Year-end Report 2018 Q4

eastnine™

Significant accounting changes: As of 1 July 2018, Eastnine Group applies consolidated financial reporting (acc. to IFRS). Previously, Eastnine AB applied the investment entity consolidation exception, with subsidiaries recognised at fair value through profit or loss. Historic numbers have not been restated in the actual financial statements on p. 15-16. However, this report does include historic pro-forma numbers (see p. 20), based on the same new consolidation principles as for the actual financial statements, for comparative purposes. Any references to pro-forma numbers are marked "pro-forma". All other financial information is based on actual non-restated financial statements.

Strong underlying performance and halfway towards 2020 target

1 January – 31 December 2018

- Rental income[1] increased by 60.1% to EUR 9,130k (12M 2017: 5,703k) primarily due to acquisitions and completion of the third tower in 3Burės. Comparable rental income[1] increased by 1.2%
- Occupancy was 88.8% (97.0%)
- Net operating income[1] increased by 90.6% to EUR 7,690k (4,035k)
- Profit from property management[1] increased to EUR 3,180k (-1,344k)
- Unrealised value changes in properties amounted to EUR 5,483k (4,546), of which EUR 3,675k in Q3 following a revaluation of the completed third tower of 3Burės
- Other unrealized value changes amounted to EUR 2,903k (10,354k), of which EUR 299k (5,729k) refers to Melon Fashion Group, EUR 3,471k (4,140k) refers to property funds and EUR -782k (780k) refers to derivatives
- Net profit amounted to EUR 15,641k (17,085k), corresponding to EUR 0.71 (0.70) per share

[1] Pro-forma, (see p. 20)

Key events during Q4 2018

- The Board will propose to the AGM an ordinary dividend for 2018 of SEK 2.30 per share, with semi-annual payments. The dividend corresponds to 2.0% of NAV/share and a year-on-year dividend growth of 10%, and translates into EUR 0.22 per share
- The two original towers of 3Burės in Vilnius were awarded LEED Platinum certification for green buildings
- Dividends received in Q4 amounted to EUR 2,928k (2,368k)
- 294,037 shares were repurchased at an average price of SEK 90.22, totalling EUR 2,576k and the buyback program was extended until 31 March 2019

Key events after Q4 2018

- Britt-Marie Nyman has been appointed as CFO and deputy CEO, assuming position no later than 1 August
- 3Burės third tower was awarded LEED Platinum certification in February
- Acquisition of S7 office park in Vilnius comprising 42,500 sqm for a total consideration of EUR 128m

Key figures

		REPORTED Q4 2018	PRO-FORMA[1] Q4 2017	PRO-FORMA[1] FY 2018	PRO-FORMA[1] FY 2017
Rental income	EURk	2,516	1,634	9,130	5,703
Net operating income	EURk	2,120	888	7,690	4,035
Profit from property management	EURk	1,085	-408	3,180	-1,344
Unrealised changes in value, properties	EURk	863	4,546	5,483	4,546
Unrealised changes in value, other	EURk	6,323	10,487	2,903	10,354
Realised changes in value	EURk	2,928	2,368	5,402	4,536
Profit before tax	EURk	11,199	16,992	16,969	18,092
Profit after tax[2]	EURk	10,925	16,253	15,641	17,085
Earnings per share[2]	EUR	0.50	0.70	0.71	0.70
Surplus ratio	%	84.3	54.4	84.2	70.8
Property value	EURk	158,862	107,505	158,862	107,505
Loan-to-value	%	42.5	30.3	42.5	30.3

		31 DEC 2018	31 DEC 2017
NAV per share[3]	EUR	11.20	10.57
	SEK	113.5	103.9
(EPRA) NAV per share[1]	EUR	11.42	10.68
	SEK	115.7	105.0

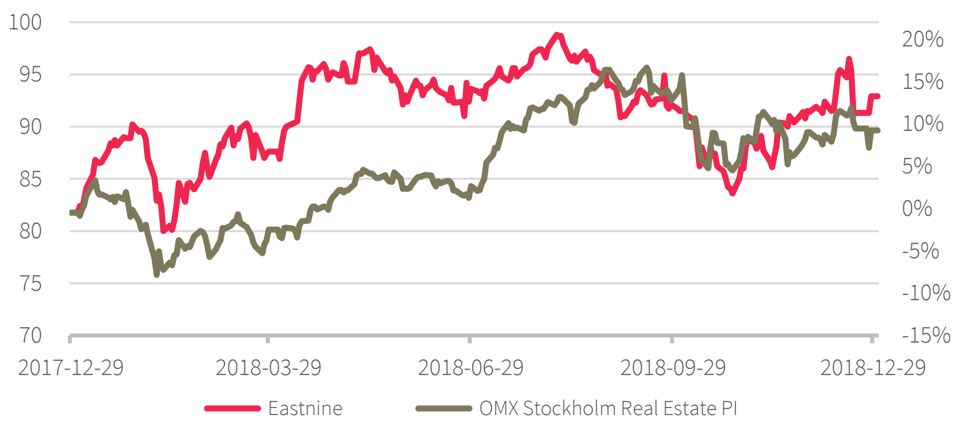
[1] Deviates from reported financial statements due to changes in accounting principles (see p. 11). [2] All period are as reported. [3] Adjusted for share buybacks. 1 EUR = 10.14 SEK on 31 Dec 2018 (source: Reuters).

This is Eastnine

Eastnine is a Baltic real estate company listed on Nasdaq Stockholm in 2007. Eastnine's aim is to generate predictable cash flows by being a long-term provider of sustainable prime office space in the Baltic capitals, where the combination of well-educated young talent, an agile business climate and high productivity has created a vibrant region for Nordic and international businesses. Eastnine enables these businesses to grow by offering modern office premises in a market with a deficit of suitable buildings.

Eastnine has transformed from its previously diversified Eastern European investment strategy, and plan to be a pure Baltic real estate company by the end of 2020.

Eastnine share price vs Nasdaq Stockholm Real Estate Index



Eastnine's share is included in the Nasdaq Real Estate Index since October 2018, and its development has since inclusion been in line with the general development.

Largest shareholders %, 31 Dec 2018	
East Capital Holding AB	22.1
RBC Investor Services Bank S.A.	8.2
SIX SIS AG	5.2
Försäkringsaktiebolaget, Avanza pension	4.2
Nordnet Pensionsförsäkring AB	3.9
Rytu Invest AB	3.2
CBNY Norges Bank	3.1
UBS Switzerland AG	3.0
Skandinaviska Enskilda Banken S.A.	2.8
Mertiva AB	2.8

Targets for Real Estate Direct 2020	Status 31 Dec 2018
Loan to value below 65%	42.5%
Interest coverage ratio at least 2.0x	4.1x
Portfolio fully transformed into direct real estate by the end of 2020	52% (of invested equity)
Profit from property management capacity in direct real estate of EUR 15m by the end of 2020, annualised	8.5m (annualised Q4 2018)
Dividend at least 50% of profit from property management. Until 2020, at least 2% of NAV	2.0% of NAV per 31 Dec 2018 (proposed)
Return on equity of 13-15% over a 5-year period, in Real Estate Direct segment	13.2% (last 12 months)

Halfway towards our 2020 target

”After the fourth quarter, we are halfway on our transformation journey”

The fourth quarter of 2018 ended strong, with good underlying performance and progress in our transformation into a Baltic real estate company. On 14 February, we also took the largest step to date by announcing the acquisition of the landmark asset S7 in Vilnius.

6.0% NAV uplift

Key highlights of the quarter were the third tower of 3Burės becoming fully operational and MFG posting its highest-ever EBITDA, both in the quarter (+11% compared to Q4 2017) and for the full year (+38% compared to FY 2017). At year-end, MFG was revalued upwards by 15% in RUB, which combined with solid cash flow generation in our properties translated into a strong uplift of NAV per share (dividend-adjusted) by 6.0% in EUR.

In the quarter we continued to work intensively on our acquisition pipeline and on new leasing of premises in the original towers of 3Burės. Here, premises are now starting to vacate partly as a result of Swedbank and Visma relocating to the third tower, which was constructed to accommodate their expansion and enable them to grow within our portfolio. The rental market remains favourable in Vilnius, with strong demand coupled with decelerating supply of class-A properties, and we expect vacancies in 2019 to be temporary.

Halfway towards 2020 target

The portfolio continued to transform in 2018. We realised a significant portion of cash tied up in our non-core holdings through the sale of East Capital Eastern European Small Cap Fund, Frontier Markets Fund and Komercijalna Banka Skopje, which freed up EUR 43m for investments in real estate. In parallel, we acquired Alojas Biroji in Riga for EUR 29m and continued to invest in construction of the third tower of 3Burės in Vilnius, which was handed over to our tenants on time and within budget and generated a good development profit.

Eastnine made progress during 2018, on our plan to transform into a Baltic real estate company by the end of 2020, while also building a profit from property management of EUR 15m and generating a return on equity of at least 13% in the Real Estate Direct segment. Our annualised profit from property management reached EUR 8.5m in Q4 2018 (+270% compared to Q4 2017). As such, after the fourth quarter we are halfway on our journey.

Good start of 2019 with acquisition of S7 in Vilnius

On 14 February, we were able to announce yet another (and the by far largest to date) step by Eastnine in its transformation. We have agreed to acquire S7, a newly-built class-A office park in Vilnius’ central business district, for a total consideration of EUR 128m. The acquisition comprises 42,500 sqm and will be closed in three stages over the next 12 months, of which the first has been completed. Financing for all stages of the transaction has been secured.

We are excited about this major acquisition, which is a perfect fit with our strategy, and will double our earnings capacity when completed. It strengthens our position in Vilnius and accelerates the transformation of Eastnine and build-up of our property portfolio, which after the addition of S7 will exceed 100,000 sqm.

Kestutis Sasnauskas, CEO

Market

Geographic breakdown, All segments[1]
% of all segments

■ Estonia 19%
■ Latvia 20%
■ Lithuania 34%
■ Russia 27%

[1] Real Estate Direct: Property value less liabilities to credit institutions
Real Funds and Other: Net Asset Value

Geographic breakdown, Real Estate[1]
% of total Real Estate, incl. funds

■ Estonia 25 %
■ Latvia 27 %
■ Lithuania 48 %

[1] Real Estate Direct: property value less liabilities to credit institutions
Real Estate Funds: Net Asset Value

Market

Baltics

Following a relatively stable third quarter with enduring growth figures, available fourth-quarter indicators suggest that economic activity in the Baltics moderated slightly as the region's economies approach the tail-end of the current business cycle. Although tight internal labour markets and low borrowing costs are indicative of continued growth, external factors such as geopolitical instability, Eurozone slowdown and global trade contraction are looming. According to flash estimates, GDP in Latvia grew by 3.9% and in Lithuania by 5.0% y-o-y in Q4 2018. Estonia has not yet published GDP growth for Q4 but demonstrated growth of 4.2% in Q3 2018. According to Eurostat, December HICP annual inflation in Estonia was 3.3% (vs 3.5% in September), in Latvia 2.5% (3.3%), and in Lithuania 1.8% (2.4%). Inflation in the euro area was 1.6% in December, down from 2.1% in September.

IMF's latest forecasts predict that the Baltic economies will exhibit stable growth for FY 2019, inflation is predicted to reach 2.2-2.5%.

Prime office yields in the Baltic capitals are hovering at slightly above 6%, demonstrating a stable office market with yields maintaining significantly higher levels than Nordic ones. Low vacancies give potential for sustained rent levels. Vilnius currently has a low vacancy level compared to Europe's other larger cities.

Russia

According to predictions, GDP for Q4 will come in at a solid 1.7%, marking an increase from 1.5% in Q3. As usual, oil had a significant impact on the Russian economy. The positive effects from increasing production were negated by the considerable drop in the oil price that occurred in the fourth quarter. On the political side, however, progress was recorded with several sanctions against Russian companies being lifted by the US in December.

Consumer statistics have showed a moderate acceleration in retail sales growth, as growth rates increased to 3% in November from 2.8% in August. Real wage growth decelerated from 7% to 4.6%, which in part explains the dip in consumer confidence from minus 14 to minus 17 points, levels that are still significantly higher compared to the slowdown in 2016. Furthermore, real disposable income grew by 1.4%, a significant improvement from the contraction of 0.9% during Q3 2018.

Earnings Jan – Dec 2018

The fourth quarter marked increased rental income and profit from property management in the core real estate operations. Real estate funds gave a positive contribution and the RUB based fair value of MFG increased.

Rental income

EUR '000	Q4 2018	Q4 2017[1]
Comparable properties	1,517	1,634
Completed development	404	-
Acquisitions	595	-
Total rental income	2,516	1,634

EUR '000	FY 2018[1]	FY 2017[1]
Comparable properties	4,608	4,552
Completed development	449	-
Acquisitions	4,073	1,151
Total rental income	9,130	5,703

[1]pro-forma

Changed financial reporting

It is Eastnine's assessment that the Company no longer falls within the IFRS classification of an investment entity, as a majority of its portfolio (excluding cash) now consists of directly owned real estate assets. As of 1 July 2018, Eastnine Group consequently reports consolidated financial statements of the parent company and its subsidiaries, including directly owned real estate subsidiaries.

Until and including Q2 2018, Eastnine's financial statements refer to the parent company alone, while subsidiaries were recognised at fair value through profit or loss. This change in status is accounted for prospectively, meaning that historic numbers have not been restated in the actual financial statements on p. 15-16. However, this report does include consolidated pro-forma numbers for the past six quarters, for comparative purposes (see p. 20). Any references to pro-forma numbers are marked "pro-forma". All other financial information is based on actual non-restated financial statements.

Revenues

Q4 2018

Rental income in the fourth quarter increased by 54.0% to EUR 2,516k (pro-forma Q4 2017: 1,634k). The acquisition of the Alojas properties in Riga in February 2018 added EUR 595k in rental income during the quarter, and EUR 404k was added after the third tower in 3Burės was completed in September 2018 and part of tenants moved in. Comparable rental income in an identical portfolio reduced by 7.2% year-on-year. This is a result of reduced occupancy rate from 97.5% to 88.8%, which enables Eastnine to re-let at higher rent levels during 2019.

12M 2018 (pro-forma)

Pro-forma rental income for 2018 increased by 60.1% to EUR 9,130k (5,703). The period's growth came primarily from acquisitions of the Alojas properties in Riga in February 2018 and of Vertas in Vilnius in June 2017, as well as from the third tower in 3Burės, which was completed in the latter part of September 2018. Comparable rental income in an identical portfolio grew by 1.2%

Earnings

Q4 2018

Net operating income amounted to EUR 2,120k (pro-forma Q4 2017: 888k), corresponding to a surplus ratio of 84.3% (54.4%). The relatively high surplus ratio is due to the vast majority of lease agreements being triple-net, meaning that tenants cover costs related to the leased premises. The year-on-year increase of 138.7% in net operating income is mainly attributable to the acquisition of Alojas in Riga. In Q4 2017 there were extra cost taken in relation to major tenant customizations.

Profit from property management amounted to EUR 1,089k (-408k). Central administration expenses amounted to EUR 1,051k (991k) in Q4 2018.

Unrealised value changes in properties amounted to EUR 863k (4,546).

Contribution to earnings, segment

EUR '000	FY 2018
Profit property management	3,960
Unrealised value changes	7,140
Contr. Real estate direct	11,100
Unrealised value changes	4,111
Realised value changes	728
Contr. Real estate funds	4,839
Unrealised value changes	1,109
Realised value changes	3,275
Contribution Other	4,384
Central administration and other operating expenses	-3,554
Unrealised value changes	-86
Financial net, central	-22
Profit before tax, Group	16,662
Profit after tax, Group	15,641

Unrealised value changes in investments amounted to EUR 6,941k (10,181k), whereof EUR 5,443k (9,025k) refers to Melon Fashion Group and EUR 1,497k (710k) refers to East Capital Baltic Property Funds II and III. Unrealised value changes in derivatives amounted to -618k (306k).

Realised values and dividends amounted to EUR 2,928k (2,368k), whereof EUR 2,266k (997k) refers to dividend from Melon Fashion Group and EUR 662k (640k) refers to dividend from East Capital Baltic Property Funds II.

Profit before tax amounted to EUR 11,199k (16,992k). Net profit after tax amounted to EUR 10,925k (16,253k) in the quarter.

12M 2018 (pro-forma)

Net operating income for the pro-forma 12M 2018 period amounted to EUR 7,690k (pro-forma 12M 2017: 4,035k), corresponding to a surplus ratio of 84.2% (70.8%). The year-on-year increase in net operating income is mainly attributable to the acquisition of Alojas in Riga in February 2018 and of Vertas in Vilnius in June 2017.

Profit from property management amounted to EUR 3,180k (-1,344k). Central administration expenses amounted to EUR 3,387k (4,154k).

Unrealised value changes in properties amounted to EUR 5,483k (4,546k). Unrealised value changes in investments amounted to EUR 3,685k (9,574k), whereof EUR 299k (5,729k) refers to Melon Fashion Group and EUR 3,471k (4,140k) refers to East Capital Baltic Property Funds II and III. Unrealised value changes of derivatives amounted to EUR -782k (780k). Realised values and dividends amounted to EUR 5,402k (4,536k) referring to the exits in Komercijalna Banka Skopje, East Capital Eastern Europe Small Cap Fund and East Capital Global Frontier Markets Fund, as well as to dividends from Melon Fashion Group and Baltic Property Fund II during the period.

Profit before tax amounted to EUR 16,969k (18,092k). Net profit amounted to EUR 15,641k (17,085k) for the full financial year.

Segment reporting

Pro-forma numbers per quarter are not available on segment level.

The Real Estate Direct segment, comprising the directly owned property subsidiaries, generated profit before tax of EUR 11,100k for the 12M 2018 period.

The Real Estate Funds segment, comprising East Capital Baltic Property Fund II and III, generated profit before tax of EUR 4,839k, of which EUR 4,111k is reported as unrealised value changes although it includes a realised dividend income of EUR 640k in Q2 2018, and EUR 728k is reported as realised value whereof EUR 640k refers to dividend income in Q4 2018.

The segment Other, today comprising only Melon Fashion Group (and previously Other holdings that have been divested), generated profit before tax of EUR 4,384k of which EUR 299k refers to unrealised fair value change of the MFG holding (the RUB based fair value increased by 15.4%, whereas the RUB/EUR weakened by 12.8%). Realised dividend from MFG amounted to EUR 3,196k compared to realized dividends of EUR 997k last year.

Combined unallocated central administration and other operating expenses for the 12M 2018 period amounted to EUR -3,554k and other unallocated items to net EUR -108k. Reported group profit before tax amounted to EUR 16,662k, and net profit to EUR 15,641k.

Financing

Interest-bearing liabilities at the end of the period amounted to EUR 67,550k (pro-forma 31 Dec 2017: 32,545k), corresponding to a loan-to-value ratio of 42.5% (30.3%). Unutilised credit facilities amounted to EUR 102k. The average interest rate on bank loans was 2.3% (2.7%) in Q4 2018, including commitment fees on unutilised facilities. Other financial income and expenses for Q4 2018 include a positive one-off adjustment amounting to EUR 362k, related to capitalised interest expenses in the newly developed third tower of 3Burės.

At 31 December 2018, average capital tie-up on interest bearing loans was 4.7 (5.8) years. The average fixed interest term was 4.7 (5.8) years, as currently 100% of interest is fixed using fixed-interest derivatives. The derivatives are measured at fair value and the change in value is recognised through profit or loss, with no cash flow effect. At 31 December 2018, the fair value of derivatives was EUR -957k (-176k).

The 12M 2018 result includes financial income of EUR 683k (749k), pertaining to internal loans, which prior to the accounting changes on 1 July 2018 were not eliminated on Group level.

Tax

Tax expense for the fourth quarter amounted to EUR 273k (pro-forma Q4 2017: 739k), all of which relates to deferred tax in Eastnine Lithuania where corporate income tax of 15% is applied. The recorded deferred tax is related to fair value valuation of investment property, derivatives and taxable accumulated losses. No corporate income tax is recorded in Estonia or Latvia as the corporate income tax of 20% mainly only is levied on distributed profits.

Financial position and net asset value

Shareholders' equity amounted to EUR 240,819k (242,457k) on 31 December 2018. The equity/asset ratio was 75.8%. Net asset value (NAV) per share was EUR 11.20 (10.57). EPRA NAV per share was EUR 11.42 (10.68).

Cash flow

Q4 2018

Cash flow from operating activities before changes in working capital amounted to EUR 4,021k. Change in working capital was EUR 206k. Investing activities had an impact of EUR 1,910k, the majority of which refers to the newly developed third tower in 3Burės. Financing activities had an impact of EUR 4,262k, of which EUR -2,576k refers to share buybacks and EUR 9,641k refers to financing of the third tower. Total cash flow for the quarter was EUR 6,578k. Cash and cash equivalents at the end of the period amounted to EUR 65,119k.

Investments and divestments

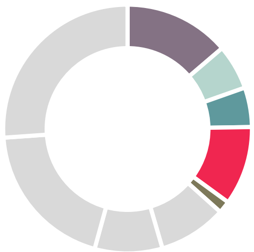
No acquisitions or divestments were made during the fourth quarter. During 2018, Eastnine's investments, including capital expenditures in existing real estate portfolio, totalled EUR 33.1m (42.4) and divestments totalled EUR 42.4m (24.9).

EURM	Q4 2018	Q4 2017	FY 2018	FY 2017
Alojas Biroji	-	-	25.6	-
Alojas Kvartals	-	-	4.0	-
East Capital Baltic Property Fund III	-	-	3.5	6.0
Vertas	-	-	-	29.1
3Burės development	-	2.2	-	7.2
Total investments	-	2.2	33.1	42.4
East Capital Eastern Europe Small Cap Fund	-	2.0	16.2	8.1
Komercijalna Banka Skopje	-	-	13.9	-
East Capital Global Frontier Markets Fund	-	-	12.3	-
East Capital Baltic Property Fund II	-	9.8	-	9.8
Trev-2 Group	-	-	-	5.7
East Capital Bering Ukraine Fund Class R	-	1.3	-	1.3
Total divestments	-	13.1	42.4	24.9

Real Estate Direct

The real estate portfolio through direct holding is in its build-up phase and consists of 62,840 sqm of A class office space in Riga and Vilnius. The market is favourable with low vacancies and rising rent levels.

Real Estate Direct[1]
% of portfolio



[1] Property value less liabilities to credit institutions

Portfolio 31 Dec 2018 (EURk)

	GLA (SQM)	VALUE (EUR K)
Total Vilnius	51,070	129,266
Total Riga	11,660	29,596
Real Estate Direct	62,730	158,862

Property Portfolio

Eastnine's portfolio of directly owned real estate is concentrated on A class office properties in the Baltic capitals. On 31 December 2018, the portfolio consisted of five investment properties, three in Vilnius and two in Riga, with a total gross leasable area (GLA) of 62,840 sqm and a fair value of EUR 158,862k. Floor space occupancy was 88.4% (97.0%) at the end of the period, a decrease due to increased vacancies in 3Burės. The implied yield is 6.0% (4.1%) on annualised Q4 2018 net operating income.

Since the beginning of the year, two investment properties, Alojas Biroji and Alojas Kvartals in Riga, have been added and one development project, the third tower of 3Burės in Vilnius, has been completed. There are currently no ongoing development projects in Eastnine's portfolio.

Eastnine's vision is to be a long-term provider of sustainable prime office space in the Baltics. Over the coming years, Eastnine will successively use its cash position to build a long-term property portfolio in the Baltic capitals, with the aim of being fully transformed into a pure real estate company by the end of 2020. Acquisitions will be made primarily within the A class office segment and may include development projects.

Vilnius

Eastnine's property portfolio in Vilnius comprises office properties with a gross leasable area of 51,230 sqm in central Vilnius, equal to 20% market share of the estimated A class market. The combined property value on 31 December 2018 was EUR 129,266k.

The development of the third tower of 3Burės was completed in September, adding 13,400 sqm to Eastnine's leasable floor space in central Vilnius. Tenants started moving in at the end of September and the property was fully occupied by Swedbank, Visma and a restaurant at year-end. The annual rental income of the third tower of 3Burės is approximately EUR 2,100k.

3Burės will see larger vacancies in 2019, partly because of tenants relocating to the third tower, which enable Eastnine to increase the property value through higher rents following investments in tenant customisation and quality improvements. Vacancy, which stood at 21.3% on 31 December 2018, may increase during the first half of 2019, but given the high demand for modern office premises and the low overall vacancy in Vilnius, this is expected to be a temporary situation.

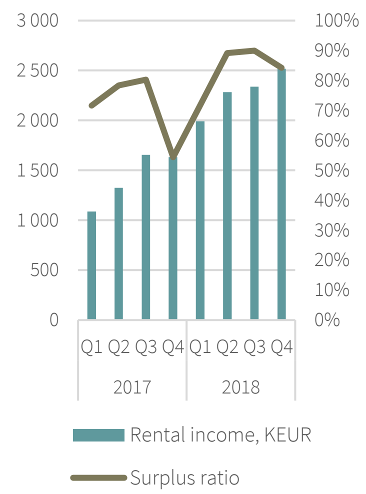
Vertas continues to develop according to plan. The property, which was fully occupied at the acquisition in June 2017, is again close to fully let after it temporarily had some vacancies due to tenant turnover.

Riga

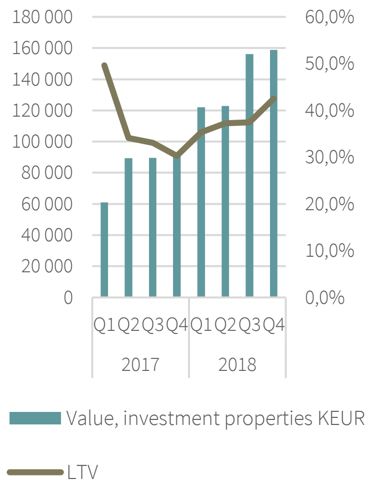
Eastnine's property portfolio in central Riga comprises commercial properties with a gross leasable area of 11,660 sqm, equal to 11% market share of the estimated A class market. The combined property value on 31 December 2018 was EUR 29,596k.

The Alojas properties in Riga were acquired as fully let at the end of February 2018. The purchase price discounted a temporary uptick in vacancy in mid-2019 when the lease contract of the anchor tenant, originally covering 50% of the leasable

Rental income and surplus ratio



Property value and LTV



space, will expire. Of this upcoming vacant floor space, 27% is already signed with new tenants and the remaining 23% has full rent compensation until July 2019. Eastnine's average rent in Riga is expected to decline somewhat with the new lettings.

Acquisitions and pipeline
During 2018, Eastnine expanded its portfolio into central Riga with the acquisition of the Alojas properties, as described above. Further acquisition and project opportunities are being evaluated in all three Baltic capitals, with the aim of being fully transformed into a real estate company by the end of 2020.

Value Change
Combined fair value of Eastnine's properties on 31 December 2018 was EUR 158,862k (pro-forma 31 Dec 2017: 107,505k), all of which refers to investment properties.

All properties are externally valued at least once per year. One property (3Burės) was externally valued in the fourth quarter 2018, resulting in a property value increase of 1.4%. The fair value of the remainder of the properties is reviewed quarterly using the same yield-based location price model as in the acquisition of new real-estate, or the most recent external valuation or acquisition value. No other changes in property values were made during the period.

Unrealised value changes in properties were EUR 863k in the fourth quarter, due to the external valuation of 3Burės. For the full year 2018, the pro-forma value changes were EUR 5,483k (pro-forma 12M 2017: 4,546k).

Sustainability
In Q4 we conducted our first employee survey focusing on work satisfaction and personal development. The survey revealed an overall high satisfaction level indicated by the Employee Net Promoter Score of 65%, but also put a spotlight on a number of areas in need of further improvement. Also, to facilitate internal discussion of the revised Employee Code of Conduct, we conducted a risk workshop on the topic of corruption and bribery. The workshop was held by an expert from the Swedish Anti-Corruption Institute. We discussed potential risk areas in our own operations as well as ways to mitigate those risks.

The third tower in 3Burės was awarded LEED Platinum certification during February 2019 with a total score of 88 points out of 110 possible. The certification process for the other properties in our portfolio has been initiated.

Real Estate Funds

Real Estate Funds
% of portfolio

■ EC Baltic Property Fund II

■ EC Baltic Property Fund III

East Capital Baltic Property Fund II

The fair value of Eastnine's holding in East Capital Baltic Property Fund II continued to perform well, with a 12.0% uplift for the full year and 3.9% in the fourth quarter. The funds total dividend in 2018 amounted to 1,280 TEUR for Eastnine's stake, of which 640 TEUR was paid in Q4. The fund has four commercial properties in Tallinn, representing 92% of the fund, as well as one retail property in Riga, which is expected to receive usage permit during Q1 2019.

Eastnine's share of the fund, %	45
Fair value of Eastnine's holding, EURm	22.1
% of Eastnine's equity	9.2
Value change Oct-Dec, %	3.9
Value change Jan-Dec, %	12.0

East Capital Baltic Property Fund III

The fair value of Eastnine's holding in East Capital Baltic Property Fund III increased by 11.5% for the full year 2018 and by 6.2% in the fourth quarter. The fund made two acquisitions in Riga in April: P5 Industrial Park and Galleria Riga. Following these acquisitions, the fund has three commercial properties in Tallinn and two in Riga.

Eastnine's share of the fund, %	22
Fair value of Eastnine's holding, EURm	21.9
% of Eastnine's equity	9.1
Value change Oct-Dec, %	6.2
Value change Jan-Dec, %	11.5

Other

Other
% of portfolio

■ Melon Fashion Group

Transformation Milestones
During the year, divestment of non-core assets has been made for EUR 42.4m in total, including all shares in Komercijalna Banka Skopje, EC Eastern Europe Small Cap Fund, and EC Global Frontier Markets Fund.

Melon Fashion Group

Unrealised fair value change of Eastnine's holding in Melon Fashion Group amounted to EUR 299k in 2018. The RUB based fair value increased by 15.4%, whereas the RUB/EUR weakened by 12.8%. Received dividends from MFG amounted to EUR 3,196k, whereof EUR 2,288k was received in Q4. Last year realized dividends were EUR 997t. Based on preliminary management report, MFG's total sales grew by 32% in Q4, supported by 6% comparable sales growth, 11% selling space expansion and strong trends in online sales, +115% year-on-year. Full year revenues increased by 27% compared to 12M 2017 with e-commerce sales surging 125% year-on-year and accounting for 12% of total revenues in 2018 vs. 7% in 2017. Q4 EBITDA margin adjusted for one-off provisions and impact of IFRS 15 implementation increased to 16.7% compared to 16.4% in Q4 2017. Unadjusted Q4 EBITDA was 13.8%. Full year EBITDA increased by 38%, corresponding to an EBITDA margin of 11.8%, and reached a new record level of RUB 2.1bln compared to RUB 1.5bln and 10.9% margin in 12M 2017. Comparability was not materially affected by hedge revaluations. The company was debt free at the end of the period. MFG's total store network grew by 25 stores including 18 net openings in own retail and 7 in franchise. In line with the increase in store count, the selling area expanded by 12% (relocation of 39 stores to new bigger locations contributed to selling space growth). The ongoing upgrade of the physical store network and development of online channels remain top priorities for the management team.

Eastnine's shareholding in the company, %	36
Fair value of Eastnine's holding, EURm	48.9
% of Eastnine's equity	20.3
Value change Oct-Dec, %	17.7
Value change Jan-Dec, %	7.2

Other information

Risks and uncertainties
The dominant risk in Eastnine's operations is commercial risk in the form of changes in rent levels, vacancies and interest rates, as well as changes in the economic or business climate, and currency rates in the markets where Eastnine is present. A more detailed description of Eastnine's material risks and uncertainties is provided in the Company's Annual Report 2017 on pages 55-56. An assessment for the coming months is provided in the Market comment on page 4.

Properties are recognised at fair value, and value changes are recognised through profit or loss in Eastnine's income statement. The effects on consolidated profit of changes in property value are presented in the sensitivity analysis on page 19 in this report.

Organisational and investment structure
Eastnine AB (publ) (the Parent Company) is since July 1, 2018 a Swedish real estate company listed on Nasdaq Stockholm. With the exception of Melon Fashion Group that is owned directly by the Parent Company, the activities are managed by the Estonian operating subsidiary Eastnine Baltics OÜ with local subsidiaries in Latvia and Lithuania, together called Eastnine Group.

Eastnine Group has 13 full-time employees, of which six in its Stockholm headquarters, six in Vilnius and one in Tallinn.

Parent Company
The Parent Company's net result for twelve months 2018 was EUR 6,748k (17,085k), and for Q4 2018 EUR 7,320k (16,253k), and comprises mainly value changes and dividends received of its only direct holding Melon Fashion Group, as well as operating expenses and financial income/expenses of the Parent Company. See page 19.

Related parties
On 31 December 2018, Eastnine AB had a related party relationship with its subsidiaries, Board members and employees. Eastnine AB's management, Board members and their close relatives and related companies control 29.6 percent of voting rights in the Company, the majority of which is controlled by the East Capital Group. There has been no material related party transaction during the year.

Dividend and share buybacks
According to the current buyback program, buybacks may be carried out if the Eastnine share trades at a discount to its most recently reported Net Asset Value (NAV) per share in EUR. During the period 1 January through 31 December 2018, Eastnine repurchased 1,447,103 shares at an average price of SEK 90.37 per share. In May 2018, a total of 2,445,772 previously repurchased shares were cancelled. On 31 December 2018, the Company held 869,159 own shares in treasury, corresponding to 3.9 percent of total outstanding shares.

The total number of outstanding shares, including treasury shares, in Eastnine as of 31 December 2018 was 22,370,261. Adjusted for treasury shares, the number of outstanding shares was 21,501,102. The weighted average number of shares outstanding for the reporting period was 22,128,389, adjusted for share buybacks.

The AGM 2018 resolved to pay an ordinary dividend for 2017 of SEK 2.10, or EUR 0.21, per share and that the dividend is to be distributed semi-annually of SEK 1.05 per share and dividend occasion. The first dividend payment was made on 2 May 2018 and the second on 1 November 2018.

The Board will propose to the AGM 2019 an ordinary dividend for 2018 of SEK 2.30 per share, with semi-annual payments. The dividend corresponds to 2.0% of NAV/share and a year-on-year dividend growth of 10%, and translates into EUR 0.22 per share.

Commitments
Eastnine has a commitment to invest EUR 20m in East Capital Baltic Property Fund III. At 31 December 2018, EUR 17.6m had been drawn down by the fund, of which EUR 3.5m in 2018. The remaining commitment amounted to EUR 2.4m.

Accounting principles
This interim report has been prepared in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) 34 Interim Financial Reporting and applicable provisions in the Swedish Annual

Accounts Act (Årsredovisningslagen). The interim report for the Parent company has been prepared in accordance with the Swedish Financial Reporting Board's standard RFR 2 and the Swedish Annual Accounts Act Chapter 9, Interim report.

During the period 1 January 2014 – 30 June 2018, Eastnine AB applied the investment entity consolidation exception in IFRS 10, which implies that all holdings, including subsidiaries, are recognised at fair value through profit or loss. In reassessing Eastnine AB, it has been concluded that the Company no longer falls within the classification of an investment entity, as a majority of the portfolio (excluding cash) now consists of directly owned real estate assets. As of 1 July 2018, Eastnine Group reports consolidated financial statements of the parent company and its subsidiaries, including directly owned real estate subsidiaries. This change in status is accounted for prospectively.

Due to the change in status, changes in accounting principles are applied as of 1 July 2018, compared to the annual report 2017. As mentioned, the consolidated financial statements include the Parent Company and subsidiaries. For subsidiaries that were measured at fair value in accordance with IFRS 10, Business Combination (IFRS 3) is applied using the fair value of the investment on the date of the change of status as the deemed consideration transferred. Subsidiaries are consolidated prospectively from that date, which means that comparatives are not restated.

Intra-group receivables and liabilities, revenues or expenses and unrealised gains or losses arising from internal group transactions between group companies are eliminated in their entirety when the consolidated financial statements are prepared.

The holding in Melon Fashion Group (MFG) will continue to be measured, controlled and monitored based on fair value and accounted for as financial instruments at fair value through profit/loss, according to IFRS 9 and IAS 28 p.18-19. Properties are recognised at fair value, and value changes are recognised through profit or loss. Hedge accounting is not applied on interest rate swaps, instead the swaps are recognised at fair value through profit or loss. Loans and other financial debt are measured at amortised cost.

Deferred tax liability is reported in Eastnine Lithuania, where corporate income tax of 15% is applied. No corporate income tax is recorded in Estonia or Latvia as corporate income tax of 20% is levied only on distributed profits.

The separate financial statements of the Parent Company, Eastnine AB, are produced in accordance with RFR 2. The applied accounting principles appear in the applicable parts of the accounting principles for the group with the addition of valuation of shares in subsidiaries. Shares in subsidiaries are, from date of change in status to not being an investment entity, recognised at historical acquisition value and the value is regularly tested for impairment.

The new standards for financial instruments (IFRS 9) and revenue recognition (IFRS 15) have had no effect on how Eastnine recognises such items. The application of IFRS 16 Leases, from 2019, will mean that all leases, including rent for office facilities, are capitalised as assets and liabilities and that expenses consist of depreciation and interest. Eastnine rents office facilities in Stockholm to a minor extent and other leasing contracts will not either have a material effect.

Events after the end of quarter

Britt-Marie Nyman has been appointed as CFO and deputy CEO, assuming position no later than 1 August.

3Burės third tower was awarded LEED Platinum certification in February.

Acquisition of S7 office park in Vilnius comprising 42,500 sqm for a total consideration of EUR 128m.

The Company repurchased a total of 200,666 shares during the period 1 January – 13 Februari 2019, corresponding to 0.9 percent of the Company's outstanding shares, at an average price of SEK 98.85 per share.

The CEO certifies that the year-end report presents a true and fair view of the Company's and the Group’s operations, financial position and profits and describes the significant risks and uncertainties facing the Company and the Group.

Stockholm, 15 February 2019

Kestutis Sasnauskas
Chief Executive Officer

Review Report

To the Board of Eastnine AB (publ)

Corporate identity number 556693-7404

Introduction

We have reviewed the condensed interim financial information (interim report) of Eastnine AB (publ) as of 31 December 2018 and the twelve-month period then ended except for the proforma information on pages 1, 3, 5-7, 9 and 20. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of the Review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm 15 February 2019

KPMG AB

Peter Dahllöf
Authorized Public Accountant

This review report is a translation of the original review report in Swedish.

Financial Statements

Income Statement - Group

EUR thousands	2018[1] Jan-Dec	2017 Jan-Dec	2018[1] Oct-Dec	2017 Oct-Dec
Rental income	4 855	-	2 516	-
Property expenses	-631	-	-396	-
Net operating income	**4 225**	**-**	**2 120**	**-**
Central administration expenses	-1 677	-	-1 055	-
Interest expenses	-616	-	-350	-
Other financial income and expenses	369	-	369	-
Profit from property management	**2 302**	**-**	**1 085**	**-**
Unrealised changes in value of properties	4 538	-	863	-
Unrealised changes in value of derivatives	-276	-	-618	-
Unrealised changes in value of investments	5 881	-	6 941	-
Realised values and dividends from investments	2 953	-	2 928	-
Changes in fair value of subsidiaries and associated companies	1 035	17 583	-	15 829
Dividends received	930	1 497	-	997
Other income	119	892	-	183
Staff expenses	-880	-2 262	-	-716
Other operating expenses	-582	-1 259	-	-185
Financial income	683	749	-	199
Financial expenses	-40	-115	-	-53
Profit/loss before tax	**16 662**	**17 085**	**11 199**	**16 253**
Deferred tax	-1 021	0	-273	0
Net profit/loss for the period[2]	**15 641**	**17 085**	**10 925**	**16 253**
Earnings per share, basic and diluted, EUR	0,71	0,70	0,50	0,70

[1] For the twelve months 2018, the income statement period presents Eastnine as an investment entity during the first six months (marked grey) and as a consolidating real estate company for the last six months

[2] Net Profit/Loss for the period corresponds to Total Comprehensive income

Balance Sheet - Group

EUR thousands	2018[1] 31 Dec	2017[2] 31 Dec
ASSETS		
Non-current assets		
Intangible assets	6	-
Investment properties	158 862	-
Equipment	94	-
Shares in subsidiaries	-	153 963
Interests in associated companies	-	48 613
Other long-term securities holdings	92 898	-
Loans to group companies	-	25 100
Other non-current receivables	213	-
Total non-current assets	**252 074**	**227 676**
Current assets		
Short-term receivables	574	-
Accrued interest income	-	2 430
Prepaid expenses and accrued income	-	218
Cash and cash equivalents	65 119	13 168
Total current assets	**65 694**	**15 816**
TOTAL ASSETS	**317 767**	**243 492**
EQUITY AND LIABILITIES		
Equity		
Share capital	3 660	3 658
Other contributed capital	260 145	277 425
Retained earnings including other reserves	-38 626	-55 711
Net profit/loss for the year	15 641	17 085
Total Equity	**240 819**	**242 457**
Non-current liabilities		
Liabilities to credit institutions	64 474	-
Derivatives	957	-
Deferred tax liabilities	3 745	-
Other non-current liabilites	1 251	-
Total non-current liabilities	**70 427**	**-**
Current liabilities		
Liabilities to credit institutions	3 076	-
Other liabilities	2 645	180
Accrued expenses and deferred income	801	855
Total current liabilities	**6 521**	**1 035**
TOTAL EQUITY AND LIABILITIES	**317 767**	**243 492**

[1] Eastnine as a consolidating real estate company

[2] Eastnine as an investement entity

Statement of Changes in Equity - Group

EUR Thousands	Share capital	Other contributed capital	Retained earnings	Total equity
Opening equity 1 January 2018	**3 658**	**277 425**	**-38 626**	**242 457**
Net profit/loss for the period	-	-	15 641	15 641
Total comprehensive income	**-**	**-**	**15 641**	**15 641**
Bonus issue	3	-3	-	-
Dividend to shareholders	-	-4 451	-	-4 451
Share buy-back	-	-12 880	-	-12 880
Long-term incentive program (LTIP)	-	52	-	52
Closing equity 31 December 2018	**3 660**	**260 145**	**-22 985**	**240 819**

EUR Thousands	Share capital	Other contributed capital	Retained earnings	Total equity
Opening equity 1 January 2017	**3 655**	**299 613**	**-55 711**	**247 558**
Net profit/loss for the period	-	-	17 085	17 085
Total comprehensive income	**-**	**-**	**17 085**	**17 085**
Bonus issue	3	-3	-	-
Dividend to shareholders	-	-2 267	-	-2 267
Share buy-back	-	-19 920	-	-19 920
Closing equity 31 December 2017	**3 658**	**277 425**	**-38 626**	**242 457**

Statement of Cash Flow - Group

EUR thousands	2018 Jan-Dec	2017 Jan-Dec	2018 Oct-Dec	2017 Oct-Dec
Operating activities				
Operating income before tax	16 662	16 451	11 199	16 108
Adjustments not included in cash flow from operating activities	-10 979	-17 583	-7 178	-15 829
Income tax paid	0	-	0	-
Cash flow from current operations before changes in working capital	**5 682**	**-1 132**	**4 021**	**279**
Cash flow from changes in working capital				
Increase (-)/decrease(+) in other current receivables	457	210	519	252
Increase (+)/decrease(-) in other current payables	-4 322	-747	-313	-762
Cash flow from operating activities	**1 817**	**-1 669**	**4 227**	**-231**
Investing activities				
Investments in existing properties	-4 761	-	-1 897	-
Purchase of equipment	-17	-	-13	-
Cash flow from investing activities	**-4 778**	**-**	**-1 910**	**-**
Financing activities				
New loans	12 981	-	9 641	-
Loan to group company	-	-4 200	-	-2 200
Repayment of loans	-1 097	-	-592	-
Repayment of shareholder contributions	11 513	11 000	-	11 000
Dividend to shareholders	-4 451	-2 267	-2 211	-
Own share buy-back	-12 880	-19 920	-2 576	-6 088
Cash flow from financing activities	**6 066**	**-15 387**	**4 262**	**2 712**
Cash flow for the period	**3 105**	**-17 056**	**6 578**	**2 481**
Cash and cash equivalent at the beginning of the period	13 168	30 338	58 515	10 740
Effect of consolidating subsidiaries from 1 July 2018 [1]	48 869	-	-	-
Exchange rate differences in cash and cash equivalents	-22	-115	26	-53
Cash and cash equivalent at the end of the period	**65 119**	**13 168**	**65 119**	**13 168**

[1] Until 30 June 2018, cash in subsidiaries was included in the fair value of subsidiaries

Segment Reporting

Eastnine classifies and evaluates the Company's various segments based on the nature of the investments. Segments are presented from the point of view of management and are divided into the following segments: Real Estate Direct, Real Estate Funds and Other. The segment report for 2018 presents Eastnine as an investment entity during the first six months (marked grey) and as a consolidating real estate company for the last six months.

EUR thousands 1 Jan – 31 Dec 2018	Real Estate Direct	Real Estate Funds	Other	Unallocated	Total
Rental income	4 855	-	-	-	4 855
Property expenses	-631	-	-	-	-631
Net operating income	**4 225**	**-**	**-**	**-**	**4 225**
Central administration expenses	-	-	-	-1 677	-1 677
Interest expenses	-616	-	-	-	-616
Other financial income and expenses	351	-	-	18	369
Profit from property management	**3 960**	**-**	**-**	**-1 659**	**2 302**
Unrealised changes in value of properties	4 538		-	-	4 538
Unrealised changes in value of derivatives	-276		-	-	-276
Unrealised changes in value of investments	-	2 225	3 742	-86	5 881
Realised values and dividends from investments	-	687	2 266	-	2 953
Changes in fair value of subsidiaries and associated companies	2 196	1 886	-2 632	-415	1 035
Dividends received	-	-	930	-	930
Other income	-	41	79	-	119
Staff expenses	-	-	-	-880	-880
Other operating expenses	-	-	-	-582	-582
Financial income	683	-	-	-	683
Financial expenses	-	-	-	-40	-40
Profit/loss before tax	**11 100**	**4 839**	**4 384**	**-3 661**	**16 662**
Deferred tax	-1 021	-	-	-	-1 021
Net profit/loss for the period	**10 079**	**4 839**	**4 384**	**-3 661**	**15 641**
Value of properties	**158 862**	**-**	**-**	**-**	**158 862**
Value of securities holdings	**-**	**43 986**	**48 912**	**-**	**92 898**
Liabilities to credit institutions	**67 550**	**-**	**-**	**-**	**67 550**

EUR thousands 1 Jan – 31 Dec 2017	Real Estate Direct	Real Estate Funds	Other	Unallocated	Total
Changes in value of portfolio	6 695	4 140	5 699	-	16 534
Dividends received	-	1 067	990	-	2 057
Other operating expenses	-	-	-	-1 008	-1 008
Changes in fair value of subsidiaries and associated companies	**6 695**	**5 207**	**6 689**	**-1 008**	**17 583**
Dividends received	-	-	1 497	-	1 497
Other income	-	52	666	175	892
Staff expenses	-	-	-	-2 262	-2 262
Other operating expenses	-	-	-	-1 259	-1 259
Operating profit/loss	**6 695**	**5 259**	**8 851**	**-4 354**	**16 451**
Financial income	749	-	-	-	749
Financial expense	-	-	-	-115	-115
Profit/loss before tax	**7 444**	**5 259**	**8 851**	**-4 469**	**17 085**
Assets	**74 164**	**37 064**	**90 213**	**42 051**	**243 492**

Long-term securities holdings

As the holdings in the subsidiaries have until 30 June 2018 been presented on a see-through basis, the tables below reflect the fair value hierarchy in the investment activities, including the effect of change in accounting principles as at 1 July 2018.

EUR Thousands
31 December 2018

Breakdown of values in securities holdings	Real Estate Direct	Real Estate Funds	Other	Cash and bank	Other assets and liabilities	Total
Opening balance 1 January 2018	71 734	37 064	90 213	27 957	708	227 676
Accrued interest expense converted to group loan	2 427	-	-	-	-	2 427
Purchases/additions	29 725	3 451	-	-33 176	-	-
Divestments/Reductions	-	-	-42 411	42 411	-	-
Repayment of loan from group companies	-14 000	-	-	14 000	-	-
Other	-	-	-	221	-636	-415
Dividend received	-	-	-	640	-	640
Changes in fair value recognised net in profit/loss	-	3 471	1 109	-	-	4 580
Change in accounting principles as at 1 July 2018	-89 887	-	-	-52 052	-72	-142 011
Closing balance 31 December 2018	**-**	**43 986**	**48 912**	**-**	**-**	**92 898**

EUR Thousands
31 December 2017

Breakdown of values in subsidiaries and associated companies including loans to group companies	Real Estate Direct	Real Estate Funds	Other	Cash and bank	Other assets and liabilities	Total
Opening balance 1 January 2017	28 739	36 656	99 631	53 201	-1 334	216 893
Purchases/additions	36 300	6 033	1 324	-39 457	-	4 200
Divestments/Reductions	-	-9 765	-16 441	26 206	-	-
Other	-	-	-	-2 410	1 402	-1 008
Repaid shareholders contributions	-	-	-	-11 000	-	-11 000
Dividend received	-	-	-	1 917	640	2 557
Dividend paid to parent company	-	-	-	-500	-	-500
Changes in fair value recognised net in profit/loss	6 695	4 140	5 699	-	-	16 534
Closing balance 31 December 2017	**71 734**	**37 064**	**90 213**	**27 957**	**708**	**227 676**

Real Estate Funds consists of holdings in East Capital Baltic Property Fund II and East Capital Baltic Property Fund III and Other consists of the holdings in Melon Fashion Group (MFG). These holdings are valued externally normally at year-end, and the fair value of the holdings is assessed on a quarterly basis. More information on the holdings, including fair value changes during the period, can be found on page 10 in this report.

Holding	Class	Valuation method	Valuation assumptions
East Capital Baltic Property Fund II	Real Estate Funds	DCF	WACC 8-12%, Exit yield 6-8%
East Capital Baltic Property Fund III	Real Estate Funds	DCF	WACC 8-9%, Exit yield 7-8%
Melon Fashion Group	Other	DCF	Long-term growth 3.5%, Long term operating margin 10.9%, WACC 16.4%. A 25% minority and liquidity discount is applied

Discounted Cash Flow model (DCF), weighted average cost of capital (WACC)

For the fair values of Real Estate Funds and Other - reasonably possible changes at the reporting date to one of the significant unobservable inputs, provided other inputs constant, would have the following effects:

Effect in EUR thousands 31 December 2018 Sensitivity analysis	Real Estate Funds Fair value Increase	 Decrease	Other Fair value Increase	 Decrease
Exit yield (0.5% movement)	-2 007	2 315	-	-
Weighted average cost of capital (WACC) (movement 0.5% on funds and 1.0% on Other)	-887	903	-3 905	4 581
Long term growth rate (0.2% movement)	-	-	520	-505
Long term operating margin (0.5% movement)	-	-	1 464	-1 465

The following table analyses securities holdings measured at fair value in compliance with level 3. Derivatives are measured continuously at fair value according to level 2. Changes in fair value are recognised in profit and loss.

EUR thousands
31 December 2018

Changes in financial assets and liabilities in Level 3	Real Estate Direct	Real Estate Funds	Other	Total
Opening balance 2018	74 164	37 064	48 613	159 840
Purchases/additions	29 725	3 451	-	33 176
Repayment of loan from group companies	-14 000	-	-	-14 000
Changes in fair value recognised net in profit/loss	2 878	3 471	299	6 649
Change in accounting principles as at 1 July 2018	-92 767	-	-	-92 767
Closing balance 31 December 2018	**-**	**43 986**	**48 912**	**92 898**

EUR thousands 31 December 2017 Changes in financial assets and liabilities in Level 3	Real Estate Direct	Real Estate Funds	Other	Total
Opening balance 2017	30 419	36 656	50 039	117 114
Purchase/additions	36 300	6 033	-	42 333
Divestments/Reductions	-	-9 765	-7 026	-16 791
Changes in fair value recognised net in profit/loss	7 444	4 140	5 600	17 184
Closing balance 31 December 2017	74 164	37 064	48 613	159 840

EUR 6 649 thousands (EUR 16,408 thousands) of changes in fair value recognised net in profit/loss relate to investments still held at the end of the period.

Sensitivity analysis - Properties

31 December 2018 Change in property value	Impact on pre-tax profit, EURt	Equity / asset ratio, %	Loan-to-value ratio, %
+1%	1 589	75,9%	42,1%
0	0	75,8%	42,5%
-1%	-1 589	75,7%	43,0%

Earnings and key ratios are affected by realised and unrealised changes in the value of properties. The table shows the effect of a 1 percentage point change in value before deferred tax deduction.

31 December 2018 Cash flow and earnings	Change	Effect, EURt
Rental income, total	1%	101
Property expenses	1%	16
Interest expense	1 percentage point	N/A

The sensitivity analysis shows the effects on the Group's cash flow and earnings on an annualised basis after taking into account of the full effect of each parameter. The effect from change in interest rates is zero as currently 100% of the interest is fixed using fixed-interest derivates.

Income Statement - Parent Company

EUR thousands	2018 Jan-Dec	2017 Jan-Dec	2018 Oct-Dec	2017 Oct-Dec
Changes in fair value of subsidiaries	4 477	9 867	-	5 807
Changes in fair value of securities holdings	300	7 716	5 447	10 022
Dividend received	3 196	1 497	2 266	997
Other income	167	892	22	183
Operating expenses	-2 750	-3 521	-789	-901
Operating profit/loss	**5 390**	**16 451**	**6 947**	**16 108**
Financial income	1 376	749	347	198
Financial expense	-22	-115	26	-53
Profit/loss before tax	**6 744**	**17 085**	**7 320**	**16 253**
Income tax	-	-	-	-
Net profit/loss for the period	**6 744**	**17 085**	**7 320**	**16 253**

Balance Sheet - Parent Company

EUR thousands	2018 31 Dec	2017 31 Dec
ASSETS		
Fixed assets		
Shares in subsidiaries	146 946	197 747
Other long-term securities holdings	48 912	-
Loans to group companies	27 527	22 900
Total non-current assets	**223 385**	**220 647**
Current assets		
Other receivables	2	5
Accrued interest income	1 376	2 231
Prepaid expenses and accrued income	74	465
Cash and cash equivalents	7 898	10 740
Total current assets	**9 350**	**13 441**
TOTAL ASSETS	232 736	234 088
EQUITY AND LIABILITIES		
Equity		
Restricted capital		
Share capital	3 660	3 658
Unrestricted capital		
Share premium reserve	260 145	283 513
Retained earnings including other reserves	-38 626	-55 711
Net profit/loss for the year	6 744	832
Total equity	**231 922**	**232 292**
Current liabilities		
Other liabilities	270	378
Accrued expenses and deferred income	543	1 418
Total current liabilities	**814**	**1 796**
TOTAL EQUITY AND LIABILITIES	232 736	234 088

PRO-FORMA

As of 1 July 2018, Eastnine Group reports consolidated financial statements of the parent company and its subsidiaries, including directly owned real estate subsidiaries. This change in status is accounted for prospectively, meaning that historic numbers have not been restated in the actual financial statements. However, consolidated pro-forma numbers for the period Q1 2017 - Q2 2018 are presented below for comparative purposes. The pro-forma consolidations are based on the actual subsidiaries and holdings within the group during the comparative periods.

Income Statement - Group

EUR thousands	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Rental income	2 516	2 339	2 282	1 993	1 634	1 657	1 325	1 088
Property expenses	-396	-235	-249	-562	-745	-327	-287	-309
Net operating income	**2 120**	**2 104**	**2 034**	**1 431**	**888**	**1 330**	**1 038**	**779**
Central administration expenses	-1 055	-621	-1 008	-702	-991	-1 115	-1 116	-932
Interest expenses	-350	-266	-319	-278	-219	-216	-220	-253
Other financial income and expenses	369	0	20	-299	-86	-15	-138	-79
Profit from property management	**1 085**	**1 217**	**727**	**151**	**-408**	**-16**	**-435**	**-485**
Unrealised changes in value of properties	863	3 675	945	-	4 546	-	-	-
Unrealised changes in value of derivatives	-618	342	-372	-134	306	474	-	-
Unrealised changes in value of investments	6 941	-1 060	-2 233	37	10 181	2 263	-5 945	3 076
Realised values and dividends from investments	2 928	25	1 668	781	2 368	875	1 098	195
Profit before tax	**11 199**	**4 199**	**735**	**836**	**16 992**	**3 596**	**-5 282**	**2 786**
Deferred tax	-273	-748	-182	-125	-739	-95	-101	-73
Net profit/loss for the period	**10 925**	**3 451**	**553**	**711**	**16 253**	**3 501**	**-5 383**	**2 713**

Condensed Balance Sheet - Group

EUR thousands	31 Dec 2018	30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017
ASSETS								
Investment properties	158 862	156 102	122 843	121 995	92 395	89 455	89 385	60 880
Development properties	-	-	26 721	19 768	15 110	10 248	8 674	7 439
Long-term securities holdings	92 898	85 957	86 932	92 769	127 277	129 645	123 009	131 653
Other non-current assets	313	296	419	430	335	457	505	150
Total non-current assets	**252 074**	**242 356**	**236 915**	**234 961**	**235 116**	**229 806**	**221 572**	**200 122**
Other receivables	574	1 105	1 014	5 331	1 652	578	542	501
Cash and cash equivalents	65 119	58 515	63 558	56 497	44 991	41 918	50 467	86 209
Total current assets	**65 694**	**59 620**	**64 572**	**61 827**	**46 642**	**42 495**	**51 009**	**86 710**
TOTAL ASSETS	317 767	301 976	301 487	296 789	281 759	272 301	272 581	286 831
EQUITY AND LIABILITIES								
Share capital	3 660	3 660	3 660	3 658	3 658	3 658	3 658	3 657
Other contributed capital	260 145	262 666	266 007	274 982	280 027	286 115	290 253	295 536
Retained earnings incl. net profit/loss for the year	-22 986	-33 911	-37 362	-40 518	-41 228	-57 481	-60 984	-53 334
Total shareholders' equity	**240 819**	**232 415**	**232 305**	**238 122**	**242 457**	**232 292**	**232 927**	**245 858**
Liabilities to credit institutions	64 474	55 772	54 638	48 534	30 727	32 545	32 545	32 545
Derivatives	957	339	682	309	176	315	239	893
Deferred tax liabilities	3 745	3 472	2 724	2 542	2 417	1 678	1 584	1 483
Other non-current liabilites	1 251	2 338	2 045	1 745	893	595	699	637
Total non-current liabilities	**70 427**	**61 921**	**60 089**	**53 130**	**34 213**	**35 133**	**35 067**	**35 559**
Liabilities to credit institutions	3 076	2 729	1 029	1 533	1 818	455	909	1 364
Other liabilities	3 445	4 911	8 065	4 003	3 270	4 422	3 678	4 051
Total current liabilities	**6 521**	**7 640**	**9 094**	**5 536**	**5 088**	**4 876**	**4 587**	**5 415**
TOTAL EQUITY AND LIABILITIES	317 767	301 976	301 487	296 789	281 759	272 301	272 581	286 831

Key metrix

	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Property-related								
Leasable area, sqm t	62,8	62,7	49,4	49,4	37,8	37,8	37,8	28,4
Number of properties	5	5	5	5	3	3	3	2
Property value, EUR t	158 862	156 102	149 564	141 762	107 505	99 703	98 059	68 319
Surplus ratio, %	84,3%	90,0%	89,1%	71,8%	54,4%	80,3%	78,4%	71,6%
Floor space occupancy rate, %	88,8%	97,5%	99,6%	99,6%	97,0%	98,1%	97,6%	96,1%
Average rent, EUR/sqm/month	14,5	14,3	14,5	14,5	13,8	13,8	13,5	12,7
WAULT, years	2,8	2,8	1,9	2,2	2,5	2,4	2,6	2,3
Property yield, investments properties %	6,0%	6,8%	6,9%	5,4%	4,1%	6,1%	5,7%	5,3%
Financial								
Rental income, EUR t	2 516	2 339	2 282	1 993	1 634	1 657	1 325	1 088
Net operating income, EUR t	2 120	2 104	2 034	1 431	888	1 330	1 038	779
Profit from property management, EUR t	1 085	1 217	727	151	-408	-16	-435	-485
LTV (loan-to-value) ratio, %	42,5%	37,5%	37,2%	35,3%	30,3%	33,1%	34,1%	49,6%
Equity / asset ratio, %	75,8%	77,0%	77,1%	80,2%	86,1%	85,3%	85,5%	85,7%
Interest coverage ratio, multiple	4,1x	5,6x	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Average interest rate, %	2,3%	2,2%	2,4%	2,5%	2,7%	2,6%	2,6%	3,0%
Return on equity, Real Estate Direct, %	9,8%	24,1%	9,9%	4,5%	29,2%	9,9%	6,6%	6,5%
Return on equity, %	18,5%	5,9%	0,9%	1,2%	27,4%	6,0%	-9,0%	4,4%
Share-related								
Net asset value (NAV), EUR t	240 819	232 415	232 305	238 122	242 457	232 292	232 927	245 858
EPRA NAV, EUR t	245 521	236 226	235 711	240 974	245 050	234 285	234 749	248 234
Market capitalisation, EUR t	205 052	199 448	200 467	211 057	206 348	192 881	181 864	193 493
Market capitalisation, SEK t	2 078 197	2 060 301	2 093 856	2 173 884	2 028 711	1 861 202	1 749 530	1 854 048
Number of shares outstanding at the end of the period	22 370 261	22 370 261	22 370 261	24 816 033	24 816 033	24 816 033	24 816 033	25 661 563
Number of shares outstanding at the end of the period, adjusted for repurchased shares	21 501 102	21 795 139	22 163 961	22 370 261	22 948 205	23 723 020	24 300 033	24 999 639
Weighted average number of shares, adjusted for repurchased shares	22 128 389	22 289 825	22 453 671	22 590 768	24 334 377	24 669 783	24 998 136	25 381 932
Earnings per share, EUR	0,50	0,16	0,02	0,03	0,70	0,15	-0,22	0,11
Dividend per share, EUR[2]	0,22	-	-	-	0,21	-	-	-
NAV per share, EUR	11,20	10,66	10,48	10,64	10,57	9,79	9,59	9,83
NAV per share, SEK	113,5	110,2	109,5	109,6	103,9	94,5	92,2	93,9
EPRA NAV per share, EUR	11,42	10,84	10,63	10,77	10,68	9,88	9,66	9,93
EPRA NAV per share, SEK	115,7	112,0	111,1	111,0	105,0	95,3	92,9	94,8
Share price, EUR[1]	9,17	8,92	8,96	8,50	8,32	7,77	7,33	7,57
Share price, SEK[1]	92,90	92,10	93,60	87,60	81,75	75,00	70,50	72,25
Other								
SEK/EUR	10,14	10,33	10,44	10,30	9,83	9,65	9,62	9,55
Number of employees	13	14	13	12	11	10	11	10
Basis for key metrix								
EPRA NAV								
Equity	240 819	232 415	232 305	238 122	242 457	232 292	232 927	245 858
Add back derivatives	957	339	682	309	176	315	239	893
Add back recognised deferred tax	3 745	3 472	2 724	2 542	2 417	1 678	1 584	1 483
	245 521	**236 226**	**235 711**	**240 974**	**245 050**	**234 285**	**234 749**	**248 234**
Interest coverage ratio, multiple								
Profit from property management	1 085	1 217	727	151	-408	-16	-435	-485
Interest expenses	350	266	319	278	219	216	220	253
Profit before interest expenses	**1 434**	**1 483**	**1 046**	**429**	**-189**	**201**	**-215**	**-232**
Coverage multiple	4,1x	5,6x	3,3x	1,5x	-0,9x	0,9x	-1,0x	-0,9x

[1] Not adjusted for dividend
[2] Proposed dividend for 2018, SEK 2.30 per share corresponding to EUR 0.22 per share

The above key ratios are deemed to be relevant for the type of operations conducted by Eastnine and to contribute to an increased understanding of the financial report.

Definitions

Eastnine applies European Securities and Markets Authority (ESMA) guidelines on alternative performance measures. According to these guidelines, an alternative performance measure is a financial metric of historical or future earnings performance, financial position, financial results or cash flows, which is not defined or stated in applicable rules for financial reporting (IFRS and the Swedish Annual Accounts Act).

Property related Key Figures

Average capital tie-up period
Average maturity of gross debt at end of period.

Average rent, EUR per sq.m
Rental income in relation to average leasable floor space.

Earnings capacity
Key figures of properties owned at the end of the period, based on performance over the last 12 months or estimates for properties held less than 12 months. The figures provide an overview but is not a forecast.

Floor space occupancy/vacancy rate
Let/unlet floor space in relation to total leasable floor space.

Gross leasable floor space (GLA)
Total gross floor space available for leasing.

Property yield, investment property
Net operating income for the period (annualised) divided by average value of investment properties.

Rental income
Charged rents, rent surcharges and rental guarantees less rent discount.

Rental value
Rental income and estimated market rent for vacant units.

Surplus ratio
Net operating income in relation to total rental income.

WAULT
Average remaining lease term to maturity of the portfolio weighted according to contracted rental income (Weighted average unexpired lease term).

Financial Key Figures

Average interest rate
Interest expense divided by average interest-bearing debt (liabilities to credit institutions) for the period.

EBIT
Operating profit after depreciation/ amortisation of non-current assets (Earnings before Interest and Tax).

EBITDA
Profit before depreciation, amortisation and impairment (Earnings before Interest, Tax, Depreciation and Amortisation).

Equity ratio
Total equity as a percentage of total assets.

Fair value
See market value.

Interest coverage ratio
Profit from property management excluding interest expenses, in relation to interest expenses.

IRR (internal rate of return)
Annual average return on the invested amount calculated from the original investment, final selling amount and other capital flows, considering when in time these payments were made to or from Eastnine.

LTV (Loan-to-value) ratio
Liabilities to credit institutions divided by property value.

Market value
The value of which a holding is assumed to be able to be sold for at a given time. Listed holdings at the bid quote on the balance sheet date. To establish the market value of unlisted holdings, various valuation methods are used as applicable.

NAV discount
The difference between net asset value (NAV) and market capitalisation in relation to NAV. If market cap is lower than NAV the shares are traded with a NAV discount; if market cap is higher, they are traded with a premium.

Return on equity
Profit/loss for the period (annualised) as a percentage of average shareholders' equity.

Return on equity, Real Estate Direct
Profit/loss for the period (annulised) from segment Real Estate Direct as a percentage of average equity in Real Estate Direct.

Share-related Key Figures

Average number of outstanding shares
Registered number of shares less shares held by the Company.

Earnings per share
Net profit for the period attributable to equity holders of the Parent Company, divided by average number of shares outstanding during the year.

EPRA NAV
Total shareholders equity including derivatives and deferred tax liabilities

Equity per share
Shareholders' equity, attributable to equity holders of the Parent Company, divided by number of outstanding shares at the end of the period.

NAV (Net Asset Value)
Total shareholders equity

NAV per share
Net asset value per share in relation to the total number of registered shares on the balance sheet date (excluding repurchased shares).

Share buy-back
Purchasing of own shares on the stock market. Swedish companies have the option to own up to 10 percent of their own outstanding shares conditioned AGM approval.

Financial information and calendar

Annual Report 2018 – week 12 2019
Interim report Q1 2019 – 15 May 2019
Interim report Q2 2019 – 17 July 2019
Interim report Q3 2019 – 8 November 2019
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The information in this interim report is the information which Eastnine AB is required to disclose under the EU Market Abuse Regulation and the Securities Markets Act. It was released for publication at 08.00 a.m.

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