



In Keresé Centre, all remodeled retail premises on ground floor are let.

## Macro overview

GDP in Estonia accelerated by 2.7% in 4Q 2016 y-o-y, driven mostly by increased value added in the information/communication sectors. GDP growth for 2016 in Estonia concluded at 1.6% y-o-y. GDP in Latvia increased by 2.6% y-o-y in Q4, still mainly driven by growth in manufacturing and trade activities, as well as food and accommodation services. The annual GDP growth in Latvia in 2016 ended up at 2.0%. The 4Q 2016 GDP growth in Lithuania was 3.2% y-o-y, and annual GDP growth for 2016 was 2.3%.

The annual average unemployment rate at year-end 2016 was 6.8% in Estonia, 9.5% in Latvia and 7.9% in Lithuania.

In 4Q 2016, inflation (HICP) in Estonia stood at 1.6% compared with 1.2% in Q3. In Latvia inflation rose to 1.5% in 4Q 2016, from 0.2% in Q3 and in Lithuania to 1.2% from 0.4% in the previous quarter. Annual average inflation (HICP) in 2016 stood at 0.8% in Estonia and 0.7% in Lithuania, while in Latvia it amounted to 0.1%.

The Economic Sentiment Indicator (ESI) in Estonia increased since November 2016 by 3.9 points, ending up at 106.5 points in February 2017, driven by improved sentiment in all business sectors except for retail trade. The ESI in Latvia improved by 0.6 points since November 2016, to 104.9 points in February 2017, driven by the improvement in sentiment in construction, retail trade and services. In Lithuania, the ESI worsened to 107.2 points in February 2017 (-1.6 points since November 2016), driven by worsening sentiment in construction, industry and among consumers.

Key economic figures	Estonia, %	Latvia, %	Lithuania, %
<b>4Q 2016</b>			
GDP growth	2.7	2.6	3.2
Unemployment	6.6	9.3	7.6
Inflation (HICP)	1.6	1.5	1.2
<b>2016</b>			
GDP growth	1.6	2.0	2.3
Unemployment	6.8	9.5	7.9
Inflation (HICP)	0.8	0.1	0.7

## Property market

Development on the Tallinn office market remains active, with a total area of approx 124,120 sqm under construction by the end of 1Q 2017. New office development projects in Tallinn started during the recent months, include the Lõõtsa 12 Office Building (9,085 sqm) and the Õpik B Building (14,755 sqm) in Ülemiste City, the Flora Maja Office Building (1,880 sqm) in Kristiine city district, and an eight-storey commercial and office building at Narva Rd 7b in CBD. Rental rates in Q1 remained stable, although upper and lower margins of asking rents continue to widen, while the vacancy rate has been fluctuating around 7% in early 2017.

During 1Q 2017, Riga office stock was supplemented by two new speculative office projects, with total GLA of 17,000 sqm - the Place Eleven (90% pre-leased) and the II stage of the project at Mukusalas Street 42 (occupied by Tele2 SSC). More than 48,000 sqm of total leasable office space was in the active construction stage in Q1. The strongest take-up demand is from the finance, banking and insurance

sectors. Rental rates remain stable, while vacancy is increasing in Class A offices, mainly due to commissioning of the new project Place Eleven.

In 1Q 2017, Duetto I business centre, with 8,330 sqm lease area, was commissioned in Vilnius, and construction work started in Park Town BC (stage II, GLA 14,800 sqm, Class A). Office development will accelerate during the rest of the year, as ten more office projects with more than 73,000 sqm of leasable space in total are expected to be completed in 2017. In Q1, Telia signed a pre-lease agreement for the whole S7 BC (stage II, GLA 15,500 sqm, Class A), to be constructed by the end of 2018. Rental rates remained stable compared to the end of 2016, while vacancy continued to decrease in Class A business centres, but slightly increased in Class B1 business centres due to new supply.

In 1Q 2017, the Tallinn retail market remained reasonably active due to the opening of two DIY stores. Espak opened the its expanded DIY complex with a total retail and warehouse area of ca 9,600 sqm in Tallinn City Centre, while the second Bauhaus store, with total sales area of ca 14,000 sqm, was opened in the Haabersti city district in March 2017. One of 2017's leading trends is a focus on improving the quality of retail space. Several shopping centres (Solaris, Kristiine Centre, Järve Centre, Lasnamäe Centrum) are continuing with refurbishments, redevelopments and changes in tenant mix in early 2017.

The Riga retail market remained stable during Q1. SC Damme started an expansion of its premises by 900 sqm, while construction work on SC Akropole Riga started in 1Q 2017. In Q1, the second Sports Direct store, as well as interior supply store Siena Home, was opened in a recently-reconstructed part of SC Domina Shopping. Besides the activities in SCs, street retail is experiencing increasing activity from the catering sector, where the Quiet Centre district is in most demand. Rental rates remained unchanged, while vacancy experienced a slight decrease and stood at 2.7%.

The Vilnius retail market also had a tranquil start to the year. Grocery retailers remained the most active, driven by fierce competition - Hyper Norfa opened its doors at Kalvariju St. 151 (the former Statau DIY store). Street retail in Vilnius also showed some dynamics, with several new restaurant openings on Vilnius Street. In 1Q 2017, vacancy remained low and is unlikely to change throughout the year, while rental rates increased by up to 3% on average compared to the previous quarter, driven by high demand and low development activity (the only ongoing larger project in Vilnius is the IKEA expansion).

Market tendencies	Estonia		Latvia		Lithuania	
1Q 2017	Retail Office		Retail Office		Retail Office	
Construction	→	→↑	→	→	→	→↑
Supply	→↑	→	→	→	→	→↑
Demand	→	→↓	→	→↑	→	→↑
Rental rate	→	→	→	→	→↑	→
Vacancy	→	→↑	→↓	→↑	→	→
Yield	→	→↓	→	→	→	→
Total investment volume	→↓		↓		→↓	

The industrial segment remains active in Tallinn and its suburbs in terms of new developments, with a total area of approximately 112,000 sqm under construction in March 2017. In 1Q 2017, the second phase of the logistics centre for Smarten was completed. Stock office projects continue to gain momentum - several new projects were started or announced in the beginning of 2017. Demand is currently largely driven by the production and manufacturing sectors, followed by wholesale and retail companies. High levels of new supply accrued by the market in 2015 is leading to some increases in vacancy rates and therefore creating additional downward pressure on rental rates.

The Riga industrial market did not see any new additions to the stock in Q1, while 60,000 sqm of new industrial space is under construction, of which 39,000 sqm is planned to be delivered in 2Q 2017. All currently-planned development properties in Riga are speculative Class A projects. Total take-up in Q1 amounted to 16,400 sqm. The strongest demand is coming from local existing logistics companies. Rental rates remained at 4Q 2016 levels, while vacancy slightly decreased.

During 1Q 2017, industrial stock in Vilnius remained unchanged, although four speculative and built-to-suit projects with total area of 67,150 sqm remained under construction. Rental rates stood largely at the same level as the previous quarter, while vacancy showed minor downward fluctuations. However, the vacancy rate is expected to increase modestly throughout 2017 because of new supply, although thoroughly-planned development and pre-lease agreements will limit higher growth possibilities.

In 2016, total investment volume in Estonia amounted to EUR 420m. At the end of 2016, Kawe Capital acquired two office buildings with a car park (24,360 sqm in total), located at Pärnu Road 158, from Estconde. The beginning of 2017 has been moderate in terms of transactions, with known investment volume of ca EUR 34-38m, including Fausto Group acquiring 16 land plots in Zelluloosi Quarter, Kaamos purchasing a property at Gonsiori 29, and ca 12,130 sqm of building right at Maakri Street in Tallinn CBD being sold for over 400 EUR per building right sqm. Prime yields remained largely stable compared to 4Q 2016, although some slight prime yield compression continued in the office segment.

In 1Q 2017, the investment market in Latvia slowed down, with investment volume of only EUR 10m, due to a shortage of attractive investment grade products as well as traditionally low activity in the beginning of the year. However, investments in development schemes, as well as properties acquired for owners' own needs, exceeded EUR 50m during the first three months of 2017. Prime yields in Riga remained stable compared to 4Q 2016.

The investment market in Lithuania remained very active, with several significant investment deals closed in 1Q 2017. Baltic Horizon acquired Duetto I BC (GLA of 8,330 sqm) in Vilnius for EUR 14.6m and Asgaard Property acquired Vilniaus Vandenys HQ (GLA 2,460 sqm) in Vilnius for EUR 3.9m at auction. Consequently, almost half of total investments in 1Q 2017 were allocated to office properties. The retail sector also recorded several noteworthy deals, such as the acquisition of a RIMI store at Siaures St. 37 in Vilnius and Luize SC (GLA 4,040 sqm) in Klaipeda. In Q1, prime yields in Vilnius remained stable compared to the previous quarter. However, a slight yield compression is likely in 2017.

## Portfolio activities

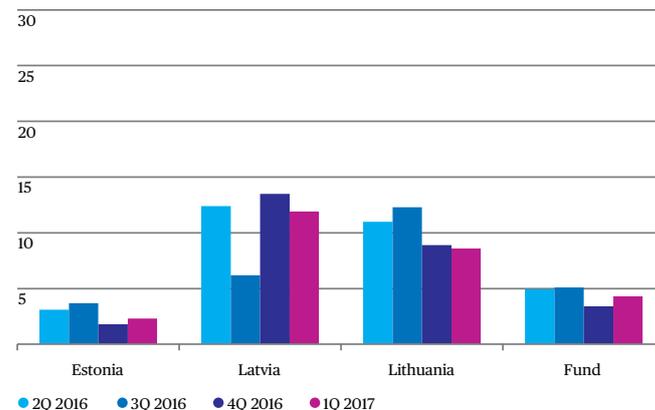
The average rent for the portfolio of East Capital Baltic Property Fund was EUR 6.6/sqm/month in 1Q 2017. The economic vacancy rate remained low and concluded at 4.3% at the end of the quarter.

The properties in the fund continue their stable operations. The Estonian portfolio is operating with only 2.3% economic vacancy. After major reconstruction work at the Kerese centre in 3Q and 4Q 2016, all new retail premises are let and vacancy remains only in the office or storage areas.

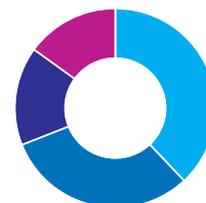
In the Dunties property, the interest rate swap agreement that started in 2007 terminated as of March 2017, releasing quite a significant cash flow that will be used for loan principal repayments.

The management team continues to improve the cash flow of the fund by increasing occupancy and rental income across the property portfolio. Only a few properties in the portfolio still have a vacancy rate >5%, including the Laracija office property in Klaipeda and the Dunties office in Riga.

## Portfolio vacancy rate by rental value (%)

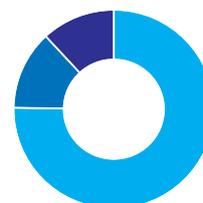


## Sector Allocation (% of property value)



Office	38
Retail	31
Hotel	16
Logistics	15

## Country Allocation (% of property value)



Estonia	76
Latvia	13
Lithuania	12

# EAST CAPITAL

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In the Metal property in Estonia, the lease agreement with single tenant Favor terminates as of the end of June 2017. The management team is actively seeking substitute tenant(s) for the well-established industrial property.

The fund's current term is June 2017. An extraordinary general meeting is scheduled before end of June, where the board of directors and management will present the strategy of the fund going forward and a proposal for prolongation of the fund.

## Financial overview

The net asset value of East Capital Baltic Property Investors AB (publ.) was EUR 397.46 as of 31 March 2017, an increase of 6.44% year-to-date from 1 July 2016 (dividend-adjusted performance). Dividend-adjusted net asset value exceeded 500 and was 0.09% above initial issue price as of 31.03.2017.

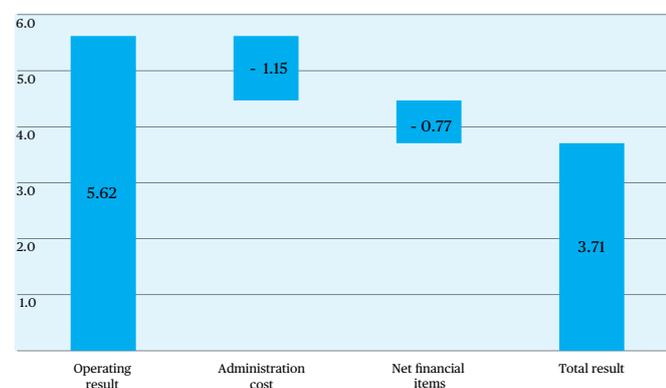
The rental income for the period July 2016 to March 2017 was EUR 7.3m, and remains on par with the same period of the previous year (on a comparable basis, excluding divested properties). Operating profit for the period was EUR 4.5m and net profit EUR 3.7m. Both administrative and interest costs have decreased compared to the same period of financial year 2015/16, however profit is negatively influenced by higher direct costs from reconstruction work totalling EUR 0.4m in the Kerese centre in Narva, Estonia.

Interest costs totalled EUR 1.0m during the period July 2016 - March 2017, and have decreased by 20% compared to the same period last year, benefitting from negative floating rates on the market as well as matured swap agreements with higher fixed rates than the market floating rates.

The investment properties as of 31 March 2017 totalled EUR 104.9m. The fund had EUR 69.0m in bank loans, representing a loan-to-value of 66%. Excluding the Dantes property, where loan-to-value is >100%, the portfolio loan-to-value is 58%.

The fund has EUR 5.7m of cash and cash equivalents as of 31 March 2017.

## Result contribution (YTD financial year 2016/2017)



## Properties in the portfolio

Property	Type	Location	GLA (m <sup>2</sup> )
<b>Estonia</b>			<b>84,469</b>
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	17,267
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
Favor Industrial Facility	Industrial	Maardu	8,493
<b>Latvia</b>			<b>11,784</b>
Zemitana Centrs	Office	Riga	4,539
Dantes Nami	Office	Riga	7,245
<b>Lithuania</b>			<b>14,922</b>
Laracija Office	Office & retail	Klaipeda	6,964
Deco Furniture and Interior Centre	Retail	Klaipeda	4,355
Jin Centre	Office	Vilnius	3,603
<b>All properties</b>			<b>111,175</b>

# EAST CAPITAL

Baltic Property Fund  
Quarterly Report  
January – March 2017

## Net Asset Value 12m rolling (EUR)

### East Capital Baltic Property Fund Investors AB (31.03.2017)

NAV (EUR)	% 1 month*	% YTD*	% 12 months*	% Since start*
397.46	0.86	6.44	11.64	0.09

\* 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](http://www.eastcapital.com)

### For additional information regarding the East Capital Baltic Property Fund, please contact:

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Tel: +46 8 505 88 505

## Fund overview

<b>Investment profile</b>	Value added/opportunistic
<b>Manager</b>	East Capital Baltics AS, a company fully owned by East Capital (Domicile: Estonia)
<b>Auditor</b>	KPMG
<b>Fund size</b>	EUR 55.1m. The fund is closed for further subscriptions
<b>Launch date</b>	July 7, 2005
<b>ISIN</b>	SE0001467572
<b>Management fee</b>	1.75% on net asset value
<b>Structure</b>	Closed-end fund structured as a Swedish limited liability company. The fund is prolonged until June 2017.
<b>Redemption</b>	No
<b>Liquidity</b>	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.

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

	Jul 2016 - Mar 2017	Jul 2015 - Mar 2016
Revenue	7,331	7,518
Direct expenses	-1,710	-1,465
<b>Gross profit</b>	<b>5,621</b>	<b>6,053</b>
Administrative expenses	-1,150	-1,287
Other operating income/expenses	0	115
<b>Operating profit/loss</b>	<b>4,471</b>	<b>4,881</b>
Interest income and similar profit/loss items	279	335
Interest expenses and similar profit/loss items	-1,045	-1,304
<b>Profit/loss before income tax</b>	<b>3,705</b>	<b>3,912</b>
<b>NET PROFIT/LOSS FOR THE YEAR/ TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>3,705</b>	<b>3,912</b>
Earnings per share - Ordinary shares	672,47	710,12

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

	Jul 2016 - Mar 2017	Jul 2015 - Mar 2016
Earnings per share - Ordinary shares	32,80	35,09

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

	31 Mar 2017	31 Mar 2016
<b>ASSETS</b>		
<i>Non-current assets</i>		
Investments properties	104,940	103,490
Other long-term assets	220	0
Equipment	6	8
Other receivables	0	12
<b>Total non-current assets</b>	<b>105,166</b>	<b>103,510</b>
<i>Current assets</i>		
Accounts receivable - trade	487	381
Other receivables	128	87
Accrued income and prepaid expenses	128	158
Cash and cash equivalents	5,683	9,685
<b>Total current assets</b>	<b>6,426</b>	<b>10,311</b>
<b>TOTAL ASSETS</b>	<b>111,592</b>	<b>113,821</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	17	17
Other paid-in capital	44,846	49,915
Retained earnings	-8,115	-14,519
Profit/loss for the period	3,705	3,912
<b>TOTAL EQUITY</b>	<b>40,453</b>	<b>39,325</b>
<b>Liabilities</b>		
<i>Non-current liabilities</i>		
Interest-bearing liabilities	38,549	39,794
Other liabilities	455	465
Deferred tax liabilities	807	761
<b>Total non-current liabilities</b>	<b>39,811</b>	<b>41,020</b>
<i>Current liabilities</i>		
Interest-bearing liabilities	30,427	31,885
Accounts payable - trade	541	976
Derivatives	0	401
Other liabilities	31	38
Accrued expenses and deferred income	329	176
<b>Total current liabilities</b>	<b>31,328</b>	<b>33,476</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>111,592</b>	<b>113,821</b>

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## 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 2015	17	49,915	-14,519	35,413
Total comprehensive income			3,912	3,912
<b>BALANCE AT 31 MARCH 2016</b>	<b>17</b>	<b>49,915</b>	<b>-10,607</b>	<b>39,325</b>
Balance at 30 June 2016	17	49,915	-8,115	41,817
Repayment of shareholders contribution		-5,069	0	-5,069
Total Comprehensive Income			3,705	3,705
<b>BALANCE AT 31 MARCH 2017</b>	<b>17</b>	<b>44,846</b>	<b>-4,410</b>	<b>40,453</b>
<b>Reconciliation to Net Asset value</b>				
Consolidated Equity above				40,453
Revaluation of property values to loan values				3,551
<b>NET ASSET VALUE AT 31 MARCH 2017</b>				<b>44,004</b>

## Disclosure for segments - July 2016 - March 2017 - geographical areas in EUR'000

	Estonia	Latvia	Lithuania	Unallocated	Group
Total gross income	5,185	1,128	1,018	0	7,331
Income from sales	5,185	1,128	1,018	0	7,331
Depreciation of tangible fixed assets	0	-1	0	0	-1
Operating profit/loss	4,261	534	507	-831	4,471
Net financial income/expenses					-766
Profit/loss before tax					3,705
Income tax					0
<b>PROFIT/LOSS FOR THE PERIOD</b>					<b>3,705</b>
Assets	84,892	13,521	12,675	504	111,592
- where of Investment properties	79,450	13,250	12,240	0	104,940
Liabilities	43,292	17,119	10,486	242	71,139

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

	Jul 2016 - Mar 2017	Jul 2015 - Mar 2016
<i>Cash flows from operating activities</i>		
Operating profit/loss for the period	4,471	4,881
Depreciation	2	2
Interest received	2	2
Interest paid	-1,045	-1,302
Income tax paid	-75	-107
<b>Cash flows from current operations before changes in working capital</b>	<b>3,355</b>	<b>3,476</b>
Increase (-)/decrease (+) in accounts receivables	157	230
Increase (-)/decrease (+) in other current receivables	-51	-19
Increase (+)/decrease (-) in accounts payable	-514	254
Increase (+)/decrease (-) in other current op. liabilities	-73	-411
<b>Cash flows from operating activities</b>	<b>2,874</b>	<b>3,530</b>
<i>Cash flows from investing activities</i>		
Investment on fixed assets	-220	0
Proceeds from sale of properties	0	4,611
<b>Cash flows from investment activities</b>	<b>-220</b>	<b>4,611</b>
<i>Cash flows from financing activities</i>		
Repayment of borrowings	-1,808	-2,646
Repayment of shareholders contribution	-5,069	0
<b>Cash flows from financing activities</b>	<b>-6,877</b>	<b>-2,646</b>
<b>Cash flow for the year</b>	<b>-4,223</b>	<b>5,495</b>
Cash and cash equivalents at beginning of the year	9,906	4,190
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>5,683</b>	<b>9,685</b>

## Fund Summary

	31 Mar, 2017 EUR '000	31 Mar, 2017 % Committed Capital	31 Mar, 2016 EUR '000	31 Mar, 2016 % Committed Capital
<b>CAPITAL COMMITTED</b>	<b>55,094</b>	<b>100</b>	<b>55,094</b>	<b>100</b>
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	108,711		107,636	
Other assets	6,393		10,251	
Liabilities	-71,100		-74,015	
<b>TOTAL NET ASSET VALUE</b>	<b>44,004</b>		<b>43,872</b>	

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