

Quarterly comment

The rental revenue for East Capital Baltic Property Fund for the period July 2022 - March 2023 amounted to EUR 3.41m and is on a similar level versus the period July 2021– March 2022 (comparable portfolio adjusted for divested properties). The rental income has increased the most in Tallinn Seaport Hotel as hotel turnover has recovered and higher turnover rent has been invoiced. Income has also increased in Tännassilma and Metal properties, based on indexing of rents. In Jõhvi Tsentraal property, rental income is temporarily impaired during reconstruction. In the rest of the properties, rental income has slightly decreased due to lower occupancy.

The average rent across the portfolio at the quarter end in March 2023 was EUR 6.5/sqm/mo. The vacancy level for the fund portfolio stands at 12% at the quarter end in March 2023.

The occupancy rate and hotel turnover of the Tallinn Seaport Hotel are showing a good growth after the Covid-related travel restrictions have been lifted in the beginning of 2022. In the period July 2022 – March 2023 the total hotel turnover was 1.4 times higher compared to a year ago and only ca 5% below the pre-Covid level in the same period of financial year 2018-2019.

In Tännassilma warehouse/industrial property, rental agreements with the two tenants Makita and ELP Logistics will mature in July and December 2023 accordingly. The management team is actively working with tenant substitution and negotiating with potential new tenants.

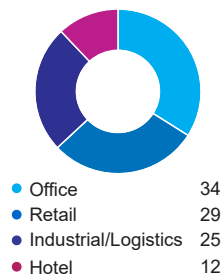
For the past few years, Jõhvi Tsentraal commercial centre has undergone upgrade works that have been completed in stages. Majority of the areas in and outside the centre have now been renovated or are reaching the end of their reconstruction project. In February 2023, the new 24/7 Fitness sports club was opened and has been very positively welcomed with visitor count exceeding expectations. The new Maxima grocery store that will occupy ca 14% of the centre area is to be opened in May 2023. The façade works are ongoing and expected to be completed during the coming months. The construction works are financed by internally accumulated liquidity within the fund.

In Zemitana office centre in Riga, the vacancy level is around 25% as tenant demand seems to have decreased for older commercial premises. The property has previously been financed by SEB Latvia but will now be refinanced by SEB Estonia and Swedbank Estonia and included in the syndicated loan covering the Estonian portfolio. The management team is at the same time working on potential divestment of the property.

At the end of 2022 the Fund's Annual General Meeting approved the previously announced voluntary redemption program. In January 2023 a total of EUR 2.69m in the form of a voluntary redemption of shares was distributed. In March 2023, the Fund's Extraordinary General Meeting decided to distribute dividends in total amount of EUR 0.9m, equal to EUR 13.44 per share. The distribution was made in April 2023.

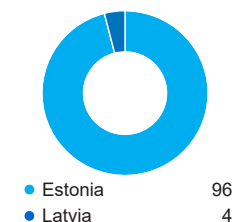
Sector Allocation

(% of gross property values)



Country Allocation

(% of gross property values)



Financial overview

The Net Asset Value of East Capital Baltic Property Investors AB was EUR 387.11 as of 31 March 2023, increasing by 4.81% during the quarter and 8.12% year-to-date for the financial year 2022/2023. After the voluntary share redemption in January 2023, the NAV per share reflects the new number of common shares (69 193). The operational Net Asset Value increase, excluding the effect from the share redemption program as well as adjusting for income tax paid on distributions, amounts to 1.2% for 1Q 2023.

The fund's rental income for the period July 2022 – March 2023 was EUR 3.41m. The interest costs for the fund increased two-fold based on the increased Euribor rates. The fund's net profit concluded at EUR 1.08m.

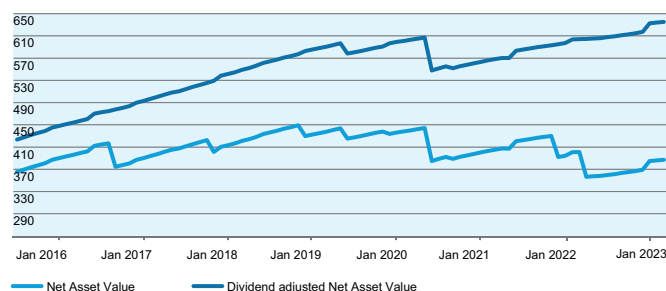
The fund's loan portfolio stands at EUR 25.90m. Considering the portfolio value of EUR 57.41m, the corresponding loan-to-value ratio is 45% as of 31 March 2023.

Net Asset Value 31 March 2023

East Capital Baltic Property Investors AB SE0011788439

NAV (EUR)	% 3 months	% YTD	% Since inception*
387.11	+4.81	+8.12	27.02

*including dividend payments



Fund Summary

	31 Mar 2023	31 Mar 2022
	EUR '000	EUR '000
Fair value of portfolio	60,114	57,040
Other assets	3,900	16,335
Liabilities	-27,106	-28,737
TOTAL NET ASSET VALUE	36,908	44,638
Net Asset Value East Capital Baltic Property Investors AB	387.11	401.17

Financials

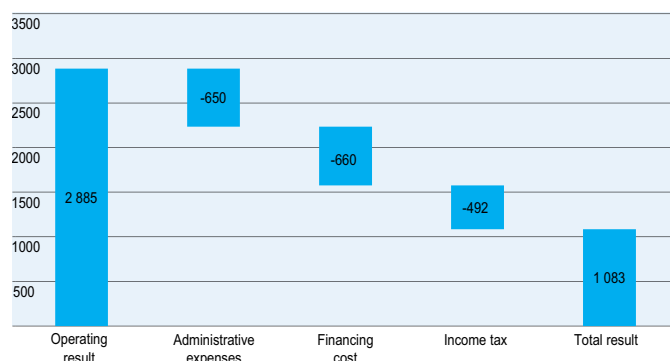
Statement of Comprehensive Income of East Capital Baltic Property Fund AB, unaudited for the period in EUR'000

	Jul 2022 - Mar 2023	Jul 2021 - Mar 2022
Revenue	3,413	4,255
Direct expenses	-528	-912
Gross profit	2,885	3,343
Administrative expenses	-650	-583
Unrealised changes in value of investment properties	-	475
Operating profit/loss	2,235	3,235
Interest income	4	-
Interest expenses	-664	-630
Fair value adjustment of interest rate swap	-	80
Profit/loss before income tax	1,575	2,685
Income tax	-492	-212
NET PROFIT FOR THE YEAR	1,083	2,473
Earnings per share - Ordinary shares	196,59	448,86

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

	Jul 2022 - Mar 2023	Jul 2021 - Mar 2022
Earnings per share - Ordinary shares	5,20	20,72

Result contribution (YTD 2022/23, EUR'000)



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

	31 Mar 2023	31 Mar 2022
ASSETS		
<i>Non-current assets</i>		
Investments properties	60,114	57,040
Other long-term assets	2	7
Equipment	4	5
Total non-current assets	60,120	57,052
<i>Current assets</i>		
Assets held for sale	274	161
Other receivables	1,298	263
Accrued income and prepaid expenses	141	50
Cash and cash equivalents	2,181	15,849
Total current assets	3,894	16,323
TOTAL ASSETS	64,014	73,375

EQUITY AND LIABILITIES

<i>Equity</i>		
Share capital	17	17
Other paid-in capital	24,787	33,798
Retained earnings	11,021	8,250
Profit/loss for the period	1,083	2,473
TOTAL EQUITY	36,908	44,538

Liabilities

<i>Non-current liabilities</i>		
Interest-bearing liabilities	22,748	-
Derivatives	-	93
Other liabilities	622	645
Deferred tax liabilities	-	-
Total non-current liabilities	23,370	738

Current liabilities

Interest-bearing liabilities	2,957	26,864
Accounts payable - trade	395	261
Derivatives	-	7
Other liabilities	38	537
Accrued expenses and deferred income	346	430
Total current liabilities	3,736	28,099
TOTAL EQUITY AND LIABILITIES	64,014	73,375

Contact

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Economic overview

In 4Q 2022 GDP (in real terms) of Estonia fell by 4.1% y-o-y (biggest contributor was information and communication sectors) and by 0.4% in Lithuania y-o-y (driven by decrease in information, communication, and manufacturing). The GDP of Latvia grew by 0.4% y-o-y in Q4 2022, main drivers were in enterprises engaged in real estate activities, financial and insurance activities and construction.

Average annual inflation in March 2023 remained high in all Baltic countries, 15.6% in Estonia, 17.3% in Latvia and 15.2% in Lithuania with increasing energy, food and housing costs as the main driver. The inflation has probably peaked in 2022 and is expected to go down by the end of 2023.

In 4Q 2022 the average monthly gross earnings grew by 9.2% y-o-y in Estonia, 8.0% in Latvia and 13.2% in Lithuania. In February 2023, the highest registered unemployment rate of the country's working age population was recorded in Latvia (6.7%) and Lithuania (6.5%), the lowest – in Estonia (5.1%).

Real estate market



Investment market

Estonian investment market stayed calm in 1Q 2023, with investment volume reaching only 10% of the last year's same period volume. As expected, the start of the year has been quiet in Latvia as well, with total investment volume reaching only EUR 12m in 1Q 2023. Despite the forecasts, Lithuanian investment market activity remained buoyant with total investment volume EUR 120m.

Yields remain under a considerable upward pressure, but still experiencing a lack of market evidence. The market sentiment has led to yield expansion of Riga prime office yield and yields in all segments in Vilnius. As sellers are not yet ready to adjust their expectations, investors shift their focus to other markets, where price correction has already happened.

Office segment

Development in Tallinn office market remains constantly active with total GLA exceeding 132,000 sqm under construction in March 2023. In 1Q 2023 was completion of the II phase of Porto Franco and the start of construction works of Tule Maja (16,000 sqm). Remarkable development is driven by the healthcare segment. Although quite many tenants are indicating interest in relocation, monitoring alternative potential options can rather be used as a market reference for getting better lease terms for renewing existing agreements. Overall, demand remains rather calm.

Riga office market saw the completion of the first stage of Gustavs BC (GLA 12,400 sqm), which will entirely house SEB Global business services unit and Swiss healthcare giant Roche announced the opening of a new Services Solutions center in 1Q. Pipeline includes ca 166,000 (20 projects) of office GLA under construction. Major development projects have already secured preleases with anchor tenants, and around 15 of the development projects are already leased out. The wide availability of new premises has adapted tenants with higher rent rates, as well as new concepts such as add on factors and open book maintenance fees.

Vilnius office market started 2022 actively, 1Q saw the completion of 3 business centres which together increased the office stock by 6,700 sqm. Development volumes remain high, with 125,770 sqm under development, of which 109,270 sqm is expected to be completed during this year. Rent rates demonstrated growth driven by new, higher quality projects offered on the market during the quarter, the vacancy rate in the Vilnius office market has slightly decreased, mainly in A Class buildings.

Retail segment

Tallinn retail development market continues to remain inactive, with no new projects added to the market. SC continue refurbishment and diversification of their tenant mix – Kristiine Centre opened MyFitness sports Club and will open Lido restaurant, Viru Keskus announced opening of the first Arket store in Baltics. Järve Centre started refurbishment, investing ca EUR 4m. Despite recent challenges, shopping centres rather enjoyed good sales in January and February.

In 1Q 2023, Riga retail market recorded the start of construction of new Depo DIY store near SC Spice. SC Galerija Centrs opened a new concept food court area covering 400 sqm. Footfall in SCs is finally back at pre pandemic level, while increase in sales is mostly driven by high inflation and actual consumer spending, especially on higher price goods, is shrinking. Off-price concept retailer HalfPrice announced plans to enter the Latvian market, opening its first store in Akropole Alfa.

The Vilnius retail market remained tranquil at the beginning of 2023 with no particular developments and news on the market. In the beginning of the year, IKI, one of the largest grocery chains in the country, presented new format stores. Some changes are also seen in Vilnius high street retail with tenants located on prestigious streets changing their locations to try the most passable parts of the streets. Vacancy remains stable, while some premises are quite quickly leased out, most of vacant stock has to wait longer for new tenants.

Industrial segment

The industrial segment remains active in Tallinn region with a total area of approx. 171,200 sqm under construction in March 2023. Lack of available large land plots limits the development of large scale speculative projects in Tallinn region. As a result, speculative development is mostly driven by stock offices, although the pace of growth is starting to ease with total stock office volume under construction reaching 31,570 sqm. Rents for newly built premises are increased during last year dependent on higher construction costs, which are expected to stabilize and/or slightly decrease during this year.

In Latvia, 1Q 2023 saw commissioning of VGP Park Riga (B-t-S for JYSK, 41 000 sqm) in Dreilini area and the NP Business Park 10,000 sqm fully leased speculative project in Sampeteris area. Overall, around 51,000 sqm of leasable warehouse space was added to the market during the quarter, while more than 111,000 sqm remains under construction. Vacancy rate remains low, and while new projects enter the market, most of them are fully pre leased before commissioning. Lack of options in the market continues to pressure the upper rent rate threshold.

During 1Q 2023 the industrial segment in Vilnius saw completion of part II of the second stage of J55 LC, which supplemented speculative supply by 13,500 sqm. Rent rates have established a new equilibrium at EUR 5 sqm/mo, while vacancy had a minor upward correction movement. In Vilnius, leasing activity remains modest. Land prices are staying high and stable. Stock office as an investment opportunity is still attracting attention, while overall demand in the industrial segment could be noted as somewhat weakened.

Important notice

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