PROSPECTUS SUPPLEMENT

Offering of up to 15,038,000 Units

Baltic Horizon Fund

(a closed-ended contractual investment fund registered in the Republic of Estonia)

This document is a supplement (the "Prospectus Supplement") to, and should be read in conjunction with, the public offering and listing prospectus approved by the Estonian Financial Supervision Authority ("EFSA") under registration number 4.3-4.9/4877, dated 30 October 2017 (the "Offering Circular") and published by Northern Horizon Capital AS (the "Management Company") on 1 November 2017. The Offering Circular and the Prospectus Supplement have been prepared and published in connection with the offering (the "Offering") of up to 15,038,000 offer units (the "Offer Units") and admission to trading of the units of Baltic Horizon Fund (the "Fund") on the Nasdaq Stockholm and Nasdaq Tallinn. The Management Company reserves an option to increase the number of new Offer Units to be offered in the Offering by up to 15,038,000 Offer Units (the "Upsizing Option"). The exercise of the Upsizing Option shall be determined together with determining the completion of the Offering and allotment of Offer Units. In case the Upsizing Option is exercised in full, the total number of new Offer Units issued in the Offering is 30,076,000. The offer price per Offer Unit (the "Offer Price") shall be EUR 1.3266 per Offer Unit. The Offer Price shall be the same for all investors in the Offering.

The Offering is made (i) to professional investors in and outside Estonia in accordance with laws implementing Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and also other types of investors in reliance on certain exemptions available under the laws of each jurisdiction where the Offering is being made (the "Institutional Offering") and (ii) to retail investors in Sweden, Finland, Denmark and Estonia (the "Retail Offering").

This Prospectus Supplement has been approved by the EFSA under registration number 4.3-4.9/5051 in its capacity as the competent authority in the Republic of Estonia for the purposes of the Prospectus Directive, in accordance with the requirements of the Estonian Securities Market Act and the Prospectus Regulation. Registration of the Prospectus Supplement in the EFSA does not mean that the EFSA has verified the correctness of the information presented in this Prospectus Supplement.

In connection with the offering of Offer Units to retail investors in Sweden, Finland and Denmark (the "Retail Offering"), and pursuant to § 39^1 (2) of the Securities Market Act of Estonia, the Management Company has requested that EFSA notify the Swedish, Finnish and Danish Financial Supervision Authorities of its approval of this Prospectus Supplement.

See section 2 "Risk Factors" in the Offering Circular for a discussion of certain factors that should be considered by prospective investors.

This Prospectus Supplement does not constitute an offer to sell or a solicitation of an offer to buy any of the Offer Units in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The distribution of this Prospectus Supplement and the offering or sale of the Offer Units in certain jurisdictions is restricted by law. Persons into whose possession this Prospectus Supplement or the Offering Circular may come are required by the Management Company and the Managers to inform themselves about and to observe such restrictions.

NOTHING IN THIS DOCUMENT CONSTITUTES AN OFFER OF THE OFFER UNITS FOR SALE IN THE UNITED STATES ("U.S.") OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE OFFER UNITS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE OF THE U.S., AND MAY NOT BE OFFERED OR SOLD IN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S). THE OFFER UNITS ARE SUBJECT TO CERTAIN SELLING RESTRICTIONS THAT ARE SET OUT IN THE OFFERING CIRCULAR.

The date of this Prospectus Supplement is 27 November 2017

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APPENDICES

1. GENERAL

Capitalised terms and phrases used in this Prospectus Supplement have the same meaning given to them in the Offering Circular, unless otherwise defined herein. Any statement contained in the Offering Circular shall be deemed to be modified or superseded to the extent that a statement contained in this document modifies or supersedes such statement. To the extent that there is any inconsistency between any statement in or incorporated by reference in this document and any other statement in or incorporated by reference in the Offering Circular, the statements in or incorporated by reference in this document will prevail.

The Management Company accepts responsibility for the information contained in this Prospectus Supplement. To the best of the knowledge and belief of the Management Company, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus Supplement is in accordance with the facts and contains no omission likely to affect its import. The contents of this Prospectus Supplement are not to be construed as legal, business or tax advice. Each prospective investor should consult with its own legal adviser, business adviser or tax adviser as to legal, business and tax advice.

Except as disclosed in this Prospectus Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Offering Circular has arisen or been noted, as the case may be, since the publication of the Offering Circular.

This Prospectus Supplement is being published:

(i) to include the Fund's reviewed interim consolidated financial statements for the 9-month period ended 30 September 2017;
(ii) to include Europa SPV's reviewed interim financial statements for the 9-month period ended 30 September 2017;
(iii) to include information about the Offer Price and NAV of the Unit as at 31 October 2017;
(iv) to describe an updated dividend policy and include a quarterly dividend for Q3 2017 profit, announced on 31 October 2017;
(v) to describe a new property acquisition – Vainodes I in Riga – signed on 14 November 2017;
(vi) to provide the updated summary of the Offering Circular which includes the new information disclosed in this Offering Supplement. The following elements of the Summary have been updated: B.7. "Selected historical financial information", B.38 "Identity of assets in which the Fund invested more than 20% of its gross asset value", B.45 "Description of the Fund's portfolio", B.46 "Most recent net asset value per unit", C.7 "Dividend policy" and E.3 "Terms and conditions of the Offering";
(vii) to correct certain immaterial mistakes in the Offering Circular.

This Prospectus Supplement will be published on the Website and on the website of the EFSA (www.fi.ee). A paper copy of this Offering Circular can be obtained from Catella Bank S.A. until the end of the Offer Period.

2. UPDATED SUMMARY

of the Offering Circular of Baltic Horizon Fund dated 30 October 2017 and as supplemented with the Prospectus Supplement dated 27 November 2017.

This Summary is made up of disclosure requirements known as "Elements" in accordance with the Annex XXII (Disclosure Requirements in Summaries) of the Prospectus Regulation. These elements are numbered in Sections A – E (A.1 – E.7) below. This Summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the Summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the Summary with the mention 'not applicable'.

Section A - Introduction and Warnings

A.1	**Warning**	This summary should be read as an introduction to the Offering Circular. The summary information set out below is based on, should be read in conjunction with, and is qualified in its entirety by, the full text of this Offering Circular, including the financial information presented herein. Any consideration to invest in the Offer Units should be based on consideration of the Offering Circular as a whole by the investor. Where a claim relating to the information contained in the Offering Circular is brought before a court, the plaintiff investor might, under the applicable law, have to bear the costs of translating the Offering Circular in the course of the legal proceedings or before such proceedings are initiated. No person assumes civil liability for this summary or the information herein, unless it is misleading, inaccurate or inconsistent when read together with the other parts of the Offering Circular, or does not provide key information to allow investment decision making.
A.2	**Consent by the issuer**	Not applicable

Section B - Issuer

B.1	**Legal and commercial name**	Baltic Horizon Fund
B.2	**Domicile, legal form and legislation**	The Fund is a public closed-ended contractual investment fund. The Fund is a real estate fund. The Fund is registered in the Republic of Estonia.
B.3	**Key factors relating to the Fund and its activities**	The Fund is a real estate fund and invests directly or indirectly in real estate located in Estonia, Latvia, and Lithuania, with a particular focus on the capitals - Tallinn, Riga, and Vilnius. See more information on the Fund's investment policy in Element B.34 below. The Fund Rules were registered with Estonian Financial Supervision Authority on 23 May 2016. The Fund completed an initial public offering on 29 June 2016 raising EUR 21.0m of proceeds for acquisitions of new properties. On 30 June 2016 the Fund merged with BOF and took over all assets and liabilities of BOF including its property portfolio of 5 commercial properties. Unit-holders of BOF became Unit-holders of the Fund as units of BOF were converted into Units of the Fund at a ratio of 1:100. BOF was a closed-ended contractual real estate investment fund registered in Estonia with the Estonian Financial Supervision Authority on 1 September 2010. On 6 July 2016 Units of the Fund were listed on Nasdaq Tallinn. In November 2016, the Fund completed a secondary public offering raising EUR 19.6m of new equity for investing into new properties. On 23 December 2016, the Fund Units were secondary listed on Nasdaq Stockholm. In June 2017, the Fund carried out a new secondary public offering raising EUR 9.4m of additional equity for acquisitions of attractive properties. The Fund generates returns to the Unit-holders by investing in commercial real estate assets primarily at central and strategic locations in the Baltic capital cities. The Fund focuses on fully-developed premium office and retail properties with high-quality tenants mix, low vacancy and stable and strong cash flows. The Fund generates revenue by leasing out space at its properties to tenants. Constant flow of rental income is the basis for the Fund to distribute dividends to its Unit-holders. The Fund seeks to become the largest commercial property owner in the Baltics. In the longer term it targets to reach a property portfolio size of EUR 1,000m and NAV of EUR 500m in order to maximize Unit-holder returns through cost efficiencies, ensure high liquidity of its Units and increase diversification across properties, tenants, property classes and cities. The Fund's investment strategy aims to take advantage of higher property yields in the Baltics. According to Colliers, prime yields for office and retail properties in the Baltic capitals stood at 6.5-

		6.8% at the end of 2016. They exceeded yields in Nordic capitals by approximately 2.5% and Warsaw and Prague by approximately 1.5%. Higher property yields enable the Fund to generate greater cash returns, which are paid out to Unit-holders as dividends, and also offer a potential for capital appreciation due to possible compression in the Baltic yields. The Fund targets a debt level of 50% of the value of its properties enabling to leverage returns to Unit-holders and utilize currently low market interest rates. Dividends are targeted to yield 7-9% of invested equity per annum, payable on a quarterly basis. The focus on the Baltic commercial real estate is also based on positive leasing trends: low vacancy, gradually growing rent rates and a significant and still increasing presence of large international tenants. In addition, rising activity in the Baltic property transaction market leads to greater availability of potential acquisition targets which is important for the implementation of the Fund's investment strategy. The Fund's geographical focus on the Baltics is supported by the stable macroeconomic situation in the region. All three Baltic countries are members of the EU and have euro as a national currency. Their economies have been growing at a considerably higher pace than the EU average. Ranked by real GDP growth over 2000-2016 (Eurostat), they are in the top 8 of the fastest expanding members of the EU. The EC forecasts economic growth in the Baltics to continue outperforming the EU average. Furthermore, government debt and private debt levels of the Baltic countries are among the lowest in the EU. Government debt to GDP ratio of Lithuania, the highest of the three, stood at 40% at the end of 2016 – substantially below the EU average of 85% (according to the EC).
B.4a	**Significant trends**	The growth of the GDP of Baltic countries has significantly outperformed EU average. Over the period from 2000 to 2016, annual real GDP growth averaged 4.0% in Lithuania (the 3rd fastest in the EU), 3.6% in Latvia (the 5th fastest) and 3.2% in Estonia (the 8th fastest). In contrast, the overall EU's GDP expanded by only 1.3% real per annum over the same period. The EC forecasts that buoyed by growing private consumption and a rebound in investments the Baltic economies will continue expanding at a considerably faster pace than EU as a whole. The EU is expected to achieve real GDP growth of 1.9% in 2017 and 2018 whereas Lithuania is forecast to deliver growth of 2.9% in 2017 and 3.1% in 2018, Latvia to increase by 3.2% in 2017 and 3.5% in 2018 and Estonia to grow by 2.3% in 2017 and 2.8% in 2018. Government finances of the Baltic States stand out in the European context as prudent, fiscally responsible and not overburden by debt. The Baltic countries have one of the lowest government debt levels in the EU. Whereas the overall EU had a gross debt to GDP ratio of 85% at the end of 2016, Estonia's government debt amounted to only 10% of GDP (the lowest in the EU) and Latvia's and Lithuania's at 40% (the 7th and the 8th lowest respectively). The activity in the Baltic property transaction market grew rapidly in recent years. According to Colliers, the turnover of property transactions, aggregated for all three Baltic countries, reached an all-time record of 1.4bn in 2015 and remained high at EUR 1.2bn in 2016. Office and retail properties together constituted approximately two thirds of the transaction volume in 2016. Prime yields in the Baltic capital cities have been gradually declining since 2010 on the back of stable and growing economy, improving real estate market fundamentals (declining vacancy and increasing rent rates), falling borrowing costs and high demand for cash flow-generating assets in a low interest rate environment. At the end of 2016 prime yields for office and retail properties stood at 6.8% in Riga, 6.75% in Vilnius and 6.5% in Tallinn. Despite a downward trend, yields in the Baltic capitals are still considerably higher than in Poland and even more so than in Nordics. Colliers estimates that at the end of 2016 prime yields for office and retail (SCs) properties were 5.25% in Warsaw, 4.25-5.25% in Copenhagen, 3.9-4.25% in Oslo and 3.5-4.0% in Stockholm. Stock of modern office space in the Baltic capital cities increased by 9% to 1,765 thousand sqm of GLA in 2016. Office vacancy stood at 4.5% in Riga, 6.3% in Vilnius and 6.9% in Tallinn. Development activity has picked up recently in Vilnius and Tallinn office markets as growth in demand for office premises has outpaced additions to supply. The demand has been supported by launches of new shared service centers of international companies, especially in Vilnius. A significant part of office buildings under construction are pre-let. Retail space (in shopping centers) in the Baltic capitals rose by 5% to 1,870 thousand sqm of GLA in 2016. Vacancy rates in SCs were low – 2.7% in Riga, 1.6% in Vilnius and 1.0% in Tallinn. The most successful SCs in the Baltic capital cities effectively had no vacant space. Demand for retail space has been supported by increasing household consumption which has been the main driver of economic

growth in the Baltics in recent years. In 2014-2016 retail trade (excl. motor vehicles and motorcycles) was expanding yearly by 4.8% real on average in the Baltic countries exceeding 2.7% rise in the EU and 2.0% in the euro area. Development activity in retail property sector has been modest and below one in Vilnius and Tallinn office markets.

B.5	**Group**	Not applicable
B.6	**Unitholders**	Holdings in the Fund are not notifiable under Estonian law. All Units rank *pari passu* without preference or priority among themselves. To the extent known to the Management Company, no Unit-holder holds majority of the Units and controls the Fund.

B.7 Selected historical financial information

On 30 June 2016 the Fund merged with BOF and took over all assets and liabilities of BOF. Units of BOF were converted into units of the Fund at a ratio of 1:100 (1 unit of BOF was exchanged into 100 units of the Fund). At the time of the Merger, the Fund had no assets and liabilities of its own. Thus, historical financial and operational performance of BOF prior to the Merger is directly comparable the Fund's performance after the Merger. In the Fund's audited consolidated financial statements for the year ended 31 December 2016, BOF's financial results prior to the Merger are presented as those of the Fund. For these reasons, in this Offering Circular past results of BOF are presented as results of the Fund.

The consolidated financial information, provided in the following tables, has been derived as follows:

- For the interim period of January – September 2017 (and the corresponding period of 2016): the Fund's reviewed interim consolidated financial statements for the 9-month period ended 30 September 2017 prepared according to the IFRS;
- For year 2016: the Fund's audited consolidated financial statements for the year ended 31 December 2016 prepared according to the IFRS;
- For year 2015: BOF's audited statutory consolidated financial statements for the year ended 31 December 2015 prepared according to the IFRS;
- For year 2014: BOF's audited special purpose consolidated financial statements for the years ended 31 December 2014 and 31 December 2013. Because prior to 2015 BOF was qualified as an investment entity under IFRS 10, these statements do not comply with consolidation requirements in IFRS 10 according to which investment entities are required to measure their subsidiaries at fair value through profit and loss rather than consolidate them. Apart from this exception, these special purpose financial statements are prepared based on all other standards and interpretations of the IFRS.

The Fund reports its financial results in the consolidated form. In years prior to 2015 BOF qualified as an investment entity under IFRS 10. According to consolidation requirements in IFRS 10, investment entities are required to measure subsidiaries at fair value through profit and loss rather than consolidate them. In order to provide prospective investors with comparable financial information for years prior to 2015, special purpose consolidated financial statements have been prepared for 2014.

Table 1: Consolidated income statement of the Fund, EUR thousand

	2014	2015	2016	Jan - Sep 2016	Jan - Sep 2017
Rental income	3,048	6,073	7,874	5,334	8,622
Service charge income	829	2,062	2,594	1,810	2,663
Cost of rental activities	-1,177	-2,796	-3,315	-2,301	-3,439
Net rental income	**2,700**	**5,339**	**7,153**	**4,843**	**7,846**
Administrative expenses	-665	-984	-2,190	-1,462	-1,935
Other operating income	-	267	97	95	77
Net loss on disposal of investment properties	-	-10	-	-	-
Valuation gains/losses on investment properties	611	2,886	2,737	2,361	339
Operating profit	**2,646**	**7,498**	**7,797**	**5,837**	**6,327**
Financial income	72	17	14	11	45
Financial expenses	-656	-1,100	-1,253	-840	-1,123

Profit before tax	**2,062**	**6,415**	**6,558**	**5,008**	**5,249**
Income tax charge	-55	-890	-798	-428	-1,082
Profit for the period	**2,007**	**5,525**	**5,760**	**4,580**	**4,167**
Earnings per unit (basic and diluted)[1], EUR	**0.10**	**0.23**	**0.12**	**0.12**	**0.07**

Source: reviewed interim consolidated financial statements of the Fund for the 9-month period ended 30 September 2017, audited consolidated financial statements of the Fund for year 2016 and audited consolidated financial statements of BOF for years 2014-2015

[1] On 30 June 2016 the Fund merged with BOF and took over all assets and liabilities of BOF. Units of BOF were converted into units of the Fund at a ratio of 1:100 (1 unit of BOF was exchanged into 100 units of the Fund). To ensure the comparability of historical *per unit* figures, numbers of units prior to the Merger were recalculated by multiplying them by 100 to reflect the effect of the conversion. The recalculated numbers or units were used to compute comparable *per unit* figures.

Table 2: Consolidated financial position of the Fund, EUR thousand

	31 Dec 2014	31 Dec 2015	31 Dec 2016	30 Sep 2017
Investment properties	46,170	86,810	141,740	157,822
Investment property under construction	-	-	1,580	5,725
Derivative financial instruments	-	-	-	9
Other non-current assets	-	263	288	72
Total non-current assets	**46,170**	**87,073**	**143,608**	**163,628**
Trade and other receivables	214	840	1,269	1,569
Prepayments	11	81	178	135
Cash and cash equivalents	2,626	1,677	9,883	4,406
Total current assets	**2,851**	**2,598**	**11,330**	**6,110**
TOTAL ASSETS	**49,021**	**89,671**	**154,938**	**169,738**
Paid in capital	22,051	25,674	66,224	75,597
Own units	-	-	-8	-
Cash flow hedge reserve	-194	-199	-294	-143
Retained earnings	2,458	6,218	10,887	11,199
Total equity	**24,315**	**31,693**	**76,809**	**86,653**
Interest bearing loans and borrowings	22,395	39,586	58,981	63,601
Deferred tax liabilities	670	3,673	4,383	5,513
Derivative financial instruments	149	215	345	172
Other non-current liabilities	160	451	935	891
Total non-current liabilities	**23,374**	**43,925**	**64,644**	**70,177**
Interest bearing loans and borrowings	644	11,608	10,191	8,968
Trade and other payables	534	2,036	2,876	3,496
Income tax payable	-	112	46	29
Derivative financial instruments	60	17	-	-
Other current liabilities	94	280	372	415
Total current liabilities	**1,332**	**14,053**	**13,485**	**12,908**
Total liabilities	**24,706**	**57,978**	**78,129**	**83,085**
TOTAL EQUITY AND LIABILITIES	**49,021**	**89,671**	**154,938**	**169,738**

Source: reviewed interim consolidated financial statements of the Fund for the 9-month period ended 30 September 2017, audited consolidated financial statements of the Fund for year 2016 and audited consolidated financial statements of BOF for years 2014-2015

Table 3: Consolidated statement of cash flows of the Fund, EUR thousand

	2014	2015	2016	Jan - Sep 2016	Jan - Sep 2017
Operating activities					
Profit before tax	2,062	6,415	6,558	5,008	5,249
Adjustments for non-cash items:					
Value adjustment of investment properties	-611	-2,886	-2,562	-2,361	-382
Value adjustment of investment properties under construction	-	-	-175	-	43
Gain/loss on disposal of investment property	-	10	-	-	-
Value adjustment of derivative finance instruments	14	18	-	-	-
Change in allowance for bad debts	29	22	17	-	22
Financial income	-72	-17	-14	-11	-45
Financial expenses	656	1,100	1,253	840	1,123
Working capital adjustments:					
Decrease/-increase in trade and other accounts receivables	-81	-156	-204	216	-434
-Increase/decrease in other current assets	271	-82	-106	-94	-40
-Decrease/increase in other non-current liabilities	83	120	69	68	-87
Increase/-decrease in trade and other accounts payable	77	69	-398	-239	-294
-Decrease/increase in other current liabilities	-559	407	-50	-164	10
Refunded/-paid income tax	-102	-54	-103	-52	-31
Net cash flow from operating activities	**1,767**	**4,966**	**4,285**	**3,211**	**5,134**
Investing activities					
Interest received	-	17	14	11	6
Acquisition of subsidiaries, net of cash acquired	-1,357	-7,657[1]	-20,098	-8,528	-
Acquisition of investment properties	-	-	-15,454	-15,454	-14,362
Disposal of investment properties	-	990	-	-	-
Advance payment on investment property	-	-	-200		
Investment property development expenditure	-	-1,643	-1,660	-1,507	-3,222
Capital expenditure on investment properties	-468	-570	-380	-300	-873
Net cash flow from investing activities	**-1,825**	**-8,863**	**-37,778**	**-25,778**	**-18,451**
Financing activities					
Proceeds from bank loans, net of fees	499	4,804	8,084	8,182	14,609
Repayment of bank loans	-463	-2,684	-4,722	-4,230	-11,279
Proceeds from issue of units	3,019	3,160	40,550	20,962	9,381
Repurchase of units	-	-	-8		
Profit distribution to unitholders	-184	-1,302	-1,091	-	-3,855
Interest paid	-643	-1,030	-1,114	-779	-1,016
Net cash flow from financing activities	**2,228**	**2,948**	**41,699**	**24,135**	**7,840**
Net change in cash and cash	**2,170**	**-949**	**8,206**	**1,568**	**-5,477**

equivalents					
Cash and cash equivalents at the beginning of the year	456	2,626[1]	1,677	1,677	9,883
Cash and cash equivalents at the end of the year[2]	**2,626**	**1,677**	**9,883**	**3,245**	**4,406**

Source: reviewed interim consolidated financial statements of the Fund for the 9-month period ended 30 September 2017, audited consolidated financial statements of the Fund for year 2016 and audited consolidated financial statements of BOF for years 2014-2015[1] In BOF's audited consolidated financial statements for 2015, *acquisition of subsidiaries, net of cash acquired,* in year 2015 is equal to EUR 6,324 thousand which is comprised of EUR 7,657 thousand payment (net of cash acquired) for an acquisition of Europa SC reduced by EUR 1,333 thousand cash and cash equivalents held by SPVs at the beginning of 2015. The subtraction of SPVs' cash position is due to the change in BOF's status under IFRS 10 from an investment entity at the end of 2014 to a non-investment entity in 2015. In BOF's consolidated statements of cash flows for the year 2015, cash and cash equivalents at the beginning of 2015 reflect non-consolidated position, i.e. only cash held by BOF itself (EUR 1,293 thousand). In order to consolidate cash held by SPVs at the beginning of 2015, the amount is recognised under *acquisition of subsidiaries, net of cash acquired,* as a positive cash flow item. This EUR 1,333 thousand consolidation adjustment is eliminated from the table above because in it cash and cash equivalents at the beginning of 2015 already reflect the consolidated position, i.e. cash held by both BOF itself (EUR 1,293 thousand) and all its SPVs (EUR 1,333 thousand).

[2] Part of cash and cash equivalents have been restricted following requirements set in bank loan agreements. On 30 September 2017, the restricted cash amounted to EUR 100 thousand.

Table 4: Key indicators of the Fund

	2014	2015	2016	Jan - Sep 2016	Jan - Sep 2017
Property-related					
Value of investment properties, EUR'000	46,170	86,810	141,740	129,200	157,822
Number of properties, period end	4	5	8	7	9
Rentable area, sqm					
Period end	30,928	48,651	75,107	70,914	83,702
Period average[1]	28,322	44,718	58,936	55,121	81,798
Vacancy rate					
Period end	6.3%	2.0%	2.6%	1.9%	2.3%
Period average[2]	9.8%	2.8%	3.2%	3.1%	2.0%
Net initial yield[3]	6.6%	7.1%	6.8%	6.8%	6.8%
Financial					
EPRA NAV per unit[4,5], EUR	1.16	1.48	1.48	1.53	1.48
NAV per unit[4], EUR	1.12	1.27	1.34	1.36	1.34
Adjusted earnings per unit[4,6], EUR	0.10	0.23	0.14	0.13	0.08
Adjusted ROE[7]	9.3%	19.4%	10.8%	13.5%	8.4%
Adjusted cash earnings[8], EUR'000	1,349	3,485	4,656	3,220	5,313
Adjusted cash earnings per unit[4], EUR	0.07	0.15	0.10	0.08	0.09
Adjusted cash ROE[9]	6.2%	12.2%	7.5%	8.3%	8.8%
Dividends per unit[4], EUR	0.051	0.072	0.050[10]	0.026[11]	0.061[12]
Interest coverage ratio[13]	3.2	4.3	4.4	4.2	5.7
LTV[14]	49.9%	59.0%	48.8%	53.9%	46.0%
Weighted average number of units issued[4], '000	19,767	23,915	47,351	39,164	60,007
Number of units issued at period end[4], '000	21,720	25,017	57,265	41,979	64,656

Source: ratios and indicators in the table have been computed using information provided in the Fund's and BOF's audited consolidated financial statements, reviewed interim consolidated financial statements and internal management reports. The ratios and indicators themselves have neither been audited nor reviewed by independent auditors.

[1] Computed as average of monthly estimates.

[2] Computed as average of monthly estimates.

[3] Net initial yield = net rental income / value of investment properties. Calculated as average of monthly estimates.

[4] On 30 June 2016, the Fund merged with BOF and took over all assets and liabilities of BOF. Units of BOF were converted into units of the Fund at a ratio of 1:100 (1 unit of BOF was exchanged into 100 units of the Fund). To ensure the comparability of historical *per unit* figures, numbers of units prior to the Merger were recalculated by

multiplying them by 100 to reflect the effect of the conversion. The recalculated numbers or units were used to compute comparable *per unit* figures.

[5] EPRA NAV is a measure of long term NAV, proposed by European Public Real Estate Association (EPRA) and widely used by listed European property companies. It is designed to exclude 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 gains. EPRA NAV = NAV per financial statements + derivative financial instruments liability net of related deferred tax asset + deferred tax liability related to investment property fair and tax value differences.

[6] Earnings per unit for 2016 were adjusted to exclude EUR 938 thousand one-off expenses related to public offerings. No adjustments were performed for years 2015 and 2014. Earnings per unit for 9 months 2017 were adjusted to exclude EUR 434 thousand one-off expenses related to public offerings and EUR 452 thousand one-off deferred tax related to revaluation of Upmalas Biroji's land plot. Earnings per unit for 9 months 2016 were adjusted to exclude EUR 625 thousand one-off expenses related to public offerings.

[7] Adjusted return on average equity (ROE) = adjusted earnings per unit / average NAV per unit; where average NAV per unit = (NAV per unit at the beginning of the period + NAV per unit at the end of the period) / 2. Estimates for interim periods were annualized. The calculation method was revised compared to the Fund's previous prospectus, dated 8 May 2017, where Adjusted ROE was computed as profit for the period / average total equity. Use of per unit figures instead of absolute figures enables to account for precise timing of issuances of new units and their effect on ROE because adjusted earnings per unit, a numerator in the formula, is computed using time-weighted average number of units issued.

[8] Adjusted cash earnings = profit before tax - valuation gains or losses on investment properties - net gains or losses on disposals of investment properties - paid income taxes. A figure for 2016 was adjusted to exclude EUR 938 thousand one-off expenses related to public offerings. No adjustments were performed for years 2015 and 2014. A figure for 9 months 2017 was adjusted to exclude EUR 434 thousand one-off expenses related to public offerings. A figure for 9 months 2016 was adjusted to exclude EUR 625 thousand one-off expenses related to public offerings.

[9] Adjusted cash ROE = adjusted cash earnings per unit / average NAV per unit; where average NAV per unit = (NAV per unit at the beginning of the period + NAV per unit at the end of the period) / 2. Estimates for interim periods were annualized. The calculation method was revised compared to the Fund's previous prospectus, dated 8 May 2017, where Adjusted cash ROE was computed as adjusted cash earnings for the period / average total equity. Use of per unit figures instead of absolute figures enables to account for precise timing of issuances of new units and their effect on cash ROE because adjusted cash earnings per unit, a numerator in the formula, is computed using time-weighted average number of units issued.

[10] Represents two quarterly dividends for 2016 profit: EUR 0.026 per unit for Q3 2016 profit, announced on 12 October 2016 and paid on 28 October 2016, and EUR 0.024 per unit for Q4 2016 profit, announced on 20 January 2017 and paid on 7 February 2017.

[11] Represents a single quarterly dividend: EUR 0.026 per unit for Q3 2016 profit, announced on 12 October 2016 and paid on 28 October 2016

[12] Represents three quarterly dividends: EUR 0.023 per unit for Q1 2017 profit, announced on 28 April 2017 and paid on 18 May 2017, EUR 0.018 per unit for Q2 2017 profit, announced on 4 August 2017 and paid on 24 August 2017, and EUR 0.020 per unit for Q3 2017, announced on 31 October 2017 and paid on 17 November 2017.

[13] Interest coverage ratio = (operating profit - valuation gains or losses on investment properties - net gains or losses on disposals of investment properties) / interest on bank loans.

[14] Loan-to-value (LTV) = total interest bearing loans and borrowings / value of investment properties.

Interim results in the first 9 months of 2017

In the first 9 months of 2017, the Fund's net rental income grew by 62% year on year to EUR 7.8m thanks to a singificantly expanded property portfolio. While 5 buildings were owned in the middle of 2016, 4 more properties have been acquired since then enabled by capital raised in the Fund's public offerings. Of a total EUR 3.0m increase in net rental income, EUR 2.9m was attributable to 4 newly acquired buildings. Net rental income of Upmalas Biroji (acquired in August 2016) and G4S Headquarters (bought in July 2016), which were purchased by investing proceeds from the Fund's initial public offering, expanded by EUR 1.1m and EUR 0.6m respectively in the first 9 months of 2017. Piirita (purchased in December 2016) and Duetto I (bought in March 2017), which were acquired using proceeds from the Fund's secondary public offering completed in November 2016, contributed EUR 0.7m and EUR 0.6m of net rental income respectively in the first 9 months of 2017. Net rental income at 5 properties that were already owned at the beginning of 2016 increased by EUR 0.1m year on year owing mainly to Domus Pro whose 2nd stage was fully commissioned in May 2016.

Administrative expenses totaled EUR 1.9m in the first 9 months of 2017 compared to EUR 1.5m in the corresponding period of 2016. One-off public offering expenses amounted to EUR 0.4m and were EUR 0.2m lower than in the first 9 months of 2016. The management fee rose by EUR 0.3m to EUR 0.8m as the base for its calculation – NAV before the Merger with BOF on 30 June 2016 and market capitalization after the Merger – expanded.

A total fair value gain of EUR 339 thousand was recorded as a EUR 382 thousand value gain in operating properties was partly offset by a EUR 43 thousand value loss in properties under construction relating to the 3rd stage at Domus Pro. In the first 9 months of 2016, a EUR 2.4m gain in the fair value of properties was recognized.

		Net financial expenses grew by 30% year on year to EUR 1.1m as additional bank debt (in combination with new equity capital from the public offerings) was raised to finance acquisitions of new properties. Average cost of debt amounted to 2.0% in the first 9 months of 2017 compared to 1.8% in the same period of 2016. Income tax rose to EUR 1.1m from EUR 0.4m in the corresponding period of 2016. The increase was significantly affected by one-off recognition of EUR 452 thousand deferred tax in relation to revaluation of Upmalas Biroji's land plot. On the other hand, current income tax amounted to only EUR 29 thousand and was comparable to the level recorded in the first 9 months of 2016. **Results in years 2014 - 2016** In 2016, net rental income rose by 34% to EUR 7.2m driven both by higher income at existing properties and contribution from new properties acquired in 2016. Of the existing properties, Europa SC's net rental income grew by EUR 0.4m thanks to full year contribution and Domus Pro's net rental income expanded by EUR 0.2m due to commissioning of its 3,700 sqm 2nd stage. Of the new properties, G4S Headquarters, purchased in July 2016, and Upmalas Biroji, bought in August 2016, each added EUR 0.5m of net rental income while Piirita, acquired in December 2016, generated EUR 32 thousand. The 3 new properties will lead to a sizeable increase in the Fund's rental income in 2017 since they will be owned for the whole year. In 2015, net rental income doubled to EUR 5.3m from EUR 2.7m in 2014. The increase was primarily attributable to Europa SC, acquired in March 2015, that contributed EUR 2.0m during the year. Net rental income of Domus Pro grew by EUR 0.4m thanks to its full year contribution and a drop in its vacancy. Administrative expenses increased to EUR 2.2m in 2016 from EUR 1.0m in 2015. The main reason for the increase was EUR 0.9m one-off expenses related to the preparation and execution of the Fund's initial public offering in June 2016 and its secondary public offering in November 2016. The management fee rose by EUR 0.1m to EUR 0.7m as the base for its calculation – NAV before the Merger and market capitalization after the Merger – expanded. In 2015, administrative expenses grew to EUR 1.0m from EUR 0.7m in 2014 as higher NAV led to increased management fee. Valuation gains on investment properties amounted to EUR 2.7m in 2016, EUR 2.9m in 2015 and EUR 0.6m in 2014. Properties have been recognised at fair value based on independent appraisals which have been carried out at least once a year. Net financial expenses grew to EUR 1.2m in 2016 from EUR 1.1m in 2015 and EUR 0.6m in 2014. Increases were attributable predominantly to rising interest expenses as an amount of bank loans expanded with an increasing size of the Fund's property portfolio. The Fund uses bank loans to partly finance acquisitions of new properties. As a result, financial debt grew to EUR 69.2m at the end of 2016 from EUR 51.2m at the end of 2015 and EUR 23.0m at the end of 2014. Income tax amounted to EUR 0.8m in 2016 comprised of EUR 0.1m current income tax and EUR 0.7m deferred income tax. Deferred income tax was attributable to fair value gains from external property valuations as well as depreciation of properties' historical cost which is deducted from taxable profits in determining current taxable income. In 2015 income tax went up to EUR 0.9m (fully comprised of deferred tax) from EUR 0.1m in 2014 caused by substantially higher profits from properties located in Lithuania. Over years 2014-2016, income tax was recorded only for properties based in Lithuania and Latvia. Estonian properties, on the other hand, incurred no income tax because they did not pay dividends - retained profits are tax exempt in Estonia.
B.8	**Pro forma financial information**	Not applicable. Pro forma financial information is not provided in the Offering Circular.
B.9	**Profit forecast**	Not applicable. A profit forecast is not provided in the Offering Circular.
B.10	**Qualifications in audit reports**	All financial statements provided in this Offering Circular received unqualified opinions from independent auditors.
B.34	**Investment objective and policy**	The objective of the Fund is to provide its unit-holders with consistent and above average risk-adjusted returns by acquiring high quality cash flow generating commercial properties with the potential for adding value through active management, thereby creating a stable income stream of high yielding current income combined with capital gains. The focus of the Fund is to invest, directly or indirectly, in real estate located in Estonia, Latvia, and Lithuania, with a particular focus on the capitals - Tallinn, Riga, and Vilnius - and a preference for city centres within or near the central business districts. At least 80% of the Fund's gross asset value must be invested in real estate and securities relating to

		real estate in accordance with the investment objectives and policy of the Fund. Up to 20% of the Fund's gross asset value may be invested in the deposits and financial instruments. The assets of the Fund may be invested in derivative instruments only for the purpose of hedging the property loan risks. The Fund shall meet the following risk diversification requirements: • up to 50% of the gross asset value of the Fund may be invested in any single real estate property, or in any single real estate fund; • the annual rental income from one single tenant shall not form more than 30% of the total annual net rental income of the Fund.
B.35	**Borrowing and/or leverage limits**	The Management Company has, on account of the Fund, the right to guarantee an issue of securities, provide surety, take a loan, issue debt securities, enter into repurchase or reverse repurchase agreements, and conclude other securities borrowing transactions. Subject to the discretion of the Management Company, the Fund aims to leverage its assets and targets a debt level of 50% of the value of its assets. At no point in time may the Fund's leverage exceed 65% of the value of its assets. Loans may be taken for periods of up to 30 years.
B.36	**Regulatory status and the name of a regulator**	The Fund is registered with, and is regulated by the Estonian Financial Supervision Authority (*Finantsinspektsioon*).
B.37	**Profile of a typical investor**	A typical investor of the Fund is either an institutional or a retail investor seeking to have a medium or long term indirect exposure to commercial real estate property. Investors should be ready to accept investment risk generally inherent to real estate markets. Provided that Fund's investments are made with a long term perspective with a view to gain both from the increase of the property value over economic cycles and through continuous cash flow generation, also investors are expected to invest with a long term view. Furthermore, investors who expect regular distributions out of cash flows (e.g. dividends, interests) should consider an investment in the Fund. Any investor, who has had no or very little experience in investing in real estate funds or directly in commercial real estate property, should consult their professional adviser in order to learn about the characteristics and risks associated with such investments.
B.38	**Identity of assets in which the Fund invested more than 20% of its gross asset value**	According to the Fund Rules, up to 50% of the gross asset value of the Fund may be invested in any single real estate property, or in any single real estate fund. As of 30 September 2017, the fair value of Europa SC, a shopping mall in Vilnius, constituted approximately 23% of the Fund's gross assets and 25% of its property portfolio value. No other single property (or other investment) comprised more than 20% of the Fund's gross asset value on 30 September 2017.
B.39	**Identity of collective investment undertakings in which the Fund invested more than 40% of its gross asset value**	The Fund has no investments in other collective investment undertakings.
B.40	**Service providers and fees**	The main service providers to the Fund are the Management Company and the Depositary. See Element B.41 below. For the fund management services, the Management Company is paid a management fee and a performance fee on account of the Fund. According to the Fund Rules, the management fee shall be calculated as follows: • the management fee shall be calculated quarterly based on the 3-month average market capitalisation of the Fund. After each quarter, the management fee shall be calculated on the first banking day of the following quarter. • the management fee shall be calculated based on the following rates and in the following tranches: - 1.50% of the market capitalisation below EUR 50 million; - 1.25% of the part of the market capitalisation that is equal to or exceeds EUR 50 million and is below EUR 100 million; - 1.00% of the part of the market capitalisation that is equal to or exceeds EUR 100 million and is below EUR 200 million; - 0.75% of the part of the market capitalisation that is equal to or exceeds EUR 200 and is below

		EUR 300 million; - 0.50% of the part of the market capitalisation that is equal to or exceeds EUR 300 million. • the management fee shall be calculated after each quarter as follows: - the market capitalisation as calculated on the fee calculation date, split into the tranches and each tranche of the market capitalisation ($MCap_t$) multiplied by - respective fee rate (F_n) applied to the respective tranche, then the aggregate of the fees from each tranches multiplied by - the quotinent of the actual number of days in the respective quarter ($Actual_q$) divided by 365 days per calendar year, as also indicated in the formula below $((MCap_1 \times F_1)+...+(MCap_5 \times F_5)) \times (Actual_q / 365)$ • in case the market capitalisation is lower than 90% of the net asset value, the amount equal to 90% of the net asset value shall be used for the Management Fee calculation instead of the market capitalisation. In this case, the net asset value means the average quarterly net asset value and such management fee adjustments shall be calculated and paid annually after the annual report of the Fund for the respective period(s) has been audited. For each year, if the annual adjusted funds from operations of the Fund divided by the average paid in capital during the year (calculated on a monthly basis) 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 is calculated annually by the Management Company and is accrued to the performance fee reserve. Once the performance fee reserve becomes positive, the performance fee can be paid to the Management Company. However, the performance fee for the year shall not exceed 0.4% of the Fund's average net asset value per year (upper performance fee limit). Negative performance Fee shall not be less than -0.4% of the Fund's average net asset value per year (lower performance fee limit). A performance fee for the first year of the Fund (i.e. 2016) shall not be calculated. The performance fee first becomes payable in the fifth year of the Fund (i.e. 2020) for the period of 2017, 2018, and 2019. The Depositary shall be paid a depositary fee for the provision of depositary services. The annual Depositary Fee will be 0.03% of the gross asset value of the Fund, but the fee shall not be less than EUR 10,000 per annum. In addition, the Depositary shall be paid or reimbursed for fees and out-of-pocket expenses related to the transactions made on account of the Fund. The fees and other expenses paid out of the Fund (including out of SPVs) shall not exceed 30% of the net asset value of the Fund per calendar year.
B.41	**Investment manager**	Northern Horizon Capital AS, registry code 11025345, address Tornimäe 2, 10145 Tallinn, Estonia, acts as the fund management company of the Fund (the "Management Company"). Swedbank AS, registry code 10060701, address Liivalaia 8, 15040 Tallinn, Estonia acts as the depositary for the Fund. The depositary may delegate its tasks to third party service provider in compliance with the regulations and the Fund Rules (the "Depositary").
B.42	**Net asset value calculation and communication**	The net asset value of the Fund shall be calculated monthly, as of the last banking day of each calendar month. The net asset value of the Fund and of a Unit shall be made available on the Website, via a stock exchange release, and at the registered office of the Management Company on the 15th day of the following month at the latest.
B.43	**Cross liabilities in the case of umbrella collective investment undertaking**	Not applicable. The Fund is not an umbrella collective investment undertaking and it has no investments in other collective investment undertakings.
B.45	**Description of the Fund's portfolio**	On 30 September 2017, the Fund's property portfolio consisted of 9 commercial properties located in the capital cities of the Baltic States. The fair value of the portfolio amounted to EUR 157.8m and it had 83.7 thousand sqm of rentable area. The Fund took over BOF's portfolio of 5 buildings as a result of the Merger with BOF on 30 June 2016. By investing proceeds from the initial public offering completed on 29 June 2016, the Fund acquired 2 more properties: G4S Headquarters in Tallinn on 12 July 2016 and Upmalas Biroji in Riga on 30 August 2016. Equity raised in the secondary public offering completed on 30 November 2016 was deployed to purchase the latest 2 properties: Piirita in Tallinn on

16 December 2016 and Duetto I in Vilnius on 22 March 2017.

Table 5: the Fund's property portfolio, 30 September 2017

Property	Sector	Fair value, EUR'000	Rentable area, sqm	Vacancy	WAULT, years	No of tenants
Europa SC	Retail	39,008	16,856	6.0%	4.1	68
Upmalas Biroji	Office	24,133	10,446	0.2%	3.8	11
Domus Pro	Retail	17,180[1]	11,247	1.7%	5.3	28
G4S Headquarters	Office	16,080	8,363	0.0%	5.1	1
Lincona	Office	15,940	10,871	5.9%	5.8	14
Duetto I	Office	15,062	8,500	0.0%[2]	4.6	6
Coca Cola Plaza	Leisure	13,180	8,664	0.0%	5.5	1
Piirita	Retail	11,613	5,492	0.0%[3]	7.2	17
Sky Supermarket	Retail	5,626	3,263	0.7%	4.2	20
Total		**157,822**	**83,702**	**2.3%**	**4.9**	**166**

[1] Does not include EUR 5.7m fair value of 3rd stage which was under construction.

[2] An effective vacancy rate of Duetto I was zero because YIT Kausta, a seller of the property, provided a 2-year (starting from the acquisition date) guarantee of full-occupancy net rental income which implies a 7.2% annual yield on the acquisition price.

[3] An effective vacancy rate of Piirita amounted to zero because a seller of the property provided a 2-year (starting from the acquisition date) guarantee of full-occupancy net rental income which implies a 7.4% annual yield on the acquisition price.

As of September 2017, vacancy of the portfolio stood at 2.3% indicating strong demand for space at the Fund's properties. 5 out of 9 properties had occupancy of 100% or very close to that. The portfolio's average remaining lease term was at comfortable 4.9 years. There were 166 tenants including such well-known companies as G4S, Forum Cinemas (part of AMC), Rimi (part of ICA Gruppen), SEB, Swedbank, Bosch and others.

The property portfolio was well diversified both in terms of sectors and locations. At the end of September 2017, retail and office segments with 4 properties each constituted 47% and 45% of the total fair value respectively. The remaining 8% were attributable to Coca Cola Plaza cinema complex representing a leisure segment. Location-wise, Vilnius with 3 properties comprised 45% of total portfolio value followed by Tallinn with 4 properties at 36% and Riga with 2 properties at 19%.

All buildings in the portfolio were operational and generating cash flows. The 3rd stage at Domus Pro, whose construction started in December 2016, was commissioned in October 2017. The expansion is a 6-story building with 4,380 sqm of rentable area of which approximately 90% is already leased. Tenants are now moving in and the grand opening of the stage is expected in December 2017.

On 14 November 2017, the Fund signed a share purchase agreement for an acquisition of the 10th building in its property portfolio – Vainodes I in Riga. The purchase price is EUR 21.3m implying approximately 7% yield. Closing of the acquisition is expected to take place in December 2017. The property is a 4-storey office complex with 8,052 sqm of leasable area. There is also significant development potential – the property has building rights for a 17-storey extension with over 18,000 sqm of leasable office space. The newly acquired property is fully occupied and has 3 tenants. The anchor tenant, occupying 92% of total NLA, is Latvia's State Forests – a state-owned enterprise responsible for management of state-owned forests in Latvia. In November 2014, it signed a lease agreement for a 10-year unbreakable term plus another 10-year term with a 2-year break option.

B.46	**Most recent net asset value per unit**	As of 31 October 2017, the Fund's NAV per unit amounted to EUR 1.33 while EPRA NAV, the measure of long term NAV, stood at EUR 1.47 per unit. These figures have not been audited or reviewed by independent auditors.

Section C - Securities

C.1	**Type and class of securities**	The Fund has one class of Units and the Offer Units are from the same class. All Offer Units will be registered with the Estonian Register of Securities, with ISIN EE3500110244. Units traded on Nasdaq Stockholm are also held with Euroclear Sweden.
C.2	**Currency of securities issue**	Units are issued in euros. Units listed on Nasdaq Stockholm are nominated in SEK.
C.3	**Number of**	Up to 30,076,000 New Units will be issued in the Offering. This also includes the Upsizing Option

<table>
<tr><td></td><td>securities issued</td><td>under which up to 15,038,000 additional Offer Units may be offered. Immediately after the Offering, assuming that the Upsizing Option is exercised in full, the total number or Units will be 94,731,870 Units.

Units are issued with no nominal value.</td></tr>
<tr><td>C.5</td><td>Restrictions on transferability of securities</td><td>Units are freely transferable.</td></tr>
<tr><td>C.7</td><td>Dividend policy</td><td>The Fund targets dividend distributions to its Unit-holders in the range between 80% of generated net cash flow and a net profit adjusted for unrealized P&L items. The distribution is based on the Fund's short-term and long-term performance projections. The Management Company has discretion to distribute lower dividends than 80% of generated net cash flow in case liquidity of the Fund is endangered. As % of invested equity, dividends are targeted to yield 7-9% per annum. The Management Company intends to pay dividends on a quarterly basis.

Table 6: Generated net cash flow calculation formula
<table>
<tr><th>Item</th><th>Comments</th></tr>
<tr><td>(+) Net rental income</td><td></td></tr>
<tr><td>(-) Fund administrative expenses</td><td></td></tr>
<tr><td>(-) External interest expenses</td><td>Interest expenses incurred for bank loan financing</td></tr>
<tr><td>(-) Capital expenditure</td><td>The expenditure incurred in order to upgrade investment properties; the calculation will include capital expenditure based on annual capital investment plans</td></tr>
<tr><td>(+) Added back listing related expenses</td><td></td></tr>
<tr><td>(+) Added back acquisition related expenses</td><td>Include the expenses for acquisitions that did not occur</td></tr>
<tr><td>Generated net cash flow</td><td></td></tr>
</table>

Since the initial public offering in June 2016, the Fund has distributed dividends quarterly. 5 quarterly dividend payments have been announced since the initial public offering: 3 for distributing 2017 profits and 2 for distributing 2016 profits. The latest is EUR 0.020 per unit quarterly dividend for Q3 2017 profit, announced on 31 October 2017 and paid on 17 November 2017 representing a 1.5% quarterly dividend yield on the Unit market price on Nasdaq Tallinn on the day of the announcement (EUR 1.298). EUR 0.018 per unit quarterly dividend for Q2 2017 was announced on 4 August 2017 and paid on 24 August 2017 representing a 1.3% quarterly dividend yield on the Unit market price on Nasdaq Tallinn on the day of the announcement. EUR 0.023 per unit quarterly dividend for Q1 2017 was announced on 28 April 2017 and paid on 18 May 2017 representing a 1.8% quarterly dividend yield on the Unit market price on Nasdaq Tallinn on the day of the announcement (EUR 1.309). In relation to the Fund's 2016 profit, 2 quarterly dividends were paid out: EUR 0.024 per unit for Q4 2016 profit, announced on 20 January 2017 and paid on 7 February 2017, representing a 1.8% quarterly dividend yield on the Unit market price on Nasdaq Tallinn on the day of the announcement, and EUR 0.026 per unit for Q3 2016 profit, announced on 12 October 2016 and paid on 28 October 2016, representing a 2.0% quarterly dividend yield on the Unit market price on Nasdaq Tallinn on the day of the announcement.

Before the Merger, BOF had distributed dividends to its unit-holders every year from 2012 to 2015.</td></tr>
<tr><td>C.11</td><td>Admission to trading</td><td>The Management Company is planning to list the New Units on Nasdaq Tallinn and Nasdaq Stockholm. Holders of Units are entitled to have those Units traded on Nasdaq Stockholm or Nasdaq Tallinn. Trading in the New Units is expected to commence on Nasdaq Tallinn on or about 7 December 2017 and on Nasdaq Stockholm on or about 12 December 2017.</td></tr>
</table>

Section D - Risks

<table>
<tr><td>D.2</td><td>Key risks specific to the Fund</td><td>- The Fund is exposed to macroeconomic fluctuations.
- The successful implementation of Fund's investment strategy is subject to risks such as limited availability of attractive commercial properties for sale, unfavourable economic terms of potential investment targets, intensive competition among investors for high quality properties and inability to raise debt financing at attractive terms.
- The Fund has a limited past performance, whereas also past performance is not a guarantee of the future performance of the Fund.</td></tr>
</table>

		- Newly acquired real estate assets could require unforeseen investments and/or demonstrate lower than expected performance and financial returns. - If a tenant leaves, there is a risk that a new tenant may not be found at the equivalent economic terms or at all for some time. There is also a risk that a tenant may not pay rent on time or at all. - Increased competition in property industry may require the Fund to invest in upgrading its properties and offer rent discounts to attract tenants. - A fair value of the Fund's property portfolio is subject to fluctuations. - The Fund employs a significant financial leverage when acquiring properties which also leads to interest rate risk and refinancing risk. - The Fund may to a limited extent invest in development projects which typically involve greater risks than fully-developed properties. - Fund's insurance policies could be inadequate to compensate for losses associated with damage to its property assets, including loss of rent. - Fund's properties could be subject to unidentified technical problems which could require significant capital investments. - The Fund may be drawn into legal disputes with tenants or counterparties in real estate transactions. - Use of external service providers involve risks related to the quality of services and their cost. - The Fund could be held liable for environmental damage incurred in a property owned by the Fund. - Potential damage to Fund's reputation could affect its ability to attract and retain tenants at its properties as well as Management Company's ability to retain personnel.
D.3	**Key risks specific to securities**	- Investors may lose the value of their entire investment in the Fund. - There is no guarantee that an active trading market for the Units will develop or be sustained. - The Offer Price may not be representative of the Unit market price after the listing. Investors that acquire the Units in the Offering may not be able to resell them in the secondary market at or above the Offer Price. - Potential future issuances of new Units could lead to dilution of unitholders holdings in the Fund and reduction in earnings per unit. - Court proceedings in Estonia and enforcement of judgements by foreign courts in Estonia may be more complicated or expensive than in investor's home country. - The tax consequences for the Swedish Unit-holders would depend on the assets directly held by the Fund and will vary over time if the Fund's assets change. - Neither the payment of future dividends, nor their size are guaranteed. - Dual listing on Nasdaq Stockholm and Nasdaq Tallinn may entail logistic and technical issues for Unit-holders who have their Units held with Euroclear Sweden. The Nasdaq Tallinn and the Nasdaq Stockholm have different characteristics as well as liquidity and as a result of these differences, the trading price of the Units may not be the same at any given time.

Section E - Offer

E.1	**Net proceeds and expenses of the Offering**	Assuming all Offer Units will be issued and paid in, but the Upsizing Option will not be exercised, the Fund is estimated to receive net proceeds of approximately EUR 19.0m. Assuming all Offer Units will be issued and paid in, and the Upsizing Option will be exercised in full, the Fund is estimated to receive net proceeds of approximately EUR 38.1m. Majority of the expenses related to the Offering are variable and linked to the amount of capital raised. Assuming all Offer Units will be issued and paid in, but the Upsizing Option will not be exercised, the variable expenses of the Offering are estimated to amount to approximately EUR 0.9m or 4.25% of the capital raised. This corresponds to 0.8% of the Fund's total NAV immediately after the Offering. In addition, the Fund is estimated to incur approximately EUR 0.2m of fixed expenses related to legal advice, audit and marketing in conjunction with the Offering. Assuming all Offer Units will be issued and paid in, but the Upsizing Option will not be exercised, the total expenses of the Offering are estimated to be approximately EUR 1.0m. Assuming all Offer Units will be issued and paid in, and the Upsizing Option will be exercised in full, the total expenses of the Offering are estimated to be approximately EUR 1.9m.
E.2b	**Reasons for the Offering and use of proceeds**	The Fund aims to become the largest publicly listed real estate investor in the Baltics and to generate its prospective Unit-holders attractive returns by investing into commercial properties located in the Baltic capital cities. Reasons for the Offering in particular are: 1. To attract new capital which will be deployed to acquire fully developed and cash flow generating commercial properties in the capital cities of the Baltic States in order to diversify Fund risks; 2. To increase liquidity of Units and expand Unit-holders base; 3. To increase awareness of the Fund among existing and prospective stakeholders and general public.

		The Management Company will use the net proceeds of the Fund from the Offering to acquire commercial properties comprising the Fund's investment pipeline. The Management Company estimates that the investment pipeline has an aggregated value of approximately EUR 240-260m and in aggregate assets could be acquired at an average initial yield of 6.5-7.0%. It consists of commercial properties located at central and strategic locations in the capital cities of the Baltic States. The target properties are fully operational and cash flow generating (except for 1 property which is under construction) with attractive risk-return profile, high-quality tenants mix, low vacancy rates and long lease maturities. 4 properties with an aggregated value in the range of EUR 110-120m represent a priority pipeline. Negotiations and preparations for their acquisitions are well-advanced. To the extent the net proceeds of the Offering are not used according to the purposes stated above, they will otherwise be used for the general purposes of the Fund.
E.3	**Terms and conditions of the Offering**	Up to 15,038,000 Offer Units will be issued and offered by the Management Company. Together with determining the completion of the allocation process the Management Company has the right to exercise the Upsizing Option, taking into consideration the total demand in the Offering and the quality of such demand. In exercising the Upsizing Option the Management Company has the right to increase the number of new Offer Units by up to additional 15,038,000 Offer Units. *Price* The Offer Price is EUR 1.3266 per Offer Unit. The Offer Price is the same in the Institutional Offering and in the Retail Offering. In connection with the Retail Offering in Sweden Catella Bank S.A. will act as paying and settlement agent. *The Retail Offering* The Retail Offering in Sweden is directed to natural and legal persons in Sweden who are clients of Catella Bank S.A.. An investor is considered to be a client of Catella Bank S.A. if it has opened a deposit account with Catella Bank S.A.. The Retail Offering in Finland and Denmark is directed to natural and legal persons in Finland and Denmark who are private banking customers and retail customers of Nordnet Bank AB as well as customers that through third parties receive advice for capital that is placed with Nordnet Bank AB. The Retail Offering in Estonia is directed to natural and legal persons in Estonia. For the purposes of the Offering, a natural person is considered to be "in Estonia" if such person has a securities account with the ERS and such person's address recorded in the ERS records in connection with such person's securities account is located in Estonia. A legal person is considered to be "in Estonia" if such person has a securities account with the ERS and such person's address recorded in the ERS records in connection with such person's securities account is located in Estonia or its registration code recorded in the ERS records is the registration code of the Estonian Commercial Register. *Subscription Period* Investors may submit purchase orders for the Offer Units (a "Purchase Order") during the offer period, which commences at 09:00 CET (Central European Time) on 6 November 2017 and terminates at 15:00 CET on 30 November 2017 (the "Offer Period"). *Placement of Purchase Orders* Purchase Orders can only be submitted for a full number of Units. The minimum amount of a Purchase Order is 1,000 Units. An investor wishing to submit a Purchase Order should contact the Manager or the Sales Partner and register a transaction instruction for the purchase of securities in the form as set out by the respective Manager or the Sales Partner. The Purchase Order can be submitted by any means accepted by the Manager or the Sales Partner. Retail Investors in Estonia wishing to subscribe for the Offer Units should contact a custodian that operates such investor's ERS securities account. An investor may amend or cancel a Purchase Order at any time before the expiry of the Offer Period. To do so, the Investor must contact respective Manager, Sales Partner or in case of investor from Estonia, its custodian through whom the Purchase Order in question has been made and carry out the procedures required by the Manager, Sales Partner or respective custodian for amending or cancelling a Purchase Order. *Allocation* The Management Company together with the Managers and the Sales Partner will decide on the allocation on discretionary basis after the expiry of the Offer Period, and no later than on 1 December 2017. The Management Company expects to announce the results of the Offering, including the final

		number of New Units on or about 1 December 2017 on the Website and through the Nasdaq Tallinn (www.nasdaqbaltic.com/market/) and Nasdaq Stockholm (http://www.nasdaqomxnordic.com/). Allocations made to Investors shall be notified to Investors on the same date by the Managers and the Sales Partner. For the purposes of allocation, multiple Purchase Orders by one Investor, if submitted, will be merged. *Payment* By submitting a Purchase Order, an Investor agrees to pay for the subscribed Offer Units the Offer Price. In accordance with the allotments determined and announced for each specific Investor, trade instructions for the Offer Units may be placed on or after 1 December 2017 and must reach the relevant custodian bank in a manner which allows the settlement on or about 7 December 2017. The Units allocated to the Investors will be transferred to their securities accounts or to the security account of their nominee or any other person acting on Investors behalf on or about 7 December 2017 simultaneously with the transfer of payment for such Units. *Cancelling the Offering* The Management Company may cancel, partly or in full, the Offering and/or modify the terms and dates of the Offering at any time prior to the completion of the Offering. Any cancellation of the Offering or any part thereof will be announced on the Website and through the Nasdaq Tallinn (www.nasdaqbaltic.com/market/) and Nasdaq Stockholm (http://www.nasdaqomxnordic.com/). If the Offering is cancelled, Purchase Orders for the Offer Units that have been made will be disregarded, Offer Units are not allocated to an investor, and the funds blocked on the Investor's cash account or a part thereof (the amount in excess of the payment for the allocated Offer Units) will be released. The Management Company will not be liable for the payment of the interest on the payment amount for the time it was held.
E.4	**Material and conflicting interests**	Not applicable. The Management Company is not aware of any conflicts of interests related to the Offering.
E.5	**Entity offering to sell securities and lock-up agreements**	None of the existing Unit-holders sell any Units in the Offering. As of the date of this Offering Circular, no Fund Units are under lock-up agreements.
E.6	**Dilution resulting from the Offering**	Immediately after the completion of the Offering, the New Units, excluding the Offer Units under the Upsizing Option, will amount to 18.9% of the total number of Units of the Fund. If the Upsizing Option is exercised in full, the New Units will amount to 31.7% of the total number of Units of the Fund.
E.7	**Expenses charged to the investor**	An investor bears all costs and fees charged by the Manager or the Sales Partner in connection with the submission of a Purchase Order or charged by a custodian (in case of Retail Investors in Estonia). Any costs or fees are expected to be charged in accordance with the price list of every Manager, Sales Partner or custodian.

3. REVIEW OF FINANCIAL RESULTS IN 9 MONTHS OF 2017

3.1. SELECTED FINANCIAL INFORMATION

This section updates the section 5.1 "Selected Financial Information" of the Offering Circular by adding consolidated financial information of the Fund for the first 9 months of 2017 (and the corresponding period of 2016). The Fund's reviewed interim consolidated financial statements for the 9-month period ended 30 September 2017, prepared according to the IFRS, are provided in full in Appendix A of this Prospectus Supplement.

Table 7: Consolidated income statement of the Fund, EUR thousand

	2014	2015	2016	Jan - Sep 2016	Jan - Sep 2017
Rental income	3,048	6,073	7,874	5,334	8,622
Service charge income	829	2,062	2,594	1,810	2,663
Cost of rental activities	-1,177	-2,796	-3,315	-2,301	-3,439
Net rental income	**2,700**	**5,339**	**7,153**	**4,843**	**7,846**
Administrative expenses	-665	-984	-2,190	-1,462	-1,935
Other operating income	-	267	97	95	77
Net loss on disposal of investment properties	-	-10	-	-	-
Valuation gains/losses on investment properties	611	2,886	2,737	2,361	339
Operating profit	**2,646**	**7,498**	**7,797**	**5,837**	**6,327**
Financial income	72	17	14	11	45
Financial expenses	-656	-1,100	-1,253	-840	-1,123
Profit before tax	**2,062**	**6,415**	**6,558**	**5,008**	**5,249**
Income tax charge	-55	-890	-798	-428	-1,082
Profit for the period	**2,007**	**5,525**	**5,760**	**4,580**	**4,167**
Earnings per unit (basic and diluted)[1], EUR	**0.10**	**0.23**	**0.12**	**0.12**	**0.07**

Source: reviewed interim consolidated financial statements of the Fund for the 9-month period ended 30 September 2017, audited consolidated financial statements of the Fund for year 2016 and audited consolidated financial statements of BOF for years 2014-2015

[1] On 30 June 2016, the Fund merged with BOF and took over all assets and liabilities of BOF. Units of BOF were converted into the Units of the Fund at a ratio of 1:100 (1 unit of BOF was exchanged into 100 Units of the Fund). To ensure the comparability of historical *per unit* figures, numbers of units prior to the Merger were recalculated by multiplying them by 100 to reflect the effect of the conversion. The recalculated numbers or units were used to compute comparable *per unit* figures.

Table 8: Consolidated financial position of the Fund, EUR thousand

	31 Dec 2014	31 Dec 2015	31 Dec 2016	30 Sep 2017
Investment properties	46,170	86,810	141,740	157,822
Investment property under construction	-	-	1,580	5,725
Derivative financial instruments	-	-	-	9
Other non-current assets	-	263	288	72
Total non-current assets	**46,170**	**87,073**	**143,608**	**163,628**
Trade and other receivables	214	840	1,269	1,569
Prepayments	11	81	178	135
Cash and cash equivalents	2,626	1,677	9,883	4,406
Total current assets	**2,851**	**2,598**	**11,330**	**6,110**
TOTAL ASSETS	**49,021**	**89,671**	**154,938**	**169,738**
Paid in capital	22,051	25,674	66,224	75,597
Own units	-	-	-8	-
Cash flow hedge reserve	-194	-199	-294	-143
Retained earnings	2,458	6,218	10,887	11,199
Total equity	**24,315**	**31,693**	**76,809**	**86,653**
Interest bearing loans and borrowings	22,395	39,586	58,981	63,601
Deferred tax liabilities	670	3,673	4,383	5,513
Derivative financial instruments	149	215	345	172
Other non-current liabilities	160	451	935	891
Total non-current liabilities	**23,374**	**43,925**	**64,644**	**70,177**
Interest bearing loans and borrowings	644	11,608	10,191	8,968
Trade and other payables	534	2,036	2,876	3,496
Income tax payable	-	112	46	29
Derivative financial instruments	60	17	-	-
Other current liabilities	94	280	372	415
Total current liabilities	**1,332**	**14,053**	**13,485**	**12,908**
Total liabilities	**24,706**	**57,978**	**78,129**	**83,085**
TOTAL EQUITY AND LIABILITIES	**49,021**	**89,671**	**154,938**	**169,738**

Source: reviewed interim consolidated financial statements of the Fund for the 9-month period ended 30 September 2017, audited consolidated financial statements of the Fund for year 2016 and audited consolidated financial statements of BOF for years 2014-2015

Table 9: Consolidated statement of cash flows of the Fund, EUR thousand

	2014	2015	2016	Jan - Sep 2016	Jan - Sep 2017
Operating activities					
Profit before tax	2,062	6,415	6,558	5,008	5,249
Adjustments for non-cash items:					
Value adjustment of investment properties	-611	-2,886	-2,562	-2,361	-382
Value adjustment of investment properties under construction	-	-	-175	-	43
Gain/loss on disposal of investment property	-	10	-	-	-
Value adjustment of derivative finance instruments	14	18	-	-	-
Change in allowance for bad debts	29	22	17	-	22
Financial income	-72	-17	-14	-11	-45
Financial expenses	656	1,100	1,253	840	1,123
Working capital adjustments:					
Decrease/-increase in trade and other accounts receivables	-81	-156	-204	216	-434
-Increase/decrease in other current assets	271	-82	-106	-94	-40
-Decrease/increase in other non-current liabilities	83	120	69	68	-87
Increase/-decrease in trade and other accounts payable	77	69	-398	-239	-294
-Decrease/increase in other current liabilities	-559	407	-50	-164	10
Refunded/-paid income tax	-102	-54	-103	-52	-31
Net cash flow from operating activities	**1,767**	**4,966**	**4,285**	**3,211**	**5,134**
Investing activities					
Interest received	-	17	14	11	6
Acquisition of subsidiaries, net of cash acquired	-1,357	-7,657[1]	-20,098	-8,528	-
Acquisition of investment properties	-	-	-15,454	-15,454	-14,362
Disposal of investment properties	-	990	-	-	-
Advance payment on investment property	-	-	-200		
Investment property development expenditure	-	-1,643	-1,660	-1,507	-3,222
Capital expenditure on investment properties	-468	-570	-380	-300	-873
Net cash flow from investing activities	**-1,825**	**-8,863**	**-37,778**	**-25,778**	**-18,451**
Financing activities					
Proceeds from bank loans, net of fees	499	4,804	8,084	8,182	14,609
Repayment of bank loans	-463	-2,684	-4,722	-4,230	-11,279
Proceeds from issue of units	3,019	3,160	40,550	20,962	9,381
Repurchase of units	-	-	-8		
Profit distribution to unitholders	-184	-1,302	-1,091	-	-3,855
Interest paid	-643	-1,030	-1,114	-779	-1,016
Net cash flow from financing activities	**2,228**	**2,948**	**41,699**	**24,135**	**7,840**
Net change in cash and cash equivalents	**2,170**	**-949**	**8,206**	**1,568**	**-5,477**
Cash and cash equivalents at the beginning of the year	456	2,626[1]	1,677	1,677	9,883
Cash and cash equivalents at the end of the year[2]	**2,626**	**1,677**	**9,883**	**3,245**	**4,406**

Source: reviewed interim consolidated financial statements of the Fund for the 9-month period ended 30 September 2017, audited consolidated financial statements of the Fund for year 2016 and audited consolidated financial statements of BOF for years 2014-2015

[1] In BOF's audited consolidated financial statements for 2015, *acquisition of subsidiaries, net of cash acquired,* in year 2015 is equal to EUR 6,324 thousand which is comprised of EUR 7,657 thousand payment (net of cash acquired) for an acquisition of Europa SC reduced by EUR 1,333 thousand cash and cash equivalents held by SPVs at the beginning of 2015. The subtraction of SPVs' cash position is due to the change in BOF's status under IFRS 10 from an investment entity at the end of 2014 to a non-investment entity in 2015. In BOF's consolidated statements of cash flows for the year 2015, cash and cash equivalents at the beginning of 2015 reflect non-consolidated position, i.e. only cash held by BOF itself (EUR 1,293 thousand). In order to consolidate cash held by SPVs at the beginning of 2015, the amount is recognised under *acquisition of subsidiaries, net of cash acquired,* as a positive cash flow item. This EUR 1,333 thousand consolidation adjustment is eliminated from the table above because in it cash and cash equivalents at the beginning of 2015 already reflect the consolidated position, i.e. cash held by both BOF itself (EUR 1,293 thousand) and all its SPVs (EUR 1,333 thousand).

[2] Part of cash and cash equivalents have been restricted following requirements set in bank loan agreements. On 30 September 2017, the restricted cash amounted to EUR 100 thousand.

Table 10: Key indicators of the Fund

	2014	2015	2016	Jan - Sep 2016	Jan - Sep 2017
Property-related					
Value of investment properties, EUR'000	46,170	86,810	141,740	129,200	157,822
Number of properties, period end	4	5	8	7	9
Rentable area, sqm					
Period end	30,928	48,651	75,107	70,914	83,702
Period average[1]	28,322	44,718	58,936	55,121	81,798
Vacancy rate					
Period end	6.3%	2.0%	2.6%	1.9%	2.3%
Period average[2]	9.8%	2.8%	3.2%	3.1%	2.0%
Net initial yield[3]	6.6%	7.1%	6.8%	6.8%	6.8%
Financial					
EPRA NAV per unit[4,5], EUR	1.16	1.48	1.48	1.53	1.48
NAV per unit[4], EUR	1.12	1.27	1.34	1.36	1.34
Adjusted earnings per unit[4,6], EUR	0.10	0.23	0.14	0.13	0.08
Adjusted ROE[7]	9.3%	19.4%	10.8%	13.5%	8.4%
Adjusted cash earnings[8], EUR'000	1,349	3,485	4,656	3,220	5,313
Adjusted cash earnings per unit[4], EUR	0.07	0.15	0.10	0.08	0.09
Adjusted cash ROE[9]	6.2%	12.2%	7.5%	8.3%	8.8%
Dividends per unit[4], EUR	0.051	0.072	0.050[10]	0.026[11]	0.061[12]
Interest coverage ratio[13]	3.2	4.3	4.4	4.2	5.7
LTV[14]	49.9%	59.0%	48.8%	53.9%	46.0%
Weighted average number of units issued[4], '000	19,767	23,915	47,351	39,164	60,007
Number of units issued at period end[4], '000	21,720	25,017	57,265	41,979	64,656

Source: ratios and indicators in the table have been computed using information provided in the Fund's and BOF's audited consolidated financial statements, reviewed interim consolidated financial statements and internal management reports. The ratios and indicators themselves have neither been audited nor reviewed by independent auditors.

[1] Computed as average of monthly estimates.

[2] Computed as average of monthly estimates.

[3] Net initial yield = net rental income / value of investment properties. Calculated as average of monthly estimates.

[4] On 30 June 2016, the Fund merged with BOF and took over all assets and liabilities of BOF. Units of BOF were converted into units of the Fund at a ratio of 1:100 (1 unit of BOF was exchanged into 100 units of the Fund). To ensure the comparability of historical *per unit* figures, numbers of units prior to the Merger were recalculated by multiplying them by 100 to reflect the effect of the conversion. The recalculated numbers or units were used to compute comparable *per unit* figures.

[5] EPRA NAV is a measure of long term NAV, proposed by European Public Real Estate Association (EPRA) and widely used by listed European property companies. It is designed to exclude 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 gains. EPRA NAV = NAV per financial statements + derivative financial instruments liability net of related deferred tax asset + deferred tax liability related to investment property fair and tax value differences.

[6] Earnings per unit for 2016 were adjusted to exclude EUR 938 thousand one-off expenses related to public offerings. No adjustments were performed for years 2015 and 2014. Earnings per unit for 9 months 2017 were adjusted to exclude EUR 434 thousand one-off expenses related to public offerings and EUR 452 thousand one-off deferred tax related to revaluation of Upmalas Biroji's land plot. Earnings per unit for 9 months 2016 were adjusted to exclude EUR 625 thousand one-off expenses related to public offerings.

[7] Adjusted return on average equity (ROE) = adjusted earnings per unit / average NAV per unit; where average NAV per unit = (NAV per unit at the beginning of the period + NAV per unit at the end of the period) / 2. Estimates for interim periods were annualized. The calculation method was revised compared to the Fund's previous prospectus, dated 8 May 2017, where Adjusted ROE was computed as profit for the period / average total equity. Use of per unit figures instead of absolute figures enables to account for precise timing of issuances of new units and their effect on ROE because adjusted earnings per unit, a numerator in the formula, is computed using time-weighted average number of units issued.

[8] Adjusted cash earnings = profit before tax - valuation gains or losses on investment properties - net gains or losses on disposals of investment properties - paid income taxes. A figure for 2016 was adjusted to exclude EUR 938 thousand one-off expenses related to public offerings. No adjustments were performed for years 2015 and 2014. A figure for 9 months 2017 was adjusted to exclude EUR 434 thousand one-off expenses related to public offerings. A figure for 9 months 2016 was adjusted to exclude EUR 625 thousand one-off expenses related to public offerings.

[9] Adjusted cash ROE = adjusted cash earnings per unit / average NAV per unit; where average NAV per unit = (NAV per unit at the beginning of the period + NAV per unit at the end of the period) / 2. Estimates for interim periods were annualized. The calculation method was revised compared to the Fund's previous prospectus, dated 8 May 2017, where Adjusted cash ROE was computed as adjusted cash earnings for the period / average total equity. Use of per unit figures instead of absolute figures enables to account for precise timing of issuances of new units and their effect on cash ROE because adjusted cash earnings per unit, a numerator in the formula, is computed using time-weighted average number of units issued.

[10] Represents two quarterly dividends for 2016 profit: EUR 0.026 per unit for Q3 2016 profit, announced on 12 October 2016 and paid on 28 October 2016, and EUR 0.024 per unit for Q4 2016 profit, announced on 20 January 2017 and paid on 7 February 2017.

[11] Represents a single quarterly dividend: EUR 0.026 per unit for Q3 2016 profit, announced on 12 October 2016 and paid on 28 October 2016

[12] Represents three quarterly dividends: EUR 0.023 per unit for Q1 2017 profit, announced on 28 April 2017 and paid on 18 May 2017, EUR 0.018 per unit for Q2 2017 profit, announced on 4 August 2017 and paid on 24 August 2017, and EUR 0.020 per unit for Q3 2017, announced on 31 October 2017 and paid on 17 November 2017.
[13] Interest coverage ratio = (operating profit - valuation gains or losses on investment properties - net gains or losses on disposals of investment properties) / interest on bank loans.
[14] Loan-to-value (LTV) = total interest bearing loans and borrowings / value of investment properties.

3.2. DISCUSSION OF THE FUND'S RESULTS

This section reviews the Fund's financial and operating results in the first 9 months of 2017 and compares them to the same period of 2016. Financial information is sourced from reviewed interim consolidated financial statements of the Fund for the 9-month period ended 30 September 2017 prepared according to the IFRS. These financial statements are disclosed in full in Appendix A of this Prospectus Supplement.

The table below presents the Fund's results for the first 9 months of 2017. It is followed by a discussion of key items.

Table 11: Highlights of interim consolidated income statement of the Fund for 9 months of 2017, EUR thousand

	Note	Jan - Sep 2016	Jan - Sep 2017	Change
Rental income		5,334	8,622	62%
Service charge income		1,810	2,663	47%
Cost of rental activities		-2,301	-3,439	49%
Net rental income	1	**4,843**	**7,846**	**62%**
Administrative expenses	2	-1,462	-1,935	32%
Other operating income	3	95	77	-19%
Valuation gains/losses on investment properties	4	2,361	339	-86%
Operating profit		**5,837**	**6,327**	**8%**
Financial income	5	11	45	309%
Financial expenses	5	-840	-1,123	34%
Profit before tax		**5,008**	**5,249**	**5%**
Income tax charge	6	-428	-1,082	153%
Profit for the period		**4,580**	**4,167**	**-9%**
Earnings per unit (basic and diluted)[1], EUR		**0.12**	**0.07**	**-41%**

Source: reviewed interim consolidated financial statements of the Fund for the 9-month period ended 30 September 2017
N/M – not meaningful
[1] On 30 June 2016, the Fund merged with BOF and took over all assets and liabilities of BOF. Units of BOF were converted into units of the Fund at a ratio of 1:100 (1 unit of BOF was exchanged into 100 units of the Fund). To ensure the comparability of historical *per unit* figures, numbers of units prior to the Merger were recalculated by multiplying them by 100 to reflect the effect of the conversion. The recalculated numbers or units were used to compute comparable *per unit* figures.

Table 12: Adjusted earnings and adjusted cash earnings of the Fund for 9 months of 2017, EUR thousand

	Jan - Sep 2016	Jan - Sep 2017	Change
Profit for the period	**4,580**	**4,167**	**-9%**
Adjustments:			
Public offering related expenses	625	434	
Deferred tax related to revaluation of Upmalas Biroji's land plot	-	452	
Adjusted earnings for the period	**5,205**	**5,053**	**-3%**
Adjusted earnings per unit (basic and diluted)[1], EUR	**0.13**	**0.08**	**-37%**
Profit before tax	**5,008**	**5,249**	**5%**
Reversal of valuation gains/losses on investment properties	-2,361	-339	
Paid income taxes	-52	-31	
Adjustments:			
Public offering related expenses	625	434	
Adjusted cash earnings for the period	**3,220**	**5,313**	**65%**
Adjusted cash earnings per unit (basic and diluted)[1], EUR	**0.08**	**0.09**	**8%**

[1] On 30 June 2016, the Fund merged with BOF and took over all assets and liabilities of BOF. Units of BOF were converted into units of the Fund at a ratio of 1:100 (1 unit of BOF was exchanged into 100 units of the Fund). To ensure the comparability of historical *per unit* figures, numbers of units prior to the Merger were recalculated by multiplying them by 100 to reflect the effect of the conversion. The recalculated numbers or units were used to compute comparable *per unit* figures.

(1) Net rental income

In the first 9 months of 2017, the Fund's net rental income grew by 62% year on year to EUR 7.8m thanks to a singificantly expanded property portfolio. While 5 buildings were owned in the middle of 2016, 4 more properties have been acquired since then enabled by capital raised in the Fund's public offerings. As a result, period-average rentable area grew by almost 50% to 81.8 thousand sqm in the first 9 months of 2017 from 55.1 thousand sqm in the same period of the previous year. Of a total EUR 3.0m increase in net rental income, EUR 2.9m was attributable to 4 newly acquired buildings. Net rental income of Upmalas Biroji (acquired in August 2016) and G4S Headquarters (bought in July 2016), which were purchased by investing proceeds from the Fund's initial public offering, expanded by EUR 1.1m and EUR 0.6m respectively in the first 9 months of 2017. Piirita (purchased in December 2016) and Duetto I (bought in March 2017), which were acquired using proceeds from the Fund's secondary public offering completed in November 2016, contributed EUR 0.7m and EUR 0.6m of net rental income respectively in the first 9 months of 2017. Net rental income at 5 properties that were already owned at the beginning of 2016 increased by EUR 0.1m year on year owing mainly to Domus Pro whose 2nd stage was fully commissioned in May 2016. Period-average vacancy of the portfolio improved to 2.0% in the first 9 months of 2017 from 3.1% in the same period of 2016 as all 4 newly purchased properties boasted occupancies close to 100%.

Table 13: Operational details of the property portfolio of the Fund

	Jan - Sep 2016	Jan - Sep 2017
Number of properties, period end	7	9
Rentable area, sqm		
Period end	70,914	83,702
Period average[1]	55,121	81,798
Vacancy rate		
Period end	1.9%	2.3%
Period average[2]	3.1%	2.0%

[1] Computed as average of monthly estimates.

(2) Administrative expenses

The following table provides a breakdown of administrative expenses by type.

Table 14: Breakdown of administrative expenses of the Fund, EUR thousand

	Jan - Sep 2016	Jan - Sep 2017
Public offering related expenses	625	434
Management fee	513	843
Performance fee	81	-
Fund marketing expenses	-	145
Consultancy fees	95	124
Legal fees	57	115
Supervisory board fees	-	68
Audit fees	35	59
Custodian fees	13	22
Other administrative expenses	43	125
Total administrative expenses	**1,462**	**1,935**

Source: reviewed interim consolidated financial statements of the Fund for the 9-month period ended 30 September 2017

Administrative expenses totaled EUR 1.9m in the first 9 months of 2017 compared to EUR 1.5m in the corresponding period of 2016. One-off public offering expenses amounted to EUR 0.4m and were EUR 0.2m lower than in the first 9 months of 2016. The management fee rose by EUR 0.3m to EUR 0.8m as the base for its calculation – NAV before the Merger with BOF on 30 June 2016 and market capitalization after the Merger – expanded. The performance fee, on the other hand, dropped from EUR 81 thousand to zero.

(3) Other operating income

In the first 9 months of 2017, other operating income decreased from EUR 95 thousand to EUR 77 thousand. Them main item was a payment from a seller of Upmalas Biroji related to its 2-year guarantee for rental income from auxiliary area at the building. Other operating income in the first 9 months of 2016 was mainly attributable to a received payment from an insurance company for a claim relating to Europa SC.

(4) Valuation gains/losses on investment properties

No external property valuations were carried at the end of September 2017. The Management Company assessed the fair values of properties as at 30 September 2017 applying the same key assumptions as used in latest independent appraisals as at 30 June 2017 and concluded that the fair values of properties did not differ significantly from those as at 30 June 2017.

Table 15 compares key valuation assumptions of operating properties on 30 September 2017 and 31 December 2016. In the first 9 months of 2017, a total fair value gain of EUR 339 thousand was recorded as a EUR 382 thousand value gain in operating properties was partly offset by a EUR 43 thousand value loss in properties under construction. The EUR 43 thousand valuation loss on investment property under construction was fully related to the 3rd stage at Domus Pro.

In the first 9 months of 2016, a EUR 2.4m gain in the fair value of properties was recognized relating to independent property appraisals for the value date of 30 September 2016.

Table 15: Assumptions used in independent appraisals

Property	31 Dec 2016	30 Sep 2017
Europa SC		
Discount rate	7.5%	7.5%
Exit yield	7.25%	7.25%
Rental growth per annum	0.0-2.4%	0.0-2.4%
Vacancy rate	3.0-5.0%	3.0-5.0%
Upmalas Biroji		
Discount rate	7.3%	7.3%
Exit yield	7.2%	7.1%
Rental growth per annum	0.5-4.4%	0.5-4.4%
Vacancy rate	1.5%	1.5%
Domus Pro		
Discount rate	8.075%	8.075%
Exit yield	8.0%	8.0%
Rental growth per annum	0.0-2.5%	0.0-2.5%
Vacancy rate	2.0-7.0%	2.0-7.0%
G4S Headquarters		
Discount rate	8.5%	8.2%
Exit yield	7.25%	7.5%
Rental growth per annum	0.2-2.7%	0.2-2.7%
Vacancy rate	3.0%	3.0%
Lincona		
Discount rate	8.6%	8.6%
Exit yield	7.8%	7.8%
Rental growth per annum	0.0-2.3%	0.0-2.3%
Vacancy rate	5.0-10.0%	5.0-10.0%
Duetto I		
Discount rate	N/A	8.6%
Exit yield	N/A	7.25%
Rental growth per annum	N/A	0.0-2.1%
Vacancy rate	N/A	2.5%
Coca Cola Plaza		
Discount rate	8.2%	8.2%
Exit yield	7.8%	7.8%
Rental growth per annum	0.8-1.5%	0.7-2.0%
Vacancy rate	0.0%	1.5%
Piirita		
Discount rate	9.0%	8.4%
Exit yield	7.75%	7.4%
Rental growth per annum	2.0-3.1%	1.0-3.1%
Vacancy rate	5.0%	0.1-2.0%
Sky Supermarket		
Discount rate	7.9%	7.9%

Exit yield	7.75%	7.75%
Rental growth per annum	1.4-1.7%	1.4-1.7%
Vacancy rate	1.0%	1.0%

(5) Financial income and expenses

Composition of the Fund's financial income and expenses are presented in the following table.

Table 16: Financial income and financial expenses of the Fund, EUR thousand

	Jan - Sep 2016	Jan - Sep 2017
Interest income	11	45
Total financial income	**11**	**45**
Interest on bank loans	829	1,048
Termination of interest rate swap contract	-	57
Loan arrangement fee amortisation	11	17
Foreign currency exchange losses	-	1
Total financial expenses	**840**	**1,123**
Net financial expenses	**829**	**1,078**

Source: reviewed interim consolidated financial statements of the Fund for the 9-month period ended 30 September 2017

Financial income, fully comprised of interest income, amounted to EUR 45 thousand in the first 9 months of 2017 compared to EUR 11 thousand in the same period of 2016. The increase was mainly attributable to interest income earned on an advance payment to a seller of Duetto I. Market interest rates, on the other hand, remained very low.

Total financial expenses grew by EUR 0.3m to EUR 1.1m mainly due to higher interest on bank loans as additional bank debt (in combination with new equity capital from the public offerings) was obtained to finance acquisitions of new properties. Average amount of financial debt stood at EUR 70.9m in the first 9 months of 2017 – up from EUR 60.4m in the corresponding period of 2016. Average cost of debt[1] amounted to 2.0% in the first 9 months of 2017 compared to 1.8% in the same period of 2016. Early repayment of Domus Pro's bank loan (originally due in May 2018) on 28 June 2017 led to a termination of a related interest rate swap contract resulting in a EUR 57 thousand expense for the Fund. The loan was paid back in order to effectively utilise higher cash position of the Fund. At the same time a new bank loan agreement was signed for Domus Pro which enables the Fund to draw down up to EUR 12.9m of credit when it is needed for new property acquisitions.

(6) Income tax charge

In the first 9 months of 2017, income tax rose to EUR 1.1m from EUR 0.4m in the corresponding period of 2016. The increase was significantly affected by one-off recognition of EUR 452 thousand deferred tax in relation to revaluation of Upmalas Biroji's land plot. On the other hand, current income tax amounted to only EUR 29 thousand and was comparable to the level recorded in the first 9 months of 2016.

Table 17: Breakdown of income tax charge of the Fund, EUR thousand

	Jan - Sep 2016	Jan - Sep 2017
Current income tax	33	29
Deferred income tax	395	1,053
Total income tax charge	**428**	**1,082**

Source: reviewed interim consolidated financial statements of the Fund for the 9-month period ended 30 September 2017

3.3. THE FUND'S CAPITAL RESOURCES

The Fund's equity capital grew from EUR 76.8m at the end of 2016 to EUR 86.7m on 30 September 2017 mainly due to a secondary public offering in June 2017 when EUR 9.4m of new equity was raised by selling 7,397 new Units. Net profit of EUR 4.2m earned during the first 9 months of 2017 was largely offset by EUR 3.9m of dividends distributed (comprised of 3 quarterly dividend payments for Q4 2016, Q1 2017 and Q2 2017). On 3 March 2017, the Fund cancelled and deleted 5,900 Units (representing EUR 8 thousand of paid in capital) that it held on its own account. These units had been purchased due to market price stabilization procedures following the initial public offering in June 2016. As of 30 September 2017, the Fund's equity consisted of EUR 75.6m

[1] Interest on bank loans divided by average total interest-bearing debt and annualized to arrive at annual estimate.

paid in capital, EUR 11.2m retained earnings and EUR -0.1m cash flow hedge reserve. The negative cash flow hedge reserve was related to interest rate swaps that the Fund entered into to hedge exposure to variable interest rates.

Table 18: Highlights of capital resources and funding structure of the Fund, EUR thousand

	31 Dec 2016	30 Sep 2017
CAPITAL RESOURCES		
Equity		
Paid in capital	66,224	75,597
Own units	-8	-
Cash flow hedge reserve	-294	-143
Retained earnings	10,887	11,199
Total equity	**76,809**	**86,653**
Financial debt		
Non-current interest bearing loans and borrowings	58,981	63,601
Current interest bearing loans and borrowings	10,191	8,968
Total financial debt	**69,172**	**72,569**
Cash and cash equivalents	9,883	4,406
Net financial debt	**59,289**	**68,163**
KEY INDICATORS		
Interest coverage ratio[1]	4.4	5.7
LTV[2]	48.8%	46.0%
Equity ratio[3]	49.6%	51.1%
Current ratio[4]	84.0%	47.3%

Source: reviewed interim consolidated financial statements of the Fund for the 9-month period ended 30 September 2017
[1] Interest coverage ratio = (operating profit - valuation gains or losses on investment properties - net gains or losses on disposals of investment properties) / interest on bank loans.
[2] Loan-to-value = total interest bearing loans and borrowings / value of investment properties.
[3] Equity ratio = total equity / total assets.
[4] Current ratio = current assets / current liabilities.

As of 30 September 2017, total financial debt of the Fund stood at EUR 72.6m compared to EUR 69.2m at the end of 2016. Non-current portion of financial debt amounted to EUR 63.6m while current portion was EUR 9.0m. Debt was comprised fully of bank loans. In the first 9 months of 2017, the Fund obtained two new bank loans, fully repaid one bank loan and renegotiated another's terms. In February 2017, an agreement was signed for a EUR 6.7m bank loan for Piirita with a 5-year maturity and in March 2017 an agreement was signed for a EUR 8.0m bank loan for Duetto I with a 5-year maturity. On the other hand, in June 2017, Domus Pro's EUR 7.9m bank loan (originally due in May 2018) was fully repaid in order to effectively utilise higher cash position of the Fund. At the same time, a new bank loan agreement was signed for Domus Pro which enables the Fund to draw down up to EUR 12.9m of credit when it is needed for new property acquisitions. In addition, in July 2017, the Fund successfully renegotiated the terms of its largest bank loan - Europa SC's EUR 23.0m loan. The Fund prepaid EUR 2.1m of the loan while the bank agreed to extend its maturity by over 4 years from March 2018 to July 2022 and reduce its amortization from EUR 0.9m per annum to zero.

At the end of September 2017, LTV of the Fund stood at 46.0% - lower than 48.8% at the end of 2016. The Management Company expects LTV to move closer to the targeted 50% with acquisitions of new properties.

The Fund held EUR 4.4m of cash and cash equivalents at the end of September 2017. 100% of that was denominated in euro currency. EUR 100 thousand of cash and cash equivalents were restricted following requirements set in bank loan agreements of the Fund's SPVs.

The Fund's current ratio stood at 47.3% on 30 September 2017 as Lincona's bank debt of EUR 8.3m was due to mature at the end of 2017. The Management Company is in the process of refinancing this debt with a new bank loan.

3.4. THE FUND'S FINANCIAL DEBT STRUCTURE

The table below provides a detailed breakdown of the structure of consolidated financial debt as of 30 September 2017. Interest bearing debt was fully comprised of bank loans with a total carrying value of EUR 72.8m. 100% of them were denominated in euros. All of the bank loans were obtained by SPVs that hold properties while properties themselves were pledged as collateral. The parent entity, the Fund, had no financial debt.

Table 19: Financial debt structure of the Fund, 30 September 2017

Property	Maturity	Currency	Carrying amount, EUR'000	% of total	Fixed-rate portion
Lincona	31-Dec-2017	EUR	8,296	11%	-
Coca Cola Plaza	8-Mar-2019	EUR	6,938	10%	-
Sky Supermarket	1-Aug-2021	EUR	2,519	3%	-
G4S Headquarters	16-Aug-2021	EUR	7,750	11%	100%
Piirita	20-Feb-2022	EUR	6,622	9%	95%
Duetto I	20-Mar-2022	EUR	7,990	11%	-
Europa SC	5-Jul-2022	EUR	20,900	29%	87%
Upmalas Biroji	31-Aug-2023	EUR	11,750	16%	90%
Total bank loans			**72,765**	**100%**	**59%**
Less capitalised loan arrangement fees[1]			-196		
Total financial debt recognised 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 7.9m bank loan (originally due in May 2018) was fully prepaid in June 2017 in order to effectively utilise higher cash position of the Fund. In relation, a new bank loan agreement was signed for Domus Pro which enables the Fund to draw down up to EUR 12.9m of credit when it is needed for new property acquisitions. Loan maturity according to the new agreement is May 2022.

Weighted average time to maturity jumped from 2.7 years at the end of 2016 to 3.9 years on 30 September 2017. That was primarily impacted by 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, constituting 21% of total bank debt, are set to mature before 2021 (see Figure 1). The nearest maturity is 31 December 2017 relating to a EUR 8.3m bank loan of Lincona. The Management Company is in the process of refinancing it with a new bank loan. The subsequent maturity is only in 2019 – a EUR 6.9m bank loan of Coca Cola Plaza.

As of 30 September 2017, 59% of total bank loans had fixed interest rates while the remaining 41% were subject to floating interest rates.

Figure 1: Bank loan maturity schedule, carrying amounts as of 30 September 2017, EURm

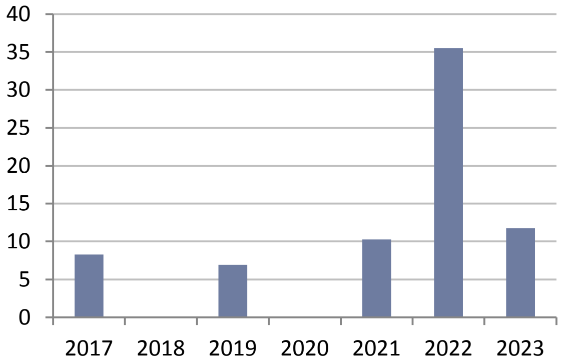
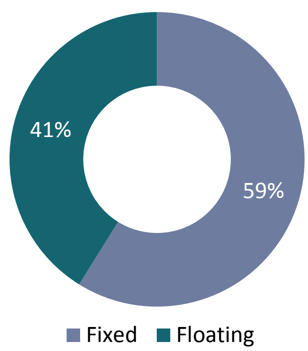


Figure 2: Fixed and floating portions of total bank loans, 30 September 2017



3.5. THE FUND'S CASH FLOWS

The table below presents a summary of consolidated cash flows of the Fund for the first 9 months of 2017. For the full interim consolidated cash flow statement see the Fund's interim consolidated financial statements for the 9-month period ended 30 September 2017 in Appendix A of this Prospectus Supplement.

Table 20: Highlights of consolidated cash flows of the Fund for 9 months of 2017, EUR thousand

	Jan -Sep 2016	Jan -Sep 2017
Cash and cash equivalents at the beginning of the period	*1,677*	*9,883*
Cash flow from operating activities	3,211	5,134
Before working capital adjustments	3,476	6,010
Working capital adjustments	-265	-876
Cash flow from investing activities	-25,778	-18,451
Cash flow from financing activities	24,135	7,840
Net change in cash and cash equivalents	**1,568**	**-5,477**
Cash and cash equivalents at the end of the period	*3,245*	*4,406*

Source: reviewed interim consolidated financial statements of the Fund for the 9-month period ended 30 September 2017

In the first 9 months of 2017, cash and cash equivalents decreased by EUR 5.5m to EUR 4.4m primarily affected by the Fund's decision to prepay some of its bank loans in order to utilize higher cash position. That is in contrast to the same period of 2016 when cash and cash equivalents increased by EUR 1.6m.

The Fund generated operating cash flow of EUR 5.1m – EUR 1.9m higher than in the first 9 months of 2016. If changes in working capital are excluded, the operating cash flow rose by EUR 2.5m driven by a substantially larger property portfolio. Working capital adjustments totaled to negative EUR 0.9m in the first 9 months of 2017 while they amounted to negative EUR 0.3m a year ago.

In the first 9 months of 2017, cash outflow relating to investment activities stood at EUR 18.5m, of which EUR 14.4m was attributable to the acquisition of Duetto I property in a an asset transaction in March 2017. The Fund also invested EUR 3.9m into development of the 3rd stage at Domus Pro, whose construction was completed in October 2017, and EUR 0.9m into maintenance of existing properties. In the first 9 months of 2016, cash outflow from investing activities amounted to EUR 25.8m. G4S Headquarters in Tallin was purchased in July 2016 in an asset transaction resulting in a EUR 15.5m cash outflow. Upmalas Biroji was bought in August 2016 in a stock transaction leading to a EUR 8.5m cash outflow recognized on the cash flow statement. EUR 1.5m was invested into development of the 2nd stage at Domus Pro, which was fully commissioned in May 2016, while EUR 0.3m was invested into maintenance of existing properties.

Financing cash flow stood at positive EUR 7.8m in the first 9 months of 2017. EUR 14.6m was raised from two new bank loans relating to Piirita and Duetto I properties while EUR 11.3m of bank loans was repaid including a full prepayment of Domus Pro's bank loan (originally due in May 2018) and a partial prepayment of Europa SC's bank loan. The Fund received EUR 9.4m of proceeds from a public capital offering completed in June 2017 when 7,397 thousand of new Units were purchased by investors. EUR 3.9m of dividends was distributed representing quaterly dividend payments for Q4 2016, Q1 2017 and Q2 2017. Finally, EUR 1.0m interest on bank loans was paid. In the first 9 months of 2016, cash flow from financing activities amounted to positive EUR 24.1m, of which EUR 21.0m was proceeds from the Fund's initial public offering completed in June 2016.

3.6. DISCUSSION OF EUROPA SPV'S RESULTS

As of 30 September 2017, the fair value of Europa SC property constituted approximately 23% of the Fund's total assets and 25% of its property portfolio value. This section presents results of Europa SPV in the first 9 months of 2017. Financial information was derived from Europa SPV's reviewed interim financial statements for the 9-month period ended 30 September 2017 prepared according to Business Accounting Standards of the Republic of Lithuania. These financial statements are provided in full in Appendix B of this Prospectus Supplement.

The following table illustrates Europa SPV's financial performance in the first 9 months of 2017 with key points discussed in subsequent paragraphs.

Table 21: Highlights of income statement of Europa SPV for 9 months of 2017, EUR thousand

	Note	Jan - Sep 2016	Jan - Sep 2017	Change
Sales		2,977	3,037	2%
Cost of sales		-1,242	-1,251	1%
Gross profit	1	**1,735**	**1,786**	**3%**
General and administrative expenses	2	-55	-80	45%
Other activity results	3	57	-	-100%
Operating profit		**1,737**	**1,706**	**-2%**
Other interest and similar income	4	824	581	-29%
Other interest and similar expenses	4	-328	-372	13%
Profit before tax		**2,233**	**1,915**	**-14%**

Income tax	5	-357	-297	-17%
Net profit		**1,876**	**1,618**	**-14%**

Source: reviewed interim financial statements of Europa SPV for the 9-month period ended 30 September 2017

(1) Gross profit

Gross profit of Europa SPV increased by 3% year on year to EUR 1.8m in the first 9 months of 2017. Sales revenue was up by 2% whereas costs of sales rose by 1%. The period-average vacancy marginally decreased to 5.6% from 6.0% in the first 9 months of 2016. The management kept a tactical vacancy in the building for new attractive tenants and continued negotiations to improve the tenant mix with internationally renowned brands. A large-scale Europa brand market relaunch project has been started to increase potential visitors' awareness of the upgraded parking arrangement, the enhanced luncheon experience and the updated tenant mix, especially targeting people working in brand new adjacent office buildings.

(2) General and administrative expenses

General and administrative expenses rose to EUR 80 thousand in the first 9 months of 2017 from EUR 55 thousand in the same period of 2016. The increase was mainly explained by EUR 19 thousand bad debt-related expenses.

(3) Other activity results

In the first 9 months of 2017, net result from other activities was equal to zero. In the comparable period of 2016, Europa SPV earned EUR 57 thousand of income from other activities mostly attributable to a received compensation from an insurance company for a past claim.

(4) Financial income and expenses

The table below provides a split of Europa SPV's financial income and expenses.

Table 22: Breakdown of financial income and expenses of Europa SPV, EUR thousand

	Jan - Sep 2016	Jan - Sep 2017
Change in fair value of investment property	565	581
Intragroup interest income	259	-
Total other interest and similar income	**824**	**581**
External interest expenses	-296	-277
Intragroup interest expenses	-28	-89
Other	-4	-6
Total other interest and similar expenses	**-328**	**-372**

Source: reviewed interim financial statements of Europa SPV for the 9-month period ended 30 September 2017

Total other interest and similar income amounted to EUR 581 thousand in the first 9 months of 2017 compared to EUR 824 thousand in the comparable period of the previous year. A EUR 581 thousand gain in the fair value of Europa property was recorded on the back of its appraisal as of 30 June 2017, prepared by Colliers International Advisors. The Management Company assessed the fair value of Europa SC as at 30 September 2017 applying the same key assumptions as used in the independent appraisal as at 30 June 2017 and concluded that the fair value of the property did not differ significantly from that as at 30 June 2017. Key valuation assumptions are disclosed in Table 15. In the first 9 months of 2016, a EUR 565 thousand gain in the property fair value and EUR 259 thousand intragroup interest income were recognized.

Total other interest and similar expenses increased to EUR 372 thousand in the first 9 months of 2017 from EUR 328 thousand in the same period of 2016. Interest expenses on bank loans declined by 6% to EUR 277 thousand. Intragroup interest expenses amounted to EUR 89 thousand compared to EUR 28 thousand in the same period of 2016.

(5) Income tax

In the first 9 months of 2017, income tax charge stood at EUR 297 thousand fully comprised of deferred tax, attributable to the recognized fair value gain and depreciation of the property's historical cost. In the first 9 months of 2016, income tax charge accounted for EUR 357 thousand consisting of EUR 48 thousand current income tax and EUR 309 thousand deferred income tax.

Table 23: Breakdown of income tax charge of Europa SPV, EUR thousand

	Jan - Sep 2016	Jan - Sep 2017
Current income tax -charge/credit	-48	-
Deferred income tax -charge/credit	-309	-297
Total income tax -charge/credit	**-357**	**-297**

Source: reviewed interim financial statements of Europa SPV for the 9-month period ended 30 September 2017

3.7. EUROPA SPV'S CAPITAL RESOURCES

On 30 September 2017, total equity of Europa SPV stood at EUR 10.9m comprised of EUR 0.9m authorised capital, EUR -31 thousand revaluation reserve of derivative financial instruments, EUR 1.3m legal reserve and EUR 8.7m retained earnings. Compared to the end of 2016, total equity grew by EUR 1.7m thanks to net profit generated in the first 9 months of 2017.

Table 24: Highlights of capital resources and funding structure of Europa SPV, EUR thousand

	31 Dec 2016	30 Sep 2017
CAPITAL RESOURCES		
Equity		
Authorised capital	869	869
Revaluation reserve	-81	-31
Legal reserve	1,303	1,303
Retained earnings	7,125	8,743
Total equity	**9,216**	**10,884**
Financial debt		
Non-current loans	25,589	24,926
Current loans	893	-
Total financial debt	**26,482**	**24,926**
Of which:		
Bank loans	23,444	20,849
Intragroup loans	3,038	4,077
Cash and cash equivalents	688	166
Net financial debt	**25,794**	**24,760**
KEY INDICATORS (excl. intragroup loans)		
Interest coverage ratio[1]	5.8	6.2
LTV[2]	61.7%	53.4%
Equity ratio[3]	31.1%	37.7%
Current ratio[4]	94.4%	149.0%

Source: reviewed interim financial statements of Europa SPV for the 9-month period ended 30 September 2017
[1] Interest coverage ratio = operating profit / external interest expenses.
[2] Loan-to-value = total bank loans / value of investment property.
[3] Equity ratio = (total equity + total intragroup loans) / total assets.
[4] Current ratio = (current assets + deferred costs and accrued income) / (current liabilities + accrued costs and deferred income - current intragroup loans).

At the end of September 2017, total financial debt of Europa SPV amounted to EUR 24.9m which consisted of a EUR 20.8m bank loan and a EUR 4.1m intragroup loan granted by the Fund. All of financial debt was denominated in euros. In July 2017, the Fund successfully renegotiated the terms of Europa SC's bank loan. EUR 2.1m of the loan was prepaid while the bank agreed to extend its maturity by over 4 years from March 2018 to July 2022 and reduce its amortization from EUR 0.9m per annum to zero. As of 30 September 2017, interest rate was fixed for 87% of Europa SPV's bank debt using an interest rate swap.

The EUR 4.1m intragroup loan has a fixed interest rate of 3.9% and is set to mature on 31 December 2026.

LTV of Europa SPV, taking into account external financial debt (bank loans) only, stood at 53.4% on 30 September 2017 – a significant drop from 61.7% at the end of 2016 explained primarily by the EUR 2.1m partial prepayment of the bank loan in July 2017.

As of 30 September 2017, Europa SPV held EUR 0.2m of cash and cash equivalents, all of which was denominated in euros.

3.8. EUROPA SPV'S CASH FLOWS

A summary of Europa SPV's cash flows in the first 9 months of 2017 and in the comparable period of 2016 is provided in the following table. For the full interim cash flow statement see Europa SPV's interim financial statements for the 9-month period ended 30 September 2017 in Appendix B of this Offering Circular.

Table 25: Highlights of cash flows of Europa SPV for 9 months of 2017, EUR thousand

	Jan - Sep 2016	Jan - Sep 2017
Cash and cash equivalents at the beginning of the period	*964*	*688*
Cash flow from operating activities	1,830	1,695
Cash flow from investing activities	-229	-288
Cash flow from financing activities	-1,828	-1,929
Net change in cash and cash equivalents	**-227**	**-522**
Cash and cash equivalents at the end of the period	*737*	*166*

Source: reviewed interim financial statements of Europa SPV for the 9-month period ended 30 September 2017

In the first 9 months of 2017, cash and cash equivalents of Europa SPV declined by EUR 522 thousand to EUR 166 thousand while in the same period of 2016 cash and cash equivalents fell by EUR 227 thousand. Cash flow from operating activities declined by EUR 135 thousand year on year to EUR 1,695 thousand. Investing cash flow increased from negative EUR 229 thousand in the first 9 months of 2016 to negative EUR 288 thousand in the first 9 months of 2017 explained by higher capital expenditure on the property. Finally, financing cash flow rose from negative EUR 1,828 thousand to negative EUR 1,929 thousand.

4. OFFER PRICE

On 8 November 2017, the Fund announced that its NAV as of 31 October 2017 amounted to EUR 1.3266 per Unit. The Offer Price is equal to this NAV, i.e. EUR 1.3266 per Offer Unit.

5. DIVIDENDS AND DIVIDEND POLICY

This section updates the section 5.16 "Dividends and Dividend Policy" of the Offering Circular. Previously, the Management Company targeted to pay out to Unit-holders at least 80% of adjusted funds from operations (AFFO) which were 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 Company has decided to amend the dividend distribution policy in order to provide more stable and predictable cash flows to the Fund's Unit-holders. According to the new dividend policy, the Fund sets a target of dividend distributions to its Unit-holders in the range between 80% of generated net cash flow and a net profit adjusted for unrealized P&L items[2]. The distribution is based on the Fund's short-term and long-term performance projections. The Management Company has discretion to distribute lower dividends than 80% of generated net cash flow in case liquidity of the Fund is endangered. The Management Company remains committed to target 7-9% annual dividend yield on invested equity, which is defined as paid-in-capital since listing the Fund on stock exchange on June 30, 2016. Dividends will continue to be paid on a quarterly basis.

Table 26: Generated net cash flow calculation formula

Item	Comments
(+) Net rental income	
(-) Fund administrative expenses	
(-) External interest expenses	Interest expenses incurred for bank loan financing
(-) Capital 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 did not occur
Generated net cash flow	

On 31 October 2017, the Fund announced its latest quarterly dividend - EUR 0.020 per unit for Q3 2017 profit representing a 1.5% quarterly dividend yield on the Unit market price on Nasdaq Tallinn on the day of the announcement (EUR 1.298). This dividend was subtracted from the Fund's NAV as of the end of October 2017. The dividend was paid out on 17 November 2017. This is the

[2] Such items include valuation gains/losses on investment properties, net gains/losses on disposals of investment properties and deferred income tax.

third quarterly dividend for profits earned in 2017 and the fifth quarterly dividend in total since the Fund's initial public offering in June 2016 when the Fund started distributing dividends on a quarterly basis.

Table 27: History of dividend distributions

	2014	2015	2016[1]		2017[1]		
			Q3	Q4	Q1	Q2	Q3
Per unit							
Dividend per unit, EUR	0.051	0.072	0.026	0.024	0.023	0.018	0.020
Number of units at the time of distribution, '000	20,917[2]	24,617[2]	41,973[3]	57,259[3]	57,259	64,656	64,656
Dividend per unit adjusted for latest number of units[4], EUR	0.016	0.027	0.017	0.021	0.020	0.018	0.020
Total, EUR thousand							
Dividends declared	1,059	1,764	1,091	1,374	1,317	1,164	1,293
Of which dividends reinvested[5]	-875	-463	-	-	-	-	-
Dividends paid	184	1,302	1,091	1,374	1,317	1,164	1,293

[1] After the public offering in June 2016, the Fund began distributing dividends quarterly. 2 quarterly dividends were announced for distributing 2016 profits: for Q3 2016 and Q4 2016. As of the date of this Prospectus Supplement, 3 quarterly dividends have been announced for 2017 profits: for Q1 2017, Q2 2017 and Q3 2017.

[2] On 30 June 2016, the Fund merged with BOF and took over all assets and liabilities of BOF. Units of BOF were converted into units of the Fund at a ratio of 1:100 (1 unit of BOF was exchanged into 100 units of the Fund). To ensure the comparability of historical *per unit* figures, numbers of units prior to the Merger were recalculated by multiplying them by 100 to reflect the effect of the conversion. The recalculated numbers or units were used to compute comparable *per unit* figures.

[3] Excluding 5,900 Units held by the Fund itself. Dividends were not paid for these Units.

[4] Calculated as total amount of dividends declared for a period divided by the number of Units as at the date of this Prospectus Supplement – 64,655,870 Units.

[5] Prior to the Merger, unitholders of BOF were offered a scrip dividend option. Part of them elected to exchange their right to dividend into new units.

6. NEW PROPERTY ACQUISITION

On 14 November 2017, the Fund signed a share purchase agreement for an acquisition of the 10th building in its property portfolio – Vainodes I in Riga. The purchase price is EUR 21.3m implying a yield of approximately 7%. Closing of the acquisition is expected to take place in December 2017.

The property is a 4-storey office complex with 8,052 sqm of leasable area (9,538 sqm of gross area) and 300 onground parking spaces. The full reconstruction and expansion of the property was completed in 2014. There is also significant development potential – the property has building rights for a 17-storey extension with over 18,000 sqm of leasable office space and a 4-storey car park with over 250 places.

The building is located within 10 minute drive from the city centre, next to Karla Ulmana avenue which is one of the main roads in Riga connecting its centre with periphery districts and the airport. The building boasts easy access both by public and private transport.

The newly acquired property is fully occupied and has 3 tenants. The anchor tenant, occupying 92% of total NLA, is Latvia's State Forests – a state-owned enterprise responsible for management of state-owned forests in Latvia. In November 2014, it signed a lease agreement for a 10-year unbreakable term plus another 10-year term with a 2-year break option. The other two tenants include Abbvie, a US-based international pharmaceutical company, and Baltic Restaurants Latvia which operates a restaurant on the 1st floor of the property.

A condensed valuation report by Newsec, an independent appraiser, is provided in Appendix C of this Prospectus Supplement.

7. CORRECTION OF IMMATERIAL MISTAKE IN THE OFFERING CIRCULAR

There is a minor mistake in the Offering Circular that the Management Company hereby corrects:

1. In section 5.5 “Units and rights of the unitholders” under “Unit-holders” (page 58) there are different incorrect references to the largest Unit-holder of the Fund - Nordea Bank AB Finnish branch clients (Euroclear non-treaty clients) and Nordea Bank Finland Plc clients. The correct name of the largest Unit-holder of the Fund is Nordea Bank AB (publ)/ Euroclear Sweden non-treaty clients.

8. WITHDRAWAL RIGHTS

In accordance with § 35 of the Estonian Securities Market Act and Article 16(2) of the Prospectus Directive (as implemented through national implementing legislation in each EU Member State), where a prospectus supplement has been published, investors who have already agreed to purchase or subscribe for the securities before the supplement is published shall have the right, exercisable within a time limit which shall not be shorter than two working days after the publication of the supplement, to withdraw their acceptances.

Investors wishing to exercise their withdrawal right after the publication of this Prospectus Supplement must do so by submitting a written withdrawal notice to the respective Manager or the Sales Partner through which the original Purchase Order was placed. Withdrawal notices may be submitted until 3 p.m. (Central European Time) on 30 November 2017. Any paid-in moneys by the Investor shall be refunded to the Investor not later than within 10 business days after receipt of the withdrawal notice.

APPENDIX A

Reviewed Interim Consolidated Financial Statements of the Fund for the 9-Month Period Ended 30 September 2017

BALTIC
HORIZON

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

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

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.

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. 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.

MANAGEMENT REPORT

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 a 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 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 for 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 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.

Table 1: Quarterly Key Figures

Euro '000	**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)%**

Euro '000	**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:

Table 2: Adjustments for recalculating NAV to EPRA NAV

Euro '000	**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.

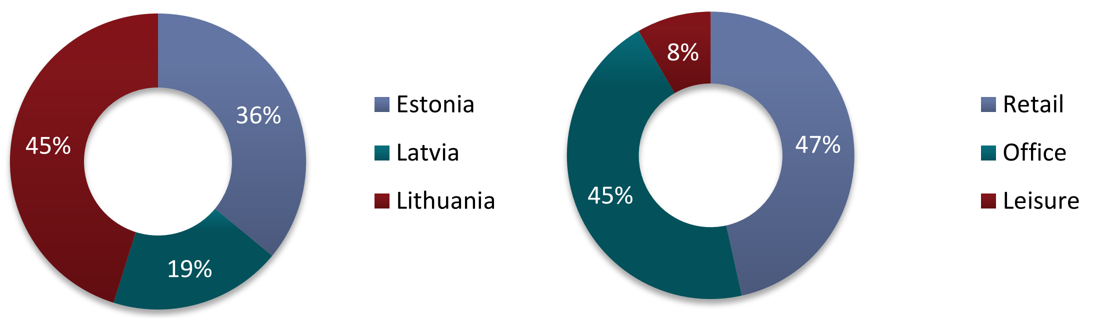
On 14 November, 2017, the Fund signed a sales-purchase agreement for the acquisition of Vainodes I office building located in Riga, Latvia. The total purchase price for the properties under agreement is approx. EUR 21.3 million corresponding to an approximate acquisition yield of 7%. Vainodes I office building is situated on the left bank of the river Dauguva 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.

The Baltic property yields in both office and retail segments continued to decrease and are expected to drop closer to 6% by 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%.

<u>Lincona Office Complex, Tallinn (Estonia)</u>
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.

<u>Domus Pro Retail Park, Vilnius (Lithuania)</u>
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.

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 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%.

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 vandenys, 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.

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

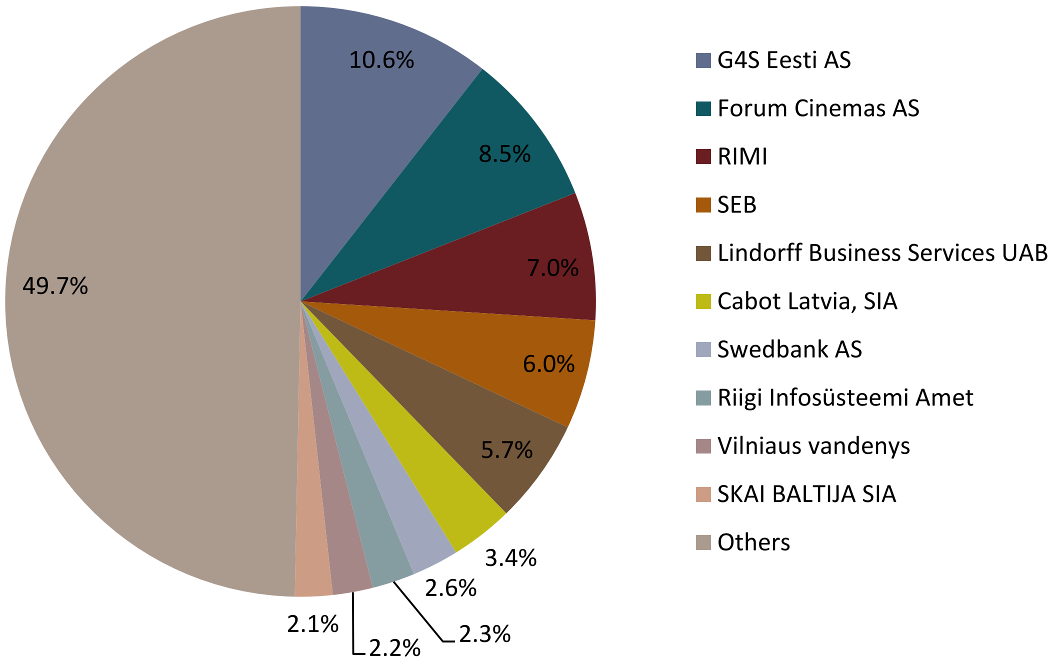


Table 3: Overview of the Fund's investment properties

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%**

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

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

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 incomeover the years.

Table 4: Breakdown of NOI development

Property *Euro'1000*	**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 a financing with a 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.

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.

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 calculated 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
Generated net cash flow (GNCF)	

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.

Table 8: Dividend capacity calculation

EUR'1000	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 adjusted AFFO 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%**

1. 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 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 cyclicality, 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.

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

BALTIC HORIZON

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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**
Other comprehensive income that is or may be reclassified to profit or loss in subsequent periods					
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.

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Allkirjastatud identifitseerimiseks
Date/kuupäev 21.11.2017
Signature/allkiri
KPMG, Tallinn

Euro '000	**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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Euro '000	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.

BALTIC HORIZON

CONSOLIDATED STATEMENT OF CASH FLOWS

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

Euro '000	**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	10	(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.

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]	100%	100%
Pirita Center OÜ	100%	100%
BH Duetto UAB	100%	-

[1]formerly known as *BOF Lincona OÜ*.
[2]formerly known as *BOF CC Plaza OÜ.*
[3]formerly known as *BOF Domus Pro UAB.*
[4]formerly known as *BOF Europa UAB.*
[5]BH 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 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

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these 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.

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

Euro'000	**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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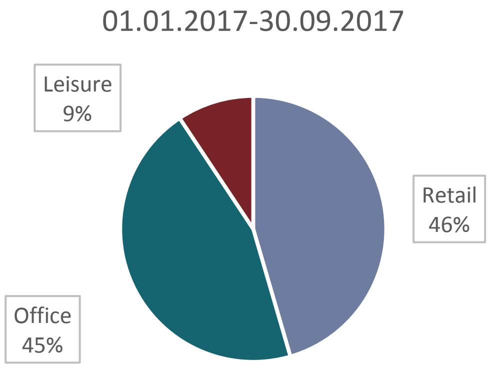
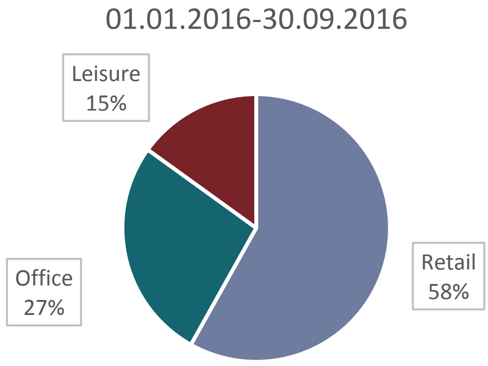
Operating segments – 30 September 2016

Euro'000	**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**

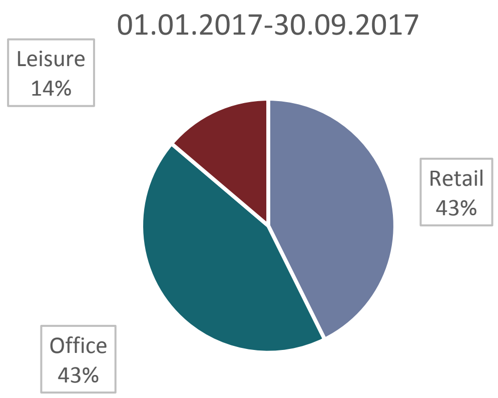
1. External revenue includes rental income and service charge income. The segments do not have inter-segment revenue.
2. Interest expenses have been adjusted to make them comparable. Prior to adjustment, interest expenses included intercompany interest expenses.

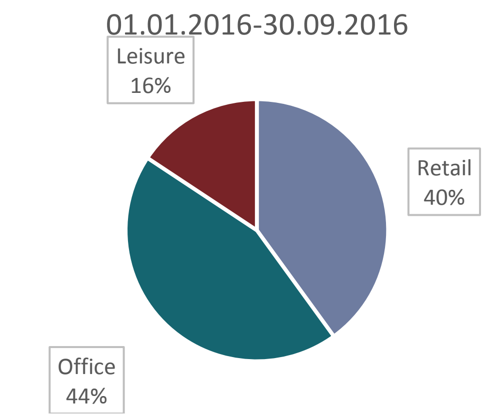
Segment net rental income*



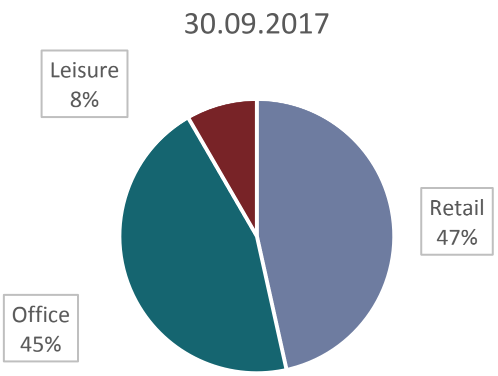


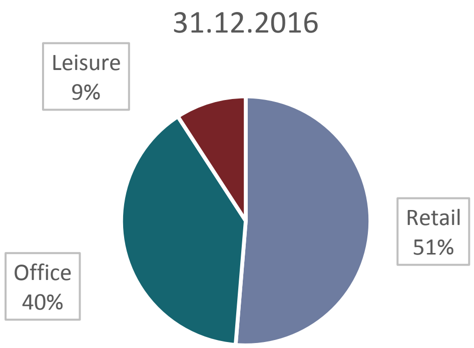
Segment net profit (loss)*





Investment properties*





*As a percentage of the total for all reportable segments

Reconciliation of information on reportable segments to IFRS measures

Operating segments – 30 September 2017

Euro'000	**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

Euro'000	**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.

Geographic information
Segment net rental income

Euro'000	*External revenue*				*Investment property value*	
	01.07.2017-30.09.2017	**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).

6. Administrative expenses

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
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

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
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.

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:

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
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:

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**
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.

'000 Euro	**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.

<u>Acquisition of Duetto I</u>

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.

<u>Acquisition of Vainodes I</u>

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.

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)	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.)	14.0
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.)	9.4
Lincona Office Complex, Tallinn (Estonia)	DCF	- Discount rate	8.6%
Net leasable area (NLA) – 10,859 sq. m.		- Rental growth p.a.	0.0% - 2.3%
Segment – Office		- Long term vacancy rate	5.0% - 10.0%
Year of construction/renovation – 2002 / 2008		- Exit yield	7.8%
		- Average rent (EUR/sq. m.)	10.4
Coca-Cola Plaza , Tallinn (Estonia)	DCF	- Discount rate	8.2%
Net leasable area (NLA) – 8,664 sq. m.		- Rental growth p.a.	0.7% - 2.0%
Segment – Leisure		- Long term vacancy rate	1.5%
Year of construction/renovation – 1999		- Exit yield	7.8%
		- Average rent (EUR/sq. m.)	9.6
G4S Headquarters, Tallinn (Estonia)*	DCF	- Discount rate	8.2%
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	7.5%
		- Average rent (EUR/sq. m.)	10.2
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.)	11.3
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	7.1%
		- Average rent (EUR/sq. m.)	12.8
Pirita Shopping centre, Tallinn (Estonia)	DCF	- Discount rate	8.4%
Net leasable area (NLA) – 5,516 sq. m		- Rental growth p.a.	-0.5% - 3.2%
Segment – Retail		- Long term vacancy rate	0.1% - 2.0%
Year of construction/renovation - / 2016		- Exit yield	7.4%
		- Average rent (EUR/sq. m.)	13.5
Duetto I, Vilnius (Lithuania)	DCF	- Discount rate	8.6%

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)	DCF	-	Discount rate	8.6%
Net leasable area (NLA) – 10,859 sq. m.		-	Rental growth p.a.	0.0% - 2.3%
Segment – Office		-	Long term vacancy rate	5.0% -
Year of construction/renovation – 2002 / 2008				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% -
Segment – Office				2.70%
Year of construction/renovation – 2013		-	Long term vacancy rate	3.0%
		-	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

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:

Euro'000	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.

Euro'000	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 value Colliers International.

12. Trade and other receivables

Euro'000	**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:

Euro'000	**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):

		Neither past due	**Past due but not impaired**				
Euro'000	**Total**	**nor 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

Euro'000	**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.

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:

Euro'000	**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 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.

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.

Euro'000	**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

Euro'000	**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.

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

Euro'000	**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

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:

Euro’000	**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;

- 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:

	Carrying amount		**Fair value**	
Euro'000	**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 *Euro'000*	**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 **'000 Euro**	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
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.

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	**Liabilities**		**Assets**	
Euro '000	**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.

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	100%
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%

[1]formerly known as *BOF Lincona OÜ*.
[2]formerly known as *BOF CC Plaza OÜ*.
[3]formerly known as *BOF Domus Pro UAB*.
[4]formerly known as *BOF Europa UAB*.
[5]BH MT 24 OÜ merged with Pirita Center OÜ on 6 April 2017.

Initialled for identification purposes only
Allkirjastatud identifitseerimiseks
Date/kuupäev 21.11.2017
Signature/allkiri
KPMG, Tallinn

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	

APPENDIX B

Reviewed Interim Financial Statements of Europa SPV for the 9-Month Period Ended 30 September 2017

UAB BH EUROPA

COMPANY'S UNAUDITED INTERIM FINANCIAL STATEMENTS FOR 9-MONTH PERIOD ENDED 30 SEPTEMBER 2017 PREPARED IN ACCORDANCE WITH BUSINESS ACCOUNTING STANDARDS OF THE REPUBLIC OF LITHUANIA

Company details

UAB BH Europa

Telephone:	+370 5 268 3337
Registration No.:	000980
Address:	Gynėjų g. 16, Vilnius

Board

Aušra Stankevičienė
Tarmo Karotam
Nerijus Žebrauskas

Management

Gintarė Žemaitė – Managing Director

Auditor

KPMG Baltics, UAB

Banks

AB SEB Bankas

KPMG Baltics, UAB
Konstitucijos Ave 29
LT-08105, Vilnius
Lithuania

Phone: +370 5 2102600
Fax: +370 5 2102659
E-mail: vilnius@kpmg.lt
Website: kpmg.com/lt

Independent Auditor's Report on Review of Interim Financial Statements

To the Shareholder of BH Europa UAB

Introduction

We have reviewed the accompanying balance sheet of BH Europa UAB (hereinafter „the Company) as at 30 September 2017, the profit (loss) statement, statements of changes in equity and cash flows for the nine-month period then ended, and explanatory notes to the interim financial statements („the interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with Business Accounting Standards of the Republic of Lithuania. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. 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 interim financial statements as at 30 September 2017 are not prepared, in all material respects, in accordance with Business Accounting Standard of the Republic of Lithuania.

Other Matter

We draw attention to the fact that we have not audited or reviewed the profit (loss) statement, and cash flows for the nine-month period ended 30 September 2016, or any of the related notes and accordingly, we express no assurance on them.

On behalf of KPMG Baltics, UAB

T. Marčinauskytė
Toma Marčinauskytė
Certified Auditor

Vilnius, the Republic of Lithuania
17 November 2017

Company code: 111494971
VAT code: LT114949716

(EUR thousand unless otherwise stated)

Balance sheet

Row No.	Items	Notes	30-09-2017	31-12-2016
	ASSETS			
A.	**NON-CURRENT ASSETS**		**39,008**	**38,088**
1.	**INTANGIBLE NON-CURRENT ASSETS**		**-**	**-**
1.1.	Development costs		-	-
1.2.	Goodwill		-	-
1.3.	Software		-	-
1.4.	Concessions, patents, licenses, trademarks and similar rights		-	-
1.5.	Other intangible non-current assets		-	-
1.6.	Prepayments made		-	-
2.	TANGIBLE NON-CURRENT ASSETS		**39,008**	**38,000**
2.1.	Land		-	-
2.2.	Buildings and plant		-	-
2.3.	Machinery and equipment		-	-
2.4.	Vehicles		-	-
2.5.	Other fixtures, fittings, tools and equipment		-	-
2.6.	Investment property	3	**39,008**	**38,000**
2.6.1.	Land		-	-
2.6.2.	Buildings	3	39,008	38,000
2.7.	Prepayments made and construction in progress		-	-
3.	FINANCIAL NON-CURRENT ASSETS		**-**	**88**
3.1.	Owned shares of the group companies		-	-
3.2.	Loans to group companies		-	-
3.3.	Amounts receivable from group companies		-	-
3.4.	Owned shares in associated companies		-	-
3.5.	Loans to associated companies		-	-
3.6.	Amounts receivable from associated companies		-	-
3.7.	Non-current investments		-	-
3.8.	Receivable after one year	5	-	88
3.9.	Other financial non-current assets		-	-
4.	OTHER NON-CURRENT ASSETS		**-**	**-**
4.1.	Deferred tax asset		-	-
4.2.	Biological assets		-	-
4.3.	Other non-current assets		-	-
B.	**CURRENT ASSETS**		**640**	**1,125**
1.	INVENTORIES		**7**	**11**
1.1.	Raw materials and consumables		-	-
1.2.	Unfinished goods and work in progress		-	-
1.3.	Production		-	-
1.4.	Goods for resale		-	-
1.5.	Biological assets		-	-
1.6.	Tangible non-current assets held for sale		-	-
1.7.	Prepayments made	5	7	11
2.	AMOUNTS RECEIVABLE WITHIN ONE YEAR		**467**	**426**
2.1.	Trade debtors	4	271	232
2.2.	Due from group companies		-	-
2.3.	Due from associated companies		-	-
2.4.	Other amounts receivable	5	196	194
3.	CURRENT INVESTMENTS		**-**	**-**
3.1.	Investments in group companies		-	-
3.2.	Other investments		-	-
4.	CASH AND CASH EQUIVALENTS	6	**166**	**688**
C.	**DEFERRED COSTS AND ACCRUED INCOME**	5	**17**	**218**
	TOTAL ASSETS		**39,665**	**39,431**

(continued on next page)

(EUR thousand unless otherwise stated)

Balance sheet (continued)

Row No.	Items	Notes	30-09-2017	31-12-2016
	EQUITY AND LIABILITIES			
D.	**EQUITY**		**10,884**	**9,216**
1.	SHARE CAPITAL		**869**	**869**
1.1.	Authorized (subscribed) capital	1, 7	869	869
1.2.	Subscribed capital unpaid (-)		-	-
1.3.	Own shares (-)		-	-
2.	SHARE PREMIUM ACCOUNT		**-**	**-**
3.	REVALUATION RESERVE	8, 14	**(31)**	**(81)**
4.	RESERVES		**1,303**	**1,303**
4.1.	Compulsory reserve or reserve capital	8	1,303	1,303
4.2.	Reserve for acquiring own shares		-	-
4.3.	Other reserves		-	-
5.	RETAINED EARNINGS (LOSSES)		**8,743**	**7,125**
5.1.	Current year profit (loss)		1,618	2,390
5.2.	Previous year's profit (loss)		7,125	4,735
E.	**GRANTS, SUBSIDIES**		**-**	**-**
F.	**PROVISIONS**		**3,301**	**2,996**
1.	Pensions and similar obligations		-	-
2.	Deferred tax	19	3,301	2,996
3.	Other provisions		-	-
G.	**AMOUNTS PAYABLE AND LIABILITIES**		**25,418**	**27,179**
1.	AMOUNTS PAYABLE AFTER ONE YEAR AND LONG-TERM LIABILITIES		**25,039**	**25,797**
1.1.	Financial liabilities	13	-	95
1.2.	Credit institutions	9	20,849	22,551
1.3.	Prepayments received	10	113	113
1.4.	Payable to suppliers		-	-
1.5.	Payable against bills and cheques		-	-
1.6.	Payable to group companies	9	4,077	3,038
1.7.	Payable to associated companies		-	-
1.8.	Other amounts payable and long-term liabilities		-	-
2.	AMOUNTS PAYABLE WITHIN ONE YEAR AND SHORT-TERM LIABILITIES		**379**	**1,382**
2.1.	Financial liabilities	13	36	-
2.2.	Credit institutions	9	-	893
2.3.	Prepayments received	10	168	200
2.4.	Payable to suppliers		144	214
2.5.	Payable against bills and cheques		-	-
2.6.	Payable to group companies	9	-	-
2.7.	Payable to associated companies		-	-
2.8.	Corporate income tax liabilities		-	-
2.9.	Employment related liabilities		-	-
2.10.	Other amounts payable and short-term liabilities	12	31	75
H.	**ACCRUED COSTS AND DEFERRED INCOME**	11	**62**	**40**
	TOTAL EQUITY AND LIABILITIES		**39,665**	**39,431**

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

General director	Gintare Zemaite		17 November 2017
Representative of the company in charge of accounting	Imante Raibuzyte		17 November 2017

(EUR thousand unless otherwise stated)

Profit (loss) statement

Row No.	Items	Note No.	**01-01-30-09-2017**	**01-01 – 30-09-2016 not reviewed**
1.	Sales	14	3,037	2,977
2.	Cost of sales	15	(1,251)	(1,242)
3.	Change in fair value of biological assets		-	-
4.	**GROSS PROFIT (LOSS)**		**1,786**	**1,735**
5.	Sales expenses		-	-
6.	General and administration expenses	16	(80)	(55)
7.	Other activity results		-	57
8.	Income from investments into shares of the parent company, subsidiaries and associated companies		-	-
9.	Income from other long-term investments and loans		-	-
10.	Other interest and similar income	17	581	824
11.	Decrease in the value of financial assets and short-term investments		-	-
12.	Other interest and similar expenses	18	(372)	(328)
13.	**PROFIT (LOSS) BEFORE TAXATION**		**1,915**	**2,233**
14.	Corporate income tax	19	(297)	(357)
15.	**NET PROFIT (LOSS)**		**1,618**	**1,876**

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

General director	Gintare Zemaite		17 November 2017
Representative of the company in charge of accounting	Imante Raibuzyte		17 November 2017

(EUR thousand unless otherwise stated)

Statement of changes in equity

Items	Paid in authorized or fixed capital	**Share premium**	**Own shares (–)**	**Revaluation reserve**		**Legal reserves**		**Other reserves**	**Retained earnings (losses)**	**Total**
				Of non-current tangible assets	Of financial assets	Compulsory or reserve capital	For acquiring own shares			
1. Balance at the end of the (annual) financial period before previous	**869**	**-**	**-**	**-**	**(98)**	**1,303**	**-**	**-**	**4.343**	**6,417**
Result of changes in the accounting policies applied										-
Result of corrections of fundamental errors										-
4. Restated balance at the end of the (annual) financial period before previous	**869**	**-**	**-**	**-**	**(98)**	**1,303**	**-**	**-**	**4,343**	**6,417**
5. Increase (decrease) in the value of tangible non-current assets										-
6. Increase (decrease) in the value of effective hedging instrument					17					**17**
7. Purchase (sale) of own shares										-
8. Profit (loss) not recognised in the income statement										-
9. Net profit (loss) for the reporting period									2,390	**2,390**
10. Dividends										-
11. Other payments										-
12. Allocated reserves										-
13. Used reserves										-
14. Increase (decrease) in share capital or shareholders contributions (repayment)										-
15. Other increase (decrease) in share capital or fixed capital[1]									392	**392**
16. Contributions against losses										-
17. Balance at the end of the previous (annual) financial period	**869**	**-**	**-**	**-**	**(81)**	**1,303**	**-**	**-**	**7,125**	**9,216**
18. Increase (decrease) in the value of tangible non-current assets										-
19. Increase (decrease) in the value of effective hedging instrument					50					**50**
20. Purchase (sale) of own shares										-
21. Profit (loss) not recognised in the income statement										-
22. Net profit (loss) for the reporting period									1,618	**1,618**
23. Dividends										-
24. Other payments										-
25. Allocated reserves										-
26. Used reserves										-
27. Increase (decrease) in share capital or shareholders contributions (repayment)										-
28. Other increase (decrease) in share capital or fixed capital										-
29. Contributions against losses										-
30. Balance at the end of the current financial period	**869**	**-**	**-**	**-**	**(31)**	**1,303**	**-**	**-**	**8,743**	**10,884**

[1]Line 15 Other increase (decrease) in share capital or fixed capital includes effect of the reorganisation

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

General director	Gintare Zemaite		17 November 2017
Representative of the company in charge of accounting	Imante Raibuzyte		17 November 2017

(EUR thousand unless otherwise stated)

Cash flow statement

Row No.	Items	Note No.	**01.01.- 30.09.2017**	**01.01.- 30.09.2016 not reviewed**
1.	**Cash flow from operating activities**			
1.1.	Net profit (loss)		**1,618**	**1,876**
1.2.	Depreciation and amortization		-	-
1.3.	Elimination of result from disposal of tangible and intangible non-current assets		-	-
1.4.	Elimination of result from financial and investing activities		366	67
1.5.	Elimination of result from other non-monetary transactions		(561)	(565)
1.6.	Decrease (increase) in amounts receivable from group and associated companies		-	-
1.7.	Decrease (increase) in other amounts receivable after one year		72	43
1.8.	Decrease (increase) in deferred tax assets		-	-
1.9.	(Increase) decrease in inventories, except for prepayments made		-	-
1.10.	(Increase) decrease in prepayments made		4	6
1.11.	(Increase) decrease in trade debtors		(59)	232
1.12.	(Increase) decrease in receivable from group and associated companies other short-term assets		-	-
1.13.	(Increase) decrease in other receivable amounts		21	-
1.14.	(Increase) decrease in short-term investments		-	-
1.15.	(Increase) decrease in deferred costs and accrued income		5	17
1.16.	Increase (decrease) in in provisions		305	356
1.17.	Increase (decrease) in long-term payable to suppliers and prepayments received		-	-
1.18.	Increase (decrease) in amounts payable against bills and cheques after one year		-	-
1.19.	Increase (decrease) in liabilities to group and associated companies		-	-
1.20.	Increase (decrease) in short-term payable to suppliers and prepayments received		(45)	(79)
1.21.	Increase (decrease) in amounts payable against bills and cheques within one year		-	-
1.22.	Increase (decrease) in short-term payable to group and associated companies		-	-
1.23.	Increase (decrease) in corporate income tax liabilities		-	-
1.24.	Increase (decrease) in employment related liabilities		-	-
1.25.	Increase (decrease) in other payables and liabilities		(53)	(50)
1.26.	Increase (decrease) in accrued costs and deferred income		22	(73)
	Net cash flow from operating activities		**1,695**	**1,830**
2.	**Cash flow from investing activities**			
2.1.	Acquisition of non-current assets (except for investments)		(288)	(229)
2.2.	Disposal of non-current assets (except for investments)		-	-
2.3.	Acquisition of long-term investments		-	-
2.1.	Acquisition of non-current assets (except for investments)		-	-
2.2.	Disposal of non-current assets (except for investments)		-	-
2.3.	Acquisition of long-term investments		-	-
2.4.	Disposal of long-term investments		-	-
2.5.	Loans issued		-	-
2.6.	Loans recovered		-	-
2.7.	Dividends, interest received		-	-

(EUR thousand unless otherwise stated)

Cash flow statement (continued)

Row No.	Items	Note No.	**01.01.-30.09.2017**	**01.01.-30.09.2016 Not reviewed**
2.8.	Other increase in cash flow from investing activities		-	-
2.9.	Other decrease in cash flow from investing activities		-	-
	Net cash flow from investing activities		**(288)**	**(229)**
3.	**Cash flow from financing activities**			
3.1.	Cash flow related to shareholders		-	-
3.1.1.	Emission of shares		-	-
3.1.2.	Owners contributions against losses		-	-
3.1.3.	Purchase of own shares		-	-
3.1.4.	Paid dividends		-	-
3.2.	Cash flow related to other financing sources		(1,929)	(1,828)
3.2.1.	Increase in financial liabilities		2,000	-
3.2.1.1.	Loans received		2,000	-
3.2.1.2.	Bonds emission		-	-
3.2.2.	Decrease in financial liabilities		(3,929)	(1,828)
3.2.2.1.	Loans repaid		(3,490)	(1,070)
3.2.2.2.	Redemption of bonds		-	-
3.2.2.3.	Interest paid		(439)	(758)
3.2.2.4.	Leasing (financial lease) payments		-	-
3.2.3.	Increase in other liabilities		-	-
3.2.4.	Decrease in other liabilities		-	-
3.2.5.	Increase in other cash flow from financial activities		-	-
3.2.6.	Decrease in other cash flow from financial activities		-	-
	Net cash flow from financing activities		**(1,929)**	**(1,828)**
	Impact of currency exchange fluctuations on the balance of cash and cash equivalents		**-**	**-**
5.	**Increase (decrease) in net cash flow**		**(522)**	**(227)**
6.	**Cash and cash equivalents in the beginning of the period**		**688**	**964**
7.	**Cash and cash equivalents at the end of the period**		**166**	**737**

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

General director	Gintare Zemaite		17 November 2017
Representative of the company in charge of accounting	Imante Raibuzyte		17 November 2017

Explanatory notes

1 General information

UAB BOF Europa (hereinafter "the Company") is a limited liability company registered in the Republic of Lithuania. On 30 October 2017 the Company changed its name to UAB BH Europa. The Company is assigned with the code 300059140. The registered address is:

Gynėjų g. 16,
Vilnius,
Lithuania.

Data of the Company is filed and stored at the Register of Legal Persons of the Republic of Lithuania.
The Company's activities comprise real estate transactions, including purchasing, sales and lease of premises. The Company was registered on 6 October 2004.

As at 30 September 2017 and 31 December 2016, the sole shareholder of the Company was Baltic Horizon Fund (company code 11025345) with address at Tornimäe 2 10145 Tallinn, the Republic of Estonia.
Baltic Horizon Fund is a regulated closed-end contractual investment fund registered in Estonia on 23 May 2016. Northern Horizon Capital AS is the management company (AIFM) of the Fund. Both the Fund and the Management Company are supervised by Estonian Financial Supervision Authority. The Fund is currently listed on the Fund List of the Nasdaq Tallinn Stock Exchange.

All the Company's shares with the nominal value of EUR 1 each are ordinary and were fully paid as at 30 September 2017 and 31 December 2016. At the time of establishment, the Company's authorised capital amounted to EUR 2,896. On 24 December 2004 the authorised capital was increased to EUR 14,959 thousand, with an additional emission of 516,430 shares. In 2005, the Company's authorised capital was reduced by EUR 1,927 thousand eliminating the shares and it amounted to EUR 13,033 thousand as at 31 December 2013 and 2012. Based on the decision of the sole shareholder, on 30 April 2014 the Company's authorised capital was reduced to EUR 869 thousand eliminating 420 thousand shares. On 26 May 2015, based on the decision of the sole shareholder, the authorised capital of the Company was changed and comprised 868,800 ordinary shares at the nominal value of EUR 1 each. The Company had not acquired any own shares.
The Company belongs to a Group of companies. The consolidated financial statements of the smallest group of companies is prepared by the parent company Baltic Horizon Fund, company code 11025345, located at Tornimäe 2 10145 Tallinn, the Republic of Estonia.

As at 30 September 2017 and 31 December 2016, the average number of employees in the Company was 1.

The Company's management have prepared these interim financial statements on 17 November 2017.

Reorganisation [1]

Based on the terms and conditions of reorganisation, dated 29 August 2016, the Company and its former shareholder UAB BOF Europa Holding were reorganised in accordance with Art. 2.97, Part 3 of the Civil Code of the Republic of Lithuania, by merging UAB BOF Europa Holding to the Company. After the reorganisation, UAB BOF Europa Holding ceased its activities as a legal person, whereas the Company after the reorganisation continues own activities and those of UAB BOF Europa Holding. After the merger, assets and liabilities of UAB BOF Europa Holding were transferred to the Company's as being the entity that continues the activities of both companies. The major changes in the Company's balance sheet after merging UAB BOF Europa Holding were related to the takeover of the loan received from Baltic Horizon Fund and interest calculated on the loan, as well as related to the effect on the retained earnings (loss) due to cancelling the investment of UAB BOF Europa Holding in the Company. No provisions were established for reduction or termination of the company's activity.
The reorganization of the companies is treated as continuation of the past merger when UAB BOF Europa Holding established the Company as at 6th of October 2004. The consolidated financial statements of the merged companies as at the merger date, after the reorganization are considered the financial statements of the continuing company – UAB BOF Europa. Comparatives for the nine month period ended 30 September 2016 are consolidated UAB BOF Europa Holding and UAB BOF Europa numbers.

After the merger of the Company's sole shareholder UAB BOF Europa Holding, the sole shareholder of the Company became Baltic Horizon Fund, established in accordance with Estonian legislation and operating as a close special investment fund of real estate, which is not a legal person, registered at Tornimäe 2 10145, Tallinn, Estonia.

As at 31 December 2016, all 868 800 shares of the Company at par value of EUR 1 are fully paid in ordinary shares.
On 29 August 2016, the shares of UAB BOF Europa Holding was exchanged to newly issued shares of UAB BOF Europa - the company that continues operating after the reorganization.

Basis of preparation

The accounting policies applied in these interim financial statements are the same as those applied in the Company's financial statements for the year ended 31 December 2016, the Law on Financial Statements of Entities of the Republic of Lithuania and Business Accounting Standards (BAS) in effect which include the standards and methodological recommendations drawn up and approved by the Authority of Audit and Accounting.

As allowed by Lithuanian legislation, the Company has prepared the financial statements of small entities with no requirement to present the statements of cash flows and changes in equity. The company is also allowed not to prepare annual report. The Company has chosen to prepare the statements of changes in equity and cash flows.

These interim financial statements should be read in conjunction with the Company's last annual financial statements as at and for the year ended 31 December 2016. As allowed by BAS 29, these interim financial statements do not include all the information required for complete set of BAS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

Currency of the financial statements

Figures in these financial statements are presented in euro.

2 Summary of significant accounting judgments, estimates and assumptions

To prepare the financial statements in accordance with BAS, the management needs to make measurements and estimates based on the assumptions which had an impact on the application of accounting policies and on the reported amounts of assets, liabilities, income and expenses, and disclosure of uncertainties. Future events may cause changes in assumptions used to make estimates. The result of changes in the said estimates is reported in the financial statements when it is determined.

The accounting policies applied in these interim financial statements are the same as those applied in the Company's financial statements for the year ended 31 December 2016.

Fair value measurements

The Company 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 in accordance to 32 BAS.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary 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 Company 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 Company 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.

(EUR thousand unless otherwise stated)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company 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.

3 Investment property

Investment property comprises two plots of land (Konstitucijos pr. 7B, Vilnius and Europos a. 1, Vilnius), ½ of a parking lot (Konstitucijos pr. 7B, Vilnius) and a shopping centre (Konstitucijos pr. 7A, Vilnius) all leased under operating lease contracts for periods from 1 to 10 years.

Changes in the Company's investment property for the period ended 30 September 2017 are as follows:

Balance at 31 December 2015	**37,210**
Acquisitions, including capitalised costs	293
Change in fair value	497
Balance at 31 December 2016	**38,000**
Acquisitions, including capitalised costs	427
Change in fair value	581
Balance at 30 September 2017	**39,008**

As at 30 September 2017 and 31 December 2016, investment property was stated at fair value determined according to valuation reports of independent valuator UAB Colliers International Advisors. The fair value as at 30 September 2017 is based on valuation report issued on 31 July 2017. Valuation was carried out according to International Valuation Standards, RICS valuation standards and corresponding methods applied by local market (Lithuania). International Valuation Standards define market value as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion."
Based on the internal valuation analysis for Europa Shopping center valuation as at 30 September 2017, the Management of the Fund concludes that the fair value of the property has not changed significantly as compared to the fair value determined as at 30 June 2017.
Changes in the fair value was due to improvements in tenant premises and common areas EUR 131 thousand and other investments in the building EUR 77 thousand.

The fair value of investment property was measured according to income method using discounted cash flow approach. The discount rate set by valuators amounted to 7.525% (2016 – 7,525%), and exit yield amounted to 7.25% (2016 – 7,25%).

As at 30 September 2017, the growth rate applied to income amounted to 0–2,29 % (2016 – 0-2,18%). Growth rate applied to expenses in different years amounted to 2,60 - 2,50% (in 2016 – 1,68-2,50%).

		Discount rate (weighted average capital price)						
		6,78%	*7,03%*	*7,28%*	*7,53%*	*7,78%*	*8,03%*	*8,28%*
Exit yield	*6,50%*	43 600	42 800	42 000	41 200	40 500	39 700	39 000
	6,75%	42 700	41 900	41 100	40 400	39 600	38 900	38 200
	7,00%	41 800	41 000	40 300	39 600	38 900	38 200	37 500
	7,25%	41 000	40 300	39 500	**38 800**	38 100	37 500	36 800
	7,50%	40 300	39 600	38 800	38 200	37 500	36 800	36 200
	7,75%	39 600	38 900	38 200	37 500	36 800	36 200	35 600
	8,00%	38 900	38 200	37 600	36 900	36 300	35 600	35 000

The Company pledged the above-mentioned investment property to AB SEB Bankas for a long-term loan (Note 9).

According to the loan agreement with the bank, the Company has the right to dismantle, write-off and sell the property only with the prior written consent of the bank.

The land and the building generate collective cash flows; therefore, the value of investment property cannot be allocated to land and buildings and is presented under the buildings in the balance sheet.

(EUR thousand unless otherwise stated)

4 Trade receivables

	30.09.2017	31.12.2016
Trade receivables, gross	497	439
Less: impairment allowance for doubtful receivables	(226)	(207)
	271	**232**

Change for the 9 month of the year 2017 in impairment allowance for doubtful receivables of EUR 19 thousand is included in general and administrative expenses (note 16).

5 Other amounts receivable and accrued income

	30.09.2017	31.12.2016
Leasing receivable after one year	-	88
Long-term part	**-**	**88**
Leasing receivable within one year	186	190
Receivable VAT	4	4
Projects in progress	6	-
Other receivable amounts	**196**	**194**
Accrued income	10	163
Deferred costs:	**7**	**55**
-Insurance	7	3
-Brokerage	-	52
Deferred costs and accrued income	**17**	**218**
Prepayments made – surplus payment to suppliers	**7**	**11**

On 16 April 2010, the Company signed a leasing contract on the equipment transfer for use in the lessee's activities. The leasing starts on 31 October 2010 and ends on 30 September 2018. Interest rate is 5%. On 13 May 2011, the Company signed an amendment to this contract; according to this agreement, the additional leasing payments start on 31 May 2011 and end on 30 September 2018. Interest rate is the same as for the main contract, i.e. 5%.

On 30 May 2014, the Company signed a leasing contract on the equipment transfer for use in the lessee's activities. The leasing starts on 15 June 2014 and ends on 30 May 2018. Interest rate is 5%.

Maturities of non-current and current portions of leasing:

	30 September 2017 (value coverage)	30 September 2017 (interest)
2017 – 2018	186	3
2019	0	0
	186	**3**

6 Cash and cash equivalents

The Company had no cash in hand and all its cash was held at AB SEB Bankas and AB Swedbank as at 30 September 2017 and 31 December 2016.
As described in Note 9, to secure the repayment of the loan, the Company pledged investment property.

(EUR thousand unless otherwise stated)

7 Authorized capital

As at 30 September 2017, the Company's authorised capital amounted to EUR 869 thousand. The authorised capital comprises 868 800 ordinary registered shares with a nominal value of EUR 1 each. As at 30 September 2017, all shares were fully paid.

Under the Law on Companies of the Republic of Lithuania, a company's equity shall not be lower than ½ of its share capital as indicated in the company's articles of association. As at 30 September 2017 and 31 December 2016, the Company complied with this requirement.

8 Revaluation and other reserves

Legal reserve

Legal reserve is mandatory under the legislation of the Republic of Lithuania. Annual allocation to the legal reserve should amount to at least 5% of the net profit until the reserve makes up 10% of the share capital.

Revaluation reserve (fair value reserve for hedging instruments)

This reserve comprises value of effective part of hedging instruments as at the balance sheet date (interest rate swaps) which are used by the Company to hedge the cash flows from interest rate risk and foreign exchange risk. The reserve is accounted for in accordance with Guide on Preparation on Accounting and Accountability of the Company and BAS 26 Derivative Financial Instruments, which sets out hedge accounting.

	30 September 2017	**31 December 2016**
Legal reserve	1,303	1,303
Change in fair value of derivative financial instruments	(36)	(95)
Amount of deferred tax on fair value of derivative financial instruments	5	14

9 Borrowings

As at 30 September 2017, the Company's financial liabilities comprised the following:

	Effective interest rate		**Maturity**	**Amount of liability**
(A) AB SEB Bankas loan	1,50 %	*	05/07/2022	20,849
(B) Baltic Horizon Fund loan	3,90 %	**	31/12/2026	4,077
				24,926

* Interest rate is variable: 3-month EURIBOR + 1.50% margin.
** Interest rate is fixed. On 5 July 2017, interest rate changed from 3,70% to 3,90%.
(B) Loan from related parties.

As at 31 December 2016, the Company's financial liabilities comprised the following:

	Effective interest rate		**Maturity**	**Amount of liability**
(A) AB SEB Bankas loan	1,65 %	*	02/03/2018	23,444
(B) Baltic Horizon Fund loan	3,70 %	**	31/12/2026	3,038
				26,482

* Interest rate is variable: 3-month EURIBOR + 1.50% margin.
** Interest rate is fixed.
(B) Loan from related parties.

(A) On 20 December 2004, the Company signed a long-term agreement with AB SEB Bankas. The loan was taken to refinance loans received from UAB BOF Europa Holding and UAB PC Europa. On 2 March 2015, an amendment was signed to the credit agreement amending and revising the agreement signed in 2004: variable interest rate of 3-month EURIBOR + 1.50% margin, the loan maturity extended until 2 March 2018.
According to the new loan amendment, signed on 5 July 2017, the loan maturity date was prolonged until 5 July 2022, variable interest rate of 3-month EURIBOR + 1.50% margin.

To secure the fulfilment of obligations under the loan agreement, the Company pledged investment property with the fair value of EUR 39,008 thousand as at 30 September 2017.

(EUR thousand unless otherwise stated)

9 Borrowings (continued)

To secure the losses and penalties incurred as a result of failure to perform or improper performance of the obligations assumed under the agreement, a maximum pledge was set by specifying a maximum amount of EUR 6,282.

The bank's loan agreement includes certain financial and other covenants which the Company is required to comply with in order to secure financing. Based on the financial information as at 30 September 2017, the Company complied with these covenants.

(B) On 28 July 2014, the Company signed a long-term loan agreement for the maximum amount of EUR 12,164 thousand with a direct shareholder of the Company, UAB BOF Europa Holding. Annual interest rate is 4% (fixed). The loan had to be repaid by 31 December 2016. On 22 November 2016, the Company was reorganised by merging to it the company UAB BOF Europa Holding, which ceased operations after the reorganisation. The Company after the reorganisation continues own activities and those of UAB BOF Europa Holding. Therefore, after the merger, the loan received from UAB BOF Europa Holding was cancelled by setting off against counter liabilities. The Company took over the loan of UAB BOF Europa Holding, received from Baltic Horizon Fund, as well as interest calculated on the loan. The maximum loan amount of the loan issued by the direct parent company Baltic Horizon Fund - EUR 3,100 thousand, annual (fixed) interest rate - 3.70%. According to the new loan amendment, signed on 5 July 2017, the maximum loan amount was increased to EUR 5,000 thousand, annual (fixed) interest rate changed to 3.90%. The repayment deadline is 31 December 2026.
As at 30 September 2017, the outstanding loan balance was EUR 4 064 thousand, accrued interest – EUR 13 thousand. The loan balance as at 31 December 2016 was EUR 3 005 thousand, accrued interest – EUR 33 thousand.

Maturities of short-term and long-term loans:

	30 September 2017	31 December 2016
Long-term loans		
Loans from credit institutions	**20,849**	**22,551**
Loans from the shareholder	**4,077**	**3,038**
	24,926	**25,589**
Short-term loans		
Current portion of long-term loans from credit institutions	**-**	**893**
Loan from the shareholder	**-**	**-**
	-	**893**
	24,926	**26,482**

10 Prepayments received

As at 30 September 2017 and 31 December 2016, received long-term and short-term advances comprised amounts received from lessees as a guarantee for fulfilment of their liabilities. These amounts will be offset against final payments under lease agreements, the last of which matures in 2026.

11 Accrued expenses and deferred income

	30 September 2017	31 December 2016
Accrued utility expenses	17	13
Accrued other costs	32	11
Accrued interest	6	7
Accrued audit expenses	5	6
Deferred income	2	3
Accruals for property valuation costs	-	-
	62	**40**

(EUR thousand unless otherwise stated)

12 Other payable amounts and current liabilities

	30 September 2017	31 December 2016
Payable value added tax	29	41
Payable real estate tax	-	34
Payable land tax	2	-
	31	**75**

13 Derivative financial instruments

The purpose of derivatives is to hedge against the interest rate risks arising from interest rate fluctuations, which occurred in 2008 when the Company received loans with variable interest rates. In 2015, the Company increased the amount of swap to EUR 18,402 thousand based on the swap agreement signed in 2008. The swap is effective until 2 March 2018. On 8 August 2017 the Company signed new Interest Rate Swap transaction with maturity date 2 August 2024.

Change in fair value of Interest rate swaps is recognized as effective hedging instrument and in this case any profit or loss relating fair value of a hedging instrument is accounted for in the revaluation reserve of derivative financial instruments under equity, and not in the income statement. In order to ensure application of accounting principles for recognition of hedging instruments, based on risk management policy of the Company each derivative financial instruments is subject to efficiency test and all related documentation is prepared.

Swaps signed by the Company are presented in the table below:

Type of derivative financial instrument	Start date	Maturity date	Nominal value	Fair value 30 September 2017	Fair value 31 December 2016
Interest rate swap	September 2015	March * 2018	18 402	36	95
Derivative financial instrument liabilities			**18 402**	**36**	**95**

* On 8 August 2017 the Company signed new Swap agreement with maturity date 2 August 2024.

14 Sales

	01.01.-30.09.2017	01.01. - 30.09.2016 Not reviewed
Lease income	2,153	2,038
Revenue from resale of utilities and other services	878	928
Other incomes	6	11
	3,037	**2,977**

Investment property comprises two plots of land (Konstitucijos pr. 7B, Vilnius and Europos a. 1, Vilnius), ½ of a parking lot (Konstitucijos pr. 7B, Vilnius) and a shopping centre (Konstitucijos pr. 7A, Vilnius) all leased under operating lease contracts. The value of the investment property as at 30 September 2017 is EUR 39,008 thousand.

The longest lease agreements are effective until 2026. Based on the currently effective agreements, the lessee, having agreed with the lessor, is entitled to the extension of lease agreements.

(EUR thousand unless otherwise stated)

15 Cost of sales

	01.01.- 30.09.2017	01.01. - 30.09.2016 Not reviewed
Utilities	385	452
Repairs and asset maintenance	370	379
Asset management expenses	177	169
Sales and marketing expenses	204	127
Real estate tax	105	108
Insurance	10	7
	1,251	**1,242**

16 General and administrative expenses

	01.01.- 30.09.2017	01.01. - 30.09.2016 Not reviewed
Advisory services	35	33
Audit expenses	8	4
Other operating expenses	16	18
Licence fees	2	-
Change in impairment allowance for doubtful trade receivables and expenses related to write-off of bad debts	19	-
	80	**55**

17 Other interest and similar income

	01.01.- 30.09.2017	01.01. - 30.09.2016 Not reviewed
Interest income from group companies'	-	259
Change in fair value of investment property (Note 3)	581	565
	581	**824**

18 Interest and other similar expenses

	01.01.- 30.09.2017	01.01. - 30.09.2016 Not reviewed
Interest expenses to the bank	(277)	(296)
Interest expenses to group companies'	(89)	(28)
Other	(6)	(4)
	(372)	**(328)**

(EUR thousand unless otherwise stated)

19 Corporate income tax

	01.01.-30.09.2017	01.01. - 30.09.2016 Not reviewed
Net result before corporate income tax	1,915	2,233
Temporary differences	(221)	(157)
Permanent differences	19	-
Change in fair value (Note 3)	(581)	(565)
Depreciation of investment property for profit tax purposes	(1,888)	(1,877)
Taxable result for the period	**(756)**	**(366)**
Components of income tax income (expenses)		
Income tax (expenses) for the reporting period	-	(48)
Deferred tax income (expenses)	(297)	(309)
Income tax income (expenses), recognised in the income statement	(297)	(357)
Change in deferred tax on derivative financial instruments stated directly under equity	(8)	1
Change in deferred income tax	**(305)**	**(356)**

Deferred tax asset	**30.09.2017**	**31.12.2016**
Tax losses	1,509	1,401
Impairment allowance for receivables	45	45
Deferred tax asset on derivative financial instruments	5	14
Deferred tax asset	1,559	1,460
Not recognised part of deferred tax asset due to bad debts	(45)	(45)
Net deferred tax asset	1,515	1,415
Deferred tax liability		
Investment property (depreciation and fair value adjustment)	(4,815)	(4,411)
Deferred tax liability	(4,815)	(4,411)
Net deferred tax (liability)	**(3,301)**	**(2,996)**

Deferred income tax was calculated applying the rates, which will be in effect when deferred income tax is intended to be realised; i.e. 15% in 2016, and 15% in 2017 and subsequent years.

20 Financial assets and liabilities, and risk management

Credit risk

Credit risks, or the risk of counter-parties default, are controlled by application of appropriate control procedures. The Company applies procedures ensuring that lease services are provided only to reliable customers and by entering into agreements providing additional guarantees.

The Company does not guarantee the obligations of other parties. The maximum exposure to credit risk is represented by the carrying value of each financial asset, including derivative financial instruments, if any, in the balance sheet. Accordingly, the Company's management believes that the maximum risk is equal to the amount of trade and other receivables, net of the impairment losses recognised as at the balance sheet date.

Interest rate risk

As at 30 September 2017 and 31 December 2016, the Company had borrowings which were subject to variable rates related to EURIBOR and created interest rate risk. In 2015 Interest Rate Swap transaction has been signed with maturity date – 2 March 2018. Under this contract the Company agrees to exchange, at specified intervals, the difference

(EUR thousand unless otherwise stated)

20 Financial assets and liabilities, and risk management (continued)

between fixed and variable (3M EURIBOR) rate interest amounts calculated by reference to an agreed-upon notional principal amount. As at 30 September 2017, SWAP notional amount is EUR 18,402 thousand.
On 8 August 2017 the Company signed new Interest Rate Swap transaction with maturity date 2 August 2024. The beginning of the new Interest Rate Swap transaction - 2 March 2018.

Liquidity risk

The Company's policy is to maintain sufficient cash and cash equivalents or have funding available under credit lines in an adequate amount, in order to meet its commitments at a given date in accordance with its strategic plans. The Company's liquidity ratio (total current assets / total amounts payable within one year and current liabilities) and quick ratio ((total current assets – inventories) / total amounts payable within one year and current liabilities) were 1.69 as at 30 September 2017 (31 December 2016: 0.81).

Foreign exchange risk

The Company is not exposed to significant foreign exchange risk, as it carries out transactions in euro.

21 Related party transactions

The parties are considered related when one party has the possibility to control the other one or have significant influence over the other party in making financial and operating decisions. The related parties of the Company with transactions in 2017 and 2016 are the following:

- Baltic Horizon Fund (the sole shareholder of the Company)

The Company's transactions with related parties in 9 month period ended 30 September 2017 and balances as at 30 September 2017 were the following:

	Amounts receivable and other assets	Amounts payable and other liabilities	Expenses	Income	Accruals
Baltic Horizon Fund	-	4,077	90	-	-
Group companies, total	**-**	**4,077**	**90**	**-**	**-**

The Company's transactions with related parties for 9-month period ended 30 September 2016 and balances as at 30 September 2016 were the following:

	Amounts receivable and other assets	Amounts payable and other liabilities	Expenses	Income	Accruals
Baltic Horizon Fund	-	3,038	-	258	-
Group companies, total	**-**	**3,038**	**-**	**258**	**-**

Payable amounts of Baltic Horizon Fund comprise loans and payable interest, and income are the interest incomes.

In 2017, the remuneration to the Company's management amounted to EUR 0.5 thousand (2016: EUR 0.4 thousand). In 9-month period ended 30 September 2017 and 2016, the management of the Company did not receive any loans or guarantees; no other payments or property transfers were made or accrued.

22 Post-balance sheet events

On 30 October 2017 the Company changed its name to UAB BH Europa.

(EUR thousand unless otherwise stated)

23 Contingencies

As at 30 September 2017, there was no on-going litigation, which could materially affect the financial position of the Company.

No full tax investigation of the Company for the period from 1 January 2011 until 30 September 2017 has been performed by the tax authorities. According to effective tax legislation, the tax authorities may at any time perform investigation of the Company's accounting registers and records for the period of five years preceding the accounting tax period, as well as calculate additional taxes and penalties.

The management of the Company is not aware of any circumstances, which would cause calculation of additional tax liabilities.

General director	Gintare Zemaite		17 November 2017
Representative of the company in charge of accounting	Imante Raibuzyte		17 November 2017

APPENDIX C

Condensed Valuation Report of Newly Acquired Vainodes I

RICS NEWSEC

Summary

The purpose of this valuation report is to present and appraise the property – OFFICE BUILDING, located at the address Vaiņodes str. 1, Riga, Latvia, currently owned by ZM DEVELOPMENT SIA and VAIŅODES KRASTI SIA.

2015 and 2016 are described as a record years in the Baltic countries for investment real estate transactions market. Countries attracted long-awaited international investors, particularly interested in opportunistic investments, while local market players began looking into alternatives such as hotels and other types of properties. Main principles applied for valuation:

- Due to the absence of the comparable market data direct capitalization method is assumed not to reflect the true market value of the Property;
- The 10-year Discounted Cash Flow approach is considered to be the most reflective method given the conditions of Market Instability as outlined above.
- Sales Comparison Approach was not applied for valuation of Office Complex due to absence of comparable transactions, as well as supply, during last 3 years (considering size, purpose and tenancy state (as subject property under valuation are under long term leases)).
- Replacement Value (Cost) Approach was not applied as property under valuation is not of specific purpose or especially improved.

Estimated Market Value of the property on the date of valuation (8th May, 2017) is EUR 21,560,000 (EUR twenty one million five hundred and sixty thousand).

Latvia has shown a strong recovery from the decline of recent years. Growth in Latvia will remain moderate for the next two years due to the weak performance of the Eurozone, the recession in Russia and the geopolitical situation in Ukraine. The crisis in Russia has dampened Latvian economic growth to below potential, with real GDP growth falling to 2.4% in 2014 and 2.7% in 2015. Economy growth forecast was lowered from 2.8% to 1.9% for 2016, as initial statistics shows 2.1% for H1 2016 and only 0.8% for Q3 2016. Despite of week Eurozone performance, recession in Russia, geopolitical situation in Ukraine economic growth in Latvia remained moderate. In 2015 private consumption continued to increase by 3.5% in 2015 and expected to reach 3.8% growth in 2016. In 2015 wages continued to grow and consumer price index remained at a very low level.

Property being valued – OFFICE BUILDING (total area approx. 9,500 sq.m), located on Vainodes str., next to Karla Ulmana av. – one of main city transportation arteries, approx. 10 minute drive from Riga city centre. Property valuation refers on owner's income and expenses on the property, also with valuators' conclusions and presumptions. Discounted Cash – Flow method was used for estimation of Market Value of the Office building, detailed calculations of the market value by this method are set in the Appendixes to Valuation Report.

Property under valuation / Interest to be valued

In accordance with instructions received from BOF SKY, SIA (Client), we have been instructed to do a valuation of the property known as OFFICE BUILDING (Office building, Parking shelter and land plots; office building gross area approx. 9,500 sq.m), located at the address Vaiņodes str. 1, Riga, Latvia.

Interest to be valued – freehold (buildings / premises, land) interest in Real Estate property as listed below. The property is registered under following property numbers.

Land

1. Rīga, Latvia. Land plot area 5,026.00 sq.m, Cadastral No. 01000740614, Land Registry Section No. 5395.
   Property rights – freehold (owner – ZM DEVELOPMENT SIA, c.c. 40003673853).
2. Vaiņodes iela 1, Rīga, LV1004, Latvia. Land plot area 13,994.00 sq.m, Cadastral No. 01000740303, Land Registry Section No. 29098.
   Property rights – freehold (owner – VAIŅODES KRASTI SIA, c.c. 50103684291).

Buildings / premises

1. Vaiņodes iela 1, Rīga, LV1004, Latvia. Office building gross area 9,538.20 sq.m, Cadastral No. 01000740098001, Land Registry Section No. 29098.
   Property rights – freehold (owner – VAIŅODES KRASTI SIA, c.c. 50103684291).
2. Vaiņodes iela 1, Rīga, LV1004, Latvia. Parking shelter gross area 1,596.10 sq.m, Cadastral No. 01000740303002, Land Registry Section No. 29098.
   Property rights – freehold (owner – VAIŅODES KRASTI SIA, c.c. 50103684291).

Owner

Property under valuation is owned by ZM DEVELOPMENT SIA, c.c. 40003673853, address Kuldīgas iela 51, Rīga, LV1046, Latvia, and VAIŅODES KRASTI SIA, c.c. 50103684291, address Āgenskalna iela 33, Rīga, LV1046, Latvia.

The property is owned freehold. There are encumbrances registered on the properties (listed further in Valuation Report), but any effect on our valuation of the Property.

Client

Client – BOF SKY, SIA, c.c. 40103538571, address Krisjana Valdemara str. 21-20, Riga, Latvia.

Valuer

Valuer Andris Pūtelis is approved by Latvian Association of Property Valuators as Certified Valuator (Certificate No.130 in real estate valuation, issued by Latvian Association of Property Valuers).

Valuer Linas Daukus is approved by Royal Institution of Chartered Surveyors (RICS) as Chartered Surveyor (Membership No. 6510302).

Valuer confirms that is in a position to provide an objective and unbiased valuation and is competent to undertake the subject valuation assignment; Valuer confirms that has sufficient current local, national and international (as appropriate) knowledge of the particular market and the skills and understanding to undertake subject valuation competently.

Valuer is acting as External valuer.

Valuer hereby declare that this valuation is carried out in line with the ethical standards of the Royal Institution of Chartered Surveyors (RICS) and TEGoVA and the valuators have no direct interest in the property or the company owning it.

SIA "NEWSEC VALUATIONS LV"

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Bank: "Swedbank", AS
SWIFT code: HABALV22
Reg. code: 40103216919
VAT payer code: LV40103216919

Purpose of the valuation, valuation date

The scope of this valuation is based on the client's valuation instructions as follows:

- Date of valuation is 8th May, 2017.
- The valuation is required for internal use / internal decision making, to be presented to Internal Investment Committee (case and purpose of valuation – other, for internal use / internal decision making, on Client's request).

Valuer has prepared a full valuation of the property in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards 2014 – including the International Valuation Standards and Latvian Valuation Standards 401:2013, including inspection of the property and a market survey.

Basis of value

We as assessing the Market Value of the property in accordance with the Practice Statements and Relevant Guidance Notes of the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards and approved by both the International Valuation Standards Committee (IVSC) and The European Group of Valuers' Association (TEGoVA) as follows:

> *"**Market Value** – The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion" (RICS 2014; IVS 2013)*

The Market Rent is also defined according to the manuals of the above mentioned associations as follows:

> *"**Market Rent** – The estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion" (RICS 2014; IVS 2013).*

Extent of investigation, inspections

This valuation report contains market overview and detail analysis with estimation of Market Value of the subject Property.

Property was inspected on 8th May, 2017. Property was inspected by Andris Pūtelis and Linas Daukus.

Discounted Cash – Flow method was used for estimation of Market Value of the Office building, detailed calculations of the market value by this method are set in the appendixes of the report. Sales Comparison Approach was not applied due to absence of comparable transactions during last 3 years; Replacement Value (Cost) Approach was not applied as property under valuation is not of specific purpose or especially improved.

Nature and source of information

For the purpose of this report we have been provided by Client with the following documents / information:

1. Investment memorandum.
2. 2016 NOI estimation.
3. Building floor plans.
4. Extension plans.

Valuer has also used various publicly available information as well as SIA "NEWSEC VALUATIONS LV" data base.

Valuer has in general relied on this information to be accurate and has generally not found any reason to believe otherwise, using this information as basis for our valuation.

Valuation methodology

Methods generally used for estimation of value:

1. Replacement Value (Cost) Approach
2. Comparative Value (Sales Comparison) Approach;
3. Operating Income (Income Capitalization or Discounted Cash Flows) Approach.
4. Residual Approach.

Replacement value (cost) approach is based on an assumption that a knowledgeable buyer will not pay for the same substitute property more than the amount necessary to create such property. This approach is particularly applicable when the subject property is related with relatively new buildings/constructions that reflect the highest or best use of the land lot or when the buildings/constructions on the land lot are relatively unique or specialized and the market has a limited supply of comparable properties.

Under the replacement approach to value, the value of land is established by considering comparable sales transactions. The replacement value of buildings/constructions is determined on the basis of typical sources, first of all details supplies by local professional construction companies and accepted national price-fixing measures. In some cases, the application of this approach is based on the construction cost of the subject property and information about the construction costs of similar buildings, less the accrued depreciation amount calculated with reference to data obtained from all sources. Then the additional value of land is added to the replacement value of buildings/constructions less depreciation amount to reflect the value of the subject property under the replacement value approach.

Comparable value (sales comparison) approach relies on search for recent sales transactions involving comparable property and analysis of data related to the subject property. This approach is based on the price paid in actual market transactions over comparable properties to derive the market price of the subject property. This property valuation approach relies on data on fully comparable sales transactions concluded over a relatively long period of time that reflect the market conditions related to the subject property. Applying the sales comparison approach to value, the data interrelation allows determining the value of the subject property considering certain adjustments in view of the physical and economical characteristics of the property. The sales comparison approach is used to determine the specified sales price of a comparable unit.

Operating income (income capitalization or discounted cash flow) approach is normally applied to establish the value of income-generating properties to be acquired by an investor. This approach also relies on market data that are used to determine the current economical volumes of rent rates and expenses that form the basis of the estimated net income.

Depending on the purpose of the subject property, the specifics of its operation and the character of cash flow as well as the typical expectations of buyers and sellers on the market, the appraiser may adopt the capitalization approach to value. Under the direct capitalization approach, the value is calculated by dividing the net income (profit) by a capitalization rate. When the discounted cash flow approach is applied, the value of the property is calculated by summing up the present values of future cash flows, discounted at a discount rate. Both the direct capitalization and the discounted cash flow approach are used to determine the market value.

Using the operating income (income capitalization or discounted cash flow) approach to value, first of all, one must consider the overall income, from which the respective amounts are subtracted considering the losses for vacancies and levies, expenses and provisions. The resulting net income is capitalized or discounted at a specific rate, which is proportional to the risks related to the title to the subject property.

Under the direct capitalization approach, income and expenses of one year are stabilized and the net resulting operating income is capitalized at a capitalization or return rate in proportion to the title to the subject property.

Residual method (mixed method of Income Approach). For the purpose of evaluation of projects under development, the residual value method is used. This method is applied to establish the value of a vacant land site or of a land site and buildings that are prepared for redevelopment. Market Value according to Residual method generally is used to evaluate properties with possible future development. According to this method construction costs and other expenses for development of property together with assumed allowance for developer's profit, sale incomes after development are being calculated.

Valuation assumptions and special assumptions, conditions and circumstances, which could possibly influence valuation

2015 and 2016 are described as a record years in the Baltic countries for investment real estate transactions market. Countries attracted long-awaited international investors, particularly interested in opportunistic investments, while local market players began looking into alternatives such as hotels and other types of properties. Main principles applied for valuation:

- Due to the absence of the comparable market data direct capitalization method is assumed not to reflect the true market value of the Property;
- The 10-year Discounted Cash Flow approach is considered to be the most reflective method given the conditions of Market Instability as outlined above.
- Sales Comparison Approach was not applied for valuation of Office Complex due to absence of comparable transactions, as well as supply, during last 3 years (considering size, purpose and tenancy state (as subject property under valuation are under long term leases)).

- Replacement Value (Cost) Approach was not applied as property under valuation is not of specific purpose or especially improved.

Valuation is based on tenancy schedule provided by Client; valuation is made with assumption that provided tenancy schedule is valid and there are no ongoing lease renegotiations on the date of valuation. For the purpose of this opinion we have not assessed how the possibility of the parties to amend or terminate the agreements due to the change of circumstances or because of other reasons which were not explicitly stated in the agreements might affect the sustainability of the rent income. Also we have not assessed the type and amount of losses to which a party could be entitled to due to the contractual breach committed by the other party.

Town Planning, Structure, Site and Contamination

Our valuation is on the basis that the property is not affected by proposals for road widening or Compulsory Purchase. We have in our investigations not found any evidence of any plans.

We have assumed that the property has been erected in accordance with valid planning permissions and are being occupied and used without any breach of that. We have not had access to detailed planning of the Municipality but have assumed, that property has been approved by local authorities and are used in accordance with existing legislation and planning. We have neither carried out a structural survey of the property, nor tested any services or other plant or machinery. We are therefore unable to give any opinion on the condition of the structure and services. However, our valuation takes into account any information supplied to us and any defects noted during our inspection. Otherwise, our valuation is on the basis that there are no latent defects, wants of repair or other matters which would materially affect our valuation.

We have not investigated the presence or absence of High Alumina Cement, Calcium Chloride, Asbestos and other deleterious materials. In the absence of information to the contrary, our valuation is on the basis that no hazardous or suspect materials and techniques have been used in the construction of the property. We have not investigated ground conditions / stability and, unless advised to the contrary, our valuation is on the basis that all buildings have been constructed, having appropriate regard to existing ground conditions.

We have not carried out any investigations or tests, nor been supplied with any information from you or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances in the subject or any other land (including any ground water). Accordingly, our valuation has been prepared on the basis that there are no such matters that would materially affect our valuation. Should this basis be unacceptable to you or should you wish to verify that this basis is correct, you should have appropriate investigations made and refer the results to us so that we can review our valuation.

Restriction on use, distribution or publication

This valuation report is prepared for above indicated purposes and it cannot be considered as a basis for a decision on the purchase, sale or lease. This report does not include property under valuation technical, legal, financial or economical audit points. The conclusion of property under valuation market value is not compulsory to the Client and other third parties for decisions making related to the property under valuation.

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General Principles

Our valuation is based on the information, which we have obtained from Client. We have relied on this being correct and complete and on there being no undisclosed matters which would affect our valuation.

No allowances have been made for any expenses of realization or any taxation liability arising from a sale or development of the property.

Valuation

Subject to the foregoing, and based on values current as at 8th **May, 2017** (date of valuation), we are of the opinion that the **Market Value** of the property, as set out in Report, is the total sum of

EUR 21,560,000.00

In letters: EUR twenty one million five hundred and sixty thousand 00/100

Distribution of Market Value:

- Existing Office building. Market Value – EUR 18,570,000.
- Land plot area for extension. Market Value – EUR 2,990,000.

Valuation is exclusive of any Value Added Tax.

The contents of this Valuation Report are intended to be confidential to the addressees and for the specific purpose stated. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of its contents. Before the Valuation Report or any part of its contents are reproduced or referred to in any document, circular or statement or disclosed orally to a third party, our written approval as to the form and content of such publication or disclosure must first be obtained. For avoidance of doubt, such approval is required whether or not this firm is referred to by name and whether or not our Valuation Report is combined with others.

Signature(s)

23rd May, 2017 (date of Valuation Report)

Andris Pūtelis

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