EAST CAPITAL

Baltic Property Fund Quarterly Report

October – December 2021

Quarterly comment

In December 2021, a dividend of EUR 40.0 per share was distributed to investors, equal to 9.5% of NAV as of financial year end on 30 June 2021. The Fund's Annual General Meeting also took place in December and the management team held an update presentation covering the results of the 2020/21 financial year which also included a summary of the previous five-year cycle and the outlook for the fund.

The rental revenue for East Capital Baltic Property Fund for the period July - December 2021 amounted to EUR 3.0m and increased by 1.6% on a comparable basis versus the same period in 2020 (eliminating for divested properties).

The vacancy level for the fund portfolio stands at 9% at quarter end in December 2021. The vacancy levels remain mostly unchanged to the previous quarter and the portfolio rental income is stable.

The biggest change during the quarter in portfolio occupancy was in Aiandi 13 office Tallinn where ca 10% of total office area were vacated in October 2021. The vacancy period however is not expected to be long, considering tenant demand for the well located, reasonably priced and modern premises. As a competitive advantage, the building has been awarded a BREEAM In-Use "Very Good" sustainability certification and is energy efficient with low side costs to the tenant.

The Fund has invested into several properties during the holding period, but Jõhvi Tsentraal centre remains one of the properties which has not been significantly updated since its acquisition in 2007. The management team has thus prepared an upgrade project, including changes to centre layout, adding an office hotel and potentially other modern concepts to the centre, façade renewal and central square renovation to a recreational area. The works, financed by internally accumulated liquidity, will be completed in stages and the total investment budget is to be finalized. As part of this process, a new Jysk store was opened on ca 1,000 sqm in August 2021 and some other larger tenants are currently being negotiated.

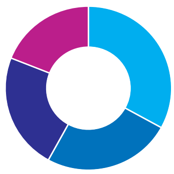
During 4Q 2021, the Fund has agreed the sale of the Gospa hotel in Saaremaa to the operator related buyer close to current book value. The sale was completed after quarter end in January 2022 and the sale proceeds will be distributed to investors during in 1H 2022. After the sale of Gospa hotel, there are nine assets remaining in the fund with current total fair value of EUR 61.9m.

Georg Ots Spa Hotel opened its doors in 2004 and was the first wellness spa in Estonia. It has 92 rooms, a spa, a wellness and conference centre and a top-class restaurant with scenic views. East Capital Baltic Property Fund acquired the property in 2006 and has since then managed and developed the property together with the operator, including the full renovation of the hotel in 2014-2015. The hotel is highly popular among both domestic and foreign visitors and has had strong turnover growth over the years.

Including the Gospa exit, five properties have been divested in the fund since 2018, including two in Klaipeda, one in Riga and two in regional locations in Estonia. The management team is also working on further exits before the end of the current fund term in July 2022. However, an orderly exit at or close to book value is unlikely for all properties before fund maturity and the board is therefore preparing an Extra General Meeting of the Fund by end of Q1 2022 to propose a fund extension to enable orderly exit of all properties.

Sector Allocation

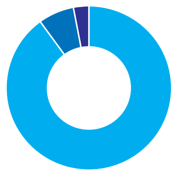
(% of gross property values)



Office	33
Retail	25
Hotel	23
Logistics	19

Country Allocation

(% of gross property values)



Estonia	90
Lithuania	7
Latvia	3

Financial overview

The Net Asset Value of East Capital Baltic Property Investors AB was EUR 392.10 as of 31 December 2021. Adjusted with the EUR 40.0 dividend payment, the Net Asset Value increased by 1.28% during the quarter from EUR 426.66 on 30 September 2021.

The fund's rental income for the period July - December 2021 was EUR 3.0m. The rental income of the portfolio, excluding divested properties, increased by 1.6% compared to the period same period in 2020, with rental income increases in most properties y-o-y. The fund's net profit concluded at EUR 1.42m.

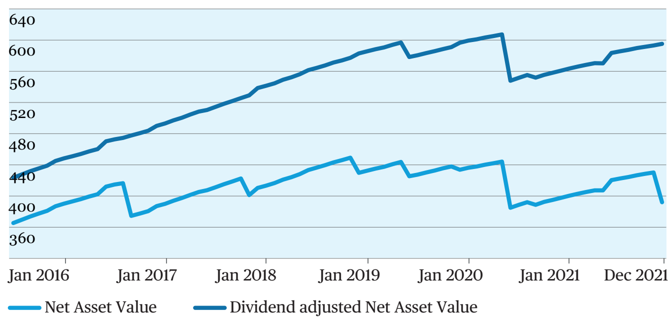
The portfolio gross asset value amounts to EUR 72.1m, including fair values of the portfolio assets from its recent revaluation in June 2021, as well as Gospa hotel in its agreed sale value as an asset held for sale. The Fund's loan portfolio stands at EUR 32.63m and the corresponding loan-to-value ratio is 45% as of 31 December 2021.

Net Asset Value since inception

East Capital Baltic Property Investors AB SE0011788439

NAV (EUR)	% 3 months*	% YTD*	% Since inception*
392.10	+1.28	+2.77	19.02

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



Fund Summary

	31 Dec 2021	31 Dec 2020
	EUR '000	EUR '000
Fair value of portfolio	61,898	81,970
Other assets	15,966	5,811
Liabilities	-34,236	-43,561
TOTAL NET ASSET VALUE	**43,628**	**44,220**
Net Asset Value East Capital Baltic Property Investors AB	392.10	397.77

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Financials

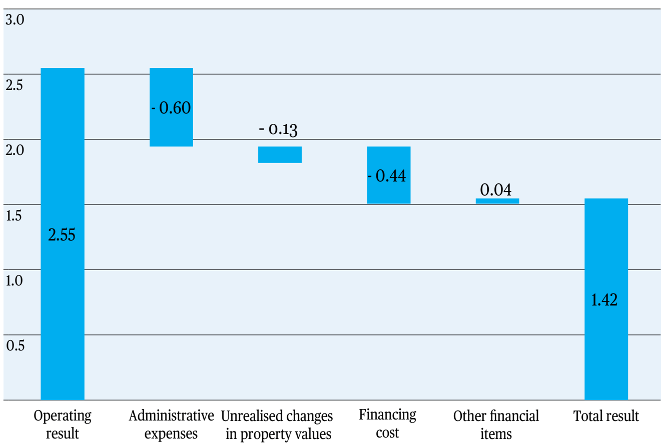
Statement of Comprehensive Income of East Capital Baltic Property Fund AB, unaudited for the period in EUR'000

	Jul - Dec 2021	Jul - Dec 2020
Revenue	3,024	3,634
Direct expenses	-477	-531
Gross profit	**2,547**	**3,103**
Administrative expenses	-602	-519
Unrealised changes in value of investment properties	-125	-
Operating profit/loss	**1,820**	**2,584**
Interest expenses	-438	-537
Fair value adjustment of interest rate swap	41	32
Profit/loss before income tax	**1,423**	**2,079**
Income tax	-	95
NET PROFIT FOR THE YEAR	**1,423**	**2,174**
Earnings per share - Ordinary shares	**258,34**	**394.59**

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

	Jul - Dec 2021	Jul - Dec 2020
Earnings per share - Ordinary shares	11,65	18,08

Result contribution (year-to-date financial year 2021/22, EURm)



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

	31 Dec 2021	31 Dec 2020
ASSETS		
Non-current assets		
Investments properties	61,898	81,970
Other long-term assets	9	14
Equipment	5	6
Total non-current assets	**61,912**	**81,990**
Current assets		
Assets held for sale	10,175	-
Account receivables - trade	524	267
Other receivables	246	378
Accrued income and prepaid expenses	42	42
Cash and cash equivalents	4,965	5,104
Total current assets	**15,952**	**5,791**
TOTAL ASSETS	**77,864**	**87,781**
EQUITY AND LIABILITIES		
Equity		
Share capital	17	17
Other paid-in capital	33,798	38,217
Retained earnings	8,250	3,419
Profit/loss for the period	1,423	2,174
TOTAL EQUITY	**43,488**	**43,827**
Liabilities		
Non-current liabilities		
Interest-bearing liabilities	-	36,654
Derivatives	130	133
Other liabilities	636	665
Deferred tax liabilities	304	601
Total non-current liabilities	**1,070**	**38,053**
Current liabilities		
Interest-bearing liabilities	32,633	4,382
Accounts payable - trade	286	808
Derivatives	9	260
Other liabilities	117	93
Accrued expenses and deferred income	261	358
Total current liabilities	**33,306**	**5,901**
TOTAL EQUITY AND LIABILITIES	**77,864**	**87,781**

Contact

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Economic overview

In 3Q 2021 GDP of Estonia grew by 8.6% y-o-y (main drivers were construction, information, and communication), 5.1% in Latvia y-o-y (main drivers were financial and insurance activities, information and communication) and 4.8% y-o-y in Lithuania (main drivers were financial and insurance activities, manufacturing).

Average annual inflation in 2021 accelerated to 4.6% in Estonia, 3.2% in Latvia and 4.7% in Lithuania.

In 3Q 2021 the average monthly gross earnings grew by 7.8% y-o-y in Estonia, 10.4% in Latvia and 9.9% in Lithuania. In November 2021, the highest registered unemployment rate of the country's working age population was recorded in Lithuania (10.1%), the lowest - in Latvia in (6.4%), while in Estonia, it stood at 6.7%.

Real estate market

Investment market

2021 resulted in record-high investment volumes in Baltics, amounting over EUR 1.9 bn. Total investment volume in the Baltics is expected to exceed the EUR 1 billion threshold also in 2022. Investors continue the hunt for industrial assets. Lack of attractive high-grade investment objects will also keep a significant part of investments directed into development projects.

During 2021, the total investment volume in Estonia amounted to ca EUR 610m (new record), surpassing the previous year's result by 81%. In Q4, total known investment volume exceeded EUR 330m, driven by the sale of four properties by East Capital Baltic Property Fund II and boosted activity in the retail segment which had remained rather calm so far. Other larger deals in the retail segment included the sale of T1 (distressed asset, sold to company representing T1's creditors) and sale-leaseback of Stockmann department store (buyer VKG). Industrial prime yields compressed to 6.8% while office prime yield remained at 5.8%, but both continue to remain under downward pressure.

In Latvia, an additional EUR 165m was invested in real estate in 4Q 2021 and the highest ever annual investment volume of EUR 665m was reached, which is two times higher than the figures of the previous years. The largest part of investment volume came from retail deals which altogether were responsible for 48% of this volume. Currently the market is lacking prime objects for sale that has resulted in investors facing a market of opportunistic and value-added investment options. Interest in development properties remains high with more than EUR 200m invested during 2021. Prime office yield compressed to 5.5% and prime industrial yield to 6.5%, a trend expected to continue.

4Q 2021 in Lithuania was characterized by total investment volume exceeding EUR 205m and strong investor appetite for the office and logistics sectors. The dominant part of transactions took place in the office segment, including the acquisition of Uptown Park BC by Eastnine, Zalgirio 112 office ("Naujasis Skansenas Z") by East Capital Real Estate IV and Danske Bank previous HQ by EfTEN Capital, all located in Vilnius. The hotel segment stood out with the largest hotel transaction in the last three years - acquisition of the existing 4-star Holiday Inn in the centre of Vilnius by Lords LB.

Office segment

Development in the Tallinn office market remains active as 17 projects with leasable area of almost 150,000 sqm are under construction in December 2021. In Q3, fully leased Skyon office building in Tallinn CBD was opened. Steady demand from ICT, the FinTech industry and healthcare sectors and low new supply in 2021 supported positive office space absorption throughout the year. Vacancy in A class continues to fluctuate around 7-8%.

In Riga, development activity remains high with more than 148,000 sqm of office space under construction. Lack of notable additions to stock during 2021 has resulted in increased interest from tenants in upcoming projects. Preliminary data indicates that 2021 office take-up exceeded GLA 52,000 sqm, a significant increase compared to previous years' average level of GLA 35,000 sqm. Some 37% of signed lease agreements are pre-leases. Rents for new projects are higher than for existing ones, though due to rising energy costs, new projects are in a somewhat better position because of expected lower additional costs.

Development of new office properties remained intense in Vilnius as 202,900 sqm of new leasable space was under construction at the end of the year. In Q4, the OFFICE 100 BC with 9,500 sqm leasable area was completed. Office take-up in Q4 exceeded 23,800 sqm. Office rent rates demonstrated a slight increase compared to the previous quarter, mostly due to active take-up and rising construction costs. Due to hybrid work practices tenants tend to occupy smaller office spaces but with higher quality. As a result, vacancy in Class A office segment stood roughly at the same level but is expected to see a decline.

Retail segment

The retail sector remains active in the Tallinn region, seeing ongoing and planned development activity (e.g. IKEA, Prismas´s expansion, planned retail park in Kurna). Shopping centres continue diversification of their tenant mix to move more from retail properties to multifunctional social and business spaces (e.g. reorganization of T1 by the new owner). Viru Keskus continues giving a new look and content to the centre. Grocery chains carry on to secure market share and prepare for Lidl's invasion in early 2022, for example Maxima opened two new stores in Tallinn region in Q4.

No new retail projects were added to Riga retail market in 2021 and neither are expected during 2022. The last quarter of the year began in a lockdown situation but starting from mid-November, retailers selling non-essential goods were allowed to reopen, although entry to stores with a total area exceeding 1,500 sqm is allowed with a valid Covid certificate only. The most significant market entry in Q4 was the opening of the first 17 LIDL stores in Latvia. Additionally, in December, the first Pinko store in Riga opened in Spice, being one of the rare market entries by a fashion brand since the start of the pandemic. Tenants continue to ask for more support in the form of flexible working hours, step rents, and discounts. Shopping centre vacancy levels are slowly improving but remain high.

The Vilnius retail market completed the year in an active manner, recording completion of all three projects that were in the development pipeline (Vilnius Outlet SC, Senukai store and Pasilaiciai SC), which together increased retail stock by 73,900 sqm of leasable space. Akropolis Group announced plans to start construction work on Akropolis Vingis, a mixed-use project in Vilnius. The dark store concept is picking up pace following the opening of the first Barbora and Bolt Market stores in Vilnius. Vacancy in prime shopping centres in Vilnius slightly increased following completion of new retail projects, while downward pressure on rent rates continued to persist.

Logistics segment

The industrial development segment remains active in the Tallinn region, with a total of 168,075 sqm leasable area under construction in December 2021 and several large-scale projects in pipeline. Retailers continue to generate strong demand for new stock-office space, which constitutes ca 1/3 of that new supply. Rents for newly built premises are expected to trend upwards due to growing construction costs. Due to buoyant demand, vacancy slightly decreased to 3.3%.

In 4Q 2021, the Riga market saw completion of construction work on 3 buildings in A6 Logistics Park (GLA over 27,000 sqm). VGP started construction work on VGP Park Tiraine (28,000 sqm of B-t-S warehouse space). Unlike previous quarters, an increasing proportion of lease agreements were signed during the pre-lease period. Take-up continues to be driven by companies from the transport, logistics, and 3PL sectors, which helped to decrease vacancy to 3.4%. Due to the lower availability of premises in the ring road region, headline rents there have risen to EUR 4.0 per sqm.

In Q4, the Vilnius warehouse market grew by GBA of 16,200 sqm with two new projects completed for Vilpra's and Komfovent's own needs. The development pipeline in Vilnius remained active with over 91,700 sqm under construction at the end of 2021. Rents remained stable, though are expected to increase somewhat due to increased construction costs. High volume of new warehouse space to be commissioned will however not affect vacancy levels due to active pre-lets.