

Quarterly comment

The operations and rental income for most properties in the East Capital Baltic Property Fund is stable. The Fund's rental income in 4Q 2020 amounted to EUR 1.7m, ca 9% less than in Q3 but ca 20% more than the impaired rental revenue in Q2. The total rental revenues for the 2020 year were all-in-all only 7% lower than in 2019. The rental income has improved most in now fully rented Aiandi 13 office, as well as in Metal industrial complex with increased occupancy; and has suffered in the hotel properties, operating under monthly turnover rent agreements or under short-term discounts in 2020. The current vacancy level for the fund is stable at 8%.

The Aiandi 13 office in Tallinn, certified with BREEAM In-Use "Very Good" certification, is fully occupied, following two new leases signed for 680 sqm during autumn 2020. Jin office in Vilnius currently has about 10% of vacant units. The smaller Zemitana office in Riga has ca 20% of vacancy, but a monthly positive cash flow.

Tänassilma logistics complex is in most part occupied, with built-in office premises, corresponding to ca 7% of the total area in the complex, vacated by one of the two tenants during 2020. Rental income has improved in Metal industrial facility, which now operates at 85% occupancy, highest after the expiry of the long-term lease with its previous single tenant in 2017.

The Gospa hotel in Saaremaa was closed from mid-March until end of May 2020. The hotel has enjoyed high interest from mostly domestic visitors, and hotel sales after reopening in June 2020 until December 2020 remained only 5% below the results of the same period in 2019. A monthly turnover based rent fee was agreed with the hotel operator until the end of 2020 and currently extended until the end of March 2021. The total rent received from the hotel in 2020 remained only 16% less than in 2019.

The Tallinn Seaport Hotel was similarly reopened in June 2020, but the hotel turnover has not recovered as quickly as the hotel is mostly dependent on foreign tourists. Short-term rent discounts were agreed with the hotel operator for the closed period as well as from September 2020, until hotel sales recover more.

The Jewe retail centre, Papiniidu commercial centre in Pärnu and Keresse commercial centre in Narva continue stable operations.

Vacancy is currently approximately 40% in Jõhvi Tsentraal commercial centre, which has suffered from the pandemic effects on retail segment as well as the competition situation in the Jõhvi town. The management team is drafting the restructuring plans to improve the layout of the lease areas in Jõhvi Tsentraal centre and focus more on big-box retailers and/or office tenants, where more demand is seen from the market.

In line with the strategic target to optimize the portfolio and focus on properties primarily in Estonia, the management team continues the divestment processes for Latvian, Lithuanian and some Estonian properties. In November 2020, the management team completed the sale of the Laracija office property in Klaipeda, Lithuania.

The fund's Annual General Meeting was held in December 2020. Due to current uncertainties in the markets, no dividend payment was recommended to be paid out during 2020.

Financial overview

The Net Asset Value (NAV) of East Capital Baltic Property Investors AB was EUR 397.77 as of 31 December 2020. The Net Asset Value increased by 2.29% for the quarter from 30 September 2020, based on operational profits.

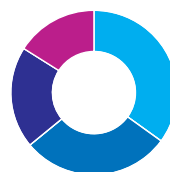
The fund's rental income for the period July-December 2020 was EUR 3.6m, remaining flat compared to the same period in 2019 (excluding

divested properties). The fund's net profit concluded at EUR 2.2m for the first half-year of 2020/21 financial year.

The property values are included in the balance sheet according to the annual external revaluation in June 2020. The portfolio, now including 11 properties after the sale of the Laracija property, stands at EUR 81.97m as of 31 December 2020. The aggregated loan to value ratio is 50%.

Sector Allocation

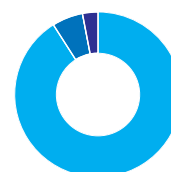
(% of gross property values)



• Retail	35
• Office	29
• Hotel	20
• Logistics	16

Country Allocation

(% of gross property values)



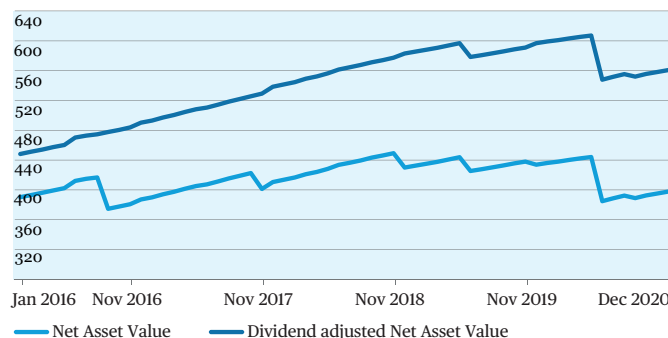
• Estonia	91
• Lithuania	6
• Latvia	3

Net Asset Value since inception

East Capital Baltic Property Investors AB SE0011788439

NAV (EUR)	% 3 months	% YTD	% Since inception*
397.77	+2.29	+3.32	12.15

*Performance adjusted with dividend payments.



Fund Summary

	31 Dec, 2020	31 Dec, 2019
	EUR '000	EUR '000
Fair value of portfolio	81,970	90,360
Other assets	5,811	5,677
Liabilities	-43,561	-47,895
TOTAL NET ASSET VALUE	44,220	48,142
Net Asset Value East Capital Baltic Property Investors AB	397.77	433.71

Financials

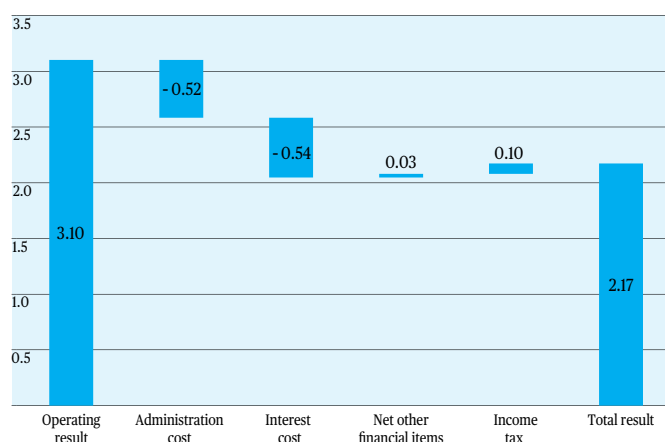
Statement of Comprehensive Income of East Capital Baltic Property Fund AB, unaudited for the period in EUR'000

	Jul 2020 - Dec 2020	Jul 2019 - Dec 2019
Revenue	3,634	3,725
Direct expenses	-531	-382
Gross profit	3,103	3,343
Administrative expenses	-519	-680
Operating profit/loss	2,584	2,663
Interest expenses	-537	-572
Fair value adjustment of interest rate swap	32	188
Profit/loss before income tax	2,079	2,279
Income tax	95	-54
NET PROFIT FOR THE YEAR	2,174	2,225
Earnings per share - Ordinary shares	394,59	403,67

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

	Jul 2020 - Dec 2020	Jul 2019 - Dec 2019
Earnings per share - Ordinary shares	18,08	18,31

Result contribution (YTD financial year 2020/21, EURm)



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

	31 Dec 2020	31 Dec 2019
ASSETS		
<i>Non-current assets</i>		
Investments properties	81,970	90,360
Other long-term assets	14	2,498
Equipment	6	12
Total non-current assets	81,990	92,870
<i>Current assets</i>		
Account receivables - trade	267	855
Other receivables	378	226
Accrued income and prepaid expenses	42	116
Cash and cash equivalents	5,104	1,970
Total current assets	5,791	3,167
TOTAL ASSETS	87,781	96,037

EQUITY AND LIABILITIES

Equity		
Share capital	17	17
Other paid-in capital	38,217	39,322
Retained earnings	3,419	7,242
Profit/loss for the period	2,174	2,225
TOTAL EQUITY	43,827	47,701

Liabilities

<i>Non-current liabilities</i>		
Interest-bearing liabilities	36,654	37,833
Derivatives	133	266
Other liabilities	665	633
Deferred tax liabilities	601	776
Total non-current liabilities	38,053	39,508
<i>Current liabilities</i>		
Interest-bearing liabilities	4,382	7,496
Accounts payable - trade	808	750
Derivatives	260	174
Other liabilities	93	25
Accrued expenses and deferred income	358	383
Total current liabilities	5,901	8,828
TOTAL EQUITY AND LIABILITIES	87,781	96,037

Contact

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Baltic real estate market



Investment market

Despite some hiatus in investment activity during the year, the total transaction volume in the Baltics in 2020 exceeded EUR 1.0bn.

In 4Q 2020, investment volume in Estonia amounted to ca EUR 74m, and was driven by highest activity in the stock office segment. Additionally, Big Bank purchased the former Danske Bank building, while Novira Capital sold the newly completed Büroo 31 office complex in CBD.

In Riga, the end of 2020 saw several large transactions, such as the sale of the SC Riga Plaza; closure of the Laurus fund by selling its two remaining assets - SEB HQ and SC Olimpia - to Grinvest; EfTEN Capital's acquisition of the Berģi logistics centre and the acquisition of the Kungu 1 office building in Old Town by Corum Asset Management.

4Q 2020 turned out to be the most active period of the year in the Lithuanian investment market with total investment volume reaching almost EUR 160m, driven by office and industrial segments, both accounting for ca 40% of total volume in Q4. The largest deal was completed by Luxembourg-based REInvest Asset Management, a new player in the Baltic States, which acquired the newly constructed SEB HQ in Vilnius CBD. Also, EfTEN Capital purchased the newly built SBA logistics centre and production facility in Klaipeda district for EUR 28.6m.

During the year, industrial properties such as logistics parks and stock-offices have been gaining increased interest from investors, as they have been most resilient to the pandemic and have highest expectations concerning future market changes. Yield compression in the segment is witnessed, as industrial yields in Estonia have shrunk to 7.3% and are around 7.5% in Latvia and Lithuania. Prime offices also remain attractive to investors, with yield compression to 6% in Tallinn and Riga and 5.5% in Vilnius witnessed.

Investors are targeting new and niche investment products, such as residential rental, student and senior housing and data centers. During the year, EfTEN Capital announced the establishment of a new fund that will invest in rental apartment buildings in the Baltic States. In the end of 2020, EfTEN Capital also acquired a senior care home in Tallinn.

Office segment

Overall, the office markets in Tallinn and Vilnius will continue to be affected by intense development, pandemic-related uncertainty, and working-from-home trends. Approximately 100,000 sqm and 225,000 sqm of leasable area was under construction at the end of the year in Tallinn and Vilnius, respectively. In Riga, Capitalica started the construction works of Verde office complex in Skanste district, but no other additions are planned to the Riga office market and some part of current vacant office stock is expected to be absorbed.

Office market vacancy remains mostly unchanged compared to previous quarters, however hidden vacancy is witnessed in Tallinn and Riga, where more and more companies would like to decrease or sublease the amount of occupied space. Sub-lease of office premises is forecast to remain active in 2021. Overall, the market is tilted towards the tenants, who require more flexibility and landlords might be forced to continue adjusting to the new reality.

Retail segment

Retail continues to adjust to the new reality caused by the pandemic and restrictions. In Tallinn, restaurants had to be closed to customers and could only offer take-away services from December 28, 2020 to January 17, 2021. In Latvia, under the ongoing state of emergency, retail trade is very limited to essential goods and e-commerce only. Lockdown measures have become tougher week by week, having a strong negative effect on both turnover and footfall figures in all types of retail concepts. In Vilnius, all non-essential stores had to be closed once again in mid-December and can only serve as pickup points for online orders. SC vacancy levels continue to slightly increase as it is difficult to attract new tenants during lockdown. Retail market during 1HY 2021 will heavily depend on restrictions imposed and available support mechanisms.

Interestingly, demand continues to be driven by catering providers. In 4Q 2020, the first Burger King in Riga opened in Riga in SC Akropole and the first Vapiano restaurant opened in SC Origo, both being able to offer only takeaway service. Burger King also opened the first restaurant in Lithuania, occupying 310 sqm at Akropolis SC, which currently operates only for takeaway and home delivery.

The first DEPO DIY store in Estonia was opened in Tallinn in October 2020 and was quite warmly welcomed by customers. Overall, the DIY segment expanded in Tallinn by almost 30,000 sqm in 2020. Active expansion of DIY chains was expected to continue across Estonia, but the end of 2020 saw all plans being re-evaluated and further openings rather stopped or postponed.

In Riga, Lidl and Maxima grocery chains continue to actively acquire new land plots, and Lidl announced recently that it has completed recruiting for its stores.

Logistics segment

The industrial segment remains rather active in Tallinn and its suburbs in terms of new developments with a total area of approx. 89,135 sqm under construction in December 2020, stock-office and mini-warehouse projects. Despite high new supply - 7 projects of 21,500 sqm were completed in 4Q 2020 - stock-office premises continue to remain in demand. Logistics operators and retailers generate the strongest demand for new space.

Following completion of the Lidl Logistics Centre in 3Q 2020, the industrial segment in Riga saw completion of the Rimi Logistics Centre in 4Q 2020, and these two projects accounted as the largest built-to-suit projects so far. As previously expected, new supply has resulted in a slight vacancy increase, while further growth in vacant stock is expected at the beginning of 2021 as almost 110,000 sqm of space remain under construction and part of that volume will soon enter the market. Large increase in speculative industrial stock in Riga might have a negative medium-term effect on vacancy, though the market still shows a good absorption ratio and high take-up levels.

In Q4, Vilnius warehouse market grew by GBA of 29,400 sqm and the development pipeline remained active with three new warehouse properties with a GBA of 41,100 sqm under construction. Demand for industrial premises is mostly observed from companies engaged in distribution, logistics, and production. Strong demand was reflected in the vacancy rate, which decreased compared to the previous quarter to 1.8%. Warehouse rent rates remained stable.

Important notice

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