



Macro overview

GDP growth in 3Q 2018 was 4.2% in Estonia year-on-year, driven mostly by construction activity for the seventh quarter in row. GDP growth in Latvia was 4.7% in 3Q, also boosted by growth in construction, as well as transportation, manufacturing and IT. The GDP growth of 2.4% in Lithuania was influenced similarly by rapid growth in the construction sector.

In 3Q 2018, the highest unemployment rate among the potential workforce of 15-74 years was recorded in Latvia (7.0%). The lowest was in Estonia (5.2%), while in Lithuania it stood at 5.9%.

Inflation (HICP) in Estonia increased to 3.5% in 3Q 2018, compared with 3.3% in the previous quarter. In Latvia, it rose to 2.9% in 3Q from 2.4% in 2Q, and Lithuania saw a decline to 2.2% from 2.5%.

Key economic figures 3Q 2018	Estonia, %	Latvia, %	Lithuania, %
GDP growth	4.2	4.7	2.4
Unemployment	5.2	7.9	5.9
Inflation (HICP)	3.5	2.9	2.2

Property market

Development on the Tallinn office market remains active, with 12 projects with a total area of approximately 100,000 sqm under construction in December 2018. In 4Q 2018, Öpik House in Ülemiste City (leasable area 15,775 sqm of which >95% pre-leased), the WoHo Quarter project housing Estonian IT company Pipedrive, and I-Building in the Telliskivi Quarter were completed. Real estate development and construction company Kaamos is planning to start construction work on the first building in its Avala Quarter. Nearly 6,000 sqm of the total 10,000 sqm GLA will be leased to electricity network company, Elektrilevi. The vacancy rate in Class A buildings, which increased in 2Q 2018 due to the completion of the Maakri 19/21 high-rise office, decreased in 3Q and 4Q, showing a good absorption ratio of new office space.

Riga's office market remained stable in 4Q 2018, with no new additions to stock. The first half of 2019 is expected to be relatively active, with the commissioning of several projects, including Z-Towers (Class A, GLA 24,000 sqm), the first two buildings in Business Garden (speculative project, GLA 14,500 sqm) developed by Vastint in Mārupe, and some smaller projects. With several banks reducing their premises, vacancy levels are slightly increasing, although vacated premises are expected to be absorbed shortly.

In Vilnius, Business Stadium West BC (Class A), Duetto BC stage II (Class B1), as well as the reconstruction of Zveryno Verslo Fabrikas BC (Class B2) were completed in 4Q 2018. Projects with GLA of 148,600 sqm remain under construction as of the end of the quarter. The office lease market was largely driven by pre-lease agreements for new properties. Rental rates slightly increased for Class A office space, while vacancy increased due to the opening of new business centres.

In November 2018, the highly-anticipated T1 Mall of Tallinn was opened. This regional shopping centre with retail GLA over 52,500 sqm offers a large share of leisure and catering providers and various new fashion brands (Dixi, Vérenni, Miniso, United Colors of

Benetton, Piazza Italia, Intimissimi, Yamamay, Calzedonia, Douglas, Brums, Original Marines, Milani). Additionally, in 4Q 2018, 5 new grocery stores with over 12,600 sqm of new space were added to the market; Selver became the grocery anchor in T1 Mall of Tallinn and opened a new Kotka supermarket in Põhja-Tallinn city district; Rimi opened a new hypermarket on the outskirts of Tallinn and a smaller Karamelli Express store in the city centre, while Maxima opened a new store in the Pääsküla area. Activity in the retail segment is resulting in intensifying industry rivalry and an increase in vacancy rates.

The Riga retail market remained tranquil in 4Q 2018, although 2019 will start with the opening of the Akropole shopping centre, adding new brands, such as Van Graaf, to the market. New tenants are also expected at the existing shopping centres. It is still unclear how the opening of Akropole will affect other shopping centres, but vacancy in the retail segment has remained stable so far. Street retail activity is now driven by the opening of express grocery shops by market leaders Maxima and Rimi.

In the Vilnius retail market, the 5,000 sqm VNO Business & Retail Park was completed for the first Baltic Decathlon store. In addition, two new health club chains started activities in Vilnius: the Estonian MyFitness, with a 1,500 sqm health club, and Hobby Fitness, with a 1,350 sqm health club, while a new concept SportsDirect.com store (1,860 sqm) opened at Gedimino Ave. 20. Vacancy in major shopping centres remained low, while rental rates continued to fluctuate in the same range.

The industrial segment remains active in Tallinn and its suburbs in terms of new developments, with a total area of approx. 101,500 sqm under construction in December 2018. Smarten Logistics phase III (12,500 sqm) was completed in 4Q and the construction work on the new Eugesta LC (9,960 sqm) started. Rental rates continue to fluctuate largely between 3.5-4.8 EUR/sqm, while vacancy stood at 4.2% at the end of 2018.

New supply delivered to the Riga industrial market reached 54,000 sqm in 2018, although no new projects were started in 4Q 2018. The absorption ratio of industrial stock almost doubled compared to the previous year, with vacancy decreasing to 1.3% by the end of the year. In 2019, new supply of industrial space is expected to increase twofold compared to 2018, but no significant increase in vacancy is expected due to a buoyant demand. LIDL announced construction of its logistics centre in Riga, investing more than EUR 42m in total.

The owner-occupied Libra Vitalis warehouse (GBA 12,650 sqm) was completed in the Vilnius industrial market during 4Q 2018. The development market was active, with GBA of 75,700 sqm under

Market tendencies 4Q 2018	Estonia Retail Office		Latvia Retail Office		Lithuania Retail Office	
Construction	→	→ ↓	→	→	→ ↓	→ ↑
Supply	→ ↑	→ ↑	→	→	→ ↑	↑
Demand	→ ↓	→	→	→	→	→ ↑
Rental rate	→ ↓	→	→	→	→	→
Vacancy	↑	→	→ ↓	→ ↑	→	→ ↑
Yield	→	→	→	→	→	→
Total investment volume	→ ↓		→ ↑		→	

construction at the end of the quarter. Rental rates remained steady compared to the previous quarter, a trend expected to continue in 2019. Vacancy decreased below 2% by the end of 2018, although a minor upward correction is expected due to new speculative supply.

In 4Q 2018, total known investment volume in Estonia amounted to only ca EUR 38m. Kadrioru Business Centre, a complex of four buildings completed in 2016, with GLA 6,600 sqm, was acquired by EfTEN Capital. Other notable deals in 4Q included the acquisition of the Lökke 4 office building by investment firm Colonna, the sale of the AQ Lasertool production building at Kodara 7 in Pärnu by United Real Estate Fund MASF and the acquisition of the Tempo Centre in Narva (anchored by Asko and Sotka) by OG Elektra (planned Grossi grocery store). Prime yields remained rather stable, although there is an upward pressure due to more tight financing conditions.

Investment volume in Latvia amounted to ca EUR 300m in 2018, showing almost a two-fold increase on the previous year's result. The most notable deal in 4Q was the third purchase by SG Capital in Latvia - the Skanstes Biroji Class B office complex consisting of 8 buildings. Even though the number of investment deals has decreased in recent months, the investment market remains active, with several large deals expected to be closed during 2019. Significant activity is being observed in the development segment, so there is a chance that more investment-grade properties will enter the market in the years ahead. Prime yields remained stable at the end of the year.

The Lithuanian investment market remained active in 4Q 2018, with investment volume amounting to ca EUR 90m, driven strongly by the retail segment. EfTEN Capital acquired the Ryo SC in Panevezys for EUR 47m, while Groa Capital acquired two Rimi stores in Vilnius and Kaunas. In the office segment, Mikrovisata Business Centre in Kaunas was sold for EUR 5.2m, and administrative premises in the former Snoras HQ in Vilnius for EUR 4.3m. Investment in other commercial property segments remained calm at the end of the year. In 4Q, prime yields witnessed stability compared to the previous quarter.

Portfolio activities

The properties in East Capital Baltic Property Fund (the fund) continue their stable operations. The average rent across the portfolio for the period October - December 2018 was EUR 7.8/sqm/mo, benefitting from hotel turnover rents taken into account in December 2018. Both GOSPA Hotel in Saaremaa and Seaport Hotel in Tallinn maintained their market position and posted stable slightly increasing results for 2018.

Most properties in the fund continue to operate with low vacancy, with higher vacancy in secondary location office buildings, where demand from tenants is weaker. The management team is working to restore 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 took place on 9 November 2018, at which the 2017/18 financial year results were reviewed, and the annual report was approved. The management team also presented the plans for the fund for the coming financial years, as

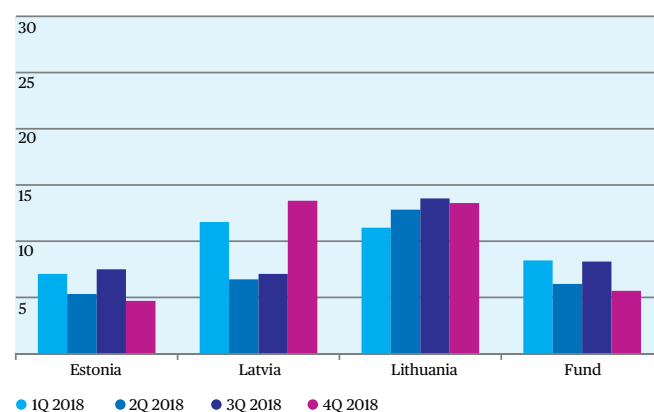
well as until the fund maturity, in line with the strategy presented previously.

The management team continues the divestment preparations for Latvian, Lithuanian and some Estonian properties, in line with the strategic target to optimise the portfolio and focus on good properties, primarily in Estonia. For the Estonian portfolio, the focus is on investing where needed to add value and secure and maximise the future cash flow of existing properties.

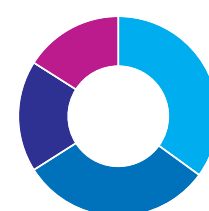
Preparations are ongoing for the upgrade of the Jewe shopping centre. The project includes extension of the ground floor retail area, refreshment of common areas, improvement of internal layout and accessibility to the second floor, and strengthening the tenant mix. The key goals of the project are to modernise the shopping centre, increase attractiveness, secure anchor tenants and future cash flow in light of competition from new shopping centres planned in the city.

The Annual General Meeting of the fund, held in November 2018, approved a dividend payment of EUR 2.76m, enabling a dividend distribution of EUR 25 per share or 5% of initially committed equity in East Capital Baltic Property Investors AB. The dividend is equal to distribution in November 2017. The intention is to continue paying an annual dividend in the coming financial years, although the size of the dividend might be affected by the investment plans in the properties.

Portfolio vacancy rate by rental value (%)

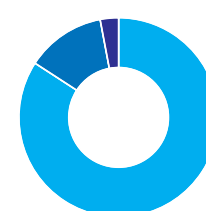


Sector Allocation
(% of property value)



● Retail	35
● Office	31
● Hotel	18
● Logistics	16

Country Allocation
(% of property value)



● Estonia	85
● Lithuania	13
● Latvia	3

EAST CAPITAL

Baltic Property Fund
Quarterly Report
October – December 2018

In line with the liquidity event held in 1Q 2018, East Capital announced a second liquidity event in January 2019, in which investors interested in buying or selling shares in East Capital Baltic Property Investors AB will be matched on a best effort basis at EUR 355 per share (same price as in 2018). Registrations were taken until 1 February 2019 and the subsequent transactions will take place during February.

Financial overview

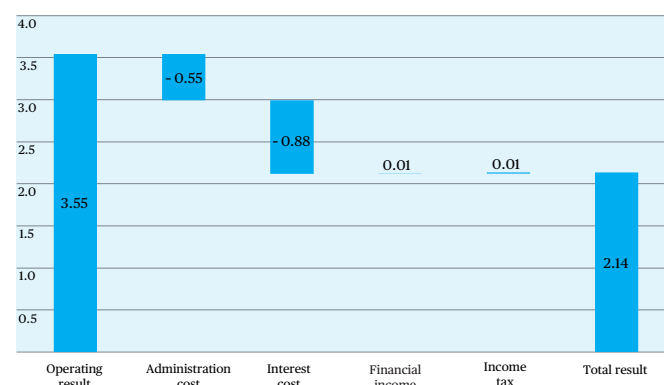
The net asset value of East Capital Baltic Property Investors AB (publ.) was EUR 429.89 as of 31 December 2018, an increase of 2.64% for the period October - December 2018 and 4.94% y-t-d from July 2018. Performance has been adjusted with the dividend payment in 4Q 2018.

The rental income for the period was EUR 4.2m, decreasing slightly compared to the same period a year ago (excluding divested properties), due to vacancy increases in some properties. Gross profit concluded at EUR 3.5m. The administrative expenses of the fund and property companies are stable, at EUR 0.55 for the first half of the 2018/19 financial year. Interest costs totalled EUR 0.88m 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 the short term, but eliminating interest rate risk. The net profit for the period concluded at EUR 2.14m

The investment properties as of 31 December 2018 totalled EUR 94.9m and the loan-to-value ratio of the portfolio concluded at 53% given the bank loan balance of EUR 50.7m.

The fund has EUR 4.2m of cash and cash equivalents as of 31 December 2018, after the dividend payment in the fund in Q4.

Result contribution Financial year 2018/19 (July 2018-December 2018)



Properties in the portfolio

Property	Type	Location	GLA (m²)
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 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			11,763
Zemitana Centrs	Office	Riga	4,539
Lithuania			14,922
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

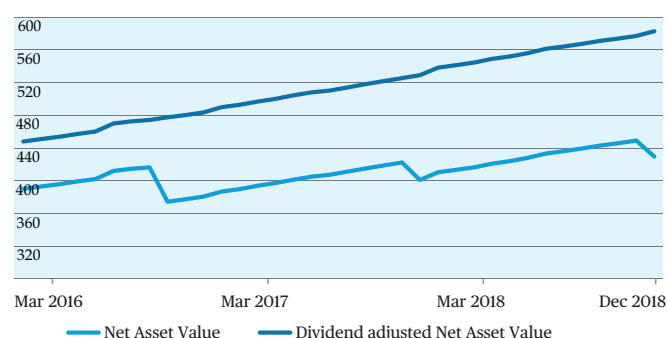
Baltic Property Fund
Quarterly Report
October – December 2018

Net Asset Value 12m rolling (EUR)

East Capital Baltic Property Fund Investors AB (31.12.2018)

NAV (EUR)	% 3 month*	% YTD*	% Since start*
429.89	2.64	4.94	16.58

* 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
October – December 2018

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

	Jul 2018 - Dec 2018	Jul 2017 - Dec 2017
Revenue	4,239	4,839
Direct expenses	-693	-788
Gross profit	3,546	4,051
Administrative expenses	-551	-580
Operating profit/loss	2,995	3,471
Interest income and similar profit/loss items	5	-
Interest expenses and similar profit/loss items	-876	-566
Profit/loss before income tax	2,124	2,905
Income tax	14	183
NET PROFIT/LOSS FOR THE YEAR/ TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,138	3,088
Earnings per share - Ordinary shares	388,19	560,44

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

	Jul 2018 - Dec 2018	Jul 2017 - Dec 2017
Earnings per share - Ordinary shares	21,43	28,01

Baltic Property Fund
Quarterly Report
October – December 2018

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

	31 Dec 2018	31 Dec 2017
ASSETS		
<i>Non-current assets</i>		
Investments properties	94,928	105,149
Equipment	13	15
Total non-current assets	94,941	105,164
<i>Current assets</i>		
Accounts receivable - trade	1,010	1,022
Other receivables	236	291
Accrued income and prepaid expenses	68	172
Cash and cash equivalents	4,184	4,556
Total current assets	5,498	6,041
TOTAL ASSETS	100,439	111,205
EQUITY AND LIABILITIES		
Equity		
Share capital	17	17
Other paid-in capital	39,322	42,084
Retained earnings	5,902	-3,015
Profit/loss for the period	2,138	3,088
TOTAL EQUITY	47,379	42,174
Liabilities		
<i>Non-current liabilities</i>		
Interest-bearing liabilities	37,616	16,451
Derivatives	228	37
Other liabilities	602	515
Deferred tax liabilities	692	694
Total non-current liabilities	39,138	17,697
<i>Current liabilities</i>		
Interest-bearing liabilities	13,056	50,611
Accounts payable - trade	315	576
Derivatives	90	-
Other liabilities	189	35
Current tax liabilities	24	-
Accrued expenses and deferred income	248	112
Total current liabilities	13,922	51,334
TOTAL EQUITY AND LIABILITIES	100,439	111,205

Baltic Property Fund
Quarterly Report
October – December 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
Repayment of shareholders contribution		-2,762	-	-2,762
Total comprehensive income			3,088	3,088
BALANCE AT 31 DECEMBER 2017	17	42,084	-73,000	42,174
Balance at 30 June 2018	17	42,084	5,902	48,003
Repayment of shareholders contribution		-2,762	-	-2,762
Total Comprehensive Income			2,138	2,138
BALANCE AT 31 DECEMBER 2018	17	39,322	8,040	47,379
Reconciliation to Net Asset value				
Consolidated Equity above				47,379
SWAP				318
NET ASSET VALUE AT 31 DECEMBER 2018				47,697

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

	Estonia	Latvia	Lithuania	Unallocated	Group
Total gross income	3,413	182	644	0	4,239
Income from sales	3,413	182	644	0	4,239
Depreciation of tangible fixed assets	-	-	1	-	1
Operating profit/loss	2,904	37	321	-267	2,995
Net financial income/expenses					-871
Profit/loss before tax					2,124
Income tax					14
PROFIT/LOSS FOR THE PERIOD					2,138
Assets	84,855	2,670	12,429	485	100,439
- where of Investment properties	80,478	2,580	11,870	-	94,928
Liabilities	40,685	2,489	9,729	157	53,060

Baltic Property Fund
Quarterly Report
October – December 2018

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

	Jul 2018 - Dec 2018	Jul 2017 - Dec 2017
<i>Cash flows from operating activities</i>		
Operating profit/loss for the period	2,995	3,471
Depreciation	1	2
Interest paid	-604	-529
Cash flows from current operations before changes in working capital	2,392	2,944
Increase (-)/decrease (+) in accounts receivables	-331	-427
Increase (-)/decrease (+) in other current receivables	54	88
Increase (+)/decrease (-) in accounts payable	192	376
Increase (+)/decrease (-) in other current op. liabilities	29	-347
Cash flows from operating activities	2,336	2,634
<i>Cash flows from financing activities</i>		
Repayments of borrowings	-1,290	-1,303
Repayment of shareholders contribution	-2,762	-2,762
Cash flows from investment activities	-4,052	-4,065
Cash flow for the year	-1,716	-1,431
Cash and cash equivalents at beginning of the year	5,900	5,987
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	4,184	4,556

Fund Summary

	31 Dec, 2018 EUR '000	31 Dec, 2018 % Committed Capital	31 Dec, 2017 EUR '000	31 Dec, 2017 % Committed Capital
CAPITAL COMMITTED	55,094	100	55,094	100
Capital contributed	0	0	0	0
Total remaining available for drawdown	-	0	-	0
Potential draw downs for next reporting period	-	0	-	0
Fair value of portfolio	94,928		108,437	
Other assets	5,437		5,937	
Liabilities	-52,668		-68,875	
TOTAL NET ASSET VALUE	47,697		45,499	

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.