Metro Baltic Horizons plc

Report and Condensed Consolidated Financial Statements for the period ended 30 June 2010

Contents

Directors, Officers and Advisers

Directors	Robin James (Non-executive Chairman) Kristel Meos (Non-executive)
Company Secretary	Philip Peter Scales
Investment Manager	Metro Frontier Limited 33-37 Athol Street, Douglas Isle of Man IM1 1LB
Investment Adviser	Metro Capital Management AS Kreutzwaldi 12 Tallinn 10124 Estonia
Nominated Adviser & Broker	Fairfax I.S. PLC 46 Berkeley Square, Mayfair, London, WIJ 5AT
Auditors	Ernst & Young LLC Rose House 51-59 Circular Road Douglas Isle of Man IM1 1AZ
Property Valuers `	GVA Sawyer Business-center "Mir", Efimova ulitsa 4A, office 330 Saint-Petersburg 190031 Russia
	Colliers International Riga Office Balasta dambis 1a Riga, LV 1048 Latvia
	Resolution Advisers EE OÜ Roseni 7 EE-10111 Tallinn, Estonia
Legal Advisers	Stephenson Harwood One, St. Paul’s Churchyard London EC4M 8SH

Chairman's Statement

Introduction

The Company's results for the period ended 30 June 2010 are as follows. As was highlighted in our 2009 annual report and accounts published in June 2010, the dramatic deterioration over the last two years in the local, regional and global property markets and the macro-economic and credit environments in the region in which we operate has had a major impact on the Company. While we continue to make operational progress on our St Petersburg investment and particularly our Metro Plaza development, the outlook for the Company's two other investments is less optimistic.

Results

In the six months ended 30 June 2010 the net asset value per share (NAV) after deferred tax liabilities increased by 9.8% to €0.42 (31 December 2009: €0.39). During the period the Company recorded a profit of circa €0.99 million, principally due to changes in the value of its property portfolio.

At 30 June 2010 the Company had a total of €25.3 million in bank and other borrowings of which circa €13.7 million related to the Metro Plaza development in Tallinn.

Valuation

At 30 June 2010, the Company's total gross property portfolio was valued €38.3 million. However, as the Company only held an 80% economic interest in two of its four assets, this should be taken into account in deriving the underlying asset value per share. It should be noted that the valuations prepared for the Company by external valuers partly utilised the discounted cash flow based valuation methodology which does not necessarily reflect the continued lack of credit and buyers of property assets in the current market. Similarly as previously advised, the widely used comparable transaction method of valuation is also potentially unrepresentative in the current climate due to the lack of meaningful secondary property market activity in the target markets. Further details are contained in the Investment Manager's report below.

Potential Disposal

The Company is in advanced discussions regarding a potential disposal of a minority stake in one of the Company's projects to an unrelated third party for a cash consideration, at a price approximately 7% above the project's latest independent valuation (30 June 2010). If agreement is completed on this disposal, the proceeds received will be used to pay down debt and strengthen the Company's working capital position. The Board expects to provide shareholders with a further update in due course.

Finance

In the period under review the Company continued to experience very tight working capital conditions, with equity and bank credit remaining largely unavailable in the region. Although the Metro Plaza development reached an operational cash flow positive position as anticipated during the 2nd quarter 2010, the Company was required to principally utilise the high yield bond facility put in place in April 2009 (the 'Bonds') in order to meet its operating and capital obligations and drew down an additional €0.73million in the period. These funds were used to cover general administrative and corporate overheads of the Group as well as additional partial fit out of newly leased areas in Metro Plaza. None of the proceeds of the Bonds were applied to pay management fees. Negotiations are also taking place with bondholders in relation to the possible prolongation of the maturity of certain of the Bonds beyond their existing maturity date of 15 October 2010, in order to provide the Company with some greater financial and operational flexibility and obviate the need for equity issuance. It is expected that these discussions will reach a favourable conclusion and that a lower interest rate than originally applied on the Bonds may be negotiated.

Corporate

Other strategic investment, debt, mezzanine and equity placement scenarios continue to be given consideration by the Board taking into account the views of certain shareholders and prospective investors in the Company who have been informally canvassed. In summary, there does not currently appear to be widespread support at present for any meaningful new equity issuance and as such a new equity fundraising that had been anticipated and flagged to shareholders in June 2010 is now no longer being considered by the Company. Further consideration to other funding and corporate alternatives potentially available to the Company will be undertaken in the coming months.

Investment Manager

A significant operational expense for any externally managed vehicle such as the Company is the management fee paid to the Investment Manager. In the current year, the Investment Manager has agreed with the Board that it will fund the entire 2010 annual management fee without penalty or interest to the Company provided that such fees, which are due quarterly, are paid by year-end. No fees have been paid by the Company in the year to date. In addition the Board has agreed with the Investment Manager that no further management fees will be settled by the Company through a share issue. This is a valuable and welcome concession for the Company. Some consideration was given to the performance fee arrangements with the Investment Manager and it was decided that no amendment to current arrangements should be made. Furthermore, the Board does not intend to revisit the matter of performance fees for the Investment Manager again during the life of the Company.

Outlook

As I highlighted in my statement of 23 June 2010, the scale and extent of the corporate and financial market turmoil we have seen in over the last two years is without precedent particularly in the regions in which the Company operates. Clearly the objectives of the Company as set out at the time of the Company's listing in December 2006 are no longer achievable. Furthermore having now achieved some relative financial stability and particularly if the potential disposal referred to herein is concluded, the Board intends to consider the appropriate future corporate and strategic direction of the Company. Alternatives that may be considered include the delisting of the Company's shares from trading on AIM and the orderly wind-down or outright sale of the Company's portfolio. The objective of any strategy chosen must be to maximise the capital return for shareholders and in that context, the Board as advised by the Investment Manager, does not believe that with the general scarcity of buyers in all of the markets in which the Company operates, a strategy of forcing assets on to the market would be the optimum scenario.

Any corporate or strategic decisions that will be taken in the coming months will be with the principal objective of preserving and thereafter returning maximum capital value to shareholders as soon as possible. Shareholders will be advised in advance of any decisions in that regard.

Robin James
Chairman
30 September 2010

Investment Manager's Report

The Company's portfolio currently comprises four assets located in St Petersburg, Riga and Tallinn.

Bolshaya Pushkarskaya, St Petersburg, Russia (100% interest)

The project is a site located on Bolshaya Pushkarskaya, a prominent street in central St Petersburg, in the Petrogradski district. The investment comprises a 100% interest in an office complex on a now privatised, freehold site of 0.72 hectares. The site runs parallel to Bolshoi Prospekt, one of St Petersburg's main shopping and business streets, and is about 4 km from the Winter Palace. Currently, there are six existing buildings on the site which has approximately 150 metres of direct street frontage. After a lengthy design and consultative process with St Petersburg authorities, planning and other attendant approvals were procured for a development of a Class A office complex on the site. As the market for such developments has largely disappeared, in recent months we have further examined other lower risk and capital-intensive strategies including a residential, loft-style development on the site. However, we have concluded that the requisite financing and scale of such a development relative to the size of the Company and the lead time for completion would make this strategy unrealistic. The possible refurbishment of one of the buildings in the middle of the site (4,000 sqm) is now being actively considered on the basis that such refurbishment would require very limited infrastructural investment and would likely generated positive incremental cash flow for the Company. Subject to the successful completion and letting of such a redeveloped building, a broader, phased redevelopment of the entire site may be pursued.

At 30 June 2010, Bolshaya Pushkarskaya 10 (100%) was valued by GVA Sawyer at €12.2 million on an open market basis.

Krasta 99, Riga, Latvia (80% interest)

This asset is a prominently located land plot of 1.7 hectares situated approximately 5 km from Riga Old Town at the intersection of a major inner-city highway (Krasta Street) and the Riga South Bridge. Planning permission had been secured for the construction of approximately 50,000 sqm of gross office space in three towers. As previously reported Krasta is now under formal legal protection in Latvia which protects the Group's interest in the site from foreclosure or otherwise being disposed of without the consent of the Group until September 2011. The project currently has no cash flow and short-term bank loans outstanding amounting to €2.6 million (interest accruing at 6% p.a. and payable after coming out of legal protection in 18 months). Project costs have been reduced to a minimum and are estimated at circa €100,000 per annum while under legal protection and principally comprise land tax of circa €38,000 and administrators fees relating to the legal protection of circa €32,000. The loan is secured solely on the Krasta 99 asset, is fully non-recourse to the Company and as such will have no impact on any other assets or borrowings of the Group. Very limited activity is taking place with the short-term focus on securing a significant VAT refund from the Latvian tax authorities.

At 30 June 2010, Krasta 99 (100%) was valued by Colliers at €3.1 million

Metro Plaza, Viru Square, Tallinn, Estonia (80.7% interest)

The property is the Group's most advanced asset, which now comprises 8,900 sqm of gross retail and office floor space (7,300 sqm net area), as well as underground parking for 78 cars.

At present, long-term lease agreements have been signed for 88% of the total rentable area. The rental levels so far achieved average €14 per sqm and are on average approximately 20% above comparable market rates and amongst the highest of any mixed scheme in Tallinn. The tenant profile of Metro Plaza is excellent and principally comprises Trigon Capital (circa 30% of total leased area), Regus (15%), Sampo Life (7%) and Hansaworld (7%). Other tenants include MiniCredit and the Embassy of Georgia. Although the development reached positive operating cash flow in Q1 2010, as anticipated, taking into account budgeted fit out costs for the remaining vacant areas will result in the project being cash flow neutral in 2010. It is expected that after rent holidays and other initial lease incentives expire and with a reduction in vacancy rate from 12% to 3%, annual net operating income for Metro Plaza will reach €1.5 million in 2011.

The development has been financed by Group equity and a 10-year non-recourse senior loan facility (20 year amortisation), of which €13.74 million was drawn down at period end. This loan carries an interest charge of Euribor plus 2.5%. In February 2010, the Group announced that it had concluded an agreement for the conversion of certain, non-bank current liabilities totalling €0.97 million in Focus Kinnisvara OU ('Focus'), Metro's wholly-owned subsidiary whose principal asset is the Metro Plaza development in Tallinn, into a 19.3% shareholding in Focus.

At June 30 2010, Metro Plaza (100%) was valued at €19.2 million on an open market basis.

Pirita Road, Tallinn, Estonia (80%)

This asset (owned 80% by the Company) is a 1.3 hectare site located approximately 3km from the city centre, adjacent to the President's Castle and overlooking the Bay of Tallinn. The site is zoned for residential development. We continue to advance plans for a high-end residential development comprising an eight storey luxury apartment building (circa 6,400 sqm saleable area). We currently expect to apply for the building permit in November 2010. The bank loan secured against the Pirita Road site in the amount of €3.8 million falls due for repayment in mid-November 2010 and we expect to be successful in negotiations with the bank in prolonging the facility for another 6 months. Assuming the building permit is received we would expect to be in a position to start construction in spring 2011 subject to financing and property market conditions as well as the outcome of the Company's proposed strategic review process.

As at 30 June 2010, the Pirita site (100%) was valued by Colliers at €3.9 million on an open market basis.

Metro Capital Management AS **Metro Frontier Limited**

30 September 2010

Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2010

	Note	Unaudited 30 June 2010 Group €'000	Unaudited 30 June 2009 Group €'000
Continuing operations			
Rental income		984	409
Rental and related expenses		(422)	(358)
Net rental and related income		562	51
Administrative expenses		(438)	(381)
Changes in value of investment property		2,041	(4,737)
Net foreign currency gain		25	(20)
Net operating profit/ (loss) before tax and finance income and expense		2,190	(5,087)
Finance expense		(732)	(637)
Profit/(loss) before tax		1,458	(5,724)
Income tax (charge)/ credit		(410)	445
Profit/(loss) for the year		1,048	(5,279)
		======	======

Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2010

	Note	Unaudited 30 June 2010 Group €'000	Unaudited 30 June 2009 Group €'000
Other comprehensive income			
Profit/(loss) for the year		1,048	(5,279)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive profit /(loss) for the year, net of tax		1,048	(5,279)
		======	======
Attributable to:			
Equity holders of the parent		990	(4,816)
Non-controlling interest		58	(464)
		1,048	(5,279)
		======	======
Earnings per share for continuing operations			
Basic profit /(loss) for the year attributable to ordinary equity holders of the parent (cents)	3	3.8	(18.4)
Diluted profit / (loss) for the year attributable to ordinary equity holders of the parent (cents)	3	3.4	(18.4)

Consolidated Statement of Financial Position
As at 30 June 2010

	Note	Unaudited 30 June 2010 Group €'000	Unaudited 30 June 2009 Group €'000
ASSETS			
Non current assets			
Investment property		38,340	39,132
Other Assets		13	10
		38,353	39,142
CURRENT ASSETS			
Other current assets		195	146
Trade and other receivables		1,101	547
Cash and cash equivalents		503	1,078
Restricted cash		185	-
		1,984	1,771
TOTAL ASSETS		40,337	40,913

Consolidated Statement of Financial Position
As at 30 June 2010

	Note	Unaudited 30 June 2010 Group €'000	Unaudited 30 June 2009 Group €'000
EQUITY			
Issued capital		262	262
Distributed reserves		36,186	36,186
Retained earnings		(25,004)	(22,897)
Foreign Exchange Movements		(354)	(354)
Total equity attributable to ordinary shareholders		11,090	13,197
Minority Interest		(447)	(1,227)
TOTAL EQUITY		10,643	11,970
LIABILITIES			
Non-current liabilities			
Bank loans		16,432	13,142
Other loans		2,290	3,470
Deferred tax liabilities		2,941	3,749
Total Non Current Liabilities		21,663	20,361
CURRENT LIABILITIES			
Trade and other payables		1,363	1,897
Bank Loans		4,002	6,656
Other loans		2,603	-
Other liabilities		63	29
Total Current Liabilities		8,031	8,582
TOTAL LIABILITIES		29,694	28,943
TOTAL EQUITY AND LIABILITIES		40,337	40,913
Net asset value per ordinary share – basic (cents)	4	42	50
Net asset value per ordinary share – diluted (cents)	4	38	50

Consolidated Statement of Changes in Equity
For the 6 months ended 30 June 2010

	Attributable to the equity holders of the parent						
	Issued Capital €'000	Distributable Reserves €'000	FX Gains or Losses €'000	Retained Earnings €'000	Total €'000	Non-Controlling Interest €'000	Total Equity €'000
As at 1 January 2010	262	36,186	(354)	(25,994)	10,100	(505)	9,595
Loss for the year	-	-	-	990	990	58	1,048
Total comprehensive income	-	-	-	990	990	58	1,048
As at 30 June 2010	262	36,186	(354)	(25,004)	11,090	(447)	10,643
	=====	=======	======	======	======	======	======

Consolidated Statement of Changes in Equity
For the 6 months ended 30 June 2009

	Attributable to the equity holders of the parent						
	Issued Capital €'000	Distributable Reserves €'000	FX Gains or Losses €'000	Retained Earnings €'000	Total €'000	Non-Controlling Interest €'000	Total Equity €'000
As at 1 January 2009	262	36,186	(354)	(18,082)	18,012	(2,363)	15,649
Loss for the year	-	-	-	(4,815)	(4,815)	(464)	(5,279)
Total comprehensive income	-	-	-	(4,815)	(4,815)	(464)	(5,279)
Non-controlling interest arising from change in ownership	-	-	-	-	-	1,600	1,600
As at 30 June 2009	262	36,186	(354)	(22,897)	13,197	(1,227)	11,970
	=====	=======	======	======	======	======	======

Consolidated Statement of Cash Flows
For the six months ended 30 June 2010

	Unaudited 30 June 2010 Group €'000	Unaudited 30 June 2009 Group €'000
Cash flows from operating activities		
Loss before tax	1,458	(5,724)
Non-cash adjustment to reconcile profit before tax to net Cash flows		
Finance cost	732	637
FX (loss)/gain	(27)	(55)
Changes in value of investment property	(2,041)	4,737
Working capital adjustments:		
(Decrease)/increase in creditors	446	130
Decrease/(increase) in debtors	(172)	317
Net cash flows from operating activities	396	42
Cash flows from investing activities		
Capital expenditure on investment properties and property, plant and equipment	(514)	(2,704)
Finance Income	-	10
Net cash used in investing activities	(514)	(2,694)
Cash flows from financing activities		
Finance Expense	(732)	(392)
Repayments of borrowings	(217)	2,644
Proceeds from borrowings	1,150	511
Net cash generated from financing activities	201	2,763
Decrease/ (Increase) in restricted cash	(70)	-
Net (decrease)/increase in cash and cash equivalents	13	111
Cash and cash equivalents at the beginning of the year	490	967
Cash and cash equivalents at the end of the year	503	1,078
	======	======

1. General Information

Metro Baltic Horizon plc (The "Company") is a company incorporated and domiciled in the Isle of Man on 18 September 2006 for the purposes of investing in and developing property in the Baltic States and in the St. Petersburg area of Russia.

The interim report of the Company for the period to 30 June 2010 comprises the Company and its subsidiaries (together referred to as the "Group")

The Company's registered address is IOMA House, Hope Street, Douglas, Isle of Man.

The Company was admitted to the AIM of the London Stock Exchange and commenced operations on the 11 December 2006.

The functional currency of the consolidated financial statements is the Euro and consequently the Company is reporting in Euro.

2. Basis of preparation

The Interim Financial Statements have been prepared using accounting policies consistent with International Financial Reporting Standards and in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting.

The Interim Financial Statements do not include all the information and disclosures required in Annual Financial Statements, and should be read in conjunction with the Group's Annual Financial Statements for the year ended 31 December 2009.

Significant accounting policies

The same accounting policies, presentation and methods of computation are followed in these Condensed Financial Statements as those followed in the preparation of the Group's Annual Financial Statements for the year ended 31 December 2009.

3. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2010 was based on the profit attributable to shareholders of €990k and a weighted average number of ordinary shares outstanding during the period ended 30 June 2010 of 26,200k.

	Unaudited 30 June 2010 Group €'000	Unaudited 30 June 2009 Group €'000
Basic earnings per share		
Profit attributable to ordinary shareholders	990	(4,815)
Weighted average number of ordinary shares in issue during the period ('000)	26,200	26,200
Basic earnings per share (expressed as cents per share)	3.8	(18.4)
Diluted earnings per share		
Weighted average number of ordinary shares in issue during the period ('000)	26,200	26,200
Adjustments required to weighted average number of Ordinary shares ('000)	2,937	-
Diluted weighted average number of ordinary shares ('000)	29,137	26,200
Diluted earnings per share (expressed as cents per share)	3.4	(18.4)

4. Net Asset Value per share

	Unaudited 30 June 2010 Group €'000	Unaudited 30 June 2009 Group €'000
Net Asset Value attributable to ordinary shareholders	11,090	13,195
Deferred tax	2,984	3,749
Net Asset Value excluding deferred tax	14,074	16,944
Net Asset Value per share (cents per share)	42	50
Net Asset Value excluding deferred tax (cents per share)	54	64
Diluted Net Asset Value per share (cents per share)	38	50
Diluted Net Asset Value excluding deferred tax (cents per share)	48	64