



Macro overview

GDP growth in Estonia accelerated in 3Q 2017 to 4.2% y-o-y, driven mostly by increased value added in construction. GDP in Latvia increased by 5.8% y-o-y, mostly supported by growth in the manufacturing, construction and trade sectors. GDP grew by 3.1% in Lithuania, based on the growth in the construction, information and communication sectors.

In 3Q 2017, the highest unemployment rate among the labour force aged 15–74 was recorded in Latvia (8.5%), while in Lithuania the figure stood at 6.6%, and was lowest in Estonia (5.2%).

Q3 inflation (HICP) in Estonia was 4.0%, compared to 3.4% in 2Q 2017. In Latvia, inflation fell slightly to 2.9%, from 3.0% the quarter before, and in Lithuania it rose to 4.4%, from 3.4% in the previous period.

From August to November 2017, the Economic Sentiment Indicator (ESI) increased in Estonia and Latvia, by 1.5 points and 0.3 points respectively, as sentiment improved in industry and among consumers, as well as in the construction and services sectors. In Lithuania, the ESI worsened by 1.1 points, driven by a worsening in industry sentiment, in services and among consumers.

Key economic figures 3Q 2017	Estonia, %	Latvia, %	Lithuania, %
GDP growth	4.2	5.8	3.1
Unemployment	5.2	8.5	6.6
Inflation (HICP)	4.0	2.9	4.4

Property market

Development on the Tallinn office market remains active, with a total area of approx. 112,500 sqm under construction in December 2017. The completion of several new office buildings is expected in early 2018. New office premises are showing good absorption ratios, and approximately half of new supply planned to be completed in 2018 is covered by pre-lease agreements. Take-up activity in Tallinn continues to be driven by the information and communication sector, followed by the professional, scientific and technical services sectors. In 4Q 2017, the gap between the lower and upper margins of asking rents continued to widen, with some increases in the upper margins of asking rents for Class A premises.

By the end of 4Q 2017, total office stock in Riga increased by ca 5,400 sqm, as two small office projects - LOFT Office at Akmenu Street and an office building at Brivibas Street 257 - were commissioned. Additionally, eight office projects, with a total GLA of 111,000 sqm, were in the active construction stage. Total office take-up was around 3,400 sqm in Q4, the largest of which was Accenture's lease for its new office premises in the Jauna Teika office building. Total speculative vacancy decreased to 6.4%, while rental rates remained at 3Q 2017 levels.

Three Class B1 office buildings (Domus PRO BC 3rd stage, Eleven BC, Penta BC) were completed in Vilnius in 4Q 2017, with a total of 24,690 sqm of GLA. Booking.com announced the opening of its 4,000 sqm customer service centre in Penta BC, and Telia Group's 4,540 sqm service centre will be established at K29 BC. Despite the active development of new office projects, vacancy continued to

decrease in both Class A and Class B1 business centres. Rental rates of Class A office space grew slightly due to successful absorption in the market, while rents for Class B1 remained stable.

In Tallinn, the expanded Norde Centrum shopping centre opened in October 2017 under a new name, Nautica, and Maxima opened the second XXX hypermarket in December. After completion of the extension, Nautica centre now accommodates several new stores and service providers (Cropp, House, Regatta, Skechers, mini golf), and has extended the food court. In 4Q 2017, Linstow started work on the ca 12,700 sqm expansion of Ülemiste Centre in order to provide more leisure and entertainment services in the centre (new tenants include Apollo Cinema and People Fitness gym). The expansion is due for completion in 1H 2019. In November 2017, Citycon started renovation work on the Kristiine shopping centre, which will result in the construction of an O'Leary's entertainment centre by spring 2018 and the updating of the centre's exterior and interior within two years.

On the Riga retail market, the construction of recently-initiated projects continued throughout 4Q 2017. The largest new project is the 100,000 sqm Akropolis Riga SC. Demand remains high, as many pre-lease agreements have been signed for premises in the new or expanded shopping centres. For example, Apranga Group has signed an agreement for the SC Alfa expansion. Discount shop Pepco has announced a willingness to enter Riga's retail market in 2018. The lower margin of rental rates in Riga SC slightly increased during the last quarter of 2017; however, a slight downward pressure on rental rates is expected after the commissioning of projects currently under construction.

The Vilnius retail market remained tranquil in 4Q 2017. Akropolis Group announced its plan to construct a large new shopping centre with a GLA of 70,000 sqm in the former Velga factory territory by 2021. Maxima XXX opened in Ozas SC in Vilnius and Maxima XX at the River Mall SC in Kaunas, both occupying part of the former Prisma premises. In addition, discount store chain Pepco opened its first store in Lithuania in Arena SC in Marijampole. Vacancies in major shopping centres remained at low levels due to a lack of new retail development in the capital city, which also led to a slight growth in rental rates.

Industrial premises development remains active in the Tallinn region, with a total area of ca 123,800 sqm under construction in December 2017. Due to active development, rental rates in the warehouse and industrial segment remain under downward

Market tendencies 4Q 2017	Estonia Retail Office		Latvia Retail Office		Lithuania Retail Office	
Construction	→	↗	→	→	→	→
Supply	→	↗	→	→	→	↗
Demand	→	→	→	→	→	→
Rental rate	→	→	→	→	↗	→
Vacancy	↗	→	↘	↘	→	↘
Yield	→	→	↘	↘	→	→
Total investment volume	↘	→	↗	→	↘	→

pressure, varying in the range between 3.9 and 4.5 EUR/sqm/mo. Leasing activity is continually driven by the production and manufacturing sectors.

In 4Q 2017, ca 47,200 sqm of industrial space was under construction in the Riga region, and 146,000 sqm was in the pipeline. The completion of five new projects is expected during 2018. Total industrial take-up was approx. 5,000 sqm, driven by demand from logistics companies. Rental rates remained unchanged compared to the previous quarter. However, due to the completion of the new VGP project, a slight depreciation in rental levels in properties located near the Riga ring road is expected in 2018.

The Titnago logistics centre and Airport Business Park expansions were completed in Vilnius in 4Q 2017. High activity in the industrial sector is foreseen to continue in 2018, as 47,350 sqm of modern warehouse space is under construction, of which about half is speculative development. New supply slightly increased vacancy and put pressure on rental rates in the segment.

Total known investment volume excluding development amounted to EUR 50m in Estonia in 4Q 2017. Lumi Retail Property Fund, a real estate fund specialised in investing in neighbourhood shopping centres and grocery stores in the Baltics, acquired the Aardla Selver supermarket in Tartu in the autumn. Colonna acquired the Mustamäe tee 5 office building and Masina 20 property from Martinoza, as well as the Vesse 3 warehouse property. Estica Estate has finalised the acquisition of the newly-constructed Pärnu Rd 18 office building, located in Tallinn CBD. Prime yields remained largely stable in Q4, although some slight prime yield compression continued in the office segment.

Total investment volume exceeded EUR 70m in Latvia in 4Q 2017, and the investment volume including development properties exceeded than EUR 110m. Prime yields slightly compressed and reached 6.5% in the office and retail segments and 7.75% in the industrial segment.

The Lithuanian real estate investment market was strongly driven by the office sector in 4Q 2017, accounting for over half of total investment volume. Capitalica Asset Management signed an agreement to acquire 135 BC, which opened last year in Vilnius, from real estate developer Eika, while Geneva sold an administrative building at Jogailos St. 9 to Gedimino 20 UAB. Outside Vilnius, the investment market was also active in Kaunas, where YIT Kausta bustas sold the newly-reconstructed B66 BC in Kaunas and a 3-star Hotel Metropolis was acquired by Amber Food. Prime yields remained stable, while slight compression is expected in 2018.

Portfolio activities

The properties in East Capital Baltic Property Fund (the fund) continue their stable operations. The average rent for the portfolio for the second quarter of financial year 2017/18 was EUR 7.8 EUR/sqm/month, benefitting from hotel turnover rents calculated in December.

The portfolio vacancy, generally <5%, is affected by temporarily higher vacancy in the Metal property in Estonia, and concluded at 5.9% for the period October-December 2017. New leases have commenced, or will commence during the coming months, in the

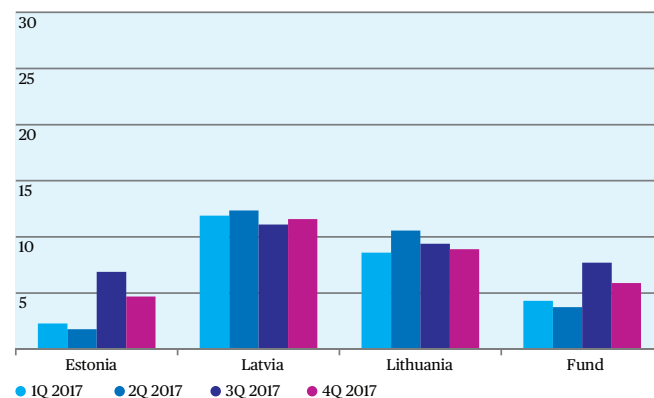
building, which was left vacant in June 2017, now reducing the vacancy in the property below 25%.

Mandates have been given to advisors to divest the Latvian and Lithuanian properties in the fund.

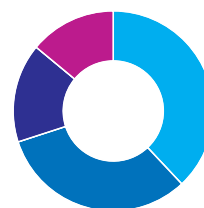
The annual general meeting (AGM) of the fund, held in November 2017, approved a dividend payment of EUR 2.76m in the fund, enabling a distribution of EUR 25 per share or 5% of initially-committed equity in East Capital Baltic Property Investors. The distributions were made in 4Q 2017. As also communicated at the AGM, the intention is to continue to pay a minimum dividend of EUR 25 per share in the coming financial years.

In January 2018, East Capital announced a liquidity event in which investors interested in buying or selling shares in East Capital Baltic Property Investors will be matched on a best efforts basis at EUR 355/share (13.5% discount to the NAV share price of 31 December 2017). Seller interest will be allocated so that, buyer volume permitting, all investors can sell up to 100 shares, and thereafter allocation will be pro-rata to indicated volume. Buyer interest will be allocated to existing shareholders first, and secondly to new investors. Registrations were taken until 1 February 2018, and the subsequent transactions will take place during the first half of February.

Portfolio vacancy rate by rental value (%)

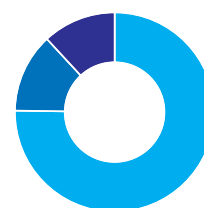


Sector Allocation
(% of property value)



Office	38
Retail	32
Hotel	16
Logistics	14

Country Allocation
(% of property value)



Estonia	76
Latvia	13
Lithuania	12

Financial overview

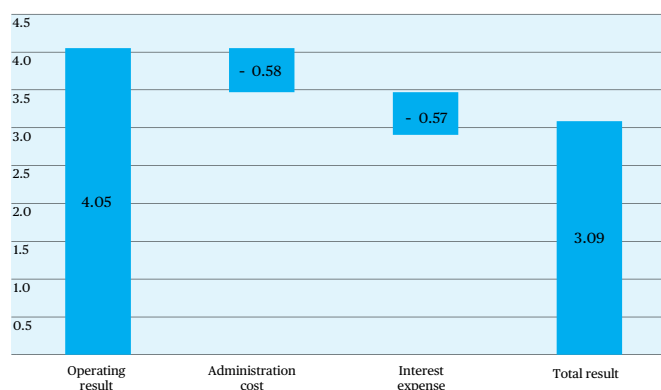
The net asset value of East Capital Baltic Property Investors AB (publ.) was EUR 410.47 as of 31 December 2017, an increase of 6.87% for the period July - December 2017.

The rental income for the first half of the financial year 2017/18 was EUR 4.84m, compared to EUR 4.96m a year ago. The slight decrease is due to less rental income from the Metal industrial property in Estonia. Owing to lower direct and administrative expenses, the operating profit concluded at EUR 3.47m, compared to EUR 3.06m for the same period a year ago. Interest costs totalled EUR 0.57m during the period July - December 2017, decreasing by 21% compared to the same period last year. The net profit for the period concluded at EUR 3.09m.

The investment properties as of 31 December 2017 totalled EUR 105.1m, and the bank loan balance of EUR 67.1m represents a loan-to-value of 64%. Excluding the Dantes property, where loan-to-value is above 100%, the portfolio loan-to-value is 56%.

The fund has EUR 4.56m of cash and cash equivalents as of 31 December 2017.

Result contribution (YTD financial year 2017/18)



Properties in the portfolio

Property	Type	Location	GLA (m²)
Estonia			84,482
Jõhvi Tsentraal	Retail & office	Jõhvi	8,800
Jewe Retail & Furniture Centre	Retail	Jõhvi	11,887
Kerese Commercial Centre	Retail & office	Narva	5,067
Papiniidu Commercial Centre	Retail & office	Pärnu	17,280
Tammsaare Business Park	Office	Tallinn	8,771
Go Spa Hotel	Hotel	Kuressaare	6,610
Tallinn Seaport Hotel	Hotel	Tallinn	4,225
Tanassilma	Logistics	Tallinn	13,349
Metal Industrial Facility	Industrial	Maardu	8,493
Latvia			11,763
Zemitana Centrs	Office	Riga	4,539
Dantes Nami	Office	Riga	7,224
Lithuania			14,922
Laracija Office	Office & retail	Klaipeda	6,964
Deco Furniture and Interior Centre	Retail	Klaipeda	4,355
Jin Centre	Office	Vilnius	3,603
All properties			111,167

EAST CAPITAL

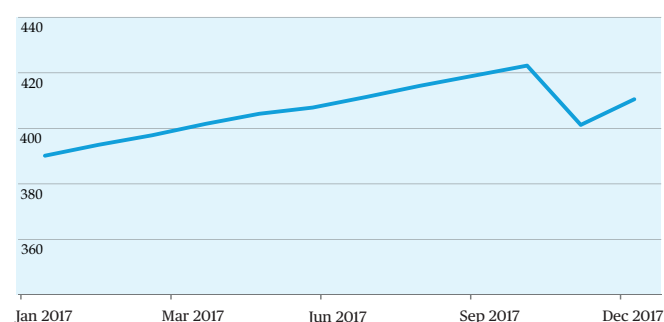
Baltic Property Fund
Quarterly Report
October – December 2017

Net Asset Value 12m rolling (EUR)

East Capital Baltic Property Fund Investors AB (31.12.2017)

NAV (EUR)	% 1 month*	% YTD*	% 12 months*	% Since start*
410.47	2.30	6.87	12.50	7.69

* All dividend-adjusted performance, financial year July 1 - June 30



NAV

Indicative NAV is published on East Capital's website on the 15th day of every month. For more information please refer to www.eastcapital.com

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Fund overview

Investment profile	Value added/opportunistic
Manager	East Capital Baltics AS, a company fully owned by East Capital (Domicile: Estonia)
Auditor	KPMG
Fund size	EUR 55.1m. The fund is closed for further subscriptions
Launch date	July 7, 2005
ISIN	SE0001467572
Management fee	1.25% on net asset value from July 1st 2017
Structure	Closed-end fund structured as a Swedish limited liability company. The fund is prolonged until July 2022.
Redemption	No
Liquidity	Limited. An investment in the fund shall be regarded as a long-term investment. OTC trading of the shares of Investor Consortium is facilitated by Pareto Securities AB.

Baltic Property Fund
Quarterly Report
October – December 2017

Statement of Comprehensive Income of East Capital Baltic Property Fund AB, unaudited for the period in EUR'000

	Jul 2017 - Dec 2017	Jul 2016 - Dec 2016
Revenue	4,839	4,963
Direct expenses	-788	-1,292
Gross profit	4,051	3,671
Administrative expenses	-580	-614
Operating profit/loss	3,471	3,057
Interest income and similar profit/loss items	-	187
Interest expenses and similar profit/loss items	-566	-716
Profit/loss before income tax	2,905	2,528
Income tax	183	-
NET PROFIT/LOSS FOR THE YEAR/ TOTAL COMPREHENSIVE INCOME FOR THE YEAR	3,088	2,528
Earnings per share - Ordinary shares	560,44	458,79

Statement of Comprehensive Income of East Capital Baltic Property Investors AB (publ), unaudited for the period in EUR'000

	Jul 2017 - Dec 2017	Jul 2016 - Dec 2016
Earnings per share - Ordinary shares	28,01	21,62

Baltic Property Fund
Quarterly Report
October – December 2017

Statement of Financial Position of East Capital Baltic Property Fund AB, unaudited in EUR'000

	31 Dec 2017	31 Dec 2016
ASSETS		
<i>Non-current assets</i>		
Investments properties	105,149	104,940
Other long-term assets	-	220
Equipment	15	6
Total non-current assets	105,164	105,166
<i>Current assets</i>		
Accounts receivable - trade	1,022	852
Other receivables	291	143
Accrued income and prepaid expenses	172	93
Cash and cash equivalents	4,556	4,908
Total current assets	6,041	5,996
TOTAL ASSETS	111,205	111,162
EQUITY AND LIABILITIES		
Equity		
Share capital	17	17
Other paid-in capital	42,084	44,846
Retained earnings	-3,015	-8,115
Profit/loss for the period	3,088	2,528
TOTAL EQUITY	42,174	39,276
Liabilities		
<i>Non-current liabilities</i>		
Interest-bearing liabilities	16,451	38,690
Derivatives	37	-
Other liabilities	515	452
Deferred tax liabilities	694	807
Total non-current liabilities	17,697	39,949
<i>Current liabilities</i>		
Interest-bearing liabilities	50,611	30,812
Accounts payable - trade	576	670
Derivatives	-	90
Other liabilities	35	20
Current tax liabilities	-	-
Accrued expenses and deferred income	112	345
Total current liabilities	51,334	31,937
TOTAL EQUITY AND LIABILITIES	111,205	111,162

Baltic Property Fund
Quarterly Report
October – December 2017

Consolidated Statement of Change in Equity of East Capital Baltic Property Fund AB, unaudited for the period in EUR'000

	Share capital	Other paid in capital	Retained earnings incl. profit/loss for the period	Total equity
Balance at 30 June 2016	17	49,915	-8,115	41,817
Repayment of shareholders contribution		-5,069	0	-5,069
Total comprehensive income			2,528	2,528
BALANCE AT 31 DECEMBER 2016	17	44,846	-5,587	39,276
Balance at 30 June 2017	17	44,846	-3,015	41,848
Repayment of shareholders contribution		-2,762	-	-2,762
Total Comprehensive Income			3,088	3,088
BALANCE AT 31 DECEMBER 2017	17	42,084	-73	42,174

Reconciliation to Net Asset value

Consolidated Equity above	42,174
Revaluation of property values to loan values	3,288
Other year-end adjustments	37
NET ASSET VALUE AT 31 DECEMBER 2017	45,499

Disclosure for segments - July 2017 - December 2017 - geographical areas in EUR'000

	Estonia	Latvia	Lithuania	Unallocated	Group
Total gross income	3,408	755	676	0	4,839
Income from sales	3,408	755	676	0	4,839
Depreciation of tangible fixed assets	0	0	-2	0	-2
Operating profit/loss	2,911	333	347	-120	3,471
Net financial income/expenses					-566
Profit/loss before tax					2,905
Income tax					183
PROFIT/LOSS FOR THE PERIOD					3,088
Assets	84,396	13,855	12,745	209	111,205
- where of Investment properties	79,420	13,459	12,270	-	105,149
Liabilities	42,111	16,654	10,210	56	69,031

Baltic Property Fund
Quarterly Report
October – December 2017

Consolidated Cash Flow Statement of East Capital Baltic Property Fund AB, unaudited for the period in EUR'000

	Jul 2017 - Dec 2017	Jul 2016 - Dec 2016
<i>Cash flows from operating activities</i>		
Operating profit/loss for the period	3,471	3,057
Depreciation	2	-
Interest received	-	-
Interest paid	-529	-716
Income tax paid	-	-73
Cash flows from current operations before changes in working capital	2,944	2,268
Increase (-)/decrease (+) in accounts receivables	-427	-208
Increase (-)/decrease (+) in other current receivables	88	-31
Increase (+)/decrease (-) in accounts payable	376	-385
Increase (+)/decrease (-) in other current op. liabilities	-347	-71
Cash flows from operating activities	2,634	1,573
<i>Cash flows from investing activities</i>		
Investment on fixed assets	0	-220
Cash flows from investment activities	0	-220
<i>Cash flows from financing activities</i>		
Repayment of borrowings	-1,303	-1,282
Repayment of shareholders contribution	-2,762	-5,069
Cash flows from financing activities	-4,065	-6,351
Cash flow for the year	-1,431	-4,998
Cash and cash equivalents at beginning of the year	5,987	9,906
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	4,556	4,908

Fund Summary

	31 Dec, 2017 EUR '000	31 Dec, 2017 % Committed Capital	31 Dec, 2016 EUR '000	31 Dec, 2016 % Committed Capital
CAPITAL COMMITTED	55,094	100	55,094	100
Capital contributed	55,094	100	55,094	100
Total remaining available for drawdown	0	0	0	0
Potential draw downs for next reporting period	-	0	-	0
Fair value of portfolio	108,437		108,711	
Other assets	5,937		6,002	
Liabilities	-68,875		-71,796	
TOTAL NET ASSET VALUE	45,499		42,917	

Important Notice

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