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Annual General Meeting 2019

Fund Manager´s Comment on the Year

East Capital Baltic Property Investors AB (publ.)

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Summary

- Positive and supportive macro-economic backdrop
- Baltic Property Fund continues to deliver good NAV performance
- Strategic plan executed during 2018/2019 – exit and investments
- €10 dividend suggested for 2018/2019 – lower than last year as expected
- Up to €3m being invested into a few selected properties 2019-2020
- Dividend expected to increase post property investments

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Main targets

- Optimize the property portfolio and focus on good properties primarily in Estonia and exit of non-core properties
- Invest in existing properties to add value and secure future cash flow
- Maximize cash flow to investors after necessary investments
- Listen to investor suggestions on future strategy after goals have been achieved – e.g. possibililty of reinvestment, permanent vehicle etc.

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Milestones of the year - delivery on strategy

- Net asset value increase of 8.25% (including dividend, excluding revaluation)
- €2.2m free cash flow generated (incl. €2.6m amortization)
- New financing of Jin property in Lithuania
- Divestment of Deco property in Lithuania
- Active dialogue on further exits in Latvia and Lithuania
- Dividend of €25/share paid through redemption share in 4Q 2018

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Fund in brief 2018/19

- The value of investment properties amounted to €90.36m at financial year end 30 June 2019, excluding the Deco property
- Portfolio revaluation excluding Deco property was slightly negative compared to previous external revaluation (-2.1% y-o-y), mainly due to temporary vacancy in A13 office and more conservative approach to properties in secondary locations
- Portfolio yield at financial year-end 6.9%, increasing to 7.1% during 2019/20
- Cash and cash equivalents at financial year-end €5.5m (a €0.5m one-off repayment related to Jin loan refinancing was done after year-end), of which ~€3m is reserved for previously planned and approved investments mainly in Jewe and Tammsaare properties
- Loan balance as of 30 June 2019 €49.4m equivalent to a loan-to-value of 53% (€47.2m and 52% respectively after Deco sale completed in July 2019)

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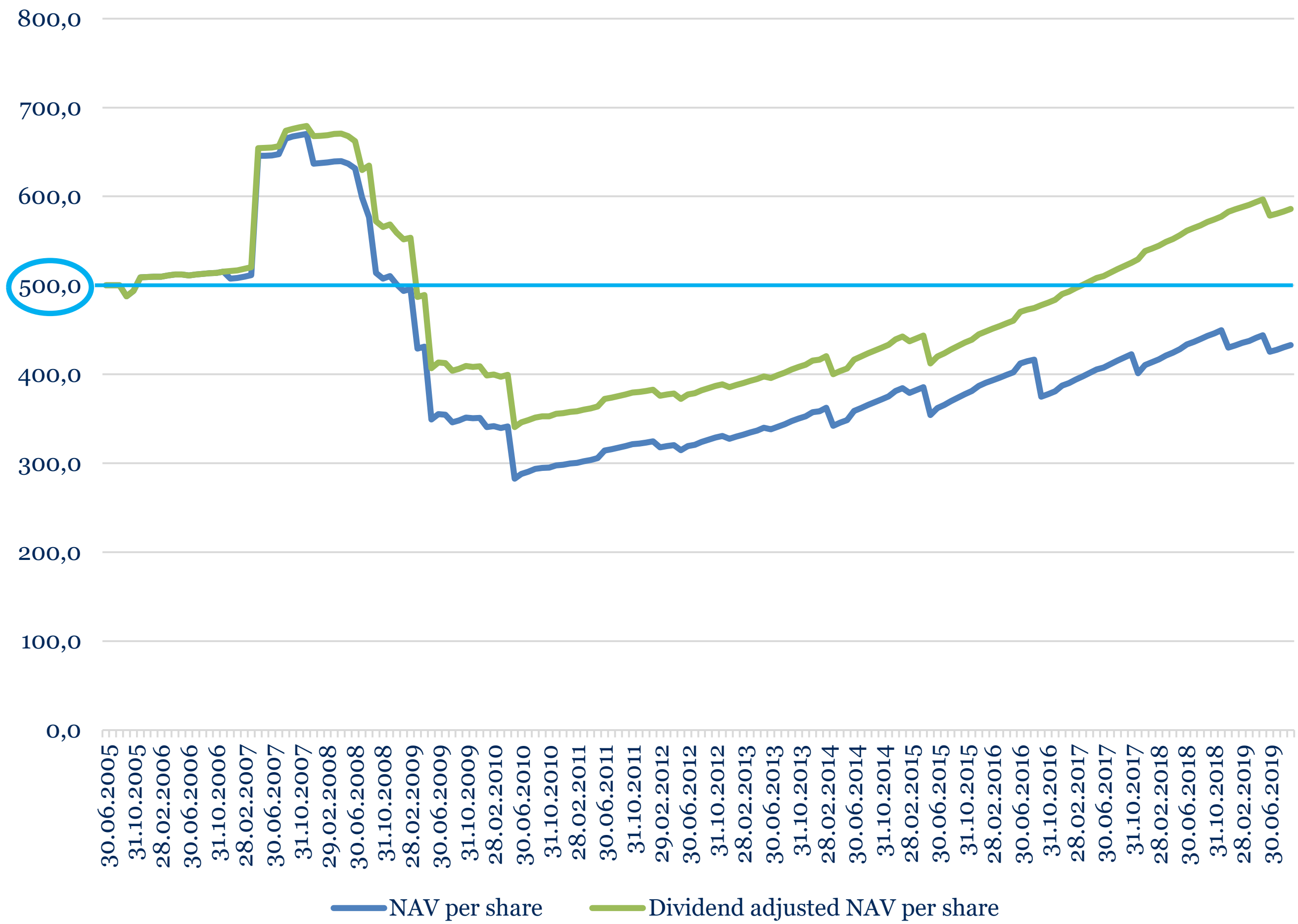
NAV development

- Dividend adjusted NAV above the initial investment level and expected to increase by ~9-10% annually
- Annual dividend potential without exits or major investments ~ €20-25/share



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Property portfolio

Tallinn
Tänassilma Logistics Facility
Seaport Hotel
A13 Office

Saaremaa
Go Spa Hotel

Pärnu
Papiniidu Commercial Centre

Klaipeda
Laracija Office Center

Maardu
Metal Industrial Facility

Narva
Kerese Commercial Centre

Jõhvi
Jewe Retail & Furniture Centre
Tsentraal Centre

Riga
Zemitana Centre Offices

Vilnius
Jin Office Centre

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Estonian portfolio

A13 Office (former Tammsaare)

Jewe Retail Centre


Go Spa Hotel


Tsentraal Commercial Centre


Kerese Commercial Centre

Seaport Hotel


Metal Industrial

Tänassilma Industrial Park

Papiniidu Commercial Centre

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Risk and opportunities for coming year

- Risks

  - Vacancy risks (lower than 2018/2019)

  - Delays in further exits in Latvia/Lithuania (limited financial effect)

  - Investment costs (primarily related to reconstruction in Jewe SC)

  - Bank financing more restricted

- Possibilities

  - Optimized Estonian portfolio within reach

  - Continued strong cash flow after necessary investments

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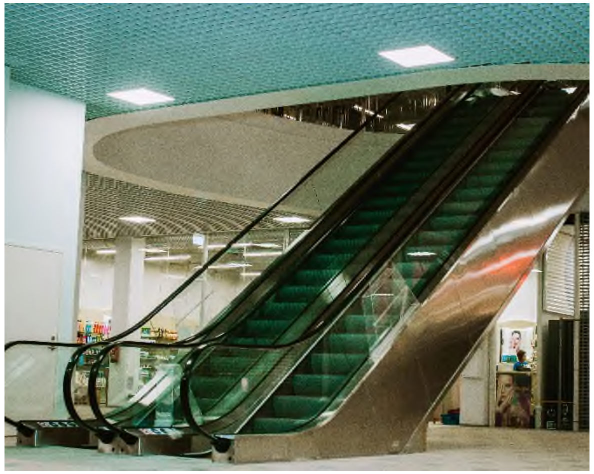
Investment in selected properties

- Jewe Retail Centre extension and upgrade project, with the aim to increase shopping centre attractiveness, secure anchor tenants and future cash flow in light of new competition, was executed during July-November 2019. Total construction cost €2.1m
- Grocery tenant Selver extended areas by ca 430sqm under its 12y remaining unbreakable lease
- During the reconstruction, the retail area on ground floor was expanded as former outdoor bus station area was integrated with the centre and rebuilt to retail premises. New escalators to the second floor were installed, increasing vertical mobility and attractiveness of second floor shops
- Total retail area, including grocery store, increased by 750 sqm (increase on ground floor, decrease on second floor), and new tenants include pet store, barber shop, new clothes concept, cafe etc

Investment in selected properties (continued)

Newly opened grocery store and shops in Jewe shopping centre



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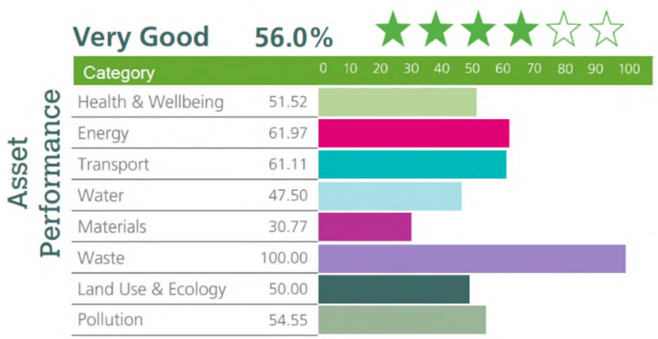
Investment in selected properties (continued)

- In the beginning of 2019, ca 600 sqm of large office unit in Tammsaare office building was rebuilt into smaller units, successfully rented out during a few months. The property was rebranded into A13 office.
- After lease maturity of a larger tenant, the property remained ca 30% vacant in April 2019. Shortly after in July 2019, a lease covering most of these areas was signed with a strong international tenant. The investments needed to prepare 2,850 sqm on two floors of the office complex for the tenant amount to ca €500th and will be completed by year end 2019
- In June 2019, the property received BREEAM In-Use „Very Good“ certificate



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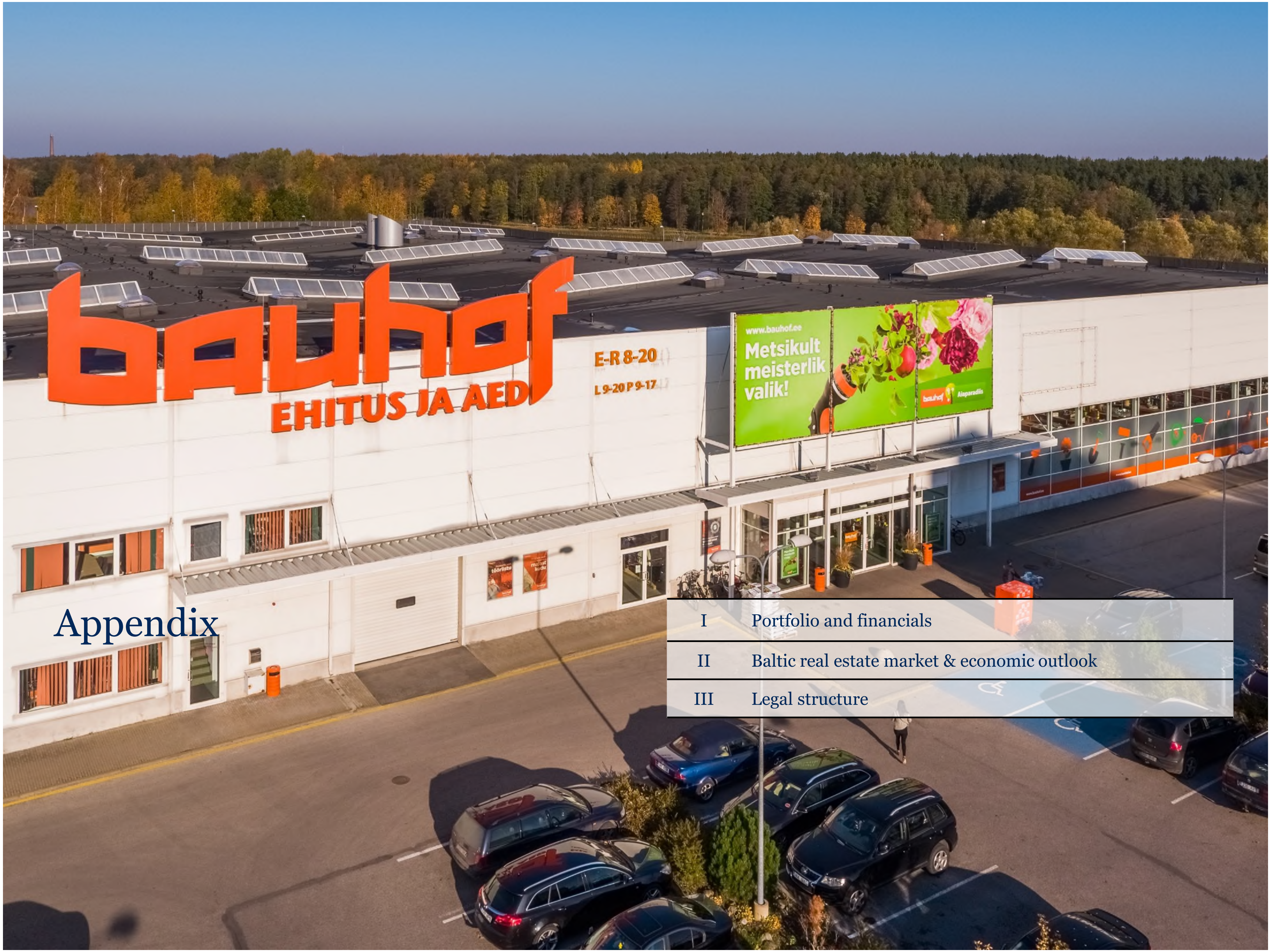
Suggested dividend

- The BoD has proposed a dividend of €200.5/share in the fund enabling a dividend in ECBPI equivalent to €10/share to be paid in 4Q 2019
- Dividend will be paid as ordinary dividend within two weeks after the AGM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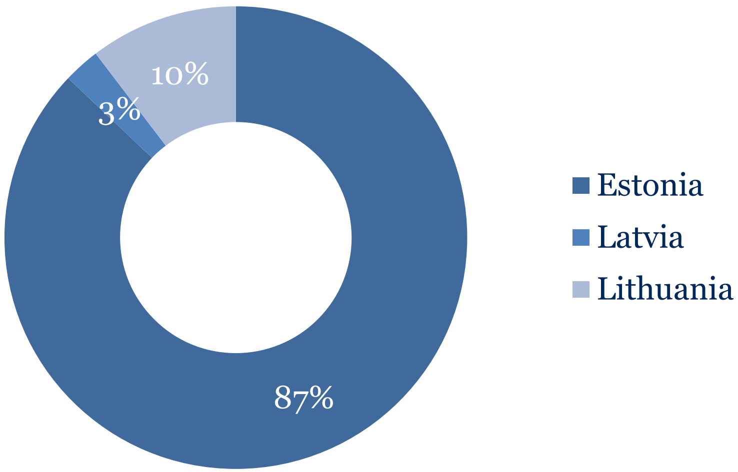
I - Portfolio activities 2018/19

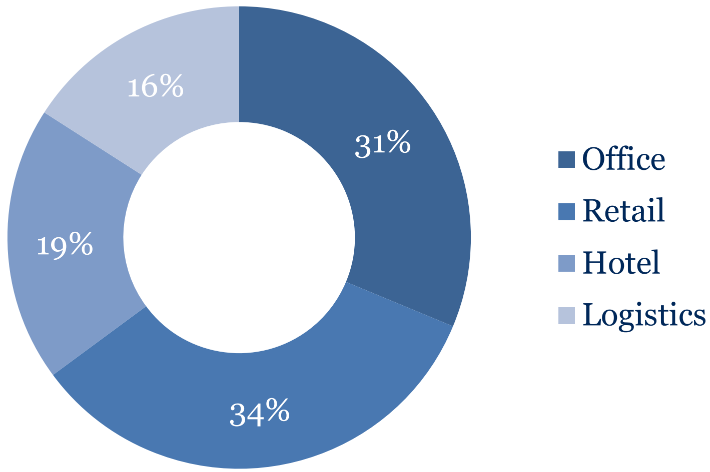
- Management focus remained on increasing rental income for portfolio properties, by reducing vacancy and investing where needed. Average rent of €6.7/sqm/month is expected to remain stable
- Portfolio economic vacancy for the financial year concluded at 7%. Longer vacancy periods are only experienced in secondary locations, where the demand for commercial premises still remain weak. Vacancy was temporarily higher in A13 (former Tammsaare) and Jin office, where close to full occupancy was restored by or after financial year end
- The hotels in the portfolio – Gospa and Tallinn Seaport hotel - continue to meet or exceed budgeted turnovers and contribute notable turnover rent to the fund's result. The turnover rent paid increased by 13% in Gospa and by 9% in Tallinn Seaport Hotel during financial year 2018/19
- In June 2019, the management team signed a sale agreement for the Deco retail property in Klaipeda, Lithuania for €2.49m, close to the propery's book value. The sale was finalized after financial year end in July 2019
- The Estonian properties are financed long-term, with their syndicated loan maturity matching the fund's maturity in June 2022. In June 2019, Jin property was refinanced with the same loan term. Two of the loans in the fund remain short-term as the underlying properties are in active sale process

Fund distribution

Country allocation, % of property value



Sector allocation, % of property value



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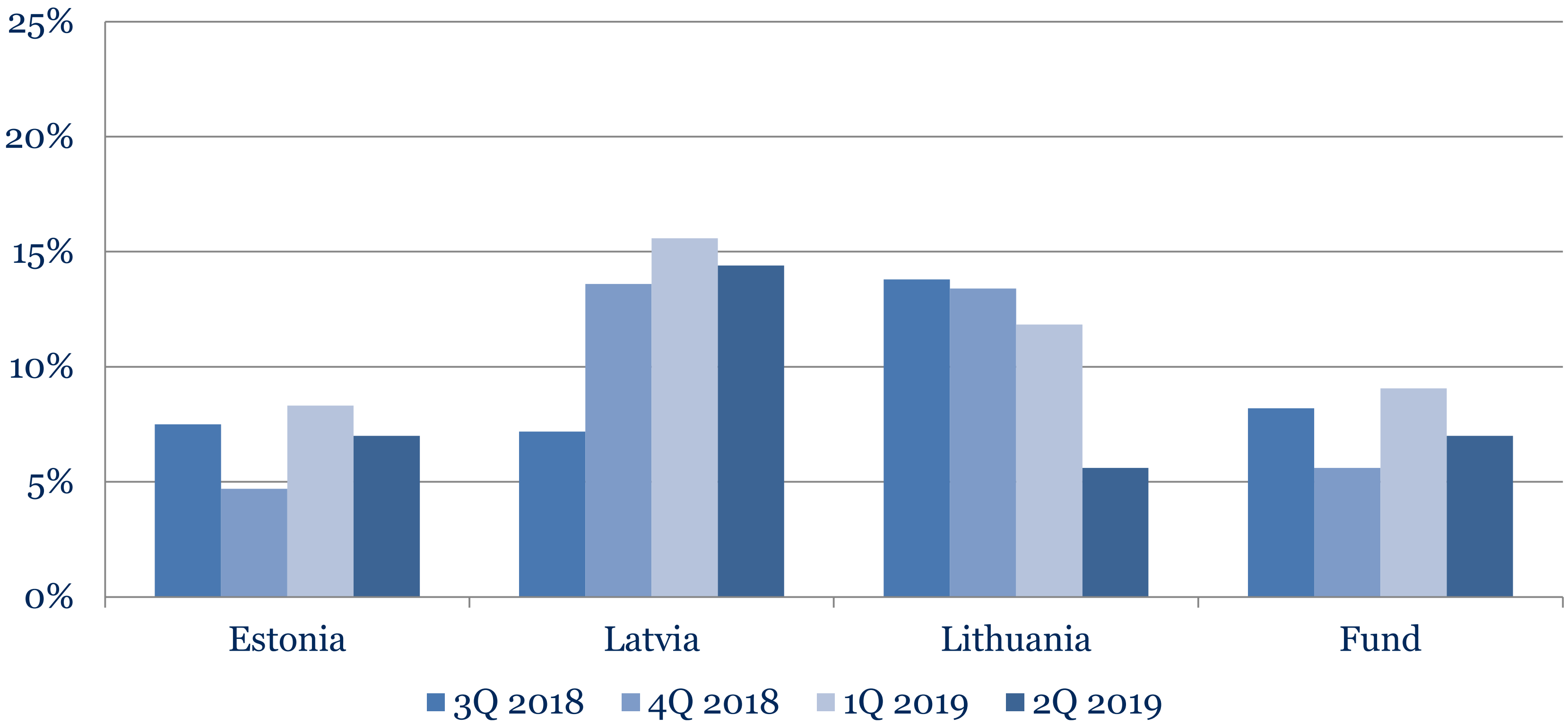
Portfolio vacancy



End of quarter

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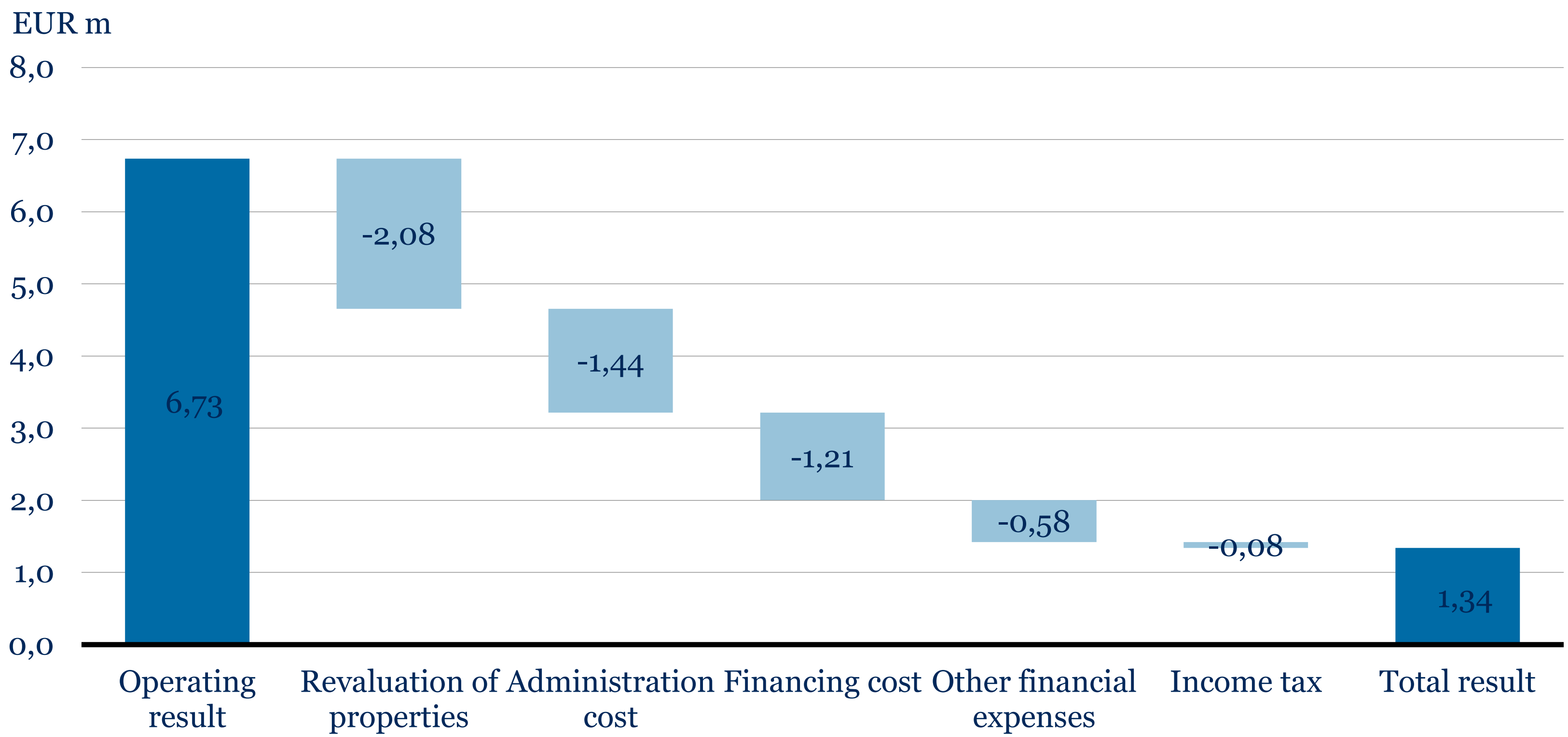
Result contributor 2018/19



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Base case fund CF forecast

	2018/2019 ACTUAL*	2019/2020 PLAN	2020/2021 PLAN	2021/2022 PLAN
Net rental income	**7 419 992**	**7 303 513**	**7 538 134**	**7 747 368**
EUR/sqm/m	**6,8**	**6,7**	**7,1**	**7,0**
Vacancy rate %	**9%**	**8%**	**9%**	**7%**
Operating expenses	**-924 854**	**-832 547**	**-825 210**	**-833 797**
Bad debt	-249 454	-42 199	-44 787	-45 173
Net operating income	**6 245 684**	**6 428 768**	**6 668 137**	**6 868 398**
Interest expense	-1 161 309	-1 094 980	-1 044 649	-985 010
Interest/other income/-loss	16 914	0	0	0
Profit/loss	**5 101 289**	**5 333 787**	**5 623 488**	**5 883 388**
Loan principal payment	-2 490 374	-2 456 382	-2 470 272	-2 470 272
Investments	-462 053	-2 999 764	-124 512	0
Free cashflow before mgmt fee	**2 148 862**	**-122 358**	**3 028 704**	**3 413 116**
Loan balance	**47 332 341**	**44 263 529**	**41 793 257**	**39 322 985**
Interest rate	*2,3%*	*2,3%*	*2,4%*	*2,4%*
Property value	**90 360 000**	**90 360 000**	**90 360 000**	**90 360 000**
Yield ratio %	*6,9%*	*7,1%*	*7,4%*	*7,6%*
Loan covenants				
LTV	*52%*	*49%*	*46%*	*44%*
DSCR	*1,58*	*1,81*	*1,86*	*1,99*
ICR	*4,98*	*5,87*	*6,26*	*6,97*

*excluding divested properties

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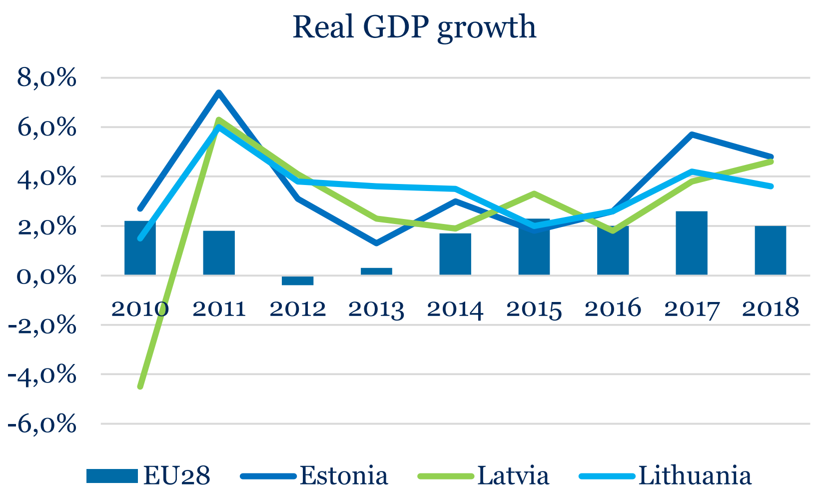
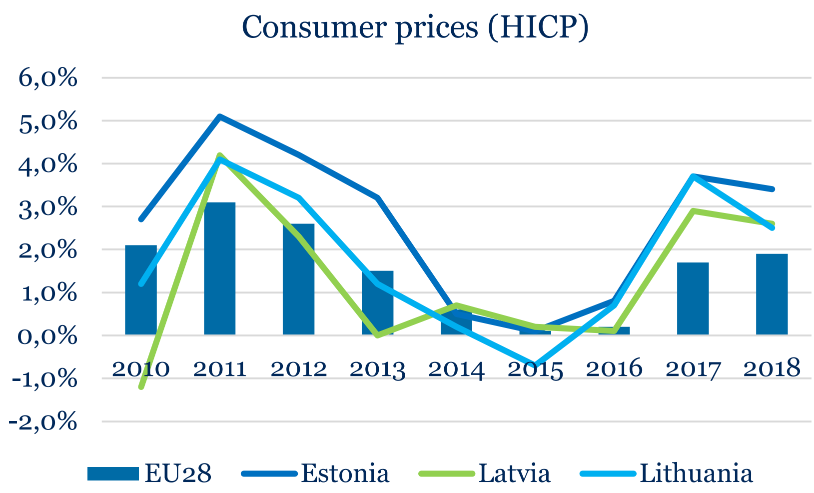
II - Economic outlook remains positive

- The Baltic countries sustain to have a broad-based economic growth surpassing EU average. Economies are well balanced with low public debt levels
- Strong labor markets along with low inflation and high real wage growth are driving the demand from domestic sector
- Broadly diversified exports together with domestic consumption and increasing investments support the country's economic growth
- All Baltic countries have good international relations and are members of EU, Eurozone, NATO, OECD. From 2020, Estonia will be a member of the United Nations Security Council
- Baltic economies will remain open to global risks: trade wars, protectionist economic policy, geopolitical tensions, as well as financial effect of policies related to climate change.





Source: Eurostat

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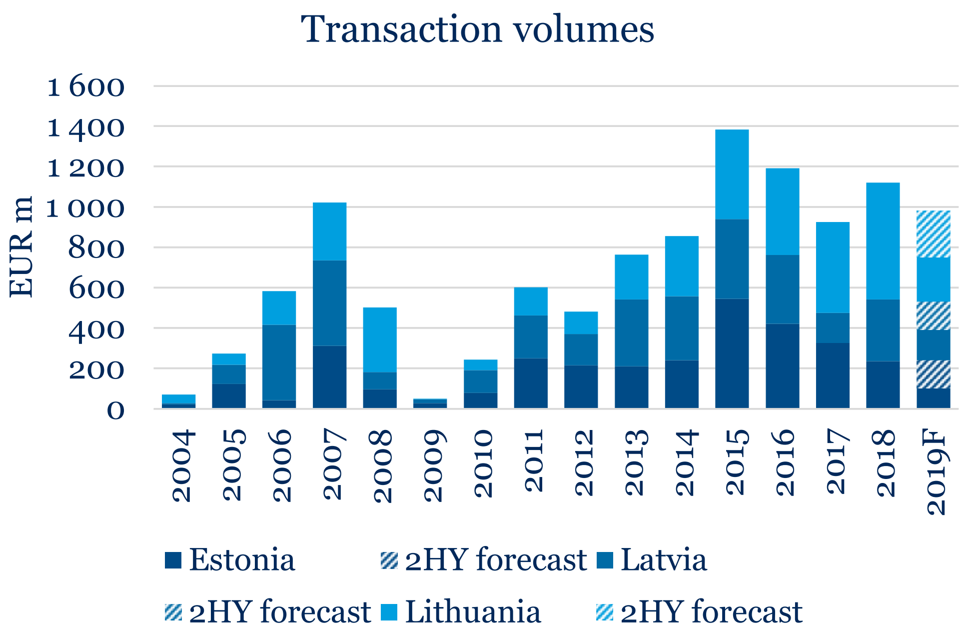
Investment market - Transaction volumes around EUR 1.0bn

- Transaction volume in the Baltics has been stable around EUR 1.0bn annually

- Alongside the known Baltic and Nordic investors, several international investors have entered the Baltic market

- Although somewhat stricter, financing conditions are still good for strong companies

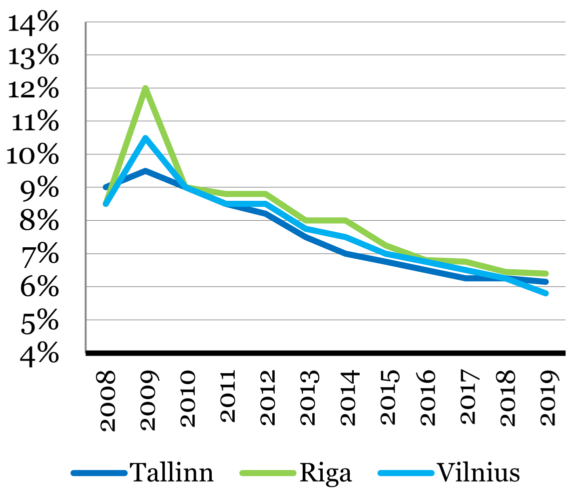
- East Capital remains the second largest investor and asset manager in the Baltics, with AUM in excess of EUR 400m



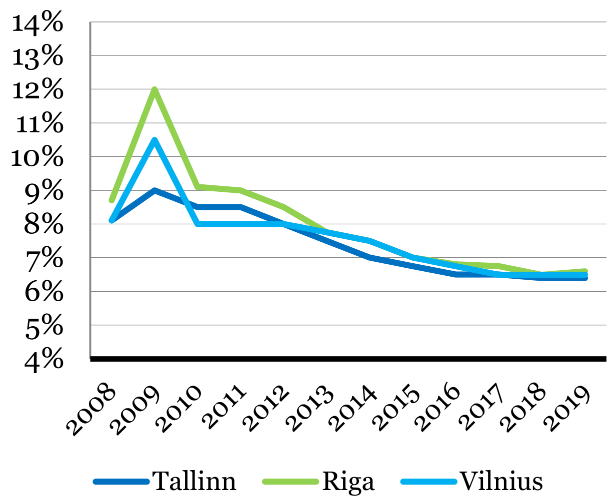
Source: Colliers

Prime yields are mostly stable with slight downward pressure

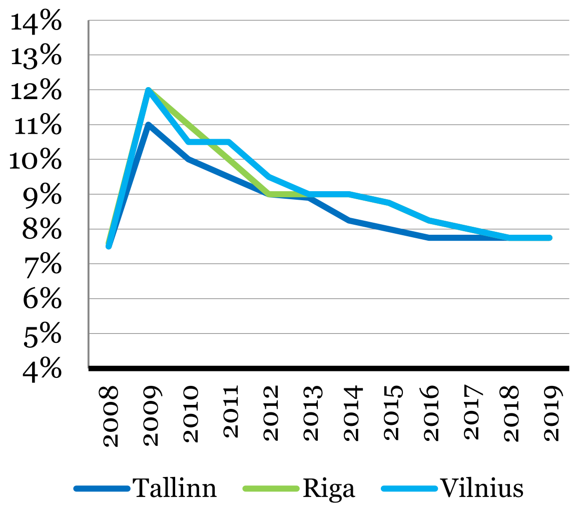
Prime Office Yields



Prime Retail Yields



Prime Logistics Yields



Source: Colliers

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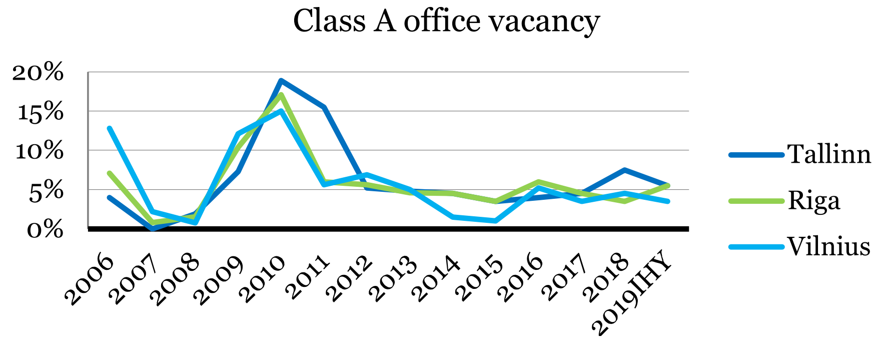
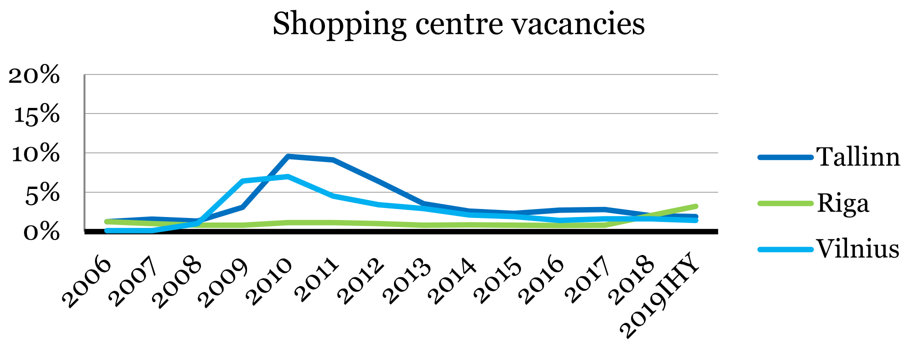
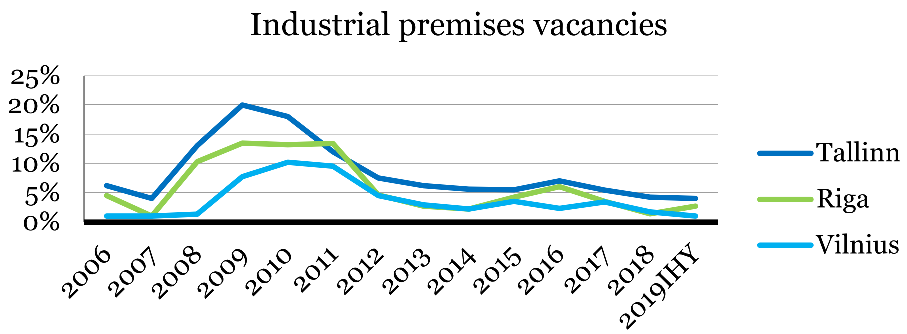
Demand for modern space remains high

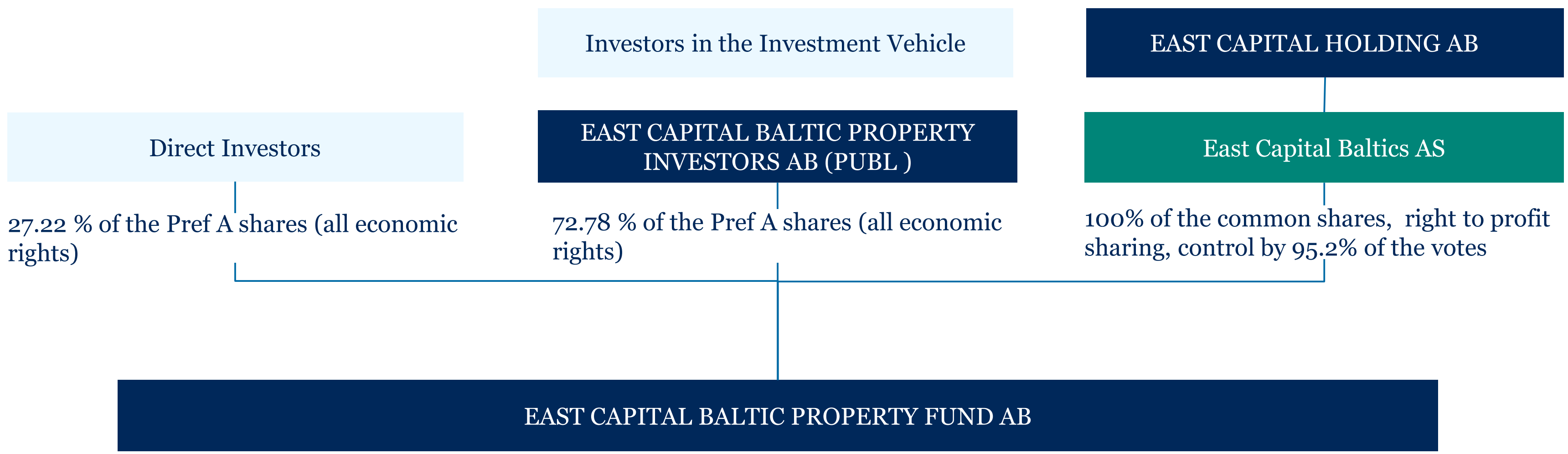
- Office markets are active in all Baltic capitals, with strong demand for office space, driven by companies from IT, high-tech, professional services and business services sectors.
- Record number of new office centres have been or are to be opened in Vilnius during 2019. Vacancy rates remain low due to robust demand. The market is also active in terms of investment activity, specifically in the office segment
- New developments are seen in Riga office market, where A class has historically made up only ~15% of stock
- Competition on Tallinn retail market is tightening in grocery, home goods and DIY sector. First IKEA showroom and delivery point was opened in Tallinn in 2Q 2019
- Gigantic Akropolis SC was opened in Riga in April 2019, inspiring other shopping centres to change as well. Alfa SC regained the status of the largest shopping centre in Riga after opening its extension in September 2019. The market has experienced slight increase in vacancy rates and rent rates in secondary shopping centres
- Industrial market in all three capitals remains active with several projects under development and low vacancy rates







III - East Capital Baltic Property Fund structure



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A company operating under the laws of Estonia

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