

EAST CAPITAL

Baltic Property Fund Quarterly Report April – June 2018



The fund's strategy is to focus holding properties in Estonia.

Macro overview

GDP growth in 1Q 2018 was 3.6% in Estonia compared to 1Q 2017, driven most by construction activity for the fifth quarter in row. GDP growth in Latvia was 4.2% in Q1, boosted also by growth in construction, as well as manufacturing, trade activity and IT sector. The GDP growth of 3.7% in Lithuania was influenced similarly by fast growth in construction and trade sectors.

In 1Q 2018, the highest unemployment rate among the potential workforce of 15-74 years was recorded in Latvia (8.2%), the lowest in Estonia (6.8%), while in Lithuania it stood at 7.2%.

Inflation (HICP) in Estonia stood at 3.2% in 1Q 2017, compared with 4.1% in 4Q 2017. In Latvia it fell to 2.0% in Q1 from 2.5% in 4Q 2017 and in Lithuania declined to 3.1% from 4.1% during that same time.

Key economic figures 1Q 2018	Estonia, %	Latvia, %	Lithuania, %
GDP growth	3.6	4.2	3.7
Unemployment	6.8	8.2	7.2
Inflation (HICP)	3.2	2.0	3.1

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 Development in the Tallinn office market remains active, with a total area of approx 118,020 sqm (16 projects) under construction in June 2018. In 2Q 2018, the Zenith BC, Järvevana 7b, Tallinn Court House and Pirni 7 projects were completed. Construction work started on the new Taxify HQ and Metalli 5 Office Building. Due to weaker demand for Class B1 office premises, the vacancy rate in some existing or older buildings went up during the quarter.

In Riga, three office projects with total GLA of 21,500 sqm were completed during 2Q 2018, and ca 99,530 sqm of total leasable office space is in the active construction stage. Completion of new office buildings resulted in a noticeable vacancy increase in the speculative segment, as letting activity remained low.

In 2Q 2018, fully leased Class A business centre LINK supplemented the Vilnius office market (GLA 8,800 sqm). Development activity remains high, with GLA of 128,000 sqm under construction, of which half was pre-leased at the end of Q2. New development is dominated by Class A office space. Vacancy in Class A business centres remains below 1%, which resulted in slight growth in rent rates.

During the quarter, the extended Mustakivi Prisma retail centre was opened in Tallinn, with newcomers PetCity, Lemon Gym, CityAlko and Almudu restaurant added to the tenant mix. In June 2018, the PEPCO chain entered the Tallinn retail market and opened stores in Magistral SC and Nautica SC. Also, an O'Learys sport and leisure restaurant (4,000 sqm) opened its doors in Kristiine SC.

The Riga retail market remained active during 2Q 2018, with more than 167,000 sqm of retail space under construction, of which approx 72,000 sqm is planned to be commissioned by the end of 2018. Maxima opened an XXX format store (5,000 sqm) in Riga Plaza SC. Like its competitor Rimi, who has opened five Rimi Express stores in Riga, Maxima entered the express shops segment with its Maxima Express brand. Rental rates remained stable, while vacancy slightly decreased.

Depo DIY opened a 30,000 sqm store in Vilnius, while two other Depo stores remain under construction in Vilnius and Kaunas. Its competitor, Kesko Senukai, opened a new concept store - Proficentras1000 - in Vilnius. Vilnius shopping centres continued to update their tenant mix - Panorama SC opened a gastronomy house with 20 premium food stores, while the first Oysho store in the Baltics was opened in Akropolis SC.

The industrial development segment remains active in the Tallinn region, with a total area of ca 124,000 sqm under construction in June 2018. Stock-office projects continue to gain momentum in Tallinn, with several new projects started (Priisle, III phase) or in the pipeline (Artelli 19, Kadaka 133, Peterburi tee 101b). Rental rates continue to remain under downward pressure.

Riga's industrial market was supplemented with only one built-to-suit project, of 3,500 sqm, in 2Q 2018. However, more than 105,000 sqm of industrial space is under construction. All new projects are absorbed prior to completion, and developers are searching for new sites for development. Rental rates and vacancy in the industrial segment remained unchanged during 1H 2018.

In Vilnius, the Apranga Group logistics centre (15,300 sqm) was completed in 2Q 2018. Transportation company Transimeksa started construction work on two speculative projects (GBA 13,000 sqm) to be completed by the end of 2018. Ca 53,200 sqm of modern warehouse space was under construction, dominated by speculative projects (60%). Vacancy slightly decreased, while rents remained stable.

Total known investment volume (excluding development projects) in Tallinn in 2Q 2018 amounted to ca EUR 51m, consisting mainly of the sale of a 14-storey Class A office building (Luminor HQ) in Tallinn CBD. Prime yields remained stable, influenced by both tightening competition and tougher financing conditions.

Total investment volume in Latvia exceeded EUR 65m in 2Q 2018, driven by activity in the retail and industrial segments. East Capital acquired SC Galleria Riga and the newly-constructed P5 warehouse complex in Marupe. New Agenda Partners purchased smaller SC in Mezciems for EUR 4.74m. Prime yields remained stable in Q2.

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

The Lithuanian market witnessed fiery investment recovery, with investment volume exceeding EUR 250m, driven by the retail segment, with NEPI Rockcastle acquiring Ozas SC in Vilnius for EUR 124.6m. Additionally, MG Valda sold the Business Triangle office complex and EfTEN Capital acquired Evolution BC for EUR 9m.

Portfolio activities

The properties in East Capital Baltic Property Fund (the fund) continue their stable operations. The average rent across the portfolio for the financial year 2017/18 was EUR 7.0/sqm/mo and the aggregated economic vacancy rate ended at 7%.

The properties in the fund continue to perform as budgeted. Several leases are being negotiated and extended in the Tammsaare office building in Tallinn, to maintain the strong cash flow of the property. At the Jin office in Vilnius, the lease of a key tenant expired in April 2018. However, replacements are being negotiated and no major deterioration of cash flow is foreseen.

In June 2018, turnover rent for the period January-June 2018 was invoiced at GOSPA and Tallinn Seaport Hotel, at +39% and +54% on top of agreed base rent respectively. Both hotels continue their solid operations, with up to 5% turnover growth y-o-y.

In June 2018, all nine loans in Estonia were refinanced by a new, aggregated long-term bank loan, with the loan term matching the maturity of the fund in July 2022. The financing cost of the new four-year loan increased slightly compared to previous short-term loans, but it does eliminate any interest rate risk, as the interest rate of loan has been hedged until loan maturity.

An extension for one year, until 30 June 2019, was agreed and signed for the loans of Lithuanian properties with the current financing bank.

In June 2018, the fund finalised the sale of the Dantes Nami office in Riga, Latvia, to SG Capital Partners. The sale of Dantes did not affect fund net asset value, although in fund financial reports it resulted in extraordinary income. The sale is in line with the previously announced strategy to focus holding properties in Estonia, and mandates have been given to advisors to divest the other Latvian and Lithuanian properties in the fund.

A new external portfolio valuation was carried out at financial year end. Excluding the divested Dantes property, the aggregated fair market value of the properties increased by 0.7% compared to the last external valuation in June 2017.

Financial overview

The net asset value of East Capital Baltic Property Investors AB (publ.) was EUR 433.46 as of 30 June 2018, an increase of 12.52% for the financial year 2017/18.

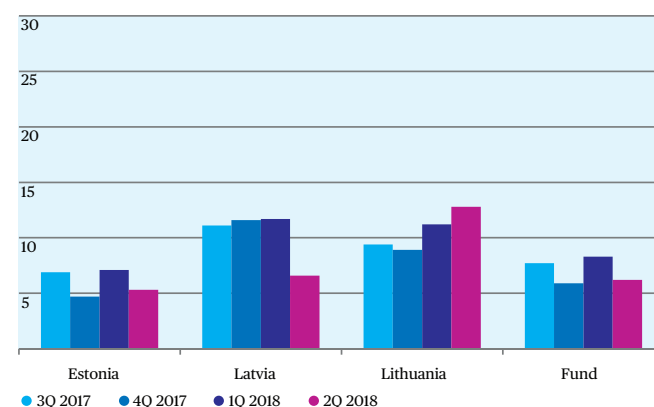
The rental income for the period was EUR 9.3m, compared to EUR 9.4m a year ago. The decrease in rental income is due to less rental income from the Metal industrial property in Estonia after a

tenant mix change and the correction in rent to market level. The gross profit concluded on a similar level to the previous financial year, at EUR 7.5m. The administrative expenses remained flat during the period July 2017 – June 2018 and the operating profit concluded at EUR 7.1m, including a positive revaluation effect of EUR 0.7m. Interest costs totalled EUR 1.1m during the period. The net profit for the period concluded at EUR 8.9m, including an extraordinary income of EUR 2.8m related to the sale of the Dantes property.

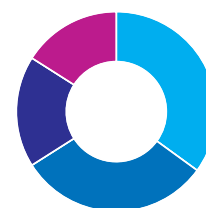
The investment properties as of 30 June 2018 totalled EUR 94.9m, after new external revaluation of the portfolio and excluding the divested Dantes property. The loan-to-value ratio of the portfolio concluded at 55% given the bank loan balance of EUR 52m.

The fund has EUR 5.9m of cash and cash equivalents as of 30 June 2018. The fund's strategy is to pay a dividend annually, with the next dividend payment expected in 4Q 2018.

Portfolio vacancy rate by rental value (%)

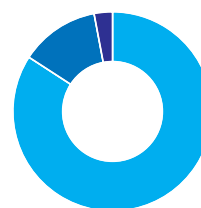


Sector Allocation
(% of property value)



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

Country Allocation
(% of property value)

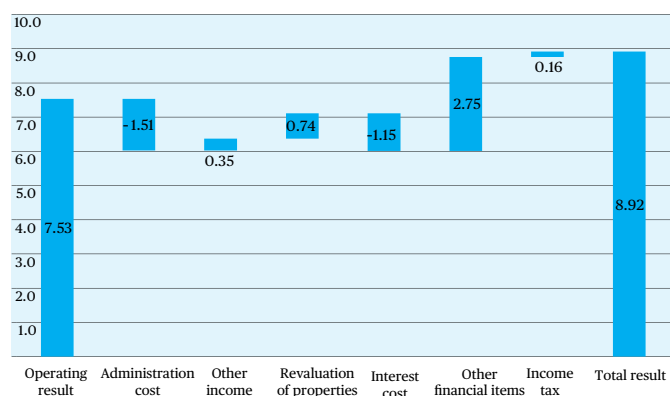


● Estonia	85
● Lithuania	13
● Latvia	3

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Result contribution Financial year 2017/18 (July 2017-June 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
Kereše 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
Laracijs 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

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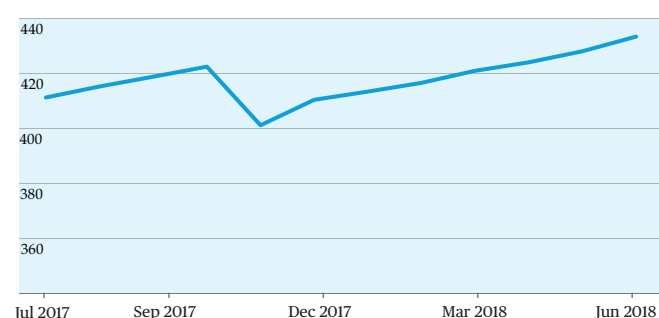
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Net Asset Value 12m rolling (EUR)

East Capital Baltic Property Fund Investors AB (30.06.2018)

NAV (EUR)	% 1 month*	% YTD*	% 12 months*	% Since start*
433.46	2.95	12.52	12.52	12.29

* 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 2017 - Jun 2018	Jul 2016 - Jun 2017
Revenue	9,295	9,420
Direct expenses	-1,762	-1,833
Gross profit	7,533	7,587
Administrative expenses	-1,509	-1,475
Other operating income/expenses	348	119
Unrealised changes in value of investment properties	736	-11
Operating profit/loss	7,108	6,220
Interest income and similar profit/loss items	-	280
Other financial income	2,752	-
Interest expenses and similar profit/loss items	-1,100	-1,311
Profit/loss before income tax	8,760	5,189
Income tax	157	-89
NET PROFIT/LOSS FOR THE YEAR/ TOTAL COMPREHENSIVE INCOME FOR THE YEAR	8,917	5,100
Earnings per share - Ordinary shares	1 618,43	925,65

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

	Jul 2017 - Jun 2018	Jul 2016 - Jun 2017
Earnings per share - Ordinary shares	51,01	42,80

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

	30 Jun 2018	30 Jun 2017
ASSETS		
<i>Non-current assets</i>		
Investments properties	94,928	105,149
Equipment	12	17
Total non-current assets	94,940	105,166
<i>Current assets</i>		
Accounts receivable - trade	679	595
Other receivables	183	496
Accrued income and prepaid expenses	176	55
Cash and cash equivalents	5,900	5,987
Total current assets	6,938	7,133
TOTAL ASSETS	101,878	112,299
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	8,917	5,100
TOTAL EQUITY	48,003	41,848
Liabilities		
<i>Non-current liabilities</i>		
Interest-bearing liabilities	38,524	-
Derivatives	47	-
Other liabilities	583	478
Deferred tax liabilities	701	895
Total non-current liabilities	39,855	1,373
<i>Current liabilities</i>		
Interest-bearing liabilities	13,438	68,365
Accounts payable - trade	123	200
Other liabilities	21	41
Current tax liabilities	123	147
Accrued expenses and deferred income	315	325
Total current liabilities	14,020	69,078
TOTAL EQUITY AND LIABILITIES	101,878	112,299

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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 2016	17	49,915	-8,115	41,817
Repayment of shareholders contribution		-5,069	-	-5,069
Total comprehensive income			5,100	5,100
BALANCE AT 30 JUNE 2017	17	44,846	-3,015	41,848
Balance at 30 June 2017	17	44,846	-3,015	41,848
Repayment of shareholders contribution		-2,762	-	-2,762
Total Comprehensive Income			8,917	8,917
BALANCE AT 30 JUNE 2018	17	42,084	5,902	48,003
Reconciliation to Net Asset value				
Consolidated Equity above				48,003
SWAP				47
NET ASSET VALUE AT 30 JUNE 2018				48,050

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

	Estonia	Latvia	Lithuania	Unallocated	Group
Total gross income	6,519	1,066	1,021	0	8,606
Income from sales	6,519	1,066	1,021	0	8,606
Depreciation of tangible fixed assets	0	0	-5	0	-5
Operating profit/loss	6,783	540	444	-728	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	86,442	2,690	12,405	341	101,878
- where of Investment properties	80,478	2,580	11,870	-	94,928
Liabilities	41,357	2,524	9,967	27	53,875

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

	Jul 2017 - Jun 2018	Jul 2016 - Jun 2017
<i>Cash flows from operating activities</i>		
Operating profit/loss for the period	7,108	6,220
Depreciation	5	-6
Other non-cash items	667	-11
Interest received	-	-1
Interest paid	-1100	-1,307
Income tax paid	-	-
Cash flows from current operations before changes in working capital	6,611	4,895
Increase (-)/decrease (+) in accounts receivables	-84	49
Increase (-)/decrease (+) in other current receivables	192	-363
Increase (+)/decrease (-) in accounts payable	-77	-822
Increase (+)/decrease (-) in other current op. liabilities	14	234
Cash flows from operating activities	6,656	3,993
<i>Cash flows from investing activities</i>		
Investments in investment properties	0	-220
Cash flows from investment activities	0	-220
<i>Cash flows from financing activities</i>		
Repayments of borrowings	-44,647	-2,605
Received loans	40,666	0
Repayment of shareholders contribution	-2,762	-5,069
Cash flows from financing activities	6,743	-7,674
Cash flow for the year	-87	-3,901
Cash and cash equivalents at beginning of the year	5,987	9,891
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	5,900	5,987

Fund Summary

	30 Jun, 2018 EUR '000	30 Jun, 2018 % Committed Capital	30 Jun, 2017 EUR '000	30 Jun, 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	6,950		6,980	
Liabilities	-53,828		-70,302	
TOTAL NET ASSET VALUE	48,050		45,115	

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.