



BALTIC HORIZON

**UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2017**

Baltic Horizon Fund

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	Tornimäe 2 Tallinn 10145 Estonia
Phone	+372 6 743 200
Fund Manager	Tarmo Karotam
Supervisory Board of the Fund	Raivo Vare (Chairman) Andris Kraujins Per Moller David Bergendahl
Remuneration of the Supervisory Board	EUR 48,000 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 Daiva Liubomirskiene
Depositary	Swedbank AS



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DEFINITIONS OF KEY TERMS AND ABBREVIATIONS

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.
Dividend	Cash distributions paid out of the cash flows of the Fund in accordance with the Fund Rules.
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 Real Estate Investment Trusts (REITs).
Fund	Baltic Horizon Fund
IFRS	International Financial Reporting Standards
Management Company	Northern Horizon Capital AS, register code 11025345, registered address at Tornimäe 2, Tallinn 15010, 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 and subsequent capital expenditure of the property
Net Initial Yield	NOI divided by market value of the 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.
LTV	Loan to value ratio. The ratio is calculated as the amount of the external bank loan debt divided by the carrying amount of investment property.



Baltic Horizon Fund

MANAGEMENT REVIEW

GENERAL INFORMATION ABOUT THE FUND

Baltic Horizon Fund (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 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 dual-listed on the Fund List of the Nasdaq Tallinn Stock Exchange and the Nasdaq Stockholm's Alternative Investment Funds market.

Baltic Horizon Fund was merged with Baltic Opportunity Fund ("BOF") on 30 June 2016. Baltic Horizon is the remaining entity which took over 5 assets of BOF and its investor base.

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's focus is on established cash flow generating properties with potential to add value through active management within the retail, office and logistics 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% of the market capitalisation as the Fund's assets grow.

The Fund operates under the REIT concept whereby the vast majority of the Fund's cash earnings are paid out 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 4 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, Northern Horizon Capital Group has been able to build a strong and cohesive team from diverse backgrounds with a focus on being conservative and thorough, yet dynamic in real estate acquisitions and management.

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 strong commitment, transparency and fair dealings. The investor's best interest is always considered by the Management Company to make sure that the investor is treated fairly. The Management Board ensures that conflicts of interests between related parties are avoided or are as small as possible.



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Management Company is obliged to establish, maintain and document procedures to identify, prevent and manage conflicts of interest and, when necessary, issue supplementing instructions to the policies, instructions and guidelines.

The Fund has a supervisory board which consists of qualified members with recognized experience in the real estate markets in Estonia, Latvia, and Lithuania, impeccable reputation and appropriate education.

The fund administration services were outsourced to Swedbank AS, a public limited company (in Estonian: *aktsiaselts*) registered in the Estonian Commercial Register under the registry code 10060701 under a Fund Administration Agreement. Currently the fund administration services are being taken over by the Management Company and by the end of December 2017 will be provided in-house. Accounting and depository services will continue to be provided by Swedbank AS.

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 the 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 and the Supervisory Board of the Fund.

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On 4 August 2017, the Fund declared approximately EUR 1.2 million cash distribution to investors, which represents 0.018 distribution per unit. Compared to the previous cash distributions, the decrease in dividends is related to the latest capital call at the end of Q2 which has not been fully deployed. Despite of the decrease, the management of the Fund remains committed to provide a strong cash stream to its investors. Since the beginning of the year the Fund has already distributed EUR 3.9 million in total cash distributions to its investors.

During Q3 2017, the Fund successfully refinanced its Europa Shopping centre bank loan by repaying EUR 2.1 million of the existing bank loan. After refinancing the loan, the financing conditions of Europa shopping centre improved substantially. This will help the Fund to make stronger cash distributions to its unitholders.

MACROECONOMIC FACTORS IN THE BALTIC STATES

The economic recovery in the Eurozone is gaining pace and the overall picture is looking healthier than for many years before. Growth has become more broad based, both across sectors and countries, picking up across the Eurozone's four largest economies despite the diverging maturity of business cycles. The euro has strengthened and is expected to continue appreciating and oil prices are no longer expected to increase significantly from current levels. All this implies that inflation is likely to stay below 1.5%. Thus, it is expected that ECB will continue with asset purchases until the end of 2018 albeit in gradually decreasing amounts in order to avoid a too abrupt euro appreciation and a rise in government bond yields.

An upturn continues also in the Nordic countries, where the Norwegian economy has recovered from the oil sector downturn and the Danish economy is supported by household demand and a stronger labour market. In Finland, the economy is expanding and growth is finally picking up strongly from the low levels of



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the years before. After impressive growth, the Swedish economy is now beginning to slow down but will still continue to expand at around 2% p.a.

Given the above, it is forecasted that the Estonian economy will grow more strongly than forecasted before, by an average of 3% p.a. in 2017-2019. In Latvia, GDP growth accelerated to an impressive 6.2% year on year in Q3 2017. Exports of both goods and services continue to increase at double digit rates, covering a wide range of countries and product/service groups. Latvia has benefitted from strong external demand, investments have finally recovered from a very low base, and a rebound in consumer confidence has lifted household consumption. It is forecasted that the economy will expand by more than 4% in 2017-2018 and the growth will moderate to 3.2% in 2019. For similar reasons, in 2017 Lithuania's GDP growth is likely to remain close to 4%. Exports have jumped and long-lagging investments are also rebounding. Inflation in the Baltics is expected to accelerate in 2017-2018 due to higher commodity prices and excise taxes and growing labour costs. Upcoming elections in Estonia and Latvia in 2018-2019 are expected to keep their fiscal policy expansionary.

The Baltic countries, which are part of the Northern European economic region, continue to attract real estate investors due to their investment returns which are higher than in the Western European or Scandinavian countries. In Q3 2017, average yields for prime retail and office assets in the Baltic capitals remained around 6.5%, with the most attractive properties being bought at yields up to 50 basis points lower than average yield. Secondary properties are producing yields of around 7.50%. Local Baltic, Nordic and Eastern European investors are still the key players. The square-meter prices of commercial buildings are still 3-4 times less than those seen in the Nordic capitals. In Estonia the most active segments were office, retail and logistics. In Latvia retail was the strongest followed by office and in Lithuania the most active segments were logistics and retail.

New offices are being built for expanding nearshoring tenants such as Danske Bank Global Services, Swedbank and Telia, just to name a few. In Vilnius it is expected that over the next two years, 140,000 sq. m. of new office space will be commissioned. The average vacancy rate has risen to approx. 5% and is expected to increase slightly due to new openings. The average office rent in Vilnius has risen to 14-17 EUR / sq. m. in CBD (central business district) locations and 11-14 EUR / sq. m. in other central locations. After several years, Riga has also started to see new office buildings of superior efficiency and quality and a further 100,000 sq. m. of office space is in the pipeline. Vacancy rates in the Riga A-class segment are around 3% and tenants lack good alternatives. This is why in selected high-quality properties rents have increased to the levels of 14-15 EUR / sq. m. In Tallinn, top rents are expected to remain stable between 15-17.5 EUR / sq. m. Due to large supply of new office premises of approx. 120,000 sq. m., downward pressures exist especially for B-class office buildings and rents are expected to range between 8-13 EUR / sq. m. with the higher end of the range in new developments. Vacancy in the A-class segment is currently almost non-existent but with the new supply it is expected to start increasing as it will take several years before demand absorbs the new supply.

In the Tallinn retail segment rents and vacancies have been stable for years. For anchor tenants rents are between 8-13 EUR / sq. m. and for smaller tenants in busy locations as high as 50 EUR / sq. m.. In Tallinn retail space per capita is above the EU average (approx. 1.1 sq. m. per capita) which can largely be explained by the vast number of Finnish shoppers in Tallinn per year. However, if the T1 and Porto Franco projects are finalized in 2018 the gross lettable area in Tallinn will increase considerably, by 90,000 sq. m. Such a big increase will affect the low vacancy rates and put pressure on rents, especially in weaker and smaller retail centres. All in all new shopping centres and expansions are aiming to win over customers by offering stronger concepts focusing on entertainment, various activities and restaurants.

After more than five years, there will also be a new retail development in Riga. Akropolis Group has announced the initiation of the construction of a 60,000 sq. m. shopping centre. In addition, Linstow is planning the expansion of Alfa and Origo. Due to its sheer size, when completed, Akropolis is likely to have an impact on the hitherto stable retail scene in Riga with an expected increase in vacancies from the current



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0% levels. In Vilnius where retail space per capita is as low as in Riga (approx. 0.7 sq. m. per capita) investors have updated their ambitious plans to start the development of Central Mall (60,000 sq. m.) and the second Akropolis shopping centre (up to 70,000 sq. m.) in Vilnius, but not before 2018–2019. Until then the retail market is expected to remain stable with low vacancies and rental levels comparable to Tallinn.

In regards to new large scale tenants in the three capitals, new neighbourhood supermarkets are being built by Lidl who has re-entered the Lithuanian and Estonian markets. Furthermore, after the opening of an IKEA store in Vilnius in 2013, the building of IKEA's first flagship store in Riga is well under way and is expected to open in 2018. Due to increased competition coming from new supply, tenants under long term fixed contracts and well conceptualized office and retail properties have become increasingly important for real estate investors looking to achieve superior yields.

Both Latvia and Estonia have made some changes to their tax laws but these are not expected to have any direct or marked impact on the performance of the Fund.

FINANCIAL REPORT

Financial position and performance of the fund

Since the beginning of the year the GAV of the Fund increased by 9.6% from EUR 154.9 million as at 31 December 2016 to EUR 169.7 million at the end of Q3 2017. During Q3 2017, the Fund refinanced Europa Shopping centre bank loan by repaying EUR 2.1 million. During the quarter, the Fund also made a cash distribution of EUR 1.2 million to its unitholders.

As of 30 September 2017, the Fund NAV increased from EUR 86.2 million to EUR 86.7 million, compared to the end of Q2 2017.

During nine months ended September 2017, the Fund recorded a net profit of EUR 4,167 thousand (EUR 4,580 thousand during nine months ended September 2016). In Q3 2017, the Fund earned a net profit of EUR 1,675 thousand (EUR 3,708 thousand during Q3 2016). Last year, the Fund's performance was affected by extraordinary investment property valuations which had a significant impact on its quarterly net profit. During Q3 2017, the Fund did not perform any new investment property valuations as from 2017 onwards properties will be revalued in June and December.

During nine months ended September 2017, the net rental operating income (NOI) earned by the Group amounted to EUR 7.8 million (EUR 4.8 million during nine months ended September 2016). In Q3 2017, the Fund recorded a EUR 2.6 million NOI (EUR 1.9 million in Q3 2016). The increase is related to new acquisitions that were made following the capital raisings at the end of 2016 and the beginning of 2017.



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Table 1: Quarterly Key Figures

<i>Euro '000</i>	Q3 2017	Q3 2016	Change (%)
Rental income	2,955	2,058	43.6%
Service charge income	820	617	32.9%
Cost of rental activities	(1,137)	(747)	52.2%
Net rental income	2,638	1,928	36.8%
Expenses related to public offerings	(61)	(125)	(51.2)%
Administrative expenses	(474)	(357)	32.8%
Other operating income / (expenses)	64	17	>100.0%
Valuation gains / (loss) on investment properties	-	2,802	(>100.0)%
Operating profit	2,167	4,265	(49.2)%
Financial income	2	3	(33.3)%
Financial expenses	(348)	(307)	13.4%
Net financing costs	(346)	(304)	13.8%
Profit before tax	1,821	3,961	(54.0)%
Income tax charge	(146)	(253)	(42.3)%
Profit for the period	1,675	3,708	(54.8)%
Weighted average number of units outstanding	60,006,856	39,163,520	53.2%
Earnings per unit (EUR)	0.03	0.09	(66.7)%
<i>Euro '000</i>	30.09.2017	31.12.2016	Change (%)
Investment property in use	157,822	141,740	11.3%
Gross asset value (GAV)	169,738	154,938	9.6%
Interest bearing loans	72,569	69,172	4.9%
Total liabilities	83,085	78,129	6.3%
Net asset value (NAV)	86,653	76,809	12.8%
Number of units outstanding	64,655,870	57,264,743	12.9%
Net asset value (NAV) per unit (EUR)	1.3402	1.3413	(0.1)%
Loan-to-Value ratio (LTV)	46.0%	48.8%	
Average effective interest rate	1.7%	1.8%	

The Fund also calculates EPRA NAV, which was EUR 95.5 million as at 30 September 2017. 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:



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Table 2: Adjustments for recalculating NAV to EPRA NAV

<i>Euro '000</i>	30.09.2017
IFRS NAV as of 30 September 2017	86,653
Exclude deferred tax liability on investment properties	8,701
Exclude fair value of financial instruments	163
Exclude deferred tax on fair value of financial instruments	(19)
EPRA NAV*	95,498
Amount of units	64,655,870
EPRA NAV per unit	1.4770

* 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 of Baltic Horizon Fund which consists of 9 properties in the Baltic capitals, continues to be virtually fully let producing very attractive cash flows. High occupancy is supported by the expectations that the Baltic economic growth is largely driven by domestic consumption and stronger export prospects. Baltic Horizon believes it has established a portfolio of strong retail and office assets with well-known and long term tenants including local commercial leaders, governmental tenants, nearshoring shared service centres and the Baltic headquarters of leading international companies. The management team has negotiated 2-year NOI guarantees from the sellers of three new properties in the portfolio: Upmalas Biroji, Pirita Centre and Duetto I office building.

On 14 November 2017, the Fund signed a sales-purchase agreement for the acquisition of Vainodes I office building located in Riga, Latvia. The total purchase price for the properties under agreement is approx. EUR 21.3 million corresponding to an approximate acquisition yield of 7%. Vainodes I office building is situated on the left bank of the river Daugava next to one of the main arterial roads of Riga – Karla Ulmana avenue. The office building is fully occupied and located within 10 minutes' drive from the city centre of Riga. The complex consists of a new office building, built in 2014, which is connected to a smaller reconstructed building. The total leasable area of the building is 8,052 sq. m. The anchor tenant is JSC Latvian State Forests (about 90% of GLA), other tenants include pharmaceutical company Abbvie and a cafeteria. The current detailed plan for the land plots includes an opportunity to construct up to 18,262 sq. m. of additional space and a parking house. Due to foreseen tax changes in Latvia from 1 January 2018 extensive additional due diligence has been conducted to secure maximum tax efficiency for the property company post acquisition. The transaction is expected to be closed in December.

In the Baltic retail sector during the first nine months of 2017, rents for small spaces remained in the range of EUR 23-55 sq. m. per month. Average retail rents in the Baltic capitals were EUR 15-35 per sq. m. for 150-350 sq. m. spaces while anchor tenants mostly paid EUR 4-11 per sq. m. Rental rates for medium and larger retail units are forecasted to be rather stable. The average rental range of retail assets in the Fund's portfolio was EUR 9.4-14.8 per sq. m. per month, therefore well in line with average market brackets.

Capital city office rents during the first nine months of 2017 stood at EUR 13 - 19 EUR per sq. m. per month for class A premises and EUR 8.0-13.0 sq. m. for modern class B offices. For comparison, the average rental level in Lincona and Duetto I was approx. EUR 10.6 per sq. m. and in Upmalas Biroji EUR 12.5 per sq. m., therefore also well in line with average market brackets. Overall the rental levels depend highly on the competitiveness of the buildings' locations, layout and level of surcharges. When comparing the three capitals, competition is the highest in Tallinn whereas in Riga, due to lack of new supply, landlords' negotiating positions are the strongest.

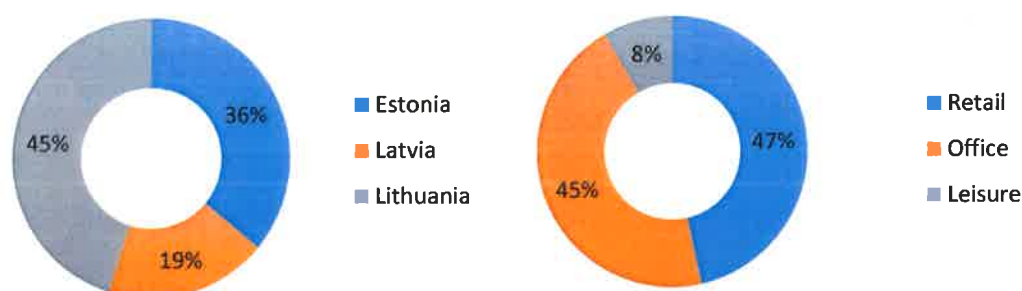


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The Baltic property yields in both office and retail segments continued to decrease and are expected to drop closer to 6% by year the end of 2017. The yields depend on the exact micro location, age, rental level and history of the property. At the same time the Baltic countries continue to maintain a yield value gap of 200-300 bps compared to the Western European and the Nordic countries and 100-150 bps to Poland as yields in the real estate asset class are contracting across the board.

Picture 1: Fund segment and country distribution



Property performance

The management of the Fund decided to provide two different yield calculations in this management review section. Direct property yield (DPY) is calculated by dividing NOI by the acquisition value and subsequent capital expenditure of the property. The net initial yield (NIY) is calculated by dividing the NOI by the market value of the property.

During Q3 2017, the average actual occupancy of the portfolio increased from 95.4% in Q2 2017 to 97.5% in Q3 2017. When all rental guarantees are considered, the effective occupancy rate is 98.0% (98.1% during Q2 2017). Average direct property yield during Q3 was 7.2% (Q2 2017: 7.2%). The net initial yield for the whole portfolio for Q3 2017 was 6.9%.

Lincona Office Complex, Tallinn (Estonia)

The average occupancy level remained stable at 96.6% at the end of Q3 (Q2 2017: 96.7%). Average direct property yield during Q3 decreased slightly from 7.8% to 7.4% (net initial yield during Q3 was 7.1%). The yield decrease is related to capital expenditure (CAPEX) incurred over the quarter. In Q3 2017, part of the façade was renovated in order to keep the building attractive for tenants and their employees. Furthermore the management team has successfully prolonged the agreement with one of the anchor tenants Swedbank, for a period of 5 years.

Domus Pro Retail Park, Vilnius (Lithuania)

The occupancy rate remains high at 98.2% (Q2 2017: 98.7%). Stage III is completed and many tenants have already moved in. First rent is expected to be received in Q4. The anchor tenants of stage III will be the expanding Fittus Sports club, Pet City, Inspecta, ALD Automotive and Pristis. As of the end of Q3 stage III was 90% preleased (60% as of the end of Q2) demonstrating the attractive offering that stage III constitutes as a BREEAM office building. During Q3 the average direct property yield for the first two stages was 7.5% (Q2 2017: 7.5%). The net initial yield for the quarter was 7.0%.

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



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SKY Supermarket, Riga (Latvia)

During Q1 2017, the management team started a new architectural project to modernize the façade of the building in cooperation with the main tenant SKY. The total investment of approx. EUR 200 thousand will be completed in Q4 2017 when the property will be relaunched for the residents of the neighbourhood. Further investments are planned by the tenant SKY supermarket on their premises.

Average direct property yield during Q3 was 8.4% (Q2 2017: 8.7%). The slight drop was due to façade renovation expenses. The decrease in yield is related to CAPEX recognized during the quarter. The net initial yield for the quarter was 7.2%.

Coca-Cola Plaza, Tallinn (Estonia)

In Coca-Cola Plaza, the master lease agreement with Forum Cinemas holds strong and tenant risk remains very low. Average direct property yield remains stable and stands at 8.3% (Q2 2017: 8.3%). In Q1 Forum Cinemas and its parent company Nordic Cinema Group were sold to AMC Entertainment Holdings. The net initial yield for the quarter was 7.5%.

Aside from ongoing cinema operations in Q3 the team and the neighbouring Postimaja shopping centre launched an architectural competition to find the best solution for joining the two buildings together and upgrading the surrounding public areas to make it more comfortable for visitors and tourists to visit the area and the properties. The winning project is expected to be selected in Q4 by a jury which will also include officials from Tallinn city. This potential has not yet been priced into the value of the property as the building rights are yet to be established.

Europa Shopping centre, Vilnius (Lithuania)

Located in the heart of Vilnius central business district on Konstitucijos Prospektas, the shopping centre continues strong performance by delivering EUR 78 thousand above the budgeted NOI since the beginning of the year. The main reasons for the higher NOI are higher than expected rental income from the key tenants and an increase in income from the renewed and fully implemented electronic parking system operated by ADC. The modern parking system has significantly increased the quality of the parking service for both visitors of the Europa shopping centre and the office complex. Average direct property yield during Q3 was 6.0% (Q2 2017: 6.2%). In Q3 the property yield was lower due to tenant fit out expenditure recorded as CAPEX. The net initial yield for the quarter was 5.7%.

Management kept a 6% tactical vacancy in the building for new attractive tenants during Q3 and continued negotiations to improve the tenant mix with internationally renowned brands. Redesign of the premises of restaurant Fortas is in full swing as part of the modernization of the food court. A large-scale Europa brand relaunch project is ongoing to increase potential visitors' awareness of the upgraded parking arrangement, the enhanced luncheon experience and the updated tenant mix, especially targeting people working in the brand new adjacent office buildings.

G4S Headquarters, Tallinn (Estonia)

The building was built in 2013 as the regional headquarters of the global security company G4S. The cash management centre for Northern Estonia is also located on the underground floor of the building. The property has good visibility and access from the arterial Paldiski road. The land plot allows for future development of an additional office building with a gross leasable area of 13,000 sq. m. In Q2 the management team initiated a development project for the additional building in cooperation with architects and the city of Tallinn.

The total gross space of the G4S headquarters is 8,363 sq. m. It has one key tenant – G4S, who has rented the whole building under a long-term agreement. 2 floors of the building are sub-leased to a leading Estonian software company Pipedrive and there are also some smaller sub-tenants. Average direct property yield during Q3 was 7.5% (Q2 2017: 7.5%). The net initial yield for the quarter was 7.2%.



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Upmalas Biroji, Riga (Latvia)

Upmalas Biroji is an A class office complex built in 2008 with an net leasable area of 10,419 sq. m. The property currently accommodates a mix of 13 quality tenants of which 8 can be regarded as international blue chip tenants (77% of total NLA). Upmalas Biroji is positioned as a shared service centre destination and accommodates such tenants as SEB Global Services, CABOT, Johnson&Johnson and others.

The property was built by the German developer Bauplan Nord and the quality has been maintained through attentive facility management. The property was elected the most energy efficient building in Latvia in 2013 and remains among tenants as one of the most preferred office buildings in Riga with its 2,000 sq. m. floor plates. In Q3 2017 preparations for the expansion of SEB continued and management is looking to further strengthen the tenant mix in the building by focusing on keeping only the strongest tenants after the SEB expansion. In Q3 the lease agreements with Johnson&Johnson and Bauplan Nord were renewed at similar or slightly better terms. The Fund also has a 2-year guarantee from the seller for NOI from parking and storage rooms in the building. Average direct property yield during Q3 was 7.1% (Q2 2017: 6.9%). The net initial yield for the quarter was 7.0%.

Pirita Shopping centre, Tallinn (Estonia)

Pirita shopping centre in Tallinn, Estonia, is an attractively compact centre. It is located in the historical Pirita district on the corner of Merivälja street and Kloostrimetsa street. It is in the proximity of the popular Pirita beach which has tens of thousands of daily visitors during the summer months. Pirita shopping centre was reconstructed and opened in December 2016.

The property has Rimi and MyFitness as anchor tenants. The net leasable area of the Pirita shopping centre is close to 5,500 sq. m. The management team negotiated a 2-year NOI guarantee from the seller from the date of acquisition in order to ensure stable cash flows also during the property's establishment period. Since the opening of the centre in December last year, the management team together with the original developer have been working on establishing the centre as the principal community centre with the right tenant mix catering primarily to the Pirita district residents. After a poll was conducted in the Pirita district in Q2, in Q3, some satellite tenant agreements were terminated with the aim to replace these with new more suitable tenants by Q4. This explains the de facto Q3 average vacancy of 14.4%. A 7.4% direct property yield is guaranteed by the seller of this property until the end of 2018. The net initial yield for the quarter was 7.8%.

Duetto I Office building, Vilnius (Lithuania)

Duetto I is a newly built 10-floor office centre with an underground parking lot. It is located in the western part of Vilnius, next to the recently constructed Vilnius western ring road. The property has an A class in energy efficiency and will have a BREEAM certification. Duetto I was developed by a Lithuanian subsidiary of YIT, a listed Finnish real estate and construction company. The anchor tenant in the building is Lindorff. The effective vacancy rate of Duetto I was zero because YIT Kausta, the seller of the property, granted a 2-year guarantee (starting from the acquisition date) of full-occupancy net rental income. Any shortage between the actual rental income and the guaranteed amount is paid to the Fund by YIT Kausta on a monthly basis. In September Vilnius vandeny, the Vilnius municipal water supply company, moved into the building decreasing the de facto vacancy to 3.5%. The Fund also has a call option to acquire the neighbouring Duetto II for which the anchor tenant search has already begun. Duetto I delivered a 7.2% direct property yield for the quarter (Q2 2017: 7.2%). The net initial yield for the quarter was 7.1%.

The tenant base of the Fund is well diversified. The rental concentration of the 10 largest tenants of the Fund's subsidiaries is shown in picture 2 with the largest tenant G4S accounting for 10.6% of the annual rental income. As further discussed in the risk management section, credit risk is mitigated by the high quality of the existing tenant base.

Baltic Horizon Fund

MANAGEMENT REVIEW

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

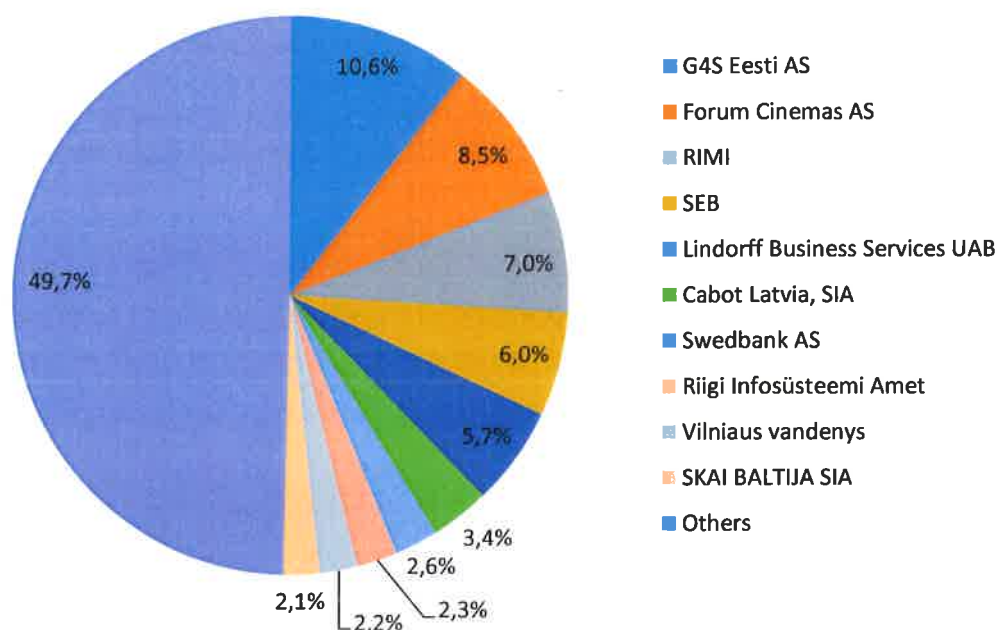


Table 3: Overview of the Fund's investment properties

Property name	City	Country	Market value ¹ Euro'000	NLA	Direct property yield	Net initial yield	Occupancy rate for Q3 2017
Duetto I	Vilnius	Lithuania	14,890	8,327	7.2%	7.1%	100% ²
Pirita SC	Tallinn	Estonia	11,590	5,436	7.5%	7.8%	100% ²
Upmalas Biroji BC	Riga	Latvia	24,052	10,419	7.1%	7.0%	99.8%
G4S Headquarters	Tallinn	Estonia	16,080	8,363	7.5%	7.2%	100.0%
Europa SC	Vilnius	Lithuania	38,800	16,856	6.0%	5.7%	94.2%
Domus Pro Retail Park	Vilnius	Lithuania	17,180	11,247	7.7%	6.8%	98.2%
CC Plaza	Tallinn	Estonia	13,180	8,664	8.3%	7.5%	100.0%
Sky SC	Riga	Latvia	5,582	3,263	8.4%	7.2%	98.2%
Lincona	Tallinn	Estonia	15,920	10,859	7.4%	7.1%	96.6%
Total portfolio			157,274	83,621	7.2%	6.9%	98.0%

¹Based on the latest valuation as at 30 June 2017.

²Effective occupancy rate is 100% due to a rental guarantee.



Baltic Horizon Fund

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During nine months ended September 2017, the Fund's portfolio produced approx. EUR 7.8 million of net operating income (NOI) (approx. EUR 4.8 million during nine months ended September 2016). The NOI of Domus Pro is expected to increase after the opening of stage III in October 2017. Please refer to the table below for a breakdown of NOI development by each property, which has been generating stable rental income over the years.

Table 4: Breakdown of NOI development

Property <i>Euro'1000</i>	Date of acquisition	2014	2015	2016	Q1-Q3 2016	Q1-Q3 2017
Lincona	1 Jul 2011	898	1,143	1,202	904	878
CC Plaza	8 Mar 2013	953	962	972	729	738
Sky SC	7 Dec 2013	404	415	425	314	307
Domus Pro Retail Park	1 May 2014	445	857	1,103	809	892
Europa SC	2 Mar 2015	-	1,962	2,360	1,692	1,726
G4S Headquarters	12 Jul 2016	-	-	546	263	864
Upmalas Biroji BC	30 Aug 2016	-	-	515	132	1,211
Pirita SC	16 Dec 2016	-	-	30	-	675
Duetto I	22 Mar 2017	-	-	-	-	555
Total portfolio		2,700	5,339	7,153	4,843	7,846

FINANCING

The Fund aims to use a 50% long-term leverage strategy. At no point in time may the Fund's leverage exceed 65%. The ability to borrow on attractive terms plays a major role in the investment strategy and cash distributions to unitholders. Following Baltic Horizon Fund's successful initial capital raising on 30 June 2016, the management team was highly focused on improving the financing terms of the Fund's assets. The main focus was on decreasing the average interest rate of the loans and seeking financing with minimum monthly loan amortization. The management team has successfully reached both of these targets by decreasing the regular annual bank loan amortization since the Fund's listing on stock exchange from 2.8% to 1.2% and decreasing the average interest rate from 1.8% to 1.7% (please refer to the table below).

Table 5: Debt financing terms of the Fund's assets

	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
Regular quarterly bank loan amortisation, EUR'1000	490	489	489	523	222
Regular annual bank loan amortisation from the loans outstanding, %	2.8%	2.8%	2.7%	2.7%	1.2%
Average interest rate, %	1.8%	1.8%	1.7%	1.7%	1.7%
LTV, %	53.9%	48.8%	53.3%	47.6%	46.0%

The table below provides a detailed breakdown of the structure of the Fund's consolidated financial debt as of 30 September 2017. Interest bearing debt was fully comprised of bank loans with a total carrying value of EUR 72.8 million. 100% of them were denominated in euros. All of the bank loans have been obtained by subsidiaries that hold the Fund's properties and the properties have been pledged as loan collateral. The parent entity, the Fund, had no financial debt at the reporting date.



Baltic Horizon Fund

MANAGEMENT REVIEW

Table 6: Financial debt structure of the Fund, 30 September 2017

Property	Maturity	Currency	Carrying amount Euro'1000	% of total	Fixed rate portion
Lincona	31 Dec 2017	EUR	8,296	11%	-%
CC Plaza	8 Mar 2019	EUR	6,938	10%	-%
Sky SC	1 Aug 2021	EUR	2,519	3%	-%
Europa SC	5 Jul 2022	EUR	20,900	29%	87%
G4S Headquarters	16 Aug 2021	EUR	7,750	11%	100%
Upmalas Biroji BC	31 Aug 2023	EUR	11,750	16%	90%
Pirita SC	20 Feb 2022	EUR	6,622	9%	95%
Duetto I	20 Mar 2022	EUR	7,990	11%	-%
Total bank loans			72,765	100%	59%
Less capitalized loan arrangement fees ¹			(196)		
Total bank loans recognized on balance sheet			72,569		

¹ Amortized each month over the term of a loan.

One of the properties, Domus Pro, had no debt because its EUR 7.9 million bank loan (originally due in May 2018) was fully repaid in June 2017 in order to effectively utilize the Fund's higher cash position. A new bank loan agreement was signed in June 2017 for Domus Pro which enables the Fund to draw down up to EUR 12.9 million of credit when it is needed for new property acquisitions i.e. the Fund had as of 30 September unutilized investment capacity of approx. EUR 30-35 million. Loan maturity according to the new agreement is May 2022.

Weighted average time to maturity lengthened from 2.7 years at the end of 2016 to 3.9 years on 30 September 2017. That was primarily due to the extension of Europa SC's bank loan, the largest for the Fund, from March 2018 to July 2022, agreed in July 2017.

Only two loans, which account 21% of total bank debt, are set to mature before 2021. The nearest maturity is 31 December 2017 relating to Lincona's EUR 8.3 million bank loan. The Management Company is in the process of refinancing it with a new bank loan. The next maturity is only in 2019 – a EUR 6.9 million bank loan of Coca Cola Plaza.

As of 30 September 2017, 59% of total bank loans had fixed interest rates while the remaining 41% had floating interest rates. This was a tactical decision taken by management to benefit from a lower interest rate environment. However, due to the expected rise in interest rates, the management of the Fund will focus on fixing the remaining floating interest rates.



Baltic Horizon Fund

MANAGEMENT REVIEW

DIVIDEND CAPACITY

According to the Fund rules issued as of 23 May 2016, a distribution to investors will be made if all of the following conditions are met:

- The Fund has retained such reserves as required for the proper running of the Fund;
- The distribution does not endanger the liquidity of the Fund;
- The Fund has made the necessary follow-on investments in existing properties, i.e. investments in the development of the existing properties of the Fund, and new investments. The total of the Fund's annual net income that may be retained for making such investments is 20% of the Fund's annual net income of the previous year.

Previously, the Management Company targeted to pay out to Unit-holders at least 80% of adjusted funds from operations (AFFO) which are defined as net rental income of properties less fund administration expenses, less external interest expenses and less capital expenditures excluding acquisitions of properties and investments into developments. Going forward, the management has decided to amend the dividend distribution policy in order to provide more stable and predictable cash flow to the Fund unitholders. According to the new dividend policy, the Fund sets a target of dividend distributions to its unitholders in the range between 80% of generated net cash flow (GNCF) and a net profit after unrealized P&L items are adjusted. The distribution is based on the short-term and long-term Fund performance projections. The Management has a discretion to distribute lower dividends than a 80% generated net cash flow (GNCF) in case liquidity of the Fund is endangered.

Table 7: Generated net cash flow (GNCF) calculation formula

Item	Comments
(+) Net rental income	
(-) Fund administrative expenses	
(-) External interest expenses	Interest expenses incurred for bank loan financing
(-) CAPEX expenditure	The expenditure incurred in order to upgrade investment properties; the calculation will include capital expenditure based on annual capital investment plans
(+) Added back listing related expenses	
(+) Added back acquisition related expenses	Include the expenses for acquisitions that not occurred
<i>Generated net cash flow (GNCF)</i>	

The management of the Fund remains committed to target 7-9% yield of annual dividends to investors from invested equity, which is defined as paid-in-capital since listing the Fund on stock exchange on June 30, 2016. The table below provides the summary of historical calculations.



Baltic Horizon Fund

MANAGEMENT REVIEW

Table 8: Dividend capacity calculation

<i>EUR'1000</i>	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
(+) Net rental income	1,928	2,310	2,526	2,682	2,638
(-) Fund administrative expenses	(482)	(728)	(730)	(670)	(535)
(-) External interest expenses	(302)	(408)	(327)	(438)	(340)
(-) CAPEX expenditure ¹	(211)	(233)	(129)	(197)	(547)
(+) Added back listing related expenses	125	313	202	170	61
(+) Added back acquisition related expenses	-	-	32	65	-
GNCF	1,058	1,254	1,574	1,612	1,277
Weighted average number of units during the quarter	41,979,150	47,186,330	57,262,887	57,998,546	64,655,870
Paid-in-capital since listing on stock exchange	53,698	73,286	73,278	82,659	82,659
Average paid-in-capital during the quarter	53,698	63,492	73,282	77,969	82,659
GNCF per weighted unit	0.025	0.027	0.027	0.028	0.020
Annualized GNCF return from average quarterly paid-in-capital	7.9%	7.9%	8.6%	8.3%	6.2%
Dividends declared	1,091	1,374	1,317	1,164	1,293
Dividends declared per weighted unit	0.026	0.029	0.023	0.020	0.020
Annualized dividend return from average quarterly paid-in-capital	8.1%	8.7%	7.2%	6.0%	6.3%

- The table provides actual capital expenditures for the quarter. Future dividend distributions to unitholders will be based on the annual budgeted capital expenditure plans equalized for each quarter. This will reduce the quarterly volatility of cash distributions to unitholders.

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 utilization of the limit and producing overall market risk analyses. 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).

Currently, the yields of prime office and retail properties in the Baltic countries are decreasing as competition between real estate investors is consistently increasing. Investment yields in the Baltic countries are on average around 7.0% and 7.5% in the office and retail segments, with prime office yields having declined to approx. 6.5%.

Interest rate risk

The Group's interest rate risk is related to interest-bearing borrowings. 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 for



Baltic Horizon Fund

MANAGEMENT REVIEW

floating ones 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 only for cash flow hedging 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 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 is the possibility of sustaining significant losses due to the inability to liquidate open positions, to realise assets by the due time at the prescribed fair price or to refinance loan obligations.

Real estate investments have low liquidity 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 cyclicalities, downturns in demand, market disruptions and the lack of available capital for potential purchasers and 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 organizing long-term diversified financing for real estate investments.

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 competencies, and active dialogue with investors help the Fund to identify and reduce the risks related to its operation.



Baltic Horizon Fund

MANAGEMENT REVIEW

OUTLOOK FOR THE REMAINING 3-MONTHS IN 2017

At the end of Q3, Baltic Horizon Fund had 9 established cash flow properties located in the Baltic capitals with a gross property value of above EUR 157 million. The Fund aims to grow its asset base by acquiring carefully selected investment properties that best fit the Fund's very long-term strategy. Growing by acquiring established properties with long-term tenants allows the Fund to become more efficient and diversify its risks further across segments, tenants and geographical locations.

Unlocking value in selected properties of the Fund by way of expansion or repositioning will be the key priority of the management team during the following 6 months. 90% of Domus Pro stage III, which will be finished in Q4, has already been preleased. Additional building rights on the G4S land plot will be developed further with new architectural designs in order to be able to offer the premises to potential new tenants. CC Plaza expansion will be finalized with the city and the neighbours based on an architectural design competition which should be finished in Q4 and in Vilnius, Europa Shopping Centre will be re-introduced to the market with a new concept oriented towards social activities, convenient shopping and modern fashion.

The euro area in general is likely to see several more years of decent economic growth. The ECB is going to continue asset purchases through 2018, although in reduced volumes. This will pave ground for a first rate hike from Sweden's central bank in 2018. Overall their Nordic economies are gaining from the upswing in the euro area, and positive developments are spilling over to their Baltic neighbours. Still, some people fear that a levelling out of the property market might be the reason for a crash, especially in Sweden as first signs of cooling down have been noticed. Restraining measures for private home owners such as debt ratio ceilings, limits on interest deductions and more stringent amortisation, is noticeably affecting the Swedish private housing market. It will be closely monitored to which extent, if any, this would have an effect on the Baltic markets and the availability of financing in the coming quarters.

Economic growth is likely to exceed expectations in all three Baltic countries also in Q4 this year. Stronger external demand will lift exports and investments. GDP is expected to grow above its potential also in 2018. In addition, Baltic economies remain quite balanced and well prepared for external shocks as the trade deficit remains small, corporate and household financial leverage is moderate with sufficient financial reserves, and public finances are continuously stable.

MANAGEMENT BOARD'S CONFIRMATION

Members of the Management Board of the Management Company Tarmo Karotam, Algirdas Vaitiekūnas and Aušra Stankevičienė confirm that according to their best knowledge, the condensed consolidated interim financial statements for the first nine months of the financial year, prepared in accordance with IFRS as adopted by the European Union, present a correct and fair view of the assets, liabilities, equity, financial position, economic performance and cash flows of the Fund and its subsidiaries, taken as a whole, and the management report gives a true and fair view of the development, the results of the business activities and the financial position of the Fund and its subsidiaries, taken as a whole, as well as of the significant events which took place during the first nine months of the financial year and their effect to the abridged accounts and contains a description of the main risks and ambiguities of the remaining 3 months of the financial year.



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Independent Auditors' Report on Review of Interim Financial Statements

To the shareholders of Baltic Horizon Fund

We have reviewed the accompanying condensed consolidated statement of financial position of Baltic Horizon Fund as at 30 September 2017, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the 9 month period then ended, and notes to the interim financial statements ("the condensed consolidated interim financial statements"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (Estonia). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at 30 September 2017 are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Other matter

The comparative information in the condensed consolidated statements of profit or loss and other comprehensive income and cash flows as well as related notes to the condensed consolidated interim financial statements has been prepared based on financial information for the 9-month period ended 30 September 2016, which has not been reviewed by auditors.

Tallinn, 21 November 2017

Eero Kaup
Certified Public Accountant, Licence No 459

KPMG Baltics OÜ
Licence No 17

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2017

Euro '000	Note	01.07.2017- 30.09.2017	01.07.2016- 30.09.2016	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016
Rental income		2,955	2,058	8,622	5,334
Service charge income		820	617	2,663	1,810
Cost of rental activities	5	(1,137)	(747)	(3,439)	(2,301)
Net rental income	4	2,638	1,928	7,846	4,843
Administrative expenses	6	(535)	(482)	(1,935)	(1,462)
Other operating income / (expenses)		64	17	77	95
Valuation gains / (loss) on investment properties		-	2,802	339	2,361
Operating profit		2,167	4,265	6,327	5,837
Financial income		2	3	45	11
Financial expenses	7	(348)	(307)	(1,123)	(840)
Net financing costs		(346)	(304)	(1,078)	(829)
Profit before tax		1,821	3,961	5,249	5,008
Income tax charge	4, 9	(146)	(253)	(1,082)	(428)
Profit for the period	4	1,675	3,708	4,167	4,580
<i>Other comprehensive income that is or may be reclassified to profit or loss in subsequent periods</i>					
Net gains (losses) on cash flow hedges	14b	(94)	(36)	126	(65)
Termination of interest rate swap agreement reclassified to profit or loss	20	-	-	57	-
Income tax relating to net gains (losses) on cash flow hedges	14b, 9	8	(7)	(32)	(1)
Other comprehensive income/ (expense), net of tax, that is or may be reclassified to profit or loss in subsequent periods		(86)	(43)	151	(66)
Total comprehensive income/ (expense) for the period, net of tax		1,589	3,665	4,318	4,514
Basic and diluted earnings per unit (Euro)	8	0.03	0.09	0.07	0.12

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2017

<i>Euro '000</i>	Note	30.09.2017	31.12.2016
Non-current assets			
Investment properties	4, 10	157,822	141,740
Investment property under construction	11	5,725	1,580
Derivative financial instruments	20	9	-
Other non-current assets		72	288
Total non-current assets		163,628	143,608
Current assets			
Trade and other receivables	12	1,569	1,269
Prepayments		135	178
Cash and cash equivalents	13	4,406	9,883
Total current assets		6,110	11,330
Total assets	4	169,738	154,938
Equity			
Paid in capital	14a	75,597	66,224
Own units	14a	-	(8)
Cash flow hedge reserve	14b	(143)	(294)
Retained earnings		11,199	10,887
Total equity		86,653	76,809
Non-current liabilities			
Interest bearing loans and borrowings	15	63,601	58,981
Deferred tax liabilities		5,513	4,383
Derivative financial instruments	20	172	345
Other non-current liabilities		891	935
Total non-current liabilities		70,177	64,644
Current liabilities			
Interest bearing loans and borrowings	15	8,968	10,191
Trade and other payables	16	3,496	2,876
Income tax payable		29	46
Other current liabilities		415	372
Total current liabilities		12,908	13,485
Total liabilities	4	83,085	78,129
Total equity and liabilities		169,738	154,938

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



Baltic Horizon Fund

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2017

<i>Euro '000</i>	Notes	Paid in capital	Own units	Cash flow hedge reserve	Retained earnings	Total equity
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
Units issued/ redeemed		20,962	-	-	-	20,962
As at 30 September 2016		46,636	-	(265)	10,798	57,169
As at 1 January 2017		66,224	(8)	(294)	10,887	76,809
Net profit for the period		-	-	-	4,167	4,167
Termination of interest rate swap	14b	-	-	57	-	57
Other comprehensive income		-	-	94	-	94
Total comprehensive income		-	-	151	4,167	4,318
Paid in capital – units issued	14a	9,381	-	-	-	9,381
Cancellation of own units	14a	(8)	8	-	-	-
Profit distribution to unit holders	14c	-	-	-	(3,855)	(3,855)
As at 30 September 2017		75,597	-	(143)	11,199	86,653

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

CONSOLIDATED STATEMENT OF CASH FLOWS

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2017

<i>Euro '000</i>	Note	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016
Cash flows from core activities			
Profit (loss) before tax		5,249	5,008
Adjustments for non-cash items:			
Value adjustment of investment properties	10	(382)	(2,361)
Value adjustment of investment properties under construction	11	43	-
Allowance for bad debts		22	-
Financial income		(45)	(11)
Financial expenses	7	1,123	840
Working capital adjustments:			
(Increase)/decrease in trade and other accounts receivable		(434)	216
(Increase)/decrease in other current assets		(40)	(94)
(Decrease)/Increase in other non-current liabilities		(87)	68
(Decrease)/increase in trade and other accounts payable		(294)	(239)
Increase/(decrease) in other current liabilities		10	(164)
(Paid)/refunded income tax		(31)	(52)
Total cash flows from core activities		5,134	3,211
Cash flows from investing activities			
Interest received		6	11
Acquisition of subsidiaries, net of cash acquired		-	(8,528)
Acquisition of investment property		(14,362)	(15,454)
Investment property development expenditure		(3,222)	(1,507)
Capital expenditure on investment properties		(873)	(300)
Total cash flows from investing activities		(18,451)	(25,778)
Cash flows from financial activities			
Proceeds from bank loans		14,730	8,182
Repayment of bank loans		(11,279)	(4,230)
Proceeds from issue of units	14a	9,381	20,962
Profit distribution to unit holders	14c	(3,855)	-
Transaction costs related to loans and borrowings		(121)	-
Interest paid		(1,016)	(779)
Total cash flows from financing activities		7,840	24,135
Net change in cash and cash equivalents		(5,477)	1,568
Cash and cash equivalents at the beginning of the year		9,883	1,677
Cash and cash equivalents at the end of the period		4,406	3,245

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



Baltic Horizon Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2017

1. Corporate information

Baltic Horizon Fund is a regulated closed-end contractual investment fund registered in Estonia on 23 May 2016. The Fund is managed by Northern Horizon Capital AS. Both the Fund and the Management Company are supervised by the Estonian Financial Supervision Authority. The Depositary of the Fund is Swedbank AS. The Fund is the ultimate parent and controlling entity of the group comprising the Fund and its subsidiaries (the "Group" or the "Fund").

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 dual-listed on the NASDAQ Stockholm and the NASDAQ Tallinn Stock Exchanges.

The Fund's registered office is at Tornimäe 2, Tallinn, Estonia.

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

Name	30.09.2017	31.12.2016
BH Lincona OÜ ¹	100%	100%
BOF SKY SIA	100%	100%
BH CC Plaza OÜ ²	100%	100%
BH Domus Pro UAB ³	100%	100%
BH Europa UAB ⁴	100%	100%
BH P80 OÜ	100%	100%
Kontor SIA	100%	100%
BH MT24 OÜ ⁵	0%	100%
Pirita Center OÜ	100%	100%
BH Duetto UAB	100%	-

¹formerly known as *BOF Lincona OÜ*.

²formerly known as *BOF CC Plaza OÜ*.

³formerly known as *BOF Domus Pro UAB*.

⁴formerly known as *BOF Europa UAB*.

⁵BH MT 24 OÜ merged to Pirita Center OÜ on 6 April 2017.

Baltic Horizon Fund merger with Baltic Opportunity Fund

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 the 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 the 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 was treated as a restructuring of entities under common control. During the merger of Baltic Horizon Fund and Baltic Opportunity Fund, the assets and liabilities of the involved parties were recognised based on the Baltic Opportunity Fund's book values. As a result of this merger, no goodwill was recognised. At the time of the merger, the Fund had no assets and liabilities of its own. Thus, the 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 consolidated financial statements, Baltic Opportunity Fund's financial results prior to the merger are presented as those of the Fund.

During two additional secondary public offerings in November 2016 and June 2017, the Fund raised additional gross capital of EUR 30 million. As a result of the offering of the new units, the total number of the Fund's



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units increased to 64,655,870 and the units are dual-listed on the NASDAQ Stockholm and the NASDAQ Tallinn stock exchanges.

2. Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the Group's latest consolidated annual financial statements as at and for the year ended 31 December 2016. These interim condensed consolidated financial statements do not include all of the information required in the complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are relevant to understanding the changes in the Group's financial position and performance since the last annual financial statements.

These interim condensed consolidated financial statements were authorised for issue by the Company's Board of Directors on 17 November 2017.

Going concern assessment

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

As of 30 September 2017, current liabilities of the Fund exceeded current assets by EUR 6,798 thousand. This was mainly because one of the bank loans in relation to Domus Pro was refinanced and the new proceeds were not drawn down yet, however, the management has its discretion to draw down the proceeds at any time the money will be needed for the Fund. According to the agreement up to EUR 12.5 million can be drawn down. Also, two of the bank loans in relation to Lincona are expiring on 31 December 2017 for a total amount of 8,295 thousand. The Fund has already reached the agreement with bank for the refinancing. The signing of the agreement is expected at the end of November. Assuming this, the cash flow budget of the Fund for the year 2017 and 2018 indicates that Fund will be able to cover other current liabilities with existing current assets and operating cash flow.

New standards, amendments and interpretations

A number of new standards and amendments to standards are not effective for annual periods beginning on 1 January 2017 but their earlier application is permitted; however, the Group has not early adopted any of the following new or amended standards in preparing these interim condensed consolidated financial statements.

The Group has the following updates to information provided in the last annual financial statements about the standards issued but not yet effective that may have a significant impact on the Group's consolidated financial statements.

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.)

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.



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The Group does not expect IFRS 9 (2014) to have a 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.

In accordance to IFRS 15 initial assessment, the Group has determined that it acts in the capacity of an agent for certain transactions.

Under IFRS 15, the assessment will be based on whether the Group controls the specific goods before transferring them to the end customer, rather than whether it has exposure to the significant risks and rewards associated with the sale of goods.

The Group plans to adopt IFRS 15 in its consolidated financial statements for the year ending 31 December 2018, using retrospective approach. As a result, the Group will apply all the requirements of IFRS 15 to each comparative period presented and adjust its consolidated financial statements.

The Group is currently performing a detailed assessment of the impact of the application of IFRS 15 and expects to disclose additional quantitative information before it adopts IFRS 15.

IFRS 16 "Leases"

(Effective for annual periods beginning on or after 1 January 2019. Early application is permitted..)

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 financial or operating lease contracts under the currently effective IAS 17.

3. Summary of significant accounting policies

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



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assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the reported item in the future. The assumptions and judgements applied in these interim condensed consolidated financial statement are similar as those applied in the Group's consolidated financial statements for the year ended 31 December 2016.

The 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 2016.

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.

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4. Operating segments

The Group's reportable segments are as follows:

- Retail segment – includes Europa Shopping Centre (Lithuania), Domus Pro Retail Park (Lithuania), SKY Supermarket (Latvia), Pirita Shopping centre (Estonia) investment properties.
- Office segment – includes Lincona Office Complex (Estonia), G4S Headquarters (Estonia), Upmalas Biroji (Latvia), and Duetto I (Lithuania) 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 assessing performance. Segment performance is evaluated based on net rental income and net profit/loss.

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 2017

<i>Euro '000</i>	Retail	Office	Leisure	Total segments
01.07.2017 – 30.09.2017:				
External revenue ¹	1,946	1,580	249	3,775
Segment net rental income	1,171	1,220	247	2,638
Net gains or losses from fair value adjustment	-	-	-	-
Interest expenses ²	(152)	(154)	(34)	(340)
Income tax expenses	(86)	(60)	-	(146)
Segment net profit	874	971	207	2,052
01.01.2017 – 30.09.2017:				
External revenue ¹	6,118	4,421	746	11,285
Segment net rental income	3,598	3,510	738	7,846
Net gains or losses from fair value adjustment	(12)	171	180	339
Interest expenses ²	(516)	(431)	(101)	(1,048)
Income tax expenses	(350)	(732)	-	(1,082)
Segment net profit	2,468	2,519	798	5,785
As at 30.09.2017:				
Segment assets	75,011	78,282	13,200	166,493
Investment properties	73,427	71,215	13,180	157,822
Investment property under construction	-	5,725	-	5,725
Segment liabilities	38,501	37,323	6,892	82,716

1. External revenue includes rental income and service charge income. The segments do not have inter-segment revenue.
2. Interest expenses include only external interest expenses and the interest costs of a terminated swap.



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Operating segments – 30 September 2016

<i>Euro '000</i>	Retail	Office	Leisure	Total segments
01.07.2016 – 30.09.2016:				
External revenue ¹	1,618	811	246	2,675
Segment net rental income	991	692	245	1,928
Net gains or losses from fair value adjustment	948	1,504	350	2,802
Interest expenses ²	(176)	(91)	(35)	(302)
Income tax expenses	(255)	2	-	(253)
Segment net profit	1,482	2,111	555	4,148
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 ²	(534)	(167)	(128)	(829)
Income tax expenses	(430)	2	-	(428)
Segment net profit	2,382	2,636	934	5,952
As at 31.12.2016:				
Segment assets	77,010	57,291	13,232	147,533
Investment properties	72,710	56,030	13,000	141,740
Investment property under construction	-	1,580	-	1,580
Segment liabilities	41,732	28,781	7,075	77,588

1. External revenue includes rental income and service charge income. The segments do not have inter-segment revenue.
2. Interest expenses have been adjusted to make them comparable. Prior to adjustment, interest expenses included intercompany interest expenses.

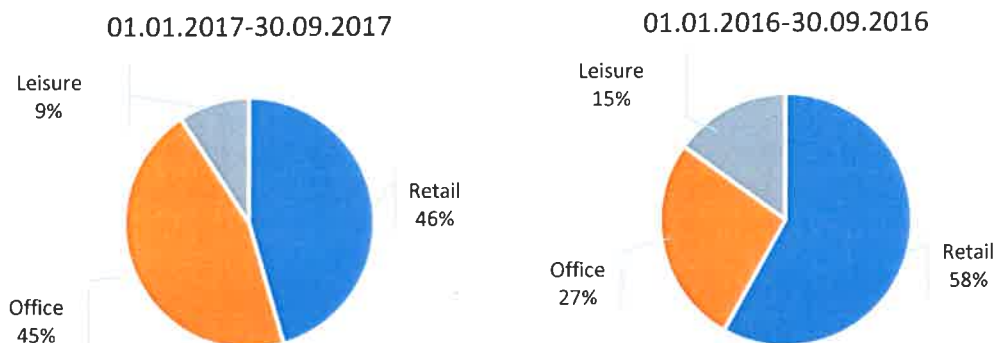


Baltic Horizon Fund

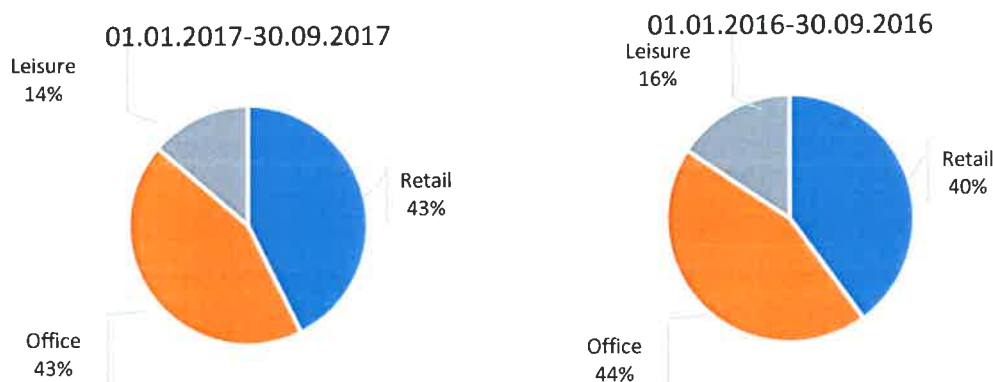
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2017

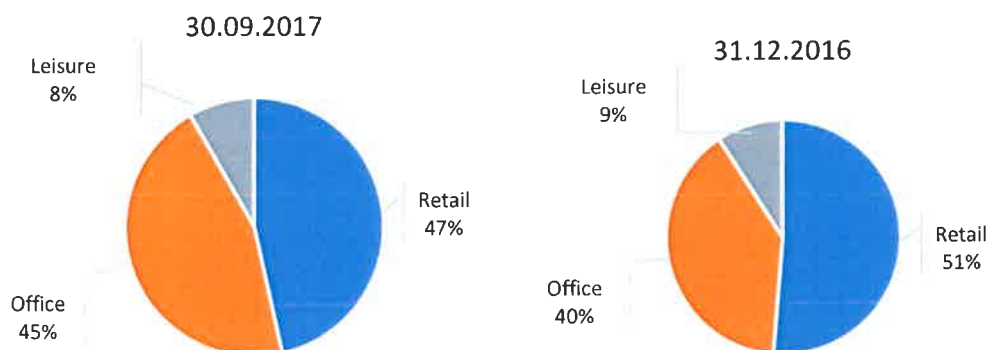
Segment net rental income*



Segment net profit (loss)*



Investment properties*



*As a percentage of the total for all reportable segments



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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2017

Reconciliation of information on reportable segments to IFRS measures

Operating segments – 30 September 2017

<i>Euro '000</i>	Total reportable segments	Adjustments	Consolidated
01.07.2017 – 30.09.2017:			
Net profit / (loss)	2,052	(377) ¹	1,675
01.01.2017 – 30.09.2017:			
Net profit / (loss)	5,785	(1,618) ²	4,167
As at 30.09.2017:			
Segment assets	166,493	3,245 ³	169,738
Segment liabilities	82,716	369 ⁴	83,085

1. Segment net profit for Q3 2017, does not include listing related expenses (EUR 61 thousand), Fund management fee (EUR 300 thousand), fund custodian fee (EUR 8 thousand), other Fund-level administrative expenses (EUR 80 thousand), and other income received at Fund level (EUR 64 thousand).
2. Segment net profit for nine months ended 30 September 2017, does not include listing related expenses (EUR 434 thousand), Fund management fee (EUR 843 thousand), fund custodian fee (EUR 22 thousand), other Fund-level administrative expenses (EUR 455 thousand), and other income received at Fund level (EUR 73 thousand).
3. Segment assets do not include cash, which is held at the Fund level (EUR 3,171 thousand) and other receivables at Fund level (EUR 74 thousand).
4. Segment liabilities do not include management fee payable (EUR 300 thousand) and other short-term payables (EUR 69 thousand) at Fund level.

Operating segments – 30 September 2016

<i>Euro '000</i>	Total reportable segments	Adjustments	Consolidated
01.07.2016 – 30.09.2016:			
Net profit (loss)	4,148	(440) ¹	3,708
01.01.2016 – 30.09.2016:			
Net profit (loss)	5,952	(1,372) ²	4,580
As at 31.12.2016:			
Segment assets	147,533	7,405 ³	154,938
Segment liabilities	77,588	541 ⁴	78,129

1. Segment net profit for the quarter does not include public listing related expenses (EUR 125 thousand), Fund management fee (EUR 208 thousand), and other Fund-level administrative expenses (EUR 107 thousand).
2. Segment net profit does not include IPO related expenses (EUR 523 thousand), Fund management fee (EUR 513 thousand), performance fee (EUR 81 thousand), fund custodian fee (EUR 13 thousand) and other administrative expenses (EUR 242 thousand).
3. Segment assets do not include cash, which is held at the Fund level (EUR 7,394 thousand) and other receivables at Fund level (EUR 11 thousand).
4. Segment liabilities do not include management fee payable (EUR 211 thousand) and other short-term payables (EUR 330 thousand) at Fund level.



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Geographic information

Segment net rental income

Euro '000	01.07.2017- 30.09.2017	External revenue		Investment property value		
		01.07.2016- 30.09.2016	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016	30.09.2017	31.12.2016
Lithuania	1,773	1,419	5,105	4,193	71,250	55,080
Latvia	675	358	2,102	768	29,759	28,960
Estonia	1,327	898	4,078	2,183	56,813	57,700
Total	3,775	2,675	11,285	7,144	157,822	141,740

Major tenant

During nine months ended 30 September 2017, rental income from one tenant in the leisure segment represented EUR 746 thousand of the Group's total rental income and EUR 249 thousand during Q3 2017 (EUR 737 thousand during the nine month period ended 30 September 2016 and EUR 246 thousand during Q3 2016).

5. Cost of rental activities

Euro '000	01.07.2017- 30.09.2017	01.07.2016- 30.09.2016	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016
Utilities	531	345	1,644	1,040
Repair and maintenance	217	182	627	594
Real estate taxes	110	56	385	181
Property management expenses	107	98	342	286
Sales and marketing expenses	97	50	287	149
Property insurance	16	7	41	20
Allowance / (reversal of allowance) for bad debts	-	-	22	-
Other	59	9	91	31
Total cost of rental activities	1,137	747	3,439	2,301

Part of the total cost of rental activities (mainly utilities and repair and maintenance expenses) was recharged to tenants: EUR 2,663 thousand during the nine month period ended 30 September 2017 (EUR 1,810 thousand during the nine month period ended 30 September 2016) and EUR 820 thousand during Q3 2017 (EUR 617 thousand during Q3 2016).



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6. Administrative expenses

<i>Euro '000</i>	01.07.2017- 30.09.2017	01.07.2016- 30.09.2016	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016
Management fee	300	208	843	513
Public offering related expenses	61	125	434	625
Fund marketing expenses	33	-	145	-
Consultancy fees	79	63	124	95
Legal fees	4	35	115	57
Supervisory board fees	13	-	68	-
Audit fee	23	15	59	35
Custodian fees	8	5	22	13
Performance fee	(9)	-	-	81
Other administrative expenses	23	31	125	43
Total administrative expenses	535	482	1,935	1,462

Up to 30 June 2016, the Management Company (Note 18) 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's 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 is calculated starting from 1 January 2017. The performance fee first becomes payable in the fifth year of the Fund (i.e. 2020).

7. Financial expenses

<i>Euro '000</i>	01.07.2017- 30.09.2017	01.07.2016- 30.09.2016	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016
Interest on bank loans	340	302	1,048	829
Termination of interest rate SWAP*	-	-	57	-
Loan arrangement fee amortisation	7	5	17	11
Foreign exchange loss	1	-	1	-
Total financial expenses	348	307	1,123	840

*In June 2017, the Fund terminated the interest rate SWAP agreement through the payment of EUR 57 thousand.



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8. Earnings per unit

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

Profit attributable to the unit holders of the Fund:

<i>Euro '000</i>	01.07.2017- 30.09.2017	01.07.2016- 30.09.2016	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016
Profit for the period, attributed to the unit holders of the Fund	4,167	3,708	1,675	4,580
Profit for the period, attributed to the unit holders of the Fund	4,167	3,708	1,675	4,580

Weighted-average number of units:

	2017	2016
Issued units at 1 January	57,264,743	250,167
Effect of conversion from BOF to Baltic Horizon Fund	-	24,766,533
Effect of units issued in June 2016*	-	14,146,820
Effect of own units cancelled in March 2017**	(4,577)	-
Effect of units issued in June 2017***	2,746,690	-
Weighted-average number of units issued	60,006,856	39,163,520

*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.

**On 3 March 2017, the Fund cancelled and deleted all 5,900 units of Baltic Horizon Fund that were held on its own account.

***On 21 June 2017, the Fund registered 7,397,027 new units issued through a secondary public offering.

Basic and diluted earnings per unit

	01.07.2017- 30.09.2017	01.07.2016- 30.09.2016	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016
Basic and diluted earnings per unit*	0.03	0.09	0.07	0.12

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

9. Income tax

Real estate revenues, or capital gains derived from real estate are subject to taxes by assessment in the countries where the 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 2017 was 20.6% (nine months ended 30 September 2016: 8.5%). The change in the effective tax rate was caused mainly by the deferred tax of Kontor SIA resulting from the revaluation of a land plot which was not recognized in prior periods. The Group recognized the deferred tax liability during the first quarter of the year.



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The major components of income tax for the periods ended 30 September 2017 and 2016 were as follows:

<i>Euro '000</i>	01.07.2017- 30.09.2017	01.07.2016- 30.09.2016	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016
Consolidated statement of profit or loss				
Current income tax for the period	(8)	(14)	(29)	(33)
Deferred tax for the period	(138)	(239)	(1,053)	(395)
Income tax expense reported in profit or loss	(146)	(253)	(1,082)	(428)
Consolidated statement of other comprehensive income				
Deferred income tax related to items charged or credited to equity:				
Revaluation of derivative instruments to fair value	8	(7)	(32)	(1)
Income tax expense reported in other comprehensive income	8	(7)	(32)	(1)

10. Investment property

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

<i>Euro '000</i>	2017	2016
Balance at 1 January	141,740	86,810
Acquisition of investment property	14,642	15,454
Investment property acquired in business combination	-	35,773
Additions (subsequent expenditure)	1,058	1,141
Net revaluation gain	382	2,562
Closing balance	157,822	141,740

No external property valuations were performed as at 30 September 2017. The management team has assessed the fair values of investment properties as at 30 September 2017 using the same key assumptions used for valuations as at 30 June 2017 and concluded that the fair values of investment properties do not differ significantly from those as at end of last quarter.

Acquisition of Duetto

On 22 March 2017, the Fund acquired the Duetto property located in Vilnius, Lithuania, in an asset deal for a purchase price of EUR 14.6 million. Transaction costs related to the acquisition amounted to EUR 42 thousand. The Fund also obtained a call option to acquire the neighbouring Duetto II property when the building is constructed. The option is valid for four months after at least 65% of the lettable office area of Duetto II has been leased.

Acquisition of Vainodes I

On 14 November 2017, the Fund signed a sales-purchase agreement to acquire Vainodes I office building located in Riga, Latvia, for a purchase price of EUR 21.3 million. The transaction is expected to be closed in December 2017. In accordance to IFRS 3, this acquisition is treated as an asset deal.



Baltic Horizon Fund

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Valuation techniques used to derive Level 3 fair values

The Fund did not perform new valuations as at the end of Q3 2017. The values of the properties are based on property values as at 30 June 2017 that were performed by Colliers International and Newsec.

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 2017:

Property	Valuation technique	Key unobservable inputs	Range
Europa Shopping centre, Vilnius (Lithuania) Net leasable area (NLA) – 16,900 sq. m. Segment – Retail Year of construction/renovation – 2004	DCF	- Discount rate - Rental growth p.a. - Long term vacancy rate - Exit yield - Average rent (EUR/sq. m.)	7.5% 0.0% - 2.4% 3.0% - 5.0% 7.25% 14.0
Domus Pro Retail Park, Vilnius (Lithuania) Net leasable area (NLA) – 11,247 sq. m. Segment – Retail Year of construction/renovation – 2013	DCF	- Discount rate - Rental growth p.a. - Long term vacancy rate - Exit yield - Average rent (EUR/sq. m.)	8.075% 0.0% - 2.5% 2.0% - 7.0% 8.0% 9.4
Lincona Office Complex, Tallinn (Estonia) Net leasable area (NLA) – 10,859 sq. m. Segment – Office Year of construction/renovation – 2002 / 2008	DCF	- Discount rate - Rental growth p.a. - Long term vacancy rate - Exit yield - Average rent (EUR/sq. m.)	8.6% 0.0% - 2.3% 5.0% - 10.0% 7.8% 10.4
Coca-Cola Plaza , Tallinn (Estonia) Net leasable area (NLA) – 8,664 sq. m. Segment – Leisure Year of construction/renovation – 1999	DCF	- Discount rate - Rental growth p.a. - Long term vacancy rate - Exit yield - Average rent (EUR/sq. m.)	8.2% 0.7% - 2.0% 1.5% 7.8% 9.6
G4S Headquarters, Tallinn (Estonia)* Net leasable area (NLA) – 8,363 sq. m. Segment – Office Year of construction/renovation – 2013	DCF	- Discount rate - Rental growth p.a. - Long term vacancy rate - Exit yield - Average rent (EUR/sq. m.)	8.2% 0.2% - 2.70% 3.0% 7.5% 10.2
SKY Supermarket, Riga (Latvia) Net leasable area (NLA) – 3,263 sq. m. Segment – Retail Year of construction/renovation – 2000 / 2010	DCF	- Discount rate - Rental growth p.a. - Long term vacancy rate - Exit yield - Average rent (EUR/sq. m.)	7.9% 1.4% - 1.7% 1.0% 7.75% 11.3
Upmalas Biroji, Riga (Latvia) Net leasable area (NLA) – 10,600 sq. m. Segment – Office Year of construction/renovation – 2008	DCF	- Discount rate - Rental growth p.a. - Long term vacancy rate - Exit yield - Average rent (EUR/sq. m.)	7.3% 0.5% - 4.4% 1.5% 7.1% 12.8
Pirita Shopping centre, Tallinn (Estonia) Net leasable area (NLA) – 5,516 sq. m Segment – Retail Year of construction/renovation - / 2016	DCF	- Discount rate - Rental growth p.a. - Long term vacancy rate - Exit yield - Average rent (EUR/sq. m.)	8.4% -0.5% - 3.2% 0.1% - 2.0% 7.4% 13.5
Duetto I, Vilnius (Lithuania)	DCF	- Discount rate	8.6%



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Net leasable area (NLA) – 8,327sq. m	- Rental growth p.a.	0.0% - 2.1%
Segment – Office	- Long term vacancy rate	2.5%
Year of construction/renovation - 2017	- Exit yield	7.25%
	- Average rent (EUR/sq. m.)	14.4

*G4S property valuation also includes building rights.

As of 31 December 2016:

Property	Valuation technique	Key unobservable inputs	Range
Europa Shopping centre, Vilnius (Lithuania)	DCF	- Discount rate	7.5%
Net leasable area (NLA) – 16,900 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%
		- Average rent (EUR/sq. m.)	14.2
Domus Pro Retail Park, Vilnius (Lithuania)	DCF	- Discount rate	8.075%
Net leasable area (NLA) – 11,247 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%
		- Average rent (EUR/sq. m.)	9.5
Lincona Office Complex, Tallinn (Estonia) Net leasable area (NLA) – 10,859 sq. m.	DCF	- Discount rate	8.6%
Segment – Office		- Rental growth p.a.	0.0% - 2.3%
Year of construction/renovation – 2002 / 2008		- Long term vacancy rate	5.0% - 10.0%
		- Exit yield	7.8%
		- Average rent (EUR/sq. m.)	10.3
Coca-Cola Plaza , Tallinn (Estonia)	DCF	- Discount rate	8.2%
Net leasable area (NLA) – 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%
		- Average rent (EUR/sq. m.)	9.5
G4S Headquarters, Tallinn (Estonia)	DCF	- Discount rate	8.5%
Net leasable area (NLA) – 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%
		- Average rent (EUR/sq. m.)	10.3
SKY Supermarket, Riga (Latvia)	DCF	- Discount rate	7.9%
Net leasable area (NLA) – 3,263 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%
		- Average rent (EUR/sq. m.)	11.6
Upmalas Biroji, Riga (Latvia)	DCF	- Discount rate	7.3%
Net leasable area (NLA) – 10,600 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%
		- Average rent (EUR/sq. m.)	12.5
Pirita Shopping centre, Tallinn (Estonia)	DCF	- Discount rate	9.0%
Net leasable area (NLA) – 5,516 sq. m		- Rental growth p.a.	2.0% - 3.1%
Segment – Retail		- Long term vacancy rate	5.0%
Year of construction/renovation - / 2016		- Exit yield	7.75%
		- Average rent (EUR/sq. m.)	13.5



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The table below sets out information about significant unobservable inputs used at 30 September 2017 in measuring investment properties categorised to Level 3 in the fair value hierarchy.

Type of asset class	Valuation technique	Significant unobservable input	Range of estimates	Fair value measurement sensitivity to unobservable inputs
Investment property	Discounted cash flow	Exit yield	2017: 7.1%-8.0% 2016: 7.25%-8.0%	An increase in exit yield in isolation would result in a lower value of Investment property.
		Discount rate	2017: 7.3%-9.0% 2016: 7.5% - 8.6%	An increase in discount rate in isolation would result in a lower value of Investment property.
		Rental growth p.a.	2017: 0 - 3.1% 2016: 0 - 3.0%	An increase in rental growth in isolation would result in a higher value of Investment property.
		Long term vacancy rate	2017: 0 – 10.0% 2016: 0 – 14.0%	An increase in long-term vacancy rate in isolation would result in a lower value of Investment property.

The carrying book values of investment properties as at 30 September 2017 were as follows:

<i>Euro '000</i>	Total
Lithuania – Europa (retail)	39,008
Lithuania – Domus Pro (retail)	17,180
Latvia – SKY (retail)	5,626
Latvia – Upmalas Biroji (office)	24,133
Estonia – Lincona (office)	15,940
Estonia – Coca-Cola Plaza (leisure)	13,180
Estonia – G4S (office)	16,080
Estonia – Pirita (retail)	11,613
Lithuania – Duetto I (office)	15,062
Total	157,822

11. Investment property under construction

On 1 December 2015, the Group entered into an agreement with TK Development to expand the Domus Pro retail park by constructing and developing an office and commercial building (stage III) on the land plot nearby Domus Pro stage II. The Group started construction in December 2016 and finished it in October 2017.

<i>Euro '000</i>	2017	2016
Balance at 1 January	1,580	-
Additions	4,188	1,405
Net revaluation gain	(43)	175
Closing balance	5,725	1,580

No external property valuations were performed as at 30 September 2017. The value of investment property under construction is based on the valuation performed as of 30 June 2017 by the independent external valuer Colliers International.



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12. Trade and other receivables

<i>Euro '000</i>	30.09.2017	31.12.2016
Trade receivables, gross	1,001	757
Less impairment allowance for doubtful receivables	(61)	(39)
Accrued income	401	285
Other accounts receivable	228	266
Total	1,569	1,269

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

As at 30 September 2017, trade receivables at a nominal value of EUR 61 thousand were impaired and fully provisioned.

Movements in the impairment allowance for receivables were as follows:

<i>Euro '000</i>	2017	2016
Balance at 1 January	(39)	(22)
Charge for the period	(22)	(17)
Balance at end of period	(61)	(39)

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

<i>Euro '000</i>	Total	Neither past due nor impaired		Past due but not impaired				
		<30 days	30-60 days	60-90 days	90-120 days	>120 days		
30.09.2017	940	297	284	82	56	8	213	
31.12.2016	718	293	362	18	10	1	34	

13. Cash and cash equivalents

<i>Euro '000</i>	30.09.2017	31.12.2016
Cash at banks and on hand	4,406	9,883
Total cash	4,406	9,883

As at 30 September 2017, the Group had to keep at least EUR 100 thousand of cash in its bank accounts due to certain restrictions in bank loan agreements.



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14. Equity

14a. Paid in capital

During the secondary public offering in June 2017, the Fund raised additional gross capital EUR 9.8 million. The units are dual-listed on the NASDAQ Stockholm and the NASDAQ Tallinn stock exchanges. As at 30 September 2017, the total number of the Fund's units was 64,655,870 (as at 30 September 2016: 41,979,150).

Units issued are presented in the table below:

<i>Euro '000</i>	Number of units	Amount
As at 1 January 2017	57,264,743	66,224
Cancelled own shares acquired*	(5,900)	(8)
Units issued in June 2017**	7,397,027	9,381
Total change during the period	7,391,127	9,373
As at 30 September 2017	64,655,870	75,597

*On 3 March 2017, the Fund cancelled and deleted all 5,900 units of Baltic Horizon Fund that were held on its own account. The units were acquired during the stabilization period. The stabilization was undertaken for the Baltic Horizon Fund during 30 days after its listing on the Nasdaq Tallinn Stock Exchange. The Fund's units were purchased on 7 July 2016 on the Nasdaq Tallinn at EUR 1.3086 per unit, which equalled the IPO price.

** net of subscription fees of EUR 453 thousand.

A unit represents the investor's share in the assets of the Fund. The Fund has one class of units. The investors have the following rights deriving from their ownership of units:

- to own a share of the Fund's assets corresponding to the number of units owned by the investor;
- to receive, when payments are made a share of the net income of the Fund in proportion to the number of units owned by the investor (pursuant to the Fund rules);
- to call a general meeting in the cases prescribed in the Fund rules and the law;
- to participate and vote in a general meeting pursuant to the number of votes arising from units belonging to the investor and the number of votes arising from units which have been issued and not redeemed as at ten days before the general meeting is held.

Subsidiaries did not hold any units of the Fund as at 30 September 2017 and 30 September 2016.

The Fund did not hold its own units as at 30 September 2017. The Fund held 5,900 of its own units as at 31 December 2016 that were acquired during the stabilization period. The stabilization was undertaken for the Baltic Horizon Fund during 30 days after its listing on the Nasdaq Tallinn Stock Exchange. The Fund units were purchased on 7 July 2016 on the Nasdaq Tallinn Stock Exchange at 1.3086 EUR per unit, which equalled the IPO price. No more trades were made during the stabilization period as part of the stabilization.



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14b. 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 2017 and 31 December 2016.

<i>Euro '000</i>	2017	2016
Balance at the beginning of the year	(294)	(199)
Termination of interest rate swap (note 20)	57	-
Movement in fair value of existing hedges	126	(113)
Movement in deferred income tax (Note 9)	(32)	18
Net variation during the period	151	(95)
Balance at the end of the period	(143)	(294)

14c. Dividends (distributions)

On 20 January 2017, the Fund declared a cash distribution of EUR 1,374 thousand (EUR 0.024 per unit).
On 28 April 2017, the Fund declared a cash distribution of EUR 1,317 thousand (EUR 0.023 per unit).
On 4 August 2017, the Fund declared a cash distribution of EUR 1,164 thousand (EUR 0.018 per unit).
On 31 October 2017, the Fund declared a cash distribution of EUR 1,293 thousand (EUR 0.02 per unit).

15. Interest bearing loans and borrowings

<i>Euro '000</i>	Maturity	Effective interest rate	30.09.2017	31.12.2016
Non-current borrowings				
Bank 1*	Jul 2022	3M EURIBOR + 1.50%	20,849	23,444
Bank 1	Aug 2021	3M EURIBOR + 1.75%	2,519	2,599
Bank 1	Aug 2021	6M EURIBOR + 1.45%	7,741	7,739
Bank 1	Feb 2022	6M EURIBOR + 1.55%	6,613	-
Bank 2	Mar 2019	3M EURIBOR + 1.90%	6,866	7,049
Bank 3**	May 2018	3M EURIBOR + 2.50%	-	8,162
Bank 4	Aug 2023	1M EURIBOR + 1.55%	11,714	11,710
Bank 5	Mar 2022	6M EURIBOR + 1.75%	7,972	-
Less current portion			(673)	(1,722)
Total non-current debt			63,601	58,981
Current borrowings				
Bank 1	Dec 2017	1M EURIBOR + 1.45%	6,902	7,016
Bank 1	Dec 2017	3M EURIBOR + 3.00%	1,393	1,453
Current portion of non-current borrowings			673	1,722
Total current debt			8,968	10,191
Total			72,569	69,172

*The loan was refinanced on 5 July 2017 with the same bank.

** The loan was refinanced on 29 June 2017. The new loan proceeds are not yet drawn down.



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Loan securities

Borrowings received were secured with the following pledges and securities as of 30 September 2017:

	Mortgages of the property*	Second rank mortgages for derivatives	Pledges of receivables	Pledges of bank accounts	Share pledge
Bank 1	Lincona, SKY, G4S Headquarters, Europa, Domus Pro and Pirita	Europa, Domus Pro	Lincona, SKY, Europa, and Domus Pro	Europa, SKY	BOF Domus Pro UAB
Bank 2	Coca-Cola Plaza		Coca-Cola Plaza	Coca-Cola Plaza	
Bank 4	Upmalas Biroji			Upmalas Biroji	
Bank 5	Duetto I		Duetto I	Duetto I	BH Duetto UAB

*Please refer to note 10 for carrying amounts of assets pledged at period end.

16. Trade and other payables

<i>Euro '000</i>	30.09.2017	31.12.2016
Accrued expenses related to Domus Pro development	2,096	1,127
Trade payables	681	804
Accrued expenses	196	199
Tax payables	126	174
Accrued financial expenses	25	28
Other payables	372	544
Total trade and other payables	3,496	2,876

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.

17. Commitments and contingencies

17a. Litigation

As at 30 September 2017, there was no ongoing litigation, which could materially affect the consolidated financial position of the Group.

17b. Contingent assets

On 16 December 2016, the Fund signed a sales and purchase agreement for the acquisition of Pirita shopping centre. A part of the purchase price (EUR 150 thousand) was deferred and recognised as a liability. The purchase price was deferred because it is contingent on the performance of the property. If net operating income (NOI) for either 2017 or 2018 is less than EUR 900 thousand, irrespective of reasons, the Fund is entitled to unilaterally reduce the purchase price by the amount by which the NOI is lower than EUR 900 thousand but under no circumstances by more than EUR 500 thousand in total for 2017 and 2018.

On 22 December 2016, the Fund signed an amendment to the sales and purchase agreement with the seller of the Upmalas Biroji property. The seller agreed to provide a rental income guarantee in the amount of EUR



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168 thousand per year to be generated by the property from the rent of the parking places, storage rooms, advertisement areas and other areas that are not classified as "office revenues". The rental income guarantee is valid for a period of 24 months from 30 August 2016 (Upmalas Biroji acquisition date). An asset has not been recognized in the financial statements as the management of the Fund expects that Upmalas Biroji will be able to earn the guaranteed amount of rent.

On 22 March 2017, the Fund signed an additional agreement to the sales and purchase agreement with the seller of the Duetto I property. The seller agreed to provide a rental income guarantee in the aggregate amount of EUR 1,055 thousand per annum (EUR 88 thousand per month) of the effective net operating income from the Building for the first 24 months starting from 22 March 2017.

17c. Contingent liabilities

The Group did not have any contingent liabilities at the end of 30 September 2017.

18. 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.

Northern Horizon Capital AS

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 6).

The Group's transactions with related parties during the nine month period ended 30 September 2017 and 2016 were the following:

<i>Euro '000</i>	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016
Northern Horizon Capital AS group		
Management fees	843	513
Performance fees	-	81

The Group's balances with related parties as at 30 September 2017 and 31 December 2016 were the following:

'000 Euro	30.09.2017	31.12.2016
Northern Horizon Capital AS group		
Management fees payable	300	211

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;



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- 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.

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 Group owns 499,177 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 2017 and 31 December 2016 are presented in the tables below:

As at 30 September 2017

	Number of units	Percentage
Nordea Bank Finland Plc. clients	31,104,180	48.11%
Catella Bank SA on behalf of its clients	12,601,062	19.49%
Skandinaviska Enskilda Banken SA clients	4,766,470	7.37%

As at 31 December 2016

	Number of units	Percentage
Nordea Bank Finland Plc. clients	20,141,307	35.17%
Catella Bank SA on behalf of its clients	10,133,884	17.70%
Svenska Kyrkans Pensionskassa	8,061,604	14.08%
Skandinaviska Enskilda Banken SA clients	4,766,470	8.32%

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

19. 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:

Euro '000	Carrying amount		Fair value	
	30.09.2017	31.12.2016	30.09.2017	31.12.2016
Financial assets				
Trade and other receivables	1,569	1,269	1,569	1,269
Cash and cash equivalents	4,406	9,883	4,406	9,883
Derivative financial instruments	9	-	9	-
Financial liabilities				
Interest-bearing loans and borrowings	(72,569)	(69,172)	(72,615)	(69,351)
Trade and other payables	(3,496)	(2,876)	(3,496)	(2,876)
Derivative financial instruments	(172)	(345)	(172)	(345)



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Fair value hierarchy

Quantitative disclosures of the Group's financial instruments in the fair value measurement hierarchy as at 30 September 2017 and 31 December 2016:

Period ended 30 September 2017 <i>Euro '000</i>	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Trade and other receivables	-	-	1,569	1,569
Cash and cash equivalents	-	4,406	-	4,406
Derivative financial instruments	-	9	-	9
Financial liabilities				
Interest-bearing loans and borrowings	-	-	(72,615)	(72,615)
Trade and other payables	-	-	(3,496)	(3,496)
Derivative financial instruments	-	(172)	-	(172)
Period ended 31 December 2016 <i>Euro '000</i>				
Financial assets				
Trade and other receivables	-	-	1,269	1,269
Cash and cash equivalents	-	9,883	-	9,883
Financial liabilities				
Interest-bearing loans and borrowings	-	-	(69,351)	(69,351)
Trade and other payables	-	-	(2,876)	(2,876)
Derivative financial instruments	-	(345)	-	(345)

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 2017 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 discounting the expected future cash flows at prevailing interest rates.
- Cash and cash equivalents are attributed to level 2 in the fair value hierarchy.



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20. 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. Please refer to note 14b for more information.

Derivative type Euro '000	Starting date	Maturity date	Notional amount	Variable rate (received)	Fixed rate (paid)	Fair value	
						30.09.2017	31.12.2016
IRS	Aug 2016	Aug 2021	7,750	6M Euribor	0.05 %	9	-
Derivative financial instruments, assets						9	-
IRS	Dec 2014	Jun 2017*	-	3M EURIBOR	0.50 %	-	(73)
IRS	Sep 2015	Mar 2018	18,223	3M EURIBOR	0.15 %	(37)	(95)
IRS	Aug 2016	Aug 2021	7,750	6M EURIBOR	0.05 %	-	(5)
IRS	Nov 2016	Aug 2023	10,575	1M EURIBOR	0.26 %	(37)	(172)
IRS	Aug 2017	Feb 2022	6,275	6M EURIBOR	0.305 %	(42)	-
IRS	Sep 2017	May 2022	7,500	3M EURIBOR	0.05 %	(56)	-
Derivative financial instruments, liabilities						(172)	(345)
Net value of financial derivatives						(163)	(345)

*Interest rate swap was closed on 29 June 2017 due to loan refinancing. Value of IRS was EUR 57 thousand at termination date.

Derivative financial instruments were accounted for at fair value as at 30 September 2017 and 31 December 2016. The maturity of the derivative financial instruments of the Group is as follows:

Classification according to maturity Euro '000	Liabilities		Assets	
	30.09.2017	31.12.2016	30.09.2017	31.12.2016
Non-current	(172)	(345)	9	-
Current	-	-	-	-
Total	(172)	(345)	9	-

21. Subsequent events

On 31 October 2017, the Fund declared a cash distribution of EUR 1,293 thousand (EUR 0.02 per unit).

On 14 November 2017, the Fund signed a sales-purchase agreement to acquire Vainodes I office building located in Riga, Latvia, for a purchase price of EUR 21.3 million. The transaction is expected to be closed in December 2017.

There have been no other significant events after the end of the reporting period.



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2017

22. List of consolidated companies

Name	Registered office	Registration Number	Date of incorporation / acquisition	Activity	Interest in capital
BH Lincona OÜ ¹	Rävala 5, Tallinn, Estonia	12127485	20 June 2011	Asset holding company	100%
BH Domus Pro UAB ²	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%
BH CC Plaza OÜ ³	Rävala 5, Tallinn, Estonia	12399823	11 December 2012	Asset holding company	100%
BH Europa UAB ⁴	Gynėjų 16, Vilnius, Lithuania	300059140	2 March 2015	Asset holding company	100%
BH P80 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%
BH MT24 OÜ ⁵	Hobujaama 5, 10151 Tallinn, Estonia	14169458	14 December 2016	Holding company	0%
Pirita Center OÜ	Hobujaama 5, 10151 Tallinn, Estonia	12992834	16 December 2016	Asset holding company	100%
BH Duetto UAB	Jogailos 9, Vilnius, Lithuania	304443754	13 January 2017	Asset holding company	100%

¹formerly known as *BOF Lincona OÜ*.

²formerly known as *BOF CC Plaza OÜ*.

³formerly known as *BOF Domus Pro UAB*.

⁴formerly known as *BOF Europa UAB*.

⁵BH MT 24 OÜ merged with Pirita Center OÜ on 6 April 2017.

Baltic Horizon Fund

MANAGEMENT APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2017

The interim condensed consolidated financial statements of Baltic Horizon Fund were approved for issue by the Management Board of the Management Company on 17 November 2017.

Name and position	Signature
Tarmo Karotam Chairman of the Management Board	
Aušra Stankevičienė Member of the Management Board	
Algirdas Jonas Vaitiekūnas Member of the Management Board	