



# BALTIC HORIZON

## **Baltic Horizon Fund**

**Unaudited Interim Condensed Consolidated Financial Statements for the 6-month period ended  
30 June 2016**

## Baltic Horizon Fund

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|--|---|
| 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<br>Tallinn 10151<br>Estonia                                 |
| Phone  | +372 6 743 200  |
| Fund manager                                 | Tarmo Karotam   |
| Fund Supervisory Board                       | Raivo Vare (Chairman)<br>Andris Kraujins<br>Per Moller                  |
| Fund Supervisory Board remuneration          | EUR 37,000 p.a.   |
| Management board of the Management Company   | Tarmo Karotam (Chairman)<br>Aušra Stankevičienė<br>Algirdas Vaitiekūnas |
| Supervisory board of the Management Company  | Michael Schönach (Chairman)<br>Dalia Garbuziene<br>Milda Darguzaite     |
| Depositary, Fund administrator and Registrar | Swedbank AS   |



## Baltic Horizon Fund

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**DEFINITIONS OF KEY TERMS AND ABBREVIATIONS****INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2016**

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|                              |   |
|------------------------------|---|
| <b>AIFM</b>                  | Alternative Investment Fund Manager   |
| <b>AFFO</b>                  | 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. |
| <b>EPRA NAV</b>              | 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.  |
| <b>Fund</b>                  | Baltic Horizon Fund   |
| <b>IFRS</b>                  | International Financial Reporting Standards   |
| <b>Management Company</b>    | Northern Horizon Capital AS, register code 11025345, registered address at Hobujaama 5, Tallinn 10151, Estonia  |
| <b>NAV</b>                   | Net asset value for the Fund  |
| <b>NAV per unit</b>          | NAV divided by the amount of units in the Fund at the moment of determination.  |
| <b>NOI</b>                   | Net operating income  |
| <b>Direct Property Yield</b> | NOI divided by acquisition value of a property  |
| <b>Net Initial Yield</b>     | NOI divided by market value of a property   |
| <b>GAV</b>                   | Gross Asset Value of the Fund   |
| <b>Triple Net Lease</b>      | 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.   |

## Baltic Horizon Fund

### MANAGEMENT REVIEW

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2016

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#### 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 will be allocated according to the investment strategy of the Fund and the acquisition pipeline that has been 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.

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 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 continuously diversify the 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.

**MANAGEMENT REVIEW****INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2016**

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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 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 depository bank Swedbank.

**MANAGEMENT REPORT**

In March, BOF investors approved the listing and merging of BOF into the Baltic Horizon Fund conditional to a successful and sufficient capital raising. In Q2 the public offering started in Sweden and private placement in other jurisdictions. In total, investors participated in the Combined Offering subscribed for 22,709,723 Offer Units that corresponds approximately to EUR 30 million. In total, 16,962,475 New Units were issued, and together with the Sale Units, a total of 22,709,723 Offer Units were allocated to the investors in the Combined Offering. As a result, the net proceeds for the Fund to be invested in new properties will be approximately EUR 20.5 million. The cost of the IPO and capital raising was approx. 3.5% and was reflected in the NAV at the end of June.

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 26 July 2016, Baltic Horizon signed a binding agreement to acquire an office building from 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

## Baltic Horizon Fund

### MANAGEMENT REVIEW

#### INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2016

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net leasable area is over 10,500 sq. m.. The property is acquired at an approx. 7.25% yield based on the first full year. The closing of the transaction is expected to be finalized in Q3 2016.

### MACROECONOMIC FACTORS IN THE BALTIC STATES

In Q1 the Baltic economies continued to grow at a steady pace. The annual GDP of Lithuania increased by 2.5%, the Latvian by 2.1% and the Estonian by 1.7%. All three economies are expected to grow in 2016 at a 2.7-2.8% rate according to SEB economists. Other key economic indicators are forecasted to remain stable (CPI, debt levels, budget deficits) or continue to improve (unemployment).

It is noted by Newsec that new offices coming to the market in the capitals are demanding slightly higher rents, including paid parking places and triple net leases. The trend of pre-lease has also returned for new developments and agreements are often signed 6–9 months in advance. Demand in the retail market is increasing since the majority of retailers have expansion in their plans. All of the largest shopping centres are attracting new 'big brand' tenants and improving their tenant mix by replacing small and medium local brands with internationally famous brands such as H&M, Next, Subway, Debenhams, Sports Direct, Pier 1 and others.

Commercial yields in Baltics remained stable at around 7.00-7.50% in office and retail segments. Vacancies are at the moment at record low levels (2-3%) and it is foreseen not to increase notably as the newly built premises and expansions will be absorbed by the new demand. Rent levels in most segments are also expected to somewhat increase in 2016 especially in new buildings.

In 2015, the Baltic real estate market was very active with record high transaction volumes reaching some EUR 1.3 billion. The Baltics saw several international investors entering the market such as Partners Group, Blackstone and others. The new Baltic Horizon Fund will also continue to look for attractive cash-flow investments to build and diversify the portfolio further.

### FINANCIAL REPORT

#### *Financial position of the Fund*

As at 30 June 2016 the GAV of the Fund increased to EUR 110.7 million (EUR 89.7 million as at 31 December 2015).

As of 30 June 2016, the Fund NAV was EUR 53.5 million, compared to EUR 31.7 million as at 31 December 2015. The increase in NAV is mainly related to the new issue of units (EUR 21.0 million) and the performance of the Fund (net result EUR 872 thousand during the first half of 2016).

During the first half of 2016, the Fund recorded a net profit of EUR 872 thousand (EUR 1,232 thousand during the first half of 2015) which had a positive effect on the Fund NAV. The result was negatively affected by the IPO related costs. During H1 2016, the Fund accrued EUR 500 thousand of IPO related expenses that are to be settled to the Management Company.

In H1 2016, the net rental operating income (NOI) earned by the Group amounted to EUR 2,915 thousand (EUR 2,369 thousand during H1 2015). Compared to 2015, the increase in NOI is mainly related to full income earned from Europa Shopping Centre after its acquisition in March 2015.

**MANAGEMENT REVIEW**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2016**

The Fund also calculates EPRA NAV, which was EUR 59 million as at 30 June 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 1: Adjustments for recalculating NAV to EPRA NAV**

| <i>Euro '000</i>   | <b>30.06.2016</b> |
|--|-------------------|
| <b>IFRS NAV as of 30 June 2016</b>   | <b>53,504</b>     |
| Deferred tax liability resulting from the assessment of fair value of properties                       | 5,244             |
| Reversal of fair value of financial instruments  | 261               |
| Elimination of deferred tax asset resulting from the assessment of fair value of financial instruments | (39)              |
| <b>EPRA NAV*</b>   | <b>58,970</b>     |
| Amount of units  | 41,979,150        |
| <b>EPRA NAV per unit</b>   | <b>1.4047</b>     |

\* 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**

Going forward, the management team expects the most resilient occupancies and potential for rental and value growth to lie in the Baltic retail sector. This is supported by the expectations that the Baltic economic growth is largely being driven by domestic consumption. Especially resilient cash flows are expected to result from established neighbourhood shopping centres in the capital cities.

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 are being planned in Tallinn and Riga. Retail rent levels for all tenant sizes reached 2007 levels and are expected to continue increasing along with the positive outlooks of the economies. Vacancies remain between 1-3% in established centres. In addition to 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 H1 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 is leading the way in terms of growth of new space and construction of new modern office buildings. The trend of pre-lease is also coming back to Vilnius 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. Moderate growth in prime rents continued in Riga during 2015 as a result of shortage of new developments and low vacancies in prime locations. Tallinn office market has gotten over its state of deficit and is gradually moving towards the tenants' market.

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 offices. For comparison, the average rental level in Linconia was EUR 10.3 sq. m, therefore also well in line with average market brackets.

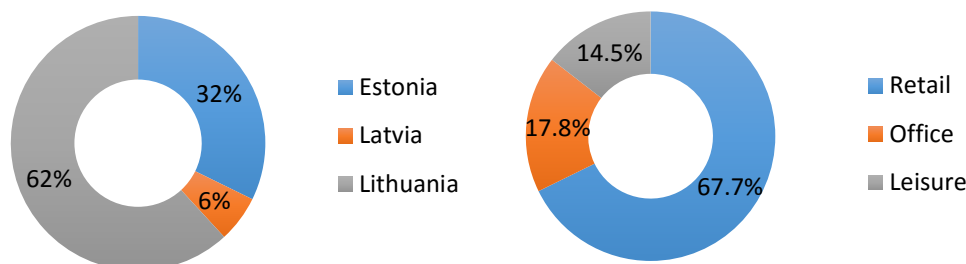


## MANAGEMENT REVIEW

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2016

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 200-300 bp compared to Western European and the Nordic countries.

**Picture 1: Fund segment and country distribution**



## Property performance

During the first half of 2016, the average occupancy of the portfolio was 96.2% and average Direct Property Yield 7.1%. The level of the property operating costs was stable throughout the whole period.

### Lincona

The average occupancy level of the property remained high at 95.3% at the end of this reporting period. Net yield was at 8% and with no debts the tenant payment discipline was very good. In the coming quarters, the management team continues to maintain the attractiveness of the property by upgrading its façade and main entrance in order to obtain its maximum occupancy.

### Domus PRO

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

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

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

### SKY supermarket

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

During the year, the management team has developed a new architectural project to modernize the façade of the building in cooperation with the main tenant SKY. Total investment EUR 170 thousand. Further investments are planned by SKY supermarket within their premises.

## MANAGEMENT REVIEW

### INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2016

#### Coca-Cola Plaza

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

In H1 2016 Coca Cola Plaza bank loan was refinanced with the same Pohjola bank for a 3-year period at slightly better commercial terms than previously. That increased the weighted loan portfolio maturity by 2 years.

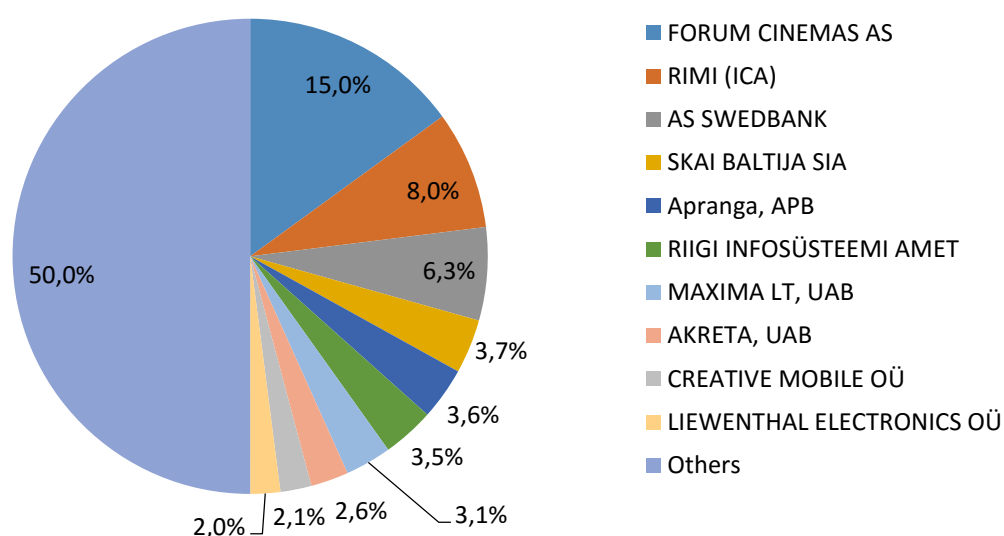
#### Europa Shopping Centre

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 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. in Q2 2016 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. NOI of EUR 1.13 million is 6.5% higher than budgeted for H1 2016. Furthermore, in H1 2016 the footfall increased by 23% and turnover for all tenants by 17.2% compared to H1 in 2015. The average occupancy during H1 2016 was 93.4%. The 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.

During H1 2016, 50.0% of the total gross rental income was generated by the ten largest tenants of the real estate portfolio, with Forum Cinemas AS making up 15.0% of the revenue as a single tenant of the Coca-Cola Plaza property in Tallinn, Estonia. Compared to H1 2015, 56.3% of the Fund's total gross rental income was generated by the ten largest tenants of the real estate portfolio. 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**





## Baltic Horizon Fund

### MANAGEMENT REVIEW

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2016

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#### 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 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 cyclicity, 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.

## Baltic Horizon Fund

### MANAGEMENT REVIEW

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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 2016

After completing two new acquisitions with the IPO proceeds during Q3, the portfolio of Baltic Horizon Fund is expected to increase to 7 properties located in the Baltic capitals with a gross asset value above EUR 125 million. The management team will consider in the coming months the possibility to pay out the first dividend from the net rental proceeds of the portfolio in order to demonstrate the Fund's capability to start making regular dividend distributions to investors.

Moreover, in the case where attractive investment opportunities in the Baltic capitals remain available, the Management Company may seek for new capital to take advantage of such opportunities in a secondary public offering. 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.

Active risk management vis-à-vis properly diversifying the Fund's portfolio across new tenants and financing banks will continue on a regular basis.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2016

| <i>Euro '000</i>   | <b>Note</b> | <b>01.01.2016-<br/>30.06.2016</b> | <b>01.01.2015-<br/>30.06.2015</b> |
|--|-------------|-----------------------------------|-----------------------------------|
| Rental income  |             | 3,276                             | 2,704                             |
| Expenses reimbursement revenue   |             | 1,193                             | 885                               |
| Cost of rental activities  | 4           | (1,554)                           | (1,220)                           |
| <b>Net rental income</b>   |             | <b>2,915</b>                      | <b>2,369</b>                      |
| Administrative expenses  | 5           | (980)                             | (435)                             |
| Other operating income / (expenses)  |             | 78                                | -                                 |
| Net loss on disposal of investment property  | 9           | -                                 | (10)                              |
| Valuation gains / (loss) on investment properties  | 9           | (441)                             | -                                 |
| <b>Operating profit</b>  |             | <b>1,572</b>                      | <b>1,924</b>                      |
| Financial income   |             | 8                                 | 10                                |
| Financial expenses   | 6           | (533)                             | (533)                             |
| <b>Net financing costs</b>   |             | <b>(525)</b>                      | <b>(523)</b>                      |
| <b>Profit before tax</b>   |             | <b>1,047</b>                      | <b>1,401</b>                      |
| Income tax charge  | 8           | (175)                             | (169)                             |
| <b>Profit for the period</b>   |             | <b>872</b>                        | <b>1,232</b>                      |
| <i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>                         |             |                                   |                                   |
| Net gains (losses) on cash flow hedges   | 12b         | (29)                              | 93                                |
| Income tax relating to net gains (losses) on cash flow hedges  | 12b, 8      | 6                                 | (3)                               |
| <b>Other comprehensive income/ (expense), net of tax, to be reclassified to profit or loss in subsequent periods</b> |             | <b>(23)</b>                       | <b>90</b>                         |
| <b>Total comprehensive income/ (expense) for the period, net of tax</b>  |             | <b>849</b>                        | <b>1,322</b>                      |
| <b>Basic and diluted earnings per unit (Euro)</b>  | 7           | <b>0.03</b>                       | <b>0.05</b>                       |

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

# Baltic Horizon Fund

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2016

| <i>Euro '000</i>                      | <b>Note</b> | <b>30.06.2016</b> | <b>31.12.2015</b> |
|---------------------------------------|-------------|-------------------|-------------------|
| <b>Non-current assets</b>             |             |                   |                   |
| Investment properties                 | 9           | 87,266            | 86,810            |
| Other non-current assets              |             | 252               | 263               |
| <b>Total non-current assets</b>       |             | <b>87,518</b>     | <b>87,073</b>     |
| <b>Current assets</b>                 |             |                   |                   |
| Trade and other receivables           | 10          | 724               | 840               |
| Prepayments                           |             | 97                | 81                |
| Subscriptions receivable              | 12a         | 20,962            | -                 |
| Cash and cash equivalents             | 11          | 1,460             | 1,677             |
| <b>Total current assets</b>           |             | <b>23,244</b>     | <b>2,598</b>      |
| <b>Total assets</b>                   |             | <b>110,762</b>    | <b>89,671</b>     |
| <b>Equity</b>                         |             |                   |                   |
| Paid in capital                       | 12a         | 46,636            | 25,674            |
| Cash flow hedge reserve               | 12b         | (222)             | (199)             |
| Retained earnings                     |             | 7,090             | 6,218             |
| <b>Total equity</b>                   |             | <b>53,504</b>     | <b>31,693</b>     |
| <b>Non-current liabilities</b>        |             |                   |                   |
| Interest bearing loans and borrowings | 13          | 41,557            | 39,586            |
| Deferred tax liabilities              |             | 3,811             | 3,673             |
| Derivative financial instruments      | 18          | 260               | 215               |
| Other non-current liabilities         |             | 494               | 451               |
| <b>Total non-current liabilities</b>  |             | <b>46,122</b>     | <b>43,925</b>     |
| <b>Current liabilities</b>            |             |                   |                   |
| Interest bearing loans and borrowings | 13          | 9,140             | 11,608            |
| Trade and other payables              | 14          | 1,597             | 2,036             |
| Income tax payable                    |             | 168               | 112               |
| Derivative financial instruments      | 18          | 1                 | 17                |
| Other current liabilities             |             | 230               | 280               |
| <b>Total current liabilities</b>      |             | <b>11,136</b>     | <b>14,053</b>     |
| <b>Total liabilities</b>              |             | <b>57,258</b>     | <b>57,978</b>     |
| <b>Total equity and liabilities</b>   |             | <b>110,762</b>    | <b>89,671</b>     |

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

# Baltic Horizon Fund

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2016

| <i>Euro '000</i>                                 | Notes | Paid in capital | Cash flow hedge reserve | Retained earnings | Total equity   |
|--|-------|-----------------|-------------------------|-------------------|----------------|
| <b>As at 1 January 2015</b>                      |       | <b>22,051</b>   | -                       | <b>2,263</b>      | <b>24,314</b>  |
| Net profit for the year                          |       | -               | -                       | 5,525             | <b>5,525</b>   |
| Other comprehensive income / (expense)           |       | -               | (5)                     | -                 | <b>(5)</b>     |
| <b>Total comprehensive income / (expense)</b>    |       | -               | <b>(5)</b>              | <b>5,525</b>      | <b>5,520</b>   |
| Paid in capital – units issued                   | 12a   | 3,623           | -                       | -                 | <b>3,623</b>   |
| Profit distribution to unit holders              | 12c   | -               | -                       | (1,764)           | <b>(1,764)</b> |
| Cash flow hedge reserve in acquired subsidiaries | 12b   | -               | (194)                   | 194               | -              |
| <b>As at 31 December 2015</b>                    |       | <b>25,674</b>   | <b>(199)</b>            | <b>6,218</b>      | <b>31,693</b>  |
| Net profit for the period                        |       | -               | -                       | 872               | <b>872</b>     |
| Other comprehensive income / (expense)           |       | -               | (23)                    | -                 | <b>(23)</b>    |
| <b>Total comprehensive income / (expense)</b>    |       | -               | <b>(23)</b>             | <b>872</b>        | <b>849</b>     |
| Paid in capital – units issued                   | 12a   | 20,962          | -                       | -                 | <b>20,962</b>  |
| <b>As at 30 June 2016</b>                        |       | <b>46,636</b>   | <b>(222)</b>            | <b>7,090</b>      | <b>53,504</b>  |

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2016**

| <i>Euro '000</i>  | <b>Note</b> | <b>01.01.2016-<br/>30.06.2016</b> | <b>01.01.2015-<br/>30.06.2015</b> |
|---|-------------|-----------------------------------|-----------------------------------|
| <b>Cash flows from core activities</b>                        |             |                                   |                                   |
| <b>Profit (loss) before tax</b>                               |             | <b>1,047</b>                      | <b>1,401</b>                      |
| Adjustments for non-cash items:                               |             |                                   |                                   |
| Value adjustment of investment properties                     | 9           | 441                               | -                                 |
| (Gain)/loss on property disposal                              | 9           | 6                                 | 10                                |
| Value adjustment of derivative finance instruments            |             | -                                 | (2)                               |
| Financial income  |             | (8)                               | (10)                              |
| Financial expenses  | 6           | 533                               | 533                               |
| Working capital adjustments:                                  |             |                                   |                                   |
| Decrease/(Increase) in trade and other accounts receivable    |             | 140                               | 60                                |
| (Increase)/decrease in other current assets                   |             | (40)                              | (60)                              |
| (Decrease)/Increase in other non-current liabilities          |             | 43                                | 20                                |
| Increase/(Decrease) in trade and other accounts payable       |             | 247                               | (24)                              |
| (Decrease)/increase in other current liabilities              |             | (702)                             | 210                               |
| Refunded/(paid) income tax                                    |             | (45)                              | (16)                              |
| <b>Total cash flows from core activities</b>                  |             | <b>1,662</b>                      | <b>2,122</b>                      |
| <b>Cash flows from investing activities</b>                   |             |                                   |                                   |
| Interest received   |             | 8                                 | 6                                 |
| Acquisition of subsidiaries, net of cash acquired             | 9           | -                                 | (6,324)                           |
| Disposal of investment properties                             | 9           | -                                 | 990                               |
| Capital expenditure on investment properties                  |             | (878)                             | (805)                             |
| <b>Total cash flows from investing activities</b>             |             | <b>(870)</b>                      | <b>6,133</b>                      |
| <b>Cash flows from financial activities</b>                   |             |                                   |                                   |
| Proceeds from bank loans                                      |             | 232                               | 2,539                             |
| Repayment of bank loans                                       |             | (741)                             | (315)                             |
| Proceeds from issue of units                                  | 12          | -                                 | 2,660                             |
| Interest paid   |             | (500)                             | (500)                             |
| <b>Total cash flows from financing activities</b>             |             | <b>(1,009)</b>                    | <b>4,384</b>                      |
| <b>Net change in cash and cash equivalents</b>                |             | <b>(217)</b>                      | <b>373</b>                        |
| <b>Cash and cash equivalents at the beginning of the year</b> |             | <b>1,677</b>                      | <b>1,293</b>                      |
| <b>Cash and cash equivalents at the end of the period</b>     |             | <b>1,460</b>                      | <b>1,660</b>                      |

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



## Baltic Horizon Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2016

#### 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                   | 30.06.2016 | 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%       |

#### 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.

#### 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.

## Baltic Horizon Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2016

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#### 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.

### 3. Operating segments

The Group's reportable segments are as follows:

- Retail segment – includes Europa Shopping Centre, Domus Pro Retail Park (Lithuania), and SKY Supermarket (Latvia) investment properties.
- Office segment – includes Lincona Office Complex (Estonia) investment property.
- 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.

## Baltic Horizon Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2016

Operating segments – 30 June 2016

| '000 Euro                                      | Retail        | Office        | Leisure       | Total         |
|--|---------------|---------------|---------------|---------------|
| <b>01.01.2016 – 30.06.2016:</b>                |               |               |               |               |
| External revenue <sup>1</sup>                  | 3,184         | 794           | 491           | 4,469         |
| <b>Segment net rental income</b>               | <b>1,824</b>  | <b>607</b>    | <b>484</b>    | <b>2,915</b>  |
| Net gains or losses from fair value adjustment | (441)         | -             | -             | (441)         |
| Interest expenses                              | (468)         | (168)         | (160)         | (796)         |
| Income tax expenses                            | (175)         | -             | -             | (175)         |
| <b>Segment net profit / (loss)</b>             | <b>900</b>    | <b>525</b>    | <b>379</b>    | <b>1,804</b>  |
| <b>As at 30.06.2016:</b>                       |               |               |               |               |
| <b>Segment assets</b>                          | <b>61,155</b> | <b>15,714</b> | <b>12,745</b> | <b>89,614</b> |
| Investment properties                          | 59,125        | 15,491        | 12,650        | 87,266        |
| <b>Segment liabilities</b>                     | <b>40,514</b> | <b>8,697</b>  | <b>7,197</b>  | <b>56,408</b> |

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

Operating segments – 30 June 2015

| '000 Euro                                      | Retail        | Office        | Leisure       | Total         |
|--|---------------|---------------|---------------|---------------|
| <b>01.01.2015 – 30.06.2015:</b>                |               |               |               |               |
| External revenue <sup>1</sup>                  | 2,307         | 796           | 486           | 3,589         |
| <b>Segment net rental income</b>               | <b>1,316</b>  | <b>573</b>    | <b>480</b>    | <b>2,369</b>  |
| Net gains or losses from fair value adjustment | -             | -             | -             | -             |
| Interest expenses                              | (385)         | (278)         | (203)         | (866)         |
| Income tax expenses                            | (169)         | -             | -             | (169)         |
| <b>Segment net profit</b>                      | <b>836</b>    | <b>260</b>    | <b>271</b>    | <b>1,367</b>  |
| <b>As at 31.12.2015:</b>                       |               |               |               |               |
| <b>Segment assets</b>                          | <b>61,077</b> | <b>15,611</b> | <b>12,759</b> | <b>89,449</b> |
| Investment properties                          | 58,700        | 15,460        | 12,650        | 86,810        |
| <b>Segment liabilities</b>                     | <b>41,480</b> | <b>8,870</b>  | <b>7,353</b>  | <b>57,703</b> |

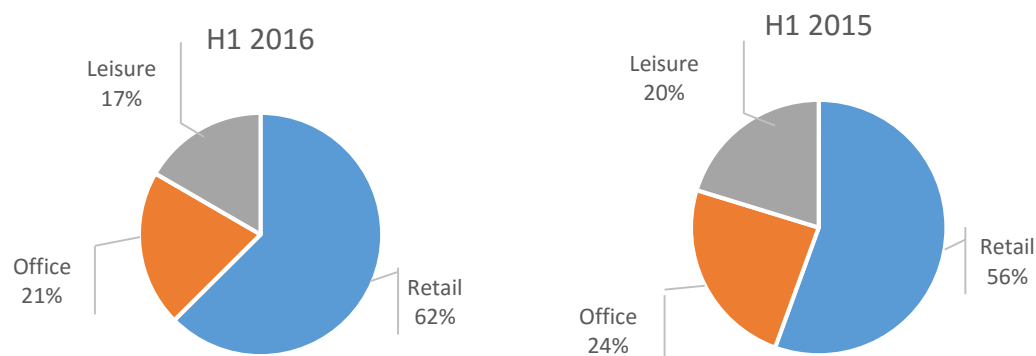
1. External revenue includes rental income and expense reimbursement revenue. The segments do not have inter-segment revenue.

## Baltic Horizon Fund

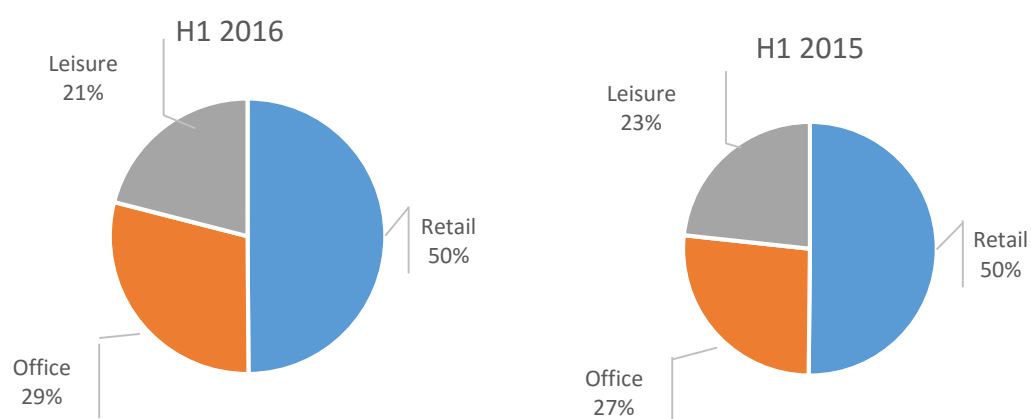
### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2016

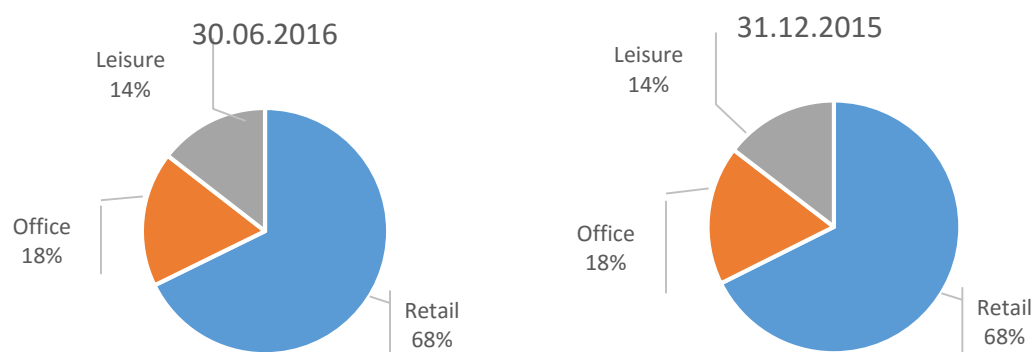
#### Segment net rental income\*



#### Segment net profit (loss)\*



#### Investment properties\*



\*As a percentage of the total for all reportable segments

## Baltic Horizon Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2016

#### Reconciliation of information on reportable segments to IFRS measures

Operating segments – 30 June 2016

| '000 Euro                       | Total Reportable Segments | Adjustments               | Consolidated   |
|---------------------------------|---------------------------|---------------------------|----------------|
| <b>01.01.2016 – 30.06.2016:</b> |                           |                           |                |
| Interest expenses               | (796)                     | 269 <sup>1</sup>          | (527)          |
| <b>Net profit / (loss)</b>      | <b>1,804</b>              | <b>(932)<sup>2</sup></b>  | <b>872</b>     |
| <b>As at 30.06.2016:</b>        |                           |                           |                |
| <b>Segment assets</b>           | <b>89,614</b>             | <b>21,148<sup>3</sup></b> | <b>110,762</b> |
| <b>Segment liabilities</b>      | <b>56,408</b>             | <b>851<sup>4</sup></b>    | <b>57,259</b>  |

1. Eliminated intercompany transactions between Group entities.
2. Segment net profit does not include accrual for IPO related expenses (EUR 500 thousand), Fund management fee expense (EUR 305 thousand), performance fee accrual (EUR 81 thousand), fund custodian fee (EUR 9 thousand) and other Fund-level administrative expenses (EUR 37 thousand).
3. Segment assets do not include cash, which is held at the Fund level (EUR 186 thousand) and IPO proceeds receivable (EUR 20,962 thousand).
4. Segment liabilities do not include accrual for IPO costs (EUR 500 thousand), management fee payable (EUR 154 thousand), performance fee accrual (EUR 160 thousand) and other short-term payables (EUR 37 thousand) at Fund level.

Operating segments – 31 December 2015

| '000 Euro                       | Total reportable segments | Adjustments              | Consolidated  |
|---------------------------------|---------------------------|--------------------------|---------------|
| <b>01.01.2015 – 30.06.2015:</b> |                           |                          |               |
| Interest expenses               | (866)                     | 351 <sup>1</sup>         | (515)         |
| <b>Net profit (loss)</b>        | <b>1,541</b>              | <b>(309)<sup>2</sup></b> | <b>1,232</b>  |
| <b>As at 31.12.2015:</b>        |                           |                          |               |
| <b>Segment assets</b>           | <b>89,447</b>             | <b>261<sup>3</sup></b>   | <b>89,708</b> |
| <b>Segment liabilities</b>      | <b>57,703</b>             | <b>313<sup>4</sup></b>   | <b>58,015</b> |

1. Eliminated intercompany transactions between Group entities.
2. Segment net profit does not include Fund management fee expense (EUR 250 thousand), fund custodian fee (EUR 7 thousand) and other administrative expenses (EUR 52 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 19 thousand) at Fund level.

#### Geographic information

##### Segment net rental income

| '000 Euro    | External revenue      |                       | Investment property value |               |
|--------------|-----------------------|-----------------------|---------------------------|---------------|
|              | 01.01.2016-30.06.2016 | 01.01.2015-30.06.2015 | 30.06.2016                | 31.12.2015    |
| Lithuania    | 2,774                 | 1,905                 | 53,932                    | 53,550        |
| Latvia       | 410                   | 402                   | 5,165                     | 5,150         |
| Estonia      | 1,285                 | 1,282                 | 28,141                    | 28,110        |
| <b>Total</b> | <b>4,469</b>          | <b>3,589</b>          | <b>87,238</b>             | <b>86,810</b> |

## Baltic Horizon Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2016

#### Major tenant

In H1 2016, rental income from one tenant in leisure segment represented EUR 491 thousand of the Group's total rental income (EUR 486 thousand in H1 2015).

#### 4. Cost of rental activities

| '000 Euro                              | 01.01.2016 -<br>30.06.2016 | 01.01.2015 -<br>30.06.2015 |
|--|----------------------------|----------------------------|
| Utilities                              | 695                        | 574                        |
| Repair and maintenance                 | 412                        | 248                        |
| Property management expenses           | 188                        | 163                        |
| Real estate taxes                      | 125                        | 92                         |
| Sales and marketing expenses           | 99                         | 108                        |
| Property insurance                     | 13                         | 12                         |
| Other                                  | 22                         | 23                         |
| <b>Total cost of rental activities</b> | <b>1,554</b>               | <b>1,220</b>               |

During H1 2016, EUR 1,193 thousand (EUR 885 thousand during H1 2015) of the total cost of rental activities (mainly utilities and repair and maintenance expenses) was recharged to tenants.

#### 5. Administrative expenses

| '000 Euro                            | 01.01.2016 -<br>30.06.2016 | 01.01.2015 -<br>30.06.2015 |
|--------------------------------------|----------------------------|----------------------------|
| Accrual for IPO related expenses     | 500                        | -                          |
| Management fee                       | 305                        | 250                        |
| Performance fee                      | 81                         | -                          |
| Legal fees                           | 22                         | 107                        |
| Audit fee                            | 20                         | 18                         |
| Property valuation fee               | 4                          | 19                         |
| Custodian fees                       | 8                          | 7                          |
| Other consultancy fees               | 28                         | 29                         |
| Other administrative expenses        | 12                         | 5                          |
| <b>Total administrative expenses</b> | <b>980</b>                 | <b>435</b>                 |

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).

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.

## Baltic Horizon Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2016

#### 6. Financial expenses

| '000 Euro                         | 01.01.2016 - 30.06.2016 | 01.01.2015 - 30.06.2015 |
|-----------------------------------|-------------------------|-------------------------|
| Interest on bank loans            | 527                     | 515                     |
| Foreign currency exchange loss    | -                       | 4                       |
| Loan arrangement fee amortisation | 6                       | 14                      |
| <b>Total financial expenses</b>   | <b>533</b>              | <b>533</b>              |

#### 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  | 01.01.2016 - 30.06.2016 | 01.01.2015 - 30.06.2015 |
|--|-------------------------|-------------------------|
| Profit for the period, attributed to the unit holders of the Fund        | 872                     | 1,232                   |
| <b>Profit for the period, attributed to the unit holders of the Fund</b> | <b>872</b>              | <b>1,232</b>            |

Weighted-average number of units:

| '000 Euro                                      | Note | 30.06.2016        | 30.06.2015        |
|--|------|-------------------|-------------------|
| Issued units at 1 January                      |      | 25,016,700        | 21,719,670        |
| Effect of units issued in February 2015        |      | -                 | 1,666,831         |
| Effect of units issued in June 2016*           | 12a  | -                 | -                 |
| <b>Weighted-average number of units issued</b> |      | <b>25,016,700</b> | <b>23,386,501</b> |

\*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

| '000 Euro                            | 30.06.2016  | 30.06.2015  |
|--------------------------------------|-------------|-------------|
| Basic and diluted earnings per unit* | <b>0.03</b> | <b>0.05</b> |

\*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 six months ended 30 June 2016 was 17% (six months ended 30 June 2015: 12%). The change in effective tax rate was caused mainly by the deferred tax accumulation in BOF Europa Holding UAB for the full six months period (BOF Europa Holding UAB was acquired together with the Europa property on 2 March 2015).

## Baltic Horizon Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2016

The major components of income tax for the periods ended 30 June 2016 and 30 June 2015 are:

| '000 Euro   | 01.01.2016-<br>30.06.2016 | 01.01.2015-<br>30.06.2015 |
|---|---------------------------|---------------------------|
| <b>Consolidated statement of profit or loss</b>                     |                           |                           |
| Current income tax for the period                                   | (19)                      | (29)                      |
| Deferred tax for the period (Note 12b)                              | (156)                     | (140)                     |
| <b>Income tax expense reported in profit or loss</b>                | <b>(175)</b>              | <b>(169)</b>              |
| <b>Consolidated statement of other comprehensive income</b>         |                           |                           |
| Deferred income tax related to items charged or credited to equity: |                           |                           |
| Revaluation of derivative instruments to fair value                 | 6                         | (3)                       |
| <b>Income tax expense reported in other comprehensive income</b>    | <b>6</b>                  | <b>(3)</b>                |

### 9. Investment property

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

| '000 Euro  | 30.06.2016    | 31.12.2015    |
|--|---------------|---------------|
| <b>Balance at 1 January</b>                          | <b>86,810</b> | -             |
| Investment property acquired in business combination | -             | 81,957        |
| Additions (subsequent expenditure)                   | 869           | 2,967         |
| Disposals  | -             | (1,000)       |
| Net revaluation gain / (loss)                        | (441)         | 2,886         |
| <b>Closing balance</b>                               | <b>87,238</b> | <b>86,810</b> |

No external property valuations were performed as at 30 June 2016. The revaluation loss of EUR 441 thousand for H1 2016 is related to Domus Pro Retail Park after stage II of the property was completed and the final price was paid to the property developer TK Development.

During H1 2016, the Group did not acquire or sell investment property.

### 10. Trade and other receivables

| '000 Euro  | 30.06.2016 | 31.12.2015 |
|--|------------|------------|
| Trade receivables, gross                           | 499        | 570        |
| Less impairment allowance for doubtful receivables | (22)       | (22)       |
| Accrued income                                     | 106        | 174        |
| Other accounts receivable                          | 141        | 118        |
| <b>Total</b>                                       | <b>724</b> | <b>840</b> |

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.



## Baltic Horizon Fund

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Movements in the impairment allowance for receivables were as follows:

| '000 Euro                       | 30.06.2016  | 31.12.2015  |
|---------------------------------|-------------|-------------|
| Balance at 1 January            | (22)        | -           |
| Charge for the period           | -           | (22)        |
| <b>Balance at end of period</b> | <b>(22)</b> | <b>(22)</b> |

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

| '000 Euro  | Total      | Neither past due | Past due but not impaired |            |            |             |           |
|------------|------------|------------------|---------------------------|------------|------------|-------------|-----------|
|            |            | nor impaired     | <30 days                  | 30-60 days | 60-90 days | 90-120 days | >120 days |
| 30.06.2016 | <b>477</b> | 227              | 62                        | 18         | 11         | 9           | 150       |
| 31.12.2015 | <b>548</b> | 241              | 93                        | 29         | 24         | 6           | 155       |

### 11. Cash and cash equivalents

| '000 Euro                 | 30.06.2016   | 31.12.2015   |
|---------------------------|--------------|--------------|
| Cash at banks and on hand | 1,460        | 1,677        |
| <b>Total cash</b>         | <b>1,460</b> | <b>1,677</b> |

As at 30 June 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. The Fund received the cash raised during the public offering on 5 July 2016. Therefore, a receivable of EUR 21 million was recorded as of 30 June 2016. As at 30 June 2016, the paid in capital of Baltic Horizon Fund is represented by 41,979,150 units (as at 31 December 2015: 250,167).

Subsidiaries did not hold any units of the Fund as at 30 June 2016 and 31 December 2015. The Fund did not hold its own units as at 30 June 2016 and 31 December 2015.

## Baltic Horizon Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2016

#### 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 June 2016.

| '000 Euro                                   | 30.06.2016   | 31.12.2015   |
|---|--------------|--------------|
| <b>Balance at the beginning of the year</b> | (199)        | -            |
| Fair value of hedge acquired*               | -            | (194)        |
| Movement in fair value of existing hedges   | (29)         | (23)         |
| Movement in deferred income tax (Note 8)    | 6            | 18           |
| <b>Net variation during the period</b>      | <b>(23)</b>  | <b>(5)</b>   |
| <b>Balance at the end of the period</b>     | <b>(222)</b> | <b>(199)</b> |

\*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

The Fund did not pay dividends during H1 2016. Dividends in the amount of EUR 1,764 thousand were declared during 2015.

#### 13. Interest bearing loans and borrowings

| '000 Euro                                 | Maturity  | Effective interest rate | 30.06.2016    | 31.12.2015    |
|---|-----------|-------------------------|---------------|---------------|
| <b>Non-current borrowings</b>             |           |                         |               |               |
| Bank 1                                    | Dec 2017  | 1M EURIBOR + 1.45%      | 7,093         | 7,169         |
| Bank 1                                    | Dec 2017  | 3M EURIBOR + 3.00%      | 1,493         | 1,533         |
| Bank 3                                    | May 2018  | 3M EURIBOR + 2.50%      | 8,396         | 8,141         |
| Bank 1                                    | Mar 2018  | 3M EURIBOR + 1.50%      | 23,888        | 24,331        |
| Bank 1                                    | Aug 2021  | 3M EURIBOR + 1.75%      | 2,652         | -             |
| Less current portion                      |           |                         | (1,965)       | (1,588)       |
| <b>Total non-current debt</b>             |           |                         | <b>41,557</b> | <b>39,586</b> |
| <b>Current borrowings</b>                 |           |                         |               |               |
| Bank 2                                    | Mar 2019* | 3M EURIBOR + 1.90%      | 7,175         | -             |
| 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 |           |                         | 1,965         | 1,588         |
| <b>Total current debt</b>                 |           |                         | <b>9,140</b>  | <b>11,608</b> |
| <b>Total</b>                              |           |                         | <b>50,697</b> | <b>51,194</b> |

\*The Group has a long-term bank loan which is subject to certain financial covenants. As at 30 June 2016, the Group has breached a DSCR covenant, however, subsequent to reporting period the bank revised DSCR calculation method and covenant breach based on initial DSCR calculation method was waived.

## Baltic Horizon Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2016

#### Loan securities

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

|               | Mortgages of the property | Second rank mortgages for derivatives | Pledges of receivables  | Pledges of bank accounts | Share pledge      |
|---------------|---------------------------|---------------------------------------|-------------------------|--------------------------|-------------------|
| <b>Bank 1</b> | Lincona, SKY and Europa   | Lincona, SKY and Europa               | Lincona, SKY and Europa | BOF Europa UAB, SKY      |                   |
| <b>Bank 2</b> | Coca-Cola Plaza           | Coca-Cola Plaza                       | Coca-Cola Plaza         | Coca-Cola Plaza          |                   |
| <b>Bank 3</b> | Domus Pro                 | Domus Pro                             | Domus Pro               |                          | BOF Domus Pro UAB |

#### 14. Trade and other payables

| '000 Euro  | 30.06.2016   | 31.12.2015   |
|--|--------------|--------------|
| Trade payables   | 476          | 686          |
| Accrued expenses   | 304          | 235          |
| Accrued expenses related to Domus Pro stage II acquisition | -            | 745          |
| Accrued financial expenses                                 | 14           | 17           |
| Tax payables   | 110          | 120          |
| Other payables   | 693          | 233          |
| <b>Total trade and other payables</b>                      | <b>1,597</b> | <b>2,036</b> |

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. Operating leases – Group as a lessor

The Group leases real estate under operating leases. The terms of the leases are in line with normal practices in each market. Leases are reviewed or subject to automatic inflationary adjustments as appropriate.

The leasing arrangements entered into or in relation with Group's investment properties portfolio which include a clause allowing tenants to terminate the leasing arrangements by giving up to six-month notice are not considered as non-cancellable leases.

Lease payments receivable from non-cancellable leases are shown below. For the purposes of this schedule it is conservatively assumed that a lease expires on the date of the first break option.

| '000 Euro                            | 30.06.2016        |              | 31.12.2015        |              |
|--------------------------------------|-------------------|--------------|-------------------|--------------|
| Year of expiry or first break option | Amount receivable | %            | Amount receivable | %            |
| Within 1 year                        | 5,221             | 20 %         | 5,179             | 19 %         |
| Between 1 and 5 years                | 14,938            | 56 %         | 15,154            | 56 %         |
| 5 years and more                     | 6,369             | 24 %         | 6,955             | 25 %         |
| <b>Total</b>                         | <b>26,528</b>     | <b>100 %</b> | <b>27,288</b>     | <b>100 %</b> |

##### 15b. Litigation

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

**Baltic Horizon Fund****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**15c Contingent liabilities**

On 1 December 2015, the Group entered into an agreement with TK Development to increase the value of Domus Pro Retail Park by constructing and developing an office and commercial building (stage III) on the land plot nearby 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 letting area of office and retail building of stage III is leased out under the head of terms and the building permit for stage III is obtained. If the commencement conditions are not met by 30 November 2016, the Group:

1. is released from any obligations of this agreement. However, if the commencement conditions of stage III are not met due to the fault of the Group, it must cover the costs related to preparations for the development of stage III;
2. if the commencement conditions of stage III are not met due to the fault of TK Development by 30 November 2016, the Group must initiate separation of the part of the land plot related to stage III. Once the land plot is legally formed and registered, the Group has to sell the land plot to TK Development for a price equal to the market price. The Group must also pay TK Development remuneration for development services delivered until the date of concluding the land separation;
3. If the land is not separated by 31 May 2017 and/or the land SPA is not signed by 31 July 2017 due to the fault of the Group, the Group must pay TK Development an amount of EUR 1,000 thousand.

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

Northern Horizon Capital AS

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

TK Development Lietuva UAB

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 following table provides the total amount of the transactions and balances at period-end, which have been entered into with related parties for the relevant reporting period:

|   | 2016  | 2015  |
|---|-------|-------|
| <b>Northern Horizon Capital AS group</b>                    |       |       |
| <i>Transactions:</i>  |       |       |
| Management fees   | (305) | (250) |
| Performance fees  | (81)  | -     |
| <i>Balances:</i>  |       |       |
| Payables  | 315   | 294   |
| <b>UAB TK Development Lietuva</b>                           |       |       |
| <i>Balances:</i>  |       |       |
| Accrued expenses related to Domus Pro stage II acquisition* | -     | 745   |

\*Accrual for services to develop Domus Pro stage II by TK Development.

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



## Baltic Horizon Fund

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2016

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 2,261,110 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 June 2016 and 31 December 2015 are provided in the tables below:

#### **As at 30 June 2016**

|   | Number of units | Percentage |
|---|-----------------|------------|
| Swedbank AS Clients                         | 22,709,723      | 54.10%     |
| Skandinaviska Svenska Kyrkans Pensionskassa | 8,061,604       | 19.20%     |
| SEB Pank Clients AS                         | 4,170,314       | 9.93%      |
| Northern Horizon Capital AS*                | 2,261,110       | 5.39%      |

\*Northern Horizon Capital AS, in its capacity of a licensed fund management company temporarily held these units on behalf of the investors. Due to regulatory requirements, during the merger process the investors had to transfer their old units to new nominee accounts.

On 30 June 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 Swedbank AS Clients, Svenska Kyrkans Pensionskassa and SEB Pank Clients AS. Transactions with Northern Horizon Capital AS are disclosed in the table above.

# Baltic Horizon Fund

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2016

### 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 |            |
|---------------------------------------|-----------------|------------|------------|------------|
|                                       | 30.06.2016      | 31.12.2015 | 30.06.2016 | 31.12.2015 |
| <b>Financial assets</b>               |                 |            |            |            |
| Trade and other receivables           | 724             | 840        | 724        | 840        |
| Cash and cash equivalents             | 1,460           | 1,677      | 1,460      | 1,677      |
| <b>Financial liabilities</b>          |                 |            |            |            |
| Interest-bearing loans and borrowings | (50,697)        | (51,194)   | (50,697)   | (51,670)   |
| Trade and other payables              | (1,597)         | (2,036)    | (1,597)    | (2,036)    |
| Derivative financial instruments      | (261)           | (232)      | (261)      | (232)      |

#### Fair value hierarchy

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

| Period ended 30 June 2016             | Level 1        | Level 2        | Level 3        | Total fair value        |
|---------------------------------------|----------------|----------------|----------------|-------------------------|
| <b>Financial assets</b>               |                |                |                |                         |
| Trade and other receivables           | -              | -              | 724            | <b>724</b>              |
| Cash and cash equivalents             | -              | 1,460          | -              | <b>1,460</b>            |
| <b>Financial liabilities</b>          |                |                |                |                         |
| Interest-bearing loans and borrowings | -              | -              | (50,697)       | <b>(50,697)</b>         |
| Trade and other payables              | -              | -              | (1,597)        | <b>(1,597)</b>          |
| Derivative financial instruments      | -              | (261)          | -              | <b>(261)</b>            |
| <b>Year ended 31 December 2015</b>    | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total fair value</b> |
| <b>Financial assets</b>               |                |                |                |                         |
| Trade and other receivables           | -              | -              | 840            | <b>840</b>              |
| Cash and cash equivalents             | -              | 1,677          | -              | <b>1,677</b>            |
| <b>Financial liabilities</b>          |                |                |                |                         |
| Interest-bearing loans and borrowings | -              | -              | (51,670)       | <b>(51,670)</b>         |
| Trade and other payables              | -              | -              | (2,036)        | <b>(2,036)</b>          |
| Derivative financial instruments      | -              | (232)          | -              | <b>(232)</b>            |



## Baltic Horizon Fund

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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 June 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 Pohjola, DnB Nord and SEB 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   |              |
|--|---------------|---------------|-----------------|--------------------------|-------------------|--------------|--------------|
|  |               |               |                 |                          |                   | 30.06.2016   | 31.12.2015   |
| IRS  | Sep 2013      | Aug 2016      | 1,100           | 3M Euribor               | 0.60 %            | (1)          | (4)          |
| IRS  | Sep 2013      | Mar 2016      | 5,975           | 3M Euribor               | 0.74 %            | -            | (13)         |
| IRS  | Dec 2014      | May 2018      | 7,542           | 3M Euribor               | 0.50 %            | (107)        | (99)         |
| IRS  | Sep 2015      | Mar 2018      | 19,474          | 3M Euribor               | 0.15 %            | (153)        | (116)        |
| <b>Derivative financial instruments, liabilities</b> |               |               |                 |                          |                   | <b>(261)</b> | <b>(232)</b> |

## Baltic Horizon Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2016

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

| Classification according to maturity | Liabilities  |              | Assets     |            |
|--------------------------------------|--------------|--------------|------------|------------|
|                                      | 30.06.2016   | 31.12.2015   | 30.06.2016 | 31.12.2015 |
| Non-current                          | (260)        | (215)        | -          | -          |
| Current                              | (1)          | (17)         | -          | -          |
| <b>Total</b>                         | <b>(261)</b> | <b>(232)</b> | <b>-</b>   | <b>-</b>   |

### 19. Subsequent events

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.

On 27 July 2016, the Fund signed a sales and purchase agreement to acquire Upmala Biroji office building in Riga, Latvia. The closing of the transaction is expected to be finalized during Q3 2016.

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%                |

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



## Baltic Horizon Fund

### MANAGEMENT APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2016

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The financial statements of Baltic Horizon Fund were approved by the management board of the Management Company on 31 August 2016.

| Name and position  | Signature | Date  |
|--|-----------|-------|
| Tarmo Karotam<br>Chairman of the management board            | _____     | _____ |
| Aušra Stankevičienė<br>Member of the management board        | _____     | _____ |
| Algirdas Jonas Vaitiekūnas<br>Member of the management board | _____     | _____ |