



Macro overview

Due to recovering global trade and supportive domestic demand, GDP grew remarkably in all three Baltic countries in 2017 – real GDP growth was 4.9% in Estonia, 4.5% in Latvia and 3.8% in Lithuania, fastest in recent years. The outlook for 2018 remains optimistic, although more conservative than the great performance of 2017.

The labour force participation rate reached its highest level for the last 20 years in Estonia in 2017, as the annual average unemployment rate concluded at 5.8%. The annual unemployment rate was 8.8% in Latvia, and 7.1% in Lithuania, declining by 0.9% and 0.8% respectively compared to 2016.

In 2017, annual inflation (HICP) in Estonia stood at 3.7%, compared with 0.8% in 2016. In Latvia, inflation increased to 2.9% in 2017, from 0.1% in 2016 and in Lithuania, it rose to 3.7% in 2017, from 0.7% in 2016.

The Economic Sentiment Indicator (ESI) in Estonia worsened compared to November 2017 by 1.8 points, and stood at 106.1 points in February 2018, driven by a decrease in sentiment in all business sectors except for retail trade. The ESI in Latvia worsened by 0.3 points since November 2017, to 107.0 points in February 2018, driven mostly by the worsening in sentiment in industry. In Lithuania, the ESI improved to 111.0 points in February 2018 (+2.5 points since November 2017), driven by increase in sentiment in all business sectors except for industry.

Key economic figures FY 2017	Estonia, %	Latvia, %	Lithuania, %
GDP growth	4.9	4.5	3.8
Unemployment	5.8	8.8	7.1
Inflation (HICP)	3.7	2.9	3.7

Property market

Development on the Tallinn office market remains active, with a total area of approx. 120,000 sqm under construction in March 2018. In 1Q 2018, the Lõdtsa 12 office building in Ülemiste City and Flora Maja office building in the Kristiine city district of Tallinn were completed, while several other projects, such as Zenith BC in the CBD and Järvevana 7b, are in the completion phase. Construction work was started on the Eesti Meedia HQ, with total GLA of 14,040 sqm, in the Fahle Park commercial-residential district in the city centre. Demand for new office premises remains buoyant, pushing down the vacancy rate in new office buildings. Take-up activity in Tallinn is mainly driven by the IT and communication sectors.

In the Riga retail market, 121,000 sqm of total leasable office space is in the active construction stage. After the start of the liquidation process of ABLV Bank, the future of the multifunctional project New Hanza City remains uncertain. Companies providing professional services are showing most demand and signed the largest lease transactions in 1Q 2018, and the interest to establish shared service centres in the Baltics is picking up. Nevertheless, total take-up of professional office space reached 3,890 sqm, which is nearly half of the 4Q 2017 figure. Rental rates remained stable, while vacancy decreased in Class A properties and increased in Class B projects, respectively.

In Vilnius, the first stage of Park Town BC (GLA 7,190 sqm) was commissioned in 1Q 2018. Following the record-breaking number of office spaces leased in 2017, demand for office space remained strong. SEB Bank signed a pre-lease agreement for a 10,000 sqm office in a business centre developed by Lords LB next to Konstitucijos Avenue. The development market was nonetheless intense, with GLA of over 120,000 sqm under construction. Robust demand decreased vacancy in both the Class A and B segments. Notably, in Class A business centres, vacancy reached only 0.6%. In 1Q 2018, rental rates remained stable compared to year-end 2017.

The retail development market remains active in Tallinn, with a total area of ca 110,000 sqm under construction in March 2018. The most notable include the T1 Mall of Tallinn shopping centre, the Porto Franco commercial centre, the expansion of Ülemiste Centre and the renovation of Kristiine. The start of construction work on several other previously announced retail development projects is being postponed, mostly as the potential tenants are more cautious to sign leases due to intensifying competition and a decline in shopper footfall, a trend that started in 2HY 2017 and continues in early 2018.

The Riga retail market remained stable in 1Q 2018. Approximately 72,000 sqm of retail space is planned to be commissioned by the end of 2018, of the more than 167,000 sqm under construction, including the Akropolis shopping centre development as the largest newcomer to market. Retail premises remain in demand as new international brands open stores in shopping centres and existing retailers expand their premises. In March 2018, Pepco, a Polish household goods retail chain as yet not present on the market, opened its first store in Mežciems. Rental rates in shopping centres remained stable, with some decrease in vacancy rates. A slight increase in rental rates was observed in high street retail.

The Vilnius retail development market saw a quite tranquil start to the year. Nevertheless, the rest of the year is expected to be more dynamic, with the completion of two Depo DIY stores and the VNO Business & Retail Park (stage I) for Decathlon. At the same time, demand for retail space remains high. For example, the new Vilnius Outlet project is successfully collecting pre-lease agreements. High street retail developed as Sportland opened a 1,200 sqm store at Gedimino Avenue 20. People Fitness expanded with the opening of its second fitness club (2,000 sqm) in Vilnius. Limited new retail development resulted in vacancy and rental rates remaining at similar levels to year-end 2017.

The industrial segment remains active in Tallinn and its suburbs in terms of new developments, with a total area of approx. 124,000 sqm under construction in March 2018. This includes several medium-scale development projects, such as the new Omniva

Market tendencies 1Q 2018	Estonia Retail Office		Latvia Retail Office		Lithuania Retail Office	
Construction	→	→	→	→	→↗	→
Supply	→	→↗	→	→	→	→↗
Demand	→↘	→	→	→	→↗	→
Rental rate	→	→	→	→	→	→
Vacancy	→↗	→	→↘	→↘	→	→↘
Yield	→↘	→	→	→	→	→
Total investment volume	→		→		→↘	

logistics centre, phase III of Smarten Logistics, phase II of Lookivi Park and the Peterburi tee 49 building in Tallinn. Rental rates in the warehouse and industrial segment remain under downward pressure, although vacancy rates continue to tighten, resulting in the shortage of vacant space in the size range starting from 3,500 sqm.

The Riga industrial market remained largely unchanged throughout 1Q 2018, with no new additions to stock. While 57,700 sqm of industrial space is under construction and more than 220,000 sqm is in the planning stage. Due to the lack of new industrial premises, tenants expand within their existing locations and the total take-up of 7,400 sqm consisted of expansion agreements by existing tenants. Vacancy rates continued to decrease in Q1. However, the lower margin of rental rates for Class A industrial space, as well as the upper margin of rental rates for Class B premises, experienced a slight increase.

In 1Q 2018, the M7 LC (GBA of 8,700 sqm), developed by Avisma for own use and speculatively, was completed in Vilnius. GBA of 55,500 sqm remains under construction, mostly dominated by built-to-suit projects. Exports, industrial production and manufacturing are showing growth compared to the corresponding period of the previous year, securing demand for industrial premises. Vacancy slightly decreased compared to year-end 2017, while rental rates remained stable.

Total known investment volume in Tallinn in 1Q 2018 amounted to ca EUR 76m, driven mostly by the office segment - EfTEN Capital acquired the Marienthal commercial centre with GLA of 13,426 sqm for more than EUR 24m, Capital Mill acquired the new office building Järvevana tee 7b and Fausto acquired the Maakri 23a office building. Additionally, Baltic Horizon finalised the acquisition of the Postimaja shopping centre, located in Tallinn CBD, for EUR 34.4m. Prime yields remained stable in 1Q 2018.

Total investment volume in Latvia amounted to EUR 36m in 1Q 2018. Swedish investment company Eastnine AB acquired Alojas Biznesa Centrs, a Class A office project, from LNK Group for EUR 24.8m. Prime yields across all segments remained stable.

The Lithuanian investment market was quite calm at the beginning of the year, with most activity in the industrial segment. Ogmios real estate sold Business Park Vilija (stage I, GBA of 21,000 sqm), located in Vilnius, to KS Investicija (related to the tenant Eugesta). Also, Lietuvos Energija sold an educational centre and a dormitory situated in Vilnius to Roko turtas for EUR 3.3m. Prime industrial yields slightly compressed, while prime office and retail yields remained unchanged compared to year-end 2017.

Portfolio activities

The properties in East Capital Baltic Property Fund (the fund) continue their stable operations. The average rent for 1Q 2018 was EUR 6.5/sqm/mo and the aggregated vacancy rate of the properties across all Baltic countries was slightly higher than normal, at 8%.

At the Tammsaare office building, an agreement with a tenant terminated at the end of February. But other tenants are relocating and expanding, leaving ca 10% of area vacant after changes are implemented. The management team aims to lease out these vacant premises at a market rent level of EUR 9.5/sqm/m during the coming quarters.

In the Metal property, ca 70% of area (including all production areas) has been leased out, after the property was left vacant in June 2017. The average rent of the new leases is EUR 4.3/sqm/mo and corresponds to the market level.

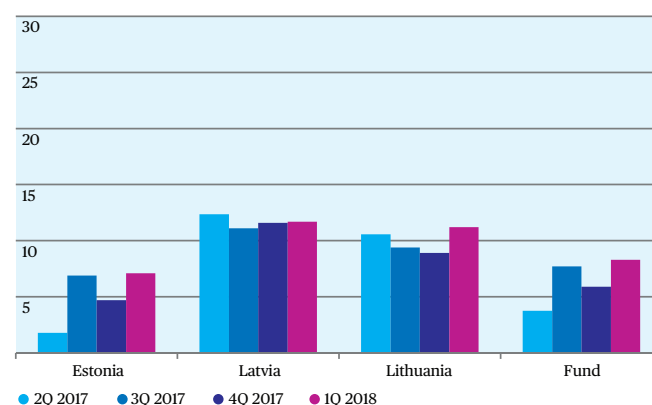
In Tānassilma, a lease with one of the anchor tenants was prolonged by two years at its current expiry, the end of February 2018, and the property continues to operate fully leased with a strong cash flow.

The loan portfolio already includes three long-term loans with maturity in June 2022. The management team targets to prolong all the loans in the Estonian portfolio to a similar term to match the fund term in July 2022, and is currently negotiating the prolongation or refinancing of the loans, where the current maturity is June 2018.

Mandates have been given to advisors to divest the Latvian and Lithuanian properties in the fund. The first results are expected in the second half of 2018.

In January 2018, East Capital announced a liquidity event in which investors interested in buying or selling shares in East Capital Baltic Property Investors would be matched on a best efforts basis at EUR 355/share (13.5% discount on the NAV share price of 31 December 2017). The liquidity event was completed in February 2018 and approximately 9,000 shares changed ownership, representing -11% of the shares of East Capital Baltic Property Investors AB.

Portfolio vacancy rate by rental value (%)

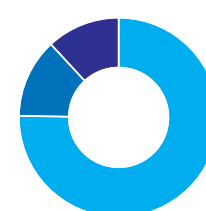


Sector Allocation
(% of property value)



Office	38
Retail	32
Hotel	16
Logistics	14

Country Allocation
(% of property value)



Estonia	76
Latvia	13
Lithuania	12

Financial overview

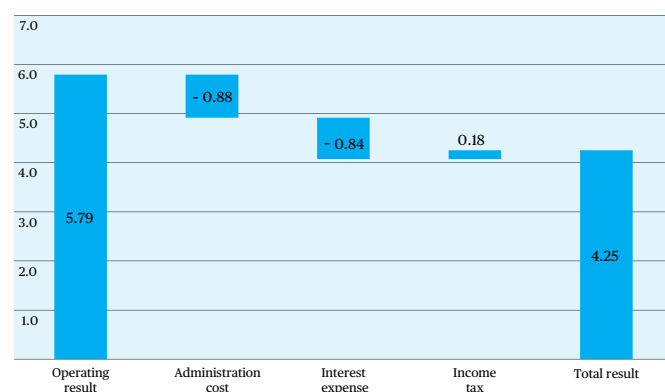
The net asset value of East Capital Baltic Property Investors AB (publ.) was EUR 421.04 as of 31 March 2018, an increase of 9.47% for the period July 2017 – March 2018.

The rental income for the period was EUR 7.1m, compared to EUR 7.3m 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 4.9m, compared to EUR 4.5m for the same period a year ago. Interest costs totaled EUR 0.84m during the period July 2017 – March 2018, decreasing by 20% compared to the same period last year. The net profit for the period concluded at EUR 4.25m.

The investment properties as of 31 March 2018 totaled EUR 105.1m, and the bank loan balance of EUR 66.4m represents a loan-to-value of 63%. Excluding the Dantes property, where loan-to-value is above 100%, the portfolio loan-to-value is 56%.

The fund has EUR 5.28m of cash and cash equivalents as of 31 March 2018.

Result contribution (YTD financial year 2017/18 (July 2017-March 2018))



Properties in the portfolio

Property	Type	Location	GLA (m ²)
Estonia			84,482
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	17,280
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	Rīga	4,539
Dantes Nami	Office	Rīga	7,224
Lithuania			14,922
Laracija Office	Office & retail	Klaipėda	6,964
Deco Furniture and Interior Centre	Retail	Klaipėda	4,355
Jin Centre	Office	Vilnius	3,603
All properties			111,167

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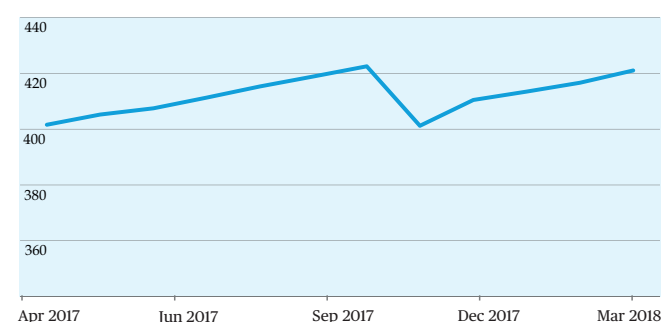
Baltic Property Fund
Quarterly Report
January – March 2018

Net Asset Value 12m rolling (EUR)

East Capital Baltic Property Fund Investors AB (31.03.2018)

NAV (EUR)	% 1 month*	% YTD*	% 12 months*	% Since start*
421.04	2.58	9.47	12.22	9.81

* 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
January – March 2018

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

	Jul 2017 - Mar 2018	Jul 2016 - Mar 2017
Revenue	7,101	7,331
Direct expenses	-1,307	-1,710
Gross profit	5,794	5,621
Administrative expenses	-879	-1,150
Operating profit/loss	4,915	4,471
Interest income and similar profit/loss items	-	279
Interest expenses and similar profit/loss items	-843	-1,045
Profit/loss before income tax	4,072	3,705
Income tax	182	-
NET PROFIT/LOSS FOR THE YEAR/ TOTAL COMPREHENSIVE INCOME FOR THE YEAR	4,254	3,705
Earnings per share - Ordinary shares	771,92	672,47

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

	Jul 2017 - Mar 2018	Jul 2016 - Mar 2017
Earnings per share - Ordinary shares	38,58	32,80

Baltic Property Fund
Quarterly Report
January – March 2018

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

	31 Mar 2018	31 Mar 2017
ASSETS		
<i>Non-current assets</i>		
Investments properties	105,149	104,940
Other long-term assets	-	220
Equipment	14	6
Total non-current assets	105,163	105,166
<i>Current assets</i>		
Accounts receivable - trade	655	487
Other receivables	223	128
Accrued income and prepaid expenses	255	128
Cash and cash equivalents	5,284	5,683
Total current assets	6,417	6,426
TOTAL ASSETS	111,580	111,592
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	4,254	3,705
TOTAL EQUITY	43,340	40,453
Liabilities		
<i>Non-current liabilities</i>		
Interest-bearing liabilities	16,452	38,549
Derivatives	53	-
Other liabilities	573	455
Deferred tax liabilities	694	807
Total non-current liabilities	17,772	39,811
<i>Current liabilities</i>		
Interest-bearing liabilities	49,943	30,427
Accounts payable - trade	391	541
Other liabilities	73	31
Accrued expenses and deferred income	61	329
Total current liabilities	50,468	31,328
TOTAL EQUITY AND LIABILITIES	111,580	111,592

Baltic Property Fund
Quarterly Report
January – March 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 2016	17	49,915	-8,115	41,817
Repayment of shareholders contribution		-5,069	-	-5,069
Total comprehensive income			3,705	3,705
BALANCE AT 31 MARCH 2017	17	44,846	-4,410	40,453
Balance at 30 June 2017	17	44,846	-3,015	41,848
Repayment of shareholders contribution		-2,762	-	-2,762
Total Comprehensive Income			4,254	4,254
BALANCE AT 31 MARCH 2018	17	42,084	1,239	43,340

Reconciliation to Net Asset value

Consolidated Equity above	43,340
Revaluation of property values to loan values	3,288
Other year-end adjustments	53
NET ASSET VALUE AT 31 MARCH 2018	46,681

Disclosure for segments - July 2017 - March 2018 - geographical areas in EUR'000

	Estonia	Latvia	Lithuania	Unallocated	Group
Total gross income	4,922	1,142	1,037	0	7,101
Income from sales	4,922	1,142	1,037	0	7,101
Depreciation of tangible fixed assets	0	0	-3	0	-3
Operating profit/loss	4,132	461	522	-200	4,915
Net financial income/expenses					-843
Profit/loss before tax					4,072
Income tax					182
PROFIT/LOSS FOR THE PERIOD					4,254
Assets	84,699	12,936	12,769	1,176	111,580
- where of Investment properties	79,420	13,459	12,270	-	105,149
Liabilities	41,746	16,519	10,073	98	68,240

Baltic Property Fund
Quarterly Report
January – March 2018

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

	Jul 2017 - Mar 2018	Jul 2016 - Mar 2017
<i>Cash flows from operating activities</i>		
Operating profit/loss for the period	4,915	4,471
Depreciation	3	2
Interest received	-	2
Interest paid	-790	-1,045
Income tax paid	-	-75
Cash flows from current operations before changes in working capital	4,128	3,355
Increase (-)/decrease (+) in accounts receivables	-60	157
Increase (-)/decrease (+) in other current receivables	73	-51
Increase (+)/decrease (-) in accounts payable	45	-514
Increase (+)/decrease (-) in other current op. liabilities	-156	-73
Cash flows from operating activities	4,030	2,874
<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	-1,971	-1,808
Repayment of shareholders contribution	-2,762	-5,069
Cash flows from financing activities	-4,733	-6,877
Cash flow for the year	-703	-4,223
Cash and cash equivalents at beginning of the year	5,987	9,906
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	5,284	5,683

Fund Summary

	31 Mar, 2018 EUR '000	31 Mar, 2018 % Committed Capital	31 Mar, 2017 EUR '000	31 Mar, 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	 108,437		 108,711	
Other assets	6,160		6,393	
Liabilities	-67,916		-71,100	
TOTAL NET ASSET VALUE	46,681		44,004	

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.