PROSPECTUS SUPPLEMENT

Offering of up to 15,108,000 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 EFSA under registration number 4.3-4.6/1841, dated 8 May 2017 (the "Offering Circular") and published by Northern Horizon Capital AS (the "Management Company") on 9 May 2017. The Offering Circular and the Prospectus Supplement have been prepared and published in connection with the offering (the "Offering") of up to 15,108,000 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 22,662,000 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 37,770,000.

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 Estonian Financial Supervision Authority ("EFSA") under registration number 4.3-4.6/1841-1 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. 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.

Section 4 of the Prospectus Supplement "Update on the Investment Pipeline" does not include all information required under section XV p 2.7 of Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing the Prospectus Directive, as amended (the "Prospectus Regulation"). At the date of this Prospectus Supplement, the expected transaction is in preparatory phase and is subject to confidentiality obligations, to ensure, inter alia, the confidentiality of the terms of the lease agreements of the property. Therefore, disclosure of the transaction matters at this stage may damage the legitimate interests of the issuer through impacting the negotiations. Further, as the negotiations are ongoing, information provided now may change and thus prove to be incorrect later. EFSA has approved omitting the above information by granting an exception to the Management Company pursuant to § 17(5)-2 of the Estonian Securities Market Act.

See section 4 "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 22 May 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 3-month period ended 31 March 2017;

(ii) to include Europa SPV's reviewed interim financial statements for the 3-month period ended 31 March 2017;

(iii) to include information about the status of the negotiations of a property belonging to the investment pipeline described in the Offering Circular;

(iv) to provide the updated summary of the Offering Circular which includes the new information disclosed in this Offering Supplement. Only one element of the Summary has been updated: B.7. "Selected Historical Financial Information".

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 8 May 2017 and as supplemented with the Prospectus Supplement dated 22 May 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. On 30 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. 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 41% 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 1.8% in 2017 and 2018 whereas Lithuania is forecast to deliver growth of 2.9% in 2017 and 2.8% in 2018, Latvia to increase by 2.8% in 2017 and 3.0% in 2018 and Estonia to grow by 2.2% in 2017 and 2.6% 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), Latvia's 39% (the 7th lowest) and Lithuania's 41% (the 8th lowest). 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 – March 2017 (and the corresponding period of 2016): the Fund's reviewed interim consolidated financial statements for the 3-month period ended 31 March 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 - Mar 2016	Jan - Mar 2017
Rental income	3,048	6,073	7,874	1,619	2,727
Service charge income	829	2,062	2,594	621	924
Cost of rental activities	-1,177	-2,796	-3,315	-803	-1,125
Net rental income	**2,700**	**5,339**	**7,153**	**1,437**	**2,526**
Administrative expenses	-665	-984	-2,190	-182	-730
Other operating income	-	267	97	-	13
Net loss on disposal of investment properties	-	-10	-	-	-
Valuation gains/losses on investment properties	611	2,886	2,562	-	-

Valuation gains/losses on investment properties under construction	-	-	175	-	-
Operating profit	**2,646**	**7,498**	**7,797**	**1,255**	**1,809**
Financial income	72	17	14	4	41
Financial expenses	-656	-1,100	-1,253	-280	-332
Profit before tax	**2,062**	**6,415**	**6,558**	**979**	**1,518**
Income tax charge	-55	-890	-798	-115	-568
Profit for the period	**2,007**	**5,525**	**5,760**	**864**	**950**
Earnings per unit (basic and diluted)[1], EUR	**0.10**	**0.23**	**0.12**	**0.03**	**0.02**

Source: reviewed interim consolidated financial statements of the Fund for Q1 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 2: Consolidated financial position of the Fund, EUR thousand

	31 Dec 2014	31 Dec 2015	31 Dec 2016	31 Mar 2017
Investment properties	46,170	86,810	141,740	156,538
Investment property under construction	-	-	1,580	2,218
Derivative financial instruments	-	-	-	22
Other non-current assets	-	263	288	82
Total non-current assets	**46,170**	**87,073**	**143,608**	**158,860**
Trade and other receivables	214	840	1,269	1,282
Prepayments	11	81	178	235
Cash and cash equivalents	2,626	1,677	9,883	8,641
Total current assets	**2,851**	**2,598**	**11,330**	**10,158**
TOTAL ASSETS	**49,021**	**89,671**	**154,938**	**169,018**
Paid in capital	22,051	25,674	66,224	66,216
Own units	-	-	-8	-
Cash flow hedge reserve	-194	-199	-294	-173
Retained earnings	2,458	6,218	10,887	10,463
Total equity	**24,315**	**31,693**	**76,809**	**76,506**
Interest bearing loans and borrowings	22,395	39,586	58,981	50,662
Deferred tax liabilities	670	3,673	4,383	5,001
Derivative financial instruments	149	215	345	153
Other non-current liabilities	160	451	935	996
Total non-current liabilities	**23,374**	**43,925**	**64,644**	**56,812**
Interest bearing loans and borrowings	644	11,608	10,191	32,716
Trade and other payables	534	2,036	2,876	2,534
Income tax payable	-	112	46	12
Derivative financial instruments	60	17	-	76
Other current liabilities	94	280	372	362
Total current liabilities	**1,332**	**14,053**	**13,485**	**35,700**
Total liabilities	**24,706**	**57,978**	**78,129**	**92,512**

TOTAL EQUITY AND LIABILITIES	**49,021**	**89,671**	**154,938**	**169,018**

Source: reviewed interim consolidated financial statements of the Fund for Q1 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 - Mar 2016	Jan - Mar 2017
Operating activities					
Profit before tax	2,062	6,415	6,558	979	1,518
Adjustments for non-cash items:					
Value adjustment of investment properties	-611	-2,886	-2,562	-	-
Gain/loss on disposal of investment property	-	10	-	-	-
Value adjustment of investment properties under construction	-	-	-175	-	-
Value adjustment of derivative finance instruments	14	18	-	-	-
Change in allowance for bad debts	29	22	17	-	3
Financial income	-72	-17	-14	-4	-41
Financial expenses	656	1,100	1,253	280	332
Working capital adjustments:					
Decrease/-increase in trade and other accounts receivables	-81	-156	-204	103	-55
-Increase/decrease in other current assets	271	-82	-106	3	-61
-Decrease/increase in other non-current liabilities	83	120	69	40	19
Increase/-decrease in trade and other accounts payable	77	69	-398	-223	-503
-Decrease/increase in other current liabilities	-559	407	-50	-70	10
Refunded/-paid income tax	-102	-54	-103	-17	-11
Net cash flow from operating activities	**1,767**	**4,966**	**4,285**	**1,091**	**1,211**
Investing activities					
Interest received	-	17	14	4	3
Acquisition of a subsidiaries, net of cash acquired	-1,357	-7,657[1]	-20,098	-	-
Acquisition of investment properties	-	-	-15,454	-	-14,349
Disposal of investment properties	-	990	-	-	-
Advance payment on investment property	-	-	-200	-	-
Investment property development expenditure	-	-1,643	-1,660	-	-491
Capital expenditure on investment properties	-468	-570	-380	-178	-129
Net cash flow from investing activities	**-1,825**	**-8,863**	**-37,778**	**-174**	**-14,966**
Financing activities					
Proceeds from bank loans, net of fees	499	4,804	8,084	396	14,700
Repayment of bank loans	-463	-2,684	-4,722	-470	-501
Proceeds from issue of units	3,019	3,160	40,550	-	-
Repurchase of units	-	-	-8	-	-
Profit distribution to unitholders	-184	-1,302	-1,091	-	-1,374
Interest paid	-643	-1,030	-1,114	-264	-312

Net cash flow from financing activities	**2,228**	**2,948**	**41,699**	**-338**	**12,513**
Net change in cash and cash equivalents	**2,170**	**-949**	**8,206**	**579**	**-1,242**
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	**2,626**	**1,677**	**9,883**	**2,256**	**8,641[2]**

Source: reviewed interim consolidated financial statements of the Fund for Q1 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] Of that, EUR 430 thousand were restricted following requirements set in bank loan agreements.

Source: audited consolidated financial statements of the Fund for year 2016 and audited consolidated financial statements of BOF for years 2014-2015

Table 4: Key indicators of the Fund

	2014	2015	2016	Jan - Mar 2016	Jan - Mar 2017
Property-related					
Value of investment properties, EUR'000	46,170	86,810	141,740	86,988	156,538
Number of properties, period end	4	5	8	5	9
Rentable area, sqm					
Period end	30,928	48,651	75,107	48,661	83,434
Period average[1]	28,322	44,718	58,936	48,661	77,883
Vacancy rate					
Period end	6.3%	2.0%	2.6%	3.7%	1.9%
Period average[2]	9.8%	2.8%	3.2%	3.5%	2.4%
Net initial yield[3]	6.6%	7.1%	6.8%	6.6%	7.0%
Financial					
EPRA NAV per unit[4,5], EUR	1.16	1.48	1.48	1.52	1.48
NAV per unit[4], EUR	1.12	1.27	1.34	1.30	1.34
Adjusted earnings per unit[4,6], EUR	0.10	0.23	0.14	0.03	0.03
Adjusted ROE[7]	9.2%	19.7%	12.3%	10.8%	8.4%
Adjusted cash earnings[8], EUR'000	1,349	3,485	4,656	962	2,161
Adjusted cash earnings per unit[4], EUR	0.07	0.15	0.10	0.04	0.04
Adjusted cash ROE[9]	6.2%	12.4%	8.6%	12.0%	11.3%
AFFO[10], EUR'000	983	2,702	3,344	801	1,376
AFFO per unit[4], EUR	0.05	0.11	0.07	0.03	0.02
Dividends per unit[4], EUR	0.051	0.072	0.050[11]	-	0.023[12]
Interest coverage ratio[13]	3.2	4.3	4.4	4.6	5.5
LTV[14]	49.9%	59.0%	48.8%	58.8%	53.3%
Weighted average number of units issued[4], '000	19,767	23,915	47,351	25,017	57,263
Number of units issued at period end[4], '000	21,720	25,017	57,265	25,017	57,259

Source: ratios and indicators in the table have been computed using information provided in the Fund's and BOF's audited annual 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. Earnings per unit for Q1 2017 were adjusted to exclude EUR 202 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. No adjustments were performed for other periods.

[7] Adjusted return on average equity (ROE) = profit for the period / average total equity; where average total equity = (total equity at the beginning of the period + total equity at the end of the period) / 2. Profit for the period for 2016 was adjusted to exclude EUR 938 thousand one-off expenses related to public offerings. Profit for the period for Q1 2017 was adjusted to exclude EUR 202 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. No adjustments were performed for other periods. Estimates for interim periods were annualized.

[8] Adjusted cash earnings = profit before tax - valuation gains or losses on investment properties - valuation gains or losses on investment properties under construction - 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. A figure for Q1 2017 was adjusted to exclude EUR 202 thousand one-off expenses related to public offerings. No adjustments were performed for other periods.

[9] Adjusted cash ROE = adjusted cash earnings for the period / average total equity. Estimates for interim periods were annualized.

[10] Adjusted funds from operations (AFFO) = net rental income - administrative expenses + financial income - financial expenses - capital expenditure on investment properties.

[11] 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.

[12] Represents a quarterly dividend for Q1 2017 profit, announced on 28 April 2017 and paid on 18 May 2017.

Interim results in the first 3 months of 2017

In the first 3 months of 2017 the Fund's net rental income expanded by 76% year on year to EUR 2.5m primarily due to 3 new properties acquired in the second half of 2016. Upmalas Biroji (acquired in August 2016) and G4S Headquarters (bought in July 2016) generated EUR 0.4m and EUR 0.3m of net rental income respectively in the first quarter of 2017. Piirita (acquired in December 2016) contributed EUR 0.2m of net rental income in the first quarter of 2017. On the other hand, Duetto I, which was purchased on 22 March 2017, added only EUR 29 thousand to the net rental income in the first quarter of 2017. Duetto I will contribute fully starting from the second quarter of 2017. Regarding properties that were owned by the Fund at the beginning of 2016 already, Domus Pro and Europa SC each improved their net rental income by EUR 50-70 thousand year on year. Changes at remaining properties were marginal.

In the first 3 months of 2017 total administrative expenses grew to EUR 0.7m from EUR 0.2m in the same period of 2016. A significant part of the increase was attributable to one-off expenses – EUR 0.2m public offering related expenses. The management fee rose by approximately EUR 0.1m year on year as the base for its calculation – NAV before the Merger with BOF on 30 June 2016 and market capitalization after the Merger – expanded. Legal fees increased by EUR 0.1m explained mainly by higher acquisition activity of the Fund.

Net financial expenses grew by 5% year on year to EUR 291 thousand as additional bank debt (in combination with new equity capital from the public offerings) was raised to finance acquisitions of new properties. On the other hand, average cost of debt dropped further to 1.7% from 2.1% indicating attractiveness of debt financing in the current economic environment.

		In the first quarter of 2017 income tax increased to EUR 0.6m from EUR 0.1m predominantly attributable to one-off recognition of EUR 452 thousand deferred tax in relation to revaluation of Upmalas Biroji's land plot. Current income tax amounted to only EUR 11 thousand and was comparable to the level recorded in the first 3 months of 2016. The Fund's current ratio stood at 0.28 on 31 March 2017 because 3 bank loans were due to mature within a year: Lincona's EUR 7.0m and EUR 1.5m loans in December 2017 and Europa's EUR 23.2m loan in March 2018. The Management Company 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. The Management Company is in the process of extending Europa's EUR 23.2m loan. 3 non-committed bank offers to extend the loan have already been received. Due to strong attention from banks, the Management Company believes that expiring loans can be extended or refinanced with other banks. Assuming this can be done, the cash flow budget of the Fund for the years 2017 and 2018 indicates that the Fund will be able to cover other current liabilities with existing current assets and operating cash flow. **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 2.6m 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 audited financial statements provided in this Offering Circular received unqualified opinions from independent auditors.
B.34	**Investment objective and**	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

	policy	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 31 March 2017, the fair value of Europa SC, a shopping mall in Vilnius, constituted approximately 23% of the Fund's gross assets and 24% of its property portfolio value. No other single property (or other investment) comprised more than 20% of the Fund's gross asset value on 31 March 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 (www.baltichorizon.com), 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**	Not applicable. The Fund is not an umbrella collective investment undertaking and it has no investments in other collective investment undertakings.

	investment undertaking	
B.45	**Description of the Fund's portfolio**	At the date of this Offering Circular, the Fund's property portfolio consists of 9 commercial properties located in the capital cities of the Baltic States. The fair value of the portfolio amounted to EUR 156.5m and it had 83.4 thousand sqm of rentable area at the end of March 2017. 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, 31 March 2017

Property	Sector	Rentable area, sqm	Fair value, EUR'000	Vacancy	WAULT, years	No of tenants
Europa SC	Retail	16,856	38,051	5.8%	3.7	69
Upmalas Biroji	Office	10,419	23,530	0.2%	4.1	13
Domus Pro	Retail	11,247	17,080[1]	0.7%	5.7	28
G4S Headquarters	Office	8,363	16,800	0.0%	5.6	1
Lincona	Office	10,859	15,704	3.8%	4.0	14
Duetto I	Office	8,327	14,629	0.0%[2]	5.0	5
Coca Cola Plaza	Leisure	8,664	13,000	0.0%	6.0	1
Piirita	Retail	5,436	12,200	0.3%	7.5	23
Sky Supermarket	Retail	3,263	5,543	1.6%	4.1	21
Total		**83,434**	**156,538**	**1.9%**	**4.8**	**175**

[1] Does not include EUR 2.2m fair value of 3rd stage which is under construction.
[2] Effective vacancy rate of Duetto I was zero because YIT Kausta, a seller of the property, is providing a 2-year guarantee (starting from the acquisition date) of full-occupancy net rental income which implies a 7.2% annual yield on the acquisition price. Any shortage between an actual rent and the guaranteed amount is paid by YIT Kausta to the Fund on a monthly basis. Actual vacancy of Duetto I stood at 25% at the end of March 2017.

As of March 2017 vacancy of the portfolio stood at 1.9% indicating strong demand for space at the Fund's properties. 6 out 9 properties had occupancy between 99-100%. The portfolio's average remaining lease term was at comfortable 4.8 years. There were 175 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 March 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 44% of total portfolio value followed by Tallinn with 4 properties at 37% and Riga with 2 properties at 19%.

All buildings in the portfolio were operational and generating cash flows. The development of the 3,700 sqm second stage in Domus Pro SC was fully completed in May 2016. In addition, construction of the third stage at Domus Pro started in December 2016. The expansion is a 6-story building with 4,380 sqm of rentable area of which more than 50% is already pre-leased. The construction is planned to be completed by the end of 2017.

B.46	**Most recent net asset value per unit**	As of 30 April 2017 the Fund's NAV per unit amounted to EUR 1.3220 while EPRA NAV, the measure of long term NAV, stood at EUR 1.4697 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 Central Securities Depository, 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 37,770,000 New Units will be issued in the Offering. This also includes the Upsizing Option

	securities issued	under which up to 22,662,000 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 95,028,843 Units. Units are issued with no nominal value.
C.5	**Restrictions on transferability of securities**	Units are freely transferable.
C.7	**Dividend policy**	The Management Company targets 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. Dividends will be determined taking into account the sustainability of the Fund's liquidity position. Up to 20% of the AFFO might be used for follow on investments. As % of invested equity, dividends are targeted to yield 7-9% per annum. The Management Company intends to pay dividends on a quarterly basis. Since the initial public offering in June 2016, the Fund has distributed dividends quarterly. Until the date of this Offering Circular, 3 quarterly dividend payments have been announced. The latest is EUR 0.023 per unit for Q1 2017 profit, announced on 28 April 2017 and to be 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. In relation to the Fund's 2016 profit, 2 quarterly dividends were paid out: EUR 0.024 per unit for Q4 2016 and EUR 0.026 per unit for Q3 2016 profit. Before the Merger, BOF had distributed dividends to its unit-holders every year from 2012 to 2015.
C.11	**Admission to trading**	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 5 June 2017 and on Nasdaq Stockholm on or about 9 June 2017.

Section D - Risks

D.2	**Key risks specific to the Fund**	- 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. - 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 the Upsizing Option will be exercised in full, net proceeds to the Fund from the Offering are estimated to be approximately EUR 47.6m. 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 18.9m. 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, and the Upsizing Option will be exercised in full, the variable expenses of the Offering are estimated to amount to approximately EUR 2.2m or 4.5% of the capital raised. This corresponds to 1.8% of the Fund's total NAV immediately after the Offering. In addition, the Fund is estimated to incur approximately EUR 140 thousand 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, and the Upsizing Option will be exercised in full, the total expenses of the Offering are estimated to be approximately EUR 2.4m. 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.
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 450-490m 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. To ensure a rapid deployment of the proceeds, the Management Company has entered into negotiations with owners of the most attractive targets and/or has been participating in tenders for such assets. 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 15,108,000 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 22,662,000 Offer Units. *Price* The Offer Price is equal to the NAV of the Unit of the Fund as at 30 April 2017. The Offer Price is EUR 1.3220. 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.. 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 ECRS and such person's address recorded in the ECRS 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 ECRS and such person's address recorded in the ECRS records in connection with such person's securities account is located in Estonia or its registration code recorded in the ECRS 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 9 May 2017 and terminates at 15:00 CET on 31 May 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 200 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 ECRS 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 June 2017. The Management Company expects to announce the results of the Offering, including the final number of New Units on or about 1 June 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 June 2017 and must reach the relevant custodian bank in a manner which allows the settlement on or about 5 June 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 5 June 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, including the Offer Units under the Upsizing Option, will amount to 39.7% of the total number of Units of the Fund. If the Upsizing Option is not exercised, the New Units will amount to 20.9% 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 Q1 2017

3.1. SELECTED FINANCIAL INFORMATION

This section updates the section 6.1 "Selected Financial Information" of the Offering Circular by adding consolidated financial information of the Fund for the first quarter of 2017 (and the corresponding period of 2016). The Fund's reviewed interim consolidated financial statements for the 3-month period ended 31 March 2017, prepared according to the IFRS, are provided in full in Appendix A of this Prospectus Supplement.

Table 6: Consolidated income statement of the Fund, EUR thousand

	2014	2015	2016	Jan - Mar 2016	Jan - Mar 2017
Rental income	3,048	6,073	7,874	1,619	2,727
Service charge income	829	2,062	2,594	621	924
Cost of rental activities	-1,177	-2,796	-3,315	-803	-1,125
Net rental income	**2,700**	**5,339**	**7,153**	**1,437**	**2,526**
Administrative expenses	-665	-984	-2,190	-182	-730
Other operating income	-	267	97	-	13
Net loss on disposal of investment properties	-	-10	-	-	-
Valuation gains/losses on investment properties	611	2,886	2,562	-	-
Valuation gains/losses on investment properties under construction	-	-	175	-	-
Operating profit	**2,646**	**7,498**	**7,797**	**1,255**	**1,809**
Financial income	72	17	14	4	41
Financial expenses	-656	-1,100	-1,253	-280	-332
Profit before tax	**2,062**	**6,415**	**6,558**	**979**	**1,518**
Income tax charge	-55	-890	-798	-115	-568
Profit for the period	**2,007**	**5,525**	**5,760**	**864**	**950**
Earnings per unit (basic and diluted)[1], EUR	**0.10**	**0.23**	**0.12**	**0.03**	**0.02**

Source: reviewed interim consolidated financial statements of the Fund for Q1 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 7: Consolidated financial position of the Fund, EUR thousand

	31 Dec 2014	31 Dec 2015	31 Dec 2016	31 Mar 2017
Investment properties	46,170	86,810	141,740	156,538
Investment property under construction	-	-	1,580	2,218
Derivative financial instruments	-	-	-	22
Other non-current assets	-	263	288	82
Total non-current assets	**46,170**	**87,073**	**143,608**	**158,860**
Trade and other receivables	214	840	1,269	1,282
Prepayments	11	81	178	235
Cash and cash equivalents	2,626	1,677	9,883	8,641
Total current assets	**2,851**	**2,598**	**11,330**	**10,158**
TOTAL ASSETS	**49,021**	**89,671**	**154,938**	**169,018**
Paid in capital	22,051	25,674	66,224	66,216
Own units	-	-	-8	-
Cash flow hedge reserve	-194	-199	-294	-173
Retained earnings	2,458	6,218	10,887	10,463
Total equity	**24,315**	**31,693**	**76,809**	**76,506**
Interest bearing loans and borrowings	22,395	39,586	58,981	50,662
Deferred tax liabilities	670	3,673	4,383	5,001
Derivative financial instruments	149	215	345	153
Other non-current liabilities	160	451	935	996
Total non-current liabilities	**23,374**	**43,925**	**64,644**	**56,812**
Interest bearing loans and borrowings	644	11,608	10,191	32,716
Trade and other payables	534	2,036	2,876	2,534
Income tax payable	-	112	46	12
Derivative financial instruments	60	17	-	76
Other current liabilities	94	280	372	362
Total current liabilities	**1,332**	**14,053**	**13,485**	**35,700**
Total liabilities	**24,706**	**57,978**	**78,129**	**92,512**
TOTAL EQUITY AND LIABILITIES	**49,021**	**89,671**	**154,938**	**169,018**

Source: reviewed interim consolidated financial statements of the Fund for Q1 2017, audited consolidated financial statements of the Fund for year 2016 and audited consolidated financial statements of BOF for years 2014-2015

Table 8: Consolidated statement of cash flows of the Fund, EUR thousand

	2014	2015	2016	Jan - Mar 2016	Jan - Mar 2017
Operating activities					
Profit before tax	2,062	6,415	6,558	979	1,518
Adjustments for non-cash items:					
Value adjustment of investment properties	-611	-2,886	-2,562	-	-
Gain/loss on disposal of investment property	-	10	-	-	-
Value adjustment of investment properties under construction	-	-	-175	-	-
Value adjustment of derivative finance instruments	14	18	-	-	-
Change in allowance for bad debts	29	22	17	-	3
Financial income	-72	-17	-14	-4	-41
Financial expenses	656	1,100	1,253	280	332
Working capital adjustments:					
Decrease/-increase in trade and other accounts receivables	-81	-156	-204	103	-55
-Increase/decrease in other current assets	271	-82	-106	3	-61
-Decrease/increase in other non-current liabilities	83	120	69	40	19
Increase/-decrease in trade and other accounts payable	77	69	-398	-223	-503
-Decrease/increase in other current liabilities	-559	407	-50	-70	10
Refunded/-paid income tax	-102	-54	-103	-17	-11
Net cash flow from operating activities	**1,767**	**4,966**	**4,285**	**1,091**	**1,211**
Investing activities					
Interest received	-	17	14	4	3
Acquisition of a subsidiaries, net of cash acquired	-1,357	-7,657[1]	-20,098	-	-
Acquisition of investment properties	-	-	-15,454	-	-14,349
Disposal of investment properties	-	990	-	-	-
Advance payment on investment property	-	-	-200	-	-
Investment property development expenditure	-	-1,643	-1,660	-	-491
Capital expenditure on investment properties	-468	-570	-380	-178	-129
Net cash flow from investing activities	**-1,825**	**-8,863**	**-37,778**	**-174**	**-14,966**
Financing activities					
Proceeds from bank loans, net of fees	499	4,804	8,084	396	14,700
Repayment of bank loans	-463	-2,684	-4,722	-470	-501
Proceeds from issue of units	3,019	3,160	40,550	-	-
Repurchase of units	-	-	-8	-	-
Profit distribution to unitholders	-184	-1,302	-1,091	-	-1,374
Interest paid	-643	-1,030	-1,114	-264	-312
Net cash flow from financing activities	**2,228**	**2,948**	**41,699**	**-338**	**12,513**
Net change in cash and cash equivalents	**2,170**	**-949**	**8,206**	**579**	**-1,242**
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	**2,626**	**1,677**	**9,883**	**2,256**	**8,641**[2]

Source: reviewed interim consolidated financial statements of the Fund for Q1 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] Of that, EUR 430 thousand were restricted following requirements set in bank loan agreements.

Table 9: Key indicators of the Fund

	2014	2015	2016	Jan - Mar 2016	Jan - Mar 2017
Property-related					
Value of investment properties, EUR'000	46,170	86,810	141,740	86,988	156,538
Number of properties, period end	4	5	8	5	9
Rentable area, sqm					
Period end	30,928	48,651	75,107	48,661	83,434
Period average[1]	28,322	44,718	58,936	48,661	77,883
Vacancy rate					
Period end	6.3%	2.0%	2.6%	3.7%	1.9%
Period average[2]	9.8%	2.8%	3.2%	3.5%	2.4%
Net initial yield[3]	6.6%	7.1%	6.8%	6.6%	7.0%
Financial					
EPRA NAV per unit[4,5], EUR	1.16	1.48	1.48	1.52	1.48
NAV per unit[4], EUR	1.12	1.27	1.34	1.30	1.34
Adjusted earnings per unit[4,6], EUR	0.10	0.23	0.14	0.03	0.03
Adjusted ROE[7]	9.2%	19.7%	12.3%	10.8%	8.4%
Adjusted cash earnings[8], EUR'000	1,349	3,485	4,656	962	2,161
Adjusted cash earnings per unit[4], EUR	0.07	0.15	0.10	0.04	0.04
Adjusted cash ROE[9]	6.2%	12.4%	8.6%	12.0%	11.3%
AFFO[10], EUR'000	983	2,702	3,344	801	1,376
AFFO per unit[4], EUR	0.05	0.11	0.07	0.03	0.02
Dividends per unit[4], EUR	0.051	0.072	0.050[11]	-	0.023[12]
Interest coverage ratio[13]	3.2	4.3	4.4	4.6	5.5
LTV[14]	49.9%	59.0%	48.8%	58.8%	53.3%
Weighted average number of units issued[4], '000	19,767	23,915	47,351	25,017	57,263
Number of units issued at period end[4], '000	21,720	25,017	57,265	25,017	57,259

Source: ratios and indicators in the table have been computed using information provided in the Fund's and BOF's audited annual 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. Earnings per unit for Q1 2017 were adjusted to exclude EUR 202 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. No adjustments were performed for other periods.

[7] Adjusted return on average equity (ROE) = profit for the period / average total equity; where average total equity = (total equity at the beginning of the period + total equity at the end of the period) / 2. Profit for the period for 2016 was adjusted to exclude EUR 938 thousand one-off expenses related to public offerings. Profit for the period for Q1 2017 was adjusted to exclude EUR 202 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. No adjustments were performed for other periods. Estimates for interim periods were annualized.

[8] Adjusted cash earnings = profit before tax - valuation gains or losses on investment properties - valuation gains or losses on investment properties under construction - 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. A figure for Q1 2017 was adjusted to exclude EUR 202 thousand one-off expenses related to public offerings. No adjustments were performed for other periods.

[9] Adjusted cash ROE = adjusted cash earnings for the period / average total equity. Estimates for interim periods were annualized.

[10] Adjusted funds from operations (AFFO) = net rental income - administrative expenses + financial income - financial expenses - capital expenditure on investment properties.

[11] 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.

[12] Represents a quarterly dividend for Q1 2017 profit, announced on 28 April 2017 and paid on 18 May 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 3 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 3-month period ended 31 March 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 3 months of 2017. It is followed by a discussion of key items.

Table 10: Highlights of interim consolidated income statement of the Fund for Q1 2017, EUR thousand

	Note	Jan - Mar 2016	Jan - Mar 2017	Change
Rental income		1,619	2,727	68%
Service charge income		621	924	49%
Cost of rental activities		-803	-1,125	40%
Net rental income	1	**1,437**	**2,526**	**76%**
Administrative expenses	2	-182	-730	301%
Other operating income		-	13	N/A
Operating profit		**1,255**	**1,809**	**44%**
Financial income	3	4	41	925%
Financial expenses	3	-280	-332	19%
Profit before tax		**979**	**1,518**	**55%**
Income tax charge	4	-115	-568	394%
Profit for the period		**864**	**950**	**10%**
Earnings per unit (basic and diluted)[1], EUR		**0.03**	**0.02**	**-52%**

Source: reviewed interim consolidated financial statements of the Fund for the 3-month period ended 31 March 2017
N/A – not available
[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 3 months of 2017 the Fund's net rental income expanded by 76% year on year to EUR 2.5m primarily due to 3 new properties acquired in the second half of 2016. 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, generated EUR 0.4m and EUR 0.3m of net rental income respectively in the first quarter of 2017. Piirita, which was acquired in December 2016 using proceeds from the Fund's secondary public offering, contributed EUR 0.2m of net rental income in the first quarter of 2017. On the other hand, Duetto I, the second property acquired by deploying equity raised in the secondary public offering, was purchased on 22 March 2017 and added only EUR 29 thousand to the net rental income in the first quarter of 2017. Duetto I will contribute fully starting from the second quarter of 2017. Regarding properties that were owned by the Fund at the beginning of 2016 already, Domus Pro and Europa SC each improved their net rental income by EUR 50-70 thousand year on year. Changes at remaining properties were marginal. Average vacancy in the first quarter of 2017 decreased to 2.4% from 3.5% in the comparable period of 2016 as the newly acquired properties had occupancies close to 100%.

Table 11: Operational details of the property portfolio of the Fund

	Jan - Mar 2016	Jan - Mar 2017
Number of properties, period end	5	9
Rentable area, sqm		
Period end	48,661	83,434
Period average[1]	48,661	77,883
Vacancy rate		
Period end	3.7%	1.9%
Period average[2]	3.5%	2.4%

[1] Computed as average of monthly estimates.

(2) Administrative expenses

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

Table 12: Breakdown of administrative expenses of the Fund, EUR thousand

	Jan - Mar 2016	Jan - Mar 2017
Public offering related expenses	-	202
Management fee	151	258
Performance fee	-	6
Legal fees	3	103
Audit fees	12	22
Fund marketing expenses	-	15
Consultancy fees	8	13
Custodian fees	4	7
Property valuation fee	2	3
Other administrative expenses	2	100
Total administrative expenses	**182**	**730**

Source: reviewed interim consolidated financial statements of the Fund for the 3-month period ended 31 March 2017

In the first 3 months of 2017 total administrative expenses grew to EUR 0.7m from EUR 0.2m in the same period of 2016. A significant part of the increase was attributable to one-off expenses – EUR 0.2m public offering related expenses. The management fee rose by approximately EUR 0.1m year on year as the base for its calculation – NAV before the Merger with BOF on 30 June 2016 and market capitalization after the Merger – expanded. Legal fees increased by EUR 0.1m explained mainly by higher acquisition activity of the Fund.

(3) Financial income and expenses

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

Table 13: Financial income and financial expenses of the Fund, EUR thousand

	Jan - Mar 2016	Jan - Mar 2017
Interest income	4	41
Total financial income	**4**	**41**
Interest on bank loans	274	327
Loan arrangement fee amortisation	6	5
Total financial expenses	**280**	**332**
Net financial expenses	**276**	**291**

Source: reviewed interim consolidated financial statements of the Fund for the 3-month period ended 31 March 2017

Financial income, fully comprised of interest income, amounted to EUR 41 thousand in the first quarter of 2017 compared to EUR 4 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, however, remained very low.

Total financial expenses grew by EUR 52 thousand to EUR 332 thousand due to higher interest on bank loans as additional bank debt (in combination with new equity capital from the public offerings) was raised to finance acquisitions of new properties. Average financial debt stood at EUR 76.3m in the first 3 months of 2017 – up from EUR 51.2m in the corresponding period of 2016.

On the other hand, average cost of debt[1] dropped further to 1.7% from 2.1% indicating attractiveness of debt financing in the current economic environment.

(4) Income tax charge

In the first quarter of 2017 income tax increased to EUR 0.6m from EUR 0.1m predominantly attributable to one-off recognition of EUR 452 thousand deferred tax in relation to revaluation of Upmalas Biroji's land plot. Current income tax amounted to only EUR 11 thousand and was comparable to the level recorded in the first 3 months of 2016.

Table 14: Breakdown of income tax charge of the Fund, EUR thousand

	Jan - Mar 2016	Jan - Mar 2017
Current income tax	10	11
Deferred income tax	105	557
Total income tax charge	**115**	**568**

Source: reviewed interim consolidated financial statements of the Fund for the 3-month period ended 31 March 2017

3.3. THE FUND'S CAPITAL RESOURCES

On 31 March 2016 the Fund's equity capital amounted to EUR 76.5m which was very similar to EUR 76.8m at the end of 2016. Net income earned in the first quarter of 2017 was offset by EUR 1.4m dividends for the Q4 2016 profit announced in January 2017 and distributed in February 2017. External property appraisals were not carried out in the first 3 months of 2017; hence, no value gains or losses were realized in the period. 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 31 March 2017, the Fund's equity consisted of EUR 66.2m paid in capital, EUR 10.5m retained earnings and EUR -0.2m cash flow hedge reserve.

Table 15: Highlights of capital resources and funding structure of the Fund, EUR thousand

	31 Dec 2016	31 Mar 2017
CAPITAL RESOURCES		
Equity		
Paid in capital	66,224	66,216
Own units	-8	-
Cash flow hedge reserve	-294	-173
Retained earnings	10,887	10,463
Total equity	**76,809**	**76,506**
Financial debt		
Non-current interest bearing loans and borrowings	58,981	50,662
Current interest bearing loans and borrowings	10,191	32,716
Total financial debt	**69,172**	**83,378**
Cash and cash equivalents	9,883	8,641
Net financial debt	**59,289**	**74,737**
KEY INDICATORS		
Interest coverage ratio[1]	4.4	5.5
LTV[2]	48.8%	53.3%
Equity ratio[3]	0.50	0.45
Current ratio[4]	0.84	0.28

Source: reviewed interim consolidated financial statements of the Fund for the 3-month period ended 31 March 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.

At the end of March 2017 total financial debt of the Fund stood at EUR 83.4m. Of that, non-current portion amounted to EUR 50.7m. All of the debt was comprised of bank loans. The Fund uses debt in a combination with equity to finance acquisitions of new properties. Compared to the end of 2016, the debt grew by EUR 14.2m explained by newly obtained bank loans for recently

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

purchased properties. In February 2017, an agreement was signed for a EUR 6.7m bank loan for Piirita with a 5-year maturity. In March 2017, an agreement was signed for a EUR 8.0m bank loan for Duetto I with a 5-year maturity. LTV rose from 48.8% at the end of 2016 to 53.3% on 31 March 2017 but remained close to the Fund's target LTV of 50%. The Management Company believes this level of financial leverage both enhances Unitholder returns and ensures a sizeable safety buffer for when property markets slow down.

The Fund held EUR 8.6m of cash and cash equivalents at the end of March 2017. 100% of that was denominated in euro currency. EUR 430 thousand of cash and cash equivalents were restricted following requirements set in bank loan agreements of the Fund's SPVs. Only cash balance in excess of this amount could be distributed as dividends from certain SPVs.

The Fund's current ratio stood at 0.28 on 31 March 2017 because 3 bank loans were due to mature within a year: Lincona's EUR 7.0m and EUR 1.5m loans in December 2017 and Europa's EUR 23.2m loan in March 2018. The Management Company 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. The Management Company is in the process of extending Europa's EUR 23.2m loan. 3 non-committed bank offers to extend the loan have already been received. Due to strong attention from banks, the Management Company believes that expiring loans can be extended or refinanced with other banks. Assuming this can be done, the cash flow budget of the Fund for the years 2017 and 2018 indicates that the Fund will be able to cover other current liabilities with existing current assets and operating cash flow.

3.4. THE FUND'S FINANCIAL DEBT STRUCTURE

The table below provides a detailed breakdown of the structure of consolidated financial debt as of 31 March 2017. Interest bearing debt was fully comprised of bank loans with a total carrying value of EUR 83.5m. 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 16: Financial debt structure of the Fund, 31 March 2017

Property	Maturity	Currency	Carrying amount, EUR'000	% of total	Fixed-rate portion
Lincona	31-Dec-2017	EUR	8,414	10%	-
Europa SC	2-Mar-2018	EUR	23,226	28%	80%
Domus Pro	29-May-2018	EUR	8,050	10%	82%
Coca Cola Plaza	8-Mar-2019	EUR	7,000	8%	-
Sky Supermarket	1-Aug-2021	EUR	2,572	3%	-
G4S Headquarters	16-Aug-2021	EUR	7,750	9%	100%
Piirita	20-Feb-2022	EUR	6,689	8%	-
Duetto I	20-Mar-2022	EUR	8,030	10%	-
Upmalas Biroji	31-Aug-2023	EUR	11,750	14%	90%
Total bank loans			**83,480**	**100%**	**52%**
Less capitalised loan arrangement fees[1]			-102		
Total financial debt recognised on balance sheet			**83,378**		

[1] Amortized each month over the term of a loan.

At the end of March 2017, maturities of existing financial debt covered the period 2017-2023 (see Figure 1) while weighted average time to maturity stood at 2.9 years – slightly up from 2.7 years at the end of 2016 thanks to new loans for Piirita and Duetto I.

As of 31 March 2017, 52% of total bank loans had fixed interest rates while the remaining 48% were subject to floating interest rates.

Figure 1: Bank loan maturity schedule, carrying amounts as of 31 March 2017, EURm

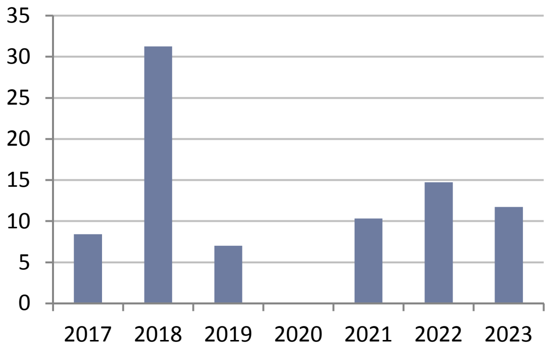
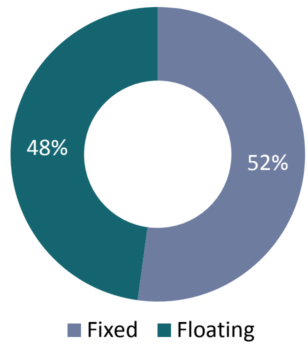


Figure 2: Fixed and floating portions of total bank loans, 31 March 2017



3.5. THE FUND'S CASH FLOWS

The table below presents a summary of consolidated cash flows of the Fund for the first 3 months of 2017. For the full interim consolidated cash flow statement see the Fund's interim consolidated financial statements for the 3-month period ended 31 March 2017 in Appendix A of this Offering Circular.

Table 17: Highlights of consolidated cash flows of the Fund for Q1 2017, EUR thousand

	Jan - Mar 2016	Jan - Mar 2017
Cash and cash equivalents at the beginning of the period	*1,677*	*9,883*
Cash flow from operating activities	1,091	1,211
Before working capital adjustments	1,255	1,812
Working capital adjustments	-164	-601
Cash flow from investing activities	-174	-14,966
Cash flow from financing activities	-338	12,513
Net change in cash and cash equivalents	**579**	**-1,242**
Cash and cash equivalents at the end of the period	*2,256*	*8,641*

Source: reviewed interim consolidated financial statements of the Fund for the 3-month period ended 31 March 2017

In the first quarter of 2017, cash and cash equivalents decreased by EUR 1.2m to EUR 8.6m as compared to a EUR 0.6m rise in cash position in the corresponding period of 2016.

Cash flow from operating activities amounted to EUR 1.2m – EUR 0.1m higher than in the first quarter of 2016. If changes in working capital are excluded, operating cash flow jumped by EUR 0.6m year on year to EUR 1.8m thanks to a larger property portfolio. Working capital adjustments totaled to negative EUR 0.6m while they amounted to negative EUR 0.2m a year ago.

In the first 3 months of 2017 cash outflow relating to investment activities stood at EUR 15.0m, of which EUR 14.3m was attributable to the acquisition of Duetto I property in a an asset transaction in March 2017. The Fund also spent EUR 0.5m on a development of the 3rd stage at Domus Pro and EUR 0.1m on maintenance of existing properties. In the first quarter of 2016 cash outflow from investing activities amounted to only EUR 0.2m as no property acquisitions were carried out during the period.

Financing cash flow stood at positive EUR 12.5m in the first 3 months of 2017. EUR 14.7m was raised from two new bank loans relating to Piirita and Duetto I properties while EUR 0.5m of bank loans was repaid attributable to general amortization. EUR 1.4m of dividends were paid out in relation to profit of Q4 2016. Finally, EUR 0.3m of interest on bank loans was paid. In the first quarter of 2016 financing cash flow amounted to negative EUR 0.3m as no material new bank loans were obtained and no dividends were distributed.

3.6. DISCUSSION OF EUROPA SPV'S RESULTS

As of 31 March 2017, the fair value of Europa SC property constituted approximately 23% of the Fund's total assets and 24% of its property portfolio value. This section presents results of Europa SPV in the first quarter of 2017. Financial information was derived from Europa SPV's reviewed interim financial statements for the 3-month period ended 31 March 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 3 months of 2017 with key points discussed in subsequent paragraphs.

Table 18: Highlights of income statement of Europa SPV for Q1 2017, EUR thousand

	Note	Jan - Mar 2016	Jan - Mar 2017	Change
Sales		1,007	1,059	5%
Cost of sales		-437	-429	-2%
Gross profit	1	**570**	**630**	**11%**
General and administrative expenses	2	-14	-19	36%
Operating profit		**556**	**611**	**10%**
Other interest and similar income	3	117	-	-100%
Other interest and similar expenses	3	-101	-121	20%
Profit before tax		**572**	**490**	**-14%**
Income tax	4	-86	-74	-14%
Net profit		**486**	**416**	**-14%**

Source: reviewed interim financial statements of Europa SPV for the 3-month period ended 31 March 2017

(1) Gross profit

In the first quarter of 2017, gross profit of Europa SPV increased by 11% year on year to EUR 630 thousand. Sales revenue was up by 5% whereas costs of sales dropped by 2%. The average vacancy decreased to 4.8% from 6.0% in the first 3 months of 2016.

(2) General and administrative expenses

General and administrative expenses rose to EUR 19 thousand in the first 3 months of 2017 from EUR 14 thousand in the same period of 2016.

(3) Financial income and expenses

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

Table 19: Breakdown of financial income and expenses of Europa SPV, EUR thousand

	Jan - Mar 2016	Jan - Mar 2017
Interest income to group companies	117	-
Total other interest and similar income	**117**	**-**
External interest expenses	-100	-95
Intragroup interest expenses	-	-25
Other	-1	-1
Total other interest and similar expenses	**-101**	**-121**

Source: reviewed interim financial statements of Europa SPV for the 3-month period ended 31 March 2017

No other interest and similar income was recorded in the first quarter of 2017. In the corresponding period of 2016 it amounted to EUR 117 thousand fully attributable to interest income of BOF Europa Holding UAB (a former direct shareholder of Europa SPV; the two companies were merged in August 2016) relating to its intragroup loan to the Fund. Total other interest and similar expenses grew to EUR 121 thousand in the first 3 months of 2017 from EUR 101 thousand in the same period of 2016. The increase was mainly explained by intragroup interest expenses which amounted to EUR 25 thousand in the first quarter of 2017 while they were zero in the respective period of 2016. External interest expenses, on the other hand, declined by EUR 5 thousand to EUR 100 thousand.

(4) Income tax

In the first quarter of 2017 income tax charge stood at EUR 74 thousand fully comprised of deferred income tax attributable to depreciation of the property's historical cost. In the first 3 months of 2016 income tax charge accounted for EUR 86 thousand consisting of EUR 23 thousand current income tax and EUR 63 thousand deferred income tax.

Table 20: Breakdown of income tax charge of Europa SPV, EUR thousand

	Jan - Mar 2016	Jan - Mar 2017
Current income tax -charge/credit	-23	-
Deferred income tax -charge/credit	-63	-74
Total income tax -charge/credit	**-86**	**-74**

Source: reviewed interim financial statements of Europa SPV for the 3-month period ended 31 March 2017

3.7. EUROPA SPV'S CAPITAL RESOURCES

On 31 March 2017, total equity of Europa SPV stood at EUR 9.6m comprised of EUR 0.9m authorised capital, EUR -0.1m revaluation reserve of derivative financial instruments, EUR 1.3m legal reserve and EUR 7.5m retained earnings. Compared to the end of 2016, total equity grew by EUR 0.4m thanks to net profit generated in the first quarter of 2017.

Table 21: Highlights of capital resources and funding structure of Europa SPV, EUR thousand

	31 Dec 2016	31 Mar 2017
CAPITAL RESOURCES		
Equity		
Authorised capital	869	869
Revaluation reserve of derivative financial instruments (results)	-81	-64
Legal reserve	1,303	1,303
Retained earnings	7,125	7,541
Total equity	**9,216**	**9,649**
Financial debt		
Non-current loans	25,589	2,613
Current loans	893	23,222
Total financial debt	**26,482**	**25,835**
Of which:		
Bank loans	23,444	23,222
Intragroup loans	3,038	2,613
Cash and cash equivalents	688	429
Net financial debt	**25,794**	**25,406**
KEY INDICATORS (excl. intragroup loans)		
Interest coverage ratio[1]	5.8	6.4
LTV[2]	61.7%	61.0%
Equity ratio[3]	0.31	0.31
Current ratio[4]	0.94	0.05

Source: reviewed interim financial statements of Europa SPV for the 3-month period ended 31 March 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 March 2017 total financial debt of Europa SPV amounted to EUR 25.8m which consisted of a EUR 23.2m bank loan and a EUR 2.6m intragroup loan granted by the Fund. All of financial debt was denominated in euros. As of 31 March 2017, interest rate was fixed for 80% of Europa SPV's bank debt using an interest rate swap whose maturity was in line with that of the underlying debt. The bank loan will mature on 3 March 2018. The Management Company plans to refinance it with a new bank loan.

LTV of Europa SPV, taking into account external financial debt (bank loans) only, stood at 61.0% on 31 March 2017 and was comparable to the level recorded at the end of 2016. The Management Company foresees that the LTV of Europa SPV will gradually decline towards 50% - the LTV target for the overall property portfolio.

As of 31 March 2017 Europa SPV held EUR 0.4m of cash and cash equivalents of which EUR 200 thousand was restricted as security deposit as per bank loan agreement.

3.8. EUROPA SPV'S CASH FLOWS

A summary of Europa SPV's cash flows in the first 3 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 3-month period ended 31 March 2017 in Appendix B of this Offering Circular.

Table 22: Highlights of cash flows of Europa SPV for Q1 2017, EUR thousand

	Jan - Mar 2016	Jan - Mar 2017
Cash and cash equivalents at the beginning of the period	*964*	*688*
Cash flow from operating activities	649	608
Cash flow from investing activities	-22	-100
Cash flow from financing activities	-671	-767
Net change in cash and cash equivalents	**-44**	**-259**
Cash and cash equivalents at the end of the period	*920*	*429*

Source: reviewed interim financial statements of Europa SPV for the 3-month period ended 31 March 2017

In the first quarter of 2017 cash and cash equivalents of Europa SPV declined by EUR 0.3m to EUR 0.4m while in the same period of 2016 cash and cash equivalents fell by EUR 44 thousand. Cash flow from operating activities declined by EUR 41 thousand year on year to EUR 608 thousand. Investing cash flow increased from negative EUR 22 thousand in the first 3 months of 2016 to negative EUR 100 thousand in the first 3 months of 2017 explained by higher capital expenditure on the property. Finally, financing cash flow rose from negative EUR 0.7m to negative EUR 0.8m.

4. UPDATE ON INVESTMENT PIPELINE

This section updates the section 6.10 "Investment Pipeline" and 8.3 "Use of Proceeds" of the Offering Circular by informing about the progress of the negotiations in relation to a property included to the investment pipeline of the Fund. As of the date of the Prospectus Supplement, the Management Company is looking into the possibility to acquire a real estate property, located in Riga, Latvia. The Management Company has entered into a preliminary agreement concerning purchase of shares of SIA Vainodes Krasti (a Latvian limited liability property, with registration number 50103684291) which owns an office property at Vainodes 1, Riga, Latvia. Pursuant to the preliminary agreement, signing of the final SPA is subject to financial, legal, tax and technical due diligence confirming the transaction parameters agreed upon and approval from the investment committee of the Management Company. On the date of this Prospectus Supplement, the due diligence process is on-going. The Management Company envisages the SPA could be signed and the acquisition could be closed by the end June 2017.

5. 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 5 p.m. (Central European Time) on 29 May 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 3-Month Period Ended 31 March 2017

BALTIC
HORIZON

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 3-MONTH PERIOD ENDED 31 MARCH 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
Fund Supervisory Board	Raivo Vare (Chairman) Andris Kraujins Per Moller David Bergendahl
Fund Supervisory Board remuneration	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 Reimo Hammerberg
Depositary, Fund Administrator and Registrar	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 of a property
Net Initial Yield	NOI divided by market value of a property
GAV	Gross Asset Value of the Fund
Triple Net Lease	A triple net lease is a lease agreement that designates the lessee, i.e. the tenant, as being solely responsible for all the costs relating to the asset being leased, in addition to the rent fee applied under the lease.

GENERAL INFORMATION ABOUT THE FUND

Baltic Horizon Fund (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.

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

The real estate property valuation policies of the Fund are determined in the Fund Rules based on the common market practice. Only a licensed independent real estate appraiser of high repute and sufficient experience in appraising similar property and operating in the country where 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, the internal investment committee, and the Fund administrator and depositary bank Swedbank.

MANAGEMENT REPORT

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 which represents 7.22% acquisition yield. The seller provided a 2-year guarantee for starting net operating income. Additionally, the Fund also obtained a call option to acquire the neighbouring Duetto II when the building is constructed in the future.

MACROECONOMIC FACTORS IN THE BALTIC STATES

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. Most attractive are still office and retail properties with stable cash flows located in core locations. However, as in other European markets, the lack of attractive portfolio diversification alternatives has lowered the return expectations for core property investments in the Baltic capitals as well.

According to the Baltic economists the business cycle in the Baltic economies strengthened towards the end of last year, driven primarily by household consumption and exports. In Estonia, the expected improvement in foreign demand and recovery of investment growth will help to accelerate GDP growth in 2017 and 2018. Wage pressures will persist. However, the gap between productivity and wage growth is expected to narrow. Real wage growth along with robust company profit levels support an increase in consumption for this year. In Latvia, investments have rebounded and GDP growth forecast is set at 3%-3.5% for the next few years. Recent improvement in exports and EU funds’ inflow are boosting investment and labour demand, speeding up wage growth, consumption and retail spending. Growth is revised upwards also in Lithuania, to approx. 3.0% in 2017 and in 2018, as consumer sentiment and investments remain high.

New offices are being built for expanding near shoring tenants such as Danske Bank Global Services, Swedbank and TEO, just to name a few. Developers are continuously ready to build new buildings for major tenants secured through prelease contracts, especially in Vilnius, where the office space per capita compared to the rest of the Baltic capitals is lower and tenants' demand for office premises is higher. In the Baltic office development market, at least a 50% prelease level continues to be the main prerequisite for receiving bank financing and getting projects off the ground. Overall the Baltic office market is characterized by a wider choice of new premises and where tenants continue to move up the quality curve from old buildings and B2/C class locations. It is clear that supply will exceed demand in the office segment in the next few years. Therefore rents will experience downward pressures and competition between office buildings will increase, especially in Tallinn.

Larger established shopping centres have enjoyed low vacancies, however new large-scale development projects will start to threaten the status quo and are expected to markedly influence the retail scene in 2018-2019. Both Tallinn and Riga will see one brand new shopping centre emerge, increasing the total retail square metres per capita above average EU levels. This in turn means stiffer competition between the retail properties, dilutions of visitors and potentially closings of weaker centres in more remote locations. New neighbourhood supermarkets are being built to compete in the micro locations, especially by Lidl who has re-entered the Lithuanian and Estonian markets. After Vilnius, IKEA has also announced their plans to build their first flagship store in Riga with an opening in 2018.

The compression of prime yields continued in Q1 2017 across Europe reaching lows of 3% in top cities such as Paris, Munich and Berlin. Real estate continues to attract significant capital because of its solid performance relative to the alternative asset classes in the current low interest rate, low growth and low yield climate. In the Baltics, the prime yields are now clearly below 7%, driven still by cheap debt capital, a limited number of established investment grade properties in city centres and strong investor appetite.

Locally operating real estate funds are increasingly critical buyers and invest only into the most suitable properties for their portfolios and strategies.

FINANCIAL REPORT

Financial position and performance of the fund

As at 31 March 2017 the GAV of the Fund increased to EUR 169.0 million (EUR 154.9 million as at 31 December 2016). The increase is mainly related to the closing of the acquisition of the Duetto I office building in Q1 2017.

As of 31 March 2017, the Fund NAV was EUR 76.5 million, compared to EUR 76.8 million as at 31 December 2016. The decrease in NAV is mainly related to a cash distribution (the "Dividend") to investors made in February.

During Q1 2017, the Fund recorded a net profit of EUR 950 thousand (EUR 864 thousand during Q1 2016) which had a positive effect on the Fund NAV. The net result was positively affected by the operational performance of the properties. On the other hand, the net profit was negatively affected by the recognition of a deferred tax charge on the revaluation of the land plot of Upmalas Biroji which was not recognized in prior periods. The Group recognized the deferred tax liability during the first quarter of the year (negative effect of EUR 452 thousand). Management is not considering to dispose of the Upmalas Biroji property in a near future, therefore, the deferred tax charged in Q1 2017 is not expected to materialize in a near term. Also, the net profit was negatively affected by the additional costs charged for the second public offering in Stockholm (EUR 202 thousand during Q1 2017). These one-off costs are more specifically related to establishing the Swedish depositary, the Euroclear link between the Stockholm and the Tallinn stock exchanges.

In Q1 2017, the net rental operating income (NOI) earned by the Group amounted to EUR 2.5 million and was higher than in Q1 2016 when the Group earned EUR 1.4 million. Compared to Q1 2016, the increase in NOI is related to rental income earned on new acquisitions and, to a lesser extent, the indexation of rents.

Table 1: Key Figures

Euro '000	**Q1 2017**	**Q1 2016**	**Change (%)**
Rental income	2,727	1,619	68.4%
Service charge income	924	621	48.8%
Cost of rental activities	(1,125)	(803)	40.1%
Net rental income	**2,526**	**1,437**	**75.8%**
Expenses related to public offerings	(202)	-	n/a
Administrative expenses	(525)	(182)	190.1%
Other operating income / (expenses)	13	-	n/a
Operating profit	**1,809**	**1,255**	**44.1%**
Financial income	41	4	925.0%
Financial expenses	(332)	(280)	18.6%
Net financing costs	**(291)**	**(276)**	**5.4%**
Profit before tax	**1,518**	**979**	**55.1%**
Income tax charge	(568)	(115)	393.9%
Profit for the period	**950**	**864**	**10.0%**
Weighted number of units outstanding*	57,262,887	25,016,672	128.9%
Earnings per unit (EUR)	**0.02**	**0.03**	**(33.3)%**

*** On June 30, 2016, BOF was merged with Baltic Horizon Fund. Unit holders of BOF received 100 units in Baltic Horizon Fund for each 1 unit in BOF (ratio of 1:100). The number of weighted units outstanding for Q1 2016 was adjusted for comparability.

Euro '000	**31.03.2017**	**31.12.2016**	**Change (%)**
Investment property in use	156,538	141,740	20.4%
Gross asset value (GAV)	169,018	154,938	9.1%
Interest bearing loans	83,378	69,172	20.5%
Total liabilities	92,512	78,129	18.4%
Net asset value (NAV)	76,506	76,809	-0.4%
Number of units outstanding	57,258,843	57,264,743	0.0%
Net asset value (NAV) per unit (EUR)	**1.3361**	**1.3413**	**-0.4%**
Loan-to-Value ratio (LTV)	**53.3%**	**48.8%**	

The Fund also calculates EPRA NAV, which was EUR 84.9 million as at 31 March 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	**31.03.2017**
IFRS NAV as of 31 March 2017	**76,506**
Exclude deferred tax liability on investment properties	8,261
Exclude fair value of financial instruments	207
Exclude deferred tax on fair value of financial instruments	(34)
EPRA NAV*	**84,940**
Amount of units	57,258,843
EPRA NAV per unit	**1.4834**

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

PROPERTY REPORT

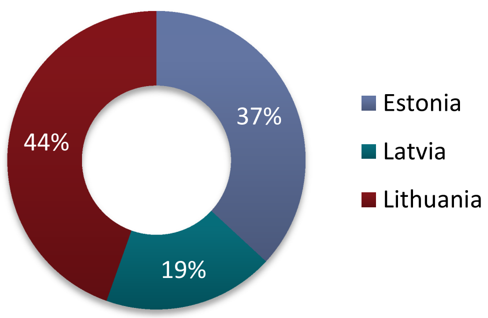
The property portfolio, which by the end of March consisted of 9 properties in the Baltic capitals, continues to be virtually fully let producing very attractive cash flows. This is supported by the expectations that the Baltic economic growth is largely driven by domestic consumption and expected stronger export prospects for the Baltics. 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, near shoring 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 Center and Duetto I office building.

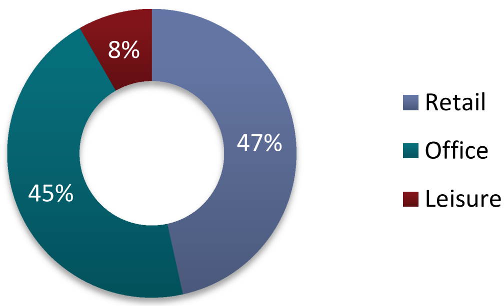
In the Baltic retail sector in Q1 2017, rents for small spaces remained in the range of EUR 23-55 sq. m. per month. Average retail rents in the Baltic capitals were EUR 15-35 per sq. m. for 150-350 sq. m. spaces while anchor tenants mostly paid EUR 4-11 per sq. m. Rent rates for medium and larger retail units are forecasted to be rather stable. The average rent range of retail assets in the Fund's portfolio was EUR 9.4-14.8 per sq. m. per month, therefore well in line with average market brackets.

Capital city office rents in Q1 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 building locations, layout and level of surcharges.

The Baltic property yields in both office and retail segments continued to decrease during Q1, dropping by approx. 25 bp to 6.5% – 7% depending on the exact micro location, age, rent level and history of the property. At the same time the Baltic States 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 real estate asset class are contracting across the board.

Picture 1: Fund segment and country distribution





Property performance

During Q1 2017, the average actual occupancy of the portfolio was 96.7% and with all rental guarantees 97.6% (96.5% during Q1 2016). The difference between actual and effective occupancy can mainly be explained by 25% actual vacancy in Duetto I as of end of Q1. Average Direct Property Yield during Q1 was 7.1% (7.0% during Q1 2016). The uptick is mainly due to improved performance and rental indexations across the portfolio. The increase in operating costs is mainly related to new acquisitions.

<u>Lincona Office Complex, Tallinn (Estonia)</u>
The average occupancy level of the increased to 96.2% by the end of Q1. The vacancy created by Liewenthal Electronics OU in Q3 2016 was absorbed by Harman International Estonia, another tenant in the office complex. Average direct property yield during Q1 was 7.8% and the tenants' payment discipline was good. In the coming quarters, the management team will continue to maintain and improve the property by upgrading its façade in order to keep the building attractive for tenants and their employees.

<u>Domus Pro Retail Park, Vilnius (Lithuania)</u>
In addition to well working stages I and II where the occupancy rate is 99.2%, stage III is under construction to be completed in Q4 2017. The anchor tenants of stage III will be the expanding Fittus Sports club, Pet City, Inspecta, ALD Automotive and Pristis. The stage is 52% preleased. During Q1 the average direct property yield for the first two stages was 7.8%.

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

<u>SKY Supermarket, Riga (Latvia)</u>
SKY supermarket continues to produce good net cash flows. This proves that established neighbourhood shopping centres surrounded by dwelling houses are one of the most resilient investment properties. Average direct property yield during Q1 was 8.9%.

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 made in H1 2017. Further investments are planned by the tenant SKY supermarket on their premises.

<u>Coca-Cola Plaza , Tallinn (Estonia)</u>
In Coca-Cola Plaza, the master lease agreement with Forum Cinemas holds strong and tenant risk remains very low. Average direct property yield during Q1 was 8.2%. In Q1 Forum Cinemas and its parent company Nordic Cinema Group were sold to AMC Entertainment Holdings.

Aside from ongoing cinema operations the team has continued to test the feasibility of the vision to expand the property and connect it to the neighbouring shopping centre. This potential is not yet priced into the valuation of the property as the building rights are yet to be established. The target is to reach certainty in the expansion project together with neighbours and Tallinn city within 2017.

Europa Shopping centre, Vilnius (Lithuania)
Located in the heart of Vilnius central business district on Konstitucijos Prospektas, the shopping centre has performed in Q1 2017 better than budgeted achieving an NOI of EUR 0.62 million. 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 Q1 was 6.7%.

Management has kept a 5.8% tactical vacancy in the building for new attractive tenants during Q1 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 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 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 GLA of 13,000 sq. m.

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 has also some smaller sub-tenants. Average direct property yield during Q1 was 7.4%.

Upmalas Biroji, Riga (Latvia)
Upmalas Biroji is an A class office complex built in 2008 with an NLA of 10,600 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 Q4 2016 and Q1 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. The Fund also has a 2-year guarantee from the seller for other NOI in the building. Average direct property yield during Q1 was 6.8%.

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 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 moment of acquisition in order to ensure stable cash flows also during the property's establishment period. Since opening of the centre in December last year, the management team together with the original developer has focused on establishing the centre as the principal community centre with the right tenant mix catering primarily to the Pirita district residents. A 7.4% direct property yield is guaranteed by the seller of this property until end of 2018.

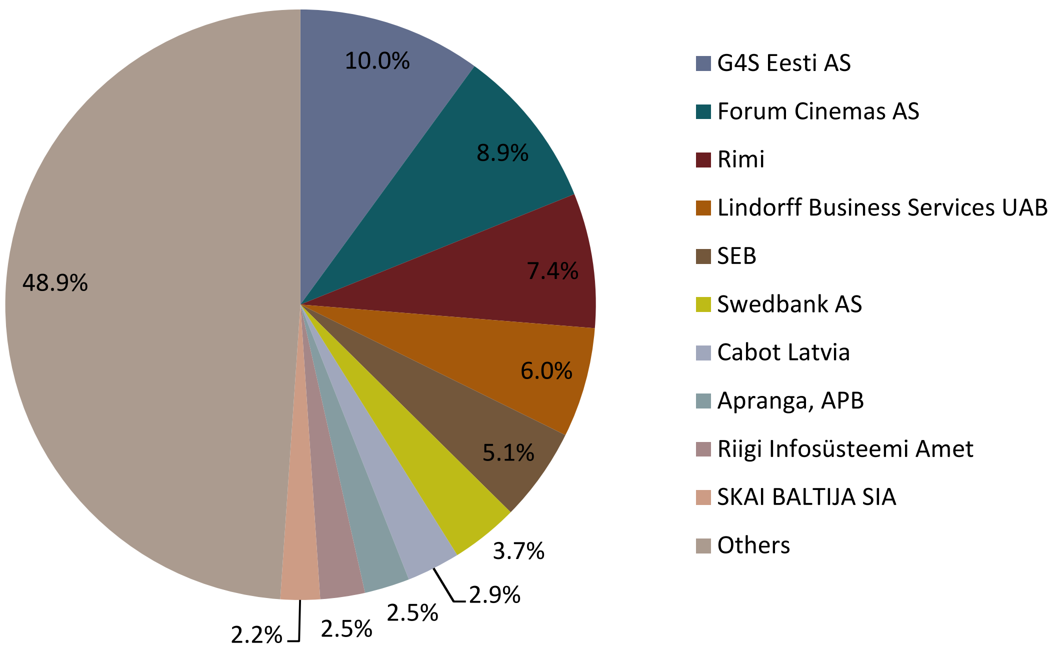
Duetto I Office building, Vilnius (Lithuania)

Duetto I is a newly built 10-story 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, a seller of the property, has 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 by YIT Kausta to the Fund on a monthly basis. The actual vacancy of Duetto I stood at 25% at the end of March 2017. In March however, Vilnius vandenys, a Vilnius municipal water supply company declared that the winner of their tender for the new office location is Duetto I. If a lease agreement is signed with Vilnius vandenys, the property will be fully rented out.

The Fund also obtained a call option to acquire the neighbouring Duetto II when the building is constructed.

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% of the annual NOI. 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



RISK MANAGEMENT

The risk management function of the Fund is the responsibility of the Management Company Northern Horizon Capital AS. The manager of the Fund is responsible for identifying the Fund's market risk portfolio, preparing proposals regarding market risk limits, monitoring the limit utilization and producing overall 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 states 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 to floating using interest rate derivatives. As 1) the Fund seeks to obtain financing on the best terms and conditions and 2) in the current market, fixed rate loans are often more expensive, the Fund hedges interest rate exposure by using derivative instruments such as interest rate swaps, forwards and options. The Fund and its subsidiaries acquire swaps purely for cash flow 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 competences, and active dialogue with investors help the Fund to identify and reduce the risks related to its operation.

OUTLOOK FOR 2017

After completing the acquisitions of the Pirita centre on 16 December 2016 and the Duetto I office building on 22 March 2017 the portfolio of Baltic Horizon Fund has increased to hold 9 established cash flow properties located in the Baltic capitals with a gross property value of above EUR 156 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. The principal goal of the Fund is to make sustainable quarterly cash distributions and create capital growth to its investors. 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. In 2017 the management team is planning to continue making investors quarterly distributions from the portfolio's operating income and search for investment opportunities with long-term potential for value added asset management.

The Baltic States are part of the European Union and euro zone. Therefore it is important to monitor the ongoing momentum of political populism and uncertainty which has emerged in Europe after the Brexit vote in 2016. In Q1 the economic policy uncertainties in Europe declined and overall the global economic performance was surprisingly good despite the geopolitical and government debt super-cycle uncertainties. Quantitative easing by ECB is still expected to continue well into 2018 keeping the interest rates low. As a hike in the central bank's interest rates would affect European countries with high government debt levels quite adversely through many political, budgetary and socio-economic aspects, the ECB does not make such decisions lightly. Still, any kind of major economic or political shock may cause lending rates to increase abruptly or affect consumer or business confidence and that is one of the main risks for property prices and rental levels also in the Baltic region.

Along with the main Baltic export partners within the EU, the exports of the Baltic States are on the rise and together with increasing consumer confidence, spending and direct investments, the GDP of the region is expected to grow on average by approx. 3% and more over the next few years. The trend of near shoring by international and regional companies is continuing and with the increasing number of Fintech start-ups it is expected to play a major role in this decade in converting the Baltic States more into higher value added service based economies. All in all, as long as the cost of debt is locked in at low levels and economies continue to perform as expected, the dividend potential of Baltic cash-flow real estate investments is expected to remain attractive.

MANAGEMENT BOARD'S CONFIRMATION

The management board of the Fund confirms that according to their best knowledge, the condensed consolidated interim financial statements for the first 3 months of the financial year, prepared in accordance with IFRS, present a true and fair view of the assets, liabilities, financial position and financial performance 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, and contains a description of the main risks and uncertainties.

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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 31 March 2017, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the 3 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 31 March 2017 are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Other matter

The comparative information in the 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 3-month period ended 31 March 2016 which has not been reviewed by auditors.

Tallinn, 11 May 2017

Eero Kaup
Certified Public Accountant, Licence No 459

KPMG Baltics OÜ
Licence No 17

Euro '000	**Note**	**01.01.2017-31.03.2017**	**01.01.2016-31.03.2016**
Rental income		2,727	1,619
Service charge income		924	621
Cost of rental activities	5	(1,125)	(803)
Net rental income	4	**2,526**	**1,437**
Administrative expenses	6	(730)	(182)
Other operating income / (expenses)		13	-
Operating profit		**1,809**	**1,255**
Financial income		41	4
Financial expenses	7	(332)	(280)
Net financing costs		**(291)**	**(276)**
Profit before tax		**1,518**	**979**
Income tax charge	4, 9	(568)	(115)
Profit for the period	4	**950**	**864**
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Net gains (losses) on cash flow hedges	14b	138	(37)
Income tax relating to net gains (losses) on cash flow hedges	14b, 9	(17)	7
Other comprehensive income/ (expense), net of tax, to be reclassified to profit or loss in subsequent periods		**121**	**(30)**
Total comprehensive income/ (expense) for the period, net of tax		**1,071**	**834**
Basic and diluted earnings per unit (Euro)	8	**0.02**	**3.45**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2017

Euro '000	Note	31.03.2017	31.12.2016
Non-current assets			
Investment properties	4, 10	156,538	141,740
Investment property under construction	11	2,218	1,580
Derivative financial instruments	20	22	-
Other non-current assets		82	288
Total non-current assets		**158,860**	**143,608**
Current assets			
Trade and other receivables	12	1,282	1,269
Prepayments		235	178
Cash and cash equivalents	13	8,641	9,883
Total current assets		**10,158**	**11,330**
Total assets	4	**169,018**	**154,938**
Equity			
Paid in capital	14a	66,216	66,224
Own units	14a	-	(8)
Cash flow hedge reserve	14b	(173)	(294)
Retained earnings		10,463	10,887
Total equity		**76,506**	**76,809**
Non-current liabilities			
Interest bearing loans and borrowings	15	50,662	58,981
Deferred tax liabilities		5,001	4,383
Derivative financial instruments	20	153	345
Other non-current liabilities		996	935
Total non-current liabilities		**56,812**	**64,644**
Current liabilities			
Interest bearing loans and borrowings	15	32,716	10,191
Trade and other payables	16	2,534	2,876
Income tax payable		12	46
Derivative financial instruments		76	-
Other current liabilities		362	372
Total current liabilities		**35,700**	**13,485**
Total liabilities	4	**92,512**	**78,129**
Total equity and liabilities		**169,018**	**154,938**

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

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		-	-	-	864	**864**
Other comprehensive income / (expense)		-	-	(30)	-	**(30)**
Total comprehensive income / (expense)		**-**	**-**	**(30)**	**864**	**834**
As at 31 March 2016		**25,674**	**-**	**(229)**	**7,082**	**32,527**
As at 1 January 2017		**66,224**	**(8)**	**(294)**	**10,887**	**76,809**
Net profit for the period		-	-	-	950	**950**
Other comprehensive income / (expense)		-	-	121	-	**121**
Total comprehensive income / (expense)		**-**	**-**	**121**	**950**	**1,071**
Cancellation of own units	14a	(8)	8	-	-	**-**
Profit distribution to unit holders		-	-	-	(1,374)	**(1,374)**
As at 31 March 2017		**66,216**	**-**	**(173)**	**10,463**	**76,506**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2017

Euro '000	Note	01.01.2017-31.03.2017	01.01.2016-31.03.2016
Cash flows from core activities			
Profit (loss) before tax		**1,518**	**979**
Adjustments for non-cash items:			
Allowance for bad debts		3	-
Financial income		(41)	(4)
Financial expenses	7	332	280
Working capital adjustments:			
Decrease/(increase) in trade and other accounts receivable		(55)	103
(Increase)/decrease in other current assets		(61)	3
(Decrease)/Increase in other non-current liabilities		19	40
(Decrease)/increase in trade and other accounts payable		(503)	(223)
(Decrease)/increase in other current liabilities		10	(70)
Refunded/(paid) income tax		(11)	(17)
Total cash flows from core activities		**1,211**	**1,091**
Cash flows from investing activities			
Interest received		3	4
Acquisition of investment property		(14,349)	-
Investment property development expenditure		(491)	-
Capital expenditure on investment properties		(129)	(178)
Total cash flows from investing activities		**(14,966)**	**(174)**
Cash flows from financial activities			
Proceeds from bank loans		14,730	396
Repayment of bank loans		(501)	(470)
Profit distribution to unit holders		(1,374)	-
Transaction costs related to loans and borrowings		(30)	-
Interest paid		(312)	(264)
Total cash flows from financing activities		**12,513**	**(338)**
Net change in cash and cash equivalents		**(1,242)**	**579**
Cash and cash equivalents at the beginning of the year		**9,883**	**1,677**
Cash and cash equivalents at the end of the period		**8,641**	**2,256**

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	31.03.2017	31.12.2016
BH Lincona OÜ*	100%	100%
BOF SKY SIA	100%	100%
BH CC Plaza OÜ**	100%	100%
BOF Domus Pro UAB	100%	100%
BOF Europa UAB	100%	100%
BH P80 OÜ	100%	100%
Kontor SIA	100%	100%
BH MT24 OÜ***	100%	100%
Pirita Center OÜ	100%	100%
BH Duetto UAB	100%	-

*formerly known as *BOF Lincona OÜ*.
**formerly known as *BOF CC Plaza OÜ.*
**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 the second public offering in November, the Fund raised additional gross capital of EUR 20.6 million. As a result of the offering of the new units, the total number of the Fund’s units increased to 57,264,743 and the units are now 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 10 May 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 31 March 2017, the Fund's current liabilities exceeded its current assets by EUR 25,542 thousand. This was mainly because of three bank loans of EUR 6,978 thousand, EUR 1,453 thousand, and EUR 23,222 expiring in December 2017 and March 2018. The management of the Fund has already received three non-committed bank offers to extend the loan of EUR 23,222 thousand expiring in March 2018. The loan which is related to the financing of the Europa property is the biggest liability for the Group. Currently, the banks are competing for providing the best financing conditions. Due to strong attention from the banks, the Management of the Fund is confident that expiring loans can be extended or refinanced with other banks. Assuming this can be done, the cash flow budget of the Fund for the years 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 after 1 January 2017 but for which 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. Not yet adopted by the EU.)

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

The Group does not expect IFRS 9 (2014) to have 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. Not yet adopted by the EU.)

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

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

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

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

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

3. Summary of significant accounting policies

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these 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 the same 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 – 31 March 2017

’000 Euro	Retail	Office	Leisure	Total segments
01.01.2017 – 31.03.2017:				
External revenue[1]	2,091	1,313	247	3,651
Segment net rental income	**1,247**	**1,032**	**247**	**2,526**
Net gains or losses from fair value adjustment	-	-	-	-
Interest expenses[2]	(172)	(121)	(34)	(327)
Income tax expenses	(74)	(494)	-	(568)
Segment net profit / (loss)	**934**	**438**	**207**	**1,579**
As at 31.03.2017:				
Segment assets	**74,683**	**74,213**	**13,085**	**161,981**
Investment properties	72,874	70,664	13,000	156,538
Investment property under construction	-	2,218	-	2,218
Segment liabilities	**47,971**	**37,201**	**7,014**	**92,186**

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.

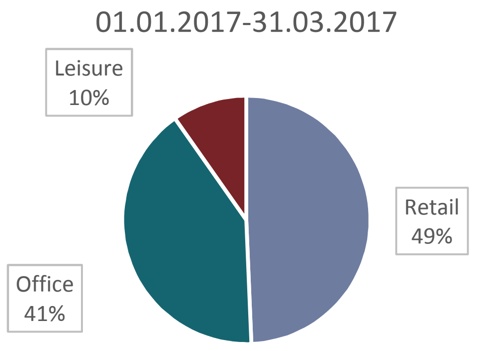
Operating segments – 31 March 2016

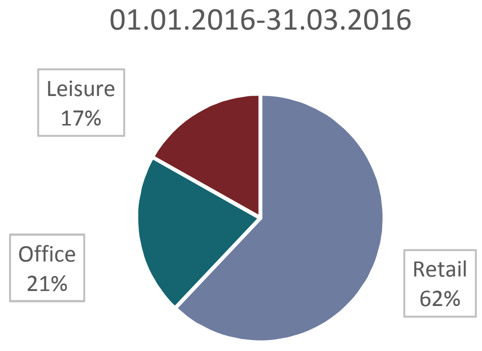
’000 Euro	Retail	Office	Leisure	Total segments
01.01.2016 – 31.03.2016:				
External revenue[1]	1,594	401	245	2,240
Segment net rental income	**892**	**303**	**242**	**1,437**
Net gains or losses from fair value adjustment	-	-	-	-
Interest expenses[2]	(178)	(38)	(58)	(274)
Income tax expenses	(115)	-	-	(115)
Segment net profit	**587**	**262**	**179**	**1,028**
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.

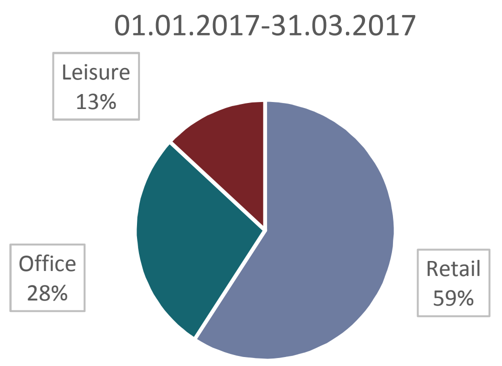
2. Interest expenses were adjusted for comparison reasons. Prior to adjustments, the interest expense included intercompany interest expenses.

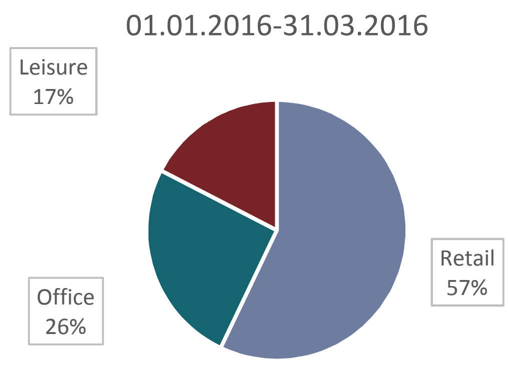
Segment net rental income*



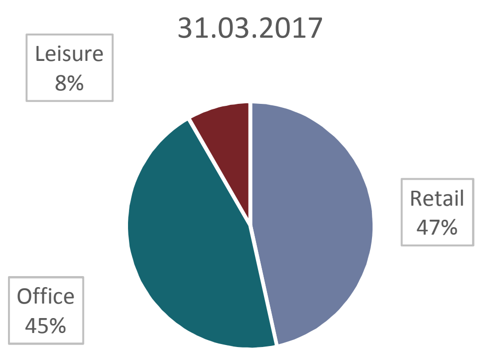


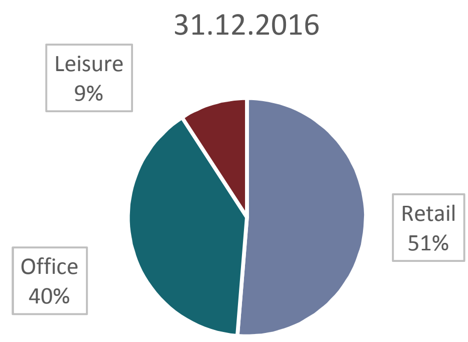
Segment net profit (loss)*





Investment properties*





*As a percentage of the total for all reportable segments

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Reconciliation of information on reportable segments to IFRS measures

Operating segments – 31 March 2017

’000 Euro	Total reportable segments	Adjustments	Consolidated
01.01.2017 – 31.03.2017:			
Net profit / (loss)	**1,579**	**(629)**[1]	**950**
As at 31.03.2017:			
Segment assets	**161,981**	**7,037**[2]	**169,018**
Segment liabilities	**92,186**	**326**[3]	**92,512**

1. Segment net profit does not include public offering related expenses (EUR 202 thousand), Fund management fee (EUR 258 thousand), performance fee (EUR 6 thousand), fund custodian fee (EUR 7 thousand), other Fund-level administrative expenses (EUR 165 thousand), and other income received at Fund level (EUR 9 thousand).
2. Segment assets do not include cash, which is held at the Fund level (EUR 7,023 thousand) and other receivables at Fund level (EUR 14 thousand).
3. Segment liabilities do not include, management fee payable (EUR 258 thousand), performance fee accrual (EUR 7 thousand), and other short-term payables (EUR 61 thousand) at Fund level.

Operating segments – 31 March 2016

’000 Euro	Total reportable segments	Adjustments	Consolidated
01.01.2016 – 31.03.2016:			
Net profit (loss)	**1,028**	**(164)**[1]	**864**
As at 31.12.2016:			
Segment assets	**147,533**	**7,405**[2]	**154,938**
Segment liabilities	**77,588**	**541**[3]	**78,129**

1. Segment net profit does not include Fund management fee (EUR 151 thousand), fund custodian fee (EUR 4 thousand) and other administrative expenses (EUR 9 thousand).
2. 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).
3. 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

	External revenue		*Investment property value*	
’000 Euro	**01.01.2017-31.03.2017**	**01.01.2016-31.03.2016**	**31.03.2017**	**31.12.2016**
Lithuania	1,560	1,389	69,760	55,080
Latvia	729	206	29,074	28,960
Estonia	1,362	645	57,704	57,700
Total	**3,651**	**2,240**	**156,538**	**141,740**

Major tenant
In Q1 2017, rental income from one tenant in the leisure segment represented EUR 247 thousand of the Group’s total rental income (EUR 245 thousand in Q1 2016).

5. Cost of rental activities

'000 Euro	01.01.2017-31.03.2017	01.01.2016-31.03.2016
Utilities	601	375
Repair and maintenance	198	194
Property management expenses	127	106
Real estate taxes	97	69
Sales and marketing expenses	67	45
Property insurance	11	8
Allowance / (reversal of allowance) for bad debts	3	-
Other	21	6
Total cost of rental activities	**1,125**	**803**

Part of the total cost of rental activities (mainly utilities and repair and maintenance expenses) was recharged to tenants: EUR 924 thousand during Q1 2017 (EUR 621 thousand during Q1 2016).

6. Administrative expenses

'000 Euro	01.01.2017-31.03.2017	01.01.2016-31.03.2016
Public offering related expenses	202	-
Management fee	258	151
Legal fees	103	3
Audit fee	22	12
Fund marketing expenses	15	-
Consultancy fees	13	8
Custodian fees	7	4
Performance fee	6	-
Property valuation fee	3	2
Other administrative expenses	100	2
Total administrative expenses	**730**	**182**

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

’000 Euro	01.01.2017-31.03.2017	01.01.2016-31.03.2016
Interest on bank loans	327	274
Loan arrangement fee amortisation	5	6
Total financial expenses	**332**	**280**

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:

’000 Euro	01.01.2017-31.03.2017	01.01.2016-31.03.2016
Profit for the period, attributed to the unit holders of the Fund	950	864
Profit for the period, attributed to the unit holders of the Fund	**950**	**864**

Weighted-average number of units:

	31.03.2017	31.03.2016
Issued units at 1 January	57,264,743	250,167
Effect of own units cancelled in March 2017*	-1,856	-
Weighted-average number of units issued	**57,262,887**	**250,167**

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

Basic and diluted earnings per unit

	01.01.2017-31.03.2017	01.01.2016-31.03.2016
Basic and diluted earnings per unit*	**0.02**	**3.33**

*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 three months ended 31 March 2017 was 37.4% (three months ended 31 March 2016: 11.7%). 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.

The major components of income tax for the periods ended 31 March 2017 and 2016 were as follows:

'000 Euro	01.01.2017 -31.03.2017	01.01.2016 -31.03.2016
Consolidated statement of profit or loss		
Current income tax for the period	(11)	(10)
Deferred tax for the period	(557)	(105)
Income tax expense reported in profit or loss	**(568)**	**(115)**
Consolidated statement of other comprehensive income		
Deferred income tax related to items charged or credited to equity:		
Revaluation of derivative instruments to fair value	(17)	7
Income tax expense reported in other comprehensive income	**(17)**	**7**

10. Investment property

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

'000 Euro	31.03.2017	31.12.2016
Balance at 1 January	**141,740**	**86,810**
Acquisition of investment property	14,629	15,454
Investment property acquired in business combination	-	35,773
Additions (subsequent expenditure)	169	1,141
Net revaluation gain / (loss)	-	2,562
Closing balance	**156,538**	**141,740**

No external property valuations were performed as at 31 March 2017 and 31 March 2016. The management has assessed the fair values of investment properties as at 31 March 2017 and 31 March 2016 using the same key assumptions used for valuations as at the end of preceding financial years and concluded that the fair values of investment properties do not differ significantly from those as at end of preceding financial years. As the Duetto I property was acquired at the end of March 2017, the value of the property on the balance sheet is based on its acquisition price and additional capitalized costs related to the property acquisition.

Valuation techniques used to derive Level 3 fair values

As at 31 March 2017, the values of the properties are based on valuations conducted in 2016. The valuations of investment properties were performed by Colliers International, DTZ Kinnisvaraekspert and BPT Real Estate AS.

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 31 March 2017 (based on 2016 valuations):

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% - 10.0%
Year of construction/renovation – 2002 / 2008		- 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
P80 (former *G4S*), Tallinn (Estonia)	DCF	- Discount rate	8.5%
Net leasable area (NLA) – 8,363 sq. m.		- Rental growth p.a.	0.2% - 2.70%
Segment – Office		- Long term vacancy rate	3.0%
Year of construction/renovation – 2013		- Exit yield	7.25%
		- Average rent (EUR/sq. m.)	10.3
SKY Supermarket, Riga (Latvia)	DCF	- Discount rate	7.9%
Net leasable area (NLA) – 3,263 sq. m.		- Rental growth p.a.	1.4% - 1.7%
Segment – Retail		- Long term vacancy rate	1.0%
Year of construction/renovation – 2000 / 2010		- Exit yield	7.75%
		- Average rent (EUR/sq. m.)	11.6
Upmalas Biroji, Riga (Latvia)	DCF	- Discount rate	7.3%
Net leasable area (NLA) – 10,600 sq. m.		- Rental growth p.a.	0.5% - 4.4%
Segment – Office		- Long term vacancy rate	1.5%
Year of construction/renovation – 2008		- Exit yield	7.2%
		- Average rent (EUR/sq. m.)	12.5
Pirita Shopping centre, Tallinn (Estonia)	DCF	- Discount rate	9.0%
Net leasable area (NLA) – 5,516 sq. m		- Rental growth p.a.	2.0% - 3.1%
Segment – Retail		- Long term vacancy rate	5.0%
Year of construction/renovation - / 2016		- Exit yield	7.75%
		- Average rent (EUR/sq. m.)	13.5

As of 31 March 2016 (based on valuations in 2015):

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.)	13.6
Domus Pro Retail Park, Vilnius (Lithuania)	DCF	- Discount rate	8.4%
Net Leasable area (NLA) – 7,505 sq. m.		- Rental growth p.a.	0.0% - 3.0%
Segment – Retail		- Long term vacancy rate	2.0% - 14.0%
Year of construction/renovation – 2013		- Exit yield	8.0%
		- Average rent (EUR/sq. m.)	10.4
Lincona Office Complex, Tallinn (Estonia) Net Leasable area (NLA) – 10,859 sq. m.	DCF	- Discount rate	8.6%
		- Rental growth p.a.	0.0% - 2.4%
Segment – Office		- Long term vacancy rate	5.0% - 10.0%
Year of construction/renovation – 2002 / 2008		- Exit yield	8.0%
		- Average rent (EUR/sq. m.)	10.2
Coca-Cola Plaza , Tallinn (Estonia)	DCF	- Discount rate	8.2%
Net Leasable area (NLA) – 8,664 sq. m.		- Rental growth p.a.	0.8-1.7%
Segment – Leisure		- Long term vacancy rate	0.0%
Year of construction/renovation – 1999		- Exit yield	8.0%
		- Average rent (EUR/sq. m.)	9.4
SKY Supermarket, Riga (Latvia)	DCF	- Discount rate	8.2%
Net Leasable area (NLA) – 3,240 sq. m.		- Rental growth p.a.	0.0% - 2.5%
Segment – Retail		- Long term vacancy rate	2.5%
Year of construction/renovation – 2000 / 2010		- Exit yield	7.75%
		- Average rent (EUR/sq. m.)	11.3

The table below sets out information about significant unobservable inputs used at 31 December 2016 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	2016: 7.2%-8.0% 2015: 7.25%-8.0%	An increase in exit yield in isolation would result in a lower value of Investment property.
		Discount rate	2016: 7.3%-9.0% 2015: 7.5% - 8.6%	An increase in discount rate in isolation would result in a lower value of Investment property.
		Rental growth p.a.	2016: 0 - 3.1% 2015: 0 - 3.0%	An increase in rental growth in isolation would result in a higher value of Investment property.
		Long term vacancy rate	2016: 0 – 10.0% 2015: 0 – 14.0%	An increase in long-term vacancy rate in isolation would result in a lower value of Investment property.

*For valuations done in 2016 and 2015.

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The carrying book values of investment properties as at 31 March 2017 were as follows:

’000 Euro	Total
Lithuania – Europa (retail)	38,051
Lithuania – Domus Pro (retail)	17,080
Latvia – SKY (retail)	5,544
Latvia – Upmalas Biroji (office)	23,530
Estonia – Lincona (office)	15,704
Estonia – Coca-Cola Plaza (leisure)	13,000
Estonia – P80 (former *G4S*) (office)	16,800
Estonia – Pirita (retail)	12,200
Lithuania – Duetto I (office)	14,629
Total	**156,538**

Acquisition of Duetto

On 22 March 2017, the Fund acquired the Duetto property located in Vilnius, Lithuania, in an asset deal for a purchase price of EUR 14.6 million. Transaction costs related to the acquisition amounted to EUR 29 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.

Duetto I is a newly built 10-story 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, a seller of the property, has 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 by YIT Kausta to the Fund on a monthly basis. The actual vacancy of Duetto I stood at 25% at the end of March 2017. In March however, Vilnius vandenys, a Vilnius municipal water supply company declared that the winner of their tender for the new office location is Duetto I. If a lease agreement is signed with Vilnius vandenys, the property will be fully rented out.

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.

’000 Euro	31.03.2017	31.12.2016
Balance at 1 January	1,580	-
Additions	638	1,405
Net revaluation gain	-	175
Closing balance	**2,218**	**1,580**

No external property valuation for investment property under construction was performed as at 31 March 2017. The increase in closing investment property under construction is related to capitalized construction costs incurred during Q1 2017.

12. Trade and other receivables

’000 Euro	31.03.2017	31.12.2016
Trade receivables, gross	845	757
Less impairment allowance for doubtful receivables	(42)	(39)
Accrued income	293	285
Other accounts receivable	186	266
Total	**1,282**	**1,269**

Trade receivables are non-interest bearing and are generally on 30-day terms.
As at 31 March 2017, trade receivables at a nominal value of EUR 42 thousand were impaired and fully provisioned.

Movements in the impairment allowance for receivables were as follows:

’000 Euro	31.03.2017	31.12.2016
Balance at 1 January	(39)	(22)
Charge for the period	(3)	(17)
Balance at end of period	**(42)**	**(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				
’000 Euro	Total	nor impaired	<30 days	30-60 days	60-90 days	90-120 days	>120 days
31.03.2017	**803**	284	268	147	24	28	52
31.12.2016	**718**	293	362	18	10	1	34

13. Cash and cash equivalents

’000 Euro	31.03.2017	31.12.2016
Cash at banks and on hand	8,641	9,883
Total cash	**8,641**	**9,883**

As at 31 March 2017, the Group had to keep at least EUR 430 thousand of cash in its bank accounts due to certain restrictions in bank loan agreements.

14. Equity
14a. Paid in capital

Units issued are presented in the table below:

’000 Euro	Number of units	Amount
As at 1 January 2017	**57,264,743**	**66,224**
Cancelled own shares acquired*	(5,900)	(8)
Total change during the period	**(5,900)**	**(8)**
As at 31 March 2017	**57,258,843**	**66,216**

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*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 units were purchased on 7 July 2016 on the Nasdaq Tallinn at EUR 1.3086 per unit, which equalled the IPO price.

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 31 March 2017 and 2016.
The Fund did not hold its own units as at 31 March 2017 and 2016.

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 31 March 2017 and 31 December 2016.

'000 Euro	31.03.2017	31.12.2016
Balance at the beginning of the year	**(294)**	**(199)**
Movement in fair value of existing hedges	138	(113)
Movement in deferred income tax (Note 9)	(17)	18
Net variation during the period	**121**	**(95)**
Balance at the end of the period	**(173)**	**(294)**

14c. Dividends (distributions)

On 20 January 2017, the Fund declared a distribution of EUR 1,374 thousand (EUR 0.024 per unit).
On 28 April 2017, the Fund declared a cash distribution of approx. EUR 1,317 thousand (EUR 0.023 per unit).

15. Interest bearing loans and borrowings

'000 Euro	Maturity	Effective interest rate	31.03.2017	31.12.2016
Non-current borrowings				
Bank 1	Mar 2018	3M EURIBOR + 1.50%	-	23,444
Bank 1	Aug 2021	3M EURIBOR + 1.75%	2,572	2,599
Bank 1	Aug 2021	6M EURIBOR + 1.45%	7,740	7,739
Bank 1	Feb 2022	6M EURIBOR + 1.55%	6,679	-
Bank 2	Mar 2019	3M EURIBOR + 1.90%	6,988	7,049
Bank 3	May 2018	3M EURIBOR + 2.50%	8,045	8,162
Bank 4	Aug 2023	1M EURIBOR + 1.55%	11,711	11,710
Bank 5	Mar 2022	6M EURIBOR + 1.75%	8,010	-
Less current portion			(1,083)	(1,722)
Total non-current debt			**50,662**	**58,981**
Current borrowings*				
Bank 1	Dec 2017	1M EURIBOR + 1.45%	6,978	7,016
Bank 1	Dec 2017	3M EURIBOR + 3.00%	1,433	1,453
Bank 1	Mar 2018	3M EURIBOR + 1.50%	23,222	-
Current portion of non-current borrowings			1,083	1,722
Total current debt			**32,716**	**10,191**
Total			**83,378**	**69,172**

*Please refer to information under *Going concern assessment* (note 2).

Loan securities

Borrowings received were secured with the following pledges and securities as of 31 March 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, and Pirita	Europa	Lincona, SKY and Europa	Europa, SKY	
Bank 2	Coca-Cola Plaza		Coca-Cola Plaza	Coca-Cola Plaza	
Bank 3	Domus Pro	Domus Pro	Domus Pro		BOF Domus Pro UAB
Bank 4	Upmalas Biroji			Upmalas Biroji	
Bank 5	Duetto I		Duetto I	Duetto I	Duetto I

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

16. Trade and other payables

'000 Euro	31.03.2017	31.12.2016
Accrued expenses related to Domus Pro development	1,375	1,127
Trade payables	522	804
Accrued expenses	132	199
Accrued financial expenses	27	28
Tax payables	157	174
Other payables	321	544
Total trade and other payables	**2,534**	**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 31 March 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 31 March 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 3-month period ended 31 March 2017 and 2016 were the following:

'000 Euro	01.01.2017-31.03.2017	01.01.2016-31.03.2016
Northern Horizon Capital AS group		
Management fees	258	151
Performance fees	6	-

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

'000 Euro	31.03.2017	31.12.2016
Northern Horizon Capital AS group		
Management fees payable	258	211
Performance fees payable	6	-

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 508,687 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 31 March 2017 and 31 December 2016 are presented in the tables below:

Initialled for identification purposes only
Allkirjastatud identifitseerimiseks
Date/kuupäev 11.05.2017
Signature/allkiri
KPMG, Tallinn

As at 31 March 2017

	Number of units	Percentage
Nordea Bank Finland Plc. clients	20,737,689	36.22%
Catella Bank SA on behalf of its clients	9,485,938	16.57%
Svenska Kyrkans Pensionskassa	8,061,604	14.08%
Skandinaviska Enskilda Banken SA clients	4,766,470	8.32%

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	
'000 Euro	**31.03.2017**	**31.12.2016**	**31.03.2017**	**31.12.2016**
Financial assets				
Trade and other receivables	1,282	1,269	1,282	1,269
Cash and cash equivalents	8,641	9,883	8,641	9,883
Derivative financial instruments	22	-	22	-
Financial liabilities				
Interest-bearing loans and borrowings	(83,378)	(69,172)	(83,360)	(69,351)
Trade and other payables	(2,534)	(2,876)	(2,534)	(2,876)
Derivative financial instruments	(229)	(345)	(229)	(345)

Fair value hierarchy

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

Period ended 31 March 2017 '000 Euro	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Financial assets				
Trade and other receivables	-	-	1,282	**1,282**
Cash and cash equivalents	-	8,641	-	**8,641**
Derivative financial instruments		22	-	**22**
Financial liabilities				
Interest-bearing loans and borrowings	-	-	(83,360)	**(83,360)**
Trade and other payables	-	-	(2,534)	**(2,534)**
Derivative financial instruments	-	(229)	-	**(229)**

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	-	(207)	-	**(207)**

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 31 March 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	Starting date	Maturity date	Notional amount	Variable rate (received)	Fixed rate (paid)	Fair value 31.03.2017	Fair value 31.12.2016
IRS	Dec 2014	May 2018	6,639	3M EURIBOR	0.50 %	(60)	(73)
IRS	Sep 2015	Mar 2018	18,581	3M EURIBOR	0.15 %	(76)	(95)
IRS	Aug 2016	Aug 2021	7,750	6M EURIBOR	0.05 %	-	(5)
IRS	Nov 2016	Aug 2023	10,575	1M EURIBOR	0.26 %	(93)	(172)
Derivative financial instruments, liabilities						**(229)**	**(345)**

Derivative type	Starting date	Maturity date	Notional amount	Variable rate (received)	Fixed rate (paid)	Fair value 31.03.2017	Fair value 31.12.2016
IRS	Aug 2016	Aug 2021	7,750	6M Euribor	0.05 %	22	-
Derivative financial instruments, assets						**22**	**-**

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

	Liabilities		Assets	
Classification according to maturity	**31.03.2017**	**31.12.2016**	**31.03.2017**	**31.12.2016**
Non-current	(153)	(345)	22	-
Current	(76)	-	-	-
Total	**(229)**	**(345)**	**22**	**-**

21. Subsequent events

On 28 April 2017, the Fund declared a cash distribution of approx. EUR 1,317 thousand (EUR 0.023 per unit).

There were no other significant events after period end.

22. List of consolidated companies

Name	Registered office	Registration Number	Date of incorporation / acquisition	Activity	Interest in capital
BH Lincona OÜ*	Rävala 5, Tallinn, Estonia	12127485	20 June 2011	Asset holding company	100%
BOF Domus Pro UAB	Bieliūnų g. 1-1, Vilnius, Lithuania	225439110	1 May 2014	Asset holding company	100%
BOF SKY SIA	Valdemara 21-20, Riga, Latvia	40103538571	27 March 2012	Asset holding company	100%
BH CC Plaza OÜ**	Rävala 5, Tallinn, Estonia	12399823	11 December 2012	Asset holding company	100%
BOF Europa UAB	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***	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%

*formerly known as *BOF Lincona OÜ*.
**formerly known as *BOF CC Plaza OÜ.*
**BH MT 24 OÜ merged to Pirita Center OÜ on 6 April 2017.

The interim condensed consolidated financial statements of Baltic Horizon Fund were approved for issue by the Management Board of the Management Company on 10 May 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 3-Month Period Ended 31 March 2017

UAB BOF EUROPA

COMPANY'S UNAUDITED INTERIM FINANCIAL STATEMENTS FOR 3-MONTH PERIOD ENDED 31 MARCH 2017 PREPARED IN ACCORDANCE WITH BUSINESS ACCOUNTING STANDARDS OF THE REPUBLIC OF LITHUANIA

Company details

UAB BOF 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

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 UAB BOF Europa

Introduction

We have reviewed the accompanying balance sheet of UAB BOF Europa (hereinafter „the Company) as at 31 March 2017, the profit (loss) statement, statements of changes in equity and cash flows for the three-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 31 March 2017 are not prepared, in all material respects, in accordance with Business Accounting Standard of the Republic of Lithuania.

Other Matter

The corresponding numbers in the statements of profit(loss) and cash flows as well as related notes to the interim financial statements are prepared based on not reviewed financial statements for the three months period ended 31 March 2016.

On behalf of KPMG Baltics, UAB

T. Marčinauskytė

Toma Marčinauskytė
Certified Auditor

Vilnius, the Republic of Lithuania
8 May 2017

Company code: 111494971
VAT code: LT114949716

(EUR thousand unless otherwise stated)

INTERIM REPORT OF UAB BOF EUROPA

3 MONTHS PERIOD ENDED AS AT 31 MARCH 2017

REPORTING PERIOD COVERED BY THE INTERIM REPORT

The interim financial report is prepared for 3 month period, all figures are presented as at 31 March 2017 unless otherwise stated. In this report, UAB BOF Europa can also be referred to as "the Company".

GENERAL INDORMATION ABOUT THE COMPANY

Name: UAB BOF Europa (until 19 June 2015 the name of the Company was BPTS Europa)
Company's authorised capital: EUR 868,800
Registration date: 6 October 2004
Operational period: not limited
Company code: 300059140
The Company's activities comprise real estate transactions, including purchasing, sales and lease of premises
Address: Gynėjų g. 16, Vilnius, the Republic of Lithuania
Legal-organizational form: Limited Liability Company
Governing law: law of the Republic of Lithuania
Country of establishment: the Republic of Lithuania

1. OBJECTIVE REVIEW OF THE COMPANY'S POSITION, ACTIVITY AND DEVELOPMENT, CHARACTERISATION OF THE MAIN TYPES OF RISKS AND UNCERTAINTIES FACED BY THE COMPANY

All shares with the nominal value of EUR 1 each are ordinary and were fully paid as at 31 March 2017 and 31 December 2016. At the time of establishment, the Company's authorised capital amounted to EUR 2,896 thousand. On 24 December 2004 the authorised capital was increased to EUR 14,960 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 2012. Based on the decision of the sole shareholder, on 30 April 2014 the Company's authorised capital was reduced to EUR 868,860 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.

In 2016, the Company carried out reorganisation by way of merger. Information about the reorganisation is provided in the *Background Information* section.

As at 31 March 2017 and 31 December 2016, the Company's shareholders were:

	31.03.2017.		31.12.2016.	
	Number of shares held	**Ownership share**	**Number of shares held**	**Ownership share**
Baltic Horizon Fund	868,800	100%	868 800	100 %
Total	868 800	100 %	868 800	100 %

As at 31 March 2017, the Company's assets comprised EUR 39,190 thousand, including the investment property of EUR 38,051 thousand, amounts receivable after one year of EUR 67 thousand and current assets of EUR 938 thousand.

The investment property owned by the Company comprised the shopping centre Europa located at Konstitucijos pr. 7A, Vilnius, two land plots and ½ parking, located at Konstitucijos pr. 7B and Europos a. 1, Vilnius.

When preparing the interim financial statements for the 3 months period ended as at 31 March 2017, the Company used the accounting principles to account investment property at fair value, accordingly depreciation is not calculated.

The Company's sales for 3 month period of 2017 amounted to EUR 1,059 thousand from operating activities; i.e. from the lease of the investment property owned by the Company. The Company's result for 3 month period of 2017 is net profit of EUR 416 thousand.

2. NUMBER OF EMPLOYEES AT THE END OF THE PERIOD

As at 31 March 2017, the Company had 1 employee.

3. INFORMATION ABOUT OWN SHARES ACQUIRED AND TRANSFERRED

During the reporting period, the Company did not acquire or transfer own shares.

4. COMPANY'S SUBSIDIARIES

As at 31 March 2017, the Company had no subsidiaries.

5. INFORMATION ABOUT THE BRANCHES AND REPRESENTATIVE OFFICES OF THE COMPANY

The Company has no branches or representative offices.

6. IMPORTANT EVENTS, WHICH HAVE OCCURRED AFTER 31 MARCH 2017

After 31 March 2017 until the approval of these interim financial statements, there were no other post-balance sheet events, which would have an effect on these interim financial statements or require disclosure.

7. INFORMATION ABOUT THE COMPANY'S ACTIVITY PLANS, DEVELOPMENT AND FORECASTS

The Company's vision and strategy: shops and restaurants of well-known brands with unique, luxurious and modern design and activity conceptions. The main goal for 2017 is to further strengthen and maintain its position and niche in the city's market by increasing the attractiveness of the shopping centre to customers and potential and current lessees. The focus will be kept on sales promotion by the lessees' shops, an average 10% growth in turnover is expected. The centre's occupancy rate is expected to be 95% or higher, and annual number of customers not below 4 million.

8. WHEN THE COMPANY EMPLOYS FINANCIAL INSTRUMENTS AND WHEN IT IS IMPORTANT FOR THE VALUATION OF THE COMPANY'S ASSETS, EQUITY, LIABILITIES, FINANCIAL POSITION AND ACTIVITY RESULTS, THE COMPANY DISCLOSES THE OBJECTIVES OF THE FINANCIAL RISK MANAGEMENT, ITS POLICY FOR HEDGING MAJOR TYPES OF FORECASTED TRANSACTIONS FOR WHICH HEDGE ACCOUNTING IS USED, AND COMPANY'S EXPOSURE TO PRICE RISK, CREDIT RISK, LIQUIDITY RISK AND CASH FLOW RISK

In 2008, the Company signed interest rate swap agreements with AB SEB Bankas. The purpose of these 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 19,652 thousand based on the swap agreement signed in 2008. The swap is effective until 2 March 2018.

Authorised person Mariana Portianko

(EUR thousand unless otherwise stated)

Balance sheet

Row No.	Items	Notes	31-03-2017	31-12-2016
	ASSETS			
A.	**NON-CURRENT ASSETS**		**38,118**	**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		**38,051**	**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		**38,051**	**38,000**
2.6.1.	Land		-	-
2.6.2.	Buildings	3	38,051	38,000
2.7.	Prepayments made and construction in progress		-	-
3.	FINANCIAL NON-CURRENT ASSETS		**67**	**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	67	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**		**938**	**1,125**
1.	INVENTORIES		**9**	**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	9	11
2.	AMOUNTS RECEIVABLE WITHIN ONE YEAR		**500**	**426**
2.1.	Trade debtors	4	325	232
2.2.	Due from group companies		-	-
2.3.	Due from associated companies		-	-
2.4.	Other amounts receivable	5	175	194
3.	CURRENT INVESTMENTS		**-**	**-**
3.1.	Investments in group companies		-	-
3.2.	Other investments		-	-
4.	CASH AND CASH EQUIVALENTS	6	**429**	**688**
C.	**DEFERRED COSTS AND ACCRUED INCOME**	5	**134**	**218**
	TOTAL ASSETS		**39,190**	**39,431**

(continued on next page)

(EUR thousand unless otherwise stated)

Balance sheet (continued)

Row No.	Items	Notes	31-03-2017	31-12-2016
	EQUITY AND LIABILITIES			
D.	**EQUITY**		**9,649**	**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	**(64)**	**(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)		**7,541**	**7,125**
5.1.	Current year profit (loss)		416	2,390
5.2.	Previous year's profit (loss)		7,125	4,735
E.	**GRANTS, SUBSIDIES**		**-**	**-**
F.	**PROVISIONS**		**3,073**	**2,996**
1.	Pensions and similar obligations		-	-
2.	Deferred tax	20	3,073	2,996
3.	Other provisions		-	-
G.	**AMOUNTS PAYABLE AND LIABILITIES**		**26,384**	**27,179**
1.	AMOUNTS PAYABLE AFTER ONE YEAR AND LONG-TERM LIABILITIES		**2,726**	**25,797**
1.1.	Financial liabilities	13	-	95
1.2.	Credit institutions	9	-	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	2,613	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		**23,658**	**1,382**
2.1.	Financial liabilities	13	75	-
2.2.	Credit institutions	9	23,222	893
2.3.	Prepayments received	10	199	200
2.4.	Payable to suppliers		115	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	47	75
H.	**ACCRUED COSTS AND DEFERRED INCOME**	11	**84**	**40**
	TOTAL EQUITY AND LIABILITIES		**39,190**	**39,431**

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

Authorized person	Mariana Portianko		7 May 2017
Representative of the company in charge of accounting	Imante Raibuzyte		7 May 2017

(EUR thousand unless otherwise stated)

Profit (loss) statement

Row No.	Items	Note	01-01-31-03-2017	01-01 – 31-03-2016 not reviewed
1.	Sales	14	1,059	1,007
2.	Cost of sales	15	(429)	(437)
3.	Change in fair value of biological assets		-	-
4.	**GROSS PROFIT (LOSS)**		**630**	**570**
5.	Sales expenses		-	-
6.	General and administration expenses	16	(19)	(14)
7.	Other activity results		-	-
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	-	117
11.	Decrease in the value of financial assets and short-term investments		-	-
12.	Other interest and similar expenses	18	(121)	(101)
13.	**PROFIT (LOSS) BEFORE TAXATION**		**490**	**572**
14.	Corporate income tax	19	(74)	(86)
15.	**NET PROFIT (LOSS)**		**416**	**486**

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

Authorized person	Mariana Portianko		7 May 2017
Representative of the company in charge of accounting	Imante Raibuzyte		7 May 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					17					**17**
20. Purchase (sale) of own shares										-
21. Profit (loss) not recognised in the income statement										-
22. Net profit (loss) for the reporting period									416	**416**
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**	**-**	**-**	**-**	**(64)**	**1,303**	**-**	**-**	**7,541**	**9,649**

[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.

Authorized person	Mariana Portianko	7 May 2017
Representative of the company in charge of accounting	Imante Raibuzyte	7 May 2017

(EUR thousand unless otherwise stated)

Cash flow statement

Row No.	Items	Note No.	01.01.-31.03.2017	01.01.-31.03.2016 not reviewed
1.	**Cash flow from operating activities**			
1.1.	Net profit (loss)		**416**	**486**
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		119	(17)
1.5.	Elimination of result from other non-monetary transactions		3	-
1.6.	Decrease (increase) in amounts receivable from group and associated companies		-	-
1.7.	Decrease (increase) in other amounts receivable after one year		21	27
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		2	-
1.11.	(Increase) decrease in trade debtors		(96)	65
1.12.	(Increase) decrease in receivable from group and associated companies other short-term assets		-	-
1.13.	(Increase) decrease in other receivable amounts		19	-
1.14.	(Increase) decrease in short-term investments		-	-
1.15.	(Increase) decrease in deferred costs and accrued income		84	78
1.16.	Increase (decrease) in in provisions		77	80
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		(51)	(21)
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		(28)	(32)
1.26.	Increase (decrease) in accrued costs and deferred income		42	(16)
	Net cash flow from operating activities		**608**	**649**
2.	**Cash flow from investing activities**			
2.1.	Acquisition of non-current assets (except for investments)		(100)	(22)
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.-31.03.2017	01.01.-31.03.2016 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		**(100)**	**(22)**
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		**(767)**	**(671)**
3.2.1.	Increase in financial liabilities		-	-
3.2.1.1.	Loans received		-	-
3.2.1.2.	Bonds emission		-	-
3.2.2.	Decrease in financial liabilities		-	-
3.2.2.1.	Loans repaid		(643)	(223)
3.2.2.2.	Redemption of bonds		-	-
3.2.2.3.	Interest paid		(124)	(448)
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		**(767)**	**(671)**
	Impact of currency exchange fluctuations on the balance of cash and cash equivalents		**-**	**-**
5.	**Increase (decrease) in net cash flow**		**(259)**	**(44)**
6.	**Cash and cash equivalents in the beginning of the period**		**688**	**964**
7.	**Cash and cash equivalents at the end of the period**		**429**	**920**

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

Authorized person	Mariana Portianko		7 May 2017
Representative of the company in charge of accounting	Imante Raibuzyte		7 May 2017

Explanatory notes

1 General information

UAB BOF Europa (hereinafter "the Company") is a limited liability company registered in the Republic of Lithuania. 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.
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 31 March 2017 and 31 December 2016, the sole shareholder of the Company was Baltic Horizon Fund (company code 11025345) with address at Hobujaama 5, 10151 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 31 March 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 Hobujaama 5, 10151 Tallinn, the Republic of Estonia.

As at 31 March 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 2 May 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.

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 Hobujaama 5, 10151 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.

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

As from 1 January 2016 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.

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

(EUR thousand unless otherwise stated)

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 31 March 2016 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	51
Change in fair value	-
Balance at 31 March 2017	**38,051**

As at 31 March 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 31 March 2017 and 31 December 2016 is based on valuation report issued on 30 September 2016. 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." Management is of the opinion that the determined fair value of the assets would not significantly differ from the value which would have been determined if the valuation had been performed as at 31 March 2017.

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%, and exit yield amounted to 7.25%.

In in 2016, the growth rate applied to income amounted to 0–2,44 %. Growth rate applied to expenses in different years amounted to 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%*	42 600	41 900	41 100	40 300	39 600	38 900	38 200
	6,75%	41 700	41 000	40 200	39 500	38 800	38 100	37 400
	7,00%	40 900	40 200	39 400	38 700	38 000	37 400	36 700
	7,25%	40 100	39 400	38 700	**38 000**	37 300	36 700	36 000
	7,50%	39 400	38 700	38 000	37 300	36 700	36 000	35 400
	7,75%	38 700	38 000	37 400	36 700	36 100	35 400	34 800
	8,00%	38 100	37 400	36 800	36 100	35 500	34 900	34 300

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, lease (except for lease under market conditions which are favourable to the Company under ordinary business conditions), write-off and sell the property only with the prior written consent of the bank.

Investment property includes a building and land, the fair value of which is determined using income method using discounted cash flows approach. 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.

4 Trade receivables

	31.03.2017	**31.12.2016**
Trade receivables, gross	535	439
Less: impairment allowance for doubtful receivables	(210)	(207)
	325	**232**

(EUR thousand unless otherwise stated)

4 Trade receivables (continued)

Change for the 3 month of the year 2017 in impairment allowance for doubtful receivables of EUR 3 thousand is included in general and administrative expenses (note 16).

5 Other amounts receivable and accrued income

	31.03.2017	31.12.2016
Leasing receivable after one year	67	88
Long-term part	**67**	**88**
Leasing receivable within one year	171	190
Receivable VAT	4	4
Other receivable amounts	**175**	**194**
Accrued income	82	163
Deferred costs:	**52**	**55**
-Insurance	-	3
-Brokerage	52	52
Deferred costs and accrued income	**134**	**218**
Prepayments made – surplus payment to suppliers	**9**	**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:

	31 March 2017 (value coverage)	31 March 2017 (interest)
2017	171	8
2018	67	1
	238	**9**

6 Cash and cash equivalents

The Company had no cash in hand and all its cash was held at AB SEB Bankas as at 31 March 2017 and 31 December 2016.
As described in Note 9, to secure the repayment of the loan, the Company pledged its funds, investment property and future inflows to bank accounts, receivables from lessees, the annual turnover with which should be EUR 1,500 thousand or higher.

7 Authorized capital

As at 31 March 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 31 March 2017, all shares were fully paid.

(EUR thousand unless otherwise stated)

7 Authorized capital (continued)

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 31 March 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.

	31 March 2017	31 December 2016
Legal reserve	1,303	1,303
Change in fair value of derivative financial instruments	(75)	(95)
Amount of deferred tax on fair value of derivative financial instruments	11	14

9 Borrowings

As at 31 March 2017, 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	23,222
(B) Baltic Horizon Fund loan	3,70 %	**	31/12/2026	2,613
				25,835

* Interest rate is variable: 3-month EURIBOR + 1.50% margin.
** Interest rate is fixed.
(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.

To secure the fulfilment of obligations under the loan agreement, the Company pledged investment property with the fair value of EUR 38,051 thousand as at 31 March 2017. The Company also pledged all current and future funds (future inflows) in all currencies in bank accounts, a demand right to amounts receivable from lessees, the annual turnover with which should be EUR 1,500 thousand or higher.

Maximum pledge was set by the agreement by specifying a maximum amount of EUR 7,815 which can be recovered by the bank in case of improper fulfilment of the obligations.

(EUR thousand unless otherwise stated)

9 Borrowings (continued)

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 31 March 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 is EUR 3,100 thousand, annual (fixed) interest rate is 3.70%. The repayment deadline is 31 December 2026. As at 31 March 2017, the outstanding loan balance was EUR 2 585 thousand, accrued interest – EUR 28 thousand. The loan balance as ta 31 December 2016 was EUR 3 005 thousand, accrued interest – EUR 33 thousand.

Maturities of short-term and long-term loans:

	31 March 2017	31 December 2016
Long-term loans		
Loans from credit institutions	**-**	**22,551**
Loans from the shareholder	**2,613**	**3,038**
	2,613	**25,589**
Short-term loans		
Current portion of long-term loans from credit institutions	**23,222**	**893**
Loan from the shareholder	**-**	**-**
	23,222	**893**
	25,835	**26,482**

10 Prepayments received

As at 31 March 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

	31 March 2017	31 December 2016
Accrued utility expenses	46	13
Accrued other costs	23	11
Accrued interest	8	7
Accrued audit expenses	5	6
Deferred income	2	3
Accruals for property valuation costs	-	-
	84	**40**

(EUR thousand unless otherwise stated)

12 Other payable amounts and current liabilities

	31 March 2017	31 December 2016
Payable value added tax	47	41
Payable real estate tax	-	34
	47	**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 19,652 thousand based on the swap agreement signed in 2008. The swap is effective until 2 March 2018.

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 31 March 2017	Fair value 31 December 2016
Interest rate swap	September 2015	March 2018	19 652	75	95
Derivative financial instrument liabilities			**19 652**	**75**	**95**

14 Sales

	01.01.-31.03.2017	01.01. - 31.03.2016 Not reviewed
Lease income	743	676
Revenue from resale of utilities and other services	313	327
Other incomes	3	4
	1,059	**1,007**

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 31 March 2017 is EUR 38,051 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.-31.03.2017	01.01. - 31.03.2016 Not reviewed
Utilities	150	174
Repairs and asset maintenance	113	122
Asset management expenses	68	57
Sales and marketing expenses	60	38
Real estate tax	35	43
Insurance	3	3
Brokerage	-	-
	429	**437**

16 General and administrative expenses

	01.01.-31.03.2017	01.01. - 31.03.2016 Not reviewed
Advisory services	11	9
Audit expenses	2	1
Other operating expenses	1	2
Licence fees	2	2
Change in impairment allowance for doubtful trade receivables and expenses related to write-off of bad debts	3	-
	19	**14**

17 Other interest and similar income

	01.01.-31.03.2017	01.01. - 31.03.2016 Not reviewed
Interest income from group companies'	-	117
	-	**117**

18 Interest and other similar expenses

	01.01.-31.03.2017	01.01. - 31.03.2016 Not reviewed
Interest expenses to the bank	(95)	(100)
Interest expenses to group companies'	(25)	-
Other	(1)	(1)
	(121)	**(101)**

(EUR thousand unless otherwise stated)

19 Corporate income tax

	01.01.- 31.03.2017	01.01. - 31.03.2016 Not reviewed
Net result before corporate income tax	490	572
Temporary differences	(49)	-
Permanent differences	3	-
Change in fair value (Note 3)	-	-
Depreciation of investment property for profit tax purposes	(629)	(623)
Taxable result for the period	**(185)**	**(51)**
Components of income tax income (expenses)		
Income tax (expenses) for the reporting period	-	(23)
Deferred tax income (expenses)	(74)	(63)
Income tax income (expenses), recognised in the income statement	(74)	(86)
Change in deferred tax on derivative financial instruments stated directly under equity	(3)	6
Change in deferred income tax	**(77)**	**(80)**

Deferred tax asset	**31.03.2017**	**31.12.2016**
Tax losses	1,429	1,401
Impairment allowance for receivables	45	45
Deferred tax asset on derivative financial instruments	11	14
Deferred tax asset	1,485	1,460
Not recognised part of deferred tax asset due to bad debts	(45)	(45)
Net deferred tax asset	1,440	1,415
Deferred tax liability		
Investment property (depreciation and fair value adjustment)	(4,513)	(4,411)
Deferred tax liability	(4,513)	(4,411)
Net deferred tax (liability)	**(3,073)**	**(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 31 March 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. SWAP notional amount is EUR 19,652 thousand.

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 0.04 as at 31 March 2017 (31 December 2016: 0.81).

As at 31 March 2017, short-term liabilities of the Company exceeded current assets by EUR 22,720 thousand. The originated liquidity difference will be covered by bank loan agreement prolongation. The management of the company has already received a non-binding bank offers to extend the loan of EUR 23,222 thousand expiring in March 2018. Management of the Company is confident that expiring loans can be extended or refinanced with other banks.

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)
- UAB BOF Europa Holding (the sole shareholder of the Company until the reorganisation date of 22 November 2016. The Company had dividends payable.
- UAB BPT Real Estate (service provider of asset management and accounting). The Company hires asset management services from this company from 2 March 2015 (Note 15).

The Company's transactions with related parties in 3 month period ended 31 March 2017 and balances as at 31 March 2017 were the following:

	Amounts receivable and other assets	Amounts payable and other liabilities	Expenses	Income	Accruals
Baltic Horizon Fund	-	2,613	25	-	-
Group companies, total	**-**	**2,613**	**25**	**-**	**-**
UAB BPT Real Estate	-	-	40	-	-
Other related parties, total	**-**	**-**	**40**	**-**	**-**

The Company's transactions with related parties for 3-month period ended 31 March 2016 and balances as at 31 December 2016 were the following:

	Amounts receivable and other assets	Amounts payable and other liabilities	Expenses	Income	Accruals
Baltic Horizon Fund	-	3,038	-	117	-
Group companies, total	**-**	**3,038**	**-**	**117**	**-**
UAB BPT Real Estate	-	243	55	-	13
Other related parties, total	**-**	**243**	**55**	**-**	**13**

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

(EUR thousand unless otherwise stated)

21 Related party transactions (continued)

In 2017, the remuneration to the Company's management amounted to EUR 0.1 thousand (2016: EUR 0.4 thousand). In 3-month period ended 31 March 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

After the end of the financial year until the approval of these financial statements, there were no other post-balance sheet events, which would have an effect on these financial statements or require disclosure. Draft appropriation of profit was not yet prepared as at the date of approval of these financial statements.

23 Contingencies

As at 31 March 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 31 March 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.

In 2012, Vilnius County State Tax Inspectorate performed an analysis of income tax for the period from 1 December 2008 until 31 December 2010. During the tax investigation, no violations were detected.

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

Authorized person	Mariana Portianko		7 May 2017
Representative of the company in charge of accounting	Imante Raibuzyte		7 May 2017

The Fund

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