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# Management update

*Extraordinary General Meeting of East Capital Baltic Property  
Investors AB (publ), 19 April 2022*

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# Summary 2017-2022 and outlook

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## Key achievements since 2017

- The Fund has divested six properties, of which four located in Latvia and Lithuania, further concentrating the portfolio to Estonia
- In several properties, actions have been taken to secure rental income and increase property competitiveness:
  - Jewe renovation and expansion project completed by the end of 2019
  - A13 office rebranding and modernization leading to full occupancy
  - Metal re-leased after single tenant Favor left Jun 2017
  - Jin office fully leased and rental income restored after Nordea Bank, representing 26% of income, vacated premises in Apr 2018
  - Jõhvi Tsentraal property upgrade project ongoing, strong anchor tenants Jysk and Sinsay secured
- The fund distributed regular dividends annually 2017 through 2019. Dividend restored in 2021 after a conservative approach to distributions in 2020

# Divestments leading to core Estonian portfolio

- The Fund has exited six properties since fund extension in 2017:
  - Klaipeda, Lithuania: Deco Interior and Furniture store and Laracija office
  - Riga, Latvia: Duntas Nami office
  - Pärnu, Estonia: Papiniidu Commercial Centre
  - Kuressaare, Estonia: Georg Ots Spa hotel
  - Vilnius, Lithuania: Jin Office
- The divestments have increased the proportion of Estonian properties, as well as emphasized the focus to capital cities



Go Spa Hotel  
– sold January 2022



Jin Office  
– sold February 2022



Bauhof DIY store in Papiniidu  
Commercial Centre, Pärnu  
– sold June 2021



Laracija office, Klaipeda  
– sold November 2020



Duntas Nami office, Riga  
– sold June 2018



Deco Centre, Klaipeda  
– sold July 2019

# Jewe Centre redeveloped - securing future cash flow

- Jewe Centre upgrade project, prepared and completed during 2019, resulted in a modernized shopping centre with improved layout
- The key tenants remain in place, Selver grocery store enlarged their area by 25% and new attractive tenants were added
- The bus station was relocated to the front of the centre making it safer for commuters
- The average lease term in the centre was extended by ca 40% and rental income increased by nearly 10%



# A13 office building rebranded and leased out

- Part of the office space was remodeled into a modern office hotel and the property was rebranded to A13 Business Centre
- In June 2019 the office building underwent a sustainability assessment and received a BREEAM In-Use „Very Good“ certificate, confirming the high building standards and property manager’s attention to sustainability
- In December 2019 the property also secured a 10-year lease for 30% of the remaining vacant area with Maxima group



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# Solid dividend distributions

- During the extended term, the Fund has distributed EUR 100 per share:
  - 4Q 2017: EUR 25 per share
  - 4Q 2018: EUR 25 per share
  - 4Q 2019: EUR 10 per share, smaller due to reservation for Jewe Centre investment
  - 4Q 2020: no dividend due to conservative approach during Covid outbreak
  - 4Q 2021: EUR 40 per share
- The free cash flow of 2019 and 2020 was lower due to larger investments, primarily in Jewe and A13 properties
- A dividend distribution of EUR 45 per share is proposed to the Extraordinary General Meeting of ECBPI and expected to be paid on 28<sup>th</sup> April
- An additional dividend distribution of minimum EUR 45 per share is expected to be decided and paid in Q4 in conjunction with the Annual General Meeting

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## Reasons for an extended fund term

- An orderly exit at or close to book value is unlikely for all properties before the end of the current fund term in June 2022
- Investments are needed in Jõhvi Tsentraal to modernize the concept, layout and interior of the centre
  - Designs to remodel and refurbish the centre have been drafted
  - New retail anchor leases have been signed with Jysk and Sinsay stores
  - The full works are expected to be completed by end of 2023
- Due to Covid the market situation has been unfavorable for retail and hotel properties to be sold at their fair values but expected to improve

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## Ambitions for the new term

- Focus on exits and dividends
- By extending the fund term, new bank funding can be procured resulting in improved conditions for free cash flow and dividend capacity
- In the coming years the fund's operations are expected to yield an annual dividend of approximately 5% to be distributed quarterly
- Additionally, extraordinary distributions will be made in conjunction with sale of properties
- Continue to divest the property portfolio, prioritizing properties where book value or higher can be achieved in the near term, followed by properties which require some work or where the market situation is expected to improve

- I. Resolution on extension of the shareholders' agreement relating to East Capital Baltic Property Fund AB
- The board of directors of East Capital Baltic Property Fund AB (the "Fund") and the Management Company of the Fund propose an extension of the term of the Fund for up to five years. The board of directors proposes that the company's board of directors is authorized to negotiate, agree and execute an amendment to the shareholders' agreement relating to the Fund for an extension of the term of the shareholders' agreement and the Fund for up to five years until July 2027.
- II. Resolution on dividend
- The board of directors proposes to dispose the earnings so, that EUR 45 per common share, totally EUR 3,617,640.-, will be distributed as dividend to the shareholders of the common shares. Shares of class B do not entitle to dividends. The record day for dividend is proposed to be set to 21 April 2022. Payment from Euroclear Sweden AB is expected to take place around 28 April 2022
  - The Board of Directors also proposes that the Extraordinary General Meeting resolves that the Company's CEO be authorized to make the minor adjustments to the resolutions pursuant to this item 8 that may prove necessary in connection with registration of the resolutions with the Swedish Companies Registration Office or Euroclear.

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# Fund update

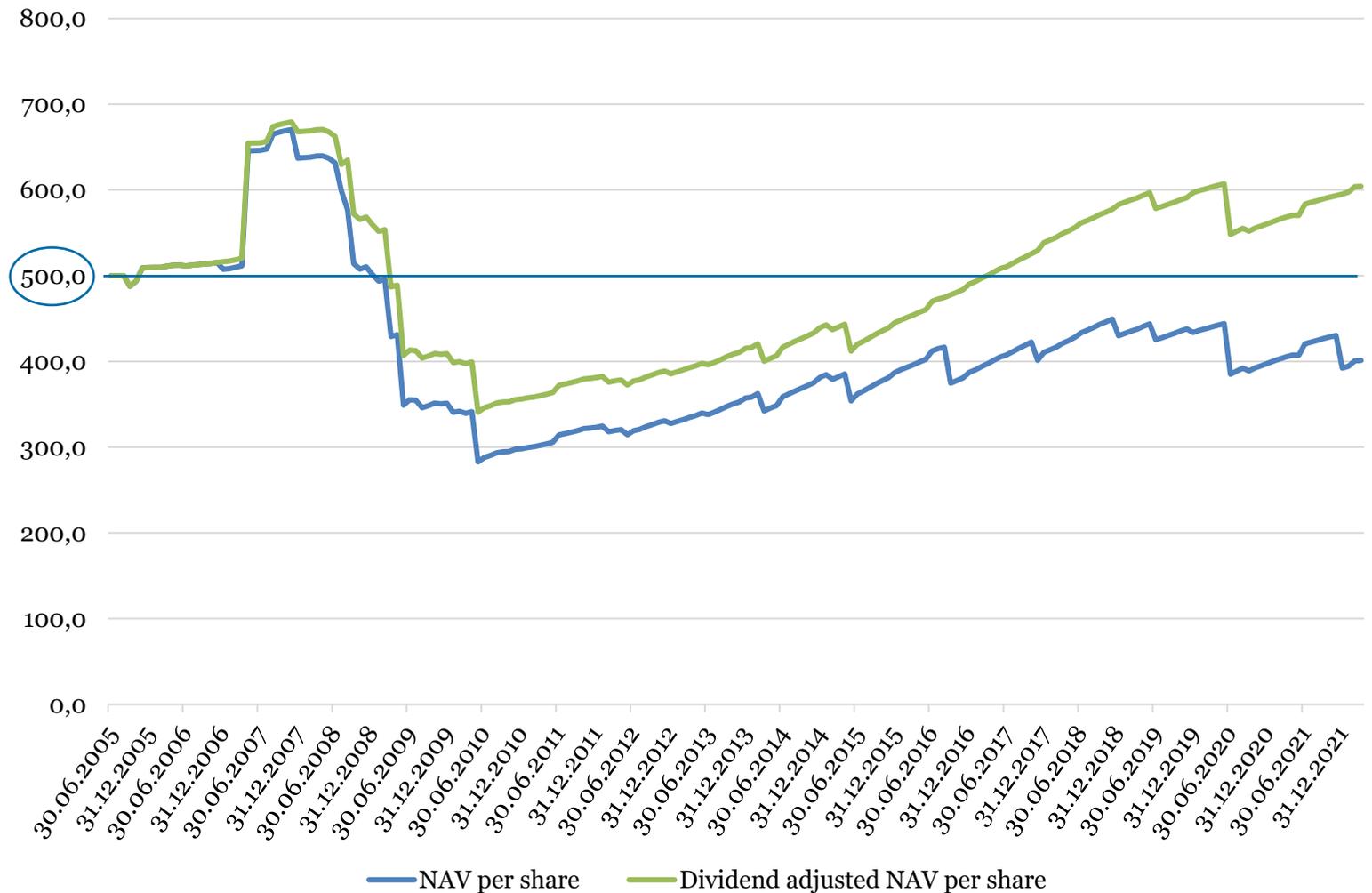
- The value of the the eight remaining properties amounts to EUR 56.8m
- The fund's rental income for the period July 2021 to March 2022 was EUR 4.23m. The rental income of the portfolio, excluding divested properties, was EUR 3.37 and increased by 5% compared to the same period in 2020/21 financial year
- The vacancy level for the fund portfolio stands at 10%. The fund properties maintain a stable tenant mix, but the fund's overall vacancy rate has increased slightly considering that properties recently divested have been fully or largely occupied
- The office and industrial properties remain mostly stable. A13 office now has 9% vacancy after a larger lease termination in September 2021. Tännasilma and Metal industrial properties continue their stable operations.
- All restrictions have been lifted from hotel and retail activities. Tallinn Seaport Hotel is recovering their pre-covid rental income. Jewe Centre and Kerese Centre operations are stable.
- In Jõhvi Tsentraal centre, a new Jysk store was opened in August 2021 and a lease with Sinsay has been signed in February 2022, reducing the vacancy to ca 22%. Overall upgrade project of Jõhvi Tsentraal is ongoing to modernize the commercial centre, meet changed tenant demand and make efficiency improvements
- Cash and cash equivalents on 31 March 2022 for the fund stand at EUR 15.8m, including the sale proceeds of Gospa and Jin properties, to be distributed during 2022 and also maintaining a cash buffer for necessary investments mainly in Jõhvi Tsentraal property
- Loan balance as of 31 March 2022 was EUR 26.9m giving a loan-to-value ratio of 47% for the portfolio

# Continued strong NAV development from operations

The Net Asset Value as of 31 March 2022 is EUR 401.17

Net Asset Value in financial year 2020/21 increased by 9.21%

The operational net asset value increase, excluding revaluation and profit/loss resulting from the sale of properties, was 7.80% for the financial year 2020/21



# Fund cash flow forecast

<i>Actual property portfolio, Zemitana expected to be sold by 30 June 2022</i>	<b>2020/21 actual</b>	<b>2021/2022 plan + actual</b>	<b>2022/2023 plan</b>	<b>2023/2024 plan</b>
<b>Net rental income</b>	<b>6 551 976</b>	<b>5 356 988</b>	<b>4 419 349</b>	<b>4 812 989</b>
EUR/sqm/m	6,3	6,9	6,7	7,0
Economic vacancy rate %	8%	10%	9%	6%
Total operating expenses	-951 884	-767 412	-490 799	-443 224
<b>Net Operating Income</b>	<b>5 600 092</b>	<b>4 589 576</b>	<b>3 928 550</b>	<b>4 369 765</b>
Interest expense	-1 063 926	-793 523	-555 789	-533 408
Other financial items (income tax or other)	-219 397	9 927	0	0
<b>Net profit</b>	<b>4 316 768</b>	<b>3 805 979</b>	<b>3 372 761</b>	<b>3 836 357</b>
Loan principal payment	-1 873 860	-1 905 351	-985 341	-985 341
<b>Free cashflow before management fee and investments</b>	<b>2 442 908</b>	<b>1 900 628</b>	<b>2 387 420</b>	<b>2 851 016</b>
<b>Loan balance at year-end</b>	<b>39 913 280</b>	<b>26 537 357</b>	<b>23 483 952</b>	<b>22 498 611</b>
Annual amortization (excl property sale)	5,3%	4,8%	3,7%	4,2%
Interest rate	2,5%	2,6%	2,2%	2,3%
<b>Property value at year-end</b>	<b>83 268 837</b>	<b>56 791 000</b>	<b>54 530 000</b>	<b>54 530 000</b>
Yield ratio %	6,7%	7,0%	7,2%	8,0%
<b>Loan covenants</b>				
LTV	48%	47%	43%	41%
DSCR	1,9	1,7	2,5	2,9
ISCR	5,3	5,8	7,1	8,2

# Property portfolio – only one property left outside Estonia

**Tallinn**  
Tänassilma Logistics Facility  
Tallinn Seaport Hotel  
A13 Office

**Riga**  
Zemitana Centre Offices



**Maardu**  
Metal Industrial Facility

**Narva**  
Kerese Commercial Centre

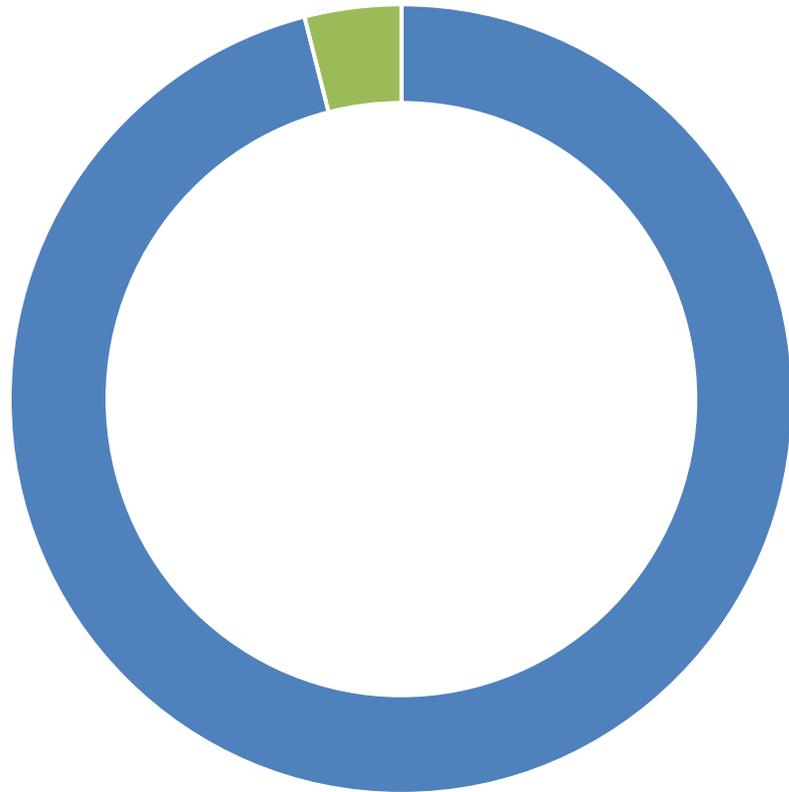
**Jõhvi**  
Jewe Retail & Furniture Centre  
Jõhvi Tsentraal Centre

Recently exited properties:

- Jin office, Vilnius, Lithuania (February 2022)
- GoSpa hotel, Saaremaa, Estonia (January 2022)
- Papiniidu Commercial Centre, Pärnu, Estonia (July 2021)
- Laracija office, Klaipeda, Lithuania (November 2020)
- Deco Interior and Furniture store, Klaipeda, Lithuania (July 2019)
- Duntės Nami office, Riga, Latvia (June 2018)

# Continued property concentration to Estonia

Country allocation, % of property gross value



■ Estonia ■ Latvia

Sector allocation, % of property gross value



■ Office ■ Retail ■ Hotel ■ Industrial

# Property portfolio



A13 Office



Tallinn Seaport Hotel



Tänassilma Industrial Park



Metal Industrial Facility



Jewe Retail Centre



Jõhvi Tsentraal Commercial Centre

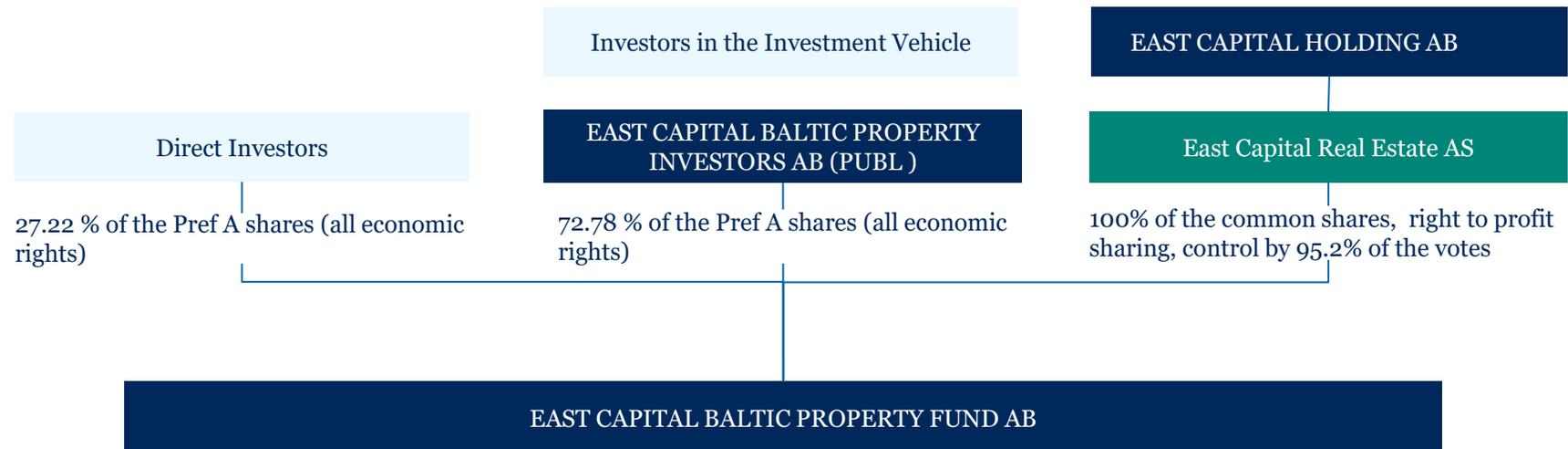


Kere Commercial Centre



Zemitana office

# Fund structure



*A company operating under the laws of Sweden*

*A company operating under the laws of Estonia*

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