



Macro overview

GDP growth in 2Q 2018 was 3.7% in Estonia compared to 2Q 2017, driven most by construction activity for the sixth quarter in row. GDP growth in Latvia was 5.3% in Q2, boosted also by growth in construction, as well as manufacturing, trade activity and IT sector. The GDP growth of 3.8% in Lithuania was influenced similarly by fast growth in construction sector.

In 2Q 2018, the highest unemployment rate among the potential workforce of 15-74 years was recorded in Latvia (7.7%), the lowest in Estonia (5.1%), while in Lithuania it stood at 5.9%.

Inflation (HICP) in Estonia stood at 3.3% in 2Q 2018, compared with 3.2% in 1Q 2018. In Latvia it rose to 2.4% in Q2 from 2.0% in 1Q 2018 and in Lithuania declined to 2.5% from 3.1% during that same time.

Key economic figures 2Q 2018	Estonia, %	Latvia, %	Lithuania, %
GDP growth	3.7	5.3	3.8
Unemployment	5.4	7.7	5.9
Inflation (HICP)	3.3	2.4	2.5

Property market

Development on the Tallinn office market remains active, as 14 projects, with total area of approximately 100,900 sqm, are under construction as of September 2018. In Tallinn CBD, the 30-storey Maakri 19/21 office building was commissioned in the summer, and the Alexela HQ and Rävala 2 office building expansions (+1,725 sqm) in Q3. Also, during the 3Q 2018, the built-to-suit headquarters of eu-LISA in the Põhja-Tallinn city district was commissioned. Take-up activity in Tallinn is mainly driven by ICT companies, followed by the professional, scientific and technical services sectors. The vacancy rate in Class A buildings increased due to the completion of the Maakri 19/21 office building, leading to an overall vacancy increase, which is however expected to be absorbed shortly.

Riga's office market remained largely stable in 3Q 2018, with no new additions to stock. Approximately 98,930 sqm of total leasable speculative Class A and Class B1 office space is in the active construction stage; however, these are not expected to be completed in 2018. Following the acquisition of a land plot in the Skanste area, Capitalica Asset Management announced plans to invest EUR 50m in developing an office complex of ca 45,000 sqm. Total take-up of professional office space exceeded 6,000 sqm during the quarter, with half of it leased by shared service centres. In Q3, vacancy decreased to 3.4% in Class A and 8.5% in Class B1 buildings, while rents showed an upward movement, resulting in pressure on yields to decrease.

In 3Q 2018, the 3 Bures BC extension of 11,000 sqm leased to Swedbank and Visma was completed in Vilnius CBD. 14 other projects, with total GLA of 141,500 sqm, remained under construction. The largest take-up deals in Q3 included pre-lease of the whole Green Hall BC stage III (GLA 2,600 sqm) by an international e-commerce company, and Teleperformance, a global leader in providing omnichannel customer experiences, occupying 2,300 sqm in the Business Stadium West BC. The co-working market continued to grow in Vilnius, as the fourth Regus centre (1,200 sqm) was opened

at City BC. Rental rates remained stable compared to the previous quarter, while vacancy increased slightly due to relocation of tenants from older to newer office properties.

Tallinn's retail market remained stable during 3Q 2018, but the construction of T1 Mall of Tallinn and Porto Franco centre, as well as the expansion of Ülemiste Centre, continue. New tenants in Ülemiste Centre include a Vapiano restaurant and O'Learys sports bar, as well as Imaginarium, Matinique and Calvin Klein brand stores. The highly-anticipated opening of the T1 Mall of Tallinn in November 2018 is expected to sharply intensify industry rivalry, resulting in a redistribution of footfall and affecting retailer profitability.

In 3Q 2018, the first IKEA store (33,600 sqm) was opened in Riga. Anticipating the opening of Akropole SC in 1Q 2019, nearby Galerija Azur was closed for renovation, which will add 6,000 sqm of new leasable space. Galerija Azur is changing its concept and will have two anchor tenants - a Rimi hypermarket and a K-Senukai DIY store - after the reconstruction of the shopping centre. EFTEN Capital started the expansion of the Domina Shopping centre, and will redevelop part of the parking area into an entertainment area, with an additional 7,000 sqm of area. VIA Jurmala (13,500 sqm), the first outlet centre concept in Latvia, is also under construction and is expected to open in the second half of 2019. Vacancy is decreasing, although some increase in the vacancy rate can be expected after the opening of Akropole SC.

The retail market in Vilnius remained stable during 3Q 2018, with no new developments commissioned or started. Vacancy in major shopping centres remains low and rental levels unchanged. Apranga announced the opening of the Sandro and Maje affordable luxury brand stores on the Didzioji high street in Lithuania. MG Valda revealed its new health club chain, opening three clubs in 2019, with the first situated in Business Triangle.

The industrial segment remains active in Tallinn and its suburbs in terms of new developments, with total area of approximately 85,000 sqm under construction as of September 2018. During Q3, the Peterburi tee 49 Eolane production building (11,000 sqm), the Omniva logistics centre (14,350 sqm) and several stock office projects (Kadaka tee 4, Mureli 3, Treiali tee 2/4) were completed. Rental rates are continuously under downward pressure, although vacancy decreased after 16,000 sqm of vacant space was occupied in Kawe Logistics building. Companies continue to look for vacant land plots for built-to-suit developments, confirming the current owner-occupier trend in the sector.

During 3Q 2018, the Riga industrial market was supplemented with the first phase of the VGP logistics park (34,000 sqm, fully leased). The second stage, expected to be commissioned at the beginning of 2019, has also secured pre-leases for full occupancy.

Market tendencies 2Q 2018	Estonia Retail Office		Latvia Retail Office		Lithuania Retail Office	
Construction	→	→	→	→ ↗	→	→ ↗
Supply	→	→ ↗	→	→ ↗	→ ↗	→ ↗
Demand	→ ↘	→	→	→	→	→
Rental rate	→	→	→	→	→	→ ↗
Vacancy	→ ↗	→	→ ↘	↗	→	→ ↘
Yield	→	→	→	→	→	→
Total investment volume	→		→		↗	

Four projects with ca 58,500 sqm of industrial space are under construction, of which the LNK project of 9,000 sqm is expected to be added to the market during 2018. Vacancy decreased from 2.5% in Q2 to 1.6% in Q3, and only a few relatively small premises are currently available on the market for lease.

Vilnius' industrial market was rather calm during 3Q 2018, although 51,200 sqm of mostly speculative gross building area remains under construction. Furthermore, the construction of stage III of Liepkalnio Industrial Park, with 29,800 sqm of speculative area, is expected to commence during 2018. Although key market indicators remained stable during the quarter, an upward correction in the vacancy rate is expected in the coming quarters in connection with vast new speculative supply.

Total known investment volume in Estonia amounted to only EUR 32m during 3Q 2018, of which the most notable was the sale of Piritä Spa Hotel (267 hotel rooms) in Tallinn for EUR 13m. Prime yields remained stable in Q3.

Investment volume in Latvia exceeded EUR 70m, of which ca half comprised transactions in the office segment. LNK Properties sold the LNK Centre office building to Baltic Horizon Fund (EUR 17m) and East Capital sold the Dantes office building to SG Capital (second purchase of their 2017 vintage SG Capital Partners Fund I). In other notable deals, Radisson Blu Daugava Hotel in Riga changed ownership and the Kurzeme shopping centre in Liepāja was sold for more than EUR 7m. In total, investment volume in Latvia in the first three quarters of 2018 has exceeded 2017 full-year results by one-third. Prime yields remained stable, with a slight compression recorded in the office segment.

The Lithuanian investment market remained buoyant, with investment volume of ca EUR 109m in 3Q 2018, driven strongly by the office segment. DAO Family Office acquired two newly-constructed Class A office centres - Arka BC in Kaunas for EUR 20m and Park Town BC stage I in Vilnius for EUR 19m - and concluded a pre-agreement for the acquisition of Park Town BC stage II, due to be completed in 2019. Lords LB acquired the Lietuvos Energija HQ in Vilnius for EUR 20m. As a result, prime office yields compressed by 25 bps, while other real estate segments recorded calmer investment activity and maintained stable yields.

Portfolio activities

The properties in East Capital Baltic Property Fund (the fund) continue their stable operations.

The average rent across the portfolio for the first quarter of financial year 2018/19 was EUR 6.3/sqm/mo. The average rent is slightly volatile during the year due to turnover rents paid by the hotels in Q2 and Q4, and is expected to conclude on average at EUR 6.7/sqm/mo in the current financial year, similar to last year excluding divested properties.

The aggregated economic vacancy rate ended at 8%. Most properties in the fund continue to operate with low vacancy, and vacancy is somewhat higher only in secondary locations, where demand from tenants is weaker. The management team is working to restore close to full occupancy levels in the Tammsaare and Jin office buildings, where vacancy has temporarily increased after decreased area or lease maturity of key tenants.

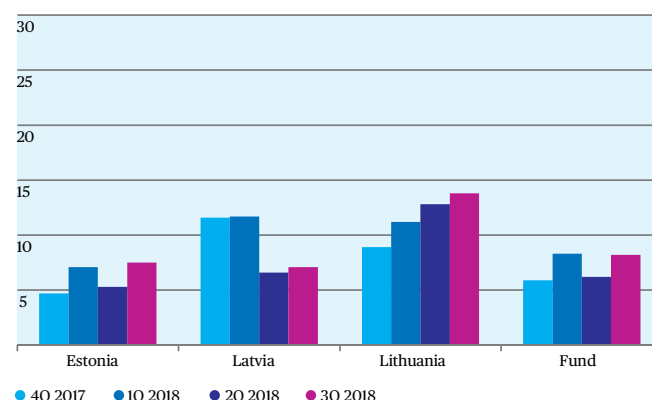
The fund's Annual General Meeting will take place on 9 November 2018. The management team will present the 2017/18 financial year results, the goals for the next financial year as well as the longer strategy until fund maturity in 2022.

The Board of Directors of the fund proposes a dividend distribution of EUR 2.76m to the Annual General Meeting, enabling a dividend of EUR 25 per share of 5% of initially-committed equity in East Capital Baltic Property Investors.

The management team continues the divestment preparations of Latvian and Lithuanian properties, in line with the strategic target to focus on the Estonian portfolio. For the Estonian portfolio focus is on lease out activity including renewal of leases to decrease the vacancy and increase the net operating income of the portfolio.

The largest investment plan in the coming financial year is Jewe shopping centre extension, including also all-over refreshment of common areas, improvement of internal layout (especially accessibility to second floor) and strengthening the tenant mix. The planned extension of gross leasable area is approximately 1,000 sqm with expected increase in rental income of +10%, but the key goal of the works is to modernize the shopping centre and maintain attractiveness.

Portfolio vacancy rate by rental value (%)

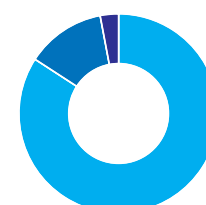


Sector Allocation
(% of property value)



Retail	35
Office	31
Hotel	18
Logistics	16

Country Allocation
(% of property value)



Estonia	85
Lithuania	13
Latvia	3

Financial overview

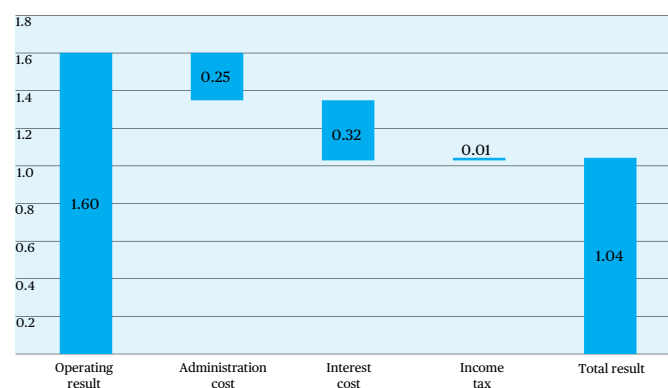
The net asset value of East Capital Baltic Property Investors AB (publ.) was EUR 443.19 as of 30 September 2018, an increase of 2.25% for the period July – September 2018, the first quarter of financial year 2018/19.

The rental income for the period was EUR 1.9m, remaining flat against same period a year ago (excluding divested properties). The gross profit concluded at EUR 1.6m. The administrative expenses are stable, at EUR 0.25 for the quarter. Interest costs totalled EUR 0.32m during the period. The syndicated loan covering the Estonian portfolio has a fixed interest rate until loan (and fund) maturity in 2022, increasing interest costs slightly in short term, but eliminating interest rate risk. The net profit for the period concluded at EUR 1.04m.

The investment properties as of 30 September 2018 totalled EUR 94.9m and the loan-to-value ratio of the portfolio concluded at 54% given the bank loan balance of EUR 51m.

The fund has EUR 6.6m of cash and cash equivalents as of 30 September 2018, of which EUR 2.76m is proposed to be paid out as dividend during 4Q 2018.

Result contribution (July – September 2018)



Properties in the portfolio

Property	Type	Location	GLA (m ²)
Estonia			84,932
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 Office	Office	Tallinn	8,771
GOSPA Hotel	Hotel	Kuressaare	6,610
Tallinn Seaport Hotel	Hotel	Tallinn	4,225
Tanassilma Industrial Park	Logistics	Tallinn	13,349
Metal Industrial Facility	Industrial	Maardu	8,943
Latvia			4,539
Zemitana Centrs	Office	Riga	4,539
Lithuania			14,907
Laracija Office	Office & retail	Klaipeda	6,964
Deco Furniture and Interior Centre	Retail	Klaipeda	4,340
Jin Centre	Office	Vilnius	3,603
All properties			104,378

EAST CAPITAL

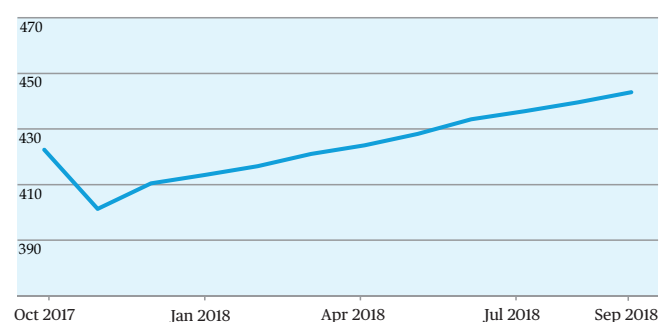
Baltic Property Fund
Quarterly Report
July – September 2018

Net Asset Value 12m rolling (EUR)

East Capital Baltic Property Fund Investors AB (30.09.2018)

NAV (EUR)	% 3 months	% YTD*	% 12 months*	% Since start*
443.19	2.25	2.25	11.77	14.24

* 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
July – September 2018

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

	Jul 2018 - Sep 2018	Jul 2017 - Sep 2017
Revenue	1,902	2,173
Direct expenses	-301	-392
Gross profit	1,601	1,781
Administrative expenses	-253	-263
Operating profit/loss	1,348	1,518
Interest income and similar profit/loss items	1	1
Interest expenses and similar profit/loss items	-319	-265
Profit/loss before income tax	1,030	1,254
Income tax	14	-
NET PROFIT/LOSS FOR THE YEAR/ TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,044	1,254
Earnings per share - Ordinary shares	189,43	227,52

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

	Jul 2018 - Sep 2018	Jul 2017 - Sep 2017
Earnings per share - Ordinary shares	9,73	11,44

Baltic Property Fund
Quarterly Report
July – September 2018

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

	30 Sep 2018	30 Sep 2017
ASSETS		
<i>Non-current assets</i>		
Investments properties	94,928	105,149
Equipment	14	16
Total non-current assets	94,942	105,165
<i>Current assets</i>		
Accounts receivable - trade	416	436
Other receivables	223	441
Accrued income and prepaid expenses	65	84
Cash and cash equivalents	6,657	6,807
Total current assets	7,361	7,768
TOTAL ASSETS	102,303	112,933
EQUITY AND LIABILITIES		
Equity		
Share capital	17	17
Other paid-in capital	42,084	44,846
Retained earnings	5,902	-3,015
Profit/loss for the period	1,044	1,254
TOTAL EQUITY	49,047	43,102
Liabilities		
<i>Non-current liabilities</i>		
Interest-bearing liabilities	38,124	16,449
Derivatives	96	-
Other liabilities	585	478
Deferred tax liabilities	692	895
Total non-current liabilities	39,497	17,822
<i>Current liabilities</i>		
Interest-bearing liabilities	13,193	51,245
Accounts payable - trade	289	257
Other liabilities	33	30
Current tax liabilities	-	67
Accrued expenses and deferred income	244	410
Total current liabilities	13,759	52,009
TOTAL EQUITY AND LIABILITIES	102,303	112,933

Baltic Property Fund
Quarterly Report
July – September 2018

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 2017	17	44,846	-3,015	41,848
Total comprehensive income			1,254	5,100
BALANCE AT 30 SEPTEMBER 2017	17	44,846	-1,761	43,102
Balance at 30 June 2018	17	42,084	5,902	48,003
Total Comprehensive Income			1,044	1,044
BALANCE AT 30 SEPTEMBER 2018	17	42,084	6,946	49,047
Reconciliation to Net Asset value				
Consolidated Equity above				49,047
SWAP				96
NET ASSET VALUE AT 30 SEPTEMBER 2018				49,143

Disclosure for segments - July 2018 - September 2018 - geographical areas in EUR'000

	Estonia	Latvia	Lithuania	Unallocated	Group
Total gross income	1,497	92	313	-	1,902
Income from sales	1,497	92	313	-	1,902
Depreciation of tangible fixed assets	-	-	2	-	2
Operating profit/loss	1,285	31	133	-101	7,039
Net financial income/expenses					1,721
Profit/loss before tax					8,760
Income tax					157
PROFIT/LOSS FOR THE PERIOD					8,917
Assets	86,689	2,687	12,376	551	102,303
- where of Investment properties	80,478	2,580	11,870	-	94,928
Liabilities	40,875	2,501	9,822	58	53,256

Baltic Property Fund
Quarterly Report
July – September 2018

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

	Jul 2018 - Sep 2018	Jul 2017 - Sep 2017
<i>Cash flows from operating activities</i>		
Operating profit/loss for the period	1,348	1,518
Depreciation	-2	1
Interest paid	-270	-265
Cash flows from current operations before changes in working capital	1,076	1,255
Increase (-)/decrease (+) in accounts receivables	263	159
Increase (-)/decrease (+) in other current receivables	70	26
Increase (+)/decrease (-) in accounts payable	166	57
Increase (+)/decrease (-) in other current op. liabilities	-173	-6
Cash flows from operating activities	1,402	1,491
<i>Cash flows from investing activities</i>		
Repayments of borrowings	-645	-671
Repayment of shareholders contribution	-	-
Cash flows from investment activities	-645	-671
Cash flow for the year	757	820
Cash and cash equivalents at beginning of the year	5,900	5,987
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	6,657	6,807

Fund Summary

	30 Sep, 2018 EUR '000	30 Sep, 2018 % Committed Capital	30 Sep, 2017 EUR '000	30 Sep, 2017 % 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	94,928		108,437	
Other assets	7,375		7,784	
Liabilities	-53,256		-69,831	
TOTAL NET ASSET VALUE	49,047		46,390	

Important Notice

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