BALTIC HORIZON

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2017

Beginning of financial year	1 January
End of financial year	31 December
Management company	Northern Horizon Capital AS
Business name	Baltic Horizon Fund
Type of fund	Contractual public closed-ended real estate fund
Style of fund	Core / Core plus
Market segment	Retail / Offices / Leisure
Life time/ Investment stage	Evergreen
Address of the Fund	Tornimäe 2 Tallinn 10145 Estonia
Phone	+372 6 743 200
Fund Manager	Tarmo Karotam
Fund Supervisory Board	Raivo Vare (Chairman) Andris Kraujins Per Moller David Bergendahl
Fund Supervisory Board remuneration	EUR 48,000 p.a.
Management Board of the Management Company	Tarmo Karotam (Chairman) Aušra Stankevičienė Algirdas Vaitiekūnas
Supervisory Board of the Management Company	Michael Schönach (Chairman) Dalia Garbuzienė Reimo Hammerberg
Depositary, Fund Administrator and Registrar	Swedbank AS

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DEFINITIONS OF KEY TERMS AND ABBREVIATIONS

AIFM	Alternative Investment Fund Manager
AFFO	Adjusted Funds From Operations means the net operating income of properties less fund administration expenses, less external interest expenses and less all capital expenditures including tenant fit-out expenses invested into existing properties by the Fund. New investments and acquisitions and follow-on investments into properties are not considered to be capital expenditures.
Dividend	Cash distributions paid out of the cash flows of the Fund in accordance with the Fund Rules.
EPRA NAV	It is a measure of the fair value of net assets assuming a normal investment property company business model. Accordingly, there is an assumption of owning and operating investment property for the long term. The measure is provided by the European Public Real Estate Association, the industry body for European Real Estate Investment Trusts (REITs).
Fund	Baltic Horizon Fund
IFRS	International Financial Reporting Standards
Management Company	Northern Horizon Capital AS, register code 11025345, registered address at Tornimäe 2, Tallinn 15010, Estonia
NAV	Net asset value for the Fund
NAV per unit	NAV divided by the amount of units in the Fund at the moment of determination.
NOI	Net operating income
Direct Property Yield	NOI divided by acquisition value of a property
Net Initial Yield	NOI divided by market value of a property
GAV	Gross Asset Value of the Fund
Triple Net Lease	A triple net lease is a lease agreement that designates the lessee, i.e. the tenant, as being solely responsible for all the costs relating to the asset being leased, in addition to the rent fee applied under the lease.

MANAGEMENT REVIEW

GENERAL INFORMATION ABOUT THE FUND

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

The Fund is a public fund with no particular lifetime (evergreen). Units of the Fund are made available to the public in accordance with the Fund Rules and applicable laws. The Fund is currently dual-listed on the Fund List of the Nasdaq Tallinn Stock Exchange and the Nasdaq Stockholm's Alternative Investment Funds market.

Baltic Horizon Fund was merged with Baltic Opportunity Fund ("BOF") on 30 June 2016. Baltic Horizon is the remaining entity which took over 5 assets of BOF and its investor base.

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

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

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

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

Structure and governance

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

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

The Fund is managed by the Management Company which is Northern Horizon Capital AS. The immediate team comprises of the Management Board and the Supervisory Board of the Management Company. The Fund also has its Supervisory Board which comprises of 4 independent board members.

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

Commitment to corporate governance is rooted in the Management Company's focus on long-term business relations with investors, partners, and tenants. In all relations, the Management Company encourages a professional and open dialogue based on mutual trust and strives to earn the respect of its business partners through strong commitment, transparency and fair dealings. The investor's best interest is always considered by the Management Company to make sure that the investor is treated fairly. The Management Board ensures that conflicts of interests between related parties are avoided or are as small as possible.

MANAGEMENT REVIEW

Management Company is obliged to establish, maintain and document procedures to identify, prevent and manage conflicts of interest and, when necessary, issue supplementing instructions to the policies, instructions and guidelines.

The Fund has a supervisory board which consists of qualified members with recognized experience in the real estate markets in Estonia, Latvia, and Lithuania, impeccable reputation and appropriate education.

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

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

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

The Fund’s activities are monitored on a regular basis by the Estonian Financial Supervision Authority, the internal investment committee, and the Fund administrator and depositary bank Swedbank.

MANAGEMENT REPORT

In Q2 2017, the Fund successfully completed a secondary public offering of the Fund’s units. In total, approx. 7.4 million units were subscribed for that corresponds to approx. EUR 9.8 million of gross capital raised. As a result, the number of the Fund’s units increased to 64,655,870.

MACROECONOMIC FACTORS IN THE BALTIC STATES

The Baltic countries, which are part of the Northern European economic region, continue to attract real estate investors due to their investment returns which are higher than in the Western European or Scandinavian countries. Most attractive are still office and retail properties with stable cash flows located in core locations. However, as in other European markets, the lack of attractive portfolio diversification alternatives has lowered the return expectations for core property investments in the Baltic capitals.

In 2017 developments in the EU and especially in the Eurozone have been better than expected. Business and consumer confidence has been rising and improvements are predicted in the EU manufacturing sector. Despite the challenges in productivity growth investments are rising across the region. In light of these positive developments, the European Central Bank (ECB) has decided to reduce its asset purchase programme to EUR 60 billion a month until the end of 2017. However the key interest rate was left at 0.0% and no abrupt changes are expected in the ECB policy going forward.

During the first half of 2017 investments recovered strongly across the Baltic States, especially in Estonia, and together with the improved outlook for external demand, the economies are expected to grow at levels above the EU average. In Latvia, GDP growth is expected to be supported by inflows from the EU funds as well as the continuously strong credit cycle, which is likely to make Latvia the fastest growing Baltic State in 2017 and 2018. Inflation across the three states is also picking up as wage pressures persist. Despite the challenges in demographics the Baltic economies are expected to grow by around 2.5%-3% over the next few years.

Real estate transaction volumes in all Baltic countries were in the range of EUR 300 million per country in 2016 and are expected to remain at similar levels for 2017. The investment volume of the Baltic region is expected to be around EUR 1 billion in total with the vast majority of the transactions taking place in the capital cities. At the same time the square-meter prices of commercial buildings are still 3-4 times less than those seen in the Nordic capitals. In Estonia the most active segments were office, retail and hotel. In Latvia retail was the strongest followed by office and in Lithuania the most active segments were logistics and retail. Demand for quality properties is strong and this has pushed the acquisition yields down to the range of 6.5%-7%.

New offices are being built for expanding nearshoring tenants such as Danske Bank Global Services, Swedbank and Telia, just to name a few. In Vilnius it is expected that over the next two years, 140,000 sq. m. of new office space will be commissioned. The average vacancy rate has risen to approx. 5% and is expected to increase slightly due to new openings. The average office rent in Vilnius has risen to 14-17 EUR / sq. m. in CBD (central business district) locations and 11-14 EUR / sq. m. in other central locations. Despite the large supply coming to the market, continuous strong demand allows developers to ask higher rents and full cost coverage as well as extra charges for parking. After several years, Riga has also started to see new office buildings of superior efficiency and quality and a further 100,000 sq. m. of office space is in the pipeline. Vacancy rates in the Riga A-class segment are around 3% and tenants lack good alternatives. This is why in selected high-quality properties rents have increased to the levels of 14-15 EUR / sq. m. In Tallinn, top rents are expected to remain stable between 15-17.5 EUR / sq. m. Due to large supply of new office premises of approx. 120,000 sq. m., downward pressures exist especially for B-class office buildings and rents are expected to range between 8-13 EUR / sq. m. with the higher end of the range in new developments. Vacancy in the A-class segment is currently almost non-existent but with the new supply it is expected to start increasing as it will take several years before demand absorbs the new supply.

In the Tallinn retail segment rents and vacancies have been stable for years. For anchor tenants rents are between 8-13 EUR / sq. m. and for smaller tenants in busy locations as high as 50 EUR / sq. m.. In Tallinn retail space per capita is above the EU average (approx. 1.1 sq. m. per capita) which can largely be explained by the vast number of Finnish shoppers in Tallinn per year). However, in case the T1 and Porto Franco projects are finalized in 2018 the gross lettable area in Tallinn will increase considerably, by 90,000 sq. m. Such a big increase will affect the low vacancy rates and put pressure on rents, especially in weaker and smaller retail centres. All in all new shopping centres and expansions are aiming to win over customers by offering stronger concepts focusing on entertainment, various activities and restaurants.

After more than five years, there will also be a new retail development in Riga. Akropolis Group has announced the initiation of the construction of a 60,000 sq. m. shopping centre. In addition, Linstow is planning the expansion of Alfa and Origo. Due to its sheer size, when completed, Akropolis is likely to have an impact on the hitherto stable retail scene in Riga with an expected increase in vacancies from the current 0% levels. In Vilnius where retail space per capita is as low as in Riga (approx. 0.7 sq. m. per capita) new projects are being planned as well but not before 2018. Until then the retail market is expected to remain stable with low vacancies and rental levels comparable to Tallinn.

In regards to new large scale tenants in the three capitals, new neighbourhood supermarkets are being built by Lidl who has re-entered the Lithuanian and Estonian markets. Furthermore, after opening a store in Vilnius in 2013 IKEA has announced their plans to build their first flagship store in Riga which is expected to open in 2018.

The compression of prime yields continued in H1 2017 across Europe reaching lows of 3% in top cities such as Paris, Munich and Berlin. Real estate continues to attract significant capital because of its solid performance relative to alternative asset classes in the current low interest rate, low growth and low yield climate. In the Baltics, the prime yields are now clearly below 7%, driven still by cheap debt capital, a limited number of established investment grade properties in city centres and strong investor appetite.

Lastly, both Latvia and Estonia are planning to make some changes to their tax laws but the final packages to be adopted are still unclear. All in all, they are not expected to have any direct or marked impact on the performance of the Fund.

FINANCIAL REPORT

Financial position and performance of the fund

As at 30 June 2017 the GAV of the Fund increased to EUR 170.9 million (EUR 169.0 million as at 31 March 2017). During Q2 the Fund successfully refinanced the Domus Pro property by fully repaying the existing bank loan. The Fund used its own cash to repay the loan and agreed to draw down the new loan once the funds are needed for the new acquisitions.

As of 30 June 2017, the Fund NAV was EUR 86.2 million, compared to EUR 76.8 million as at 31 March 2017. The increase in NAV is mainly related to new capital raised during Q2 2017 and the performance of the Fund.

During Q2 2017, the Fund recorded a net profit of EUR 1,542 thousand (EUR 8 thousand during Q2 2016). The net result was positively affected by the revaluation gains and the operational performance of the properties. However, the net profit was negatively affected by the costs of the secondary public offering. During Q2 2017, the Fund incurred EUR 171 thousand of non-recurring costs related to the secondary public offering (EUR 373 thousand during H1 2017).

In Q2 2017, the net rental operating income (NOI) earned by the Group amounted to EUR 2.7 million and was higher than in Q2 2016 when the Group earned EUR 1.5 million. Compared to Q2 2016, the increase in NOI is mainly related to rental income earned by the newly acquired properties.

MANAGEMENT REVIEW

Table 1: Key Figures

Euro '000	Q2 2017	Q2 2016	Change (%)
Rental income	2,940	1,657	77.4%
Service charge income	919	572	60.7%
Cost of rental activities	(1,177)	(751)	56.8%
Net rental income	**2,682**	**1,478**	**81.5%**
Expenses related to public offerings	(171)	(500)	(65.8)%
Administrative expenses	(499)	(298)	67.4%
Other operating income / (expenses)	-	78	(100)%
Valuation gains / (loss) on investment properties	382	(441)	(>100.0)%
Valuation gains / (loss) on investment properties under construction	(43)	-	n/a
Operating profit	**2,351**	**317**	**>100.0%**
Financial income	2	4	(50.0)%
Financial expenses	(443)	(253)	75.1%
Net financing costs	**(441)**	**(249)**	**77.1%**
Profit before tax	**1,910**	**68**	**>100.0%**
Income tax charge	(368)	(60)	>100.0%
Profit for the period	**1,542**	**8**	**>100.0%**
Weighted number of units outstanding*	57,630,694	25,016,700	>100.0%
Earnings per unit (EUR)	**0.03**	**0.00**	**n/a**

* On June 30, 2016, BOF was merged with Baltic Horizon Fund. Unit holders of BOF received 100 units in Baltic Horizon Fund for each 1 unit in BOF (ratio of 1:100). The number of weighted units outstanding for Q2 2016 was adjusted for comparability.

Euro '000	30.06.2017	31.12.2016	Change (%)
Investment property in use	157,274	141,740	11.0%
Gross asset value (GAV)	170,867	154,938	10.3%
Interest bearing loans	74,936	69,172	8.3%
Total liabilities	84,639	78,129	8.3%
Net asset value (NAV)	86,228	76,809	12.3%
Number of units outstanding	64,655,870	57,264,743	12.9%
Net asset value (NAV) per unit (EUR)	**1.3337**	**1.3413**	**(0.6)%**
Loan-to-Value ratio (LTV)	**47.6%**	**48.8%**	

MANAGEMENT REVIEW

The Fund also calculates EPRA NAV, which was EUR 94.8 million as at 30 June 2017. EPRA NAV is calculated according to EPRA Best practice recommendations that were issued in December 2014. EPRA NAV is calculated adjusting IFRS NAV for the items summarised in the table below:

Table 2: Adjustments for recalculating NAV to EPRA NAV

Euro '000	**30.06.2017**
IFRS NAV as of 30 June 2017	**86,229**
Exclude deferred tax liability on investment properties	8,504
Exclude fair value of financial instruments	68
Exclude deferred tax on fair value of financial instruments	(11)
EPRA NAV*	**94,790**
Amount of units	64,655,870
EPRA NAV per unit	**1.4660**

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

PROPERTY REPORT

The property portfolio, which by the end of June consisted of 9 properties in the Baltic capitals, continues to be virtually fully let producing very attractive cash flows. This is supported by the expectations that the Baltic economic growth is largely driven by domestic consumption and expected stronger export prospects for the Baltics. Baltic Horizon believes it has established a portfolio of strong retail and office assets with well-known and long term tenants including local commercial leaders, governmental tenants, nearshoring shared service centres and the Baltic headquarters of leading international companies. The management team has negotiated 2-year NOI guarantees from the sellers of three new properties in the portfolio: Upmalas Biroji, Pirita Center and Duetto I office building.

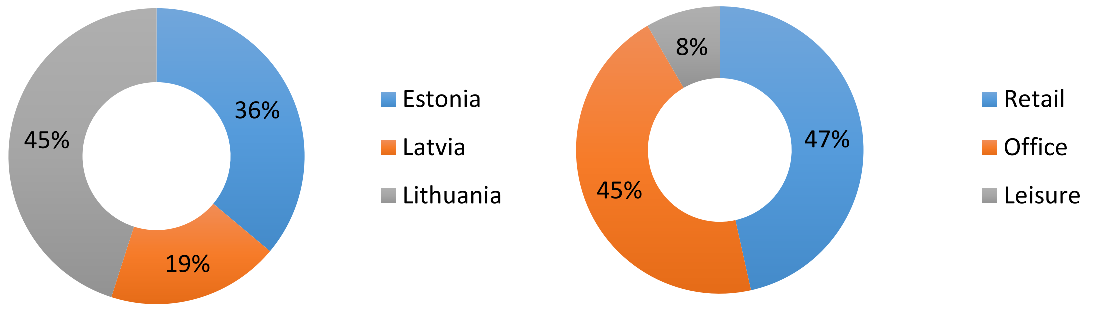
In the Baltic retail sector in H1 2017, rents for small spaces remained in the range of EUR 23-55 sq. m. per month. Average retail rents in the Baltic capitals were EUR 15-35 per sq. m. for 150-350 sq. m. spaces while anchor tenants mostly paid EUR 4-11 per sq. m. Rent rates for medium and larger retail units are forecasted to be rather stable. The average rent range of retail assets in the Fund's portfolio was EUR 9.4-14.8 per sq. m. per month, therefore well in line with average market brackets.

Capital city office rents in H1 2017 stood at EUR 13-19 EUR per sq. m. per month for class A premises and EUR 8.0-13.0 sq. m. for modern class B offices. For comparison, the average rental level in Lincona and Duetto I was approx. EUR 10.6 per sq. m. and in Upmalas Biroji EUR 12.5 per sq. m., therefore also well in line with average market brackets. Overall the rental levels depend highly on the competitiveness of the buildings' locations, layout and level of surcharges. When comparing the three capitals, competition is the highest in Tallinn whereas in Riga, due to lack of new supply, landlord's negotiating positions are the strongest.

As of the end of June, new property valuations were ordered from Colliers and Newsec. Overall the gross value of the portfolio increased slightly, by EUR 382 thousand compared to the book value, due to an increase in rental income in most of the properties. A slight reduction in value was recorded for the G4S property due to the revaluation of additional building rights and in Pirita Center due to changes in the opening tenant mix.

The Baltic property yields in both office and retail segments continued to decrease during H1, dropping by approx. 25 bp to 6.5% – 7% depending on the exact micro location, age, rent level and history of the property. At the same time the Baltic States continue to maintain a yield value gap of 200-300 bps compared to the Western European and the Nordic countries and 100-150 bps to Poland as yields in the real estate asset class are contracting across the board.

Picture 1: Fund segment and country distribution



Property performance

During Q2 2017, the average actual occupancy of the portfolio was 95.4% and with all rental guarantees 97.6% (96.5% during Q2 2016). The difference between actual and effective occupancy can mainly be explained by a 25% actual vacancy in Duetto I as of the end of H1. However this vacancy will be absorbed by Vilnius vandenys moving into the premises in September. Average Direct Property Yield during Q2 was 7.2% (7.1% during Q2 2016). The uptick is mainly due to improved performance and rental indexations across the portfolio. The increase in operating costs is mainly related to new acquisitions.

<u>Lincona Office Complex, Tallinn (Estonia)</u>
The average occupancy level increased from 96.2% to 96.7% by the end of Q2. Average direct property yield during Q2 remained stable at 7.8% and the tenants' payment discipline was good. In the coming quarters, the management team will continue to maintain and improve the property by upgrading its façade in order to keep the building attractive for tenants and their employees.

<u>Domus Pro Retail Park, Vilnius (Lithuania)</u>
The occupancy rate remains high at 98.7% (Q1 2017: 99.2%). Stage III is under construction to be completed early in Q4 2017 when it will also start generating rent. The anchor tenants of stage III will be the expanding Fittus Sports club, Pet City, Inspecta, ALD Automotive and Pristis. As of end of H1 stage III was 60% preleased (52% as of the end of Q1). During Q2 the average direct property yield for the first two stages was 7.5% (Q1 2017: 7.8%). Direct property yield decreased slightly because of temporary vacancies.

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

<u>SKY Supermarket, Riga (Latvia)</u>
SKY supermarket continues to produce good net cash flows. This proves that established neighbourhood shopping centres surrounded by dwelling houses are one of the most resilient investment properties. Average direct property yield during Q2 was 8.7% (Q1 2017: 8.9%). The slight drop was due to façade renovation expenses.

During Q1 2017, the management team started a new architectural project to modernize the façade of the building in cooperation with the main tenant SKY. The total investment of approx. EUR 200 thousand will be completed in Q3 2017. Further investments are planned by the tenant SKY supermarket on their premises.

MANAGEMENT REVIEW

Coca-Cola Plaza , Tallinn (Estonia)
In Coca-Cola Plaza, the master lease agreement with Forum Cinemas holds strong and tenant risk remains very low. Average direct property yield during Q2 was 8.3% (Q1 2017: 8.2%). In Q1 Forum Cinemas and its parent company Nordic Cinema Group were sold to AMC Entertainment Holdings.

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

Europa Shopping centre, Vilnius (Lithuania)
Located in the heart of Vilnius central business district on Konstitucijos Prospektas, the shopping centre continues a strong performance by delivering EUR 79 thousand above the budgeted NOI. The main reasons for the higher NOI are higher than expected rental income from the key tenants and an increase in income from the renewed and fully implemented electronic parking system operated by ADC. The modern parking system has significantly increased the quality of the parking service for both visitors of the Europa shopping centre and the office complex. Average direct property yield during Q2 was 6.2% (Q1 2017: 6.7%). In Q1 the property yield was higher due to turnover rental income received from the tenants due to their strong performance in 2016.

Management kept a 6% tactical vacancy in the building for new attractive tenants during H1 and continued negotiations to improve the tenant mix with internationally renowned brands. Redesign of the premises of restaurant Fortas is in full swing as part of the modernization of the food court. A large scale Europa brand market relaunch project has been started to increase potential visitors’ awareness of the upgraded parking arrangement, the enhanced luncheon experience and the updated tenant mix, especially targeting people working in the brand new adjacent office buildings.

G4S Headquarters, Tallinn (Estonia)
The building was built in 2013 as the regional headquarters of the global security company G4S. The cash management centre for Northern Estonia is also located on the underground floor of the building. The property has good visibility and access from the arterial Paldiski road. The land plot allows for future development of an additional office building with a gross leasable area of 13,000 sq. m. In Q2 the management team initiated a development project with architects and the city of Tallinn.

The total gross space of the G4S headquarters is 8,363 sq. m. It has one key tenant – G4S, who has rented the whole building under a long-term agreement. 2 floors of the building are sub-leased to a leading Estonian software company Pipedrive and there are also some smaller sub-tenants. Average direct property yield during Q2 was 7.5% (Q1 2017: 7.4%).

Upmalas Biroji, Riga (Latvia)
Upmalas Biroji is an A class office complex built in 2008 with an net leasable area of 10,600 sq. m. The property currently accommodates a mix of 13 quality tenants of which 8 can be regarded as international blue chip tenants (77% of total NLA). Upmalas Biroji is positioned as a shared service centre destination and accommodates such tenants as SEB Global Services, CABOT, Johnson&Johnson and others.

The property was built by the German developer Bauplan Nord and the quality has been maintained through attentive facility management. The property was elected the most energy efficient building in Latvia in 2013 and remains among tenants as one of the most preferred office buildings in Riga with its 2,000 sq. m. floor plates. In H1 2017 preparations for the expansion of SEB continued and management is looking to further strengthen the tenant mix in the building by focusing on keeping only the strongest tenants after the SEB expansion. The Fund also has a 2-year guarantee from the seller for NOI from parking and storage rooms in the building. Average direct property yield during Q2 was 6.9% (Q1 2017: 6.8%).

MANAGEMENT REVIEW

Pirita Shopping centre, Tallinn (Estonia)

Pirita shopping centre in Tallinn, Estonia, is an attractively compact centre. It is located in the historical Pirita district on the corner of Merivälja street and Kloostrimetsa street. It is in the proximity of the popular Pirita beach which has tens of thousands of daily visitors during the summer months. Pirita shopping centre was reconstructed and opened in December 2016.

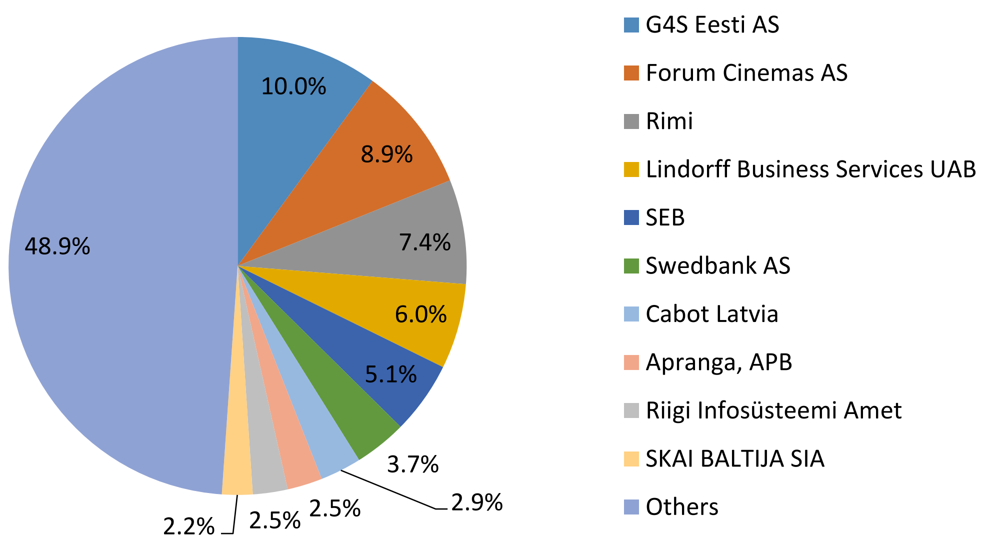
The property has Rimi and MyFitness as anchor tenants. The net leasable area of the Pirita shopping centre is close to 5,500 sq. m. The management team negotiated a 2-year NOI guarantee from the seller from the moment of acquisition in order to ensure stable cash flows also during the property's establishment period. Since the opening of the centre in December last year, the management team together with the original developer has been working on establishing the centre as the principal community centre with the right tenant mix catering primarily to the Pirita district residents. A 7.4% direct property yield is guaranteed by the seller of this property until the end of 2018.

Duetto I Office building, Vilnius (Lithuania)

Duetto I is a newly built 10-story office centre with an underground parking lot. It is located in the western part of Vilnius, next to the recently constructed Vilnius western ring road. The property has an A class in energy efficiency and will have a BREEAM certification. Duetto I was developed by a Lithuanian subsidiary of YIT, a listed Finnish real estate and construction company. The anchor tenant in the building is Lindorff. The effective vacancy rate of Duetto I was zero because YIT Kausta, a seller of the property, has granted a 2-year guarantee (starting from the acquisition date) of full-occupancy net rental income. Any shortage between the actual rental income and the guaranteed amount is paid by YIT Kausta to the Fund on a monthly basis. The actual vacancy of Duetto I stood at 25% at the end of March 2017. In March however, Vilnius vandenys, a Vilnius municipal water supply company, declared that the winner of their tender for the new office location is Duetto I. A lease agreement with Vilnius vandenys has now been signed and they will be moving into the property during Q3. The Fund also obtained a call option to acquire the neighbouring Duetto II when the building is constructed.

The tenant base of the Fund is well diversified. The rental concentration of the 10 largest tenants of the Fund's subsidiaries is shown in picture 2 with the largest tenant G4S accounting for 10% of the annual NOI. As further discussed in the risk management section, credit risk is mitigated by the high quality of the existing tenant base.

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



RISK MANAGEMENT

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

Principal risks faced by the Fund

Market risk

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

Currently, the yields of prime office and retail properties in the Baltic countries are decreasing as competition between real estate investors is consistently increasing. Investment yields in the Baltic states are on average around 7.0% and 7.5% in the office and retail segments, with prime office yields having declined to approx. 6.5%.

Interest rate risk

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

Credit risk

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

Liquidity risk

Liquidity risk is the possibility of sustaining significant losses due to the inability to liquidate open positions, to realise assets by the due time at the prescribed fair price or to refinance loan obligations.

Real estate investments have low liquidity and there can be no assurance that the Fund will be able to exit the investments in a timely manner. By their nature, real estate investments or interests in other non-public entities are subject to industry cyclicality, downturns in demand, market disruptions and the lack of available capital for potential purchasers and therefore often difficult or time consuming to liquidate.

The Management Company makes its best efforts to ensure sufficient liquidity by efficient cash management, by maintaining a "liquidity buffer" and organizing long-term diversified financing for real estate investments.

Operational risk

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

OUTLOOK FOR THE REMAINING 6-MONTHS IN 2017

Baltic Horizon Fund has 9 established cash flow properties located in the Baltic capitals with a gross property value of above EUR 157 million. The Fund aims to grow its asset base by acquiring carefully selected investment properties that best fit the Fund's very long-term strategy. Following the issue of new fund units in June and capital raising of EUR 9,381 thousand net of subscription fees, the Fund has an investment capacity of approx. EUR 30-35 million and is planning to deploy the capital in suitable properties as soon as possible. Growing by acquiring established properties with long-term tenants allows the Fund to become more efficient and diversify its risks further across segments, tenants and geographical locations.

Unlocking value in selected properties of the Fund by way of expansion or repositioning will be the key priority of the management team during the following 6 months. Domus Pro stage III will be finished in the coming months and full occupancy is expected by end of the year. Additional building rights on the G4S land plot will be developed further with new architectural designs in order to be able to offer the premises to new potential tenants. CC Plaza expansion will be finalized with the city and the neighbours based on more detailed architectural design projects and in Vilnius, Europa Shopping Centre will be re-introduced to the market with a new concept oriented towards social activities, convenient shopping and modern fashion.

The principal goal of the Fund is to make sustainable quarterly cash distributions and create capital growth for its investors. In the remainder of 2017 the management team is planning to continue making investors quarterly distributions from the portfolio's operating income and search for new investment opportunities with long-term potential for value added asset management.

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

MANAGEMENT BOARD'S CONFIRMATION

The management board of the Fund confirms that according to their best knowledge, the condensed consolidated interim financial statements for the first 6 months of the financial year, prepared in accordance with IFRS, present a true and fair view of the assets, liabilities, financial position and financial performance of the Fund and its subsidiaries, taken as a whole, and the management report gives a true and fair view of the development, the results of the business activities and the financial position of the Fund and its subsidiaries, taken as a whole, and contains a description of the main risks and uncertainties.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Euro '000	**Note**	**01.04.2017-30.06.2017**	**01.04.2016-30.06.2016**	**01.01.2017-30.06.2017**	**01.01.2016-30.06.2016**
Rental income		2,940	1,657	5,667	3,276
Service charge income		919	572	1,843	1,193
Cost of rental activities	5	(1,177)	(751)	(2,302)	(1,554)
Net rental income	4	**2,682**	**1,478**	**5,208**	**2,915**
Administrative expenses	6	(670)	(798)	(1,400)	(980)
Other operating income / (expenses)		-	78	13	78
Valuation gains / (loss) on investment properties		382	(441)	382	(441)
Valuation gains / (loss) on investment property under construction		(43)	-	(43)	-
Operating profit		**2,351**	**317**	**4,160**	**1,572**
Financial income		2	4	43	8
Financial expenses	7	(443)	(253)	(775)	(533)
Net financing costs		**(441)**	**(249)**	**(732)**	**(525)**
Profit before tax		**1,910**	**68**	**3,428**	**1,047**
Income tax charge	4, 9	(368)	(60)	(936)	(175)
Profit for the period	4	**1,542**	**8**	**2,492**	**872**
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Net gains (losses) on cash flow hedges	14b	82	8	220	(29)
Termination of interest rate swap agreement	20	57	-	57	-
Income tax relating to net gains (losses) on cash flow hedges	14b, 9	(23)	(1)	(40)	6
Other comprehensive income/ (expense), net of tax, to be reclassified to profit or loss in subsequent periods		**116**	**7**	**237**	**(23)**
Total comprehensive income/ (expense) for the period, net of tax		**1,658**	**15**	**2,729**	**849**
Basic and diluted earnings per unit (Euro)	8	**0.03**	**0.00**	**0.04**	**0.03**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2017

Euro '000	**Note**	**30.06.2017**	**31.12.2016**
Non-current assets			
Investment properties	4, 10	157,274	141,740
Investment property under construction	11	3,390	1,580
Derivative financial instruments	20	6	-
Other non-current assets		77	288
Total non-current assets		**160,747**	**143,608**
Current assets			
Trade and other receivables	12	1,282	1,269
Prepayments		210	178
Cash and cash equivalents	13	8,628	9,883
Total current assets		**10,120**	**11,330**
Total assets	4	**170,867**	**154,938**
Equity			
Paid in capital	14a	75,597	66,224
Own units	14a	-	(8)
Cash flow hedge reserve	14b	(57)	(294)
Retained earnings		10,688	10,887
Total equity		**86,228**	**76,809**
Non-current liabilities			
Interest bearing loans and borrowings	15	65,932	58,981
Deferred tax liabilities		5,380	4,383
Derivative financial instruments	20	74	345
Other non-current liabilities		849	935
Total non-current liabilities		**72,235**	**64,644**
Current liabilities			
Interest bearing loans and borrowings	15	9,004	10,191
Trade and other payables	16	3,039	2,876
Income tax payable		24	46
Other current liabilities		337	372
Total current liabilities		**12,404**	**13,485**
Total liabilities	4	**84,639**	**78,129**
Total equity and liabilities		**170,867**	**154,938**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Euro '000	Notes	Paid in capital	Own units	Cash flow hedge reserve	Retained earnings	Total equity
As at 1 January 2016		**25,674**	**-**	**(199)**	**6,218**	**31,693**
Net profit for the period		-	-	-	872	**872**
Other comprehensive income / (expense)		-	-	(23)	-	**(23)**
Total comprehensive income / (expense)		**-**	**-**	**(23)**	**872**	**849**
Units issued/ redeemed		20,962	-	-	-	**20,962**
As at 30 June 2016		**46,636**	**-**	**(222)**	**7,090**	**53,504**
As at 1 January 2017		**66,224**	**(8)**	**(294)**	**10,887**	**76,809**
Net profit for the period		-	-	-	2,492	**2,492**
Termination of interest rate swap	14b	-	-	57	-	**57**
Other comprehensive income / (expense)		-	-	180	-	**180**
Total comprehensive income / (expense)		**-**	**-**	**237**	**2,492**	**2,729**
Paid in capital – units issued	14a	9,381	-	-	-	**9,381**
Cancellation of own units	14a	(8)	8	-	-	**-**
Profit distribution to unit holders	14c	-	-	-	(2,691)	**(2,691)**
As at 30 June 2017		**75,597**	**-**	**(57)**	**10,688**	**86,228**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2017

Euro '000	Note	01.01.2017-30.06.2017	01.01.2016-30.06.2016
Cash flows from core activities			
Profit (loss) before tax		**3,428**	**1,047**
Adjustments for non-cash items:			
Value adjustment of investment properties	10	(382)	441
Value adjustment of investment properties under construction	11	43	-
Value adjustment of derivative finance instruments			6
Allowance for bad debts		22	-
Financial income		(43)	(8)
Financial expenses	7	775	533
Working capital adjustments:			
Decrease/(increase) in trade and other accounts receivable		(167)	140
(Increase)/decrease in other current assets		(106)	(40)
(Decrease)/Increase in other non-current liabilities		(129)	43
(Decrease)/increase in trade and other accounts payable		(349)	247
(Decrease)/increase in other current liabilities		(71)	43
Refunded/(paid) income tax		(20)	(45)
Total cash flows from core activities		**3,001**	**2,407**
Cash flows from investing activities			
Interest received		5	8
Acquisition of investment property	10	(14,362)	-
Investment property development expenditure		(1,296)	(1,453)
Capital expenditure on investment properties		(326)	(170)
Total cash flows from investing activities		**(15,979)**	**(1,615)**
Cash flows from financial activities			
Proceeds from bank loans		14,730	445
Repayment of bank loans		(8,955)	(954)
Proceeds from issue of units	14a	9,381	-
Profit distribution to unit holders	14c	(2,691)	-
Transaction costs related to loans and borrowings		(69)	-
Interest paid		(673)	(500)
Total cash flows from financing activities		**11,723**	**(1,109)**
Net change in cash and cash equivalents		**(1,255)**	**(217)**
Cash and cash equivalents at the beginning of the year		**9,883**	**1,677**
Cash and cash equivalents at the end of the period		**8,628**	**1,460**

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

1. Corporate information

Baltic Horizon Fund is a regulated closed-end contractual investment fund registered in Estonia on 23 May 2016. The Fund is managed by Northern Horizon Capital AS. Both the Fund and the Management Company are supervised by the Estonian Financial Supervision Authority. The Depositary of the Fund is Swedbank AS. The Fund is the ultimate parent and controlling entity of the group comprising the Fund and its subsidiaries (the “Group” or the “Fund”).

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

The Fund’s registered office is at Tornimäe 2, Tallinn, Estonia.

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

Name	30.06.2017	31.12.2016
BH Lincona OÜ*	100%	100%
BOF SKY SIA	100%	100%
BH CC Plaza OÜ**	100%	100%
BOF Domus Pro UAB	100%	100%
BOF Europa UAB	100%	100%
BH P80 OÜ	100%	100%
Kontor SIA	100%	100%
BH MT24 OÜ***	100%	100%
Pirita Center OÜ	100%	100%
BH Duetto UAB	100%	-

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

Baltic Horizon Fund merger with Baltic Opportunity Fund

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

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

During two additional secondary public offerings in November 2016 and June 2017, the Fund raised additional gross capital of EUR 30 million. As a result of the offering of the new units, the total number of the Fund’s units increased to 64,655,870 and the units are dual-listed on the NASDAQ Stockholm and the NASDAQ Tallinn stock exchanges.

2. Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the Group's latest consolidated annual financial statements as at and for the year ended 31 December 2016. These interim condensed consolidated financial statements do not include all of the information required in the complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are relevant to understanding the changes in the Group's financial position and performance since the last annual financial statements.

These interim condensed consolidated financial statements were authorised for issue by the Company's Board of Directors on 3 August 2017.

Going concern assessment

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

New standards, amendments and interpretations

A number of new standards and amendments to standards are not effective for annual periods beginning after 1 January 2017 but their earlier application is permitted; however, the Group has not early adopted any of the following new or amended standards in preparing these interim condensed consolidated financial statements.

The Group has the following updates to information provided in the last annual financial statements about the standards issued but not yet effective that may have a significant impact on the Group's consolidated financial statements.

IFRS 9 Financial Instruments (2014)

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

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

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

IFRS 15 Revenue from contracts with customers

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

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

- over time, in a manner that depicts the entity's performance; or

- at a point in time, when control of the goods or services is transferred to the customer.

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

In accordance to IFRS 15 initial assessment, the Group has determined that it acts in the capacity of an agent for certain transactions.

Under IFRS 15, the assessment will be based on whether the Group controls the specific goods before transferring them to the end customer, rather than whether it has exposure to the significant risks and rewards associated with the sale of goods.

The Group plans to adopt IFRS 15 in its consolidated financial statements for the year ending 31 December 2018, using retrospective approach. As a result, the Group will apply all the requirements of IFRS 15 to each comparative period presented and adjust its consolidated financial statements.

The Group is currently performing a detailed assessment of the impact of the application of IFRS 15 and expects to disclose additional quantitative information before it adopts IFRS 15.

IFRS 16 “Leases”

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

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

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

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

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

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

3. Summary of significant accounting policies

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the reported item in the future. The assumptions and judgements applied in these interim condensed consolidated financial statement are the same as those applied in the Group’s consolidated financial statements for the year ended 31 December 2016.

The significant accounting policies

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

Fair value measurements

The Group measures certain financial instruments such as derivatives, and non-financial assets such as investment property, at fair value at the end of each reporting period. Also, the fair values of financial instruments measured at amortised cost are disclosed in the financial statements.
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

4. Operating segments

The Group's reportable segments are as follows:

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

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

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

Operating segments – 30 June 2017

’000 Euro	**Retail**	**Office**	**Leisure**	**Total segments**
01.01.2017 – 30.06.2017:				
External revenue[1]	4,172	2,841	497	7,510
Segment net rental income	**2,427**	**2,290**	**491**	**5,208**
Net gains or losses from fair value adjustment	(12)	171	180	339
Interest expenses[2]	(421)	(277)	(67)	(765)
Income tax expenses	(264)	(672)	-	(936)
Segment net profit / (loss)	**1,594**	**1,548**	**591**	**3,733**
As at 30.06.2017:				
Segment assets	**74,891**	**75,592**	**13,193**	**163,676**
Investment properties	73,152	70,942	13,180	157,274
Investment property under construction	-	3,390	-	3,390
Segment liabilities	**40,027**	**37,274**	**6,949**	**84,250**

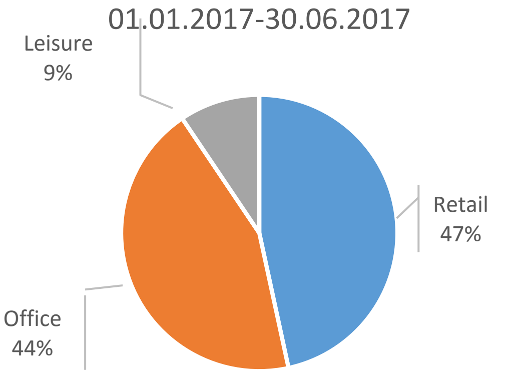
1. External revenue includes rental income and service charge income. The segments do not have inter-segment revenue.
2. Interest expenses include only external interest expenses and terminated swap interest costs.

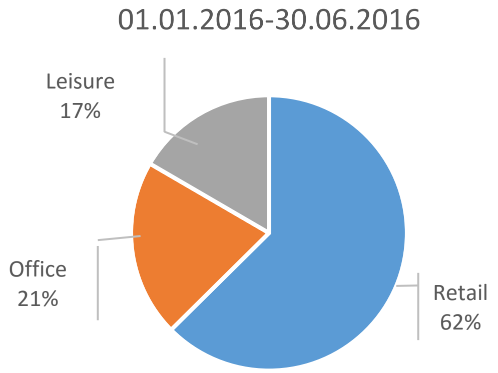
Operating segments – 30 June 2016

’000 Euro	**Retail**	**Office**	**Leisure**	**Total segments**
01.01.2016 – 30.06.2016:				
External revenue[1]	3,184	794	491	4,469
Segment net rental income	**1,824**	**607**	**484**	**2,915**
Net gains or losses from fair value adjustment	(441)	-	-	(441)
Interest expenses[2]	(358)	(76)	(93)	(527)
Income tax expenses	(175)	-	-	(175)
Segment net profit	**900**	**525**	**379**	**1,804**
As at 31.12.2016:				
Segment assets	**77,010**	**57,291**	**13,232**	**147,533**
Investment properties	72,710	56,030	13,000	141,740
Investment property under construction	-	1,580	-	1,580
Segment liabilities	**41,732**	**28,781**	**7,075**	**77,588**

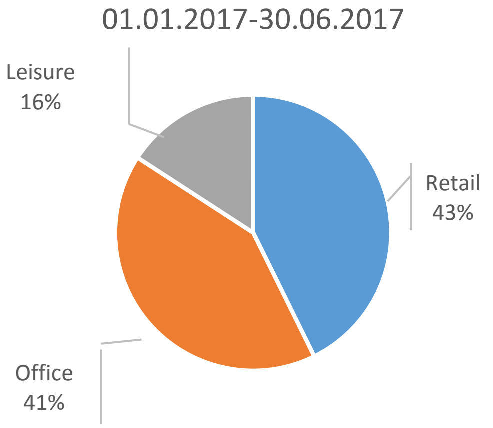
1. External revenue includes rental income and service charge income. The segments do not have inter-segment revenue.
2. Interest expenses were adjusted for comparison reasons. Prior to adjustments, the interest expense included intercompany interest expenses.

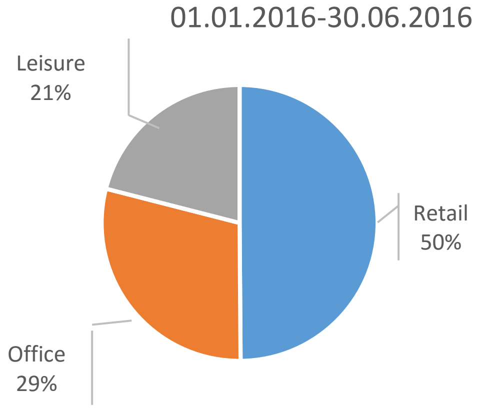
Segment net rental income*



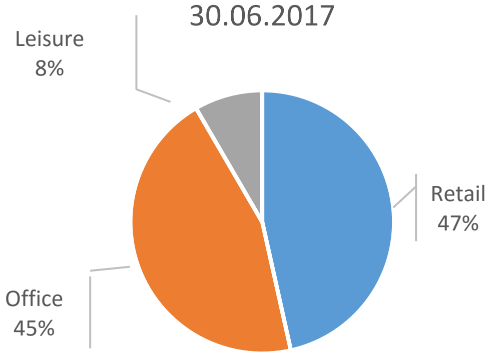


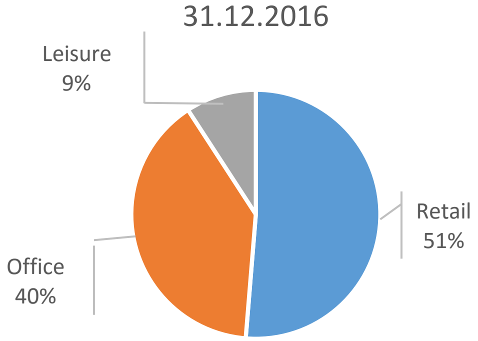
Segment net profit (loss)*





Investment properties*





*As a percentage of the total for all reportable segments

Reconciliation of information on reportable segments to IFRS measures

Operating segments – 30 June 2017

'000 Euro	Total reportable segments	Adjustments	Consolidated
01.01.2017 – 30.06.2017:			
Net profit / (loss)	**3,733**	**(1,241)[1]**	**2,492**
As at 30.06.2017:			
Segment assets	**163,676**	**7,191[2]**	**170,867**
Segment liabilities	**84,250**	**389[3]**	**84,639**

1. Segment net profit does not include IPO related expenses (EUR 373 thousand), Fund management fee (EUR 543 thousand), performance fee (EUR 9 thousand), fund custodian fee (EUR 14 thousand), other Fund-level administrative expenses (EUR 309 thousand), and other income received at Fund level (EUR 9 thousand).
2. Segment assets do not include cash, which is held at the Fund level (EUR 7,180 thousand) and other receivables at Fund level (EUR 11 thousand).
3. Segment liabilities do not include management fee payable (EUR 266 thousand), performance fee accrual (EUR 9 thousand), and other short-term payables (EUR 114 thousand) at Fund level.

Operating segments – 30 June 2016

'000 Euro	Total reportable segments	Adjustments	Consolidated
01.01.2016 – 30.06.2016:			
Net profit (loss)	**1,804**	**(932)[1]**	**872**
As at 31.12.2016:			
Segment assets	**147,533**	**7,405[2]**	**154,938**
Segment liabilities	**77,588**	**541[3]**	**78,129**

1. Segment net profit does not include IPO related expenses (EUR 500 thousand), Fund management fee (EUR 305 thousand), performance fee (EUR 81 thousand), fund custodian fee (EUR 9 thousand) and other administrative expenses (EUR 37 thousand).
2. Segment assets do not include cash, which is held at the Fund level (EUR 7,394 thousand) and other receivables at Fund level (EUR 11 thousand).
3. Segment liabilities do not include management fee payable (EUR 211 thousand) and other short-term payables (EUR 330 thousand) at Fund level.

Geographic information

Segment net rental income

'000 Euro	*External revenue*		*Investment property value*	
	01.01.2017-30.06.2017	**01.01.2016-30.06.2016**	**30.06.2017**	**31.12.2016**
Lithuania	3,332	2,774	70,870	55,080
Latvia	1,427	410	29,634	28,960
Estonia	2,751	1,285	56,770	57,700
Total	**7,510**	**4,469**	**157,274**	**141,740**

Major tenant

In H1 2017, rental income from one tenant in the leisure segment represented EUR 491 thousand of the Group's total rental income (EUR 486 thousand in H1 2016).

5. Cost of rental activities

’000 Euro	01.04.2017-30.06.2017	01.04.2016-30.06.2016	01.01.2017-30.06.2017	01.01.2016-30.06.2016
Utilities	512	320	1,113	695
Repair and maintenance	212	218	410	412
Real estate taxes	178	19	275	125
Property management expenses	108	119	235	188
Sales and marketing expenses	123	54	190	99
Property insurance	14	5	25	13
Allowance / (reversal of allowance) for bad debts	19	-	22	-
Other	11	16	32	22
Total cost of rental activities	**1,177**	**751**	**2,302**	**1,554**

Part of the total cost of rental activities (mainly utilities and repair and maintenance expenses) was recharged to tenants: EUR 1,843 thousand during H1 2017 (EUR 919 thousand during H1 2016).

6. Administrative expenses

’000 Euro	01.04.2017-30.06.2017	01.04.2016-30.06.2016	01.01.2017-30.06.2017	01.01.2016-30.06.2016
Management fee	285	154	543	305
Public offering related expenses	171	500	373	500
Fund marketing expenses	96	-	112	-
Legal fees	8	14	111	22
Supervisory board fees	13	-	55	-
Consultancy fees	29	26	45	32
Audit fee	14	8	36	20
Custodian fees	7	8	14	8
Performance fee	3	78	9	81
Other administrative expenses	44	10	102	12
Total administrative expenses	**670**	**798**	**1,400**	**980**

Up to 30 June 2016, the Management Company (Note 18) was entitled to receive an annual management fee, which was calculated as 1.9% of the Net Asset Value (NAV) per annum of the Fund’s portfolio, determined as NAV at certain dates (the last Banking Day of each calendar month). As from 1 July 2016, the Management Company is entitled to receive an annual management fee which is calculated quarterly, based on the 3-month average market capitalisation of the Fund.

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

After the Baltic Opportunity Fund’s merger with Baltic Horizon Fund starting from 1 July 2016, the Management Company is entitled to calculate the performance fee based on the annual adjusted funds from operations (AFFO) of the Fund. If AFFO divided by paid in capital during the year exceeds 8% per annum, the Management Company is entitled to a performance fee in the amount of 20% of the amount exceeding

8%. The performance fee based on this formula is calculated starting from 1 January 2017. The performance fee first becomes payable in the fifth year of the Fund (i.e. 2020).

7. Financial expenses

’000 Euro	01.04.2017-30.06.2017	01.04.2016-30.06.2016	01.01.2017-30.06.2017	01.01.2016-30.06.2016
Interest on bank loans	381	253	708	527
Termination of interest rate SWAP*	57	-	57	-
Loan arrangement fee amortisation	5	1	10	6
Total financial expenses	**443**	**253**	**775**	**533**

*In June 2017, the Fund terminated the interest rate SWAP agreement through the payment of EUR 57 thousand.

8. Earnings per unit

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

Profit attributable to the unit holders of the Fund:

’000 Euro	01.04.2017-30.06.2017	01.04.2016-30.06.2016	01.01.2017-30.06.2017	01.01.2016-30.06.2016
Profit for the period, attributed to the unit holders of the Fund	1,542	8	2,492	872
Profit for the period, attributed to the unit holders of the Fund	**1,542**	**8**	**2,492**	**872**

Weighted-average number of units:

	30.06.2017	30.06.2016
Issued units at 1 January	57,264,743	250,167
Effect of conversion from BOF to Baltic Horizon Fund	-	24,766,533
Effect of own units cancelled in March 2017*	(3,901)	-
Effect of units issued in June 2017**	369,851	-
Weighted-average number of units issued	**57,630,694**	**25,016,700**

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

**On 21 June 2017, the Fund registered 7,397,027 new units issued through a secondary public offering.

Basic and diluted earnings per unit

	01.04.2017-30.06.2017	01.04.2016-30.06.2016	01.01.2017-30.06.2017	01.01.2016-30.06.2016
Basic and diluted earnings per unit*	**0.03**	**0.00**	**0.04**	**0.03**

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

9. Income tax

Real estate revenues, or capital gains derived from real estate are subject to taxes by assessment in the countries where the real estate is situated. The Fund's subsidiaries depreciate their historical property cost in accordance with applicable tax regulations. Depreciation is deducted from taxable profits in determining current taxable income.

The Group's consolidated effective tax rate in respect of continuing operations for the six months ended 30 June 2017 was 27.3% (six months ended 30 June 2016: 16.7%). The change in the effective tax rate was caused mainly by the deferred tax of Kontor SIA resulting from the revaluation of a land plot which was not recognized in prior periods. The Group recognized the deferred tax liability during the first quarter of the year.

The major components of income tax for the periods ended 30 June 2017 and 2016 were as follows:

'000 Euro	01.04.2017-30.06.2017	01.04.2016-30.06.2016	01.01.2017-30.06.2017	01.01.2016-30.06.2016
Consolidated statement of profit or loss				
Current income tax for the period	(10)	(9)	(21)	(19)
Deferred tax for the period	(358)	(51)	(915)	(156)
Income tax expense reported in profit or loss	**(368)**	**(60)**	**(936)**	**(175)**
Consolidated statement of other comprehensive income				
Deferred income tax related to items charged or credited to equity:				
Revaluation of derivative instruments to fair value	(23)	(1)	(40)	6
Income tax expense reported in other comprehensive income	**(23)**	**(1)**	**(40)**	**6**

10. Investment property

The fair value of the investment properties is approved by the management board of the Management Company, based on independent appraisals. Independent appraisals are performed in accordance with the Practice Statements and Relevant Guidance Notes of the RICS Appraisal and Valuation approved by both the International Valuation Standards Committee (IVSC) and by the European Group of Valuers' Associations (TEGoVA). In accordance with that basis, the market value is an estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The appraisers derive the fair value by applying the methodology and valuation guidelines as set out by the Royal Institution of Chartered Surveyors in the United Kingdom and in accordance with IAS 40.

As at 30 June 2017, new external valuations were performed by independent property valuators Colliers International and Newsec.

Valuations are prepared using the discounted cash flow model. Under the discounted cash flow model, the value of the property is estimated by compiling the net present values of future cash flows, which are obtained by applying a discount rate. This method first requires an estimate of potential gross income to which deductions for vacancy and collection losses are applied. The resulting net income is then capitalized or discounted at a rate that is commensurate with the risk inherent in the ownership of the property involved to produce a value estimate.

The fair value does not necessarily represent the liquidation value of the properties which would be dependent upon the price negotiated at the time net of selling costs. The fair value is largely based on estimates which are inherently subjective.

The yield requirement (discount factor) is determined for each property.

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

’000 Euro	30.06.2017	31.12.2016
Balance at 1 January	**141,740**	**86,810**
Acquisition of investment property	14,642	15,454
Investment property acquired in business combination	-	35,773
Additions (subsequent expenditure)	510	1,141
Net revaluation gain / (loss)	382	2,562
Closing balance	**157,274**	**141,740**

Acquisition of Duetto
On 22 March 2017, the Fund acquired the Duetto property located in Vilnius, Lithuania, in an asset deal for a purchase price of EUR 14.6 million. Transaction costs related to the acquisition amounted to EUR 42 thousand. The Fund also obtained a call option to acquire the neighbouring Duetto II property when the building is constructed. The option is valid for four months after at least 65% of the lettable office area of Duetto II has been leased.

Valuation techniques used to derive Level 3 fair values
As at 30 June 2017, the valuations of investment properties were performed by Colliers International and Newsec.
The table below presents the following for each investment property:
- A description of the valuation techniques applied;
- The inputs used in the fair value measurement;
- Quantitative information about the significant unobservable inputs used in the fair value measurement.

As of 30 June 2017:

Property	Valuation technique	Key unobservable inputs	Range
Europa Shopping centre, Vilnius (Lithuania)	DCF	- Discount rate	7.5%
Net leasable area (NLA) – 16,900 sq. m.		- Rental growth p.a.	0.0% - 2.4%
Segment – Retail		- Long term vacancy rate	3.0% - 5.0%
Year of construction/renovation – 2004		- Exit yield	7.25%
		- Average rent (EUR/sq. m.)	14.1
Domus Pro Retail Park, Vilnius (Lithuania)	DCF	- Discount rate	8.075%
Net leasable area (NLA) – 11,247 sq. m.		- Rental growth p.a.	0.0% - 2.5%
Segment – Retail		- Long term vacancy rate	2.0% - 7.0%
Year of construction/renovation – 2013		- Exit yield	8.0%
		- Average rent (EUR/sq. m.)	9.4
Lincona Office Complex, Tallinn (Estonia)**	DCF	- Discount rate	8.6%
Net leasable area (NLA) – 10,859 sq. m.		- Rental growth p.a.	0.0% - 2.3%
Segment – Office		- Long term vacancy rate	5.0% - 10.0%
Year of construction/renovation – 2002 / 2008		- Exit yield	7.8%
		- Average rent (EUR/sq. m.)	10.4
Coca-Cola Plaza , Tallinn (Estonia)	DCF	- Discount rate	8.2%
Net leasable area (NLA) – 8,664 sq. m.		- Rental growth p.a.	0.7% - 2.0%
Segment – Leisure		- Long term vacancy rate	1.5%
Year of construction/renovation – 1999		- Exit yield	7.8%
		- Average rent (EUR/sq. m.)	9.6
P80 (former *G4S*), Tallinn (Estonia)*	DCF	- Discount rate	8.2%
Net leasable area (NLA) – 8,363 sq. m.		- Rental growth p.a.	0.2% - 2.70%
Segment – Office		- Long term vacancy rate	3.0%
Year of construction/renovation – 2013		- Exit yield	7.5%
		- Average rent (EUR/sq. m.)	10.2
SKY Supermarket, Riga (Latvia)	DCF	- Discount rate	7.9%
Net leasable area (NLA) – 3,263 sq. m.		- Rental growth p.a.	1.4% - 1.7%
Segment – Retail		- Long term vacancy rate	1.0%
Year of construction/renovation – 2000 / 2010		- Exit yield	7.75%
		- Average rent (EUR/sq. m.)	11.3
Upmalas Biroji, Riga (Latvia)	DCF	- Discount rate	7.3%
Net leasable area (NLA) – 10,600 sq. m.		- Rental growth p.a.	0.5% - 4.4%
Segment – Office		- Long term vacancy rate	1.5%
Year of construction/renovation – 2008		- Exit yield	7.1%
		- Average rent (EUR/sq. m.)	12.8
Pirita Shopping centre, Tallinn (Estonia)	DCF	- Discount rate	8.4%
Net leasable area (NLA) – 5,516 sq. m		- Rental growth p.a.	1.0% - 3.1%
Segment – Retail		- Long term vacancy rate	0.1% - 2.0%
Year of construction/renovation - / 2016		- Exit yield	7.4%
		- Average rent (EUR/sq. m.)	13.5

*G4S property valuation also includes building rights.

As of 30 June 2016 (based on valuations in 2015):

Property	Valuation technique	Key unobservable inputs	Range
Europa Shopping centre, Vilnius (Lithuania)	DCF	- Discount rate	7.5%
Net leasable area (NLA) – 16,900 sq. m.		- Rental growth p.a.	0.0% - 2.4%
Segment – Retail		- Long term vacancy rate	3.0% - 5.0%
Year of construction/renovation – 2004		- Exit yield	7.25%
		- Average rent (EUR/sq. m.)	13.6
Domus Pro Retail Park, Vilnius (Lithuania)	DCF	- Discount rate	8.4%
Net Leasable area (NLA) – 7,505 sq. m.		- Rental growth p.a.	0.0% - 3.0%
Segment – Retail		- Long term vacancy rate	2.0% - 14.0%
Year of construction/renovation – 2013		- Exit yield	8.0%
		- Average rent (EUR/sq. m.)	10.4
Lincona Office Complex, Tallinn (Estonia) Net	DCF	- Discount rate	8.6%
Leasable area (NLA) – 10,859 sq. m.		- Rental growth p.a.	0.0% - 2.4%
Segment – Office		- Long term vacancy rate	5.0% - 10.0%
Year of construction/renovation – 2002 / 2008		- Exit yield	8.0%
		- Average rent (EUR/sq. m.)	10.2
Coca-Cola Plaza , Tallinn (Estonia)	DCF	- Discount rate	8.2%
Net Leasable area (NLA) – 8,664 sq. m.		- Rental growth p.a.	0.8-1.7%
Segment – Leisure		- Long term vacancy rate	0.0%
Year of construction/renovation – 1999		- Exit yield	8.0%
		- Average rent (EUR/sq. m.)	9.4
SKY Supermarket, Riga (Latvia)	DCF	- Discount rate	8.2%
Net Leasable area (NLA) – 3,240 sq. m.		- Rental growth p.a.	0.0% - 2.5%
Segment – Retail		- Long term vacancy rate	2.5%
Year of construction/renovation – 2000 / 2010		- Exit yield	7.75%
		- Average rent (EUR/sq. m.)	11.3

The table below sets out information about significant unobservable inputs used at 30 June 2017 in measuring investment properties categorised to Level 3 in the fair value hierarchy.

Type of asset class	Valuation technique	Significant unobservable input	Range of estimates*	Fair value measurement sensitivity to unobservable inputs
Investment property	Discounted cash flow	Exit yield	2017: 7.1%-8.0% 2016: 7.25%-8.0%	An increase in exit yield in isolation would result in a lower value of Investment property.
		Discount rate	2017: 7.3%-9.0% 2016: 7.5% - 8.6%	An increase in discount rate in isolation would result in a lower value of Investment property.
		Rental growth p.a.	2017: 0 - 3.1% 2016: 0 - 3.0%	An increase in rental growth in isolation would result in a higher value of Investment property.
		Long term vacancy rate	2017: 0 – 10.0% 2016: 0 – 14.0%	An increase in long-term vacancy rate in isolation would result in a lower value of Investment property.

*Investment property values as of 30 June 2016 are based on property valuations as at 31 December 2015.

The carrying book values of investment properties as at 30 June 2017 were as follows:

’000 Euro	Total
Lithuania – Europa (retail)	38,800
Lithuania – Domus Pro (retail)	17,180
Latvia – SKY (retail)	5,582
Latvia – Upmalas Biroji (office)	24,052
Estonia – Lincona (office)	15,920
Estonia – Coca-Cola Plaza (leisure)	13,180
Estonia – G4S (office)	16,080
Estonia – Pirita (retail)	11,590
Lithuania – Duetto I (office)	14,890
Total	**157,274**

11. Investment property under construction

On 1 December 2015, the Group entered into an agreement with TK Development to expand the Domus Pro retail park by constructing and developing an office and commercial building (stage III) on the land plot nearby Domus Pro stage II. The Group started construction in December 2016.

’000 Euro	30.06.2017	31.12.2016
Balance at 1 January	1,580	-
Additions	1,853	1,405
Net revaluation gain	(43)	175
Closing balance	**3,390**	**1,580**

As of 30 June 2017, the investment property under construction was valued by the independent external valuator Colliers International.

12. Trade and other receivables

’000 Euro	30.06.2017	31.12.2016
Trade receivables, gross	830	757
Less impairment allowance for doubtful receivables	(61)	(39)
Accrued income	364	285
Other accounts receivable	149	266
Total	**1,282**	**1,269**

Trade receivables are non-interest bearing and are generally on 30-day terms.
As at 30 June 2017, trade receivables at a nominal value of EUR 61 thousand were impaired and fully provisioned.

Movements in the impairment allowance for receivables were as follows:

’000 Euro	30.06.2017	31.12.2016
Balance at 1 January	(39)	(22)
Charge for the period	(22)	(17)
Balance at end of period	**(61)**	**(39)**

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

		Neither past due	Past due but not impaired				
’000 Euro	Total	nor impaired	<30 days	30-60 days	60-90 days	90-120 days	>120 days
30.06.2017	**769**	265	238	33	27	45	161
31.12.2016	**718**	293	362	18	10	1	34

13. Cash and cash equivalents

’000 Euro	30.06.2017	31.12.2016
Cash at banks and on hand	8,628	9,883
Total cash	**8,628**	**9,883**

As at 30 June 2017, the Group had to keep at least EUR 430 thousand of cash in its bank accounts due to certain restrictions in bank loan agreements.

14. Equity

14a. Paid in capital

During the secondary public offering in June 2017, the Fund raised additional gross capital EUR 9.8 million. The units are dual-listed on the NASDAQ Stockholm and the NASDAQ Tallinn stock exchanges. As at 30 June 2017, the total number of the Fund's units consisted of 64,655,870 units (as at 30 June 2016: 41,979,150).

Units issued are presented in the table below:

'000 Euro	Number of units	Amount
As at 1 January 2017	**57,264,743**	**66,224**
Cancelled own shares acquired*	(5,900)	(8)
Units issued in June 2017**	7,397,027	9,381
Total change during the period	**7,391,127**	**9,373**
As at 30 June 2017	**64,655,870**	**75,597**

*On 3 March 2017, the Fund cancelled and deleted all 5,900 units of Baltic Horizon Fund that were held on its own account. The units were acquired during the stabilization period. The stabilization was undertaken for the Baltic Horizon Fund during 30 days after its listing on the Nasdaq Tallinn Stock Exchange. The Fund's units were purchased on 7 July 2016 on the Nasdaq Tallinn at EUR 1.3086 per unit, which equalled the IPO price.

** net of subscription fees of EUR 453 thousand.

A unit represents the investor's share in the assets of the Fund. The Fund has one class of units. The investors have the following rights deriving from their ownership of units:

- to own a share of the Fund's assets corresponding to the number of units owned by the investor;
- to receive, when payments are made a share of the net income of the Fund in proportion to the number of units owned by the investor (pursuant to the Fund rules);
- to call a general meeting in the cases prescribed in the Fund rules and the law;
- to participate and vote in a general meeting pursuant to the number of votes arising from units belonging to the investor and the number of votes arising from units which have been issued and not redeemed as at ten days before the general meeting is held.

Subsidiaries did not hold any units of the Fund as at 30 June 2017 and 30 June 2016.
The Fund did not hold its own units as at 30 June 2017 and 30 June 2016.

14b. Cash flow hedge valuation reserve

This reserve represents the fair value of the effective part of the derivative financial instruments (interest rate swaps), used by the Fund to hedge the cash flows from interest rate risk in the period ended on 30 June 2017 and 31 December 2016.

'000 Euro	30.06.2017	31.12.2016
Balance at the beginning of the year	**(294)**	**(199)**
Termination of interest rate swap (note 20)	57	-
Movement in fair value of existing hedges	220	(113)
Movement in deferred income tax (Note 9)	(40)	18
Net variation during the period	**237**	**(95)**
Balance at the end of the period	**(57)**	**(294)**

14c. Dividends (distributions)

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

15. Interest bearing loans and borrowings

'000 Euro	Maturity	Effective interest rate	30.06.2017	31.12.2016
Non-current borrowings				
Bank 1*	Mar 2018	3M EURIBOR + 1.50%	22,999	23,444
Bank 1	Aug 2021	3M EURIBOR + 1.75%	2,546	2,599
Bank 1	Aug 2021	6M EURIBOR + 1.45%	7,740	7,739
Bank 1	Feb 2022	6M EURIBOR + 1.55%	6,646	-
Bank 2	Mar 2019	3M EURIBOR + 1.90%	6,927	7,049
Bank 3**	May 2018	3M EURIBOR + 2.50%	-	8,162
Bank 4	Aug 2023	1M EURIBOR + 1.55%	11,713	11,710
Bank 5	Mar 2022	6M EURIBOR + 1.75%	8,012	-
Less current portion			(651)	(1,722)
Total non-current debt			**65,932**	**58,981**
Current borrowings				
Bank 1	Dec 2017	1M EURIBOR + 1.45%	6,940	7,016
Bank 1	Dec 2017	3M EURIBOR + 3.00%	1,433	1,453
Current portion of non-current borrowings			651	1,722
Total current debt			**9,004**	**10,191**
Total			**74,936**	**69,172**

*The loan was refinanced on 5 July 2017 with the same bank.
** The loan was refinanced on 29 June 2017. The new loan proceeds are not yet drawn down.

Loan securities

Borrowings received were secured with the following pledges and securities as of 30 June 2017:

	Mortgages of the property*	Second rank mortgages for derivatives	Pledges of receivables	Pledges of bank accounts	Share pledge
Bank 1	Lincona, SKY, G4S Headquarters, Europa, Domus Pro and Pirita	Europa, Domus Pro	Lincona, SKY, Europa, and Domus Pro	Europa, SKY	BOF Domus Pro UAB
Bank 2	Coca-Cola Plaza		Coca-Cola Plaza	Coca-Cola Plaza	
Bank 4	Upmalas Biroji			Upmalas Biroji	
Bank 5	Duetto I		Duetto I	Duetto I	BH Duetto UAB

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

16. Trade and other payables

'000 Euro	30.06.2017	31.12.2016
Accrued expenses related to Domus Pro development	1,684	1,127
Trade payables	602	804
Accrued expenses	169	199
Tax payables	158	174
Accrued financial expenses	31	28
Other payables	395	544
Total trade and other payables	**3,039**	**2,876**

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

17. Commitments and contingencies

17a. Litigation

As at 30 June 2017, there was no ongoing litigation, which could materially affect the consolidated financial position of the Group.

17b. Contingent assets

On 16 December 2016, the Fund signed a sales and purchase agreement for the acquisition of Pirita shopping centre. A part of the purchase price (EUR 150 thousand) was deferred and recognised as a liability. The purchase price was deferred because it is contingent on the performance of the property. If net operating income (NOI) for either 2017 or 2018 is less than EUR 900 thousand, irrespective of reasons, the Fund is entitled to unilaterally reduce the purchase price by the amount by which the NOI is lower than EUR 900 thousand but under no circumstances by more than EUR 500 thousand in total for 2017 and 2018.

On 22 December 2016, the Fund signed an amendment to the sales and purchase agreement with the seller of the Upmalas Biroji property. The seller agreed to provide a rental income guarantee in the amount of EUR 168 thousand per year to be generated by the property from the rent of the parking places, storage rooms, advertisement areas and other areas that are not classified as "office revenues". The rental income guarantee is valid for a period of 24 months from 30 August 2016 (Upmalas Biroji acquisition date). An asset has not been recognized in the financial statements as the management of the Fund expects that Upmalas Biroji will be able to earn the guaranteed amount of rent.

On 22 March 2017, the Fund signed an additional agreement to the sales and purchase agreement with the seller of the Duetto I property. The seller agreed to provide a rental income guarantee in the aggregate amount of EUR 1,055 thousand per annum (EUR 88 thousand per month) of the effective net operating income from the Building for the first 24 months starting from 22 March 2017.

17c. Contingent liabilities

The Group did not have any contingent liabilities at the end of 30 June 2017.

18. Related parties

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

Northern Horizon Capital AS

As set out in Baltic Horizon Fund Rules, Northern Horizon Capital AS (the Management Company) carries out asset manager functions on behalf of the Fund and the Fund pays management fees for it (Note 6).

The Group's transactions with related parties during the 6-month period ended 30 June 2017 and 2016 were the following:

'000 Euro	**01.01.2017-30.06.2017**	**01.01.2016-30.06.2016**
Northern Horizon Capital AS group		
Management fees	543	305
Performance fees	6	81

The Group's balances with related parties as at 30 June 2017 and 31 December 2016 were the following:

'000 Euro	**30.06.2017**	**31.12.2016**
Northern Horizon Capital AS group		
Management fees payable	266	211
Performance fees payable	6	-

As from 1 July 2016, the Management Company is entitled to receive an annual management fee which is calculated quarterly, based on the 3-month average market capitalisation of the Fund. In case the market capitalisation is lower than 90% of the NAV of the Fund, the amount equal to 90% of the NAV of the Fund shall be used for the management fee calculation instead of the market capitalisation. The fee is based on the following rates and in the following tranches:

- 1.50% of the market capitalisation below EUR 50 million;
- 1.25% of the part of the market capitalisation that is equal to or exceeds EUR 50 million and is below EUR 100 million;
- 1.00% of the part of the market capitalisation that is equal to or exceeds EUR 100 million and is below EUR 200 million;
- 0.75% of the part of the market capitalisation that is equal to or exceeds EUR 200 and is below EUR 300 million;
- 0.50% of the part of the market capitalisation that is equal to or exceeds EUR 300 million.

As from 1 July 2016, the Management Company is entitled to calculate the performance fee based on the annual adjusted funds from operations (AFFO) of the Fund. If AFFO divided by paid in capital during the year exceeds 8% per annum, the Management Company is entitled to a performance fee in the amount of 20% of the amount exceeding 8%. The performance fee based on this formula will be calculated starting from 1 January 2017. The performance fee first becomes payable in the fifth year of the Fund (i.e. 2020).
Northern Horizon Capital Group owns 508,687 units of the Fund.

Entities having control or significant influence over the Fund

The holders of units owning more than 5% of the units in total as of 30 June 2017 and 31 December 2016 are presented in the tables below:

As at 30 June 2017

	Number of units	Percentage
Nordea Bank Finland Plc. clients	31,214,931	48.28%
Catella Bank SA on behalf of its clients	12,653,735	19.57%
Skandinaviska Enskilda Banken SA clients	4,766,470	7.37%

As at 31 December 2016

	Number of units	Percentage
Nordea Bank Finland Plc. clients	20,141,307	35.17%
Catella Bank SA on behalf of its clients	10,133,884	17.70%
Svenska Kyrkans Pensionskassa	8,061,604	14.08%
Skandinaviska Enskilda Banken SA clients	4,766,470	8.32%

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

19. Financial instruments

Fair values

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

	Carrying amount		Fair value	
'000 Euro	**30.06.2017**	**31.12.2016**	**30.06.2017**	**31.12.2016**
Financial assets				
Trade and other receivables	1,282	1,269	1,282	1,269
Cash and cash equivalents	8,628	9,883	8,628	9,883
Derivative financial instruments	6	-	6	-
Financial liabilities				
Interest-bearing loans and borrowings	(74,936)	(69,172)	(74,929)	(69,351)
Trade and other payables	(3,039)	(2,876)	(3,039)	(2,876)
Derivative financial instruments	(74)	(345)	(74)	(345)

Fair value hierarchy

Quantitative disclosures of the Group's financial instruments in the fair value measurement hierarchy as at 30 June 2017 and 31 December 2016:

Period ended 30 June 2017 '000 Euro	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Financial assets				
Trade and other receivables	-	-	1,282	**1,282**
Cash and cash equivalents	-	8,628	-	**8,628**
Derivative financial instruments		6	-	**6**
Financial liabilities				
Interest-bearing loans and borrowings	-	-	(74,929)	**(74,929)**
Trade and other payables	-	-	(3,039)	**(3,039)**
Derivative financial instruments	-	(74)	-	**(74)**

Period ended 31 December 2016 '000 Euro	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Financial assets				
Trade and other receivables	-	-	1,269	**1,269**
Cash and cash equivalents	-	9,883	-	**9,883**
Financial liabilities				
Interest-bearing loans and borrowings	-	-	(69,351)	**(69,351)**
Trade and other payables	-	-	(2,876)	**(2,876)**
Derivative financial instruments	-	(345)	-	**(345)**

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

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

- Trade and other receivables are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer, and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses on these receivables. As at 30 June 2017 the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The fair value of derivatives has been calculated by discounting the expected future cash flows at prevailing interest rates.
- The fair values of the Group's interest-bearing loans and borrowings are determined by discounting the expected future cash flows at prevailing interest rates.
- Cash and cash equivalents are attributed to level 2 in the fair value hierarchy.

20. Derivative financial instruments

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

IAS 39 (Financial Instruments: Recognition and Measurement) allows hedge accounting provided that the hedge is expected to be highly effective. In such cases, any gain or loss recorded on the fair value of the financial instrument is recognised in an equity reserve rather than the income statement. Specific documentation on each financial instrument is required to be maintained to ensure compliance with hedge accounting principles. Please refer to note 14b for more information.

Derivative type	Starting date	Maturity date	Notional amount	Variable rate (received)	Fixed rate (paid)	Fair value 30.06.2017	Fair value 31.12.2016
IRS	Aug 2016	Aug 2021	7,750	6M Euribor	0.05 %	6	-
Derivative financial instruments, assets						**6**	**-**
IRS	Dec 2014	Jun 2017*	6,542	3M EURIBOR	0.50 %	-	(73)
IRS	Sep 2015	Mar 2018	18,401	3M EURIBOR	0.15 %	(57)	(95)
IRS	Aug 2016	Aug 2021	7,750	6M EURIBOR	0.05 %	-	(5)
IRS	Nov 2016	Aug 2023	10,575	1M EURIBOR	0.26 %	(17)	(172)
Derivative financial instruments, liabilities						**(74)**	**(345)**
Net value of financial derivatives						**(68)**	**(345)**

*Interest rate swap was closed on 29 June 2017 due to loan refinancing. Value of IRS was EUR 57 thousand at termination date.

Derivative financial instruments were accounted for at fair value as at 30 June 2017 and 31 December 2016. The maturity of the derivative financial instruments of the Group is as follows:

	Liabilities		Assets	
Classification according to maturity	**30.06.2017**	**31.12.2016**	**30.06.2017**	**31.12.2016**
Non-current	(74)	(345)	6	-
Current	-	-	-	-
Total	**(74)**	**(345)**	**6**	**-**

21. Subsequent events

There were no significant events after period end.

22. List of consolidated companies

Name	Registered office	Registration Number	Date of incorporation / acquisition	Activity	Interest in capital
BH Lincona OÜ*	Rävala 5, Tallinn, Estonia	12127485	20 June 2011	Asset holding company	100%
BOF Domus Pro UAB	Bieliūnų g. 1-1, Vilnius, Lithuania	225439110	1 May 2014	Asset holding company	100%
BOF SKY SIA	Valdemara 21-20, Riga, Latvia	40103538571	27 March 2012	Asset holding company	100%
BH CC Plaza OÜ**	Rävala 5, Tallinn, Estonia	12399823	11 December 2012	Asset holding company	100%
BOF Europa UAB	Gynėjų 16, Vilnius, Lithuania	300059140	2 March 2015	Asset holding company	100%
BH P80 OÜ	Hobujaama 5, 10151 Tallinn, Estonia	14065606	6 July 2016	Asset holding company	100%
Kontor SIA	Mūkusalas iela 101, LV-1004, Rīga, Latvia	40003771618	30 August 2016	Asset holding company	100%
BH MT24 OÜ***	Hobujaama 5, 10151 Tallinn, Estonia	14169458	14 December 2016	Holding company	100%
Pirita Center OÜ	Hobujaama 5, 10151 Tallinn, Estonia	12992834	16 December 2016	Asset holding company	100%
BH Duetto UAB	Jogailos 9, Vilnius, Lithuania	304443754	13 January 2017	Asset holding company	100%

*formerly known as *BOF Lincona OÜ*.

**formerly known as *BOF CC Plaza OÜ.*

***BH MT 24 OÜ merged to Pirita Center OÜ on 6 April 2017.

MANAGEMENT APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements of Baltic Horizon Fund were approved for issue by the Management Board of the Management Company on 3 August 2017.

Name and position	Signature
Tarmo Karotam Chairman of the Management Board	___________________
Aušra Stankevičienė Member of the Management Board	___________________
Algirdas Jonas Vaitiekūnas Member of the Management Board	___________________