

Quarterly comment

In 1Q 2021, the aggregated rental revenue for East Capital Baltic Property Fund was EUR 1.49m, and EUR 5.12m year-to-date for the financial year 2020/21. The rental income in Q1 decreased by ca 14% compared to the previous quarter (4Q 2020) and remained largely on 2Q 2020 level, which was the most affected period in 2020. The rental income has suffered most in the hotel and retail properties, as restrictions to retail operations, restaurant activities and tourism remain in place.

The current vacancy level for the fund portfolio is stable at 9%, with no major change in the properties' vacancy levels during the last quarter.

The office and industrial properties in the fund are mostly unaffected. Aiandi 13 office is operating at full occupancy, and Jin office in Vilnius at ca 10% vacancy.

Tänassilma logistics complex is ca 94% occupied, with some vacant office areas, however the average lease term in the property is <1 year and lease extensions or substitutions are to be negotiated shortly. In Metal industrial facility, occupancy remains >80%. The unrented premises are offices with very low demand from the tenant market, considering its industrial location further from the city centre.

The Gospa hotel in Saaremaa enjoyed high occupancy numbers and strong sales in the 2HY of 2020, as the pandemic restricted international travel and boosted domestic travel. However, currently in 1Q 2021, the hotel can only offer a limited range of services (accommodation, in-room dining) and the sales have decreased remarkably. A rent arrangement with lower base rent, but higher turnover component, was temporarily put in place with the hotel operator for 2020 and has now been extended until end of May 2021. Based on the strong sales results in 2020 this concluded in rental income only 16% less than in 2019, however the rental income has been lower in January and February and no turnover component could be added in March 2021.

The occupancy and hotel sales remain low in Tallinn Seaport Hotel, as demand from foreign tourist has not recovered. The rent discount, in place for 2020, was extended further until end of April 2021. Foreign tourism, and the hotel sales, are expected to start picking up in conjunction with vaccination rates growing as well as benefiting from the seasonality.

The retail centres Jewe Centre and Jõhvi Tsentraal in Jõhvi as well as retail units in Kerese centre in Narva can only be open partially, according to current government restrictions on retail activities. Restrictions will be gradually eased from May 2021, and the properties' rental income is expected to recover. In Papiniidu commercial centre in Pärnu, the Bauhof DIY store, among other retailers, had to close its indoor sales area due to these restrictions, however operations were continued in the outdoor area as well as using drive-in and e-store pickup services, and the sales did not suffer remarkably. Currently, no change to the property's rental income is foreseen.

In Jõhvi Tsentraal commercial centre, where vacancy during 1HY 2020 increased to 40%, advanced lease negotiations are ongoing with an attractive tenant for a big-box lease unit in the building. This would restore part of the occupancy and attract visitors as well as additional new tenants. In conjunction with the required investment into these lease areas, the management team is also considering some further investment to improve the layout, accessibility, and facade of the centre.

The management team is currently in discussions regarding the sale of two properties in the fund which if successful could materialize during 2Q 2021.

Financial overview

The Net Asset Value (NAV) of East Capital Baltic Property Investors AB was EUR 405.33 as of 31 March 2021. The Net Asset Value increased by 1.90% for the quarter from 31 December 2020, based on operational profits.

The fund's rental income for the period July 2020 - March 2021 is EUR 5.12m, decreasing only slightly compared to the same period in 2019/20 financial year (excluding divested properties). The fund's net profit concluded at EUR 3.06m.

The property values are included in the balance sheet according to the annual external revaluation in June 2020. The portfolio stands at EUR 81.97m and the aggregated loan to value ratio is 49% as of 31 March 2021.

Sector Allocation

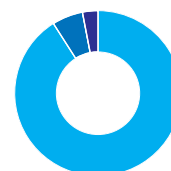
(% of gross property values)



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

Country Allocation

(% of gross property values)



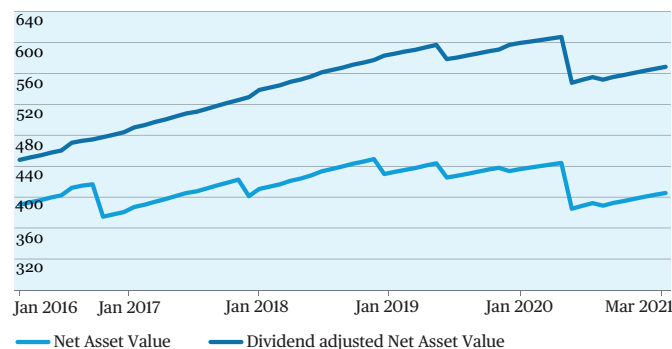
• Estonia	91
• Lithuania	6
• Latvia	3

Net Asset Value since inception

East Capital Baltic Property Investors AB SE0011788439

NAV (EUR)	% 3 months	% YTD	% Since inception*
405.33	+1.90	+5.29	13.67

*Performance adjusted with dividend payments.



Fund Summary

	31 Mar, 2021	31 Mar, 2020
	EUR '000	EUR '000
Fair value of portfolio	81,970	90,360
Other assets	6,224	6,087
Liabilities	-43,485	-47,588
TOTAL NET ASSET VALUE	44,709	48,859
Net Asset Value East Capital Baltic Property Investors AB	405.33	440.19

Financials

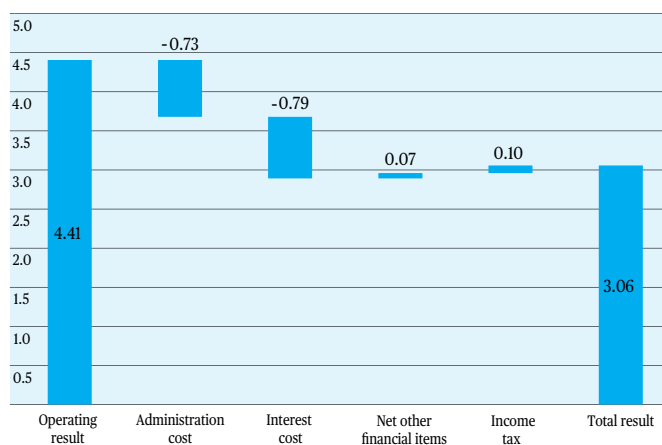
Statement of Comprehensive Income of East Capital Baltic Property Fund AB, unaudited for the period in EUR'000

	Jul 2020 - Mar 2021	Jul 2019 - Mar 2020
Revenue	5,120	5,417
Direct expenses	-712	-813
Gross profit	4,408	4,604
Administrative expenses	-729	-955
Operating profit/loss	3,679	3,649
Interest expenses	-788	-860
Fair value adjustment of interest rate swap	69	186
Profit/loss before income tax	2,960	2,975
Income tax	96	-54
NET PROFIT FOR THE YEAR	3,056	2,921
Earnings per share - Ordinary shares	554,62	530,17

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

	Jul 2020 - Mar 2021	Jul 2019 - Mar 2020
Earnings per share - Ordinary shares	25,64	24,80

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



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

	31 Mar 2021	31 Mar 2020
ASSETS		
<i>Non-current assets</i>		
Investments properties	81,970	90,360
Other long-term assets	13	2,816
Equipment	6	10
Total non-current assets	81,989	93,186
<i>Current assets</i>		
Account receivables - trade	335	307
Other receivables	377	369
Accrued income and prepaid expenses	47	150
Cash and cash equivalents	5,446	2,435
Total current assets	6,205	3,261
TOTAL ASSETS	88,194	96,447

EQUITY AND LIABILITIES

Equity		
Share capital	17	17
Other paid-in capital	38,217	38,217
Retained earnings	3,419	7,242
Profit/loss for the period	3,056	2,921
TOTAL EQUITY	44,709	48,397

Liabilities

<i>Non-current liabilities</i>		
Interest-bearing liabilities	36,088	37,283
Derivatives	74	267
Other liabilities	664	684
Deferred tax liabilities	601	776
Total non-current liabilities	37,427	39,010
<i>Current liabilities</i>		
Interest-bearing liabilities	4,374	7,456
Accounts payable - trade	1,085	859
Derivatives	282	175
Other liabilities	47	53
Accrued expenses and deferred income	270	497
Total current liabilities	6,058	9,040
TOTAL EQUITY AND LIABILITIES	88,194	96,447

Contact

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Baltic real estate market



Investment market

The year 2021 started rather actively in Estonia with total investment volume reaching ca EUR 53m in Q1, with most activity in the industrial segment. Kapitel bought a 50% stake in Nordassets OÜ, which owns logistics centres in Rae parish (59,000 sqm with Smarten Logistics being the anchor tenant) and East Capital acquired 30 hectares of land outside Tallinn for new logistics projects. Additionally, in 1Q 2021, two hotels in Tallinn Old Town were sold.

Similarly, the industrial segment is receiving investor attention in Latvia as local fund manager SG Capital acquired a large industrial territory in Dreilini in 1Q 2021. Investors are actively looking into other segments, for example BTA Baltic Insurance Group signed an agreement for one of the largest residential transactions in Latvia's history, acquiring more than 150 apartments in 3 projects from their developer & operator Rentejas. The third notable transaction of the quarter included the acquisition of grocery-led retail unit Juglas Centrs by Lumi Capital.

In 1Q 2021, the Lithuanian market attracted total investment volume of over EUR 166m, twice the level of 1Q 2020. Surprisingly, the biggest share of investment volume (58%) was directed towards the retail segment as French investment company Corum acquired Depo DIY stores in Vilnius and Klaipeda. EfTEN Capital acquired a complex of three buildings with industrial, logistics and office space from Arginta Group in a sale-leaseback transaction. In the hotel segment, 4* Radisson Blu Hotel Klaipeda was acquired by IN Group. Baltic Asset Management acquired the 3* Ecotel Hotel in Vilnius; however, they plan to transform the property into a residential rental project.

Investors are expected to continue targeting more defensive assets, such as specific types of offices, logistics and grocery-led retail, followed by development or conversion opportunities as well as new and niche investment products, such as residential rental, student and senior housing, and data centres. Industrial assets are in particularly high investor demand and industrial yields have potential to compress.

Office segment

Despite the current remote working trends, vacancy has not increased remarkably in the office segment so far, as decisions affecting office premises have mostly not yet been made. Some hidden vacancy has materialized to physical vacancy and companies are gathering offers for relocations into better quality or resized premises. At the same time, higher leasing intentions are noticed, expected to materialize to lease agreements during the year, concurrent with return to offices. Global

business services segment remains to be the driver for new leases, for example American medical technology company DexCom pre-leased 6,000 sqm office premises at Vilnius Business Stadium office complex.

Development of new business centres continues. In Tallinn, Kawe started development works of the new Kawe City office building, anchored by PricewaterhouseCoopers and Kapital started the construction works on the Liivalaia business and residential quarter with total commercial GLA 28,000 sqm, the latter set for completion in 2024. In Riga, three large-scale projects Verde, Preses Nams and Novira Plaza are under construction, to be delivered to the market starting from 2022. In Vilnius, three office buildings with new leasable area of 36,500 sqm were commissioned in 1Q 2021, and the office stock under construction remains still sizeable at ca 200,000 sqm area.

Retail segment

Retail continues to be the hardest hit segment, with adverse effects on rents and vacancy levels expected across the Baltic markets. In 1Q 2021, retail activity in both Latvia and Lithuania was highly restricted with only essential stores allowed to be open, and Estonia posed similar restrictions in March.

Several shopping centres are using this time to improve their facilities and concepts. Leasing activity remains low, as retailers are waiting for the pandemic to end before making specific expansion plans. Activity is witnessed in grocery and home goods segments. Rimi, Maxima, Prisma and Selver grocery chains are expanding in Tallinn or its neighboring areas. IKEA pick-up and Pepco are planning for new locations in Estonia, Senukai started construction of a new store in Vilnius and Hortes gardening chain opened its first store in Riga.

Logistics segment

The logistics properties' stock in the Baltic capitals as well as rent rates and vacancy levels remained stable in 1Q 2021. However, ca 114,000 sqm of area is under construction in Tallinn, 120,000 sqm in Riga and 78,000 sqm in Vilnius. Stock-office sub-segment drives the development activity in Tallinn, and stock-office projects are finally started to be developed in Vilnius and Riga as well. Tenant demand in Tallinn comes increasingly from logistics companies and (online) retailers. In Riga and Vilnius, development activity is in most part speculative, confirming the positive sentiment from industrial developers, but the market is expected to become more tenant-oriented due to high supply once projects currently under construction are completed.

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.