PROSPECTUS SUPPLEMENT

Offering of up to 37,131,000 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 4.3-4.6/4365, dated 7 November 2016 (the "Offering Circular") and published by Northern Horizon Capital AS (the "Management Company") on 8 November 2016. The Offering Circular and the Prospectus Supplement have been prepared and published in connection with the offering (the "Offering") of up to 37,131,000 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 22,279,000 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.

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 4.3-4.6/4954 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.

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 November 2016

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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 update the members of the Supervisory Board of the Fund;
(ii) to allow the Global Lead Sales Partner and its nominated distributors to apply a minimum subscription amount of 400 units per Purchase Order;
(iii) to include the Fund's unaudited interim consolidated financial statements for the 9-month period ended 30 September 2016;
(iv) to include Europa SPV's unaudited interim financial statements for the 9-month period ended 30 September 2016;
(v) to provide the updated summary of the Offering Circular which includes the new information disclosed in this Offering Supplement.

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 7 November 2016 and as supplemented with the Prospectus Supplement dated 22 November 2016.

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 20.5m of net 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 five 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. 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 6.75-7.25% at the end of 2015. They exceeded yields in Nordic capitals by approximately 2.5% and Warsaw 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 higher pace than the EU average. Ranked by real GDP growth over 2000-2015 (Eurostat), they are in the top 7 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 43% at the end of 2015 – substantially below the EU average of 87% (according to the EC).
B.4a	**Significant trends**	The growth of the GDP of Baltic countries has significantly outperformed EU average. In 2015 economies of the Baltic countries were 19-20% larger in real terms compared to 2010 level whereas overall EU's GDP increased by only 5% real over the same period. In year 2015, despite a fall in exports to Russia, the Baltic economies delivered growth (albeit slower than in previous years) supported by expanding household expenditure which benefited from declining unemployment, rising wages and low inflation. The EC forecasts that buoyed by growing private consumption the Baltic countries will continue expanding at a considerably faster pace than EU as a whole. Overall EU is expected to achieve real GDP growth of 1.8% in 2016 and 1.9% in 2017. In contrast, the EC forecasts both Lithuania and Latvia to deliver growth of 2.8% in 2016 and 3.1% in 2017 and Estonia to grow by 1.9% in 2016 and 2.4% in 2017. 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 is forecast by the EC to reach government debt to GDP ratio of 86% in 2017, Estonia's government debt is projected to be only 9% of GDP (the lowest in the EU), Latvia's 36% (the 4th lowest) and Lithuania's 43% (the 9th lowest). The activity in the Baltic property transaction market has been growing rapidly in recent years. According to Colliers, in 2015 the turnover of property transactions, aggregated for all three Baltic countries, reached EUR 1.4bn – up by more than 60% compared to 2014 and exceeding the previous peak of EUR 1.0bn recorded in 2007. Office and retail properties constituted 24% and 49% of the transaction volume in 2015 respectively. 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 2015 prime yields for office and retail properties stood at 7.0-7.25% in Riga, 7.0% in Vilnius and 6.75% 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 2015 prime yields for office and retail (SCs) properties were between 5.0-6.0% in Warsaw, 4.5-5.0% in Copenhagen, 4.25-4.50% in Stockholm and 4.0-4.25% in Oslo. Stock of modern office space in the Baltic capital cities increased by 5% to 1,624 thousand sqm of GLA in 2015. Office vacancy dropped to 4.3% from 6.5% in Vilnius and to 6.0% from 7.0% in Tallinn while in Riga it was stable at 5.7%. Development activity has picked up recently in Vilnius and Tallinn office markets as growth in demand for office premises has outpaced additions to supply illustrated by falling vacancy. The demand has been supported by launches of new shared service centers of international companies, especially in Vilnius. A major part of office buildings under construction are pre-let. Retail space (in shopping centers) in the Baltic capitals rose by 2% to 1,786 thousand sqm of

<table>
<tr><td></td><td></td><td>GLA in 2015. Vacancy rates in SCs were low – 2.7% in Riga, 1.9% in Vilnius and 0.8% 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 2015 retail trade (excl. motor vehicles and motorcycles) expanded by 4.4-5.4% in real terms in the Baltic countries exceeding 3.0% rise in the EU and 2.4% in the euro area. Development activity in retail property sector has been modest and below one in Vilnius and Tallinn office markets.</td></tr>
<tr><td>B.5</td><td>Group</td><td>Not applicable</td></tr>
<tr><td>B.6</td><td>Unitholders</td><td>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.</td></tr>
<tr><td>B.7</td><td>Selected historical financial information</td><td>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. 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 unaudited interim consolidated financial statements for the 9-month period ended 30 September 2016, BOF's financial results prior to the merger are presented as those of the Fund. For these reasons, in this Offering Circular past results of BOF are presented as results of the Fund.

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

- For the interim period of January – September 2016 (and the corresponding period of 2015): the Fund's unaudited interim consolidated financial statements for the 9-month period ended 30 September 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 years 2014 and 2013: 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 and 2013.

Table 1: Consolidated income statement of the Fund, EUR thousand
<table>
<tr><th></th><th>2013</th><th>2014</th><th>2015</th><th>Jan - Sep 2015</th><th>Jan - Sep 2016</th></tr>
<tr><td>Rental income</td><td>2,454</td><td>3,048</td><td>6,073</td><td>4,325</td><td>5,334</td></tr>
<tr><td>Expenses reimbursement revenue</td><td>632</td><td>829</td><td>2,062</td><td>1,468</td><td>1,810</td></tr>
<tr><td>Cost of rental activities</td><td>-806</td><td>-1,177</td><td>-2,796</td><td>-2,004</td><td>-2,301</td></tr>
<tr><td>Net rental income</td><td>2,280</td><td>2,700</td><td>5,339</td><td>3,789</td><td>4,843</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Administrative expenses</td><td>-592</td><td>-665</td><td>-984</td><td>-621</td><td>-1,462</td></tr>
<tr><td>Other operating income</td><td>4</td><td>-</td><td>267</td><td>266</td><td>95</td></tr>
<tr><td>Net loss on disposal of investment properties</td><td>-</td><td>-</td><td>-10</td><td>-10</td><td>-</td></tr>
<tr><td>Valuation gains/losses on investment properties</td><td>1,326</td><td>611</td><td>2,886</td><td>-</td><td>2,361</td></tr>
</table></td></tr>
</table>

Operating profit	**3,018**	**2,646**	**7,498**	**3,424**	**5,837**
Financial income	40	72	17	14	11
Financial expenses	-440	-656	-1,100	-814	-840
Profit before tax	**2,618**	**2,062**	**6,415**	**2,624**	**5,008**
Income tax charge	-102	-55	-890	-288	-428
Profit for the period	**2,516**	**2,007**	**5,525**	**2,336**	**4,580**
Earnings per unit (basic and diluted)[1], EUR	**0.14**	**0.10**	**0.23**	**0.10**	**0.12**

Source: audited consolidated financial statements of BOF for years 2013 - 2015 and unaudited interim consolidated financial statements of the Fund for the 9-month period ended 30 September 2016

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

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

	31 Dec 2013	31 Dec 2014	31 Dec 2015	30 Sep 2016
Investment properties	33,135	46,170	86,810	129,200
Other non-current assets	23	-	263	376
Total non-current assets	**33,158**	**46,170**	**87,073**	**129,576**
Trade and other receivables	2,139	214	840	722
Prepayments	13	11	81	154
Cash and cash equivalents	456	2,626	1,677	3,245
Total current assets	**2,608**	**2,851**	**2,598**	**4,121**
TOTAL ASSETS	**35,766**	**49,021**	**89,671**	**133,697**
Paid in capital	18,156	22,051	25,674	46,636
Cash flow hedge reserve	-210	-194	-199	-265
Retained earnings	1,510	2,458	6,218	10,798
Total equity	**19,456**	**24,315**	**31,693**	**57,169**
Interest bearing loans and borrowings	15,415	22,395	39,586	67,745
Deferred tax liabilities	57	670	3,673	4,050
Derivative financial instruments	211	149	215	297
Other non-current liabilities	41	160	451	714
Total non-current liabilities	**15,724**	**23,374**	**43,925**	**72,806**
Interest bearing loans and borrowings	229	644	11,608	1,958
Trade and other payables	313	534	2,036	1,183
Income tax payable	44	-	112	212
Derivative financial instruments	-	60	17	-
Other current liabilities	-	94	280	369
Total current liabilities	**586**	**1,332**	**14,053**	**3,722**
Total liabilities	**16,310**	**24,706**	**57,978**	**76,528**
TOTAL EQUITY AND LIABILITIES	**35,766**	**49,021**	**89,671**	**133,697**

Source: audited consolidated financial statements of BOF for years 2013 - 2015 and unaudited interim consolidated financial statements of the Fund for the 9-month period ended 30 September 2016

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

	2013	2014	2015	Jan - Sep 2015	Jan - Sep 2016
Operating activities					
Profit before tax	2,618	2,062	6,415	2,624	5,008
Adjustments for non-cash items:					
Value adjustment of investment properties	-1,326	-611	-2,886	-	-2,361
Gain/loss on disposal of investment property	-	-	10	-10	-
Value adjustment of derivative finance instruments	1	14	18	11	-
Change in allowance for bad debts	3	29	22	23	-
Financial income	-40	-72	-17	-14	-11
Financial expenses	440	656	1,100	814	840
Non-realised exchange differences	-30	-	-	-	-
Working capital adjustments:					
Decrease/-increase in trade and other accounts receivables	176	-81	-156	9	216
-Increase/decrease in other current assets	-31	271	-82	-77	-94
-Decrease/increase in other non-current liabilities	32	83	120	154	68
Increase/-decrease in trade and other accounts payable	-271	77	69	-117	-239
-Decrease/increase in other current liabilities	29	-559	407	327	-164
Refunded/-paid income tax	-1	-102	-54	-38	-52
Net cash flow from operating activities	**1,600**	**1,767**	**4,966**	**3,706**	**3,211**
Investing activities					
Interest received	40	-	17	13	11
Acquisition of a subsidiaries, net of cash acquired	-	-1,357	-7,657[1]	-7,657	-8,528
Acquisition of investment properties	-11,919	-	-	-	-15,454
Disposal of investment properties	-	-	990	990	-
Capital expenditure on investment properties	-25	-468	-2,213	-1,362	-1,807
Net cash flow from investing activities	**-11,904**	**-1,825**	**-8,863**	**-8,016**	**-25,778**
Financing activities					
Proceeds from bank loans	8,150	499	4,804	4,301	8,182
Repayment of bank loans	-156	-463	-2,684	-2,106	-4,230
Granted loans	-2,000	-	-	-	-
Proceeds from issue of units	1,197	3,019	3,160	3,160	20,962
Profit distribution to unitholders	-1,235	-184	-1,302	-	-
Interest paid	-427	-643	-1,030	-766	-779
Net cash flow from financing activities	**5,529**	**2,228**	**2,948**	**4,589**	**24,135**
Net change in cash and cash equivalents	**-4,775**	**2,170**	**-949**	**279**	**1,568**
Cash and cash equivalents at the beginning of the year	5,231	456	2,626	2,626	1,677

	2013	2014	2015	Jan - Sep 2015	Jan - Sep 2016
Cash and cash equivalents at the end of the year	**456**	**2,626**	**1,677**	**2,905**	**3,245**[2]

Source: audited consolidated financial statements of BOF for years 2013 - 2015 and unaudited interim consolidated financial statements of the Fund for the 9-month period ended 30 September 2016

[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 statement 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 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 400 thousand were restricted following requirements set in bank loan agreements.

Table 4: Key indicators of the Fund

	2013	2014	2015	Jan - Sep 2015	Jan - Sep 2016
Property-related					
Value of investment properties, EUR'000	33,135	46,170	86,810	81,413	129,200
Number of properties, period end	3	4	5	5	7
Rentable area, sqm					
Period end	23,268	30,928	48,651	47,173	70,914
Period average[1]	21,825	28,322	44,718	43,572	55,121
Vacancy rate					
Period end	3.7%	6.3%	2.0%	2.3%	1.9%
Period average[2]	4.0%	9.8%	2.8%	2.7%	3.1%
Net initial yield[3]	7.8%	6.6%	7.1%	6.9%	6.8%
Financial					
EPRA NAV per unit[4,5], EUR	1.09	1.16	1.48	1.40	1.53
NAV per unit[4], EUR	1.07	1.12	1.27	1.21	1.36
Earnings per unit[4], EUR	0.14	0.10	0.23	0.10	0.12
ROE[6]	13.8%	9.2%	19.7%	11.5%	15.6%
Cash earnings[7], EUR'000	1,291	1,349	3,485	2,586	2,595
Cash earnings per unit[4], EUR	0.07	0.07	0.15	0.11	0.07
Cash ROE[8]	7.1%	6.2%	12.4%	12.7%	9.7%
AFFO[9], EUR'000	1,263	983	2,701	1,903	2,212
AFFO per unit[4], EUR	0.07	0.05	0.11	0.08	0.06
Dividends per unit[4], EUR	0.07	0.05	0.07	-	0.026[10]
Interest coverage ratio[11]	3.9	3.2	4.3	4.4	4.2
LTV[12]	47.2%	49.9%	59.0%	63.0%	53.9%

[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] 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. Estimates for interim periods were annualized. When calculating ROE for January – September 2016, profit for the period was adjusted to exclude EUR 625 thousand one-off expenses related to the capital raising completed on 29 June 2016. [7] Cash earnings = profit before tax - valuation gains or losses on investment properties - net gains or losses on disposals of investment properties - paid income taxes. [8] Cash ROE = cash earnings for the period / average total equity. Estimates for interim periods were annualized. When calculating cash ROE for January – September 2016, cash earnings for the period were adjusted to exclude EUR 625 thousand one-off expenses related to the capital raising completed on 29 June 2016. [9] Adjusted funds from operations (AFFO) = net rental income - administrative expenses + financial income - financial expenses - capital expenditure on investment properties (excl. investments into development projects and acquisitions). [10] Represents only a quarterly dividend for Q3 2016 which was announced on 12 October 2016 and paid on 28 October 2016. [11] 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. [12] Loan-to-value (LTV) = total interest bearing loans and borrowings / value of investment properties. **Interim results in the first 9 months of 2016** In the first 9 months of 2016 net rental income of the Fund amounted to EUR 4.8m and was 28% higher compared to the same period in 2015. The largest growth contributor was Europa SC which earned EUR 0.4m more to the Fund than in the same period of 2015 as the property was acquired only in March 2015. The two newest additions to the portfolio – G4S Headquarters (purchased on 12 July 2016) and Upmalas Biroji (acquired on 30 August 2016) – generated EUR 0.3m and EUR 0.1m of net rental income respectively. Lastly, Domus Pro's net rental income increased by EUR 0.2m thanks to the development of its second stage which was fully completed in May 2016. Administrative expenses grew to EUR 1.5m from EUR 0.6m in the same period of 2015. The main reason for the increase was a EUR 0.6m one-off expenses related to the initial public offering of the Fund completed on 29 June 2016. External valuations of the Fund's properties were performed by Colliers and DTZ Kinnisvaraekspert, independent appraisers, for the value date of 30 September 2016. The total portfolio was valued at EUR 129.2m resulting in a EUR 2.4m fair value gain recorded on the Fund's income statement for the 9 months of 2016. No external property valuations were carried out in the comparable period of 2015. Net financial expenses grew by 4% year on year to EUR 829 thousand as new bank loans were obtained to finance (in combination with new equity capital from the initial public offering) acquisitions of G4S Headquarters and Upmalas Biroji. On the other hand, average cost of debt fell to 1.8% in the 9 months of 2016 from 2.8% in the corresponding period of 2015 indicating attractiveness of debt financing in the current economic environment. Income tax amounted to EUR 428 thousand (EUR 288 thousand in the comparable period of 2015) which was comprised of EUR 33 thousand current income tax (EUR 30 thousand) and EUR 395 thousand deferred income tax (EUR 258 thousand). **Results in years 2013 - 2015** 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 to the consolidated net rental income 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. In 2014 net rental income increased by 18% to EUR 2.7m from EUR 2.3m in 2013 driven mainly by Domus Pro which generated EUR 0.4m of net rental income since its acquisition in May 2014. Administrative expenses increased to EUR 1.0m in 2015 from EUR 0.7m in 2014 and EUR 0.6m in 2013. The growth was mainly driven by rising management fee (fixed at 1.9% of year-end NAV) impacted by increases in NAV. In addition, in 2015 a performance fee was recognised

		amounting to EUR 79 thousand (no performance fees were recorded in previous years). Valuation gains on investment properties amounted to EUR 2.9m in 2015, EUR 0.6m in 2014 and EUR 1.3m in 2013. Properties have been recognised at fair value based on independent appraisals which have been carried out once a year with a valuation date of 31 December. The independent appraisals for 31 December 2015 were conducted by Colliers. Net financial expenses grew to EUR 1.1m in 2015 from EUR 0.6m in 2014 and EUR 0.4m in 2013. Increases were attributable predominantly to rising interest expenses on bank loans as bank financing was used to partly finance acquisitions of new properties. Financial debt, fully comprised of bank loans, expanded from EUR 15.6m at the end of 2013 to EUR 23.0m at the end of 2014 (impacted by Domus Pro acquisition) and EUR 51.2m at the end of 2015 (impacted by Europa SC acquisition). Income tax went up to EUR 0.9m in 2015 (fully comprised of deferred tax) from EUR 0.1m in the two previous years caused by substantially higher profits from properties located in Lithuania. Profits in Lithuania grew on the back of successful timing of the acquisition of Europa SC, full year contribution of Domus Pro and substantial fair value gains recognised from completing the rented out expansion of Domus Pro. Over years 2013-2015, income tax has been 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**	The Fund's interim consolidated financial statements for the 9-month period ended 30 September 2016 have not been audited or reviewed by independent auditors. BOF's financial statements for years 2013 – 2015 provided in the Offering Circular, including special purpose consolidated financial statements for years 2014 and 2013, received unqualified opinions from independent auditors. Europa SPV's financial statements are provided in this Offering Circular in accordance with item 2.2(a)(i) of Annex XV of the Prospectus Regulation. Europa SPV's interim financial statements for the 9-month period ended 30 September 2016 have not been audited or reviewed. Europa SPV's financial statements for years ending 31 December 2015 and 31 December 2014 received unqualified opinions from independent auditors. For Europa SPV's financial statements for the year ending 31 December 2013, independent auditors issued a qualified opinion noting that they were unable to obtain sufficient audit evidence that certain valuation assumptions used by independent appraisers to determine the value of Europa SC property for 31 December 2012 were appropriate in the market conditions at that time. The fair value of investment property as at 31 December 2012 had an impact to revaluation amount recognised in the income statement for 2013 and, consequently, auditors were unable to determine whether any adjustments might be necessary to expenses from financing and investing activities and net result for the year ended 31 December 2013. Auditors concluded that, except for the possible effect of this matter, the financial statements gave a true and fair view of the financial position of Europa SPV at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with Business Accounting Standards of the Republic of Lithuania.
B.34	**Investment objective and policy**	The objective of the Fund is to provide its unit-holders with consistent and above average risk-adjusted returns by acquiring high quality cash flow generating commercial properties with the potential for adding value through active management, thereby creating a stable income stream of high yielding current income combined with capital gains. The focus of the Fund is to invest, directly or indirectly, in real estate located in Estonia, Latvia, and Lithuania, with a particular focus on the capitals - Tallinn, Riga, and Vilnius - and a preference for city centres within or near the central business districts. At least 80% of the Fund's gross asset value must be invested in real estate and securities relating to real estate in accordance with the investment objectives and policy of the Fund. Up to 20% of the Fund's gross asset value may be invested in the deposits and financial instruments. The assets of the Fund may be invested in derivative instruments only for the purpose of hedging the property loan risks.

		The Fund shall meet the following risk diversification requirements: • up to 50% of the gross asset value of the Fund may be invested in any single real estate property, or in any single real estate fund; • the annual rental income from one single tenant shall not form more than 30% of the total annual net rental income of the Fund.
B.35	**Borrowing and/or leverage limits**	The Management Company has, on account of the Fund, the right to guarantee an issue of securities, provide surety, take a loan, issue debt securities, enter into repurchase or reverse repurchase agreements, and conclude other securities borrowing transactions. Subject to the discretion of the Management Company, the Fund aims to leverage its assets and targets a debt level of 50% of the value of its assets. At no point in time may the Fund's leverage exceed 65% of the value of its assets. Loans may be taken for periods of up to 30 years.
B.36	**Regulatory status and the name of a regulator**	The Fund is registered with, and is regulated by the Estonian Financial Supervision Authority (*Finantsinspektsioon*).
B.37	**Profile of a typical investor**	A typical investor of the Fund is either an institutional or a retail investor seeking to have a medium or long term indirect exposure to commercial real estate property. Investors should be ready to accept investment risk generally inherent to real estate markets. Provided that Fund's investments are made with a long term perspective with a view to gain both from the increase of the property value over economic cycles and through continuous cash flow generation, also investors are expected to invest with a long term view. Furthermore, investors who expect regular distributions out of cash flows (e.g. dividends, interests) should consider an investment in the Fund. Any investor, who has had no or very little experience in investing in real estate funds or directly in commercial real estate property, should consult their professional adviser in order to learn about the characteristics and risks associated with such investments.
B.38	**Identity of assets in which the Fund invested more than 20% of its gross asset value**	According to the Fund Rules, up to 50% of the gross asset value of the Fund may be invested in any single real estate property, or in any single real estate fund. As of 30 September 2016, the fair value of Europa SC, a shopping mall in Vilnius, constituted 28% of the Fund's gross assets and 29% of its property portfolio value. No other single property (or other investment) comprised more than 20% of the Fund's gross asset value on 30 September 2016.
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. 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 City Plaza, Tartu mnt 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 investment undertaking**	Not applicable. The Fund is not an umbrella collective investment undertaking and it has no investments in other collective investment undertakings.
B.45	**Description of the Fund's portfolio**	As of 30 September 2016 the Fund's property portfolio consisted of 7 commercial properties located in the capital cities of the Baltic States. The fair value of the portfolio amounted to EUR 129.2m and it had 70.9 thousand sqm of rentable area. The Fund took over BOF's portfolio of 5 buildings as a result of the merger with BOF on 30 June 2016. By investing proceeds from the capital raising completed on 29 June 2016, the Fund acquired two more properties: G4S Headquarters in Tallinn on 12 July 2016 and Upmalas Biroji in Riga on 30 August 2016.

Table 5: the Fund's property portfolio, 30 September 2016

Property	Sector	Rentable area, sqm	Fair value, EUR'000	Vacancy	WAULT, years	No of tenants
Europa SC	Retail	16,856	38,000	2.1%	3.8	73
Upmalas Biroji	Office	10,846	23,530	0.0%	4.6	13
G4S Headquarters	Office	9,179	16,800	0.0%	6.1	1
Domus Pro	Retail	11,247	16,740	1.5%	6.1	25
Lincona	Office	10,859	15,700	7.9%	4.4	14
Coca Cola Plaza	Leisure	8,664	13,000	0.0%	6.5	1
Sky Supermarket	Retail	3,263	5,430	0.1%	4.4	24
Total		**70,914**	**129,200**	**1.9%**	**4.9**	**151**

As of 30 September 2016 vacancy of the portfolio stood at 1.9% indicating strong demand for space at Fund's properties. Remaining lease term was at comfortable 4.9 years.

Thanks to the two newest property acquisitions, the composition of Fund's property portfolio became more diversified in terms of both sectors and locations. Compared to the end of 2015, the weight of office sector in the portfolio grew to 43% from 18% of total fair value reducing retail sector's weight to 47% from 68%. Location-wise, the weight of Riga, where now two properties are based, went up to 23% from 6% while Vilnius' weight dropped to 42% from 62%. Tallinn retained a similar position in the portfolio constituting 35% of the portfolio value at the end of September 2016.

All assets 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, the Management Company has been preparing for the development of the third stage at Domus Pro. Its project is a 6-story building with 4,380 sqm of rentable area. Construction is planned to begin in autumn 2016 and be completed in one year.

B.46	**Most recent net asset value per unit**	As of 30 September 2016 the Fund's NAV per unit amounted to EUR 1.36 while EPRA NAV, the measure of long term NAV, stood at EUR 1.53 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 will also be 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 securities issued**	Up to 59,410,000 New Units will be issued in the Offering. This also includes the Upsizing Option under which up to 22,279,000 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 101,389,150 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. On 12 October 2016 the Fund announced dividend of EUR 0.026 per unit for the third quarter of 2016 with the payment day of 28 October 2016. The amount corresponded to a 2.0% quarterly dividend yield based on the Unit's market price on the day of the announcement

		(EUR 1.325). This was the first dividend payment since the Fund merged with BOF on 30 June 2016. 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 has applied for a secondary listing of the Units on 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 December 2016 and on Nasdaq Stockholm on or about 8 December 2016.

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**	Assuming all Offer Units will be issued and the Upsizing Option is exercised in full, net proceeds

	expenses of the Offering	to the Fund from the Offering are estimated to be EUR 76.2m. 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 is exercised in full, the variable expenses of the Offering are estimated to amount to approximately EUR 3.6m or 4.4% of the capital raised. This corresponds to 2.6% of the Fund's total NAV immediately after the Offering. In addition, the Fund is estimated to incur approximately EUR 200 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 is exercised in full, the total expenses of the Offering are estimated to be approximately EUR 3.8m.
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. 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 360m and assets could be acquired at a 7.2% average yield. The pipeline consists of 14 commercial properties at central and strategic locations in the capital cities of the Baltic States. The target properties are fully operational (except for 1 property which is under construction) and cash flow generating 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 37,131,000 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 22,279,000 Offer Units. *Price* The Offer Price will be equal to the NAV of the Unit of the Fund as at 31 October 2016. The Offer Price will be disclosed on the Website latest on 15 November 2016. The Offer Price shall not exceed EUR 1.37 per Offer Unit. The Offer Price will be 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.

		The Offer Units are marketed to retail investors in Denmark and Finland once the supervisory authorities of Denmark and Finland have approved the marketing to retail investors. *Subscription Period* Investors may submit purchase orders for the Offer Units (a "Purchase Order") during the offer period, which commences at 9:00 on 8 November 2016 (Central European Time) and terminates at 12:00 (Central European Time) on 30 November 2016 (the "Offer Period"). *Placement of Purchase Orders* Purchase Orders can only be submitted for a full number of units, but here is no required minimum amount for the Purchase Order. Global Lead Sales Partner and its nominated distributors apply a required minimum subscription amount of 400 units per Purchase Order. An investor wishing to submit a Purchase Order should contact the Manager or the Global Lead Sales Partner and register a transaction instruction for the purchase of securities in the form as set out by the respective Manager or the Global Lead Sales Partner. The Purchase Order can be submitted by any means accepted by the Manager or the Global Lead 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, Global Lead 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, Global Lead Sales Partner or respective custodian for amending or cancelling a Purchase Order. *Allocation* The Management Company together with the Managers and the Global Lead Sales Partner will decide on the allocation on discretionary basis after the expiry of the Offer Period, and no later than on 1 December 2016. The Management Company expects to announce the results of the Offering, including the final number of New Units on or about 1 December 2016 on the Website and through the Nasdaq Tallinn (www.nasdaqbaltic.com/market/). Allocations made to Investors shall be notified to Investors on the same date by the Managers and the Global Lead Sales Partner. For the purposes of allocation, multiple Purchase Orders by one Investor, if submitted, will be merged. *Payment* By submitting a Purchase Order, an Investor agrees to pay for the subscribed Offer Units the Offer Price. In accordance with the allotments determined and announced for each specific Investor, trade instructions for the Offer Units may be placed on or after 1 December 2016 and must reach the relevant custodian bank in a manner which allows the settlement on or about 5 December 2016. The Units allocated to the Investors will be transferred to their securities accounts on or about 5 December 2016 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/). 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
E.5	**Entity offering to sell securities and lock-up agreements**	None of the existing Unit-holders sell any Units in the Offering. As part of the Fund's initial public capital raising in June 2016, unitholders of BOF that immediately after the capital raising held 17,558,443 Units of the Fund (constituting 41.8% of

		the total number of Units as of the date of this Offering Circular) agreed not to sell, pledge or otherwise dispose of their Units without the prior written consent of Swedbank AB. Of them, unitholders holding 8,061,604 Units (19.2%) agreed for a lock-up period until 1 April 2017 while the remaining unitholders with 9,496,839 Units (22.6%) agreed for a lock-up period until 2 January 2017 (originally stipulated as 180 calendar days subsequent to the listing of Units on Nasdaq Tallinn which took place on 6 July 2016).
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 together amount to 58.6% of the total number of Units of the Fund provided that the Upsizing Option is exercised in full.
E.7	**Expenses charged to the investor**	An investor bears all costs and fees charged by the Manager or the Global Lead 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, Global Lead Sales Partner or custodian.

3. APPOINTMENT OF NEW MEMBER TO THE SUPERVISORY BOARD OF THE FUND

In the Offering Circular, the Supervisory Board of the Fund was described to compose of Andris Kraujins, Per Møller and Raivo Vare (pages 64-65). On 11 November 2016, at the General Meeting of Unit-holders of the Fund, David Bergendahl was decided to be appointed as Member of the Supervisory Board of the Fund.

Therefore, the date of the Offering Circular, the members of the Supervisory Board are:

Name	Born	Affiliation	Professional experience	Date of Appointment
Andris Kraujins	1963	*Independent*	Several years of investment and real estate management experience in the Baltics	2 June 2016
Per Møller	1967	*Independent*	Several years of experience in audit services, asset management and real estate investments in the Nordics and the Baltics	2 June 2016
Raivo Vare	1958	*Independent*	Several years of experience in financial, transit and logistics and real estate sectors in the Baltics	2 June 2016
David Bergendahl	1962	*Independent*	Several years of experience in company management and real estate investments in the Nordics	11 November 2016

The following table sets out current and past directorships held by the David Bergendahl over the past five years:

Name	Former positions	Current positions
David Bergendahl	Chairman of Hammarplast A/S Chairman of Hammarplast a/s Chairman of Sarvis OY Chairman of Gösta Widén AB Geveko AB.	Chief Executive Officer of Hammarplast AB Chairman of Hammarplast Medical AB Director of in Torslanda Property Investment AB (publ) Director of Link Prop Investment AB (publ).

David Bergendahl. Mr Bergendahl, born 1962, is member of the Supervisory Board of the Fund. David Bergendahl graduated from Göteborgs universitet in 1988 receiving a Bachelor's degree in Economics. David Bergendahl has been a co-owner and CEO in Pergamon International AB during 1988-1994. David Bergendahl became a co-owner and CEO of Hammarplast AB in 1994.

The Management Company is not aware of any compulsory liquidation of companies in which David Bergendahl has acted as a member of the administrative, management or supervisory body or as a senior manager. The Management Company is not aware of any convictions in relation to fraudulent offences, bankruptcies, receiverships or any official public incrimination and/or sanctions with respect to David Bergendahl. The Management Company is not aware of any potential conflicts of interest between the duties of David Bergendahl and his private interests or other duties.

David Bergendahl holds at the date of this Prospectus Supplement 501,808 units of the Fund.

4. AMENDMENT TO THE MINIMUM AMOUNT OF PURCHASE ORDER

Pursuant to the Offering Circular, Purchase Orders can be only submitted for a full number of Units, but there is no required minimum amount of the Purchase Order (page 124). After consultation with the Global Lead Sales Partner, the Management Company has decided to allow the Global Lead Sales Partner and its nominated distributors to apply a required minimum subscription amount of 400 units per Purchase Order. Therefore as of the date of this Prospectus Supplement, the Global Lead Sales Partner and its nominated distributors apply a required minimum subscription amount of 400 units per Purchase Order. There is no required minimum amount for Purchase Orders submitted to the Managers.

The above option does not affect the Purchase Orders already submitted before the date of this Prospectus Supplement.

5. REVIEW OF FINANCIAL RESULTS IN 9 MONTHS OF 2016

5.1. DISCUSSION OF THE FUND'S RESULTS IN 9 MONTHS OF 2016

This section reviews the Fund's financial and operating results in the first 9 months of 2016 and compares them to the same period of 2015. Financial information is sourced from unaudited interim consolidated financial statements of the Fund for the 9-month period ended 30 September 2016 prepared according to the IFRS. These financial statements are disclosed in full in Appendix A of this Prospectus Supplement.

The table below presents the Fund's results for the first 9 months of 2016. It is followed by a discussion of key items.

Table 6: Highlights of interim consolidated income statement of the Fund for January – September 2016, EUR thousand

	Note	Jan - Sep 2015	Jan - Sep 2016	Change
Rental income		4,325	5,334	23%
Expenses reimbursement revenue		1,468	1,810	23%
Cost of rental activities		-2,004	-2,301	15%
Net rental income	1	**3,789**	**4,843**	**28%**
Administrative expenses	2	-621	-1,462	135%
Other operating income	3	266	95	-64%
Net loss on disposal of investment properties	4	-10	-	-100%
Valuation gains / -losses on investment properties	5	-	2,361	N/A
Operating profit		**3,424**	**5,837**	**70%**
Financial income	6	14	11	-21%
Financial expenses	6	-814	-840	3%
Profit before tax		**2,624**	**5,008**	**91%**
Income tax charge	7	-288	-428	49%
Profit for the period		**2,336**	**4,580**	**96%**
Earnings per unit (basic and diluted), EUR		**0.10**	**0.12**	**18%**

Source: unaudited interim consolidated financial statements of the Fund for the 9-month period ended 30 September 2016
N/A – not available

(1) Net rental income

In the 9 months of 2016 the Fund's net rental income expanded by 28% year on year to EUR 4.8m. The largest growth contributor was Europa SC which earned EUR 0.4m more to the Fund than in the same period of 2015 as the property was acquired only in March 2015. The two newest additions to the portfolio – G4S Headquarters (purchased on 12 July 2016) and Upmalas Biroji (acquired on 30 August 2016) – generated EUR 0.3m and EUR 0.1m of net rental income respectively. These two properties were acquired by deploying capital raised in the Fund's initial public offering carried out in June 2016. Lastly, Domus Pro's net rental income increased by EUR 0.2m thanks to the development of its second stage which was fully completed in May 2016. Average vacancy for the period rose marginally to 3.1% from 2.7% in the 9 months of 2015. However, vacancy in September 2016 was already lower at 1.9%.

Table 7: Operational details of the property portfolio of the Fund

	Jan - Sep 2015	Jan - Sep 2016
Number of properties, period end	5	7
Rentable area, sqm		
Period end	47,173	70,914
Period average[1]	43,572	55,121
Vacancy rate		
Period end	2.3%	1.9%
Period average[1]	2.7%	3.1%

[1] Computed as average of monthly estimates.

(2) Administrative expenses

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

Table 8: Breakdown of administrative expenses of the Fund, EUR thousand

	Jan - Sep 2015	Jan - Sep 2016
IPO related expenses	-	625
Management fee	388	513
Performance fee	-	81
Legal fees	134	57
Audit fees	28	35
Property valuation fee	21	7
Custodian fees	11	13
Other consultancy fees	31	88
Other administrative expenses	8	43
Total administrative expenses	**621**	**1,462**

Source: unaudited interim consolidated financial statements of the Fund for the 9-month period ended 30 September 2016

In the first 9 months of 2016 total administrative expenses grew to EUR 1.5m from EUR 0.6m in the same period of 2015. The main reason for the increase was EUR 0.6m one-off expenses related to the preparation and execution of the Fund's initial public offering in June 2016. A management fee grew by EUR 0.1m. Before the Fund merged with BOF on 30 June 2016, the management fee was set at 1.9% of NAV per annum. A current structure of the management fee is presented in section 6.7 "Fees and Expenses" of the Offering Circular. A EUR 81 thousand performance fee was recognized in the first 9 months of 2016 while none was recorded in the comparable period of 2015. Before the Merger, the performance fee was calculated as 20% of the average annual return on paid in capital exceeding an 11% hurdle rate. A current structure of the performance fee is presented in section 6.7 "Fees and Expenses" of the Offering Circular. Changes in other components of the administrative expenses largely offset each other.

(3) Other operating income

Other operating income stood at EUR 95 thousand in the first 9 months of 2016 mainly attributable to a received payment from an insurance company for a claim relating to Europa SC. In the corresponding period of 2015 other operating income amounted to EUR 266 thousand arising from a one-off penalty fee paid by a tenant for early termination of its lease.

(4) Net loss on disposal of investment properties

In the first 9 months of 2016 no properties were sold. In the comparable period of 2015 EUR 10 thousand net loss was recorded in relation to the disposal of Babycenter, a 674 sqm standalone building acquired together with Lincona complex, which was sold for EUR 990 thousand on 3 March 2015. The net fair value loss was realized compared to 2014 year-end valuation. On ther other hand, an annual return of 24% was recorded when compared to the acquisition price in 2011.

(5) Valuation gains/losses on investment properties

Independent appraisals of the Fund's properties are carried out at least once a year with a valuation date of 31 December. However, as part of a preparation for the Offering, external property valuations were also performed for value date of 30 September 2016. These valuations were carried out by independent appraisers Colliers and DTZ Kinnisvaraekspert (for more information on them see section 7.7 "Appraiser" in the Offering Circular). The corresponding condensed property valuation reports are disclosed in Appendix K of the Offering Circular. In contrast, no external property valuations were performed in the first 9 months of 2015.

The table below breaks down valuation gains and losses by property.

Table 9: Breakdown of valuation gains/-losses by property, EUR thousand

	Jan - Sep 2015	Jan - Sep 2016
Europa SC	-	565
Upmalas Biroji	-	-47
G4S Headquarters	-	1,346
Domus Pro	-	-323
Lincona	-	205
Coca Cola Plaza	-	350
Sky Supermarket	-	265
Total valuation gains/-losses on investment properties	**-**	**2,361**

In the first 9 months of 2016, a EUR 2.4m total gain in a fair value of properties was recognised. At a single property level, the highest gain – EUR 1.3m – was recorded for G4S Headquarters which was acquired by the Fund in July 2016. The second highest gain of EUR 0.6m was attributable to Europa SC. Coca Cola Plaza, Sky Supermarket and Lincona were each recognized fair value gains in the territory of EUR 0.2-0.4m per property. Table 10 compares key assumptions used by independend appraisers for 30 September 2016 and 31 December 2015 valuations. Since no property appraisals were performed in the 9 months of 2015, no value gain or loss was recorded over that period.

Table 10: Assumptions used in independent appraisals of the Fund's properties

	31 Dec 2015	30 Sep 2016
Europa SC		
Discount rate	7.5%	7.5%
Exit yield	7.25%	7.25%
Rental growth per annum	0.0-2.4%	0.0-2.4%
Vacancy rate	3.0-5.0%	3.0-5.0%
Upmalas Biroji		
Discount rate	N/A	7.3%
Exit yield	N/A	7.2%
Rental growth per annum	N/A	0.5-4.4%
Vacancy rate	N/A	1.5%
G4S Headquarters		
Discount rate	N/A	8.5%
Exit yield	N/A	7.25%
Rental growth per annum	N/A	0.2-2.7%
Vacancy rate	N/A	3.0%
Domus Pro		
Discount rate	8.4%	8.4%
Exit yield	8.0%	8.0%
Rental growth per annum	0.0-3.0%	0.0-2.5%
Vacancy rate	2.0-7.0%	2.0-7.0%
Lincona		
Discount rate	8.6%	8.6%
Exit yield	8.0%	7.8%
Rental growth per annum	0.0-2.4%	0.0-2.3%
Vacancy rate	5.0-10%	5.0-10.0%
Coca Cola Plaza		
Discount rate	8.2%	8.2%
Exit yield	8.0%	7.8%
Rental growth per annum	1.0%	0.8-1.5%
Vacancy rate	0.0%	0.0%
Sky Supermarket		
Discount rate	8.2%	7.9%
Exit yield	7.75%	7.75%
Rental growth per annum	0.0-2.5%	1.4-1.7%
Vacancy rate	2.5%	1.0%

N/A – not available because a property was not owned by the Fund at the time.

(6) Financial income and expenses

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

Table 11: Financial income and financial expenses of the Fund, EUR thousand

	Jan - Sep 2015	Jan - Sep 2016
Interest income	14	11
Total financial income	**14**	**11**
Interest on bank loans	788	829
Foreign currency exchange losses	4	-

Other financial expenses	22	11
Total financial expenses	**814**	**840**
Net financial expenses	**800**	**829**

Source: unaudited interim consolidated financial statements of the Fund for the 9-month period ended 30 September 2016

Financial income, fully comprised of interest income, amounted to EUR 11 thousand in the first 9 months of 2016 compared to EUR 14 thousand in the same period of 2015. Total financial expenses grew by EUR 26 thousand to EUR 840 thousand due to higher interest on bank loans as additional bank debt was raised to finance (in combination with new equity capital from the initial public offering) acquisitions of G4S Headquarters and Upmalas Biroji. On the other hand, average cost of debt[1] dropped materially to 1.8% from 2.8% indicating attractiveness of debt financing in the current economic environment.

(7) Income tax charge

In the 9 months of 2016 income tax stood at EUR 428 thousand (EUR 288 thousand in the comparable period of 2015) which was comprised of EUR 33 thousand current income tax (EUR 30 thousand) and EUR 395 thousand deferred income tax (EUR 258 thousand). Deferred income tax was attributable to fair value gains from external property valuations as of 30 September 2016 as well as depreciation of properties' historical cost which is deducted from taxable profits in determining current taxable income.

5.2. THE FUND'S CAPITAL RESOURCES

The Fund's equity capital amounted to EUR 57.2m on 30 September 2016 marking a significant increase from EUR 31.7m at the end of 2015. On 29 June 2016 the Fund successfully completed an initial public offering raising EUR 21.0m of new equity capital. The raised cash was received by the Fund on 5 July 2016 and invested (in combination with new bank loans) into acquisitions of G4S Headquarters in July 2016 and Upmalas Biroji in August 2016. As of 30 September 2016, the Fund's equity consisted of EUR 46.6m paid in capital, EUR 10.8m retained earnings and EUR -0.3m cash flow hedge result. On 28 October 2016, EUR 0.026 per unit quarterly dividend for Q3 2016 was distributed to Unitholders resulting in a EUR 1.1m cash outflow and reduction in retained earnings.

Table 12: Highlights of capital resources and funding structure of the Fund, EUR thousand

	31 Dec 2015	30 Sep 2016
CAPITAL RESOURCES		
Financial debt		
Non-current interest bearing loans and borrowings	39,586	67,745
Current interest bearing loans and borrowings	11,608	1,958
Total financial debt	**51,194**	**69,703**
Cash and cash equivalents	1,677	3,245
Net financial debt	**49,517**	**66,458**
Equity		
Paid in capital	25,674	46,636
Cash flow hedge reserve	-199	-265
Retained earnings	6,218	10,798
Total equity	**31,693**	**57,169**
KEY INDICATORS		
Interest coverage ratio[1]	4.3	4.2
LTV[2]	59.0%	53.9%
Equity ratio[3]	35.3%	42.8%
Current ratio[4]	0.2	1.1

Source: unaudited interim consolidated financial statements of the Fund for the 9-month period ended 30 September 2016
[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.

[1] Interest on bank loans for 9 months divided by average total interest-bearing debt and annualized to arrive at annual estimate.

As of 30 September 2016 total financial debt of the Fund stood at EUR 69.7m. Of that, non-current portion amounted to EUR 67.7m. 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 2015, the debt grew by EUR 18.5m explained by newly obtained bank loans for purchases of G4S Headquarters and Upmalas Biroji. On the other hand, LTV fell from 59.0% at the end of 2015 to 53.9% on 30 September 2016 and is now significantly closer 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 3.2m of cash and cash equivalents at the end of September 2016. 100% of that was denominated in euro currency. EUR 400 thousand of cash and cash equivalents, held by Europa SPV, were restricted following requirements set in a bank loan agreement. Only cash balance in excess of this amount could be distributed as dividends from Europa SPV.

5.3. THE FUND'S FINANCIAL DEBT STRUCTURE

The table below provides a detailed breakdown of the structure of consolidated financial debt as of 30 September 2016. Interest bearing debt was fully comprised of bank loans with a total carrying value of EUR 69.7m. 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. In October 2016 Upmalas Biroji's debt was refinanced with a new bank loan from Nordea extending maturity to 31 March 2023. Interest rate was fixed for 90% of Upmalas Biroji's new bank loan by entering into an interest rate swap.

Table 13: Financial debt structure of the Fund, 30 September 2016

Property	Maturity	Currency	Carrying amount, EUR'000	% of total	Fixed-rate portion
Lincona	31-Dec-2017	EUR	8,532	12%	-
Europa SC	2-Mar-2018	EUR	23,672	34%	80%
Upmalas Biroji[1]	31-Mar-2018	EUR	11,753	17%	-
Domus Pro	29-May-2018	EUR	8,286	12%	82%
Coca Cola Plaza	21-Mar-2019	EUR	7,125	10%	-
Sky Supermarket	1-Aug-2021	EUR	2,625	4%	-
G4S Headquarters	16-Aug-2021	EUR	7,750	11%	100%
Total bank loans			**69,743**	**100%**	**48%**
Less capitalised loan arrangement fees[2]			-40		
Total financial debt recognised on balance sheet			**69,703**		

[1] Upmalas Biroji's bank loan was refinanced in October 2016 with a new bank loan extending maturity to 31 March 2023. Interest rate for 90% of the new bank loan was fixed through an interest rate swap.
[2] Amortized each month over the term of a loan.

At the end of September 2016, maturities of existing financial debt covered the period 2017-2021 (see Figure 1) while weighted average time to maturity stood at 2.1 years compared to 1.8 years at the end of 2015. If the new maturity of the Upmala Biroji's debt were taken into account, weighted average time to maturity would increase to 2.9 years.

As of 30 September 2016, 48% of total bank loans had fixed interest rates while the remaining 52% were subject to floating interest rates. If the fixed portion of the new Upmalas Biroji's bank loan was taken into account, the fixed portion of the Fund's debt would rise to 63%.

Figure 1: Bank loan maturity schedule, carrying amounts as of 30 September 2016, EUR thousand

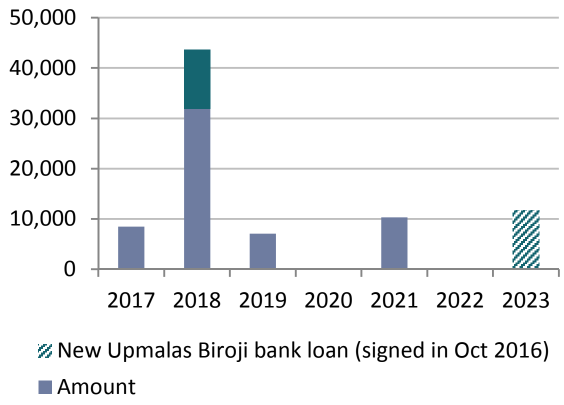
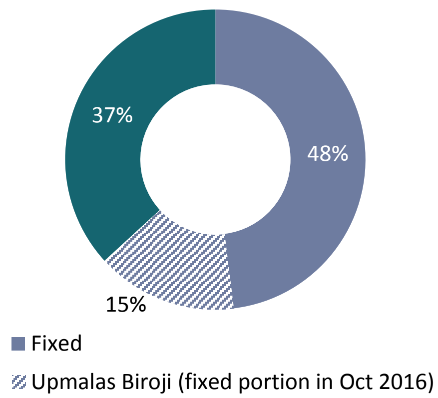


Figure 2: Fixed and floating portions of total bank loans, 30 September 2016



5.4. THE FUND'S CASH FLOWS IN 9 MONTHS OF 2016

The table below presents a summary of consolidated cash flows of the Fund for the first 9 months of 2016. For the full interim consolidated cash flow statement see the Fund's interim consolidated financial statements for the 9-month period ended 30 September 2016 in Appendix A of this Offering Circular.

Table 14: Highlights of consolidated cash flows of the Fund for January – September 2016, EUR thousand

	Jan - Sep 2015	Jan -Sep 2016
Cash and cash equivalents at the beginning of the period	*2,626*	*1,677*
Cash flow from operating activities	3,706	3,211
Before working capital adjustments	3,448	3,476
Working capital adjustments	258	-265
Cash flow from investing activities	-8,016	-25,778
Cash flow from financing activities	4,589	24,135
Net change in cash and cash equivalents	**279**	**1,568**
Cash and cash equivalents at the end of the period	*2,905*	*3,245*

Source: unaudited interim consolidated financial statements of the Fund for the 9-month period ended 30 September 2016

In the first 9 months of 2016, cash and cash equivalents increased by EUR 1.6m to EUR 3.2m as compared to a EUR 0.3m rise in cash position in the corresponding period of 2015.

Cash flow from operating activities amounted to EUR 3.2m and was approximately EUR 0.5m lower than in the 9 months of 2015. The decline was predominantly explained by changes in working capital which totaled to negative EUR 0.3m cash effect in the 9 months 2016 versus positive EUR 0.3m cash effect in the same period of the previous year. Excluding working capital adjustments, operating cash flow was largely stable year on year.

Cash outflow relating to investment activities expanded to EUR 25.8m in the 9 months of 2016 from EUR 8.0m in the comparable period of 2015. Two properties were acquired in 2016. G4S Headquarters in Tallin was purchased on 12 July 2016 in an asset transaction resulting in a EUR 15.5m cash outflow. Upmalas Biroji was bought on 30 August 2016 in a stock transaction leading to a EUR 8.5m cash outflow recognized on the cash flow statement. In the 9 months of 2015, there was one property acquisition - Europa SC was acquired in a stock transaction resulting in a EUR 7.7m cash outflow. Investments in property development stood at EUR 1.5m in the 9 months of 2016 and EUR 0.9m in the same period of 2015. In both periods, they were mainly attributable to the development of the 2nd stage at Domus Pro which was completed in May 2016.

Financing cash flow amounted to positive EUR 24.1m in the 9 months of 2016 - substantially higher than positive EUR 4.6m in the corresponding period of 2015. That was predominantly explained by EUR 21.0m cash proceeds from the initial public offering which were received on 5 July 2016.

5.5. DISCUSSION OF EUROPA SPV'S RESULTS IN 9 MONTHS OF 2016

As of 30 September 2016, the fair value of Europa SC property constituted 28% of the Fund's total assets and 29% of its property portfolio value. This section presents results of Europa SPV in the first 9 months of 2016. Financial information was derived from Europa SPV's unaudited interim financial statements for the 9-month period ended 30 September 2016 prepared according to Business Accounting Standards of the Republic of Lithuania. These financial statements are provided in full in Appendix B of this Prospectus Supplement.

The following table illustrates Europa SPV's financial performance in the first 9 months of 2016 with key points discussed in subsequent paragraphs.

Table 15: Highlights of income statement of Europa SPV for January – September 2016, EUR thousand

	Note	Jan - Sep 2015	Jan - Sep 2016	Change
Sales		2,891	2,966	3%
Cost of sales		-1,266	-1,242	-2%
Gross profit	1	**1,625**	**1,724**	**6%**
General and administrative expenses		-108	-79	-27%
Income/-expenses from other activities (net result)	2	14	647	N/M
Operating profit		**1,531**	**2,292**	**50%**
Other interest and similar income	3	18	11	-39%

Interest and similar expenses	3	-455	-393	-14%
Profit before tax		**1,094**	**1,910**	**75%**
Income tax	4	-164	-288	76%
Net profit		**930**	**1,622**	**74%**

Source: unaudited interim financial statements of Europa SPV for the 9-month period ended 30 September 2016
N/A – not available

(1) Gross profit

In the 9 months of 2016, gross profit of Europa SPV increased by 6% year on year to EUR 1.7m. Sales revenue was up by 3% whereas costs of sales dropped by 2%. The average vacancy in the first 9 months of 2016 stood at 6.0%, yet it decreased to 2.1% at the end of the period. New lease agreements were signed with PJazz and Cili Pica, restaurant chains, to enhance the lunch/dinner service offering in the SC.

(2) Income/-expenses from other activities (net result)

Europa SPV recorded EUR 647 thousand income from other activities in the first 9 months of 2016 compared to EUR 14 thousand in the same period of 2015. The increase is mainly explained by a EUR 565 thousand gain in fair value of Europa SC property which was recognized in relation to its external valuation by Colliers, an independent appraiser, for the value date of 30 September 2016 (a previous external valuation was carried out for 31 December 2015). The property's fair value was estimated to be EUR 38.0m. The corresponding condensed valuation report is provided in Appendix K of the Offering Circular while assumptions used by the appraiser are disclosed in Table 10. In the 9 months of 2015, no value gain or loss was recorded because external valuations were not performed during that period.

(3) Financial income and expenses

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

Table 16: Breakdown of financial income and expenses, EUR thousand

	Jan - Sep 2015	Jan - Sep 2016
Other interest and similar income	18	11
Interest and similar expenses	-455	-393
External interest expenses	-277	-300
Intragroup interest expenses	-171	-93
Foreign currency exchange loss	-7	-
Net income/-expenses from financing activities	**-437**	**-382**

Source: unaudited interim financial statements of Europa SPV for the 9-month period ended 30 September 2016

Net financial expenses fell to EUR 382 thousand in the 9 months of 2016 from EUR EUR 437 thousand in the corresponding period of 2015. This was mainly attributable to a EUR 78 thousand drop in intragroup interest expenses which more than offset a EUR 23 thousand increase in external interest expenses. After Europa SC was acquired by BOF in March 2015, its debt structure was revised increasing the portion of external bank loans and reducing intragroup loans.

(4) Income tax

In January – September 2016 corporate income tax grew to EUR 288 thousand from EUR 164 thousand in the comparable period of 2015 fully explained by higher profit before tax. In both periods income tax was fully comprised of deferred income tax attributable to depreciation of the property's historical cost.

5.6. EUROPA SPV'S CAPITAL RESOURCES

On 30 September 2016, total equity of Europa SPV stood at EUR 8.0m comprised of EUR 0.9m authorised capital, EUR -0.1m revaluation reserve of derivative financial instruments, EUR 1.3m legal reserve and EUR 6.0m retained earnings. Compared to the end of 2015, total equity grew by EUR 1.6m thanks to net profit generated in the first 9 months of 2016.

Table 17: Highlights of capital resources and funding structure of Europa SPV, EUR thousand

	31 Dec 2015	30 Sep 2016
CAPITAL RESOURCES		
Financial debt		
Non-current loans	27,315	26,248
Current loans	1,296	924

Total financial debt	**28,611**	**27,172**
Of which:		
Bank loans	24,333	23,666
Intragroup loans	4,278	3,506
Cash and cash equivalents	958	740
Net financial debt	**27,653**	**26,432**
Equity		
Authorised capital	869	869
Revaluation reserve of derivative financial instruments (results)	-98	-107
Legal reserve	1,303	1,303
Retained earnings	4,343	5,965
Total equity	**6,417**	**8,030**
KEY INDICATORS (excl. intragroup loans)		
Interest coverage ratio[1]	5.8	5.5
LTV[2]	65.4%	62.3%
Equity ratio[3]	27.3%	29.2%
Current ratio[4]	0.8	0.7

Source: unaudited interim financial statements of Europa SPV for the 9-month period ended 30 September 2016
[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 / (current liabilities - current intragroup loans).

On 30 September 2016 total financial debt of Europa SPV amounted to EUR 27.2m which consisted of a EUR 23.7m bank loan and a EUR 3.5m intragroup loan granted by a direct shareholder – BOF Europa Holding UAB. Non-current debt accounted for EUR 26.3m while current portion stood at EUR 0.9m. All of financial debt was denominated in euros. The existing bank loan will mature on 3 March 2018. As of 30 September 2016, 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.

LTV of Europa SPV, taking into account external financial debt (bank loans) only, declined to 62.3% at the end of September 2016 from 65.4% at the end of 2015. 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 30 September 2016 Europa SPV held EUR 0.7m of cash and cash equivalents of which EUR 400 thousand was restricted as security deposit as per bank loan agreement.

5.7. EUROPA SPV'S CASH FLOWS IN 9 MONTHS OF 2016

A summary of Europa SPV's cash flows in the 9 months of 2016 and in the comparable period of 2015 is provided in the following table. For the full interim cash flow statement see Europa SPV's interim financial statements for the 9-month period ended 30 September 2016 in Appendix B of this Offering Circular.

Table 18: Highlights of cash flows of Europa SPV for January – September 2016, EUR thousand

	Jan - Sep 2015	Jan - Sep 2016
Cash and cash equivalents at the beginning of the period	*1,543*	*958*
Cash flow from operating activities	1,630	1,831
Cash flow from investing activities	-396	-214
Cash flow from financing activities	-2,102	-1,835
Net change in cash and cash equivalents	**-868**	**-218**
Cash and cash equivalents at the end of the period	*675*	*740*

Source: unaudited interim financial statements of Europa SPV for the 9-month period ended 30 September 2016

In the first 9 months of 2016 cash and cash equivalents of Europa SPV declined by EUR 0.2m to EUR 0.7m while in the same period of 2015 cash and cash equivalents fell by EUR 0.9m. All three types of cash flows were more positive in 2016. Cash flow from operating activities grew by EUR 0.2m year on year to EUR 1.8m explained by a similar increase in operating profit (net of a gain in fair value of the property). Cash outflow related to investing activities decreased by EUR 0.2m to EUR -0.2m thanks to lower capital expenditure – EUR 0.2m in the 9 months of 2016 versus EUR 0.4m in the corresponding period of 2015. Finally, negative cash flow from financing activities fell by EUR 0.3m to EUR -1.8m as lower loan repayments (net of new debt raised) more than offset higher interest paid.

6. 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 Global Lead Sales Partner through which the original Purchase Order was placed. Withdrawal notices may be submitted until 5 p.m. (Central European Time) on 28 November 2016. 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

Unaudited Interim Condensed Consolidated Financial Statements of the Fund for the 9-Month Period Ended 30 September 2016

Baltic Horizon Fund

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

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

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

GENERAL INFORMATION ABOUT THE FUND

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

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

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

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

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

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

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

Structure and Governance

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

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

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

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

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

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

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

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

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

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

MANAGEMENT REPORT

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

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

MACROECONOMIC FACTORS IN THE BALTIC STATES

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

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

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

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

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

FINANCIAL REPORT

Financial position and performance of the fund

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

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

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

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

Table 1: Quarterly profit/loss results breakdown into months

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

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

Table 2: Adjustments for recalculating NAV to EPRA NAV

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

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

PROPERTY REPORT

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

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

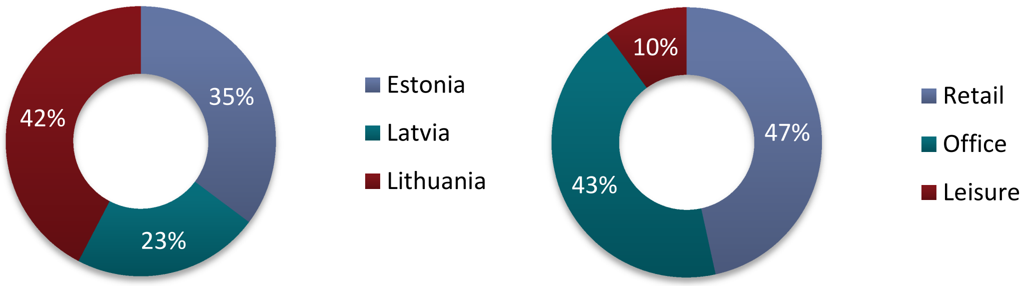
In the Baltic retail sector in 2016, rents for small spaces increased and were in the range of EUR 21-60 sq. m. per month. Average retail rents were EUR 13-22 sq. m for 150-350 sq. m. spaces in the Baltic capitals while anchor tenants mostly paid EUR 6-11 sq. m. Rent rates for medium and larger retail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

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

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

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

Picture 1: Fund segment and country distribution



Property performance

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

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

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

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

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

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

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

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

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

Europa Shopping Centre

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

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

G4S Headquarters

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

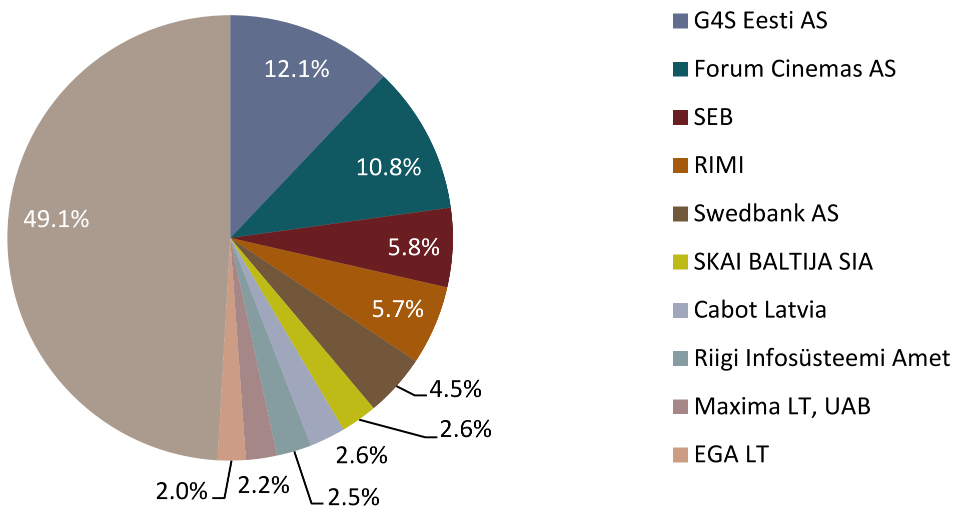
The total gross space of the G4S office center is 9,179 sq, m.. It maintains one key tenant – G4S, who has rented out the whole building on a long-term agreement. G4S together with the landlord sub-leases 2 floors of the building to a leading Estonian software company Pipedrive and works with other smaller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

Upmalas Biroji

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

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

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



RISK MANAGEMENT

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

Principal risks faced by the Fund

Market risk

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

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

Interest rate risk

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

Credit risk

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

Liquidity risk

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

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

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

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

Operational risk

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

OUTLOOK FOR REMAINDER OF 2016

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

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

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

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

Euro '000	Note	01.07.2016-30.09.2016	01.07.2015-30.09.2015	01.01.2016-30.09.2016	01.01.2015-30.09.2015
Rental income		2,058	1,621	5,334	4,325
Expenses reimbursement revenue		617	582	1,810	1,468
Cost of rental activities	4	(747)	(784)	(2,301)	(2,004)
Net rental income	3	**1,928**	**1,419**	**4,843**	**3,789**
Administrative expenses	5	(482)	(186)	(1,462)	(621)
Other operating income / (expenses)		17	266	95	266
Net loss on disposal of investment property	9	-	-	-	(10)
Valuation gains / (loss) on investment properties	3, 9	2,802	-	2,361	-
Operating profit		**4,265**	**1,499**	**5,837**	**3,424**
Financial income		3	6	11	14
Financial expenses	6	(307)	(281)	(840)	(814)
Net financing costs		**(304)**	**(275)**	**(829)**	**(800)**
Profit before tax		**3,961**	**1,224**	**5,008**	**2,624**
Income tax charge	3, 8	(253)	(120)	(428)	(288)
Profit for the period	3	**3,708**	**1,104**	**4,580**	**2,336**
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Net gains (losses) on cash flow hedges	12b	(36)	(79)	(65)	14
Income tax relating to net gains (losses) on cash flow hedges	12b, 8	(7)	14	(1)	11
Other comprehensive income/ (expense), net of tax, to be reclassified to profit or loss in subsequent periods		**(43)**	**(65)**	**(66)**	**25**
Total comprehensive income/ (expense) for the period, net of tax		**3,665**	**1,039**	**4,514**	**2,361**
Basic and diluted earnings per unit (Euro)	7	**0.09**	**4.67**	**0.12**	**9.88**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

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

ACCOUNTING POLICIES

1. Corporate information

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

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

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

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

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

Basis of preparation

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

Going concern assessment

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

2. Significant accounting judgments, estimates and assumptions

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

Significant accounting policies

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

New standards, amendments and interpretations not yet effective

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

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

IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

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

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

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

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

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

IAS 19 – Defined Benefit Plans: Employee Contributions

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

IAS 27 – Separate Financial Statements

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

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

IFRS 9 Financial Instruments (2014)

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

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

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

IFRS 15 Revenue from contracts with customers

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

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

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

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

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

IFRS 16 "Leases"

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

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

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

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

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

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

Fair value measurements

The Group measures certain financial instruments such as derivatives, and non-financial assets such as investment property, at fair value at the end of each reporting period. Also, the fair values of financial instruments measured at amortised cost are disclosed in the financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

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

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

3. Operating segments

The Group's reportable segments are as follows:

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

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

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

Operating segments – 30 September 2016

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

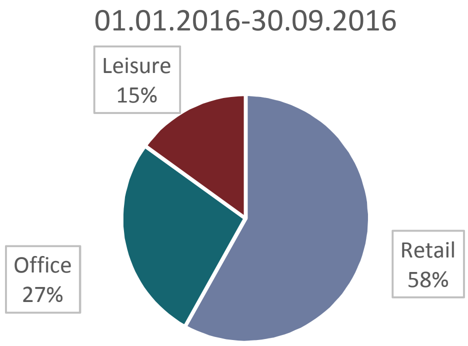
1. External revenue includes rental income and expense reimbursement revenue. The segments do not have inter-segment revenue.

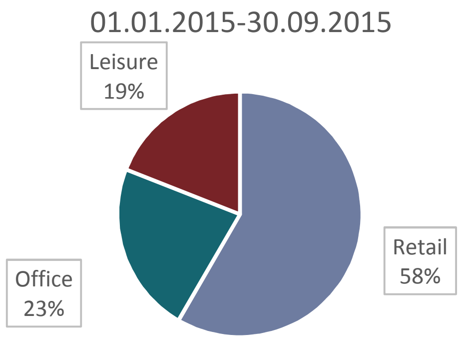
Operating segments – 30 September 2015

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

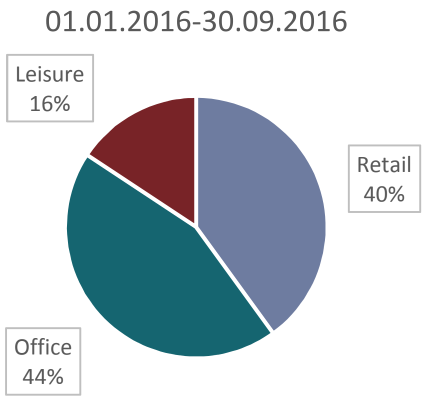
1. External revenue includes rental income and expense reimbursement revenue. The segments do not have inter-segment revenue.

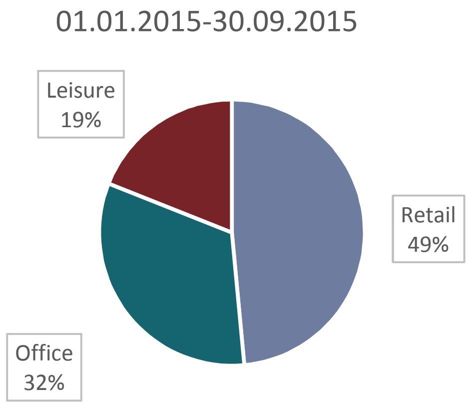
Segment net rental income*



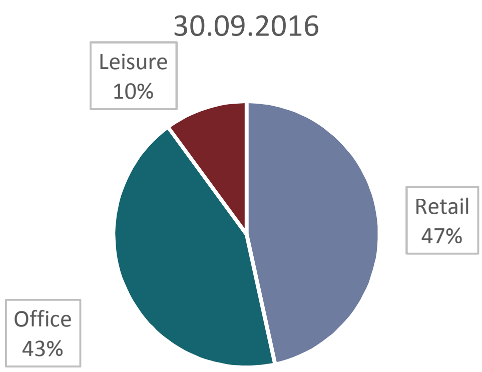


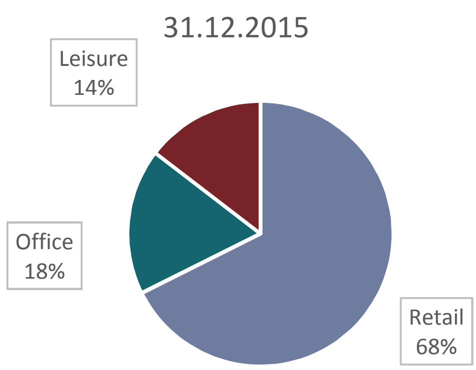
Segment net profit (loss)*





Investment properties*





*As a percentage of the total for all reportable segments

Reconciliation of information on reportable segments to IFRS measures

Operating segments – 30 September 2016

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

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

Operating segments – 30 September 2015

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

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

Geographic information

Segment net rental income

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

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

4. Cost of rental activities

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

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

5. Administrative expenses

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

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

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

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

6. Financial expenses

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

7. Earnings per unit

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

Profit attributable to unit holders of the Fund:

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

Weighted-average number of units:

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

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

Basic and diluted earnings per unit

	01.07.2016-30.09.2016	01.07.2015-30.09.2015	01.01.2016 - 30.09.2016	01.01.2015 - 30.09.2015
Basic and diluted earnings per unit*	**0.09**	**4.67**	**0.12**	**9.88**

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

8. Income tax

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

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

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

9. Investment property

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

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

Acquisition of G4S Headquarters

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

Acquisition of Upmalas Biroji

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

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

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

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

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

Cash outflow on acquisition:

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

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

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

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

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

Valuation techniques used to derive Level 3 fair values
As of 30 September 2016 valuations of investment properties were performed by Colliers International and DTZ Kinnisvaraekspert.
The table below presents the following for each investment property:
- A description of the valuation techniques applied;
- The inputs used in the fair value measurement;
- Quantitative information about the significant unobservable inputs used in the fair value measurement.

As of 30 September 2016:

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

Descriptions and definitions

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

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

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

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

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

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

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

10. Trade and other receivables

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

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

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

Movements in the impairment allowance for receivables were as follows:

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

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

		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
30.09.2016	**434**	221	76	14	14	6	103
31.12.2015	**548**	241	93	29	24	6	155

11. Cash and cash equivalents

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

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

12. Equity
12a. Paid in capital

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

Units issued are presented in the table below:

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

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

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

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

12b. Cash flow hedge valuation reserve

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

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

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

12c. Dividends

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

13. Interest bearing loans and borrowings

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

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

Loan securities

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

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

14. Trade and other payables

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

Terms and conditions of trade and other payables:

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

15. Commitments and contingencies

15a. Litigation

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

15b Contingent liabilities

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

1. is released from any obligations of this agreement, however, if the commencement conditions precedent of stage III were not met due to the fault of the Group, it must cover the costs related to preparation for the development of stage III;

2. if the commencement conditions precedent of stage III were not met due to the fault of TK Development by 30 November 2016, the Group should initiate separation of the part of the land plot related to stage III. Once the land plot is legally formed and registered, the Group shall sell the land plot in land SPA to TK Development for the price equal to the market price. The Group shall also pay to TK Development remuneration for development services delivered until the date of concluding land separation;
3. In case the land is not separated until 31 May 2017 and/or the land SPA is not signed until 31 July 2017 due to the fault of the Group, the Group shall pay to TK Development the amount of EUR 1,000 thousand.

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

16. Related parties

During the reporting period, the Group entered into transactions with related parties. Those transactions and related balances are presented below. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. All transactions between related parties are priced on an arm's length basis.

<u>Northern Horizon Capital AS</u>
As set out in Baltic Horizon Fund Rules, Northern Horizon Capital AS (the Management Company) carries out asset manager functions on behalf of the Fund and the Fund pays management fees for it (Note 5).

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

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

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

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

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

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

- 1.50% of the market capitalisation below EUR 50 million;

- 1.25% of the part of the market capitalisation that is equal to or exceeds EUR 50 million and is below EUR 100 million;
- 1.00% of the part of the market capitalisation that is equal to or exceeds EUR 100 million and is below EUR 200 million;
- 0.75% of the part of the market capitalisation that is equal to or exceeds EUR 200 and is below EUR 300 million;
- 0.50% of the part of the market capitalisation that is equal to or exceeds EUR 300 million.

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

Northern Horizon Capital AS owns 1,122,732 units of the Fund.

TK Development Lietuva UAB owns 1,225,022 units of the Fund.

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

As at 30 September 2016

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

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

As at 31 December 2015

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

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

17. Financial instruments

Fair values

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

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

Fair value hierarchy

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

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

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

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

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

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

18. Derivative financial instruments

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

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

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

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

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

19. Subsequent events

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

There were no other significant events after period end.

20. List of consolidated companies

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

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

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

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

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

Name and position	Signature	Date
Tarmo Karotam Chairman of the management board		8 Nov 2016
Aušra Stankevičienė Member of the management board		8 Nov 2016
Algirdas Jonas Vaitiekūnas Member of the management board		2016.11.08

APPENDIX B

Unaudited Interim Financial Statements of Europa SPV for the 9-Month Period Ended 30 September 2016

UAB BOF EUROPA

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2016 PREPARED IN ACCORDANCE WITH BUSINESS ACCOUNTING STANDARDS OF THE REPUBLIC OF LITHUANIA

Company details

UAB BOF Europa

Telephone:	+370 5 231 3638
Company code.:	300059140
Address:	Gynėjų g. 16, Vilnius

Board

Aušra Stankevičienė
Tarmo Karotam
Nerijus Žebrauskas

Management

Darius Urbonas – Managing Director

Auditor

UAB KPMG Baltics

Banks

AB SEB Bank

(EUR thousand unless otherwise stated)

Balance sheet

		Notes	30.09.2016	31.12.2015
	ASSETS			
A.	**NON-CURRENT ASSETS**		**38,119**	**37,421**
1.	INTANGIBLE ASSETS		-	-
1.1.	Developments		-	-
1.2.	Goodwill		-	-
1.3.	Software		-	-
1.4.	Concessions, patents, licenses, trademarks and similar rights		-	-
1.5.	Other intangible assets		-	-
1.6.	Advance payments		-	-
2.	TANGIBLE ASSETS		38,000	37,210
2.1.	Land		-	-
2.2.	Buildings and constructions		-	-
2.3.	Machinery and equipment		-	-
2.4.	Vehicles		-	-
2.5.	Other equipment and tools		-	-
2.6.	Investment property	3	38,000	37,210
2.7.	Construction in progress and payments in advance		-	-
3.	FINANCIAL ASSETS		119	211
3.1.	Shares in group companies		-	-
3.2.	Loans issued to group companies		-	-
3.3.	Receivables from group companies		-	-
3.4.	Shares in associated companies		-	-
3.5.	Loans issued to associated companies		-	-
3.6.	Receivables from associated companies		-	-
3.7.	Long-term investments		-	-
3.8.	Receivables after one year	5	119	211
3.9.	Other financial assets		-	-
4.	OTHER NON-CURRENT ASSETS		-	-
4.1.	Deferred tax assets		-	-
4.2.	Biological assets		-	-
4.3.	Other assets		-	-
B.	**CURRENT ASSETS**		**1,217**	**1,600**
1.	INVENTORY		16	22
1.1.	Raw materials and spare parts		-	-
1.2.	Work in progress		-	-
1.3.	Finished goods		-	-
1.4.	Goods for resale		-	-
1.5.	Biological assets		-	-
1.6.	Tangible assets held for sale		-	-
1.7.	Advance payments		16	22
2.	RECEIVABLES WITHIN ONE YEAR		461	620
2.1.	Trade receivables	4	262	470
2.2.	Receivables from group companies		-	-
2.3.	Receivables from associated companies		-	-
2.4.	Other receivables	5	199	150
3.	SHORT-TERM INVESTMENTS		-	-
3.1.	Shares in group companies		-	-
3.2.	Other investments		-	-
4.	CASH AND CASH EQUIVALENTS	6	740	958
C.	**DEFERRED EXPENSES AND ACCRUED INCOME**		**131**	**148**
	TOTAL ASSETS		**39,467**	**39,169**

(continued on the next page)

(EUR thousand unless otherwise stated)

Balance sheet (continued)

		Notes	30.09.2016	31.12.2015
	EQUITY AND LIABILITIES			
D.	**EQUITY**		**8,030**	**6,417**
1.	CAPITAL		869	869
1.1.	Authorised capital	7	869	869
1.2.	Unpaid subscribed capital		-	-
1.3.	Own shares		-	-
2.	SHARE PREMIUMS		-	-
3.	REVALUATION RESERVE	8	(107)	(98)
4.	RESERVES		1,303	1,303
4.1.	Legal reserve	8	1,303	1,303
4.2.	For acquisitions of own shares		-	-
4.3.	Other reserves		-	-
5.	RETAINED EARNINGS		5,965	4,343
5.1.	Net profit (loss) for the period		1,622	2,325
5.2.	Accumulated profit (loss) from previous periods		4,343	2,018
E.	**GRANTS AND SUBSIDIES**		**-**	**-**
F.	**PROVISIONS**		**2,927**	**2,639**
1.	Pensions and similar provisions		-	-
2.	Deferred tax liabilities	14	2,927	2,639
3.	Other provisions		-	-
G.	**AMOUNTS PAYABLE AND OTHER LIABILITIES**		**28,458**	**29,989**
1.	AMOUNTS PAYABLE AFTER ONE YEAR AND NON-CURRENT LIABILITIES		26,508	27,566
1.1.	Debt obligations		-	-
1.2.	Long-term loans from credit institutions	9	22,773	23,440
1.3.	Advances received		135	135
1.4.	Trade payables		-	-
1.5.	Bills and checks payables		-	-
1.6.	Payables to group companies	16	3,475	3,875
1.7.	Payables to associated companies		-	-
1.8.	Other payables and long-term liabilities	10	125	116
2.	PAYABLES WITHIN ONE YEAR AND OTHER SHORT-TERM LIABILITIES		1,950	2,423
2.1.	Debt obligations		-	-
2.2.	Current portion of long-term loans from credit institutions	9	893	893
2.3.	Advances received		188	208
2.4.	Trade payables		217	251
2.5.	Bills and checks payables		-	-
2.6.	Payables to group companies	16	610	982
2.7.	Payables to associated companies		-	-
2.8.	Income tax payable		-	-
2.9.	Employment related liabilities		-	-
2.10.	Other short-term payables and liabilities		42	89
H.	**ACCRUED EXPENSES AND DEFERRED INCOME**		**52**	**124**
	TOTAL EQUITY AND LIABILITIES		**39,467**	**39,169**

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

Managing Director	Darius Urbonas		14 November 2016
Head of the company in charge of accounting	Mariana Portianko		14 November 2016

(EUR thousand unless otherwise stated)

Profit (loss) statement

		Notes	01.01.2016-30.09.2016	01.01.2015-30.09.2015
1.	Sales revenue	11	2,966	2,891
2.	Cost of sales	12	(1,242)	(1,266)
3.	Change in fair value for biological assets		-	-
4.	**GROSS PROFIT (LOSS)**		**1,724**	**1,625**
5.	Selling expenses		-	-
6.	General and administrative expenses		(79)	(108)
7.	Income (expenses) from other activities – net result		647	14
8.	Income from investments in shares of parent, subsidiaries and associated companies		-	-
9.	Income from other long term investments and loans		-	-
10.	Other interest and similar income		11	18
11.	Decrease in value for financial assets and other short term investments		-	-
12.	Interest and similar expenses	13	(393)	(455)
13.	**PROFIT (LOSS) BEFORE TAXES**		**1,910**	**1,094**
14.	Corporate income tax	14	(288)	(164)
15.	**NET PROFIT (LOSS)**		**1,622**	**930**

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

Managing Director	Darius Urbonas		14 November 2016
Head of the company in charge of accounting	Mariana Portianko		14 November 2016

(EUR thousand unless otherwise stated)

Statement of changes in equity

	Authorised capital	Share premiums	Own shares	Revaluation reserves		Legal reserves		Other reserves	Retained earnings	Total
				Tangible assets	Financial assets	Legal reserves	For acquisitions of own shares			
1. Balance as at 31 December 2014	**869**	**-**	**-**	**-**	**-**	**1,303**	**-**	**-**	**2,018**	**4,190**
2. Result of changes in accounting policies	-	-	-	-	-	-	-	-	-	-
3. Result of correcting material errors	-	-	-	-	-	-	-	-	-	-
4. Restated balance as at 31 December 2014	**869**	**-**	**-**	**-**	**-**	**1,303**	**-**	**-**	**2,018**	**4,190**
5. Revaluation of tangible assets (result)					-	-	-	-	-	-
6. Revaluation reserve for derivative financial instruments (result)	-	-	-	-	(98)	-	-	-	-	(98)
7. Acquisition (disposal) of own shares	-	-	-	-	-	-	-	-	-	-
8. Profit (loss) not recognized in the profit (loss) statement	-	-	-	-	-	-	-	-	-	-
9. Net profit (loss) for the reporting period	-	-	-	-	-	-	-	-	2,325	2,325
10. Dividends	-	-	-	-	-	-	-	-	-	-
11. Other pay-outs	-	-	-	-	-	-	-	-	-	-
12. Reserves formed	-	-	-	-	-	-	-	-	-	-
13. Used reserves	-	-	-	-	-	-	-	-	-	-
14. Increase (decrease) in share capital or shareholders' contributions (repayment)	-	-	-	-	-	-	-	-	-	-
15. Other increase (decrease) in authorized capital	-	-	-	-	-	-	-	-	-	-
16. Contributions to cover losses	-	-	-	-	-	-	-	-	-	-
17. Balance at 31 December 2015	**869**	**-**	**-**	**-**	**(98)**	**1,303**	**-**	**-**	**4,343**	**6,417**

(continued on the next page)

(EUR thousand unless otherwise stated)

Statement of changes in equity (continued)

	Authorised capital	Share premiums	Own shares	Revaluation reserves		Legal reserves		Other reserves	Retained earnings	Total
				Tangible assets	Financial assets	Legal reserves	For acquisitions of own shares			
17. Balance at 31 December 2015	**869**	**-**	**-**	**-**	**(98)**	**1,303**	**-**	**-**	**4,343**	**6,417**
18. Revaluation of tangible assets (result)	-	-	-	-	-	-	-	-	-	-
19. Revaluation reserve for derivative financial instruments (result)	-	-	-	-	(9)	-	-	-	-	(9)
20. Acquisition (disposal) of own shares	-	-	-	-	-	-	-	-	-	-
21. Profit (loss) not recognized in the profit (loss) statement	-	-	-	-	-	-	-	-	-	-
22. Net profit (loss) for the reporting period	-	-	-	-	-	-	-	-	1,622	1,622
23. Dividends	-	-	-	-	-	-	-	-	-	-
24. Other pay-outs	-	-	-	-	-	-	-	-	-	-
25. Reserves formed	-	-	-	-	-	-	-	-	-	-
26. Used reserves	-	-	-	-	-	-	-	-	-	-
27. Increase (decrease) in share capital or shareholders' contributions (repayment)	-	-	-	-	-	-	-	-	-	-
28. Other increase (decrease) in authorized capital	-	-	-	-	-	-	-	-	-	-
29. Contributions to cover losses	-	-	-	-	-	-	-	-	-	-
30. Balance as at 30 September 2016	**869**	**-**	**-**	**-**	**(107)**	**1,303**	**-**	**-**	**5,965**	**8,030**

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

Managing Director	Darius Urbonas		14 November 2016
Head of the company in charge of accounting	Mariana Portianko		14 November 2016

(EUR thousand unless otherwise stated)

Cash flow statement

		Notes	01.01.2016 – 30.09.2016	01.01.2015 – 30.09.2015
1.	**Cash flows from operating activities**			
1.1.	Net profit (loss)		1,622	930
1.2.	Depreciation and amortization expenses		-	-
1.3.	Elimination of disposal results of tangible and intangible assets		-	-
1.4.	Elimination of financing and investing activities		382	437
1.5.	Elimination of other non-cash transactions	3	(565)	-
1.6.	Decrease (increase) in receivables from group companies and associated companies		-	-
1.7.	Decrease (increase) in other receivables after one year		10	82
1.8.	Decrease (increase) in deferred tax assets		-	-
1.9.	Decrease (increase) in inventories, except for the payment of advances		6	(8)
1.10.	Decrease (increase) in advance payments		-	-
1.11.	Decrease (increase) in trade receivables		208	(2)
1.12.	Decrease (increase) in loans issued to group and associated companies		-	-
1.13.	Decrease (increase) in other receivables		33	-
1.14.	Decrease (increase) in short-term investments		-	-
1.15.	Decrease (increase) in deferred expenses and accrued income		17	35
1.16.	Increase (decrease) in provisions		288	153
1.17.	Increase (decrease) in long-term trade payables and advances received		-	-
1.18.	Increase (decrease) in bills and checks payables after one year		-	-
1.19.	Increase (decrease) in long-term payables to group and associated companies		-	-
1.20.	Increase (decrease) in current trade payables and advances received		(54)	135
1.21.	Increase (decrease) in bills and checks payable within one year		-	-
1.22.	Increase (decrease) in short-term payables to group and associated companies		-	-
1.23.	Increase (decrease) in corporate income tax liability			
1.24.	Increase (decrease) in employment related liabilities		-	-
1.25.	Increase (decrease) in amounts payable and other liabilities		(44)	(93)
1.26.	Increase (decrease) in accrued expenses and deferred income		(72)	(39)
	Net cash flow from operating activities		**1,831**	**1,630**
2.	**Cash flow from investing activities**			
2.1.	Acquisition of non-current assets, except for investments		-	-
2.2.	Disposals of non-current assets, except investments		-	-
2.3.	Acquisitions of long term investments	3	(225)	(412)
2.4.	Disposals of long term investments		-	-
2.5.	Loans granted		-	-
2.6.	Loans received		-	-
2.7.	Dividends and interest received		11	16
2.8.	Cash inflows from other investing activities		-	-
2.9.	Cash outflows from other investing activities		-	-
	Net cash flow from investing activities		**(214)**	**(396)**

(continued on the next page)

(EUR thousand unless otherwise stated)

Cash flow statement (continued)

		Notes	01.01.2016 – 30.09.2016	01.01.2015 – 30.09.2015
3.	**Cash flow from financing activities**			
3.1.	Cash flows related to company's shareholders		-	-
3.1.1.	Issue of shares		-	-
3.1.2.	Shareholders contributions to cover losses		-	-
3.1.3.	Acquisition of own shares		-	-
3.1.4.	Dividends paid		-	-
3.2.	Cash flows related to other sources of funding		(1,835)	(2,102)
3.2.1.	Increase in financial liabilities		-	9,613
3.2.1.1.	Loans received		-	9,613
3.2.1.2.	Bonds issued		-	-
3.2.2.	Decrease in financial liabilities		(1,835)	(11,715)
3.2.2.1.	Loans repaid		(1,070)	(11,252)
3.2.2.2.	Repurchase issued bonds		-	-
3.2.2.3.	Interest paid		(765)	(463)
3.2.2.4.	Leasing (financial lease) payments		-	-
3.2.3.	Increase in other financing liabilities		-	-
3.2.4.	Decrease in other financing liabilities		-	-
3.2.5.	Increase in other financing cash flows		-	-
3.2.6.	Decrease in other financing cash flows		-	-
	Net cash flow from financing activities		**(1,835)**	**(2,102)**
4.	**Foreign exchange impact on cash and cash equivalent balance**		**-**	-
5.	**Net increase (decrease) in cash flow**		**(218)**	**(868)**
6.	**Cash and cash equivalents at the beginning of the period**		**958**	**1,543**
7.	**Cash and cash equivalents at the end of the period**		**740**	**675**

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

Managing Director	Darius Urbonas		14 November 2016
Head of the company in charge of accounting	Mariana Portianko		14 November 2016

Notes to the Interim Financial Statements

1 General information

UAB BOF Europa (hereinafter “the Company”) is a limited liability company registered in the Republic of Lithuania. Its registered address is:

Gynėjų g. 16,
Vilnius,
Lithuania.

The Company’s activities comprise real estate transactions, including purchasing, sales and lease of premises. The Company was registered on 6 October 2004.

As at 30 September 2016 and 31 December 2015 the sole shareholder of the Company was UAB BOF Europa Holding with address at Gynėjų st. 16, Vilnius, Lithuania.

Ultimate parent of the Company is Baltic Horizon Fund. 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 28.96 each are ordinary and were fully paid as at 30 September 2016 and 31 December 2015.

As at 30 September 2016 and 31 December 2015, the Company had 1 employee.

The Company’s management prepared these financial statements on 14 November 2016.

Basis of preparation

The interim financial statements have been prepared in accordance with the Law on Accounting of the Republic of Lithuania, which is in effect as at 30 September 2016, the Law on Financial Statements of Entities of the Republic of Lithuania and Business Accounting Standards of the Republic of Lithuania (further “BAS”) in effect which includes the standards and methodological recommendations drawn up and approved by the relevant authority. Statements of balance sheet, profit (loss), changes in equity and cash flows were updated to be in compliance with BAS effective starting 1 January 2016.

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 2015. 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 2015 except for new BAS 32 which came into effect starting 1 January 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.

(EUR thousand unless otherwise stated)

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.

3 Investment property

Investment property consists of two land plots (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. The investment property value is not separated on the Balance Sheet into separate groups (land and buildings value) due to the fact that the value of the property is determined based on the future cash flows which makes it difficult to determine the investment property value into separate groups.

Changes in the Company's investment property for the period ended 30 September 2016 are as follows:

Balance at 31 December 2014	**35,600**
Acquisitions, including capitalised expenses	366
Change in fair value	1,244
Balance at 31 December 2015	**37,210**
Acquisitions, including capitalised expenses	225
Change in fair value	565
Balance at 30 September 2016	**38,000**

Fair value as at 30 September 2016 and fair value change for the period 01.01.2016 – 30.09.2016
As at 30 September 2016, investment property was stated at fair value determined according to valuation report of independent valuator UAB Colliers International Advisors. The investment property value as at September 30, 2016 is attributed to the third valuation level based on 32 BAS. 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."

The fair value of investment property was measured according to income method using discounted cash flow approach. The discount rate set by valuators was set to 7.525% and exit yield was 7.25%. The average rental growth assumption used was 2.1% and the average expense growth was 2.4%.

EUR'000		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

Fair value change for the period 01.01.2015 – 30.09.2015
On March 2, 2015 Baltic Horizon Fund (former Baltic Opportunity Fund) acquired Europa property at a value of EUR 35,787 thousand. Based on independent valuator, the fair value of Europa increased from EUR 35,600 thousand as at December 31, 2014 to EUR 37,210 thousand as at December 31, 2015.

The Management did not reflect the fair value increase of the property already at the end of 30 September 2015. As at 30 September 2015, the fair value of investment property is based on fair value of the property as at December 31, 2014, which was measured according to income method using discounted cash flow approach. The discount rate set by valuators was set to 7.85% and exit yield was 7.25%). The average rental growth assumption used was 2.0% and the average expense growth was 2.04%.

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.

4 Trade receivables

	30.09.2016	31.12.2015
Trade receivables, gross	563	771
Less: impairment allowance for doubtful receivables	(301)	(301)
	262	**470**

5 Other receivables

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

Maturities of non-current and current portions of leasing:

	30.09.2016	31.12.2015
2016	199	150
2017–2019	119	211
	318	**361**

(EUR thousand unless otherwise stated)

6 Cash and cash equivalents

The Company had no cash in hand and all its cash was held at AB SEB Bankas as at 30 September 2016 and 31 December 2015. As described in Note 9, to secure the repayment of the loan, the Company pledged its funds and future inflows to bank accounts.

7 Authorized capital

As at 30 September 2016, the Company's authorised capital amounted to EUR 869 thousand. The authorised capital comprises 30,000 ordinary registered shares with a nominal value of EUR 28.96 each. As at 30 September 2016, all shares were fully paid.

Under the Law on Companies of the Republic of Lithuania, a company's equity shall not be lower than ½ of its share capital as indicated in the company's articles of association. As at 30 September 2016 and 31 December 2015, 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 (Reserve for derivative financial instruments)

This reserve comprises value of effective part of derivative instruments as at balance sheet date (interest rate swaps) which are used by the Group to hedge the cash flows from interest rate risk. The reserve is accounted for in accordance with hedge accounting policy prepared by management as well as BAS 26 Derivative Financial Instruments, which sets out hedge accounting.

	30.09.2016	**31.12.2015**
Fair value of derivative financial instruments	(125)	(116)
Amount of deferred tax on fair value of derivative financial instruments	18	18
	(107)	**(98)**

9 Loans from credit institutions

	Maturity	**Effective interest rate**	**30.09.2016**	**31.12.2015**
Non-current liabilities				
AB SEB Bank	Mar 2018	3M EURIBOR + 1.50%	23,666	24,333
Less current portion			(893)	(893)
Total loans from credit institutions			**22,773**	**23,440**
Current liabilities				
Current portion of non-current loan			893	893
Total current loans from credit institutions			**893**	**893**
Total			**23,666**	**24,333**

On 20 December 2004, the Company signed a long-term agreement with AB SEB Bank. The loan was taken to refinance loans received from related parties. 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 value of EUR 38,000 thousand as at 30 September 2016. 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, where the annual turnover should be EUR 1,500 thousand or higher.

(EUR thousand unless otherwise stated)

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.

The bank's loan agreement includes certain financial and other covenants which the Company is required to comply with in order to secure financing. Based on the financial information as at 30 September 2016, the Company complied with these covenants.

10 Derivative financial instruments

The Company has entered into an interest rate swap agreement with SEB bank. The purpose of interest rate swap is to hedge against the interest rate risk arising from interest rate fluctuations of the Company's non-current loans. According to the interest rate swap agreement, the Company makes fixed payments to the bank and receives variable interest rate payments from the bank.

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 profit (loss) 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.

Interest rate swap signed by the Company is presented in the table below:

Type of derivative financial instrument	Start date	Maturity date	Notional amount	Fair value	
				30.09.2016	31.12.2015
Interest rate swap	Sep 2015	Mar 2018	19,652	125	116
Derivative financial instrument liabilities			**19,652**	**125**	**116**

11 Sales revenue

	01.01.2016-30.09.2016	01.01.2015-30.09.2015
Operating lease income	2,038	2,011
Revenue from resale of utilities and other services	928	880
	2,966	**2,891**

Investment property comprises two plots of land (Konstitucijos pr. 7B, Vilnius and Europos a. 1, Vilnius), ½ of a parking lot (Konstitucijos pr. 7B, Vilnius) and a shopping centre (Konstitucijos pr. 7A, Vilnius) all leased under operating lease contracts. The value of the investment property as at 30 September 2016 is EUR 38,000 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.

12 Cost of sales

	01.01.2016-30.09.2016	01.01.2015-30.09.2015
Utilities	(453)	(446)
Repairs and asset maintenance	(379)	(313)
Sales and marketing expenses to clients	(127)	(207)
Property management expenses*	(169)	(162)
Real estate tax	(108)	(128)
Insurance	(6)	(10)
	(1,242)	**(1,266)**

*Based on the agreement, until 30 June 2015 the Company paid property management fee to Northern Horizon Capital A/S. Based on the agreement, from 1 July 2015 the Company pays property management fee to UAB BPT Real Estate.

(EUR thousand unless otherwise stated)

13 Interest and similar expenses

	01.01.2016-30.09.2016	01.01.2015-30.09.2015
Bank loan interests and expenses	(300)	(277)
Interest expenses on loans from related parties	(93)	(171)
Foreign exchange losses	-	(7)
	(393)	**(455)**

14 Corporate income tax

	01.01.2016-30.09.2016	01.01.2015-30.09.2015
Net result before corporate income tax	1,910	1,094
Temporary differences	-	-
Permanent differences	-	-
Change in fair value (Note 3)	(565)	-
Depreciation of investment property for profit tax purposes	(1,877)	(1,862)
Taxable result for the period	**(532)**	**(768)**
Components of income tax income (expenses)		
Income tax (expenses) for the reporting period	-	-
Deferred tax income (expenses)	(288)	(164)
Income tax income (expenses), recognised in the profit (loss) statement	**(288)**	**(164)**

Deferred tax asset	**30.09.2016**	**31.12.2015**
Tax losses	1,398	1,294
Impairment allowance for receivables	45	45
Deferred tax asset on derivative financial instruments	18	18
Deferred tax asset	1,461	1,357
Not recognised part of deferred tax asset due to bad debts	(45)	(45)
Net deferred tax asset	1,416	1,312
Deferred tax liability		
Investment property (depreciation and fair value adjustment)	(4,343)	(3,951)
Deferred tax liability	(4,343)	(3,951)
Net deferred tax (liability)	**(2,927)**	**(2,639)**

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 2015, and 15% in 2016 and subsequent years.

15 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.

(EUR thousand unless otherwise stated)

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

Interest rate risk

As at 30 September 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 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 0.62 as at 30 September 2016 (31 December 2015: 0.66).

Short-term liabilities of the Company exceeded current assets as at 30 September 2016. However, the budget for operating cash flows for year 2016 and 2017 indicates that the Company will be able to cover current liabilities from existing current assets and operating cash flows.

Foreign exchange risk

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

16 Related party transactions

During the reporting period, the Company 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. The related parties of the Company with transactions in 2016 and 2015 are the following:

- UAB BOF Europa Holding (the sole shareholder of the Company).
- Baltic Property Trust Secura A/S (previous controlling shareholder). The Company received a loan in 2014 and paid interest to this company.
- Northern Horizon Capital A/S (management service provider). The Company purchased management services from this company from 1 January 2011 until 2 March 2015.
- UAB BPT Real Estate (service provider of asset management and accounting). The Company hires asset management services from this company from 2 March 2015.

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

	01.01.2016-30.09.2016	**01.01.2015-30.09.2015**
UAB BOF Europa Holding		
Interest expenses	93	166
Northern Horizon Capital A/S		
Management fees	-	37
Property management fees		104
Baltic Property Trust Secura A/S		
Interest expense	-	5
UAB BPT Real Estate		
Property management fees	164	52

(EUR thousand unless otherwise stated)

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

	30.09.2016	**31.12.2015**
UAB BOF Europa Holding		
Intercompany loan outstanding	3,475	3,875
Accrued interest payable	31	403
Dividends payable	579	579
UAB BPT Real Estate		
Property management fees payable	44	18

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. On 24 March 2016, an amendment was signed to the loan agreement amending and revising the agreement signed in 2014. The loan was extended until 31 January 2018 and the annual interest rate is 4% (fixed).

As at 30 September 2016 and 31 December 2015, amounts payable to related parties comprised dividends of EUR 579 thousand payable to the Company's sole shareholder UAB BOF Europa Holding. The Company may pay dividends when, based on the conditions set out in the loan agreement with AB SEB Bank, it has complied with the covenants set out in the agreement and if after payment the funds remaining at bank accounts comprise at least EUR 200 thousand.

During 9 months period ended 30 September 2016, the remuneration to the Company's management amounted to EUR 0.3 thousand (2015: EUR 0.3 thousand). During 9 months period ended 30 September 2016 and 2015, the management of the Company did not receive any loans or guarantees.

17 Contingencies

As at 30 September 2016, there was no on-going litigation, which could materially affect the financial position of the Company.

No full tax investigation of the Company for the period from 1 January 2011 until 30 September 2016 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.

18 Post-balance sheet events

On 24 August 2016, the sole shareholder of UAB BOF Europa initiated the reorganization of UAB BOF Europa Holding and UAB BOF Europa by way of a merger: UAB BOF Europa Holding, which will end its activity as a legal entity after the reorganization, will be merged to UAB BOF Europa, which will be continuing its and UAB Europa Holding activity after the reorganization and will take over assets, rights and obligations of UAB BOF Europa Holding. The reorganization shall take place in Q4 2016.

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 material effect on these financial statements or require disclosure.

Managing Director	Darius Urbonas		14 November 2016
Head of the company in charge of accounting	Mariana Portianko		14 November 2016

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