietuva UAB</u>
In an agreement entered into on 30 July 2013, TK Development Lietuva UAB acts as the development project manager of Domus Pro Retail Park.

The Group's transactions with related parties during the 9-month period ended 30 September 2016 and 2015 were the following:

	01.01.2016-30.09.2016	01.01.2015-30.09.2015
Northern Horizon Capital AS group		
Management fees	(513)	(250)
Performance fees	(81)	-

The Group's balances with related parties as at 30 September 2016 and 31 December 2015 were the following:

	30.09.2016	31.12.2015
Northern Horizon Capital AS group		
Management fees payable	208	214
Performance fees payable	-	80
TK Development Lietuva UAB		
Accrued expenses related to Domus Pro stage II acquisition	-	745

Up to 30 June 2016, the Management Company was entitled to receive an annual management fee, which was calculated as 1.9% of the Net Asset Value (NAV) per annum of the Fund's portfolio, determined as NAV at certain dates (the last banking day of each calendar month). As from 1 July 2016, the Management Company is entitled to receive an annual management fee which is calculated quarterly, based on the 3-month average market capitalisation of the Fund. In case the market capitalisation is lower than 90% of the NAV of the Fund, the amount equal to 90% of the NAV of the Fund shall be used for the management fee calculation instead of the market capitalisation. The fee is based on the following rates and in the following tranches:

- 1.50% of the market capitalisation below EUR 50 million;
- 1.25% of the part of the market capitalisation that is equal to or exceeds EUR 50 million and is below EUR 100 million;

- 1.00% of the part of the market capitalisation that is equal to or exceeds EUR 100 million and is below EUR 200 million;
- 0.75% of the part of the market capitalisation that is equal to or exceeds EUR 200 and is below EUR 300 million;
- 0.50% of the part of the market capitalisation that is equal to or exceeds EUR 300 million.

Up to 30 June 2016, the Management Company was entitled to calculate a performance fee of 20% of the average annual return on paid in capital if the average annual return on paid in capital of the Fund exceeds 11% per annum. As from 1 July 2016, the Management Company is entitled to calculate the performance fee based on the annual adjusted funds from operations (AFFO) of the Fund. If AFFO divided by paid in capital during the year exceeds 8% per annum, the Management Company is entitled to a performance fee in the amount of 20% of the amount exceeding 8%. The performance fee based on this formula will be calculated starting from 1 January 2017. The performance fee first becomes payable in the fifth year of the Fund (i.e. 2020).
Northern Horizon Capital AS owns 1,122,732 units of the Fund.
TK Development Lietuva UAB owns 1,225,022 units of the Fund.

Entities having control or significant influence over the Fund
The holders of units owning more than 5 % of the units in total as of 30 September 2016 and 31 December 2015 are provided in the tables below:

As at 30 September 2016

	Number of units	Percentage
Catella Bank SA on behalf of its clients	9,831,160	23.42%
Skandinaviska Enskilda Banken AB on behalf of its clients	8,881,815	21.16%
Svenska Kyrkans Pensionskassa	8,061,604	19.20%
Skandinaviska Enskilda Banken SA Clients	4,584,933	10.92%

On 30 June 30 2016, BOF was merged with Baltic Horizon Fund. Unit holders of BOF received 100 units in Baltic Horizon Fund for 1 unit in BOF (ratio of 1:100).

As at 31 December 2015

	Number of units	Percentage
Svenska Kyrkans Pensionskassa	115,165	46.0 %
Skandinaviska Enskilda Banken SA Clients	41,703	16.7 %
SEB Pank Clients AS	20,554	8.2 %

Except for dividends paid, there were no transactions with the shareholders disclosed in the tables above.

17. Financial instruments

Fair values

Set out below is a comparison by category of the carrying amounts and fair values of all of the Group's financial instruments carried in the consolidated financial statements:

	Carrying amount		Fair value	
	30.09.2016	**31.12.2015**	**30.09.2016**	**31.12.2015**
Financial assets				
Trade and other receivables	722	840	722	840
Cash and cash equivalents	3,245	1,677	3,245	1,677
Financial liabilities				
Interest-bearing loans and borrowings	(69,703)	(51,194)	(69,703)	(51,670)
Trade and other payables	(1,183)	(2,036)	(1,183)	(2,036)
Derivative financial instruments	(297)	(232)	(297)	(232)

Fair value hierarchy

Quantitative disclosures of the Group's financial instruments in the fair value measurement hierarchy as at 30 September 2016 and 31 December 2015:

Period ended 30 September 2016	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Financial assets				
Trade and other receivables	-	-	722	**722**
Cash and cash equivalents	-	3,245	-	**3,245**
Financial liabilities				
Interest-bearing loans and borrowings	-	-	(69,703)	**(69,703)**
Trade and other payables	-	-	(1,183)	**(1,183)**
Derivative financial instruments	-	(297)	-	**(297)**

Year ended 31 December 2015	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Financial assets				
Trade and other receivables	-	-	840	**840**
Cash and cash equivalents	-	1,677	-	**1,677**
Financial liabilities				
Interest-bearing loans and borrowings	-	-	(51,670)	**(51,670)**
Trade and other payables	-	-	(2,036)	**(2,036)**
Derivative financial instruments	-	(232)	-	**(232)**

Management assessed that the carrying amounts of cash and short-term deposits, rent and other receivables, trade payables and other current liabilities approximate their fair values largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions are used to estimate the fair values:

- Trade and other receivables are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer, and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses on these receivables. As at 30 September 2016 the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The fair value of derivatives has been calculated by discounting the expected future cash flows at prevailing interest rates.
- The fair values of the Group's interest-bearing loans and borrowings are determined by using the discounting the expected future cash flows at prevailing interest rates.
- Cash and cash equivalents are attributed to level 2 in the fair value hierarchy.

18. Derivative financial instruments

The Group has entered into a number of interest rate swaps ('IRS') with DnB Nord, SEB and Nordea banks. The purpose of interest rate swaps is to hedge the interest rate risk arising from the interest rate fluctuations of the Group's non-current loans and some of the Group's current loans because the Group's policy is to have fixed interest expenses. According to the IRS agreements, the Group makes fixed interest payments to the bank and receives variable interest rate payments from the bank.

IAS 39 (Financial Instruments: Recognition and Measurement) allows hedge accounting provided that the hedge is expected to be highly effective. In such cases, any gain or loss recorded on the fair value of the financial instrument is recognised in an equity reserve rather than the income statement. Specific documentation on each financial instrument is required to be maintained to ensure compliance with hedge accounting principles (Note 12b).

Derivative type	Starting date	Maturity date	Notional amount	Variable rate (received)	Fixed rate (paid)	Fair value	
						30.09.2016	**31.12.2015**
IRS	Sep 2013	Aug 2016	1,100	3M Euribor	0.60 %	-	(4)
IRS	Sep 2013	Mar 2016	5,975	3M Euribor	0.74 %	-	(13)
IRS	Dec 2014	May 2018	7,542	3M Euribor	0.50 %	(91)	(99)
IRS	Sep 2015	Mar 2018	19,474	3M Euribor	0.15 %	(125)	(116)
IRS	Aug 2016	Aug 2021	7,750	6M Euribor	0.05 %	(81)	-
Derivative financial instruments, liabilities						**(297)**	**(232)**

Derivative financial instruments were accounted for at fair value as at 30 September 2016 and 31 December 2015. The maturity of the derivative financial instruments of the Group is as follows:

	Liabilities		Assets	
Classification according to maturity	**30.09.2016**	**31.12.2015**	**30.09.2016**	**31.12.2015**
Non-current	(297)	(215)	-	-
Current	-	(17)	-	-
Total	**(297)**	**(232)**	**-**	**-**

19. Subsequent events

On 12 October 2016, the Fund declared a dividend distribution of EUR 1,091,458 (EUR 0.026 per unit).

There were no other significant events after period end.

20. List of consolidated companies

Name	Registered office	Registration Number	Date of incorporation / acquisition	Activity	Interest in capital
BOF Lincona OÜ	Rävala 5, Tallinn, Estonia	12127485	20 June 2011	Asset holding company	100%
BOF Domus Pro UAB	Bieliūnų g. 1-1, Vilnius, Lithuania	225439110	1 May 2014	Asset holding company	100%
BOF SKY SIA	Valdemara 21-20, Riga, Latvia	40103538571	27 March 2012	Asset holding company	100%
BOF CC Plaza OÜ	Rävala 5, Tallinn, Estonia	12399823	11 December 2012	Asset holding company	100%
BOF Europa Holding UAB	Gynėjų 16, Vilnius, Lithuania	111811998	2 March 2015	Holding company*	100%
BOF Europa UAB	Gynėjų 16, Vilnius, Lithuania	300059140	2 March 2015	Asset holding company	100%
BH G4S OÜ	Hobujaama 5, 10151 Tallinn, Estonia	14065606	6 July 2016	Asset holding company	100%
Kontor SIA	Mūkusalas iela 101, LV-1004, Rīga, Latvia	40003771618	30 August 2016	Asset holding company	100%

BOF Europa Holding UAB holds 100% of Europa UAB. BOF Europa UAB is owned by the Fund indirectly.

The interim condensed consolidated financial statements for the period ended 30 September 2016 have been prepared following the accounting policies and the manner of presenting the information in line with the International Financial Reporting Standards (IFRS) as adopted by the EU. The interim condensed consolidated financial statements provide a true and fair view of the assets, liabilities, financial position and profit of the company.

The interim management report gives a true and fair view of the main events occurred during the 9 months of the financial year and of their effect to the condensed interim financial statements. It includes the description of the main risks and unclear aspects that can, based on the sensible judgement of the Management Board, have an impact on the company during the remaining 3 months of the financial year.

The financial statements of Baltic Horizon Fund were approved by the management board of the Management Company on 8 November 2016.

Name and position	Signature	Date
Tarmo Karotam Chairman of the management board	_____________	_____________
Aušra Stankevičienė Member of the management board	_____________	_____________
Algirdas Jonas Vaitiekūnas Member of the management board	_____________	_____________