

Quarterly comment

The rental revenue for East Capital Baltic Property Fund for the financial year 2021/2022 amounted to EUR 5.45m and increased by 8% for the comparable portfolio versus the financial year 2020/21 (eliminating for divested properties). The average rent across the portfolio for the financial year 2021/2022 was EUR 5.2/sqm/mo.

The rental income increased the most in Tallinn Seaport Hotel based on improved hotel turnovers and increased rent payments. The rental income also increased in Jõhvi Tsentraal property, which is currently undergoing redevelopment, but where new retail units have already been opened enhancing revenues. The rental income decreased slightly in Aiandi 13 office and Tånassilma Industrial Park, where the vacancy increased slightly compared to the financial year 2020/21.

The vacancy level for the fund portfolio stands at 9% at the financial year end in June 2022. Occupancy has been improved in Jõhvi Tsentraal property as new leases for the redeveloped centre are being signed. Vacancy has increased slightly in the Aiandi 13 and Tånassilma properties. The vacancy levels for the rest properties remain unchanged compared to the financial year 2020/21.

The occupancy and sales of Tallinn Seaport Hotel are showing a good growth after the Covid-related travel restrictions have been lifted. In IHY 2022 the total hotel turnover was 4 times higher than the same period in 2021, however the results are still ca 20-40% below the pre-Covid levels. In March and April 2022, the turnover was temporarily boosted as the hotel accommodated refugees from Ukraine.

From the start of the Covid pandemic, short-term rent discounts have been granted to the hotel operator, but the contractual turnover rent arrangement has remained in place which means the hotel operator is at all times paying an agreed share from turnover as rent. Based on improved results, a turnover add-on to the base rent was calculated both in December 2021 and June 2022. The total rent in financial year 2021/22 was despite still ca 17% less than in financial year 2018/19.

The fund is progressing with the Jõhvi Tsentraal upgrade project, during which the concept, the building and the surrounding areas will be modernized. Construction works are financed by internally accumulated

liquidity and construction will be completed in stages. In 2Q 2022, Jysk outdoor area was handed over, complimenting the Jysk store opened in August 2021. Construction works are ongoing to open an office hotel and Sinsay store during 2022. Additionally, a new lease agreement with 24/7 fitness was signed during 2Q 2022 and the new gym is planned to be opened in March 2023.

In April 2022, an Extraordinary General Meeting of the East Capital Baltic Property Investors (publ.) AB was held and an extension of the term of the shareholders' agreement relating to the East Capital Baltic Property Fund AB ("the Fund") for up to five years until July 2027 was approved.

Followingly, the management team renegotiated the terms of the syndicate loan covering the Estonian portfolio. The loan was prolonged for another five years until June 2027 at the same interest rates and by lowering the amortization rate to 4% p.a. from May 2022.

In April 2022, the Fund paid out an extraordinary dividend of EUR 45 per share from GoSpa sales proceeds. Together with the dividend distributed to investors in December 2021, this equals to EUR 85 per share distributions during financial year 2021/2022, equal to 20% of 30 June 2021 Net Asset Value.

Sector Allocation

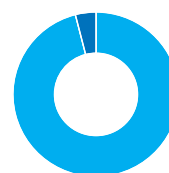
(% of gross property values)



- Office 34
- Retail 29
- Industrial/Logistics 25
- Hotel 12

Country Allocation

(% of gross property values)



- Estonia 96
- Latvia 4

Financial overview

The Net Asset Value of East Capital Baltic Property Investors AB was EUR 358.02 as of 30 June 2022, increasing by 0.46% during the quarter and by 5.37% during financial year 2021/22.

At financial year end in June 2022, an external portfolio revaluation for the remaining eight properties was carried out, resulting in increased portfolio value for the fund compared to previous external revaluations carried out in June 2021 whereas aggregated property values increased by 1.1% y-o-y. The revaluation increased most in Tallinn Seaport Hotel based on its improved operational results and in Aiandi 13 office and Tännassilma Industrial Park based on improved market indicators. The valuation decreased most in Jõhvi Tsentraal retail centre as it is undergoing redevelopment and the cost of the investment works was included in the value assessment. The revaluation was negative also for Zemitana offices in Riga due to its secondary location and profile. For the rest of the assets, valuation remained flat.

The fund's rental income for the financial year 2021/2022 was EUR 5.45m. The rental income of the current portfolio, excluding GoSpa and Jin properties, divested during financial year, increased by 8% compared to 2020/2021 financial year. The rental income increased the most in Tallinn Seaport Hotel and decreased in Aiandi 13 office and Tännassilma Industrial Park due to slightly increased vacancy. Rental income from other fund's properties remained stable or increased slightly.

The fund's net profit concluded at EUR 2.77m. The net profit includes the revaluation gain of EUR 0.62m. The net profit also includes the net sale result of Gospa and Jin property as well as income tax costs paid on dividend distribution and calculated upon exits.

The fund's loan portfolio stands at EUR 26.5m. Considering the portfolio value of EUR 57.41m, the corresponding loan-to-value ratio is 46% as of 30 June 2022.

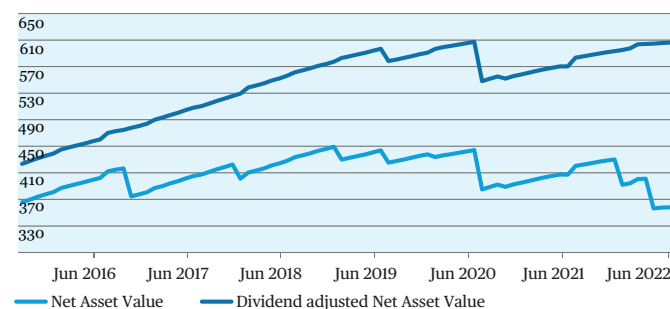
At financial year end in June 2022, the Fund has EUR 10.1m of cash and cash equivalents. The cash balance includes reserves for necessary investments mainly in Jõhvi Tsentraal property.

Net Asset Value since inception

East Capital Baltic Property Investors AB SE0011788439

NAV (EUR)	% 3 months*	% YTD*	% Since inception*
358,02	+0.46	+5.37	+21.20

*Performance adjusted with dividend payments. Financial year July-June.



Fund Summary

	30 Jun 2022	30 Jun 2021
	EUR '000	EUR '000
Fair value of portfolio	57,414	72,191
Other assets	10,850	16,338
Liabilities	-28,399	-41,796
TOTAL NET ASSET VALUE	39,865	46,733
Net Asset Value East Capital Baltic Property Investors AB	358.02	420.45

Financials

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

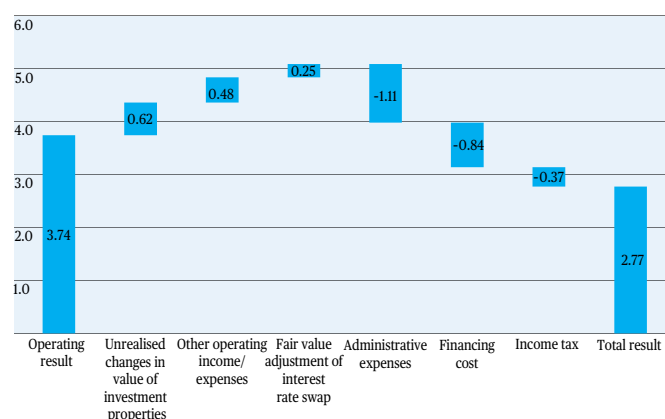
	Jul 2021 - Jun 2022	Jul 2020 - Jun 2021
Revenue	5,452	6,606
Direct expenses ¹⁾	-1,708	-979
Gross profit	3,744	5,627
Administrative expenses	-1,106	-1,077
Other operating income/expenses	475	-
Unrealised changes in value of investment properties	616	1,299
Operating profit/loss	3,729	5,849
Interest expenses	-841	-1,035
Fair value adjustment of interest rate swap	250	183
Profit/loss before income tax	3,138	4,997
Income tax	-367	-272
NET PROFIT FOR THE YEAR	2,771	4,725
Earnings per share - Ordinary shares	502,88	857,49

1) including investment works in Jöhvi Tsentraal property of ca EUR 965th during 2021/22

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

	Jul 2021 - Jun 2022	Jul 2020 - Jun 2021
Earnings per share - Ordinary shares	22,57	40,76

Result contribution (financial year 2021/22, EURm)



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

	30 Jun 2022	30 Jun 2021
ASSETS		
<i>Non-current assets</i>		
Investments properties	57,414	72,191
Other long-term assets	6	12
Equipment	5	6
Total non-current assets	57,425	72,209
<i>Current assets</i>		
Assets held for sale	-	11,078
Account receivables - trade	285	215
Other receivables	315	341
Accrued income and prepaid expenses	45	49
Cash and cash equivalents	10,194	4,638
Total current assets	10,839	16,321
TOTAL ASSETS	68,264	88,530

EQUITY AND LIABILITIES

	30 Jun 2022	30 Jun 2021
Equity		
Share capital	17	17
Other paid-in capital	33,798	38,217
Retained earnings	3,279	3,525
Profit/loss for the period	2,771	4,725
TOTAL EQUITY	39,865	46,484

Liabilities

	30 Jun 2022	30 Jun 2021
<i>Non-current liabilities</i>		
Interest-bearing liabilities	23,487	-
Other liabilities	579	476
Deferred tax liabilities	-	304
Total non-current liabilities	24,066	780

Current liabilities

	30 Jun 2022	30 Jun 2021
Interest-bearing liabilities	3,014	39,885
Accounts payable - trade	476	282
Derivatives	-	250
Other liabilities	591	591
Accrued expenses and deferred income	252	258
Total current liabilities	4,333	41,266
TOTAL EQUITY AND LIABILITIES	68,264	88,530

Contact

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Economic overview

In 1Q 2021 GDP of Estonia grew by 4.3% y-o-y (main driver was information and communication), 6.7% in Latvia y-o-y (main drivers were manufacturing and commercial services) and 4.6% y-o-y in Lithuania (main drivers were manufacturing, information and communication and professional, scientific, and technical activities). The economic growth is supported by recovered and reopened economic activity after the pandemic and a strong labour market. The growth however will remain hindered by high inflation, supply chain disruptions and overall uncertainty.

Average annual inflation in May 2022 accelerated to 20.1% in Estonia, 16.8% in Latvia and 14.0% in Lithuania with increasing energy costs as the main driver. The inflation is expected to remain high throughout 2022, but slow down towards the end of the year as the base of last year will already be higher.

In 1Q 2022 the average monthly gross earnings grew by 8.1% y-o-y in Estonia, 6.9% in Latvia and 10.2% in Lithuania. In May 2022, the highest registered unemployment rate of the country's working age population was recorded in Lithuania (8.8%), the lowest - in Latvia (6.1%), while in Estonia, it stood at 7.0%.

Real estate market



Investment market

The investment market activity slowed slightly after the war begun in Ukraine, but transaction activity recovered after the initial shock and no strong impact to the yields has so far been witnessed. As real estate has been always seen as a good hedge against inflation, interest in investing in cash-flow objects during a high-inflation period is expected to remain strong. On the other hand, rising interest rates are likely to place some upward pressure on yields and suppress investment activity for the rest of the year. Investors are expected to continue the hunt for industrial assets as well as to target new investment products, such as residential rental, student, and senior housing.

The capital market in Estonia showed modest activity with total investment volume exceeding EUR 70m in 2Q 2022 and half of the activity was observed in the industrial segment. Capitalica acquired a logistics centre consisting of two newly built buildings in Jüri industrial Park and Titanium became the new owner of Saku Metall (sale-leaseback) located in Rae parish. Notable deals in the office segment included the sale of recently redeveloped Pärnu Rd 132 office building to Colonna and acquisition of Sõle 14 complex by EKE. Yields currently remain unchanged but higher interest rates are likely to put some upward pressure on yield, suppressing investment activity in 2HY 2022.

In Latvia, total investment volume reached to EUR 65m. Due to the ongoing war in Ukraine and high market uncertainty, the market was less active in March-April. Acquisition of SC Damme by Summus Capital was the largest deal of the quarter, followed by Lumi Capital acquisition of Indi Centrs (Class B office). Development segment became more active in the second half of the quarter - Estera acquired planned Rotermann Quarter territory in city centre for EUR 11m, VPH acquired former Rigas Piena Kombinats territory close to city centre for EUR 4.5m, while industrial developers Piche & Sirin continued to acquire land plots around Riga Airport. Several notable transactions are expected in following quarters. Yields currently remain stable.

After an active start of 2022, investment activity in Lithuania showed even stronger performance in 2Q 2022, with total investment volume

amounting to almost EUR 170m. High activity was driven by large volume deals in the office and retail segments. Groa Capital reached an agreement with the development company Galio Group to acquire the Freedom 36 Office Building in Riga for almost EUR 40m. In the retail segment, Titanium Baltic Real Estate completed a large transaction by acquiring the Senukai store (10,000 sqm, opened in end 2021). Yields in all segments remained stable compared to the previous quarter.

Office segment

Development in the Tallinn office market remains continually active as 18 projects with leasable area of almost 165,800 sqm are under construction in June 2022. Rising constructions costs continue to heavily impact asking rents as well as the perspectives of further development activity. Vacancy continues to fluctuate around 7%, seeing some consistent decline below 6% level in A class buildings.

Despite the rapid rise of construction prices, two new projects entered the construction phase in Riga, adding ca 8,000 sqm to the total pipeline of 144,000 sqm. In Q2, the first building in Verde office complex was commissioned. Regardless of the geopolitical situation and uncertainty, tenant demand for new office premises remains high. However, because of high costs and use of hybrid working model, increasing tendency of space reductions during relocations was observed.

Vilnius office market expanded by two new projects, adding almost 10,000 sqm of leasable area to the office market in 2Q 2022. Development has remained strong, with a total of 177,000s sqm of new office space under construction, of which half is expected to be completed by the end of this year. Relocation of foreign IT companies to large and modern premises has reduced the ability to provide premises for smaller companies. Rent rates have slightly changed due to new higher quality projects coming to the market.

Retail segment

The retail sector in Tallinn remains inactive with no new remarkable additions expected during 2022. Shopping centres continue diversification of their tenant mix. Viru shopping centre opened a beauty, health and wellness centre and the food hall area in June 2022. Year-end should see the opening of new MyFitness sports club in Kristiine centre. Due to planned tenant changes, improving sales and footfall, there is a visible decrease in shopping centre vacancy. Improvement in footfall in the Old Town and City Centre is also driven by a recovery in the hospitality sector in Q2.

Riga retail market remained active, seeing two acquisitions - VPH acquired former industrial territory close to city centre to develop a new retail property and Summus Capital acquired SC Damme. Q2 was the first full quarter after Covid-19 restrictions were lifted and several malls managed to regain 2019 footfall figures. Market sentiment has improved with a growing demand from existing tenants and new market players. New market entries include Candy POP and KOS; KOS as well as SPAR announced opening their first stores in 3Q 2022.

In 1Q 2022, Vilnius retail market saw the start of construction of a new shopping centre with a GBA of 16,600 sqm, which is expected to be completed in 2023, as well as reconstruction works of Panorama shopping centre. Silas, a new brand in Vilnius market, is currently building its first convenience store in Pilaite district. Rimi and Lidl continued with construction of new hypermarkets. Selection of vacant premises in Vilnius prime shopping centres remained tight. Rent rates continue to fluctuate in a current range, however there is a slight upward pressure.

Logistics segment

The industrial development segment remains active in the Tallinn region, with a total of 150,000 sqm leasable area under construction in June 2022 and several projects being in a completion phase. Rising construction costs continue to impact asking rents for new premises. As a result, the number and volume of new projects started during the quarter have somewhat decreased, while tenants tend to look more for existing buildings or start to renew the lease agreement in current location, although with higher rent (EUR 5.5-6.5/sqm). Development of stock-office premises continues to remain active with at least 67,400 sqm remaining under construction, but demand shows signs of easing in this segment.

In 2Q 2022, the Riga industrial market saw the completion of several new projects, including the new Orkla Biscuit and Wafer Factory (23,000 sqm) and MDL warehouse in the Airport area (8,800 sqm). High demand and low supply of large-scale projects have led to an increased activity in the BtS segment. Tenants operating with transit to Russia and Belarus have suffered from imposed sanctions, although the effects are not yet apparent in vacancy figures as long-term agreements are still in force. The upper level of prime rent rates rose from EUR 4.7/sqm to EUR 5.0/sqm.

In 2Q 2022, the J55 logistics centre developed by SIRIN was completed in Vilnius, adding 20,400 sqm to the speculative stock, while no new projects were added to the development pipeline. Six projects with GBA 67,200 sqm remained under construction. The demand remained strong, which was reflected in total take-up of over 26,000 sqm. Rent rates slightly increased, while vacancy remained low, standing at only 0.8%.

Important notice

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