

EAST CAPITAL

Baltic Property Fund
Quarterly Report
October - December 2016

Macro overview

GDP in Estonia accelerated by 1.3% in 3Q 2016 y-o-y, driven mostly by increased value added in the trade and information/communication sectors. GDP in Latvia increased by 0.3% y-o-y in Q2, still mainly driven by growth in manufacturing and trade activities. The GDP growth in Lithuania was 1.7% y-o-y in 3Q 2016, with strong growth recorded in several economic sectors.

Unemployment was 7.5% in Estonia and Lithuania in 3Q 2016. The unemployment rate in Latvia remained at 9.5% in Q3, a similar level to previous quarters.

Inflation (calculated as a harmonized index of consumer prices) remained low in 3Q 2016 - 1.2% in Estonia, 0.2% in Latvia and 0.4% in Lithuania.

The Economic Sentiment Indicator (ESI), which observes the confidence change in the industrial, services, retail trade and construction sectors, as well as amongst consumers, improved in Estonia during 4Q 2016 in all sectors except industries, and concluded at 104.0 points in December 2016. In Latvia, the ESI decreased slightly, from 105.1 points in September 2016 to 104.2 points by December 2016, with the main decrease registered in consumer confidence. In Lithuania, the ESI maintains an upward trend and concluded at 110.8 points at year-end, compared to 106.8 points in September 2016, with the services sector contributing the most to increased confidence.

| Key economic figures 3Q 2016 | Estonia, % | Latvia, % | Lithuania, % |
|------------------------------|------------|-----------|--------------|
| GDP growth | 1.3 | 0.3 | 1.7 |
| Unemployment | 7.5 | 9.5 | 7.5 |
| Inflation (HICP) | 1.2 | 0.2 | 0.4 |

Property market

Development on the Tallinn office market remains active, with a total area of approx 86,300 sqm under construction in December 2016. Approx 45,000 sqm of new speculative office space was delivered to the market in 2016. In 4Q 2016, several new buildings were completed in Tallinn - the Öpik Building (14,755 sqm) in Ülemiste City, the expansion of Ülemiste BC (+4,300 sqm), the Büroo 83 Office Building (4,300 sqm), Novira Plaza (4,300 sqm), the Pärnu 18 Business Centre and the R14 project in Rotermann Quarter. Rental rates in Q4 remained stable, although the upper and lower margins of asking rents continued to widen. Vacancy increased in the Class B segment due to the new supply and growing vacancy in older buildings.

In Riga, the Class B2 speculative office building with 2,000 sqm of leasable area at Mukusalas Street 42D was commissioned at the end of 2016. The construction of the next stage of Jauna Teika (GLA 15,200 sqm) and SC Akropole Riga with office area GLA 8,900 sqm has started. Total take-up of professional premises in 4Q 2016 amounted to approx 6,000 sqm, mostly driven by renewal of contracts in existing locations. However, demand is limited due to a shortage of vacant premises, especially larger ones. Rental rates remained at Q3 levels, while vacancy slightly decreased in the Class A segment.

In Vilnius, the construction of City BC (GLA 18,000 sqm) and Zalgirio 135 BC (GLA 7,200 sqm), and the reconstruction of Highway BC (GLA 4,900 sqm) were completed by year end. High levels of market activity are also foreseen for 2017, as ten speculative office projects with more than 90,000 sqm of leasable area are expected to be completed. Financial and ICT companies, such as Swedbank, Tele2 and Devbridge Group, remained the principal demand generators. Rental rates are currently stable, but a downward trend is expected next year due to the plentiful new supply. Vacancy decreased in the Class A segment, but increased in the Class B1 segment due to the new supply commissioned during Q4.

In 4Q 2016, two smaller shopping centres were opened in Tallinn - Arsenal Centre, with anchor tenant Selver, and Pirita Centre, with Rimi and MyFitness as anchors. In November 2016, Marks & Spencer announced plans to close 53 stores across 10 international markets, including Estonia, Latvia and Lithuania. In Tallinn there are two stores, in the Rocca al Mare and Kristiine shopping centres.

In Riga, the reconstruction of SC Galleria Riga was finalised in October 2016, where a new H&M store was opened. The reconstruction work in the SC Domina Shopping that also started in 2016 will continue throughout 1Q 2017. Also, Lithuanian developer Akropolis Group has started the preparatory construction work of SC Akropole Riga, which will become the largest shopping centre in Riga after its completion. In 4Q 2016, rental rates remained at the Q3 levels, while vacancy experienced a minor decrease and stood at 4.2%.

In Vilnius, the reconstruction work was finished on Outlet Park in 4Q 2016, resulting in the addition of 4,500 sqm of leasable area to the market. The retail market is facing growing competition due to the potential acquisition of the IKI grocery chain by RIMI. The Estonian health club chain MyFitness announced its entrance on the Lithuanian market in 2017, and at the same time, Lemon Gym will further expand by opening a new gym in Banginis SC during spring 2017. Rental rates in prime retail locations increased by up to 10%, while vacancy remained low due to continued strong demand.

The industrial segment remains active in Tallinn and its suburbs in terms of new developments, with a total area of approximately 123,000 sqm under construction in December 2016. In 2016, 162,220 sqm of new supply was delivered to the market. The production and manufacturing sector drove the demand, followed by wholesale and retail. In 2016, rental rates largely remained at the 2015 level, although downward pressure on rental rates intensified, while vacancy rates slightly increased, up to 7% by the end of 2016.

| Market tendencies 4Q 2016 | Estonia | | Latvia | | Lithuania | |
|------------------------------|---------|--------|--------|--------|-----------|--------|
| | Retail | Office | Retail | Office | Retail | Office |
| Construction | → | → | →↑ | →↑ | → | → |
| Supply | →↑ | →↑ | → | → | →↑ | →↑ |
| Demand | → | → | →↑ | → | → | → |
| Rental rate | → | → | → | → | →↑ | → |
| Vacancy | → | →↑ | →↓ | →↓ | → | →↑ |
| Yield | → | →↓ | →↓ | →↓ | →↓ | →↓ |
| Total investment volume | → | | → | | → | |

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No new industrial projects were completed in Riga in 4Q 2016, and leasing activity was limited by the scarce free space. Demand however, remains strong. Completion of eight new projects totalling 72,200 sqm is expected during 2017, and 120,100 sqm of leasable industrial space is currently in the planning stage, most of which will be speculative premises. Rental rates remained at Q3 levels, while vacancy increased, mostly on account of the decreased occupancy rate at Eirkel Business Park.

During 4Q 2016, the industrial stock in Vilnius was supplemented with a built-to-suit project for the pharmaceutical company Entafarma (GBA 5,600 sqm). Four speculative and built-to-suit projects with total area of 41,200 sqm remain under construction, with expected completion during 2017. Rental rates and vacancy remained largely stable.

Total known investment volume in Tallinn in 4Q 2016 amounted to EUR 81.7m, with the EUR 30.0m acquisition of the 9,670 sqm office building in the CBD, anchoring offices of the European Commission and of the European Parliament, being the most notable transaction. In December, Northern Horizon Capital acquired the newly-reconstructed Pirita shopping centre for EUR 12.2m, with a yield estimated at approximately 7.4%. Other transactions during 4Q included the sale of the Metalli Maja office building to Italian investors, the acquisition of DPD logistics centre in Rae municipality by United Real Estate Fund, and the sale of two hotels in Tallinn. Prime yields continue to remain under pressure, as supply of assets remains scarce.

In 4Q 2016, the investment market in Latvia slowed down, with quarterly investment volume of EUR 40m. However, the acquisitions of several properties initiated at the end of 2016 are expected to be closed in the first half of 2017. The most significant deals in Q4 included the acquisition of SC Atrium Azur and the sale of the Piepilsetas warehouse building with office premises in Kekava. Prime yields experienced a slight compression compared to Q3 levels.

The investment market in Lithuania remained active in 4Q 2016. EfTEN Capital acquired the Class B1 speculative office project L3 BC (GLA 6,250 sqm) in Vilnius from E.L.L. Kinnisvara. Lords LB Baltic Fund I sold off its last asset in the fund; Prisma in Kaunas. YIT Kausta Bustas acquired a part of the former Taurus brewery complex located in the capital city for EUR 6m from Aludariu Development, to develop a residential complex instead. In addition, the American fund CPA:17 - Global, managed by W. P. Carey Inc., entered the Lithuanian market with the acquisition of Senukai LC for EUR 69m. During 2015, prime yields in the office and retail segments compressed from 7.00% to 6.75%, and for industrial properties from 8.50% to 8.25%.

Portfolio activities

Properties in East Capital Baltic Property Fund continue their stable operations, with low vacancies and sustainable rental levels across the property portfolio. The average rental level for the portfolio for the first half-year of financial year 2016 was EUR 7.1/sqm, which is comparable with the same period in the previous financial year. While 5% of leasable area in sqm remains unlet at quarter-end, the

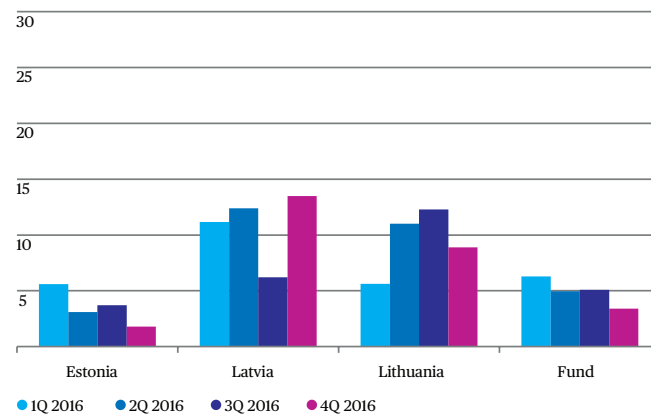
economic vacancy (in EUR) dropped to 3% of the total property portfolio.

Tallinn Seaport Hotel, operating its second year in the former Portus hotel building, continues its strong performance. Year-on-year for Apr-Dec 2016 vs Apr-Dec 2015, hotel turnover increased by 10%. The hotel was invoiced a IIHY2016 turnover rent in December, resulting in an annual turnover rent of +40% on top of base rent.

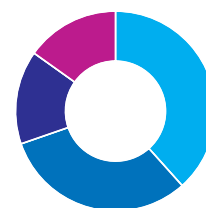
The GOSPA hotel maintains its solid market position amongst spa hotels in Estonia, and concluded its operations in 2016 with +3% growth in y-o-y turnover. Similarly, a turnover rent for IIHY 2016 was invoiced at year-end, resulting in an annual turnover rent of +60% on top of base rent.

In Kerese Commercial Centre, enlarged office premises have been prepared and handed over to the Unemployment Insurance Fund, with whom a 12-year lease prolongation was agreed earlier this year. The management has successfully managed to lease out most of the former Selver grocery areas, whereas several new retailers have opened their stores on the ground floor next to the new Rimi grocery store, and vacancy remains mostly in office or storage areas.

Portfolio vacancy rate by rental value (%)

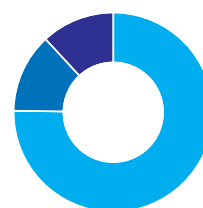


Sector Allocation
(% of property value)



| | |
|-----------|----|
| Office | 38 |
| Retail | 31 |
| Hotel | 16 |
| Logistics | 15 |

Country Allocation
(% of property value)



| | |
|-----------|----|
| Estonia | 76 |
| Latvia | 13 |
| Lithuania | 12 |

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The annual general meeting (AGM) of the fund was held on 1 December 2016, where the annual report for 2015/16 was approved, and management presented the portfolio performance, a forecast for 2016/17 and an exit strategy update.

Financial overview

The net asset value of East Capital Baltic Property Investors AB (publ.) was EUR 387.09 as of 31 December 2016, an increase of 4.24% year-to-date (from 1 July 2016) and 1.98% decrease since inception (both dividend adjusted performances).

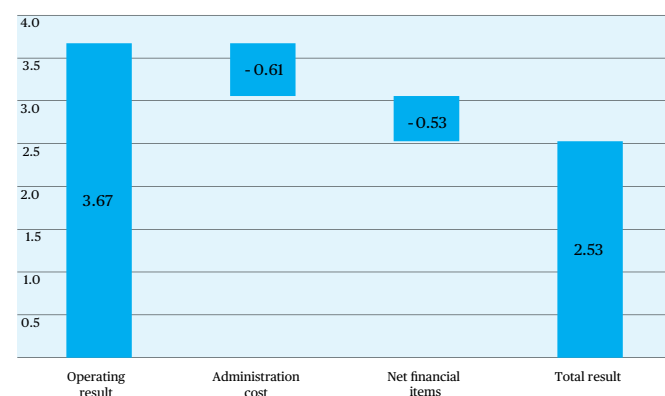
The rental income for the period July to December 2016 was EUR 5.0m, and remains on par with the same period of the previous year (on a comparable basis, excluding divested properties). Operating profit for the first half of the financial year 2016/17 was EUR 3.06m and net profit EUR 2.53m, which is -9% compared to the previous financial year, due to higher direct costs from reconstruction in the Kerese property.

Interest costs totalled EUR 0.72m during the period July-December 2016, and decreased by 19% compared to the same period last year, benefitting from negative floating rates on the market and matured swap agreements for three of the properties.

The investment properties as of 31 December 2016 totalled EUR 104.9m. The fund had EUR 69.5m in bank loans, representing a loan-to-value of 66%. Excluding the Dantes property, the loan-to-value is 59%.

The fund has EUR 4.9m of cash and cash equivalents as of 31 December 2016 (of which approx. EUR 1.0m is reserved for outstanding accounts payable and accrued current liabilities).

Result contribution (YTD, EURm)



Properties in the portfolio

| Property | Type | Location | GLA (m ²) |
|------------------------------------|-----------------|------------|-----------------------|
| Estonia | | | 84,469 |
| 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 |
| Latvia | | | 11,784 |
| Zemitana Centrs | Office | Riga | 4,539 |
| Dantes 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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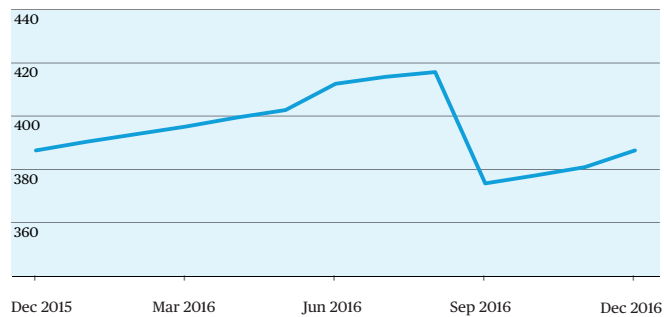
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Net Asset Value 12m rolling (EUR)

East Capital Baltic Property Fund Investors AB (31.12.2016)

| NAV (EUR) | % 1 month* | % YTD* | % 12 months* | % Since start* |
|-----------|------------|--------|--------------|----------------|
| 387.09 | 1.30 | 4.24 | 10.13 | -1.98 |

* 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 | 1.75% on net asset value |
| Structure | Closed-end fund structured as a Swedish limited liability company. The fund is prolonged until June 2017. |
| 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 - Dec 2016 | Jul 2015 - Dec 2015 |
|----------------------------------------------------------------------------------|---------------------|---------------------|
| Revenue | 4,963 | 5,167 |
| Direct expenses | -1,292 | -916 |
| Gross profit | 3,671 | 4,251 |
| Administrative expenses | -614 | -906 |
| Other operating income/expenses | 0 | 115 |
| Operating profit/loss | 3,057 | 3,460 |
| Interest income and similar profit/loss items | 187 | 216 |
| Interest expenses and similar profit/loss items | -716 | -888 |
| Profit/loss before income tax | 2,528 | 2,788 |
| Income tax | 0 | 0 |
| NET PROFIT/LOSS FOR THE YEAR/ TOTAL COMPREHENSIVE INCOME FOR THE YEAR | 2,528 | 2,788 |
| Earnings per share - Ordinary shares | 458,79 | 505,98 |

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

| | Jul 2016 - Dec 2016 | Jul 2015 - Dec 2015 |
|--------------------------------------|---------------------|---------------------|
| Earnings per share - Ordinary shares | 21,62 | 25,01 |

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

| | 31 Dec 2016 | 31 Dec 2015 |
|--------------------------------------|----------------|----------------|
| ASSETS | | |
| <i>Non-current assets</i> | | |
| Investments properties | 104,940 | 103,490 |
| Other long-term assets | 220 | 0 |
| Equipment | 6 | 8 |
| Other receivables | 0 | 11 |
| Total non-current assets | 105,166 | 103,509 |
| <i>Current assets</i> | | |
| Accounts receivable - trade | 852 | 778 |
| Other receivables | 143 | 139 |
| Accrued income and prepaid expenses | 93 | 131 |
| Cash and cash equivalents | 4,908 | 8,830 |
| Total current assets | 5,996 | 9,878 |
| TOTAL ASSETS | 111,162 | 113,387 |
| 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 | 2,528 | 2,788 |
| TOTAL EQUITY | 39,276 | 38,201 |
| Liabilities | | |
| <i>Non-current liabilities</i> | | |
| Interest-bearing liabilities | 38,690 | 40,068 |
| Derivatives | 0 | 103 |
| Other liabilities | 452 | 465 |
| Deferred tax liabilities | 807 | 761 |
| Total non-current liabilities | 39,949 | 41,397 |
| <i>Current liabilities</i> | | |
| Interest-bearing liabilities | 30,812 | 32,460 |
| Accounts payable - trade | 670 | 701 |
| Derivatives | 90 | 417 |
| Other liabilities | 20 | 22 |
| Current tax liabilities | 0 | 0 |
| Accrued expenses and deferred income | 345 | 189 |
| Total current liabilities | 31,937 | 33,789 |
| TOTAL EQUITY AND LIABILITIES | 111,162 | 113,387 |

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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 | | | 2,788 | 2,788 |
| BALANCE AT 31 DECEMBER 2015 | 17 | 49,915 | -11,731 | 38,201 |
| 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 |
| Reconciliation to Net Asset value | | | | |
| Consolidated Equity above | | | | 39,276 |
| Revaluation of property values to loan values | | | | 3,551 |
| Interest swap not in NAV balance, net of tax | | | | 90 |
| NET ASSET VALUE AT 31 DECEMBER 2016 | | | | 42,917 |

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

| | Estonia | Latvia | Lithuania | Unallocated | Group |
|---------------------------------------|---------|--------|-----------|-------------|--------------|
| Total gross income | 3,544 | 750 | 669 | 0 | 4,963 |
| Income from sales | 3,544 | 750 | 669 | 0 | 4,963 |
| Depreciation of tangible fixed assets | 0 | -1 | 0 | 0 | -1 |
| Operating profit/loss | 2,773 | 379 | 312 | -407 | 3,057 |
| Net financial income/expenses | | | | | -529 |
| Profit/loss before tax | | | | | 2,528 |
| Income tax | | | | | 0 |
| PROFIT/LOSS FOR THE PERIOD | | | | | 2,528 |
| Assets | 84,859 | 13,504 | 12,650 | 149 | 111,162 |
| - where of Investment properties | 79,450 | 13,250 | 12,240 | 0 | 104,940 |
| Liabilities | 43,739 | 17,235 | 10,622 | 286 | 71,882 |

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

| | Jul 2016 - Dec 2016 | Jul 2015 - Dec 2015 |
|-----------------------------------------------------------------------------|---------------------|---------------------|
| <i>Cash flows from operating activities</i> | | |
| Operating profit/loss for the period | 3,057 | 3,460 |
| Depreciation | 0 | 1 |
| Interest received | 0 | 3 |
| Interest paid | -716 | -885 |
| Income tax paid | -73 | -107 |
| Cash flows from current operations before changes in working capital | 2,268 | 2,472 |
| Increase (-)/decrease (+) in accounts receivables | -208 | -167 |
| Increase (-)/decrease (+) in other current receivables | -31 | -43 |
| Increase (+)/decrease (-) in accounts payable | -385 | -20 |
| Increase (+)/decrease (-) in other current op. liabilities | -71 | -418 |
| Cash flows from operating activities | 1,573 | 1,824 |
| <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 | -1,282 | -1,795 |
| Repayment of shareholders contribution | -5,069 | 0 |
| Cash flows from financing activities | -6,351 | -1,795 |
| Cash flow for the year | -4,998 | 4,640 |
| Cash and cash equivalents at beginning of the year | 9,906 | 4,190 |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | 4,908 | 8,830 |

Fund Summary

| | 31 Dec, 2016 EUR '000 | 31 Dec, 2016 % Committed Capital | 31 Dec, 2015 EUR '000 | 31 Dec, 2015 % 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 | 108,711 | | 107,636 | |
| Other assets | 6,002 | | 9,805 | |
| Liabilities | -71,796 | | -74,574 | |
| TOTAL NET ASSET VALUE | 42,917 | | 42,867 | |

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.