29 September 2008

Metro Baltic Horizons plc

Interim results for the six months ended 30 June 2008

Metro Baltic Horizons plc ("MBH" or the "Company"), the property investment company focused on prime office, retail and residential development opportunities in St Petersburg, Russia and the Baltic State capitals of Tallinn and Riga, announces its unaudited interim results for the six months ended 30 June 2008.

Highlights

- Net asset value (NAV) per share before deferred tax liabilities down in euro terms by 7.8% to €1.89 or 150p (31 Dec 2007: €2.05 or 151p). NAV after deferred tax liabilities down in euro terms by 8.1% to €1.58 or 125p (31 Dec 2007: €1.72 or 127p)

- Property portfolio valued at €64.7million (31 Dec 2007: €63.8 million)

- The Company's balance sheet remains conservatively geared with total asset-level bank debt of €13.6 million (33% of total equity), reflecting a strategy of prudently financing acquisitions substantially with equity

- On the basis of expected development timelines for our projects and prudent leverage assumptions, the Company anticipates that it will be able to secure adequate funding to build out its development portfolio

- Good operational progress continues on the property portfolio considerably offsetting the downturn in market conditions

Robin James, Chairman of MBH, commented:

"In these challenging times, I am pleased with the progress made by the Company over the past six months particularly in relation to our Bolshaya Pushkarskaya and Metro Plaza projects. We have invested carefully in strong assets, which are uniquely situated and well spread out across our target region whilst, importantly, strictly controlling our borrowing levels.

"We will continue to be disciplined in how we develop our assets reflecting, where necessary, the currently unprecedented volatile market conditions and financing environment, as we seek to realise the potential of the Company's property portfolio. The Board remains focussed on achieving the investment objectives of the Company and we look forward to continuing our progress."

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Notes to Editors

Metro Baltic Horizons (AIM: MET.L) is a property investment company targeting prime development opportunities in St Petersburg, Russia, Europe's 4th largest city, and the cities of Riga, Latvia and Tallinn, Estonia.

The Company principally focuses on the office, retail and residential sectors in prime City areas and targets development projects, which can demonstrate an ability to generate a minimum internal rate of return to the Company of 25%.

Metro Capital Management AS, which acts as Investment Adviser to the Company, is an experienced and fast growing property asset manager and developer with offices in St Petersburg, Riga and Tallinn. Metro Capital was established in 2001, and has a team of 30 experienced professionals managing a portfolio of 19 projects across the region.

Chairman's Statement

Introduction

We are pleased to announce the unaudited interim results for the Company for the six months ended 30 June 2008.

We continue to make good operational progress on the Company's property portfolio. We are particularly pleased with our activities in relation to Bolshaya Pushkarskaya, where the design and planning process is advancing well, and Metro Plaza in Tallinn, where good letting progress has been made and construction is on schedule for completion in January 2009. More detailed information relating to the progress made on the portfolio over the period can be found in the Investment Manager's report below.

Financial

In the six months ended 30 June 2008, the Company's net asset value before tax decreased in euro terms by 7.8% to €1.89 or 150p (31 Dec 2007: €2.05 or 151p) and, after deferred tax, decreased in euro terms by 8.1% to €1.58 or 125p (31 Dec 2007: €1.72 or 127p).

During the period the Company recorded a loss of €3.81million principally due to changes in the value of its property portfolio.

The Company remains conservatively geared, with a total of €13.6 million in bank debt, all of which is held at SPV level and represents a leverage ratio of bank debt to total equity of 33%. This reflects the Company's strategy of prudently financing its acquisitions and substantially with equity, while reserving borrowing capacity to fund construction and development.

Furthermore, in order to enable it potentially to raise further equity capital for investment, a resolution was approved at the Company's AGM, to allow it to issue C ordinary shares ("C Shares"). The C Shares which may be issued represent a separate class of shares which would convert on a net asset value to net asset value basis, once the proceeds from the issuance of C shares had been substantially invested. The Company currently has no plans to issue further equity through a C Share issue or otherwise.

Valuation

A valuation of all of the Company's property assets held as at 30 June 2008 was undertaken by Colliers International through their offices in St Petersburg, Tallinn and Riga to determine the fair market value and, in turn, the NAV of the Company. The valuation was carried out in accordance with relevant international standards. The Company's policy is to independently revalue its assets twice a year, on 30 June and 31 December.

At this date, the Company's portfolio was valued at €64.7 million an increase of 1.4 % since 31 December 2007 (€63.8 million), reflecting the softening in property market prices in the Company's target investment markets but which was partly offset by the continued good operational progress on the Company's property portfolio.

This change in valuation is due to a number of factors principally including higher current and forecast exit yields for the Company's investments, lower rents and sales prices compared to historic forecasts and the rising cost of and reduction in the availability of development finance. However, on a positive note, the falling valuations seen in the region are partially offset by falling construction prices.

Outlook

The Company is currently fully invested, having acquired its property investments on effectively a full cash equity basis. This approach is in line with our stated financing strategy of preserving leverage capacity to finance the construction and development programmes. On the basis of expected development timelines for our projects and prudent leverage assumptions, the Company anticipates that it will be able to secure the adequate funding to build out its development portfolio.

These are challenging times. The scale and extent of the corporate and financial market turmoil of the last two weeks in particular are without precedent. We believe that economic, financial and property market conditions will remain volatile and are unlikely to stabilize fully in our target market in the absence of a more widespread recovery particularly in the larger, more developed European economies.

The position in St Petersburg somewhat contrasts with neighbouring markets, with continued growth being both experienced and forecast across key Russian macroeconomic indicators. The greatest risks to the Company's investment exposure in St Petersburg, outside the obvious Russian geo-political dimension which in recent months has fuelled significant capital flight out of Russia, are the high inflationary environment and possible 'overheating' in the property market, as it continues its rapid development. However, we believe that the Company's investment policy of concentrating on prime development assets, relatively evenly spread across our target region and identifying key market segments where there is an obvious and quantifiable shortage of supply is wholly appropriate.

With the exception of our Metro Plaza development, which is due for completion in early 2009 and which is already substantially pre-let, the Company's other developments are not scheduled for release onto the market for at least 18-24 months when we anticipate that our target markets may be considerably more stable and where supply in certain areas is forecast to be potentially constrained.

We are operating in a time of extraordinary market volatility. This is not a time for highly speculative development and aggressive financing strategies and we will continue, as we have been to date, to be disciplined in how we develop our assets and seek to realise the potential of the Company's property portfolio.

Robin James
Chairman
29 September 2008

Investment Manager's Report

The Company's portfolio currently comprises four assets located in St Petersburg, Riga and Tallinn. In total, these schemes have the potential to provide 84,000 sq m of built space across the retail, office, residential and hotel sectors.

An overview of the Company's property portfolio is detailed below.

Bolshaya Pushkarskaya, St Petersburg, Russia`

This investment comprises a privatised, freehold site of 0.72 hectares on a prominent street in the centre of St Petersburg. There are six buildings on the site, of which it is intended that one will be retained and the others demolished for full redevelopment as part of a mixed office/retail scheme of circa 22,000 sq m of net rentable area with 300 underground parking spaces.

Since the acquisition of the property in 2007, considerable work has been done and continues on the design and planning for the site. A number of the attendant approvals necessary for the redevelopment of the site have now been received.

A phased construction tender is expected to commence in early 2009 in parallel with the start of pre-letting programme. Subject to the satisfactory arrangement of construction finance, which is expected to be available, construction on site should commence in Q2 2009 and be completed on a phased basis within 24-30 months.

Krasta 99, Riga, Latvia

This asset (80% owned by the Company) is a prominently located land plot of 1.7 hectares situated outside Riga Old Town at the intersection of Krasta Street and the new Riga South Bridge. The bridge is on schedule to open in 2009 and will open up the district further by improving its transportation links with the rest of the City.

Following receipt of permit planning for the construction of approximately 40,000 sq m of net rentable office space in three towers in early 2008, a full project application with detailed architectural plan was submitted to the Riga Construction Board in June 2008. It is expected that full design approval will be received for the development in October. Technical project documentation for the first phase of construction (12,000 sq m of net rentable space) is due to be finalised in November, following which a construction tender will be undertaken. Re&Solution has been retained to manage the pre-letting of the Krasta 99 development and initial preliminary discussions with prospective tenants have commenced.

Given the more challenging economic and property market conditions being experienced in Riga and elsewhere in the region, it is expected that construction on the first phase of the project will not commence until a minimum level of pre-lettings have been secured so as to de-risk the development and ensure its commercial viability.

Metro Plaza, Viru Square, Tallinn, Estonia

This asset consists of a 2,200 sq m land plot located on a high profile square in the very centre of Tallinn. Planning permission was granted in 2007 for the development of 7,300 sq m of net rentable office and retail space and 78 underground parking spaces. Construction commenced in Q4 2007 and the development is on schedule for completion and handover in January 2009. At present, long term lease agreements have been signed for 60% of the total rentable area with a further 15% subject to letters of intent. The rental levels so far achieved are amongst the highest of any mixed scheme in Tallinn. It is expected that full occupancy will be achieved in or before Q2 2009 after which either the sale of the building or a full refinancing of the project will be undertaken by the Company.

Pirita Road, Tallinn, Estonia

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, which was acquired in September 2007, is zoned for residential development.

In Q1-Q2 2008, an architectural competition was conducted to identify the most suitable design for this high profile site. Four well known architectural practices submitted designs for the redevelopment of the site and a scheme was finally selected in May 2008, comprising a nine storey luxury apartment building (circa 9,600 sq m saleable area) and a boutique spa hotel (3,000 sq m).The proposed development scheme will comprise circa 2,400 sq m additional saleable space than had been estimated at the time of acquisition.

Work is continuing on the detailed design for the development and subject to the receipt of the requisite planning approvals, it is expected that a construction tender for the development will be undertaken in Q2 2009, with construction commencing in Q3/Q4 2009. The luxury residential market is viewed as undersupplied in Tallinn, and has demonstrated resilience in the recent property market slowdown. It is expected that the Pirita Road development, when completed, will be amongst the most high profile in the city and should command a significant premium over average market rental and sales levels in Tallinn. The development is expected to be developed and released on a phased basis.

Property Market Overview

The St Petersburg property market has continued to perform strongly in 2008, and is rapidly evolving. Demand, particularly for prime space in the office and retail sectors, remains at very high levels and vacancy rates are at, or close to, zero. In 2007, yields declined in all sectors by circa 1%, and further compression is being seen in 2008. Supply in the office and retail sectors, in which the Company is principally interested, continues to grow, albeit off a low base and, as vacancy rates indicate, new stock is being fully absorbed. Rental rates for prime stock have also grown strongly in most classes of real estate, with Class A offices amongst the strongest, rising by an average of 16% in central St Petersburg in 2007. Further anecdotal evidence of rental increases has also been seen in 2008. Overall the outlook for the property market in St Petersburg is positive, and the city is expected to be the focus for any future investment activity which may be undertaken by the Company.

The Baltic property markets have slowed considerably since mid-2007 after several years of rapid growth. This slowdown can be traced to a marked deterioration in local economic conditions, due in part to the withdrawal of previously available cheap credit and the reduction in the number of active local and international property investors in these markets. Yields, having compressed down to core European levels, have increased by 1-2% depending on asset quality and location and now appear to have stabilized.

Although vacancy rates in prime office and retail developments remain close to zero, rental growth, which had been strong in recent years, has moderated and is expected to remain largely flat at least over the short term. Development activity is at a relatively low level with many new projects being postponed due to the uncertain economic outlook, significantly decreased levels of available credit and weaker capital values.

However, over the next 18 to 24 months, the market in Tallinn and Riga is expected to stratify with better located, higher specification developments, such as those in the Company's portfolio, commanding superior rental and capitalization levels.

Economic Overview and Outlook

Until May 2008, the Russian economy was one of the very few economies globally to have been largely insulated from the US sub-prime crisis and consequent restrictions in financial liquidity. In 2007, Russia continued to experience rapid growth in all key macroeconomic indicators with GDP growth reaching 8.1%, the highest level since the 1998 Russian financial crisis. Growth continues to be forecast for 2008 and beyond, driven largely by rising wages, consumer demand and wider availability of capital, supported by net capital inflows, which reached $80 billion in 2007. However the country does face a number of structural challenges and, from an economic perspective, for example, the high level of inflation currently being experienced (13.5% in 2008) remains a key concern. Over the past 10 days Russia has been subject to an unprecedented series of financial shocks caused by global financial events and Russia's own geo-political agenda. The speed and scale of the consequent investor flight from the Russian stock market and the rouble has changed the commercial landscape. However, while economic growth continues, we remain positive about the Russian economic environment.

The Baltic States, as small open economies with a broad base of international trading partners, have been significantly impacted by the global economic slowdown. This economic correction was not wholly unexpected, particularly as the region had experienced amongst the fastest GDP growth rates of any emerging or developed economy in recent years. For example, from 2003 to 2007, Estonia had an average annual GDP growth rate of circa 9%. Much of this growth was fuelled by strong domestic demand and widespread availability of cheap credit. GDP growth in Estonia is now forecast at 2.0% in 2008 and 1.3% in Latvia .The principal issues facing the Baltic economies, outside of a global economic slowdown, are rising interest rates, imported from the euro zone (as Baltic currencies are pegged to the Euro) and rising inflation which is forecast at 10% and 16% for Estonia and Latvia respectively in 2008. We remain appropriately cautious about the Baltic economic outlook and expect that clear signs of a sustainable recovery and a return to more normalised levels of growth may not be evident until end of 2009 or beyond.

Metro Capital Management AS **Metro Frontier Limited**

29 September 2008

Consolidated Income Statement
For the six months ended 30 June 2008

	Note	Unaudited 30 June 2008 Group €'000	Audited 30 June 2007 Group €'000
Gross rental income		319	42
Service charge expense		(260)	(28)
Net Rental and related income		59	14
Changes in value of investment property		(3,482)	-
Administrative expenses		(894)	(1,573)
Excess of fair value of acquisitions over purchase price		-	7,681
Net foreign exchange gain (loss)		98	440
Net operating profit before financing income		(4,219)	6,562
Financial income		(72)	725
Profit before tax		(4,291)	7,287
Income tax expense		483	(1)
Profit for the period		(3,808)	7,286
Minority interest in the profit for the period		254	-
Profit attributable to ordinary shareholders		(3,554)	7,286
Basic earnings per share (cents)	3	(13.6)	27.8
Diluted earnings per share (cents)	3	(13.6)	27.3

Consolidated Balance Sheet

For the six months ended 30 June 2008

	Note	Unaudited 30 June 2008 Group €'000	Audited 30 June 2007 Group €'000
ASSETS			
Non current assets			
Land & investment property		64,760	52,608
Goodwill		-	835
Other Assets		4	2
		64,764	53,445
CURRENT ASSETS			
Other current assets		16	-
Trade and other receivables		669	150
Cash and cash equivalents		3,613	25,639
		4,298	25,789
TOTAL ASSETS		69,062	79,234

Consolidated Balance Sheet
For the six months ended 30 June 2008

	Note	Unaudited 30 June 2008 Group €'000	Audited 30 June 2007 Group €'000
EQUITY			
Issued capital		262	262
Distributed reserves		36,186	36,186
Revaluation reserve		2,331	-
Retained earnings		2,566	7,286
Total equity attributable to ordinary shareholders		41,345	43,734
Minority Interest		(61)	160
TOTAL EQUITY		41,284	43,894
LIABILITIES			
Non-current liabilities			
Bank loans		9,845	3,459
Other loans		3,255	10,772
Deferred tax liabilities		8,207	8,205
Total Non Current Liabilities		21,307	22,436
CURRENT LIABILITIES			
Trade and other payables		2,691	10,704
Bank Loans		3,780	2,200
Total Current Liabilities		6,471	12,904
TOTAL LIABILITIES		27,778	35,340
TOTAL EQUITY AND LIABILITIES		69,062	79,234
Net asset value per ordinary share – basic (cents)	4	157.8	166.9
Net asset value per ordinary share – diluted (cents)	4	157.8	163.7

Consolidated Statement of Changes in Equity
For the 6 months ended 30 June 2008

	Share Capital €'000	Share Premium €'000	Distributable Reserve €'000	Revaluation Reserve €'000	FX Losses €'000	Retained Earnings €'000	Minority Interest €'000	Total €'000
As at 18 September 2006	-	-	-	-	-	-	-	-
Issue of share capital	262	38,513						38,775
Cost of issue of shares		(2,327)						(2,327)
Acquisition of subsidiaries							160	160
Profit for the period						7,286		7,286
As at 30 June 2007 Audited	262	36,816	-	-	-	7,286	160	43,894
As at 1 January 2008	262	-	36,186	2,388	(186)	6,474	193	45,317
Revaluation of Land & Buildings				(57)				(57)
Loss for the period						(3,554)	(254)	(3,808)
FX gains or losses					(168)			(168)
As at 30 June 2008 Unaudited	262	-	36,186	2,331	(354)	2,920	(61)	41,284

Consolidated Cash Flow Statement

For the six months ended 30 June 2008

	Note	Unaudited 30 June 2008 Group €'000	Audited 30 June 2007 Group €'000
Cash flows from operating activities			
Cash generated from operations	5	(166)	134
Net cash generated from operating activities		(166)	134
Cash flows from investing activities			
Capital Expenditure on Investment Property		(2,699)	-
Acquisition of Investment Property		(561)	-
Interest received		88	710
Acquisition/Investment in subsidiaries		-	(10,372)
Net cash generated from investing activities		(3,172)	(9,662)
Cash flows from financing activities			
Proceeds from issue of shares, net of issuance costs		-	36,448
Interest paid		(623)	-
Repayment of borrowings		(720)	(1,281)
Bank borrowing		4,915	-
Net cash generated from financing activities		3,572	35,167
Net (decrease)/increase in cash and cash equivalents		234	25,639
Cash and cash equivalents at the beginning of the period		3,411	-
Exchange gains/(losses) on cash and cash equivalents		(32)	-
Cash and cash equivalents at the end of the period		3,613	25,639
		======	======

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 Financial Statements of the Company for the period to 30 June 2008 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.

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 2007.

The comparative figures cover the period from incorporation to 30 June 2007.

Significant accounting policies

The same accounting policies, presentation and methods of computation are followed in these Interim Financial Statements as those followed in the preparation of the Group's Annual Financial Statements for the year ended 31 December 2007.

3. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2008 was based on the loss attributable to shareholders of (€3,554k) and a weighted average number of ordinary shares outstanding during the period ended 30 June 2008 of 26,200,270.

		Unaudited 30 June 2008 Group €'000	Audited 30 June 2007 Group €'000
Basic earnings per share			
Profit attributable to ordinary shareholders		(3,554)	7,286
Weighted average number of ordinary shares in issue during the period		26,200,270	26,200,270
Basic earnings per share (expressed as cents per share)		(13.6)	27.8
Diluted earnings per share			
Weighted average number of ordinary shares in issue during the period		26,200,270	26,200,270
Maximum shares which may be issued to Metro Frontier Limited in respect of their success fee based on the net asset value at the end of the period		-	509,192
		________	________
Diluted weighted average number of ordinary shares		26,200,270	26,709,462
Diluted earnings per share (expressed as cents per share)		(13.6)	27.3

4. Net Asset Value per share

	Unaudited 30 June 2008 Group €'000	Audited 30 June 2007 Group €'000
Net Asset Value attributable to ordinary shareholders	41,346	43,734
Deferred tax	8,207	8,205
Net Asset Value excluding deferred tax	49,553	51,939
	=====	=====
Net Asset Value per share (cents per share)	157.8	166.9
Diluted Net Asset Value per share (cents per share)	157.8	163.7
Net Asset Value excluding deferred tax (cents per share)	189.1	198.2

5. Notes to the cash flow statement

	Unaudited 30 June 2008 Group €'000	Audited 30 June 2007 Group €'000
Cash generated from operations		
Operating profit for the period	(4,202)	6,562
Adjustment for:		
Changes in Creditors	710	1,348
Changes in Debtors	(158)	(8)
Revaluation of Land and Buildings	3,482	-
Depreciation	2	-
Foreign Exchange loss on land and investment property	-	(87)
Excess of fair value of acquisitions over purchase price	-	(7,681)
Cash flow from operations	(166)	134
	=====	=====