

ANNUAL REPORT

(Translation of the Estonian original)

Beginning of the financial year: 1 January 2016

End of the financial year: 31 December 2016

Business name: Northern Horizon Capital AS

Commercial Registry no: 11025345

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This version of the report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the report takes precedence over this translation.

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Management report

Northern Horizon Capital AS is an entity established on 24 March 2004 for the management of real estate and real estate investments. The founder and the parent company of Northern Horizon Capital AS is Northern Horizon Capital A/S registered in the Kingdom of Denmark. Northern Horizon Capital AS is a management company of Baltic Horizon Fund that is registered with the Estonian Financial Supervisory Authority.

Baltic Horizon Fund's predecessor BPT Baltic Opportunity Fund was liquidated in the end of June 2016 because its assets were united with Baltic Horizon Fund due to their merger.

Baltic Horizon is an evergreen closed-end real-estate fund that was listed on Nasdaq Tallinn stock exchange on 6 July 2016. For the first time the stock that has been listed on Nasdaq Tallinn stock exchange is now dual-listed on Nasdaq Stockholm stock exchange. Baltic Horizon is also the first listing on the AIF Nasdaq Stockholm stock exchange alternative funds. The first trading day with the fund's shares on the Nasdaq Stockholm stock exchange was 23 December 2016.

Baltic Horizon is administrated by Northern Horizon Capital AS, Northern Horizon group's subsidiary. Northern Horizon Capital AS is a licensed fund manager and submits to The Estonian Financial Supervisory Authority.

In 2016, the Company's revenue amounted to EUR 848,042 (2015: EUR 582,061) and the net loss to EUR 45,296 (2015: profit EUR 464,069).

As at 31 December 2016, the Company had 3 employees (31.12.2015: 1 employee) whose salary totaled EUR 178,240 (2015: EUR 69,096).

The Management Board consists of three members. The Management Board members were paid remuneration in the amount of EUR 12,000.

The Supervisory Board consists of three members who were paid remuneration in the amount of EUR 6,470.

On 23.05.2016 the Estonian Financial Supervisory Authority granted Northern Horizon Capital AS an alternative investment fund manager license (AIFM) and to this day the company is continuing its operations as a licensed fund management company under the supervision of the Estonian Financial Supervision Authority.

In 2017, Northern Horizon Capital AS will continue its activities in the field of investment management and plans to increase the volume of managed assets.

Key financial ratios:

		2016	2015
Revenue change		46%	35%
Equity change		-1%	14%
Liquidity ratios			
Current ratio	current assets/ short-term liabilities	1.58	81.57
Quick ratio	(current assets – inventories – prepayments)/short-term liabilities	1.49	81.01
Cash ratio	cash/ short-term liabilities	0.69	7.49
Profitability ratios			
Net profit margin	net profit/ revenue	-5.34%	79.73%
ROA	net profit/ average of total assets	-1.12%	13.27%
ROE	net profit/ average of equity	-1.24%	13.45%
Leverage ratios			
Debt ratio	total liabilities/ total liabilities and equity	16.05%	1.23%
Debt-to-equity ratio	total liabilities/ equity	19.12%	1.24%

Financial statements

Balance sheet

(In Euros)

	31.12.2016	31.12.2015	Note
Assets			
Current assets			
Cash and cash equivalents	309,792	342,202	2
Receivables and prepayments	397,919	3,384,123	3, 4
Total current assets	707,711	3,726,325	
Non-current assets			
Receivables and prepayments	3,618,094	0	3, 5
Property, plant and equipment	6,069	1,259	6
Total non-current assets	3,624,163	1,259	
Total assets	4,331,874	3,727,584	
Liabilities and equity			
Liabilities			
Current liabilities			
Payables and prepayments	449,272	45,683	4, 8
Total current liabilities	449,272	45,683	
Non-current liabilities			
Payables and prepayments	245,999	0	8
Total non-current liabilities	245,999	0	
Total liabilities	695,271	45,683	
Equity			
Issued capital	125,000	125,000	10
Statutory reserve capital	12,500	12,500	
Retained earnings (loss)	3,544,399	3,080,332	
Annual period profit (loss)	-45,296	464,069	
Total equity	3,636,603	3,681,901	
Total liabilities and equity	4,331,874	3,727,584	

Income statement

(In Euros)

	2016	2015	Note
Revenue	848,042	582,061	11
Cost of sales	-586,900	-225,270	12
Gross profit (loss)	261,142	356,791	
Marketing costs	-12,101	-4,695	
Administrative expense	-419,689	-11,709	13
Operating profit (loss)	-170,648	340,387	
Other financial income and expense	125,352	123,682	15
Profit (loss) before tax	-45,296	464,069	
Annual period profit (loss)	-45,296	464,069	

Cash flow statement

(In Euros)

	2016	2015	Note
Cash flows from operating activities			
Profit (loss)	-170,648	340,387	
Adjustments			
Depreciation and impairment loss (reversal)	834	309	6
Total adjustments	834	309	
Changes in receivables and prepayments related to operating activities	-6,182	-203,360	3
Changes in payables and prepayments related to operating activities	649,586	-1,595	8
Total cash flows from operating activities	473,590	135,741	
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	-5,644	-669	6
Loans given	-500,000	-545,000	5, 16
Repayments of loans given	0	262,739	16
Interest received	0	123,741	15
Total cash flows from investing activities	-505,644	-159,189	
Total cash flows	-32,054	-23,448	
Cash and cash equivalents at beginning of period	342,202	365,709	2
Change in cash and cash equivalents	-32,054	-23,448	
Effect on exchange rate changes on cash and cash equivalents	-356	-59	
Cash and cash equivalents at end of period	309,792	342,202	2

Statement of changes in equity

(In Euros)

				Total
	Issued capital	Statutory reserve capital	Retained earnings (loss)	
31.12.2014	125,000	12,500	3,080,332	3,217,832
Annual period profit (loss)	0	0	464,069	464,069
31.12.2015	125,000	12,500	3,544,401	3,681,901
Annual period profit (loss)	0	0	-45,298	-45,298
31.12.2016	125,000	12,500	3, 499,103	3,636,603

Additional information about share capital is disclosed in Note 10.

Notes to the financial statement

Note 1 Accounting principles

General information

The 2016 financial statements of Northern Horizon Capital AS have been prepared in accordance with the generally accepted accounting principles in Estonia. The accounting principles generally accepted in Estonia are prescribed by the Accounting Act and supplemented by the guidelines issued by the Accounting Standards Board. Financial statements are presented in euros.

Cash and cash equivalents

In the balance sheet and cash flow statement, cash and cash equivalents include cash in hand, bank account balances and term deposits with original maturities of three months or less.

Foreign currency transactions and assets and liabilities denominated in a foreign currency

The Company's functional currency is euro. Foreign currency transactions are translated using the European Central Bank exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in a foreign currency are translated into functional currency based on the foreign currency exchange rates of the European Central Bank prevailing at the balance sheet date. Foreign exchange gains and losses resulting from translation are recognized in the income statement of the accounting period.

Receivables and prepayments

Trade receivables, accrued income and other short and long-term receivables (incl. loan receivables, deposits) are measured at amortised cost. At each balance sheet date the management assess whether there are signs of financial assets impairment. If there are before mentioned signs the financial assets at amortized cost will be write-down to the present value of future expected collectible amount. Impairment losses are recognized as expense in the income statement.

Plant, property and equipment and intangible assets

Property, plant and equipment is carried in the balance sheet at cost less accumulated depreciation and any accumulated impairment losses. The straight-line method is used for determining depreciation. The ranges of useful lives of non-current assets are 2-5 years.

Leases

Leases which transfer substantially all the risks and rewards incidental to ownership to the lessee are classified as finance leases. Other leases are classified as operating leases.

The company as the lessee

The finance lease is recognized as an asset and a liability in the balance sheet at amounts equal to the fair value of the leased asset or at the present value of the minimum lease payments, if lower. Lease payments are allocated to the interest expense and the reduction of the residual value of the liability.

Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Financial liabilities

Financial liabilities (trade payables, accrued expenses) are measured at amortized cost..

Provisions and contingent liabilities

Provision is recognized when the entity has a present legal or constructive obligation as a result of events that occurred before the balance sheet date, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Other potential or present obligations whose settlement is less probable than its non-settlement or whose amount cannot be measured with sufficient reliability, are disclosed in the notes to the financial statements as contingent liabilities.

Statutory reserve capital

According to the Commercial Code each financial year, at least one-twentieth of the net profit shall be entered in reserve capital, until reserve capital reaches one-tenth of share capital. Reserve capital may be used to cover a loss, or to increase share capital. Payments shall not be made to shareholders from reserve capital.

Revenue

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates granted. Revenue from the sale of goods is recognised when all significant risks and rewards of ownership of the goods have been transferred to the buyer, when the amount of revenue and the costs incurred in respect of the transaction can be measured reliably and the receipt of economic benefits associated with the transaction is probable.

Revenue from the sale of services is recorded upon the provision of services or, when services are performed over a longer period of time, based on the stage of completion.

Taxation

The corporate income tax arising from the payment of dividends is recognised as a liability and an income tax expense in the period in which dividends are declared, regardless of the period for which the dividends are paid or the actual payment date.

Related parties

In preparing the financial statements of Northern Horizon Capital AS, the following entities have been considered as related parties:

- 1) owners (parent and the persons controlling or having significant influence over the parent);
- 2) other entities in the same consolidation group (incl. fellow subsidiaries);
- 3) management and supervisory boards;
- 4) close relatives of the persons described above and the entities under their control.

Note 2 Cash

(In Euros)

	31.12.2016	31.12.2015
Bank accounts	309,792	342,202
Total cash and cash equivalents	309,792	342,202

Note 3 Receivables and prepayments

(In Euros)

	31.12.2016	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Accounts receivable	295,431	295,431	0	0	16
Tax prepayments and receivables	89	89	0	0	4
Other receivables	3,623,560	5,466	3,618,094	0	5,16
Loan receivables	3,497,852	0	3,497,852	0	5,16
Interest receivables	125,708	5,466	120,242	0	5,16
Prepayments	37,908	37,908	0	0	
Deferred expenses	33,735	33,735	0	0	
Other paid prepayments	4,173	4,173	0	0	
Other receivables	59,025	59,025	0	0	16
Total receivables and prepayments	4,016,013	397,919	3,618,094	0	

	31.12.2015	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Accounts receivable	141,196	141,196	0	0	16
Tax prepayments and receivables	767	767	0	0	4
Other receivables	3,070,705	3,070,705	0	0	5,16
Loan receivables	2,997,852	2,997,852	0	0	5,16
Accrued income	72,853	72,853	0	0	5,16
Prepayments	24,613	24,613	0	0	
Deferred expenses	18,098	18,098	0	0	
Other paid prepayments	6,515	6,515	0	0	
Other receivables	146,842	146,842	0	0	16
Total receivables and prepayments	3,384,123	3,384,123	0	0	

Other receivables as of 31.12.2016 include costs related with Baltic Horizon Fund in the amount of EUR 59,025 which will be forwarded to the Fund in the beginning of 2017 (31.12.2015 the amount of costs was EUR 146,842).

Note 4 Prepaid taxes and liabilities

(In Euros)

	31.12.2016		31.12.2015	
	Tax prepayments	Tax liabilities	Tax prepayments	Tax liabilities
Corporate income tax	0	0	0	396
Value added tax	0	21,612	0	0
Personal income tax	0	3,474	0	663
Fringe benefit income tax	0	1,776	0	0
Social tax	0	6,774	0	1,546
Contributions to mandatory funded pension	0	236	0	72
Unemployment insurance tax	0	235	0	86
Prepayment account balance	89		767	
Total tax prepayments and liabilities	89	34,107	767	2,763

Information on prepaid taxes is disclosed in Note 3 and on tax liabilities is disclosed in Note 8.

Note 5 Other receivables

(In Euros)

	31.12.2016	Allocation by remaining maturity			Interest rate	Base currencies	Due date	Note
		Within 12 months	1 - 5 years	Over 5 years				
Loan receivables	3,497,852	0	3,497,852	0				3
Loan to the parent company	500,000	0	500,000	0	3,5%	EUR	01.01.2021	
Loan to the parent company	2,997,852	0	2,997,852	0	3,5%	EUR	31.12.2020	
Interest receivables	125,708	5,466	120,242	0			31.12.2020	3
Accrued interest from loan to the parent company	125,708	5,466	120,242	0			31.12.2020	
Total other receivables	3,623,560	5,466	3,618,094	0				

	31.12.2015	Allocation by remaining maturity			Interest rate	Base currencies	Due date	Note
		Within 12 months	1 - 5 years	Over 5 years				
Loan receivables	2,997,852	2,997,852	0	0				
Loan to the parent company	2,997,852	2,997,852	0	0	4%	EUR	31.12.2016	
Accrued income	72,853	72,853	0	0				
Total other receivables	3,070,705	3,070,705	0	0				

Note 6 Property, plant and equipment

(In Euros)

			Total
	Machinery and equipment	Other property, plant and equipment	
31.12.2015			
Carried at cost	1,544	1,258	2,802
Accumulated depreciation	-954	-589	-1,543
Residual cost	590	669	1,259
Acquisitions and additions	5,644		5,644
Depreciation	-834		-834
31.12.2016			
Carried at cost	7,188	1,258	8,446
Accumulated depreciation	-1,788	-589	-2,377
Residual cost	5,400	669	6,069

Note 7 Operating lease

(In Euros)

Accounting entity as lessee

	2016	2015	Note
Operating lease expenses	9,863	5,534	12
Future lease expense under non-cancellable lease contracts			
	31.12.2016	31.12.2015	Note
Within 12 months	25,101	0	
1 - 5 years	36,921	0	

Note 8 Payables and prepayments

(In Euros)

	31.12.2016	Allocation by remaining maturity		Note
		Within 12 months	1 - 5 years	
Trade payables	621,621	375,622	245,999	
Tax payables	34,107	34,107	0	4
Other payables	39,543	39,543	0	
Total payables and prepayments	695,271	449,272	245,999	
	31.12.2015	Allocation by remaining maturity		Note
		Within 12 months	1 - 5 years	
Trade payables	6,831	6,831	0	
Tax payables	2,763	2,763	0	4
Other payables	36,089	36,089	0	
Total payables and prepayments	45,683	45,683	0	

As of 31.12.2016, trade payables include payables to related parties in the amount of EUR 200,638 (31.12.2015: EUR 1,476), see Note 16.

Note 9 Contingent liabilities and assets

(In Euros)

	31.12.2016	31.12.2015
Contingent liabilities		
Distributable dividends	2,799,282	2,835,521
Income tax liability on distributable dividends	699,821	708,880
Total contingent liabilities	3,499,103	3,544,401

The calculation of the maximum potential income tax liability is based on the assumption that the sum of distributable net dividends and the accompanying income tax on payments in 2017 may not exceed distributable profit as of 31.12.2016.

The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Company's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

Note 10 Share capital

(In Euros)

	31.12.2016	31.12.2015
Share capital	125,000	125,000
Number of shares (pcs)	12,500	12,500
Nominal value of shares	10	10

Note 11 Revenue

(In Euros)

	2016	2015
Net sales by geographical location		
Net sales in European Union		
Estonia	848,042	582,061
Total net sales in European Union	848,042	582,061
Total net sales	848,042	582,061
Net sales by operating activities		
Fund management	848,042	582,061
Total net sales	848,042	582,061

Note 12 Cost of goods and services sold

(In Euros)

	2016	2015	Note
Leases	13,449	7,628	7
Miscellaneous office expenses	14,701	6,309	
Travel expense	29,090	23,309	
Training expense	0	1,740	
Labor expense	215,798	95,577	14
Depreciation	834	309	6
Legal and other consultations	60,829	55,614	
Managerial services	198,921	0	16
Other	53,278	34,784	
Total cost of goods sold	586,900	225,270	

Other expenses include expenses related to the fund management in the amount of EUR 23,676 (2015: EUR 19,849) and recruitment fees in the amount of EUR 13,532.

Note 13 Administrative expense

(In Euros)

	2016	2015
Other	669	560
Auditing, accounting and other administration expenses	419,020	11,149
Total administrative expense	419,689	11,709

Other administration expenses have increased in 2016 due to contract termination fees in the amount of EUR 382,665.

Note 14 Staff costs

(In Euros)

	2016	2015	Note
Wage and salary expense	134,385	52,061	
Social security taxes	43,855	17,035	
Employee insurance	0	331	
Other	37,558	26,150	
Total labor expense	215,798	95,577	12
Average number of employees in full time equivalent units	3	1	

Note 15 Other financial income and expense

(In Euros)

	2016	2015
Interest income from loans	125,708	123,734
Interest income from deposits	4	7
Other interest income	-360	-59
Total other financial income and expense	125,352	123,682

Note 16 Related parties

(In Euros)

Parent company of the accounting entity	Northern Horizon Capital A/S
Country of registration of the parent company of the accounting entity	Denmark

Related party balances according to groups

	31.12.2016		31.12.2015	
	Receivables	Liabilities	Receivables	Liabilities
Parent company	3,623,560	0	2,997,851	0
Other entities belonging into same consolidation group	0	200,638	0	1 476
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	295,431	0	214,049	0

2016	Given loans	Interest rate	Base currencies	Due date
Parent company				
Loan from parent company	500,000	3.5 %	EUR	31.12.2020

Purchases and sales

	2016		2015	
	Purchases	Sales	Purchases	Sales
Parent company	2,512	0	3,448	0
Other entities belonging into same consolidation group	206,129	0	6,922	0
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	0	848,042	0	582,061

Remuneration and other significant benefits calculated for members of management and highest supervisory body

	2016	2015
Remuneration	104,886	69,096

Northern Horizon Capital AS has sold fund management services (these transactions are reflected in the table above under row "Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher") and purchased IT, events organizing, office and other forward rendered services from related parties.

In 2016, a loan in the amount of EUR 500,000 was granted to the parent company.

Interest income from loans to parent company totaled to EUR 125,708 (2015: EUR 123,741). In accordance with the loan agreement, interest in the amount of EUR 120,243 will be included as part of the principal amount of the loan in January 2017.

In case of premature termination of the employment contract with the members of the Management Board, the Company has an obligation to pay termination compensation (twelve month average salary according to the contracts in place at the balance sheet date).

In 2016 and 2015, no impairment was recognized in respect of accounts receivable from related parties. Further information on related party transactions and balances have been disclosed in Notes 3, 5, 9 and 13.



INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)*

To the Shareholder of Northern Horizon Capital AS

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Northern Horizon Capital AS (the Company) as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in Estonia.

We audited the Company's financial statements that comprise:

- the balance sheet as at 31 December 2016;
- the income statement for the year then ended;
- the cash flow statement for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Auditors Activities Act of the Republic of Estonia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Auditors Activities Act of the Republic of Estonia.

Other information

The Management Board is responsible for the other information contained in the annual report in addition to the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of the Management Board and those charged with governance for the financial statements

The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in Estonia and for such internal control as the Management Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AS PricewaterhouseCoopers

/signed/

/signed/

Tiit Raimla
Auditor's certificate no.287

Rando Rand
Auditor's certificate no.617

31 March 2017

** This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

Signatures of the Management Board to the 2016 Annual Report

We hereby confirm the correctness of the data presented in the annual report of Northern Horizon Capital AS:

.....
Tarmo Karotam
Member of the Management Board

.....
Ausra Stankeviciene
Member of the Management Boar

.....
Algirdas Jonas Vaitiekunas
Member of the Management Board