

ANNUAL REPORT

beginning of financial year: 01.01.2018

end of the financial year: 31.12.2018

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Management report

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

Baltic Horizon is a registered public closed-end real estate fund that was listed on Nasdaq Tallinn stock exchange on 6 July 2016. This is the first time when a security listed on Nasdaq Tallinn stock exchange has been dual-listed on Nasdaq Stockholm stock exchange. Baltic Horizon is also the first AIF on the alternative investment funds list of Nasdaq Stockholm stock exchange. The first trading day with the fund's units on Nasdaq Stockholm was 23 December 2016.

Baltic Horizon is administered by Northern Horizon Capital AS, Northern Horizon group's subsidiary. Northern Horizon Capital AS is a licensed fund manager and reports to the Estonian Financial Supervision Authority.

In 2018, the company's revenue amounted to EUR 1,394,049 (2017: EUR 1,150,697) and the profit to EUR 558,154 (2017: EUR 231,281). As of 31 December 2018, the company had 3 employees (31.12.2017: 3 employees) whose salary expense totaled EUR 268,197 in 2018 (2017: EUR 240,314).

As of year-end, the Management Board consists of three members. The Management Board members were paid remuneration in the amount of EUR 24,000. The Supervisory Board consists of three members.

In 2019, the company continues its activities of managing the investments of Baltic Horizon Fund and plans to increase the volume of managed assets.

Key financial ratios

| | | 2018 | 2017 |
|-----------------------------|--|------|------|
| Change in revenue (%) | | 21 | 36 |
| Change in equity (%) | | 17 | 6 |
| Liquidity ratios | | | |
| Current ratio | current assets / current liabilities | 2.51 | 5.45 |
| Quick ratio | (current assets - inventories - prepayments) / current liabilities | 2.33 | 5.29 |
| Cash ratio | cash / current liabilities | 0.93 | 0.01 |
| Profitability ratios | | | |
| Net profit margin (%) | net profit / revenue * 100 | 40 | 20 |
| ROA (%) | net profit / average total assets * 100 | 12 | 5 |
| ROE (%) | net profit / average equity * 100 | 12 | 6 |
| Leverage ratios | | | |
| Debt ratio (%) | total liabilities / total liabilities and equity * 100 | 6 | 10 |
| Debt-to-equity ratio (%) | total liabilities / equity * 100 | 6 | 11 |

The annual accounts

Statement of financial position

(In Euros)

| | 31.12.2018 | 31.12.2017 | Note |
|--------------------------------------|------------------|------------------|----------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 235 320 | 4 082 | 2 |
| Receivables and prepayments | 403 213 | 1 498 131 | 3, 4 |
| Total current assets | 638 533 | 1 502 213 | |
| Non-current assets | | | |
| Financial investments | 648 922 | 0 | 5 |
| Receivables and prepayments | 3 522 939 | 2 768 094 | 3, 5, 16 |
| Property, plant and equipment | 3 394 | 6 453 | 7 |
| Total non-current assets | 4 175 255 | 2 774 547 | |
| Total assets | 4 813 788 | 4 276 760 | |
| Liabilities and equity | | | |
| Liabilities | | | |
| Current liabilities | | | |
| Payables and prepayments | 254 230 | 275 725 | 4, 8 |
| Total current liabilities | 254 230 | 275 725 | |
| Non-current liabilities | | | |
| Payables and prepayments | 23 818 | 133 151 | 9 |
| Total non-current liabilities | 23 818 | 133 151 | |
| Total liabilities | 278 048 | 408 876 | |
| Equity | | | |
| Issued capital | 138 899 | 125 000 | 11 |
| Share premium | 95 803 | 0 | 11 |
| Statutory reserve capital | 12 500 | 12 500 | |
| Retained earnings (loss) | 3 730 384 | 3 499 103 | |
| Annual period profit (loss) | 558 154 | 231 281 | |
| Total equity | 4 535 740 | 3 867 884 | |
| Total liabilities and equity | 4 813 788 | 4 276 760 | |

Income statement

(In Euros)

| | 2018 | 2017 | Note |
|------------------------------------|----------------|----------------|------|
| Revenue | 1 394 049 | 1 150 697 | 12 |
| Cost of sales | -934 344 | -999 612 | 13 |
| Gross profit (loss) | 459 705 | 151 085 | |
| Distribution costs | -18 946 | -22 203 | |
| Administrative expense | -31 317 | -35 365 | 14 |
| Operating profit (loss) | 409 442 | 93 517 | |
| Other financial income and expense | 148 712 | 137 764 | 16 |
| Profit (loss) before tax | 558 154 | 231 281 | |
| Annual period profit (loss) | 558 154 | 231 281 | |

Statement of cash flows

(In Euros)

| | 2018 | 2017 | Note |
|--|-----------------|-----------------|------|
| Cash flows from operating activities | | | |
| Operating profit (loss) | 409 442 | 93 517 | |
| Adjustments | | | |
| Depreciation and impairment loss (reversal) | 2 389 | 2 663 | 7 |
| Other adjustments | 7 158 | 0 | |
| Total adjustments | 9 547 | 2 663 | |
| Changes in receivables and prepayments related to operating activities | -47 581 | 29 167 | |
| Changes in payables and prepayments related to operating activities | -111 064 | -282 879 | |
| Other cash flows from operating activities | 0 | -597 | |
| Total cash flows from operating activities | 260 344 | -158 129 | |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment and intangible assets | 0 | -3 047 | 7 |
| Other cash payments to acquire other financial investments | -674 010 | 0 | 5 |
| Loans given | -620 000 | -200 000 | 6,17 |
| Repayments of loans given | 1 000 000 | 50 000 | 17 |
| Interest received | 129 744 | 5 466 | 16 |
| Dividends received | 25 458 | 0 | 16 |
| Total cash flows from investing activities | -138 808 | -147 581 | |
| Cash flows from financing activities | | | |
| Proceeds from issuing shares | 109 702 | 0 | 11 |
| Total cash flows from financing activities | 109 702 | 0 | |
| Total cash flows | 231 238 | -305 710 | |
| Cash and cash equivalents at beginning of period | 4 082 | 309 792 | 2 |
| Change in cash and cash equivalents | 231 238 | -305 710 | |
| Cash and cash equivalents at end of period | 235 320 | 4 082 | 2 |

Statement of changes in equity

(In Euros)

| | | | | | Total |
|-----------------------------|----------------|---------------|---------------------------|--------------------------|--------------|
| | Issued capital | Share premium | Statutory reserve capital | Retained earnings (loss) | |
| 31.12.2016 | 125 000 | 0 | 12 500 | 3 499 103 | 3 636 603 |
| Annual period profit (loss) | 0 | 0 | 0 | 231 281 | 231 281 |
| 31.12.2017 | 125 000 | 0 | 12 500 | 3 730 384 | 3 867 884 |
| Annual period profit (loss) | 0 | 0 | 0 | 558 154 | 558 154 |
| Issue of equity | 13 899 | 95 803 | 0 | 0 | 109 702 |
| 31.12.2018 | 138 899 | 95 803 | 12 500 | 4 288 538 | 4 535 740 |

Additional information about share capital is disclosed in Note 10.

Notes

Note 1 Accounting policies

General information

The financial statements 2018 of Northern Horizon Capital AS have been prepared in conformity with the Estonian financial reporting standard. The Estonian financial reporting standard is a body of financial reporting requirements based on the internationally accepted accounting and reporting principles, whose general requirements have been set out in the Estonian Accounting Act and which are supplemented by the guidelines issued by the Estonian Accounting Standards Board (hereinafter ASBG). The financial statements have been prepared based on the cost principle, unless otherwise prescribed in the accounting principles below. The financial statements have been prepared in euros.

Cash and cash equivalents

Cash in hand, bank account balances and deposits with the term of up to 3 months are recorded as cash and cash equivalents in the statement of financial position and statement of cash flows.

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

The functional currency of the company is the euro. Foreign currency transactions have been reported based on official rates of the European Central Bank prevailing at the transaction date. Foreign currency denominated monetary assets and liabilities are translated into the functional currency based on the official foreign currency exchange rates of the European Central Bank prevailing at the balance sheet date. Foreign exchange gains and losses resulting from translation are recognised in the statement of income of the accounting period.

Receivables and prepayments

Accounts receivable, accrued income and other short-term and long-term receivables (incl. loan receivables, deposits) are measured at amortised cost. At each balance sheet date the management shall assess whether there are signs indicating that the financial assets may be impaired. If there exist any such signs, the financial assets carried at amortised cost will be written down to the present value of future expected collectible amounts. Impairment losses are recognised as an expense in the statement of income.

Plant, property and equipment and intangible assets

Asset items with the cost of over 1,700 euros and the useful life of over one year are recognised as property, plant and equipment. Assets that have a useful life of over one year but the cost of which is less than 1,700 euros, are fully expensed, with the exception of computers which are recognised as property, plant and equipment even if their cost is below the established threshold for recognizing the non-current assets.

Property, plant and equipment are initially recognised at their acquisition cost, which consists of the purchase price and any costs directly attributable to the acquisition of the asset.

Subsequently the items of property, plant and equipment are carried in the statement of financial position at cost, less accumulated depreciation and any accumulated impairment losses. The straight-line method is used for depreciating items of property, plant and equipment. The ranges of useful lives of the non-current assets are 3-5 years.

Leases

The lease agreements where all material risks and rewards related to the ownership of the assets are transferred to the lessee are classified as finance leases. All other lease transactions are classified as operating leases.

The company as the lessee

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

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

Financial liabilities

Financial liabilities are initially recognised at their cost which is the fair value of the consideration received for the financial liability. Subsequently the financial liabilities are measured at their amortised cost, by using the effective interest rate method. All transactions costs are taken into consideration upon calculating the effective interest rate and are expensed over the term of the financial liability. The interest expense accompanying the financial liabilities is recorded on an accrual basis in the statement of income under the row "financial income and expense".

A financial liability is derecognised when it is discharged, cancelled or it expires.

Provisions and contingent liabilities

A provision is recognized if the company has a present legal or constructive obligation as a result of events that occurred before the balance sheet date, the settlement of the obligation is probable and the amount of the obligation can be measured reliably. Other potential or present obligations whose settlement is not probable or whose amount of accompanying costs cannot be measured with sufficient reliability are disclosed as contingent liabilities in the notes to the financial statements.

Revenue recognition

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

Revenue from the sale of services is recognised after the provision of services or, if services are performed over a longer time-period, based on the stage of completion method.

Taxation

Taxation of corporate gains

In accordance with the Income Tax Act, tax is charged in Estonia not on the profits of companies but on dividends paid from retained earnings. Since 1 January 2015, the tax rate is 20/80 from net dividends paid. As the object of income tax is the dividend payable instead of the company's profit, there are no differences between the tax value and book value of assets and liabilities which would create deferred income tax receivables or liabilities. The statement of financial position does not record the contingent income tax liability towards the company's available equity, which would accompany the payment of available equity as dividends.

The corporate income tax accompanying the payment of dividends is recognised as a liability and an income tax expense in the statement of income in the period in which the dividends are declared, regardless of the period for which the dividends are declared or when the actual payment is made.

Related parties

In preparing the financial statements of Northern Horizon Capital AS, related parties are:

- a. owners (parent company and persons having control or material influence over the parent company);
- b. other entities belonging into same consolidation group (incl. other subsidiaries of the parent company);
- c. members of the management and supervisory body;
- d. close family members of the persons described above and companies that are under their control or material influence.

Subsequent events

The financial statements include all material events that affect the valuation of assets and liabilities, which were disclosed between the balance sheet date and date of preparing the report, but which are related to transactions that occurred during the reporting period or earlier periods. Post balance sheet date events, which have not been considered upon the valuation of assets and liabilities, but which significantly affect the result of the next financial year have been disclosed in the financial statements.

Note 2 Cash and cash equivalents

(In Euros)

| | 31.12.2018 | 31.12.2017 |
|--|----------------|--------------|
| Bank accounts | 235 320 | 4 082 |
| Total cash and cash equivalents | 235 320 | 4 082 |

Note 3 Receivables and prepayments

(In Euros)

| | 31.12.2018 | Allocation by remaining maturity | | | Note |
|--|------------------|----------------------------------|----------------|------------------|------|
| | | Within 12 months | 1 - 5 years | Over 5 years | |
| Accounts receivable | 356 286 | 356 286 | 0 | 0 | 17 |
| Accounts receivables | 356 286 | 356 286 | 0 | 0 | |
| Tax prepayments and receivables | 527 | 527 | 0 | 0 | 4 |
| Other receivables | 3 522 939 | 0 | 500 000 | 3 022 939 | 6,17 |
| Loan receivables | 3 522 939 | 0 | 500 000 | 3 022 939 | 6,17 |
| Prepayments | 46 400 | 46 400 | 0 | 0 | |
| Deferred expenses | 42 227 | 42 227 | 0 | 0 | |
| Other paid prepayments | 4 173 | 4 173 | 0 | 0 | |
| Total receivables and prepayments | 3 926 152 | 403 213 | 500 000 | 3 022 939 | |
| | | | | | |
| | 31.12.2017 | Allocation by remaining maturity | | | Note |
| | | Within 12 months | 1 - 5 years | Over 5 years | |
| Accounts receivable | 320 858 | 320 858 | 0 | 0 | 17 |
| Accounts receivables | 320 858 | 320 858 | 0 | 0 | |
| Tax prepayments and receivables | 1 742 | 1 742 | 0 | 0 | 4 |
| Other receivables | 3 902 939 | 1 134 845 | 500 000 | 2 268 094 | 6,17 |
| Loan receivables | 3 768 094 | 1 000 000 | 500 000 | 2 268 094 | 6,17 |
| Interest receivables | 134 845 | 134 845 | 0 | 0 | 6,17 |
| Prepayments | 40 686 | 40 686 | 0 | 0 | |
| Deferred expenses | 36 513 | 36 513 | 0 | 0 | |
| Other paid prepayments | 4 173 | 4 173 | 0 | 0 | |
| Total receivables and prepayments | 4 266 225 | 1 498 131 | 500 000 | 2 268 094 | |

Note 4 Tax prepayments and liabilities

(In Euros)

| | 31.12.2018 | | 31.12.2017 | |
|--|-----------------|-----------------|-----------------|-----------------|
| | Tax prepayments | Tax liabilities | Tax prepayments | Tax liabilities |
| Value added tax | 0 | 1 311 | 0 | 810 |
| Personal income tax | 0 | 2 343 | 0 | 2 208 |
| Fringe benefit income tax | 0 | 57 | 0 | 550 |
| Social tax | 0 | 4 139 | 0 | 4 570 |
| Contributions to mandatory funded pension | 0 | 246 | 0 | 240 |
| Unemployment insurance tax | 0 | 247 | 0 | 239 |
| Prepayment account balance | 527 | | 1 742 | |
| Total tax prepayments and liabilities | 527 | 8 343 | 1 742 | 8 617 |

Information on prepaid taxes is disclosed in Note 3 and on tax liabilities is disclosed in Note 9.

Note 5 Long-term financial investments

(In Euros)

| | Total | |
|---|----------------|----------------|
| | Shares | |
| 31.12.2017 | 0 | 0 |
| Acquisition | 655 412 | 655 412 |
| Profit (loss) from disposal and revaluation | -6 490 | -6 490 |
| 31.12.2018 | 648 922 | 648 922 |

In 2018, 499,171 units of Baltic Horizon Fund were acquired, purchase price is EUR 1.313 per unit.

Note 6 Other receivables

(In Euros)

| | 31.12.2018 | Allocation by remaining maturity | | | Interest rate | Base currencies | Due date | Note |
|--------------------------------|------------------|----------------------------------|----------------|------------------|---------------|-----------------|------------|-------|
| | | Within 12 months | 1 - 5 years | Over 5 years | | | | |
| Loan receivables | 3 522 939 | 0 | 500 000 | 3 022 939 | | | | 3, 17 |
| | 500 000 | 0 | 500 000 | 0 | 3,5% | EUR | 01.01.2021 | 17 |
| | 3 022 939 | 0 | 0 | 3 022 939 | 3,0% | EUR | 31.12.2025 | 17 |
| Total other receivables | 3 522 939 | 0 | 500 000 | 3 022 939 | | | | |

| | 31.12.2017 | Allocation by remaining maturity | | | Interest rate | Base currencies | Due date | Note |
|--------------------------------|------------------|----------------------------------|----------------|------------------|---------------|-----------------|------------|-------|
| | | Within 12 months | 1 - 5 years | Over 5 years | | | | |
| Loan receivables | 3 768 094 | 1 000 000 | 500 000 | 2 268 094 | | | | 3, 17 |
| | 1 000 000 | 1 000 000 | 0 | 0 | 3,0% | EUR | nõudmisel | 17 |
| | 500 000 | 0 | 500 000 | 0 | 3,5% | EUR | 01.01.2021 | 17 |
| | 2 268 094 | 0 | 0 | 2 268 094 | 4,2% | EUR | 31.12.2025 | 17 |
| Interest receivables | 134 845 | 134 845 | 0 | 0 | | | | 3 |
| Total other receivables | 3 902 939 | 1 134 845 | 500 000 | 2 268 094 | | | | |

Note 7 Property, plant and equipment

(In Euros)

| | | | Total |
|----------------------------|-------------------------|-------------------------------------|--------------|
| | Machinery and equipment | Other property, plant and equipment | |
| 31.12.2016 | | | |
| Carried at cost | 7 188 | 1 258 | 8 446 |
| Accumulated depreciation | -1 788 | -589 | -2 377 |
| Residual cost | 5 400 | 669 | 6 069 |
| | | | |
| Acquisitions and additions | 0 | 3 047 | 3 047 |
| Depreciation | -2 162 | -501 | -2 663 |
| | | | |
| 31.12.2017 | | | |
| Carried at cost | 7 188 | 4 305 | 11 493 |
| Accumulated depreciation | -3 950 | -1 090 | -5 040 |
| Residual cost | 3 238 | 3 215 | 6 453 |
| | | | |
| Depreciation | -1 881 | -508 | -2 389 |
| Other changes | 0 | -670 | -670 |
| | | | |
| 31.12.2018 | | | |
| Carried at cost | 7 188 | 3 635 | 10 823 |
| Accumulated depreciation | -5 831 | -1 598 | -7 429 |
| Residual cost | 1 357 | 2 037 | 3 394 |

In 2018, a mobile phone with a residual value of 670 euros was written off.

Note 8 Operating lease

(In Euros)

Accounting entity as lessee

| | 2018 | 2017 | Note |
|--|------------|------------|------|
| Operating lease expenses | 25 857 | 27 103 | 13 |
| Future lease expense under non-cancellable lease contracts | | | |
| | 31.12.2018 | 31.12.2017 | Note |
| Within 12 months | 17 174 | 25 857 | |

Note 9 Payables and prepayments

(In Euros)

| | 31.12.2018 | Allocation by remaining maturity | | Note |
|---------------------------------------|----------------|----------------------------------|---------------|------|
| | | Within 12 months | 1 - 5 years | |
| Trade payables | 188 624 | 164 806 | 23 818 | |
| Employee payables | 141 | 141 | 0 | |
| Tax payables | 8 343 | 8 343 | 0 | 4 |
| Other payables | 80 940 | 80 940 | 0 | |
| Total payables and prepayments | 278 048 | 254 230 | 23 818 | |

| | 31.12.2017 | Allocation by remaining maturity | | Note |
|---------------------------------------|----------------|----------------------------------|----------------|------|
| | | Within 12 months | 1 - 5 years | |
| Trade payables | 342 281 | 209 130 | 133 151 | |
| Employee payables | 1 165 | 1 165 | 0 | |
| Tax payables | 8 617 | 8 617 | 0 | 4 |
| Other payables | 56 813 | 56 813 | 0 | |
| Total payables and prepayments | 408 876 | 275 725 | 133 151 | |

As of 31.12.2018, payables to related parties amounted to EUR 28,746 (31.12.2017: EUR 54,973). See Note 17.

Note 10 Contingent liabilities and assets

(In Euros)

| | 31.12.2018 | 31.12.2017 |
|---|------------------|------------------|
| Contingent liabilities | | |
| Distributable dividends | 3 430 830 | 2 984 307 |
| Income tax liability on distributable dividends | 857 708 | 746 077 |
| Total contingent liabilities | 4 288 538 | 3 730 384 |

The calculation of the maximum potential income tax liability is based on the assumption that the sum of distributable net dividends and the accompanying income tax on payment of dividends in the statement of income 2019 may not exceed the distributable profit as of 31.12.2018.

The tax authorities may at any time inspect the tax accounting of the company within 5 years subsequent to the due date for submitting tax declarations, and may impose additional tax assessments, interest and fine if any mistakes are disclosed in the tax accounting.

The company's management is not aware of any circumstances which may give rise to a potential material tax liability in this respect.

Note 11 Share capital

(In Euros)

| | 31.12.2018 | 31.12.2017 |
|------------------------|------------|------------|
| Share capital | 138 899 | 125 000 |
| Number of shares (pcs) | 26 399 | 12 500 |

The share capital of Northern Horizon Capital AS consists of 12,500 Class A shares with a nominal value of EUR 10 and 13,899 Class B shares with a nominal value of EUR 1. The B Class shares were issued with a premium in the amount of EUR 95,803.

Note 12 Net sales

(In Euros)

| | 2018 | 2017 |
|--|------------------|------------------|
| Net sales by geographical location | | |
| Net sales in European Union | | |
| Estonia | 1 394 049 | 1 150 697 |
| Total net sales in European Union | 1 394 049 | 1 150 697 |
| Total net sales | 1 394 049 | 1 150 697 |
| Net sales by operating activities | | |
| Fund management | 1 394 049 | 1 150 697 |
| Total net sales | 1 394 049 | 1 150 697 |

Note 13 Cost of goods sold

(In Euros)

| | 2018 | 2017 | Note |
|---------------------------------|----------------|----------------|------|
| Leases | 25 857 | 27 103 | 8 |
| Miscellaneous office expenses | 27 411 | 38 213 | |
| Travel expense | 28 134 | 44 092 | |
| Training expense | 151 | 7 022 | |
| Labor expense | 300 961 | 278 121 | 15 |
| Depreciation | 2 389 | 2 663 | 7 |
| Legal and other consultations | 18 528 | 74 424 | |
| Management services | 500 352 | 474 468 | 17 |
| Other | 30 561 | 53 506 | |
| Total cost of goods sold | 934 344 | 999 612 | |

Other expenses comprise mainly fund management fees in the amount of EUR 1,261 (2017: EUR 35,813) and other service fees.

Note 14 Administrative expense

(In Euros)

| | 2018 | 2017 |
|-------------------------------------|---------------|---------------|
| Other | 1 027 | 734 |
| Legal and other consultations | 30 290 | 34 631 |
| Total administrative expense | 31 317 | 35 365 |

Note 15 Labor expense

(In Euros)

| | 2018 | 2017 | Note |
|---|----------------|----------------|------|
| Wage and salary expense | 200 689 | 181 463 | |
| Social security taxes | 67 508 | 58 851 | |
| Employee insurance | | | |
| Other | 32 764 | 37 807 | |
| Total labor expense | 300 961 | 278 121 | 13 |
| Average number of employees in full time equivalent units | 3 | 3 | |

Note 16 Other financial income and expense

(In Euros)

| | 2018 | 2017 | Note |
|---|----------------|----------------|------|
| Interest income from loans | 129 744 | 134 845 | 17 |
| Interest income from deposits | 0 | 1 | |
| Other interest income | -1 | -597 | |
| Write-down of a long-term liability | 0 | 3 515 | |
| Dividends received | 25 458 | 0 | |
| Revaluation of long-term financial investments | -6 489 | 0 | |
| Total other financial income and expense | 148 712 | 137 764 | |

Note 17 Related parties

(In Euros)

| | |
|--|------------------------------|
| Name of accounting entity's parent company | Northern Horizon Capital A/S |
| Country where accounting entity's parent company is registered | Taani |

Related party balances according to groups

| | 31.12.2018 | | 31.12.2017 | |
|---|-------------|-------------|-------------|-------------|
| | Receivables | Liabilities | Receivables | Liabilities |
| Parent company | 3 522 939 | 0 | 3 902 939 | 0 |
| Other entities belonging into same consolidation group | 1 988 | 28 746 | 12 880 | 54 973 |
| Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher | 354 299 | 0 | 307 978 | 0 |

| 2018 | Given loans | Given loans repayments | Interest rate | Base currencies | Due date |
|----------------------------|-------------|------------------------|---------------|-----------------|------------|
| Parent company | | | | | |
| Loan to the parent company | 754 845 | 1 000 000 | 4,2% | EUR | 31.12.2025 |

| 2017 | Given loans | Given loans repayments | Interest rate | Base currencies | Due date |
|----------------------------|-------------|------------------------|---------------|-----------------|------------|
| Parent company | | | | | |
| Loan to the parent company | 200 000 | 50 000 | 4,2% | EUR | 31.12.2025 |

Purchases and sales

| | 2018 | | 2017 | |
|---|-----------|-----------|-----------|-----------|
| | Purchases | Sales | Purchases | Sales |
| Other entities belonging into same consolidation group | 500 352 | 0 | 474 644 | 0 |
| Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher | 0 | 1 394 049 | 0 | 1 150 697 |

| Remuneration and other significant benefits calculated for members of management and highest supervisory body | 2018 | 2017 |
|---|---------|---------|
| Remuneration | 106 000 | 118 036 |

Northern Horizon Capital AS has provided fund management services to related parties (these transactions are reflected in the table above under row "Management and higher supervisory body and individuals with material ownership interest and entities under their prevalent or material influence") and purchased IT, event organizing, office and other re-invoiced services from related parties.

In 2018, a new loan in the amount of EUR 754,845 was granted to the parent company.

Interest income from loans given to the parent company amounted to EUR 129,744 in 2018 (2017: EUR 134,845).

In accordance with the loan agreement, interest in the amount of EUR 134,845 was included as part of the principal amount of the loan in January 2018.

In case of premature termination of the employment contract with members of the Management Board, the company has an obligation to pay termination compensation (the compensation for members of the Management Board amounts to twelve months' average salary according to the contracts in place as of the balance sheet date).

In 2018 and 2017, no impairment was recognised in respect of accounts receivable from related parties. Additional information on transactions and balances with related parties has been disclosed in Notes 3, 6, 9 and 16.

INDEPENDENT AUDITOR'S REPORT

Translation of the Estonian Original

To the Shareholder of Northern Horizon Capital AS

Opinion

We have audited the financial statements of Northern Horizon Capital AS, which comprise the balance sheet as at 31 December 2018, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Northern Horizon Capital AS as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the Estonian Financial Reporting Standard.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia). Our responsibilities under those standards are further described in the "*Auditor's responsibilities for the audit of the financial statements*" section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants (Estonia), and we have fulfilled our other ethical responsibilities in accordance with the requirements of code of ethics.

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

Other information

Management is responsible for the other information. Other information consists of management report, but does not consist of the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Estonian Financial Reporting Standard, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with International Standards on Auditing (Estonia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

29 April 2019

/digitally signed/
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