



Macro overview

GDP growth in Estonia accelerated in 1Q 2017 to 4.4% y-o-y, driven mostly by increased value added in manufacturing. GDP growth was similarly strong in Latvia and Lithuania, increasing by 4.0% and 3.9% y-o-y respectively in 1Q 2017. The growth came from various economic sectors, mainly manufacturing, transportation, construction, wholesale and retail trade, and accommodation.

In 1Q 2017, the highest unemployment rate among potential labour force aged 15-74 was recorded in Latvia (9.4%), the lowest in Estonia (5.6%), and in Lithuania the figure stood at 8.0%.

Q1 inflation (HICP) in Estonia was 3.1%, compared to 1.6% in 4Q 2016. In Latvia, inflation grew to 3.1%, from 1.5% the quarter before, and in Lithuania rose to 3.0%, from 1.2% for the same period.

From February 2017 to May 2017, the Economic Sentiment Indicator in Estonia decreased by 1.2 points, to 105.3 points, and in Lithuania by 0.9 points to 106.3 points, on account of the worsening sentiment in most business sectors. In Latvia however, the economic sentiment indicator for the same period improved by 1.0 point, to 105.9 points, as consumers, construction and industry sectors were more optimistic.

Key economic figures 1Q 2017	Estonia, %	Latvia, %	Lithuania, %
GDP growth	4.4	4.0	3.9
Unemployment	5.6	9.4	8.0
Inflation (HICP)	3.1	3.1	3.0

Property market

Development on the Tallinn office market remains active, with a total area of 107,800 sqm under construction in June 2017. In 2Q 2017, a 14-storey built-to-suit Telia office, and a Veerenni office building occupied by healthcare companies, were both completed. Estonia's leading economics newspaper, Äripäev, moved to new premises in Lutheri Business Centre in the city centre in June 2017. Telecom operator Tele2 signed a pre-lease agreement to occupy 2,000 sqm in Ülemiste City, and will move to the new premises in 2018, while media group Eesti Meedia will occupy 8,000 sqm in a new office building developed by Fausto in the Zelluloosi Quarter in summer 2019. Rental rates in Q2 remained stable, although downward pressure increased on rents in B class office buildings. Similarly, vacancy rates slightly increased, and market vacancy remains at around 8%.

The Riga office market is less active, with only one office project with 1,600 sqm of leasable area commissioned in 2Q 2017, and ca 47,000 sqm of leasable office area in the construction stage. Vacancy in A class office premises has decreased significantly because of active take-up, mainly by companies from the finance and IT sectors and with a noticeable number of relocations to higher quality office premises. Rental rates remained stable compared to the previous quarter.

In Vilnius, over 120,000 sqm of office space remains under construction, of which more than half is planned to be delivered in 2017. In 2Q 2017, the B Nordic 26 business centre (GLA 5,600 sqm,

Class B1) was commissioned. Several large pre-lease agreements were signed in Q2; for example IT company Alna Group will occupy 3,000 sqm in stage I of Park Town business centre, and electronics producer Teltonika will take 2,400 sqm in Link business centre. Rental rates remained unchanged, while vacancy experienced a decrease in Class A business centres due to gradual high-quality office space absorption, but continued to increase in Class B1 business centres due to new supply.

The renewed Balti Jaama Market was opened in Tallinn in May 2017, including Selver grocery and MyFitness sports club as anchor tenants next to nearly 300 different smaller merchants and shops in a total of ca 19,500 sqm of space. Two other Selver grocery stores (Tähesaju Selver and Sepapaja Selver) were opened in 2Q 2017, and by the end of 1Q 2017, the Lasnamäe Health Building was opened, which, in addition to healthcare companies, houses a Coop grocery store, MyFitness sports club and several smaller stores.

The Riga retail market remained stable in 2Q 2017. Linstow Center Management announced the expansion of the Origo and Alfa shopping centres, but has not started work yet. Rental rates remained unchanged, while vacancy experienced an increase from 2.5 per cent in Q1 to 7.1 per cent in Q2, driven by the closure of three Prisma hypermarkets in Riga after the Prisma grocery chain decided to leave the Latvian market. Maxima is expected to open a new hypermarket in Riga Plaza shopping centre, occupying the 4,800 sqm of space vacated by Prisma.

In Vilnius, IKEA's 3,600 sqm expansion was completed in 2Q 2017. The Finnish grocery chain Prisma closed all its stores in Lithuania in June, confirming fierce competition in the retail sector. Although contrarily, Pepco, a European chain of discount shops, announced its entry into the Lithuanian market by the end of this year. Shopping centres continued to improve on their leisure activities; the first People fitness club, at 1,500 sqm, was opened in the Panorama shopping centre. Street retail remained dynamic, especially in the restaurant and café segments. Vacancy and rental rates remained mainly stable.

The industrial segment remains active in the Tallinn region, with a total area of approximately 110,000 sqm under construction as of June 2017, although development activity is slowing down, especially in industrial parks across Tallinn. At the beginning of summer 2017, some remarkable lease deals were closed or put in the pipeline, whereas demand is largely driven by the production and manufacturing sectors, followed by wholesale and retail. Rental rates in 2Q 2017 remained unchanged, while vacancy rates decreased.

Market tendencies 2Q 2017	Estonia Retail Office		Latvia Retail Office		Lithuania Retail Office	
Construction	→	→	→	→	→	→
Supply	→	→	→	→	→	→
Demand	→	→	→	→	→	→
Rental rate	→	→	→	→	→	→
Vacancy	→	→	→	→	→	→
Yield	→	→	→	→	→	→
Total investment volume	→	→	→	→	→	→

Approximately 63,700 sqm of total industrial space was in the active construction stage in 2Q 2017 in Riga, of which more than 33,700 sqm is planned to be delivered by the end of 3Q 2017. LNK Group continued the development of Baltijas Industriālais Parks by commissioning two smaller warehouse buildings, while construction work on a new Southern Gateway project at Rezeknes 1 continued in full swing. Renalt rates in 2Q 2017 remained at Q1 levels, while the total vacancy slightly decreased to 4.9%. Total take-up in Q2 amounted to 6,700 sqm.

Two built-to-suit warehouse developments - BSP LC, occupied by logistics company Rhenus Svoris (12,100 sqm), and AD REM LC (7,150 sqm), built for children's goods retailer Kotryna - were commissioned in Vilnius in 2Q 2017. Additionally, two built-to-suit and three speculative objects are expected to supplement the market with 47,000 sqm of modern warehouse space by the end of the year. The speculative project Liepkalnio Industrial Park has successfully pre-leased its 16,180 sqm gross building area, confirming strong demand for quality warehouse space. Market vacancy remains under 3% and rental rates are stable.

Total known investment volume in Estonia amounted to ca EUR 134m in the first half of 2017. In 2Q 2017, Kesko Senukai sold three K-Rauta DIY stores across Estonia to UAB Baltic Retail Properties, and the Hobujaama 4 office building in Tallinn was sold to Italian investors at a price over EUR 15m. EfTEN Capital sold Narva Prisma hypermarket to French asset management company Corum for EUR 16.7m, and acquired a Selver supermarket development and the Hortes gardening centre property in Laagri. The Tāhesaju Selver supermarket in Lasnamäe city district was sold to a private investor, as was the Kalda 7c warehouse in Nõmme city district. Prime yield compression by ca 10-15 bps continued in the office segment in 2Q 2017, with the figure around 6.25%

Investment volume reached EUR 55m in Latvia in 2Q 2017, driven by activity in the retail and industrial segments. However, investment activity is relatively low due to a shortage of attractive investment grade products. The most notable deal was the sale of four Kesko Senukai DIY stores to the property investment company UAB Baltic Retail Properties. Prime yields in office and retail segments slightly decreased, from 6.8% to 6.75%, and prime industrial yields dropped to 8.0%.

In Lithuania, the office segment continues to attract major investments. In 2Q 2017, Eastnine (formerly East Capital Explorer) acquired Vertas BC and Technopolis acquired Penta BC, an office building under construction. Following the acquisition of the Kesko Senukai logistics centre in Kaunas last year, W. P. Carey, the American investor, considerably expanded its portfolio in the Baltics, acquiring a majority shareholding in UAB Baltic Retail Properties and thereby the portfolio of 18 Kesko Senukai stores altogether in the Baltics, of which three are situated in Estonia, four in Latvia and 11 in Lithuania. Sportland LT acquired retail and administrative premises in Vilnius Old Town, at Gedimino avenue 20, part of which was previously leased to Marks & Spencer. Prime yields in Vilnius experienced a downward pressure in all commercial property segments, compressing by ca 25 bps to 6.5% in the retail and office sectors and 8.0% in the industrial segment.

Portfolio activities

The average rent for the portfolio of East Capital Baltic Property Fund concluded at EUR 7.0/sqm/month for the financial year 2016/17, increasing only modestly compared to financial year 2015/16, as rent indexing, mostly tied to CPI change, has been moderate.

Economic vacancy at the end of the financial year was 4.6% for the portfolio. Vacancy remains mostly in office premises in the mixed use or dedicated office buildings in Jõhvi, Narva, Klaipeda and Riga, where occupancy has not been restored yet due to the currently less active office market.

In June 2017, turnover rent for the period January-June 2017 was paid by GOSPA and Tallinn Seaport hotel properties in Estonia, of +36% and +59% on top of base rent respectively. While GOSPA, established on the market, shows stable turnover growth of up to 5% y-o-y, Tallinn Seaport Hotel, opened under a new operator in March 2015, is posting more accelerated growth, increasing sales by 10% in 1HY 2017 compared to 1HY 2016.

At the Metal property in Estonia, the lease agreement with single tenant Favor reached its maturity at the end of June 2017 and was not prolonged due to the tenant's business expansion and a need for larger premises. The management team has already signed a lease for one building in the complex, where rent commences from August 2017, and is actively seeking a tenant for the second building in the complex.

In the Dunties property, the interest rate swap agreement terminated as of March 2017, which will significantly increase free cash flow available for upgrade investments and loan principal repayments.

A new external portfolio valuation was carried out at financial year end, with a slight 0.2% increase in fair market property values compared to the last external valuation in June 2016. While the valuation for most properties either increased or remained flat, revaluation was negative in the Metal property due to the maturing lease agreement with a single tenant and replacement with lower rental income due to the changed market situation since the previous lease was signed.

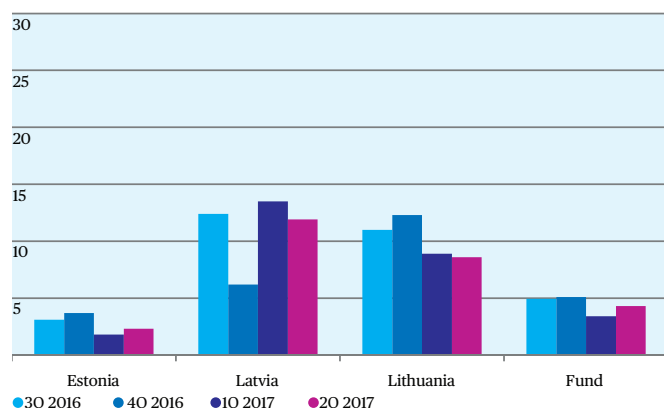
At an extraordinary general meeting of East Capital Baltic Property Investors AB on 9 June 2017, consent was given to the extension of the term of the shareholders agreement of East Capital Baltic Property Fund AB, for up to five years, until July 2022. All direct investors in the fund have also given their support to the prolongation. At the same time, it was decided to decrease the fund's management fee to 1.25% of Net Asset Value from the current 1.75% level.

During the extended term, the investment team will aim to maximize cashflow to the fund holders, while also taking the necessary steps to enhance the portfolio in its composition and quality, to allow for the best possible divestment of its holdings during this period. Extending the fund term also enables re-financing and an extension of loan maturities, fixing interest rates at current low levels.

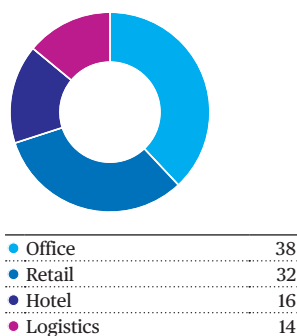
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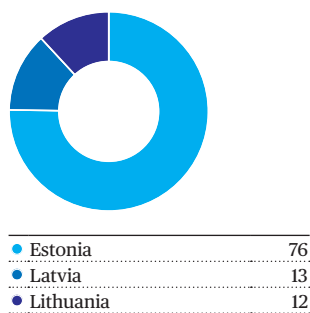
Portfolio vacancy rate by rental value (%)



Sector Allocation
(% of property value)



Country Allocation
(% of property value)



Financial overview

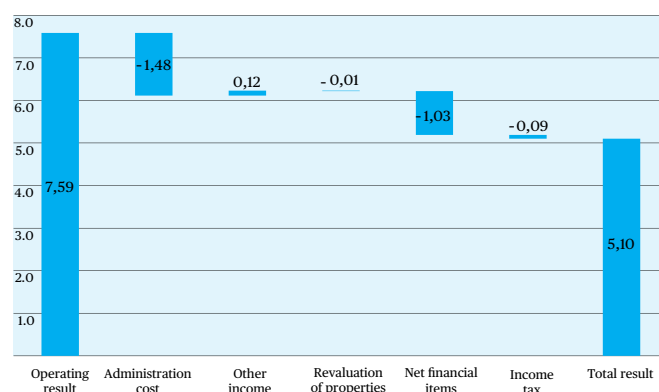
The net asset value of East Capital Baltic Property Investors AB (publ.) was EUR 407.46 as of 30 June 2017, an increase of 8.57% for the full financial year from 1 July 2016 (dividend-adjusted performance).

The rental income for the period July 2016 to June 2017 was EUR 9.42m, and remains on par with the same period the previous year (on a comparable basis, excluding divested properties; eliminating with accounting principle changes). Net profit for the year concluded at EUR 5.1m. The direct costs are higher compared to last financial year due to reconstruction work required after anchor tenant replacement, totalling EUR 0.4m in the Kereke centre in Narva, Estonia. However, both administrative and interest costs have decreased remarkably. Interest costs totalled EUR 1.3m during the period July 2016 – June 2017, and have decreased by 23% 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 30 June 2017 totalled EUR 105.1m after a new external valuation of the portfolio. The fund had EUR 68.4m in bank loans, representing a loan-to-value of 65%. Excluding the Dumes property, where loan-to-value is above 100%, the portfolio loan-to-value is 58%.

The fund has EUR 6.0m of cash and cash equivalents as of 30 June 2017.

Result contribution (Financial year 2016/2017)



Properties in the portfolio

Property	Type	Location	GLA (m²)
Estonia			84,469
Jõhvi Tsentraal	Retail & office	Jõhvi	8,800
Jewe Retail & Furniture Centre	Retail	Jõhvi	11,887
Kereke 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
Metal Industrial Facility	Industrial	Maardu	8,493
Latvia			11,784
Zemitana Centrs	Office	Riga	4,539
Dumes Nami	Office	Riga	7,245
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			111,175

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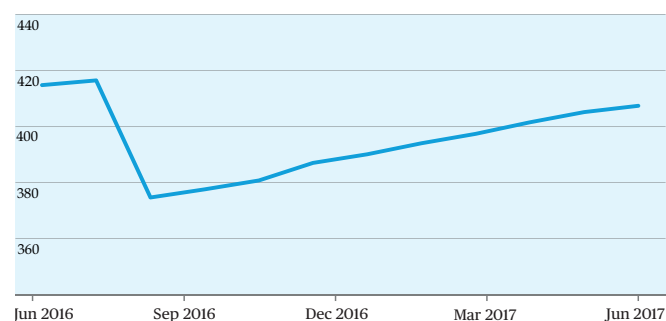
Baltic Property Fund
Quarterly Report
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Net Asset Value 12m rolling (EUR)

East Capital Baltic Property Fund Investors AB (30.06.2017)

NAV (EUR)	% 1 month*	% YTD*	% 12 months*	% Since start*
407.46	0.55	8.57	8.57	2.09

* 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

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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.

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

	Jul 2016 - Jun 2017	Jul 2015 - Jun 2016
Revenue	9,420	9,922
Direct expenses	-1,833	-1,848
Gross profit	7,587	8,074
Administrative expenses	-1,475	-1,928
Other operating income/expenses	119	115
Unrealised changes in value of investment properties	-11	1,450
Operating profit/loss	6,220	7,711
Interest income and similar profit/loss items	280	458
Interest expenses and similar profit/loss items	-1,311	-1,702
Profit/loss before income tax	5,189	6,467
Income tax	-89	-63
NET PROFIT/LOSS FOR THE YEAR/ TOTAL COMPREHENSIVE INCOME FOR THE YEAR	5,100	6,404
Earnings per share - Ordinary shares	925,65	1 162,20

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

	Jul 2016 - Jun 2017	Jul 2015 - Jun 2016
Earnings per share - Ordinary shares	42,80	54,34

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

	30 Jun 2017	30 Jun 2016
ASSETS		
<i>Non-current assets</i>		
Investments properties	105,149	104,940
Equipment	17	11
Total non-current assets	105,166	104,951
<i>Current assets</i>		
Accounts receivable - trade	595	644
Other receivables	496	123
Accrued income and prepaid expenses	55	65
Cash and cash equivalents	5,987	9,891
Total current assets	7,133	10,723
TOTAL ASSETS	112,299	115,674
EQUITY AND LIABILITIES		
Equity		
Share capital	17	17
Other paid-in capital	44,846	49,915
Retained earnings	-8,115	-14,519
Profit/loss for the period	5,100	6,404
TOTAL EQUITY	41,848	41,817
Liabilities		
<i>Non-current liabilities</i>		
Interest-bearing liabilities	0	39,140
Other liabilities	478	266
Deferred tax liabilities	895	807
Total non-current liabilities	1,373	40,213
<i>Current liabilities</i>		
Interest-bearing liabilities	68,365	31,830
Accounts payable - trade	200	1,022
Derivatives	0	277
Other liabilities	41	56
Current tax liabilities	147	73
Accrued expenses and deferred income	325	386
Total current liabilities	69,078	33,644
TOTAL EQUITY AND LIABILITIES	112,299	115,674

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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 1 July 2015	17	49,915	-14,519	35,413
Total comprehensive income			6,404	6,404
BALANCE AT 30 JUNE 2016	17	49,915	-8,115	41,817
Balance at 1 June 2016	17	49,915	-8,115	41,817
Repayment of shareholders contribution		-5,069	0	-5,069
Total Comprehensive Income			5,100	5,100
BALANCE AT 30 JUNE 2017	17	44,846	-3,015	41,848
Reconciliation to Net Asset value				
Consolidated Equity above				41,848
Revaluation of property values to loan values				3,288
Other year-end adjustments				-20
NET ASSET VALUE AT 30 JUNE 2017				45,116

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

	Estonia	Latvia	Lithuania	Unallocated	Group
Total gross income	6,934	1,468	1,018	0	9,420
Income from sales	6,934	1,468	1,018	0	9,420
Depreciation of tangible fixed assets	0	0	-6	0	-6
Operating profit/loss	5,314	840	660	-594	6,220
Net financial income/expenses					-1,031
Profit/loss before tax					5,189
Income tax					-89
PROFIT/LOSS FOR THE PERIOD					5,100
Assets	85,560	13,835	12,664	240	112,299
- where of Investment properties	79,420	13,459	12,270	0	105,149
Liabilities	42,954	17,676	10,435	74	71,139

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

	Jul 2016 - Jun 2017	Jul 2015 - Jun 2016
<i>Cash flows from operating activities</i>		
Operating profit/loss for the period	6,220	7,711
Depreciation	-6	2
Other non-cash items	-11	-1,450
Interest received	-1	2
Interest paid	-1,307	-1,703
Income tax paid	0	-96
Cash flows from current operations before changes in working capital	4,895	4,466
Increase (-)/decrease (+) in accounts receivables	49	-48
Increase (-)/decrease (+) in other current receivables	-363	33
Increase (+)/decrease (-) in accounts payable	-822	333
Increase (+)/decrease (-) in other current op. liabilities	234	-155
Cash flows from operating activities	3,993	4,629
<i>Cash flows from investing activities</i>		
Investment on fixed assets	-220	0
Proceeds from sale of properties	0	4,611
Cash flows from investment activities	-220	4,611
<i>Cash flows from financing activities</i>		
Repayment of borrowings	-2,605	-8,040
Repayment of shareholders contribution	-5,069	4,501
Cash flows from financing activities	-7,674	-3,539
Cash flow for the year	-3,901	5,701
Cash and cash equivalents at beginning of the year	9,891	4,190
Exchange rate differences in cash and cash equivalents	-3	0
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	5,987	9,891

Fund Summary

	30 Jun, 2017 EUR '000	30 Jun, 2017 % Committed Capital	30 Jun, 2016 EUR '000	30 Jun, 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		108,491	
Other assets	6,980		10,761	
Liabilities	-70,302		-73,607	
TOTAL NET ASSET VALUE	45,115		45,645	

Important Notice

Full information on East Capital's funds, such as the prospectus and financial reports can be obtained free of charge from East Capital, from our local representatives and are available on East Capital's website. Every effort has been made to ensure the accuracy of the information in this document but it may be based on unaudited or unverified figures or sources. Availability of East Capital's funds may be limited or restricted in some countries. Detailed information about where the funds are registered for distribution and what types of distribution are permitted can be obtained at East Capital. The information herein is only directed at those investors located where this information may be distributed, and is not intended for any use which would be contrary to local law or regulation. Investment in funds always involves some kind of risk. Fund units may go up or down in value up and may be affected by changes in exchange rates. Investors may not get back the amount invested. East Capital's Private Equity and Real Estate Funds (Special Fund Products) are directed at institutions and other professional investors. The Special Fund Products are not UCITS-regulated funds and as a result are not adapted for retail investors in the same way as East Capital's Public Equity Funds.